

THE JOURNAL REPORT: ECONOMIC ROUNDUP

A New Ballgame

Sports stadium don't have to drag down the local economy. As long as they're done right.

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San Diego -- Local boosters have long pitched new stadiums for professional sports teams as economic-development tools, even while academic research shows they are nothing of the sort. The overwhelming evidence is that sports venues put a drag on local economies by eroding spending on other activities and boosting municipal costs.

So how to explain San Diego's Petco Park, a \$454 million project that included \$301 million in public money?

Since the new home of Major League Baseball's San Diego Padres opened in this city's downtown in 2004, completed development within a 60-block area around the ballpark has topped \$1 billion, according to the Centre City Development Corp., a public nonprofit group leading San Diego's downtown redevelopment effort. That figure includes 3,040 residential units, 750 hotel rooms and 550,000 square feet of commercial space. Another \$3.1 billion in residential and commercial development is either planned or under way.

"When they built the ballpark, things exploded," says Jerry Sanders, San Diego's mayor since 2005.

The key, it appears, is that instead of simply building a stadium and hoping for investment to follow, the city of San Diego and the Padres undertook a more ambitious plan to transform a languishing industrial neighborhood known as East Village. That included the unusual -- and sometimes controversial -- arrangement of Padres owner John Moores acting as a master developer of some 26 blocks around the stadium through his firm, JMI Realty Inc. The project faced more than a dozen lawsuits, many of them from opponents of its public funding, all of them eventually dismissed.

"We took a broader urban-planning perspective," says Erik Judson, who oversaw Petco's construction as the Padres' vice president of development. "Our intent was to create more than a ballpark."

Even though it is only a few years old, Petco already feels like part of the fabric of downtown San Diego. The stadium is tucked into the southwest corner of East Village, an iconic building of sandstone and steel that has views of San Diego Bay to the west and

Balboa Park to the north. The surrounding neighborhood is dotted with contemporary midrise residential towers and renovated historic structures.

On game nights, crowds mill about the streets, some paying \$5 to watch the Padres play from a grassy three-acre park overlooking centerfield or ducking into hip, spacious eateries for pizza and beer. "The stadium creates a sort of bustle," says Hallie Smith, a 31-year-old speech pathologist who paid \$369,000 several years ago for her East Village condominium.

To be sure, other publicly financed stadiums have succeeded in helping to generate economic activity. Coors Field in Denver, home of the Colorado Rockies, is widely seen as having helped spark the residential and commercial revitalization of the city's Lower Downtown, or LoDo, neighborhood. And the Baltimore Orioles' Oriole Park at Camden Yards helped transform the city's Inner Harbor into a vibrant mix of hotel, retail and office space. The project was such a hit that the Maryland Stadium Authority added M&T Bank Stadium for the National Football League's Baltimore Ravens.



Centre City Development Corp./Skip Jurus

HOME RUN Petco Park helped to speed up San Diego's development.

surrounded mostly by asphalt parking lots, and a cluster of turn-of-the-century buildings several blocks from the ballpark are waiting for tenants.

More Than a Ballpark

In both cases, as in San Diego, success depended on doing more than just building a ballpark. The area around Coors Field benefited from historic preservation and guidelines encouraging residential development, while Camden Yards was part of a broader effort that sought to create a sense of place.

But more typical is Houston's Minute Maid Park, the home of the Houston Astros, which opened in 2000 as Enron Field amid high hopes for downtown revitalization. Today the stadium is

"A ballpark by itself is not likely to spur other development," says Andrew Zimbalist, a professor of economics at Smith College in Northampton, Mass. "It hasn't done it. It won't do it."

In "The Economics of Sports Facilities and Their Communities," published in The Journal of Economic Perspectives in 2000, Mr. Zimbalist and John Sigfried of Vanderbilt University cite several studies that show no statistically significant positive correlation between stadium construction and economic development, including one by sports economist Robert Baade, a professor at Lake Forest College in suburban Chicago, that found "no significant difference in personal income growth from 1958 to 1987 between 36 metropolitan areas that hosted a team in one of the four premier professional sports leagues and 12 otherwise comparable areas that did not."

Mr. Zimbalist allows that a professional sports team can create a better quality of life in cities by helping to foster an urban identity and providing a shared experience. But he says money spent watching professional sports detracts from spending in other areas, such as other forms of entertainment, while professional sports venues increase costs for cities in areas such as security, sanitation and debt service.

Such research raises questions about how much credit Petco deserves as a generator of economic development. Indeed, downtown redevelopment was well under way before the ballpark was built and San Diego was enjoying an extraordinary economic boom, resulting in downtown housing prices rising more than 75% between 2001 and 2005, to \$603 a square foot from \$343 a square foot. Would the transformation of East Village from low-density warehouse district to hopping urban village have happened regardless?

"Over time, the area would have developed," says Gary London, president of London Group Realty Advisors Inc., a San Diego consulting firm. "But the ballpark speeded up the time frame, probably by a decade."

City officials viewed the ballpark as a key anchor in their efforts to redevelop downtown, some 1,500 acres between San Diego Bay and Interstate 5. They figured a stadium could do for the 350-acre East Village what Horton Plaza, a major open-air shopping mall, has done for downtown's Gaslamp Quarter, a once hard-luck district that is now full of restaurants, bars and boutiques. Together, they argued, the two adjacent districts could create a 24-hour downtown.

The ballpark measure San Diego voters passed in 1998 by about 60% allowed the city to acquire some 26 blocks, some of it through eminent domain. It also required Mr. Moores's JMI Realty to take the lead in planning and developing the area around the stadium, including two hotels, two parking garages and the renovation of two historic buildings. This arrangement allowed the Padres to create a funding source for the city through a levy on hotel rooms and increased property taxes.

Still a Risk

Still, the project faced considerable hurdles. It was dogged by opponents of publicly financed sports facilities, including one former city council member who filed about half the lawsuits against the stadium. In 2000, with litigation putting the financing plan in jeopardy, the Padres suspended construction of the project. Mr. Moores, meanwhile, was caught up in a scandal when a San Diego city council member resigned after she admitted accepting gifts from the Padres owner in the midst of a vote on the project, including air travel. An investigation cleared Mr. Moores of any wrongdoing.

Construction resumed in 2002, but by that time the terrorist attacks of Sept. 11, 2001, had discouraged investment in the ballpark area. Mr. Moores had counted on a number of partners, but most backed off amid the recession. The Padres owner barely managed to get financing for a key project, the 511-room Omni San Diego Hotel, which includes 38

luxury condominiums and direct access to Petco via a pedestrian skybridge. Today he has invested some \$695 million in hotel and residential projects.

Downtown San Diego still presents some risk for investors. Much of the development around the ballpark was intended to be office space, but as the office market slowed, developers undertook residential projects. Now the softening condominium market has left East Village with considerable inventory. Yet Mr. Moores continues to build. In his pipeline is the \$1.4 billion Ballpark Village, a mixed-use development with 3.2 million square feet located on 7.1 acres of what is now two parking lots.

Meanwhile, Mr. Moores is trying to adapt the Petco model to other communities through JMI Sports LLC. In the Phoenix suburb of Goodyear, Ariz., Mr. Judson, principal of the firm, is working on a plan with local officials to transform a 240-acre cotton field into a \$75 million, 10,000-seat spring-training stadium for the Cleveland Indians surrounded by an urban village. The strategy of including surrounding development in stadium plans is increasingly winning favor among developers, but the scale of such projects and mix of uses can make them difficult to pull off. Still, flush with success in San Diego, Mr. Judson is undeterred.

"This is absolutely about trying to integrate development of stadiums and downtowns," says Mr. Judson. "We intend to get something done."

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