

Ballparks
as Urban Anchors
Livingston Case Studies
in Urban Development



PennIUR
PENN INSTITUTE *for* URBAN RESEARCH

Ballparks as Urban Anchors

Livingston Case Studies in Urban Development

Penn Institute for Urban Research
University of Pennsylvania
Philadelphia, PA

Eugénie L. Birch, Cara Griffin, Chau Lam

Contents

| | |
|---|----|
| Introduction | 1 |
| Case 1. Cleveland Indians: Progressive Field | 3 |
| Case 2. Philadelphia Phillies: Citizens Bank Park | 11 |
| Case 3. Washington Nationals: Nationals Park | 17 |
| References | 23 |

Introduction

Baseball parks not only provide centers for sports and other civic activities, but also have the capacity to build wealth for their local economies. In this regard, they act as “urban anchors” – geographically rooted entities that offer the jobs, services, entertainment options, social centers, and other necessities and amenities that make urban life attractive. Penn IUR has produced this compilation of case studies on ballparks as part of our broader effort to build scholarship on the role of urban anchors. Together, these case studies illuminate many of the issues with which baseball teams grapple in engaging with their cities.

We believe that sharing the challenges and debates that these institutions have tackled will help students of public policy at all levels understand the kinds of hurdles – both internal and external – that baseball teams face in engaging with their cities. Our hope is that this improved understanding will facilitate coordination among all parties involved in creating mutually beneficial relationships.

Penn IUR is a leader in research into anchor institutions. Penn IUR Co-Directors Eugenie Birch and Susan Wachter are among the co-founders of the National Anchor Institution Task Force, an organization that develops and disseminates knowledge that helps create mutually beneficial anchor institution/community partnerships. Through the Penn IUR Roundtable on Anchor Institutions (PRAI), Penn IUR has convened numerous anchor institution leaders, their civic collaborators, and technical experts for intense, day-long roundtable discussions. The case studies

presented here originated with materials and discussions at PRAI 2011 and reflect the challenges the institutions were contending with at that time.

Ballparks

Ballparks as Urban Anchors examines how ballparks can anchor urban revitalization, focusing on ballparks as entertainment centers, sources of community pride, and redevelopment catalysts. Penn IUR has gathered here case studies of three such facilities.

These cases are intended to be used as a teaching tool to explore the relationships between ballparks and the cities in which they are located. They ask readers to explore questions such as: In what ways do ballparks contribute to their neighborhoods, cities, and regions? How do these benefits balance the use of public monies in building these facilities? How can new or renovated ballparks catalyze development beyond the building site? How can teams engage the local community to help transform urban areas in ways that benefit both the team and the community? These materials are meant to spark conversation and discussion among students of policy at all levels in urban studies, arts administration, and other related fields.

The **Cleveland Indians: Progressive Field** case discusses the hurdles the Indians’ leadership faced in engaging the public sector to envision, design, and identify funding for ballpark renovations.

The **Philadelphia Phillies: Citizens Bank Park** case examines the decision-making process that resulted in the Phillies 2004 move to Citizens Bank Park.

The **Washington Nationals: Nationals Park** case explores the relationship between a relatively young ball team and a neighborhood in transition and asks what a mutually beneficial co-evolution might look like.

Nationals cases. Penn IUR's **Chau Lam** researched and wrote the Philadelphia Phillies case.

Acknowledgements

This research would not have been possible without the generous financial support of Lawrence Nussdorf and John Livingston.

Lawrence Nussdorf's contributions made possible Penn IUR's Roundtable on Anchor Institutions (PRAI), which convenes leaders of anchor institutions to discuss common issues, including (among others) leaders of the Cleveland Indians, Washington Nationals, and Philadelphia Phillies in 2011.

John Livingston supported the research and development of these case studies.

Contributors

Penn IUR Co-Director **Eugenie L. Birch** spearheads Penn IUR's anchor institution research; she convened and moderated PRAI discussions, and directed research and writing of these case studies. **Cara Griffin**, Penn IUR Editor and Publications Manager, coordinated the development of these case studies and researched and wrote the Cleveland Indians and Washington

Case 1. Cleveland Indians: Progressive Field Cleveland, Ohio

Introduction

Progressive Field belongs to the generation of downtown baseball parks built to bring fans to teams and attention and investment to cities. When it opened in 1994, Progressive Field (then Jacobs Field) was a state-of-the-art facility. But in the two decades after it opened, it grew to need renovations: not only predictable maintenance work, but also improvements to update ballpark infrastructure and align revenue-generation opportunities with the Cleveland market and modern fan preferences. Over this same period, the city and region in which it was built changed: the Fortune 500 companies that once bought luxury suites left, the local and regional job base shrank, and the city and regional population from which it drew fans grew smaller.

This case explores the hurdles the Cleveland Indians' leadership were facing when they took part in PRAI 2011. It asks readers to consider how to engage the public sector to envision, design, and identify funding for ballpark renovations.

Case Summary

Development Timeline

Early efforts to Secure a New Stadium

In the 1980s, when efforts to develop a new stadium for the Cleveland Indians began, the team played at Cleveland Municipal Stadium, located on the shore of Lake Erie. This facility had been built in 1932 to house both the Cleveland Indians baseball team as well as the National Football League's Cleveland Browns. As such, it was one of the nation's first multi-purpose facilities. The Indians began playing in Cleveland Municipal Stadium full time in 1949.

Cleveland Municipal Stadium suffered from a number of drawbacks that were common to big, multi-purpose stadiums: its enormous size made even large crowds of baseball fans seem small; views from many seats were poor; and the concrete construction lacked character. Additionally, the stadium did not age well; by the 1980s it was in visible disrepair, with concrete falling off the facade.

Despite the fact that the facility was clearly deteriorating and needed to be replaced, voters in Cuyahoga County (for which Cleveland is the county seat) defeated in 1984 a property tax increase intended to finance the development of a new, downtown stadium that would have

housed both the Indians and the Browns. After that defeat, business and civic leaders came together to form an alternate plan. Working through “Cleveland Tomorrow” – a civic organization that had been formed several years earlier to support the city’s “long-term economic health” – this group floated another plan for a shared stadium, this time to be financed by “sin tax” on alcohol and cigarettes. This plan, however, floundered before it ever came to a vote.

The Gateway Sports and Entertainment Complex

Things changed in 1990 when the concept of a complex of sports facilities with both public and private financing gained sufficient political and popular support to move forward. In that year, voters approved a new fifteen-year sin tax on alcohol and cigarettes to finance what would be called the *Gateway Sports and Entertainment Project*. This complex would include a new ballpark for the Indians (Progressive Field, originally called Jacobs Field), a new basketball arena for the Cleveland Cavaliers (Quicken Loans Arena, originally called Gund Arena), as well as two parking garages and a public plaza (Gateway Plaza) that would be situated between the ballpark and the arena. Financed with a combination of public money (from the sin tax) and private money (primarily from the teams’ owners), the complex would be owned and managed by the Gateway Economic Development Corporation. This nonprofit corporation was created by the City of Cleveland and Cuyahoga County to manage the

complex and to lease the ballpark and the arena to the teams; its board members were appointed by the city and the county. Construction of the ballpark began in 1992 and was complete in time for the 1994 season.

Supporters sold this effort as a downtown revitalization project that would leverage private investment. This argument was buttressed by the fact that, during the campaign for the tax increase, Major League Baseball implied that it would move the team out of Cleveland if a new facility was not built. Though supporters promised that the project would transform downtown, no detailed downtown revitalization plan existed in 1990 and no leases – or even Memorandums of Understanding – with the two teams were in place and the teams had not been asked to make specific investments to support downtown (Rosentraub 2009).

Despite this, voters approved the financing plan, though very narrowly: only a 51.6 percent majority voted in support of the plan. The vote was a county vote and most support came from the suburbs, not the city, although project would be built in the city.

Because public financing was approved *before* commitments from the teams were in place, the public sector was put in a very weak position when it came time to negotiate the leases in 1991 (a situation that would eventually lead to lease re-negotiation) (Rosentraub 2009, 2011). As a result, the original leases with the Cleveland Indians and the Cavaliers were very favorable to teams: the city and county were responsible for facility maintenance and most construction costs, while the teams’

responsibilities varied with ticket sales (which were very good in the first several years after building the facilities, but not as good subsequently) (Rosentraub 2009).

Lease Re-Negotiation

In 2004, the leases were re-negotiated with terms much more favorable to the city and the county (Rosentraub 2009, 2011). According to the terms of these leases, the teams were responsible for maintenance costs under \$500,000 and the public for capital costs over \$500,000. It is important to note that maintenance costs could not be aggregated; as an illustration, if multiple seats needed to be replaced, the responsibility was determined per seat rather than aggregating the costs of replacing all seats. Due to this stipulation, the \$500,000 threshold beyond which the public sector is responsible had not been crossed as of PRAI 2011 (Penn IUR Staff notes 2011).

The timing of the lease re-negotiation had repercussions. Both the Indians and the Cavaliers were sold to new owners in the early 2000s with the *original* leases – i.e. those that were quite favorable to the teams – in place. The new team owners took those original leases into account when determining the values of the teams. When the previous owners sold the teams they profited considerably and so, when it became necessary to re-negotiate the leases, the new owners were in an unfavorable position. As a result, the re-negotiated leases were more favorable to the city and county.

Still, the leases did lay out significant responsibilities for the city

and county: as noted, the public sector was made responsible for maintenance costs over \$500,000 (the replacement of an escalator, for example, would be a public sector responsibility). But team leaders expressed during PRAI 2011 their concern about the fact that a revenue stream for such costs had not been identified. Further, they believed that neither the general public nor elected officials were aware that these costs were legally a public responsibility. They feared that when a major capital expenditure became necessary and public money had to be found, that public officials would balk at finding a source of funding and that the Cleveland Indians might then come under pressure to cover such costs, even though these costs would exceed their responsibilities under the existing leases. This they did not want to do, especially since – with the re-negotiation of the leases – they had already taken on more financial responsibility than they anticipated when buying the team (Penn IUR Staff notes 2011).

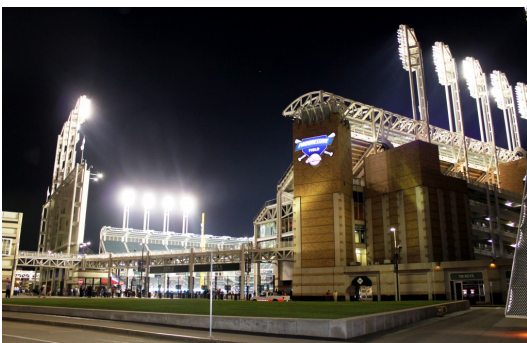
Financing

The ballpark cost approximately \$193 million, which came from public and private sources. About 73.6 percent of the cost came from the public sector, with the remainder coming from the team.

Design

Designed by HOK Sport (now “Populous”), the ballpark was built in the quirky, downtown style that became popular in the 1990s after the

development of Baltimore's Camden Yards. The park's field and fences are asymmetrical, it incorporates exposed steel design, and nineteen tall light towers illuminate a Kentucky bluegrass field. Sited to offer views of the Cleveland skyline, the ballpark contained about 45,000 seats and 130 luxury suites. In 2008, it was voted best ballpark by fans in a *Sports Illustrated* poll. In 1995, *Money* magazine said it offered the best value for fans. The Indian's leadership felt strongly that fans viewed Progressive Field quite favorably, believing it to be in good condition. They regularly received positive feedback from visitors (Penn IUR Staff notes 2011).



View of field, above, and ballpark at night, below.

Local and Regional Context

City and Region

Cleveland is the county seat of northeastern Ohio's Cuyahoga County and the principal city in the Cleveland-Elyria-Mentor Metropolitan Statistical Area (MSA). Its location on the shores of Lake Erie supported its growth as a major industrial center in the late nineteenth and early twentieth centuries.

It continued to prosper into the 1950s with the success of the auto industry, but as of PRAI 2011 the city and region had been on the decline since the second half of the twentieth century. This can be in part attributed to a decline in the manufacturing sector; to factors that contributed to suburbanization nationally (such as federal investment in interstate highways); and to the city's negative image (with an increase in racial tensions, including two riots, during the 1960s and 1970s and the fact that the Cuyahoga River caught fire in the 1960s also contributing). While both the city and county lost population, the city's population declined much more quickly. Population in downtown Cleveland rebounded somewhat during the 1990s and early 2000s, although the city overall lost residents.

Along with many other midwestern areas, greater Cleveland suffered particularly from the recession. In 2011, the U.S. Labor Department reported that Cleveland had the third-largest loss of jobs in the country over the September 2010 to September 2011 year.

Downtown

Downtown Cleveland's population shrank with that of the rest of the city during much of the latter half of the twentieth century, but grew over the last decade of the twentieth and first decade of the twenty-first century (increasing by over 32 percent between 1990 and 2000). This positive trend has been attributed in part to public-private redevelopment projects spearheaded by city, county, and business leaders during the 1990s. In addition to the Gateway Complex, these included the Rock and Roll Hall of Fame (1995), the Great Lakes Science Center (1996), and a new Browns Stadium (1999). The Gateway Project was one of the first.

In *Major League Winners: Using Sports and Cultural Centers as Tools for Economic Development*, Mark Rosentraub notes that these redevelopment projects were scattered around the city rather than concentrated in one area (2009). All were heavily publicly subsidized. While the benefits of these projects were uncertain at first, after a decade Rosentraub noted benefits:

- Private sector investment increased after these big public-private redevelopment projects were built. While direct causality cannot be proven – because too many other factors influence investment – he suggests these public investments likely created confidence in the private sector.
- New leases with the Indians and the Cavaliers helped create a better agreement from the public point of view for the Gateway Project.

- Regional cooperation improved, with the county holding more responsibility than the city for the public portion of the costs of the downtown projects.
- Business leaders acted as major players, working in ways that benefitted not just their own corporations, but northeast Ohio generally.

Downtown Redevelopment

As noted, downtown Cleveland had gained population since 1990 even as the city and county lost population. Additional development projects underway during PRAI 2011 were expected to influence downtown's future (Rosentraub 2011); these included a casino, a convention center/medical mart, the Flats East Bank mixed-use waterfront neighborhood, and the possible redevelopment of the waterfront North Coast Harbor district (where the Great Lakes Science Center, the Rock and Roll Hall of Fame, and the new Cleveland Browns Stadium clustered). Of these, the \$600 million Casino and \$465 million convention center/medical mart would lie closest to the ballpark and were anticipated to affect the Cleveland Indians most profoundly (Penn IUR Staff notes 2011).

Plans for the *convention center/medical mart*, which was scheduled to open in Fall 2013, included showrooms for medical products and services as well as conference facilities. The project, which was primarily publicly funded through a county-wide sales tax increase, was drawing criticism because of the size of the public

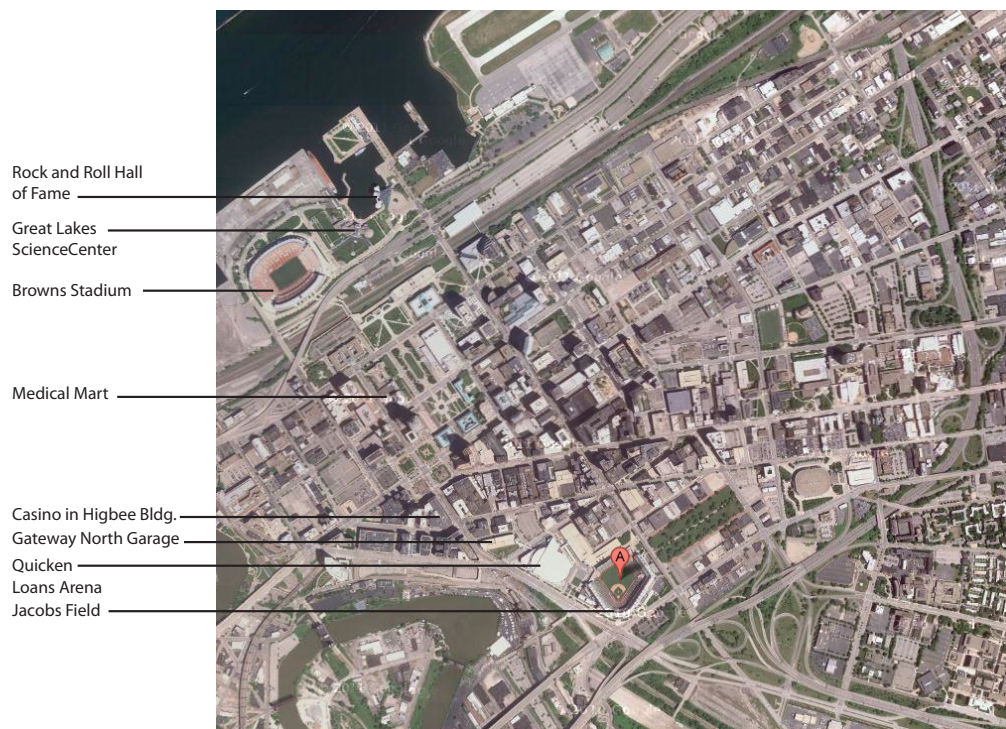
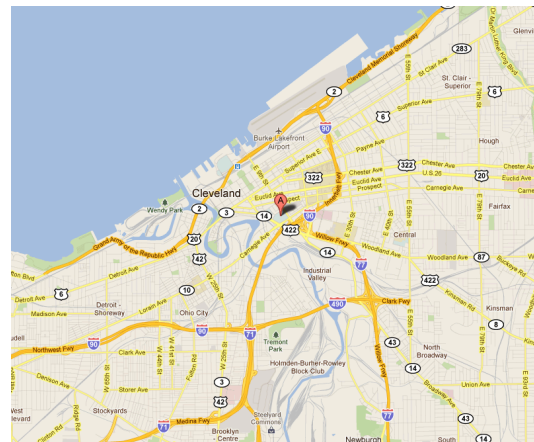
investment projected and the fact that it was the first facility of its kind and so was untested. Supporters argued that it would bolster Cleveland's already strong medical sector and bring more people into the city and downtown.

Caesar's Horseshoe Casino was expected to open in March 2012. Dan Gilbert, majority owner of the Cavaliers, owned that project. Plans for the Casino showed how close it would lie to the Gateway Project, in the historic Higbees building, built in 1931. (In fact, the Casino bought one of the underused Gateway garages; at the time of PRAI 2011, plans for a connection from the garage to the Casino via a skywalk was pending state and federal review of the historic preservation repercussions.)

The Casino's owners and supporters argued that it would attract up to 5 million visits a year and that it would bring vitality to downtown; supporters pointed out

that it was designed without restaurants and hotels so that visitors would spend money at other downtown venues. Annual gaming revenue (Ohio casino profits are taxed at 33 percent) were projected to total over \$29 million for the city, \$10 million for the county, and over \$22 million for county school districts (additional tax revenue would go to the state and to counties statewide).

Location within Cleveland and downtown context, below.



However, considering the fact that the local economy was stable at best and possibly shrinking, the Cleveland Indians were concerned that the new downtown Casino would take revenue away from the Indians (Penn IUR Staff notes 2011). They noted that it could, as well, draw revenue from the Cavaliers, but pointed out that Dan Gilbert owned both the Cavaliers and the Casino and so stood to prosper regardless. The Indians' leadership wanted to find ways for the Indians, too, to leverage the success of the casino. They were considering whether, for example, they should argue that public tax revenue from the casino be reinvested in downtown anchors, or whether they should promote urban design linkages to create synergy among developments (Penn IUR Staff notes).

Discussion

The Indians' leadership took part in PRAI 2011 with the belief that Progressive Field needed renovations. The ballpark had undergone predictable wear and tear in its eighteen-year lifetime, which meant that major systems were soon likely to need repair or replacement. And, the once cutting-edge ballpark needed a physical upgrade to maintain its appeal and economic functionality in a changed market: the ballpark was constructed in an entirely different economic climate than the one that prevailed in 2011 and so included many more luxury suites than necessary. In 2011, Progressive Field had 130 luxury suites, a quantity far exceeding market needs and double

the number of other modern ballparks.

However, the Cleveland Indians' management faced many challenges in seeking public and private funding sources to finance potential renovations:

- *Positive Perception of Progressive Field:* Progressive Field was viewed positively by fans, public stakeholders, and the local media. It was perceived as an asset to the community that was in good condition and not in urgent need of repair.
- *Role of Existing Public Sector Responsibilities:* Under lease agreements re-negotiated in 2004, the public sector was responsible for major capital expenses while the team was responsible for expenses under \$500,000. The public sector, however, had not identified a source of funding to cover these expenses, which concerned the team's ownership. Complicating this situation was the political reality that members of the general public and many newly elected officials were not aware of the terms of the re-negotiated lease. The team anticipated that when major repairs became necessary, the public would perceive those costs (wrongly) to be the responsibility of the ball club rather than of the public.
- *Developing a Case for Renovation that Resonates with Funding Sources:* Given the state of the economy at the local, state, and national level in 2011 and the changes in the Cleveland market since the construction of the ballpark, creating a case for

renovation that would convince the public of the ballpark's needs given other urgent public funding priorities was proving to be a challenge for the Indians.

Based on the above information, how do you think the Cleveland Indians should have approached engaging the public sector to a) ensure that funds would be available to cover predictable expenses for which the public is responsible? and b) partner with it on a public planning process to envision, design, and identify funding for ballpark renovations that would meet the needs of both the city and team?

Case 2: Philadelphia Phillies: Citizens Bank Park Philadelphia, Pennsylvania

Introduction

The Philadelphia Phillies moved in Spring 2004 to Citizens Bank Park, the team's seventh home in its 128-year history. The new ballpark is part of The South Philadelphia Sports Complex that also houses Philadelphia's NFL, NBA, and NHL teams. Before deciding on that site in South Philadelphia – just a stone's throw from its former home, Veterans Stadium, which it shared with the Philadelphia Eagles – the owners and the public debated the location of the new ballpark. This new ballpark represents a major investment; this case asks readers to consider what makes this a good investment and how to ensure that it remains one.

Case Summary

Formed in 1883 when the National League moved the disbanded Worcester Ruby Legs to Philadelphia, the Philadelphia Phillies is the oldest continuous one-name, one-city franchise in all of professional sports. The team is valued at \$609 million, making it the sixth most valuable team in baseball ("The Business of Baseball" 2011). The team has gone to the World Series seven times, winning twice (in 1980 and 2008) and has made playoff appearances for the past five years in a row.

Until 2004, the Phillies were housed at Veterans Stadium, also home to the Philadelphia Eagles, the city's NFL team. Because it was built to accommodate both football and baseball, Veterans Stadium was not an ideal home for a baseball team. The stadium was very large, with a capacity of approximately 62,000, making a crowd of 45,000 (a sell-out crowd at most baseball stadiums) look sparse. Despite showing signs of age for some time (it opened in 1971), it wasn't until 1998 – when a railing collapsed at Veterans Stadium during an Army-Navy Game, injuring eight cadets – that negotiations for a new stadium intensified.

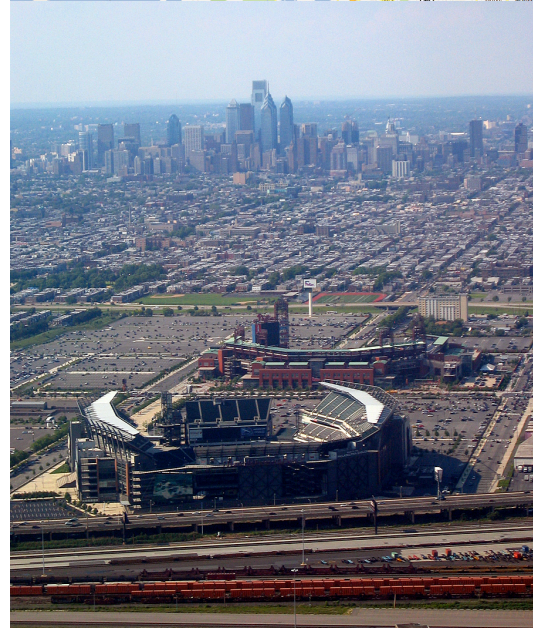
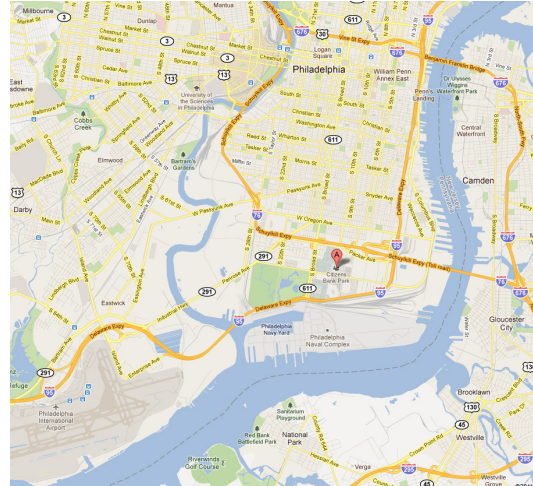
Development Timeline

Discussions for the new Philadelphia Phillies ballpark began during Ed Rendell's mayoral administration and continued through the beginning of the John F. Street administration. Several sites were considered, including Broad and Spring Garden Streets, Spring Garden Street and Delaware Avenue, an area next to 30th Street Station, and 13th and Vine Streets in Chinatown; the city decided and announced that the ballpark would be located on the Chinatown site, but neighborhood resistance ultimately stopped this plan. Additionally, the Phillies conducted a survey of their fan base, which indicated that most fans were in favor of the stadium remaining in

South Philadelphia (Penn IUR staff notes 2011).

In November 2000, Mayor Street announced the abandonment of development plans for a downtown stadium and confirmed, instead, the decision to build the Phillies' new stadium across the street from the former Veterans Stadium. The City Council approved this decision as part of a deal that also included financing for a new stadium for the Philadelphia Eagles. The fate of the two sports facilities – and of the Pirates' PNC Park and the Steeler's Heinz Field, both in Pittsburgh – had become intertwined when the four teams together petitioned the state legislature for funding for new facilities. State funding for the four facilities was announced in 1999 by Governor Tom Ridge.

Critics argued that the Phillies ballpark deal was settled too hastily, rushed by the city's commitment to the Eagles to reach a funding agreement by the end of 2000. If the city failed to honor this commitment, it had agreed to buy the Eagles' \$23 million practice facility and to renovate Veterans Stadium at a cost of up to \$80 million. The Eagles had already completed design and construction documents for their new stadium and were anxiously awaiting a final decision on the Phillies stadium so that they could proceed with construction.



Location within Philadelphia, above, and view of ballpark toward downtown, below.

Once the City Council approved the financing of both the Eagle's stadium and the Phillies ballpark, construction began; the ballpark was completed in March 2004. The season opener, in April 2004, served as the Citizens Bank Park's inaugural game.

Financing

Citizens Bank Park was built for \$450 million, approximately half of which (\$221 million) was publicly financed. The State of Pennsylvania contributed \$85 million and the remaining \$136 million was funded through a 2 percent rental car tax levied by the City of Philadelphia. This arrangement meant that visitors to Philadelphia would bear a greater tax burden than would city residents. The team contributed the remaining \$229 million and agreed to pay for any construction cost overruns.

A portion of the team's \$229 million responsibility came from a package of rights sold to Citizens Bank for \$95 million over twenty-five years – this included \$57.5 million for naming rights and \$37.5 million for a Phillies broadcast media package. Much of the remaining funds came through a loan with FleetBoston Financial Corporation.

The public-private agreement also included provisions for the Phillies to contribute locally. The team agreed to contribute \$1 million per year for thirty years to a nonprofit fund for children managed by the Philadelphia Foundation (The Philadelphia Foundation 2011). Additionally, the Phillies – as well as the Eagles and Comcast-Spectacor (which owned the Philadelphia Flyers and their home facility the Wells Fargo Center, also within the South Philadelphia Sports Complex) – agreed to contribute a combined \$1 million per year to fund the Sports Complex Special Services District, which was established to improve the quality of life within nearby neighborhoods through traffic and

parking operations, landscape beautification projects, public safety initiatives, and community events. A minority participation requirement was also part of the deal; this ensured that 35 percent of contracts related to ballpark construction were granted to minority-owned businesses, 12 percent to women-owned businesses, and 2 percent for disabled-owned businesses.

Design

Citizens Bank Park, which sits on a twenty-one-acre site, was designed by Ewing Cole Cherry Brott – a local architectural firm – with input from HOK Sport (now “Populous”). The stadium, which has a capacity of 43,647, is fitted with bowl-style seating, inspired by the Phillies' former homes Baker Bowl (1887-1938) and Connie Mack Stadium (1938-1970). Visitors enjoy views of the Center City skyline, and players play baseball on a field of Kentucky blue grass. The stadium, which is surrounded by over 1,500 trees, has received numerous accolades for fan experience, food quality, and socially responsible practices.¹ It is renowned for its excellent sightlines, with seats throughout the stadium all focused

¹ Citizens Bank Park was the recipient of the title “Best Ballpark Food” in the first annual Food Network Awards in 2007 was voted #1 vegetarian friendly ballpark by PETA in 2007, 2008 and 2009. Finally, the Phillies was the first MLB team to join the EPA's Green Power Partnership Program, through which it has purchased 20 million kilowatt-hours of renewable energy.

towards home plate. Fans enjoy great views of the game, even in standing-room-only areas and throughout the concession stands.



Aerial view of ballpark.

Local and Regional Context

City and Region

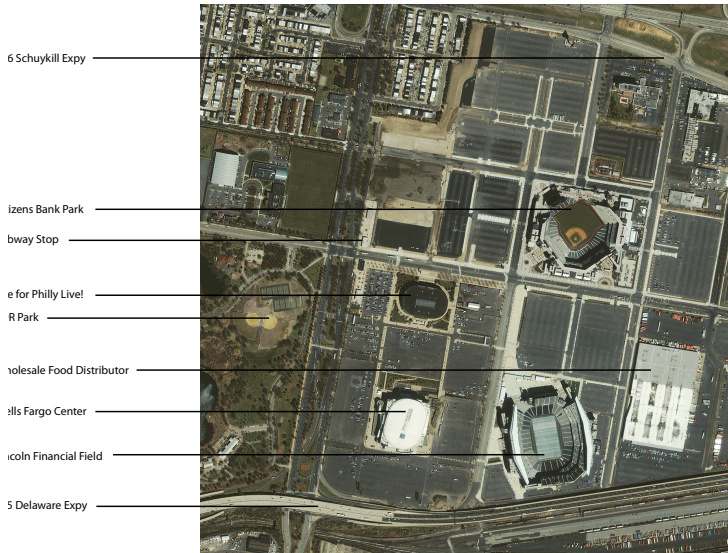
The population of Philadelphia was just over 1.5 million, making it the sixth most populous city in the United States and the fifth largest metropolitan area in the United States (U.S. Census 2010). City population was on the decline since the 1950s though it has recently started to pick back up (Gammage and Duchneskie 2011).

Due to its history, tourism remains a major industry for Philadelphia, although education and health have also emerged as principal drivers of the local economy.

South Philadelphia Sports Complex

The sports stadium area was originally developed in 1926 for the Sesquicentennial International Exposition. Prior to the Expo, the area was a shantytown known as “the Neck” and was part of Passyunk Township, not Philadelphia. While most Expo structures were taken down, the stadium remained and was renamed Philadelphia Municipal Stadium (and later renamed JFK Stadium in 1964). The Wells Fargo Center, a multipurpose indoor arena which replaced that stadium in 1996, houses the National Hockey League’s Flyers, the National Basketball Association’s 76ers, the National Lacrosse League’s Wings, and the Arena Football League’s Soul. In addition to this multipurpose facility, to Lincoln Financial Field (home of the NFL Eagles, opened in 2003), and to Citizens Bank Park, plans are under way to open a new entertainment venue, Philly Live!, at the site of what used to be the Spectrum, an indoor arena.

The area immediately surrounding the Phillies’ ballpark is dominated by sports facilities (Shpigel 2009). The teams share parking spaces, and jointly fund a special services district in their vicinity.



Clustering of sports facilities.

Economic Impact

Supporters of the Sports Complex argue that clustering these sports and entertainment venues allows the teams to build off of the others' fanbases. They argue that baseball fans who attend events at Citizens Bank Park in the spring are more likely to return to the Sports Complex for football games in the fall and hockey and basketball games through the winter. With the Sports Complex's added role as a concert and entertainment venue, the area draws a diverse crowd and provides various forms of entertainment at a wide array of price points.

Supporters of clustering the facilities argue that year-round activity adds jobs that, together, create year-round employment – as opposed to simply seasonal employment – for the area's residents. They also argue that, in addition to revenue generated through ticket, concession and

merchandise sales, the city gains via a 20 percent parking tax, a 10 percent per drink tax that contributes directly to the School District of Philadelphia, and a 5 percent amusement tax.

When the teams do well, so does the city. According to the City of Philadelphia's Department of Commerce and the Philadelphia Sports Congress (PSC), a successful postseason run could generate up to \$20 million in incremental spending for the local economy – over \$19 million in direct spending from visiting fans, media, sponsors, and MLB partners, and a corresponding \$2.5 million in tax revenue for the City of Philadelphia (City of Philadelphia 2008).

Finally, hosting a team such as the Phillies could increase the income tax base for both the city and state. For the 2011 season, the Phillies payroll was approximately \$168 million, upon which the state of Pennsylvania receives a flat income tax of just over 3 percent. Although there is no special city income tax on residents, there is a 2.8 percent tax levied on players' salaries for games played at home in Philadelphia, which also applies to players from visiting teams for the portion of salaries received when they play in Philadelphia.

Discussion

Before the decision to build Citizens Bank Park was made, several downtown sites were considered over the course of two mayoral administration as, in the 1990s, the nationwide trend was to build ballparks downtown. Opposition from

neighborhood associations, however, as well as cost considerations, ultimately resulted in the decision to build in the South Philadelphia Sports Complex.

The ballpark represents an enormous investment: construction totaled over \$450 million, with costs split roughly 50-50 between the public and private sectors. In what ways is this a good investment for the team and for the City of Philadelphia? What factors make it work in Philadelphia? At a time when most cities and teams build new ballparks in downtowns, why and when is clustering sports facilities in a city's outskirts a compelling model for stadium development? How can the team ensure that this remains a good investment, for both the team and the city?

Case 3. Washington Nationals: Nationals Park Washington, D.C.

Introduction

Nationals Park was built in 2008 as a result of Washington, D.C.'s successful bid for the relocating Montreal Expos. As part of its bid for the team, D.C. agreed to fund a new ballpark to accommodate the new franchise, renamed the Washington Nationals.

Nationals Park became a catalytic development in Southeast Washington, D.C. While the decision to use public funds for the stadium was contentious, the argument that the stadium would help revitalize the rundown industrial waterfront district in which it would be sited helped tip the public debate in favor of funding. Three years after it opened, it was widely accepted that the public/private partnership that brought Nationals Park to the area was successful. However, at the time the team's leadership took part in PRAI 2011, the neighborhood was still a work in progress and, while interest in the team continued to grow, the owners of the Nationals wanted to see a continued increase in game attendance as well as sales of suites and other premium seating.

Case Summary

The Nationals

As noted, the Major League Baseball (MLB) franchise that became the Washington Nationals was previously the Montreal Expos. Upon the team's move to D.C. in 2005, it played at RFK Stadium for three seasons before moving to the newly built Nationals Park in 2008. Located in Southeast D.C. on the Anacostia River, this ballpark was part of a city plan to revitalize its industrial waterfront neighborhood and the riverfront (Bernstein 2005; Meyer 2008).

From Montreal Expos to Washington Nationals

MLB bought the failing Montreal Expos in 2002, intending to disband the team in order to shrink the number of franchises, thereby strengthening those that remained. This followed a 2001 vote by baseball owners to contract MLB teams by two (the Minnesota Twins was the other likely candidate). Opposition from the players association (which held that the owners' unilateral decision to disband teams breached several contract provisions) and a court injunction forcing the Twins to play out the 2002 season derailed plans for contraction and left the MLB looking for a new owner for the Expos. Until a new owner was found, the team was essentially owned by each of the other

twenty-nine MLB franchises, which left it without a personal, local investment.

In choosing a new home, MLB considered many cities, each competing for the team with claims of strong demographics and promises to finance a new baseball-only ballpark. Frontrunners included Washington, D.C.; a location in northern Virginia; Portland, Oregon; Las Vegas, Nevada; and Monterrey, Mexico. D.C.'s large and highly educated market made it a very strong contender, but the city had to overcome objections from Baltimore Orioles owner Peter Angelos. He argued that D.C. (as well as northern Virginia) belonged to the same market as Baltimore and that moving a new team to the region would degrade the value of his franchise. When MLB ultimately selected Washington, D.C. as the team's new home, it agreed to give the Mid-Atlantic Sports Network, owned by the Orioles, broadcast rights to Nationals games.

A critical factor in the choice to move the Expos to Washington was the city's commitment to build a new ballpark that would be substantially financed with public funding. Essentially, the city would create a public-private partnership with the city investing in the stadium and private ownership investing in the purchase of the team.

From 2005-2008: In the City, but Not Yet in the New Ballpark

Nationals Park was not completed until the beginning of the 2008 season. So, during the team's first three years in D.C., it had several disadvantages: their temporary home,

RFK Stadium, built in 1962, was out of date; they had no hometown television outlet because the ongoing negotiations with the Orioles' owner were preventing Nationals games from being shown on Comcast; they did not have a single local owner until 2006, so they lacked invested leadership (Kurkjian 2006). These factors and, additionally, the lack of a signed lease with the new ballpark already under construction, lent a degree of uncertainty to the team's future. When Ted Lerner and his family bought the team in 2006 and signed a lease agreement for the facility soon after, many of these issues disappeared. With dedicated ownership at the helm, the team was ready to move forward. New ownership made three commitments: to build and field a competitive team; to offer a first-class ballpark experience; and to be an active participant in the community around it (Penn IUR Staff notes 2011).

Public Financing of Stadium

The move to D.C. was contingent on a partnership between public and private interests and required the building of a new ballpark, an agreement strongly supported by Mayor Anthony Williams. Williams and others argued that the new facility would help reinvigorate its neighborhood and the waterfront and generate tens of millions of new tax dollars. The City Council narrowly supported a public financing plan. Detractors noted that the new stadium for the NFL's Redskins and a new arena to house the NBA Wizards and NHL Capitals had recently been built with primarily

team-funded sources, rather than from public investment. Others argued that public investment constituted corporate welfare; that the city should invest in its schools and infrastructure instead; and that the city could not afford the financing plan. Proponents noted that the investment would come from the city, but that fans would come from all over the region, consequently driving revenues into the District. (Dao 2004; Whoriskey 2004)

Ultimately, the City Council voted in favor of a financing plan for the ballpark in December 2004 (Seelye 2004). The approval followed several Council votes on elements of the plan that flip-flopped between approval and rejection, but ultimately an agreement was worked out.

The ballpark was paid for primarily with bonds. Public financing totaled \$611 million for hard and soft costs for the ballpark itself (\$693 million including land and environmental cleanup at the site, according to the *Washington Times*). In addition to the \$450 million paid for the franchise, the team ownership contributed about \$60 million for additional upgrades and parking lots and pay annual rent of about \$5 million. The facility is owned by the city and leased to the team.

From 2008 and Beyond: Nationals Park as a Center for Culture and Commerce

Since the opening of the ballpark in 2008, the investment is widely recognized as a successful model of public-private partnership and offers bragging rights to past and present leadership (Meyer 2008). The stadium was opened on-time and on-

budget, a minor miracle in the current economic and political climates. The economic viability of the financing package has far surpassed even the most conservative estimates.

Nationals Park has generated more than \$60 million for the District's general revenue fund; the city enjoys a AAA bond rating, secure financial streams and high confidence from Wall Street; more than two million metro riders surface at the expanded local metro station – riders who would have had no reason to enter the area beforehand; the dreaded automobile traffic never materialized; as many as eleven new restaurants will be opened in the area by the end of 2012; and the team employs over 1000 employees, more than half of whom live in the neighborhood (Penn IUR Staff notes 2011).

Though slowed by economic conditions, development around the ballpark continues. New office and residential buildings surround the area, and have been followed by modern grocery stores like Whole Foods and Harris Teeter. The development of public outdoor areas like the Canal Yard, the Winter Ice Park, Diamond Teague Park and Pier, Yards Park and the mile-long Riverwalk are underway and promise new inhabitants as well as visitors choices for their families and businesses.

Design

Nationals Park was designed by HOK Sports and Devroux-Purnell Architects to reflect the city's architecture, using steel, glass, and concrete inspired by the national monuments. In this respect it differs

from other recently built ballparks, which recall the quirky brick structures of the early twentieth century. The park's 41,546 seats offer views of the Capitol. It incorporates cutting-edge video and audio features. It is the first major league ballpark to receive LEED Silver certification, which can be attributed to its technologically advanced and environmentally friendly innovations, its proximity to public transit, and its siting on a remediated brownfield.



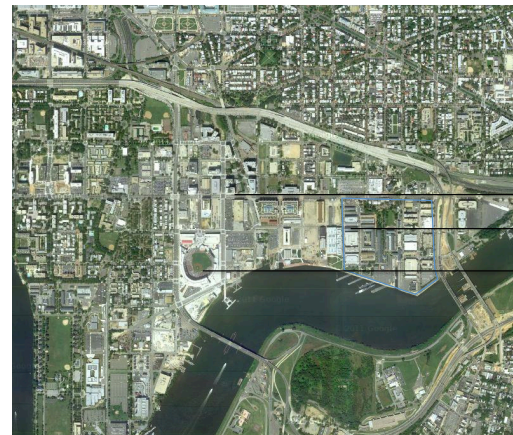
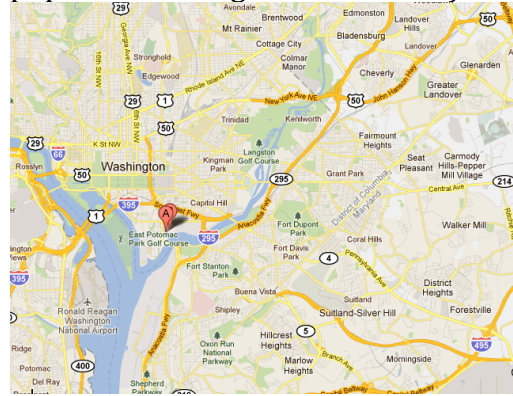
Local and Regional Context

City and Region

Washington, D.C.'s population in 2010 was, according to the U.S. Census Bureau, 601,723 people, up from 572,059 in 2000. In 2010, slightly more than half of D.C. residents were African American (the next largest groups were whites, at 38.5%, and Latinos, at 9.1%). The Washington Metropolitan Area's population is about 5.6 million people (it was the 7th largest metropolitan region in country in 2010). In a 2008 report, the Brookings Institution deemed it the highest-educated MSA in country (DeRenzi 2008).

The greater metropolitan area has become a magnet for young adults, a trend some attribute to its

wealth of universities as well as to its relative economic resilience during the recession. It is a center for both internal migration, especially among college graduates, and international migration (with 21.8% of the population foreign born in 2010).



Navy Yard Metro Station
Navy Yard
Nationals Park

Location with Washington, D.C., above, and neighborhood context, below.

Ballpark Area

The ballpark is situated in Southeast D.C. along the Anacostia River and south of downtown. The area is sometimes referred to as the Capital Riverfront District, although most commonly called the ballpark area. The site, 1500 South Capitol Street, is bounded by South Capitol Street to the west, N Street to the north, First Street to the east and Potomac Avenue to the south.

History

Historically, the area was anchored by the Navy Yard and was a center of shipbuilding and commerce from the nineteenth century through the mid-twentieth century. After WWII, the navy reduced the size of the base, resulting in fewer jobs and less activity in the area. An elevated section of freeway, built in the late 1960s, cut between Capital Hill and the river. By the late 1990s, the *New York Times* would describe the area as “an urban wasteland of trash-strewn lots, sex clubs, and taxi and auto repair shops” (Meyer 2008).

Revitalization

Importantly, city policy became more focused on its riverfronts under Mayor Williams, which are underdeveloped in comparison to other waterfront cities. The Anacostia Waterfront Initiative – a city framework plan that promotes and guides access to and cleanup of the river – was adopted as city policy in 2003 (D.C. Office of Planning 2003). Over the past decade, the area has seen significant public and private investment (Nationals Park being a leading example). The ballpark is widely considered a catalytic development in the area. A restructuring of naval bases in 1998 was another factor in the area’s resurgence, as it moved approximately 7,000 jobs from Arlington, VA to the Navy Yard.



Aerial showing ballpark in center left, above. View from ballpark toward Anacostia River, below.

Access

One of the outstanding things about Nationals Park and its relationship to its city and neighborhood is its reliance on public transportation. Fifty-three percent of fans visit the park via public transportation, mainly by Metrorail (Navy Yard Metrorail Station) (Penn IUR Staff notes 2011). Smaller numbers take the bus, water taxis, bike, or walk. With increased residential growth in the immediately surrounding area, more and more fans are expected to arrive on foot.

Discussion

The public, generally, perceives Nationals Park to have contributed to its neighborhood's transformation – although that transformation is not yet complete. And only five years have passed since the Nationals landed in the nation's capital: not much time to build a fan base but enough time to start seeding the market.

Three years after the ballpark's opening, a publicly sponsored riverfront walkway and park along the waterfront just outside the ballpark's doors is underway but is not yet completed. In the private arena, many office and residential development projects have opened for business, but some lots adjoining the ballpark have stalled while awaiting financing.

One of the challenges the National's leadership faces is that the nation's capital houses many newcomers and short-term residents who already hold allegiance to their hometown teams. Conversely, some of these newcomers arrive from cities that don't have their own major league team and are ready to be engaged by the D.C. franchise.

Both the neighborhood and the Nationals are evolving: the neighborhood is revitalizing and the Nationals are building a fan base. In these conditions, several questions have emerged: How can each evolve in mutually beneficial ways? What common interests are shared by the public and by the team, both of which are invested in the ballpark, neighborhood, and city? What could happen in the changing neighborhood that would help increase attendance and sales of premium seating? Are there public policies or investments

that could further these goals? What arguments can the team make that these are in the public interest? Will increasing attendance on game days, for example, increase vibrancy in the neighborhood? How?

References

- Bernstein, Fred A. 2005. "Revitalizing the Banks Of Washington's 'Forgotten River.'" *New York Times*, March 27.
- City of Philadelphia. 2008. "City Crowned World Series Champions: Team City and Fans Celebrate Title and Economic Boost." City of Philadelphia press release. October 21.
- Dao, James. 2004. "Washington Baseball Park Passes Crucial Council Test." *The New York Times*, December 1.
- DeRenzis, Brooke. 2008. "Population Dynamics in the District of Columbia since 2000." Washington, D.C.: Brookings Institution.
- District of Columbia Office of Planning. 2003. *Anacostia Waterfront Initiative Framework Plan*.
- Forbes. 2011. "The Business of Baseball Lists."
- Gammage, Jeff and John Duchneskie. 2011. "Census: Among peer cities, Philadelphia's growth is above average." *Philadelphia Inquirer*, March 25.
- Kurkjian 2005. "Nationals need an owner now." *ESPN The Magazine*, November 16.
- Meyer, Eugene. 2008. "New Ballpark in Washington Anchors an Area's Revival." *New York Times*, April 16.
- Penn Institute for Urban Research (Penn IUR) Staff. 2011. Notes on proceedings on rhw Penn IUR Roundtable on Anchor Institutions, held December 1-2. Penn Institute for Urban Research. University of Pennsylvania.
- Rosentraub, Mark S. 2009. *Major League Winners: Using Sports and Cultural Centers as Tools for Economic Development*. New York: CRC Press.
- Rosentraub, Mark S. 2011. Telephone interview with Penn IUR Staff. September.
- Seelye, Katherine Q. 2004. "Baseball Deal Back as Washington Council Blinks." *New York Times*, December 22.
- Shpigel, Benjamin. 2009. "In Gritty South Philly, A Piece of Sacred Ground." *New York Times*, November 1.
- The Philadelphia Foundation. 2011. <https://www.philafound.org/>. Accessed September.
- United States Census Bureau. *2010 Census*. <http://www.census.gov/2010census/data/>. Accessed September 2011.
- Whoriskey, Peter. 2004. "Md., Va. Fans Could Make Stadium a Tax Winner." *Washington Post*, October 3.