Spring 5-1-2011

The Economic Impact of Baseball Stadiums on their Surrounding Development

Adam Davidson

Follow this and additional works at: https://surface.syr.edu/honors_capstone

Part of the Corporate Finance Commons, and the Finance and Financial Management Commons

Recommended Citation

Davidson, Adam, "The Economic Impact of Baseball Stadiums on their Surrounding Development" (2011). Syracuse University Honors Program Capstone Projects. 278.
https://surface.syr.edu/honors_capstone/278

This Honors Capstone Project is brought to you for free and open access by the Syracuse University Honors Program Capstone Projects at SURFACE. It has been accepted for inclusion in Syracuse University Honors Program Capstone Projects by an authorized administrator of SURFACE. For more information, please contact surface@syr.edu.
The Economic Impact of Baseball Stadiums on their Surrounding Development

A Capstone Project Submitted in Partial Fulfillment of the Requirements of the Renée Crown University Honors Program at Syracuse University

Adam Davidson

Candidate for B.S. Degree and Renée Crown University Honors Program at Syracuse University

May/2011

Honors Capstone Project in _______Finance_______

Capstone Project Advisor: __________________________

(Professor Donald Cardarelli)

Honors Reader: ________________________________

(Professor Kristen Byron)

Honors Director: ________________________________

James Spencer, Interim Director

Date:__________________________________________
Abstract

The following paper examines the economic impact that Major League Baseball stadiums have on their surrounding developments and the funding methods used to build those stadiums. It includes a comparison of four examples: Oriole Park at Camden Yards, Busch Stadium, AT&T Park, and Fenway Park. The paper also takes both a qualitative and quantitative analysis of the results promised prior to construction and the various impact reports completed after the stadiums have been completed. The paper analyzes the use of public money for private use and the impact that the stadiums have on new sports centered developments as well as the impact the stadiums have on already existing developments. The various methods used to raise capital for new baseball stadiums are also explored, including public funding which places burden on taxpayer, despite their lack of support. Baseball stadiums are often proposed as a way to bring new revenues to a municipality; however, there is little consensus that the investment is worth the cost. Furthermore, neither the teams nor the municipalities seem to do comprehensive studies to track the impact after the stadium has been completed. This paper seeks to answer the question: What is the economic impact of Major League Baseball stadiums on their surrounding development and are the stadiums an appropriate use of taxpayer money?
Table of Contents

Acknowledgements

Advice to Future Honors Students

Introduction

Oriole Park at Camden Yards

Busch Stadium

AT&T Park

Fenway Park

Conclusion

Works Cited

Project Summary
Acknowledgements

This project would not have been possible without the help and support of a number of individuals. First, I would like to thank my project advisor Professor Cardarelli. Professor Cardarelli was willing to work with me as my project evolved and supported my quest to study a topic I found fascinating. His support and guidance helped me create a thesis which I can be proud of and taught me about thorough research. I would also like to thank my reader, Professor Byron, for her guidance in organizing the writing process and her continued support throughout the course of the project. I’d also like to thank Hanna Richardson and the entire Honors Program for providing me with an opportunity to grow as an individual and study a topic which I have a great interest in. Finally, I would like to thank my parents. Their constant support through my college education allowed me to achieve the successes I’ve had, and grow into the person I am today.
Advice to Future Honors Students

Looking back on my Honors Thesis experience, there are many words of advice I wish I had. The first, which is repeated all too often, is start early. There are always unavoidable events that come up in life and unexpected problems. By starting early you allow yourself time to adjust, and adapt to any unforeseen problems. Yet, as students, especially honors students, procrastination is almost a given. So at the very least make sure you begin putting out quality work by the end of the Fall Semester. This will give you time to enjoy your senior year as well as turn out a quality product that you can be proud of.

The most important words of advice I can give is to make sure you truly love your project. So many honors students I have talked to told me how they hated their projects, and how they just wanted it to end. Find a project that you love and want to work on. You must be the motivating force behind your work on your thesis, a role many of us have not had to take up until this point. Writing a thesis at an undergraduate level requires a lot of planning and a very large time commitment. If you are not interested in what you are doing it will feel like it will take forever. I wrote my project on Baseball Stadiums because I am a big baseball fan. I loved researching my paper, and wish I had more time to work on it, not because I didn’t finish, but because I could have done more. I learned so many interesting facts, and my interest in the topic has only grown since my research began. When you have to spend countless hours working on a project you want it to be a project you love, not something you are just doing to graduate.
Finally, you need to pick an advisor who you work well with. You should pick your advisor not based on their qualifications, but based on your relationship, and their interest in your project. Completing an Honors Thesis is a very rewarding experience. While many students do not go on to complete the thesis, I am very happy I chose to finish the project. I got to learn about a topic I was very interested in and create a work I am very proud of. I hope that you will take this advice and research something you are passionate about and learn from the experience.
Introduction

Baseball is often called America’s pastime. Many people feel the sport is as “American” as apple pie. Generations of Americans have grown up cheering for ‘their’ teams. Fans identify with teams steeped in history and wait every year for that magical time in the spring when opening day occurs. It signals the beginning of summer, and the beginning of another season of baseball history. More so than any other sport, the venue defines the experience of baseball as much as the game itself does. The baseball stadium not only defines the game, it also helps define the character and identify of the cities they call home. Every stadium has its own feel and its own history. Each stadium has unique dimensions that change the way the game is played on that field. Some stadiums are hitters’ parks, a park where it is easier to score runs while others make it nearly impossible to hit a home run. Some stadiums are nearly 100 years old while others still smell of freshly poured concrete. Baseball stadiums have become a contentious issue in many cities across America as the debate over who should pay for updated facilities intensifies. There are many conflicting reports as to the economic benefits of baseball stadiums and many different methods that have been used to finance new stadiums. Baseball stadiums are firmly part of American culture, however, the economic impact of the stadiums on their surrounding development is far from a proven or uniformly evaluated.

There have been many eras in baseball stadiums. While the game remains much the same as it was 100 years ago, the stadiums themselves have changed greatly. Most early baseball stadiums were built of wood and seated relatively
few fans. These stadiums were fire prone and many were lost to fires over the years. The next generation of stadiums were built of steel and concrete and ushered in larger parks that could seat tens of thousands of fans. Many fans believe that this generation of stadiums, including Fenway Park, the original Yankee Stadium, Tiger Stadium, Wrigley Field, Shibe Park, and the original Comiskey Park, was the best era of stadiums. The proximity to players alone with the integration of surrounding neighborhoods made these venues unique cultural experiences. However, the steel and concrete baseball stadiums were replaced in many cities by multi-purpose “cookie-cutter” stadiums. The multi-purpose stadiums were large circles usually designed more for football teams than for baseball. Starting in the early 1990’s, the multipurpose era of baseball stadiums came to an end and a new generation of stadiums was starting to take shape. These stadiums were being dubbed “retro” ballparks. They took many of their design cues from the steel and concrete stadiums of the early 1900’s. However, these new stadiums also included modern amenities such as luxury boxes, full service restaurants, and luxurious clubhouses. The cost of these stadiums also started to skyrocket. “When the first wave of public-stadium building hit in the late 60’s and early 70’s stadiums were $40 million affairs, a sum that could be at least somewhat offset by rent and other fees paid by the baseball and football teams that shared these hulking multipurpose facilities. By the 1990’s, though, stadium costs had soared to $300 million and up” (Demause, 2008, pg. 31).

As the new generation of baseball stadiums was being planned the question over who was going to pay for these stadiums entered public and
political debate. When Major League Baseball was founded most teams built and financed their own stadiums. As those original stadiums needed to be replaced, many municipalities were willing to foot the bill to ensure that teams remained in their cities. The result was that no privately financed stadiums were built in Major League Baseball from 1962 until 2001. For municipalities there was a difference in funding a multi-purpose stadium, which could be built for around $30 million dollars, versus building a luxury single sport stadium that cost hundreds of millions of dollars. Teams wanted the municipalities to shoulder the cost as they had for the previous generation of stadiums. Some city officials, eager for economic development, were more than willing to build new stadiums even when the taxpayers were against the decision. The logic driving this position was that new stadiums will spur economic development and bring tax revenues into the city. The president of the American League, Gene Budig, when speaking about public investments in stadiums, said “a new ballpark represents an investment in the future. It becomes a matter of good business practice. A state-of-the-art facility reflects a community’s confidence in its potential. Cities want to be regarded as big league or first class. It’s a matter of pride. Major League Baseball remains a significant factor in the quality of life equation. No community today wants to lose a franchise. It would send the wrong message to business and industry” (Rosentraub, 1999, pg. 129).

Touting new stadiums as a way to generate local economic development has three main arguments. “First, there will be many jobs (albeit temporary) created just to construct the stadium. Second, the stadium’s daily operation will
create other more permanent jobs that will enhance local tax revenues through increases ticket sales, concessions sales, and income taxes from new employee wages. Third, and perhaps most importantly, the presence of a new stadium and the people it attracts will indirectly spawn ancillary development such as new restaurants and retail outlets. These new businesses will also provide hefty contributions to the public treasury” (Delaney, 2003, pg. 23). These arguments were often used as a way to justify public expenditures for the first wave of recent baseball stadiums. However, as the results from these new stadiums proved unreliable or even inaccurate there was a noticeable shift in the arguments used to persuade municipalities to pay for part or all of the new stadiums. Stadiums began to be marketed as important to a city’s identity, not for their tangible improvements they brought, but for their intangible benefits, of moral, pride and community spirit. “Many smaller regional centers and some second-tier cities frequently want to be considered ‘major-league’ or ‘big-time places’ to live and work. As such these areas try to emulate the supercities” and build major league ballparks (Rosentraub, 1999, 166). “There has been a dramatic increase in the public skepticism concerning the sometimes spectacular claims made about the economic windfalls associated with new stadiums. This skepticism has been fueled, on the one hand, by local residents, who can see for themselves that recently built stadiums in their cities have not improved neighborhoods or public schools or ended poverty. It has also been fueled by a growing body of systematic academic research by sports economists and sociologists, that almost universally challenges the argument that new stadiums are an economic godsend.
As these findings trickle down to the general public, they increase skepticism based on personal experience. Many stadium advocates… have recognized this change [and] tried to alter their strategies’ focus away from grandiose economic promises and toward ‘softer’ community benefits.” (Delaney, 2003, pg. 24). By using these “softer” approaches there are less tangible numbers to be compared and less room to criticize the decision to build a publically supported stadium.

When a municipality decides to fund a stadium there are typically six ways the money can be raised. They are: General Obligation Bonds, Special Tax Bonds, Revenue Bonds, Lease-backed Financing, Asset Backed Securities, and Certificates of Participation. General Obligation Bonds are secured by the general taxing power of the issuer and are called full faith and credit obligations. Repayment comes from the municipality’s general funds, and since they are guaranteed by the tax revenue of that municipality they are generally the safest for investors and therefore are the lowest-cost source of money. Special tax bonds are payable from a specific tax, such as a property tax line item, but are not backed by the general tax revenue of a municipality. Revenue Bonds are more complex than are simple general obligation bonds. Revenue bonds are secured by the revenue from the project or from one or more defied revenue sources, such as hotel occupancy tax, sales tax, or admissions taxes. The debt cost is then paid with the dedicated revenue. Lease-backed Financing or Lease Revenue Bonds are generally issued by a quasi government authority, such as a stadium authority. The government leases the stadium from the authority and then subleases the stadium back to the authority. This lease requires the government to make annual
rent payments equal to the amount of the debt payments on the stadium. This effectively makes the government responsible for the debt payments even though they did not issue the bonds, allowing for the bonds to have the credit strength of government issued bonds. Said another way, the taxpayers take on the full risk of the project. A less risky way for municipalities to finance stadiums are Asset Backed Securities (ABS). ABS are investments secured by expected revenues, which can include naming rights, luxury suite rentals, broadcast revenue, and concession agreements. Finally, governments may enter into a Certificate of Participation (COP). Holders of a COP are repaid through annual lease payments from a sponsoring government agency. However, they do not legally require the government to repay the holder and therefore do not require voter approval in nearly any municipality. These arrangements are treated as a lease and therefore do not receive the same scrutiny as debt issued by a government (Greenberg, 2000).

Depending on the laws of municipalities different levels of voter approval are required to use the various types of government financing. However, in most cities, the voters do not support using public money for new stadiums as a means to generate economic investment. Baseball teams are private businesses that are worth hundreds of millions of dollars. Many of the ownership groups wealthy individuals, who have made their fortunes in other businesses. At times when public schools, hospitals, and welfare programs are being cut, the idea of subsidizing a stadium for lucrative private businesses is not popular. This is especially true in the municipalities themselves, where the areas surrounding the
stadiums would often prefer money be put into the school system, or used to reduce taxes.

While economic benefit remains a standard argument for stadium development, there are varying reports as to how effective the stadiums are at providing economic benefits. One issue is the form of the promise themselves, often made in cryptic terms. For instance, “there’s a difference…. between benefit to the economy and benefit to the treasury. If people buy an extra $10 million in goods (whether cans of tuna fish or baseball tickets), that's $10 million extra for the economy, but aside from any taxes it generates, the government doesn’t see any money from that” (Demause, 2008, pg. 33). Furthermore, stadiums do not provide any economic benefit if the money would have been spent on other entertainment, or activities within the city. “There would be a net increase in tax revenue only if they stadium attracts dollars that would not otherwise have been spent in the city and if there is no decline in other city venues” (Delaney, 2003, pg. 27). The point here is that the ‘incremental’ impact on revenue directly attributed to the stadium cannot be assigned “The positive impact of spending at many sports events is offset by the negative impact or lack of spending at the mall or some other recreational venue” (Rosentraub, 1999, pg. 132). Stadiums also tout new jobs that are created as a result of the new stadium. However, when considering the new jobs created in a new stadium, most studies fail to take into account the jobs lost at the old stadium, resulting in a very small net increase in jobs, if any increase at all (Delaney, 2003). Furthermore, stadium proponent’s often fail to look at alternatives to the stadiums. Governments only
have so much money they can spend on economic development projects. “If an alternative [to a stadium] generates $2 million of benefits, net of subsidy, and the stadium generated $1.5 million, net of subsidy, the stadium can be viewed as imposing a $0.5 million loss on taxpayers, not a $1.5 million benefit” (Demause, 2008, pg. 37).

The new generation of baseball stadiums has greatly increased the amount of revenue that can be generated by team owners at these new venues. Ticket prices, parking, naming rights, luxury suite revenue, among other revenue streams, have all grown to historically high levels as a result of the new stadium designs. However, these increased revenues are not helping municipalities pay for or maintain publically financed stadiums. “One of the less recognized changes in this building boom is the simultaneous diverting of more and more revenue streams created by new stadiums toward private interests and away from municipalities. Whether new stadiums are actually municipally controlled or privately controlled makes much less of a difference today than it once did because much more stadium revenue flows towards the teams. This change has had a huge impact on how municipalities are able to fund their portion of stadium costs” (Delaney, 2003, pg. 25). In the past, owners had an incentive to own their own stadium because that was the only way they could receive most of the income from the items besides ticket sales. However, the new agreements often allow these owners to collect from all aspects of a stadium’s revenue, even parking revenue from non-baseball events. “There are not enough revenue streams in new stadium leases to cover bond payments. They must now turn
toward new taxes (with or without public approval) or divert existing taxes that were once used for other social goods [to pay for the stadium debt]” (Delaney, 2003, pg. 26). These increases in revenue, especially in cases where the team did not have to incur much debt to build the stadium, help the value of the franchise nearly double in some cases, and add anywhere between $10-$40 million dollars a year to a team’s annual earnings (Delaney, 2003).

Politicians are often willing to overlook the potential issues with building a new stadium and push for public funding. There are several likely reasons politicians are willing to put their support behind public funding for baseball stadiums. First, sports teams, and especially baseball teams, have numerous and loyal followers. No politician wants to be viewed by these constituents as unsupportive of their team or worse, the reason their team left their city. That would not bode well for any re-election potential. The second reason is sports stadiums are often pitched as part of a much larger redevelopment plan. In many of the cities that have built publically funded stadiums, there have been many years of decreasing industry and population. These baseball stadiums, on their surface, appear to be just the catalyst that the city needs to be relevant again. The development plans sound promising, and the results, if they panned out as promised, would revolutionize the city. Unfortunately, the developments rarely go according to plan. However, by the time there promises emerge as unfulfilled the sponsoring politicians are often out of office. The problem then resides with a new group of legislators. Funding stadiums is also more appealing to the long term image of a politician than funding school renovations. Many politicians
want to be there on opening day as their city welcomes fans into a state-of-the-art stadium. Yet, this is often done at the objection of the voter and taxpayers who would rather see the money spent for the public good, rather than to benefit private business.

For this study, I provided case studies of four stadiums: Oriole Park at Camden Yards, Busch Stadium, AT&T Park, and Fenway Park. All four stadiums have very different circumstances surrounding their construction and financing.

First I explored Oriole Park at Camden Yards in Baltimore, Maryland. “Camden Yards is considered to be the pioneer of the ‘return to downtown ballparks’ movement, with the downtown ballpark credited with igniting the stunning resurgence of the economic development in Baltimore’s Inner Harbor. Careful attention to architectural design and aesthetics, along with plentiful family entertainment, has turned the once rundown area into a successful tourist attraction” (Greenberg, 2000, pg. 24). Camden Yards was publically financed, and is owned by the Maryland Stadium Authority, a quasi-government agency.

Second I investigated the new Busch Stadium, opened in 2006. Originally the new Busch Stadium was to be funded in a similar manner to Camden Yards. However, the taxpayers rejected the plan. Ultimately, Busch Stadium was funded by a combination of private money from the team and public support. However, as part of the deal to build the new Busch Stadium the Cardinals agreed to
develop the seven acres where the old stadium stood into a “Ballpark Village,” which itself would receive substantial government support.

Third, I gathered information about AT&T Park (formally Pac Bell Park), in San Francisco. AT&T Park was the first privately financed stadium since 1962 when it was opened in 2001. However, the original plan was not a privately funded stadium, but a public stadium. Yet, due to San Francisco’s strict rules on public spending the proposition to build a public stadium was defeated several times. Furthermore, AT&T Park would never have been a reality if Major League Baseball did not block a proposed move of the San Francisco Giants to Tampa, Florida.

Finally, I looked at Fenway Park in Boston, Massachusetts. Fenway Park is a counter example as it is currently the oldest stadium in Major League Baseball. In the late 1990’s its ownership group at the time claimed that the ballpark was no longer economically feasible and needed to be replaced in order for the Red Sox to compete. This is a similar tactic used by nearly every other Major League Baseball team in order to secure approval for their new stadium. However, the Red Sox were purchased by a new ownership group which decided to renovate Fenway rather than replace it. The team is currently one of the most successful teams in the league and sells out every game, despite playing in a stadium constructed in 1912.

For all four stadiums, I examine the issues of funding, economic impact around the stadium and the success of the team on the field. The hope is to
answer the question, Do baseball stadiums provide promised economic benefit to the cities in which they are located, and are they a good public investment?
Baltimore Orioles

Oriole Park at Camden Yards

While baseball team owners had been positioning to build new stadiums and move locations throughout the history of Major League Baseball, a new era in stadium construction was ushered in with the opening of Oriole Park at Camden Yards in Baltimore, Maryland in April 1992. The Baltimore Orioles were established in 1953 when Major League Baseball relocated the St. Louis Browns. They began play at Memorial Stadium and continued to play their home games there until 1991 (Baltimore Orioles, 2011). While Memorial Stadium was one of the older parks in baseball, players enjoyed the stadium because it had a more neighborhood feel than modern stadiums (Richmond, 1993). The Stadium was nestled in a neighborhood outside of the downtown and out of the reach of the major interstate highways. Many fans continued to enjoy visiting the stadium and players were often quoted as saying it was one of their favorite places to play the game. ‘There was no ‘build me a stadium or I’ll leave and the city will fall apart’ threat. But Orioles executive Frank Cashen said [in the mid 1980’s] that there would be no long-term lease [with the City of Baltimore] without a new stadium” (Richmond, 1993, pg. 49). This raised the question in many fans’ minds: are the Orioles going to leave town?

The Orioles argued that without a new Stadium they were no longer financially viable. Memorial Park was built and designed as a minor league park. In order to lure a major league team the building underwent numerous
improvements. “It had the look and the feel of a minor-league park masquerading for the majors; brick and yellowed concrete on the outside masked an inner skin of unpainted cinderblock” (Richmond, 1993, pg. 25). However, the stadium was not designed with features that a major league team required. Furthermore, the stadium lacked more modern amenities that were becoming commonplace in Major League stadiums, such as luxury boxes and open concourses. The owner of the Orioles argued that the team needed to double the number of prime seats to sell to season ticket holders in order to break even, which he claimed was all he was looking for. The stadium was also small and far from major interstates, which failed to provide for easy access for out of town fans (Richmond, 1993).

Unlike future stadium battles in San Francisco, the State of Maryland seemed to support building a new stadium throughout the project. This was done in part because of the fear that the Orioles would follow the example of the National Football League’s Colts, which just a few years earlier had packed up in the middle of the night and left Baltimore for a new stadium in Indianapolis (Rosentraub, 1994). The Owner of the Orioles at the time stated “I have never threatened anyone that we need a new stadium or I’ll get out… I have no intention to leave the city of Baltimore. I believe that I hold that franchise in trust for the city of Baltimore. [However,] I believe a new stadium will be necessary if the Baltimore Orioles can stay a viable franchise economically” (Richmond, 1993, pg. 94). After public comments and several proposals for locations the state was finally ready to support the building and funding of a new baseball stadium. The state was involved with the stadium for two main reasons; first the governor of
Maryland was a strong supporter of Baltimore, and second, the state was ultimately going to provide the funding for the stadium, not the city. “The legislature of Maryland … took action [on the stadium issue], creating the Maryland Stadium Authority on April 3, 1987, ostensibly to oversee the state’s billion dollar sports industry… but in fact with one purpose, and one purpose alone: to build [the Orioles] a new stadium” (Richmond, 1993, pg. 81). This was done despite the opinion by many fans that the existing Memorial Stadium was still a fine home for the Orioles.

Although the state had created the Maryland Stadium Authority, the battle to build the stadium was not yet over. Many residents of the state and more specifically within the City of Baltimore protested the notion that so much public money could be committed to a project without general voter approval. The politicians within the City of Baltimore did agree with the stadium plan and worked with the team and the state to select the location and various other aspects. However, the State of Maryland was the driving force in the building of the new stadium. There was also still the question as to how the Stadium Authority would actually raise the funds to build the stadium, and where the funds would be sourced. A financial expert at Morgan Stanley said that two instant lotteries a year would pay for initial borrowing for acquiring the site and that Maryland would then borrow $216 million by selling three sets of lease-backed revenue bonds that would ultimately not hold the taxpayer liable. However, many taxpayers rightfully felt they would still be liable if the state did guarantee the bonds. This would also be the first time Maryland ever had a dedicated lottery
fund. Previous proposals to use special lotteries to fund everything from schools to the elderly and nearly every other special interest had been rejected by the legislature; however the proposal to build a new baseball stadium was accepted (Richmond, 1993). There seemed to be a predetermination in the State Government to build the stadium and the legislature was willing to make the necessary sacrifices to ensure it was funded and built. This did not sit well with many voters. However, when the issue came to vote “the Senate Finance Committee voted for the stadium, 11-0. The Budget and Taxation Committee passed it 9-4… [and] the whole senate passed three bills giving the Maryland Stadium Authority the power to raise funds, approving Camden Yards as the site, and empowering a new instant lottery” (Richmond, 1993, pg. 97).

Many voters challenged the arrangement that had been made between the state, the team, and the Maryland Stadium Authority. “Several public opinion polls have shown that a majority of voters in the state, even in Baltimore, may be against the stadium proposal” (Franklin, 1987, para 3). Officially, the Maryland Stadium Authority “owns the stadium and leases it to the state for an amount equal to the debt service on the bonds. The state then sub-leases the stadium back to the authority for an amount equal to excess revenues that are defined as, ‘admission taxes on stadium events, plus stadium rents, less stadium operating expenses” (Greenberg, 2000, pg 93). This shifts the burden of default away from the Stadium Authority to the state, because the state would have to break its lease with the Authority for the money not to transfer to the Authority. The arrangement seems to circumvent the process for raising taxes because it does not
require voter approval but still puts the state responsible for the payment on the
debt. The state does get reimbursed for that expense, if the stadium generates
enough money to pay for the debt. Therefore, the state is guaranteed to pay the
debt even if the stadium does not actually generate the funds as promised.

According to news reports at the time, voters in the City of Baltimore and
the State of Maryland did not feel that this was a valid use of taxpayer money and
government assistance. The voters eventually filed petitions with the state’s
highest court of appeals, arguing that the stadium should be subject to public vote
as a referendum. “Backers of the referendum [sued] arguing that the promotion of
professional sports was not one of the ‘imperative duties’ of government. [Even
one of the judges] ruled that while promotion of recreation might be a ‘primary
function’ of the state, the Governor’s financing scheme had the effect of making
the stadium plan ‘primarily a private function” (Franklin, 1987, para 9). Yet these
efforts to stop the stadium construction were overruled. “On September 8, 1987,
the highest court of appeals in the state cast its overwhelming vote, 6-1: the
petitions to challenge the sports authority and put the stadium on a referendum
were invalid. The private citizens of Maryland, said the jurists, had no power to
challenge the expenditure of funds… In other words the court ruled that the
stadium funding was a necessity to maintain the operation of the state”
(Richmond, 1993, pg. 127). Maryland and Baltimore were going to get their
stadium regardless of public approval. The basis for this decision was that if all
government expenditures were able to be challenged in court nothing would ever
be accomplished. However, very few people would agree with the fact that
baseball was necessary for government operation. While tourism is a public interest, public works projects such as convention centers are built for the municipality, not for the direct benefit of one private business. While other businesses benefit from the public expenditure on a convention center, i.e. hotels and restaurants, the value of the building is kept by the municipality. In this case, however, the Baltimore Orioles, a private business worth millions of dollars, would benefit from the use of public money. To many this hardly seemed like a necessary operation to maintain the operation of the state.

The Baltimore Orioles eventually agreed to a 30 year lease to play in the new ballpark, which officially started the stadium construction. “The $235 million dollar financing plan for [Camden Yards, was] primarily driven by the public sector through the [Maryland Stadium Authority. It includes] four primary sources of capital: (1) $60 million in taxable bonds for land acquisition; (2) $138 million in tax-exempt bonds; (3) $35 million from sports lotteries operated by the State of Maryland (the first of their kind in the nation); and, (4) $9 million from the Orioles to pay for 76 luxury suites priced between $55,000 and $95,000 per year” (Greenberg, 2000, pg. 92). To offset these costs for the taxpayers of Maryland the Baltimore Orioles are required to pay rent as per their lease with the Maryland Stadium Authority. The rent consists of the following:

- 7% of ‘net admission receipts’ (i.e. gate. Net of 10% admissions tax to Maryland Stadium Authority; and payments to the American League and visiting Teams)
- 10% of ‘net private suite revenues
- 7.5% of revenues from club level license or membership fees
- 1.7% to 7.5% of ‘gross concession revenues
• 25% of ‘net Ballpark advertising revenues (Greenberg, 2000, pg. 233).

However, these payments were not designed to generate the state or the Authority money, rather to help defray the cost of the debt to build the stadium. The Orioles were also entitled to receive 50% of parking revenues attributable to baseball games, 92.5% of advertising revenue in the stadium, and all revenue from the team store, meaning that most of the revenue from the stadium would stay with the team (Greenberg, 2000). This proved to be a very lucrative arrangement for the team and its private ownership. Not so coincidentally the Orioles were sold for around $95 million shortly after signing their new lease and planning for the new stadium.

The new owner, Eli Jacobs, was an architecture lover and wanted Camden Yards not just to be a generic stadium but a masterpiece. However, the original plan for the stadium was generic, without much connection to the area around it. Originally the plan was to have a symmetrical field with four pedestrian ramps attached to the outside and have the stadium surrounded by parking lots. There was no warehouse or “retro” feel to the original design; two of the factors that made the new stadium such a success (Richmond, 1993). Perhaps the most important clause in the lease was the clause that granted the Orioles the right to approve all aspects of the design of the stadium. As per the lease, Section 3.02, Article 1. “The Orioles shall have the right to participate actively in all phases of the design process, and shall have the right to review and concur with all design development and construction documents.” Once Eli Jacobs got involved there was not going to be a generic ballpark, and the Maryland Stadium Authority had
to get the Orioles to agree to the design in order to satisfy the lease. The Orioles used their negotiation on a new lease not only to get a new stadium but be in the position to determine the design, therefore increasing the cost over the original estimate. “When we talked to the legislature originally we were talking about a no-frills ballpark’ [Herb Belgrad, the Chairman of the Maryland Stadium Authority] explained. ‘Along the route we paid more attention to the fact that because of [the] location we were the gateway to Baltimore, and we wanted our ballpark to be a signature of what Baltimore is all about… The stadium we ended up with was not the stadium we began talking about” (Richmond, 1993, pg. 174). Rather suddenly the Stadium Authority announced that their initial cost estimates for the stadium alone, not including interest or land acquisition would be $105 million, not $78.4. This increase in costs included $17 million extra that was spent on design work, including the fifty-five foot brick and window facade on the exterior of the stadium, which called for each brick to be laid by hand instead of being laid in sheets off site, trucked in, and assembled (Richmond, 1993). “On every single point in the process [design concurrence] gave the Orioles a club to wield in order to get what they wanted” (Richmond, 1993, pg. 175). While these design decisions helped create what is one of the most influential and architecturally renowned baseball stadiums in the country, it also increased the cost for the taxpayers of Maryland without any real evidence that a more interesting stadium would generate more economic benefit.

Baltimore began its revitalization several years before Camden Yards was approved for construction. Located just a few blocks away from Camden Yards is
the Inner Harbor. “The robust Inner Harbor area was thriving for a decade before Camden Yards arrived—thanks mostly to the superb National Aquarium, which is open 260 days more each year than the ballpark is” (Delaney, 2003, pg. 32). The Inner Harbor is a mixed use development comprised of shopping malls, some office buildings, museums, and waterfront attractions. “Baltimore has built its reputation as a renaissance city on one glorious project: the Inner Harbor. Ringed by numerous malls featuring the trendiest in retail shops and boutiques, and served by the numerous hotels constructed over the past decade… And just east of that is the culmination of Baltimore’s redevelopment: Camden Yards, complete with its own self-contained mall in the ground floor of the old B&O warehouse, now redeveloped as a symbol of urban revival through tourism” (Demause, 2008, pg. 158). Camden Yards was not designed to anchor a new development, but rather supplement the existing Inner Harbor. The idea was to create an area that included activities for tourists from around the world to come and experience, while spending their tax money in the City of Baltimore. The concept of searching for tax dollars from tourists has changed the focus of municipal spending in most American cities to shift from schools, libraries, and parks to redevelopment projects such as the one in Baltimore (Demause, 2008). By some accounts the opening of Camden Yards came at the exact right time. “Downtown Baltimore has been on an economic roller coaster since the boom years of the 1980’s, fueled largely by tourists visiting the National Aquarium and the shopping, restaurant and entertainment center called Harborplace. But in the [early 1990’s], the recession, crime and urban decay outside downtown have
caused an employment exodus” (Sakson, 1992, para 8). Many businesses were staking their future on the opening of Camden Yards, which they predicted would generate traffic to the area.

By most accounts, Camden Yards did have a positive impact on the economy of the surrounding area. “An entire community was reinvigorated by a ballpark that held so much promise for the future. Oriole Park at Camden Yards quickly become the epitome of mixed use development projects that ushered in a prolific era of stadium construction and development” (McDonnell, 2010, para 2). However, there are great disparities in the claims regarding the extent of the benefit and whether the benefit was worth the cost to the taxpayers in Maryland and Baltimore. The Maryland Stadium Authority commissioned an independent study in 2006 to look at the economic impact of Oriole Park at Camden Yards. The study reported that Camden Yards generated $166 million in gross state product or business sales during the 2006 season. This spending translated into $72.6 million in personal income to the state’s residents and supported nearly 2,500 jobs. For the 2006 season it is estimated that the team attracted nearly 800,000 out of state fans, with over 260,000 of them spending at least one night in the state (CABER, 2007). “State sales tax revenues directly traceable to the Stadium’s operation amounted to $7.8 million. After accounting for multiplier effects, Oriole Park at Camden Yards increased Maryland’s tax revenue by $10.4 million. The stadium also generated nearly $7.6 million in total local tax revenue” (CABER, 2007, pg. 4). Overall the stadium is reported to have directly increased tax income to the state by nearly $14 million dollars and impacted an
additional $4 million in taxes collected (CABER, 2007). Some believe that the impact is larger than the numbers suggest. “The impact largely takes place on weeknights, which would otherwise be slow for local merchants” (US States News, 2007, para 4). “Once surrounded by empty lots and vacant warehouses, the complex has seen Baltimore blossom around it… It all began with the Orioles and the new ballpark. Fifteen years after opening, the state’s investment continues to pay dividends, computed with interest and continued growth” based on the success of the Inner Harbor Redevelopment area (US States News, 2007, para 11).

Further studies also suggest the stadium has had a tremendous economic impact on the area. “Maryland’s Department of Economic and Employment Development determined that during the 1992 baseball season [, the first in Camden Yards], fan expenditures on such items as tickets, concessions, gifts, parking, transportation, lodging, and other travel-related incidentals, as well as visiting team expenditures, directly supported $117 million in gross sales, $44 million in employee income, and over 1,500 full-time equivalent jobs” (Rosentraub, pg 131). A further 1996 Major League Baseball study showed that the Orioles annual direct economic impact increased 100% due to the new stadium and that direct off-site economic activity increased by 72.6% (Greenberg, 2000). However, there are many questions as to what the studies are really saying. For instance, one cannot look at all the jobs that Camden Yards created as new jobs, because with the closing of Memorial Stadium jobs were lost. Therefore, there is some transfer of jobs to the new stadium that are not “new”.
The same can be said for the spending around the stadium, some of which would have been spent around Memorial as well. “It is claimed by one tax economist that while the annual benefits generated at Oriole Park at Camden Yards is $3 million, the annual cost to Maryland taxpayers is $14 million” (Greenberg, 2000, pg. 59). Following this assessment the stadium actually costs the taxpayers a net of $11 million per year. Further complicating the matter is the fact that many of the studies that have been generated on the economic impact Camden Yards have been done by parties with financial involvement, such as the Maryland Stadium Authority and Major League Baseball. The former Baltimore city budget director Ed Gallagher, 2000 said “It wasn’t a winner for us… but the loss wasn’t enough to trim city services” (Gallagher, 2000, pg 5). This and other studies put the cost of the stadium at a range of $10-$12 for each resident of Baltimore per year.

Ultimately there are varying studies on the impact of the stadium on the surrounding development of Baltimore. Unfortunately, there is no true governing body that is responsible for tracking the impact or for evaluating the claims made by the various reports. Furthermore, the studies can be impacted by the questions asked and the results they are looking for. Even though the study commissioned by the Maryland Stadium Authority was independent it is still going to be designed in a way that can measure the positive impact, thus negating results that could prove something quite to the contrary. In addition, the studies all seem to look at the impact of the new stadium, but not at the incremental impact over
Memorial Park. Therefore, it is hard to get an accurate gauge of what the stadium really does mean for the City of Baltimore and the State of Maryland.

When the stadium was constructed provisions were put into place to deal with capital improvements. As per the lease the Maryland Stadium Authority is responsible for all capital improvements at Camden Yards, including new seats installed over the past few years. As the stadium enters its 19th season, questions begin to get raised over what will need to be done to keep the stadium state-of-the-art and ensure the Orioles agree to extend their lease beyond the initial 30 year term. The Orioles may use the impending end to their lease as a means to receive greater subsidy or more dramatic capital improvements from the Maryland Stadium Authority. Then it will come down to how much money the state, City, and the Maryland Stadium Authority are willing to spend to ensure that the Orioles remain in Baltimore. The Orioles received a very generous package when Camden Yards was built, with the team paying roughly 4% of the stadium cost. However, the team is still not competitive on the field and has not had a winning season since 1997. Many fans and team executives will say that their lack of on field success is a direct result of being in a division with the New York Yankees and the Boston Red Sox, two of baseball’s most successful teams, and two of the teams with the largest payrolls. The Orioles might contend that in order to be successful they need more of a subsidy so that they can field a team with a high enough payroll to compete. Just last season the Orioles were one of the worst teams in baseball. In the middle of the year they hired Buck Showalter as their
manager. Pickles Pub, a restaurant across the street from Camden Yards, saw its business increase 15% once Buck was hired, who had the Orioles playing better. The general manager, Tom Leonard, said “I can definitely say we’ve seen a boost from Buck” (Haber, 2010, para 3). Business at the Pratt Street Ale House is up around 20% since the new manager took over (Haber, 2010). This shows that some portion of the impact the stadium has is directly correlated with the performance of the team on the field. Yet, the responsibility for fielding the team comes from the ownership, which has less incentive to spend money on players if the team is profitable.

Oriole Park at Camden Yards was the first of a new generation of stadiums. It was one of the first modern stadiums to be built with the idea that economic development would directly surround the stadium. However, it was the design aspects that were included after the initial proposal for a stadium that made Camden Yards the success it is today. The Orioles themselves ensured that the ballpark was more than just a ballpark, and instead became part of the city itself. However, as the stadium ages there is still debate as to the actual impact it has had on the city, and what will be required to make sure it is a viable park for the long term. If the Orioles do not produce a better product on the field, fans will continue to stay away and the potential positive impact will be further mitigated. Last year the Orioles averaged the sixth lowest attendance in baseball (Haber, 2010). Oriole Park at Camden Yards transformed baseball, but left open the
question of public financing for private stadiums and who truly benefits from the money spent.
St. Louis Cardinals

Busch Stadium

The St. Louis Cardinals is one of baseball’s most successful and storied franchises. The team plays in a medium-sized city with a very dedicated fan base. “The Cardinals have always been [St. Louis’s] darlings. Founded in 1892, the Cardinals’ total attendance ranks second in baseball to the New York Yankees, a remarkable achievement given the much smaller size of the St. Louis market. The Cardinals are an icon similar to the Brooklyn Dodgers and the Chicago Cubs. In 1996 the Cardinals welcomed the one-hundred-millionth fan to see one of their games. The Cardinals have also had one of Major League Baseball’s most successful on-the-field records; the team has appeared in fifteen World Series, winning nine” (Rosentraub, 1999, pg.218). However, in the late 1990’s and early 2000’s the Cardinals began to consider a new stadium or extensive renovations to the old Busch Stadium. The old Busch Stadium was built in 1966, and was actually the second park to have the Busch Stadium name. The stadium was a multi-purpose stadium built in the cookie-cutter design. It was very similar to stadiums in Philadelphia, Pittsburgh, and Cincinnati. While at the time it was built it was designed to practically host both a football and baseball team, it was ideal for neither (St. Louis Cardinals, 2011). Over the years, as more ‘baseball only’ stadiums were constructed, the Cardinals began to consider one of their own. The old Busch Stadium did not have fans close to the field, lacked more modern amenities such as club seating, and did not meet the modern standards fans were becoming accustomed too in other cities. By 2002, the Cardinals
planned to build a $370 million dollar ballpark right next to the old Busch Stadium, in downtown St. Louis.

Originally the plan called for the State of Missouri and the City of St. Louis to build a new stadium through the Greater St. Louis Sports Authority. The new stadium was to be owned by a regional authority and the city and state were to provide $19 million a year in financing. However, this original plan was not completed. A primary problem was that the authority had no funding. In fact, to finance the original study, the St. Louis Sports Authority needed special state funding (Dwyer, 2000a). “Under the [original] plan the city and state would allocate a portion of the taxes generated by Cardinals fans in the new ballpark to help cover the $19 million annual financing costs… The ballpark primarily would be built on land that is now parking lots just south of [the old Busch Stadium]. The Cardinals would donate the property as part of their commitment to put $120 million into the project” (Dwyer, 2000b, para 5). The Cardinals felt they needed a new stadium to compete. All of the Cardinal’s division rivals, Pittsburgh, Cincinnati, Milwaukee, and Houston, with the exception of the Chicago Cubs, were building new stadiums that would be completed by opening day in 2003 (Dwyer, 2000b). The Cardinals had exhausted their revenue generators in the old Busch Stadium after they added higher-priced luxury seats and boxes in the mid 1990’s when the city’s NFL team left. Now the team felt its only options to increase revenues were a new stadium or to steadily increase ticket prices. The original plan was modeled after the deal the NFL’s Rams received when they relocated to the Edward Jones Dome (then the TWA Dome), a publically financed
stadium owned by a regional authority, as well as many of the other stadium deals that were completed during the 1990’s and early 2000’s. However, the plan received opposition from the residents of St. Louis, St. Louis County, and the State of Missouri, who did not want to spend taxpayer money on the stadium (Dwyer, Personal Communication). After some initial hesitation the Cardinals decided to go about the process of funding their own stadium, albeit with taxpayer support.

The Cardinals decided to build their own new stadium with primarily private financing. However, unlike other “private” ballparks, the new Busch Stadium would be helped by significant public money. The City of St. Louis agreed to suspend an amusement tax on ticket sales for the new stadium, thus saving the Cardinals a substantial amount of revenue. In addition, the state contributed $36 million and spent $12 million on infrastructure, moving part of a highway. “The team financed $363 million [the rest of the cost], which included a subsidized $45 million loan from St. Louis County” (Nicklaus, 2009, para 2). The Cardinals were able to receive this public subsidy because of their threat to leave the city if they did not get some help building a new stadium. The team held firm that they needed a new stadium and several plausible locations, including Southern Illinois, right across the river from St. Louis, were proposed (Dwyer, Personal Communication). “Without some assistance from the city and the state, [the Cardinals] options were to stay where we were (in the old Busch Stadium) with a capital expenditure problem and team finances going the wrong way and no possible way to maintain payroll, or to move” (Tritto, 2011, para 14).
Ultimately, the Cardinals stayed where their fans felt they belonged. They also kept the team, and its tax revenue, in the State of Missouri instead of allowing the team to leave the state and take its tax money with it.

A key part to the Cardinals stadium plan was the development of the area that housed the old Busch Stadium. This area had been called “Ballpark Village” and was one of the keys to the proposal for public money for the stadium. The original plan had stated that the first half of the Ballpark Village could be completed as early as the spring of 2007, just a year after the stadium was going to be completed. This initial phase would include a Cardinals museum, an aquarium, and a building that would have a combination retail, residential and office space. The agreement gave the Cardinals until 2014 to complete the second half of Ballpark Village. William Dewitt III, who at the time was the team’s vice president for business development, thought that the entire project could be finished by 2009 or 2010 if not sooner (Carey, 2001). The idea was that the ballpark would not simply revitalize St. Louis by being a ballpark but by being part of a larger development. By including retail, office, and residential space the Cardinals could help to revitalize downtown St. Louis and provide entertainment and economic stimulus 365 days a year, instead of just during the 81 home games that the new Busch Stadium would host. This effort to directly tie a new multipurpose development with the public support for the new stadium helped many in St. Louis feel this was the beginning of revitalization in downtown, and that the baseball stadium was a vital part. Unlike in Baltimore, where the stadium was located near an existing development but officially separate from the
development and any of the developers of that site, the St. Louis projects were going to be intertwined.

In 2005 the Cardinals finally selected a developer to partner with on the Ballpark Village. The Cardinals chose the Cordish Company, based out of Baltimore. The Cordish Company specializes in developments with public subsidies and has a division that caters to sports anchored developments. Previous developments by the Cordish Company include Kansas City’s Power and Light District adjacent to the new downtown arena in that city, and parts of the Baltimore Inner Harbor development, called Power Plant and Power Plant Live. The partnership stressed that they wanted to create a development that was unique to St. Louis and had a combination of national and local restaurants and retail stores (Tritto, 2005). “The Cardinals own the Ballpark Village site and are obligated by the team’s deal with the city of St. Louis to create at least $60 million worth of development there. But… the club expect[ed] to spend ‘multiples’ of that amount to carry out its plans with Cordish” (Tritto, 2005, para 7). According to the original plan the idea was to have a pedestrian street adjacent to Busch Stadium, which on game days would have festivals, live performers, and open space to congregate before and after games. The village would also include a restaurant row, which would feature local restaurants and be covered in a glass canopy so that the street could be used almost year-round. However, the development was also designed to be an urban living environment and to redefine living in downtown St. Louis. Therefore, a focus was placed on designing a supermarket and a bank branch into the area surrounding a park-like...
plaza. In addition to national retail shops, a boutique alley was designed to house shops that were exclusive to downtown St. Louis. All told the development was supposed to be a city within a city, housing virtually all the needs of its residents while providing access to and views of Busch Stadium (Cordish, 2008).

The Ballpark Village was not an entirely private development. Although it was being built on land that the St. Louis Cardinals owned, by a partnership of the Cardinals and the privately held Cordish Company, the City of St. Louis and the State of Missouri agreed to help fund the project. “The City of St. Louis must sell bonds worth about $115.8 million that will finance the state and local subsides promised for the $387 million mixed-use development downtown” (Tritto, 2007a, paral). “The $115.8 million will be supported by $86.5 million in financing through the Missouri Downtown Economic Stimulus Act, $24.3 million through a Transportation Development District/Community Improvement District and $5 to $7 million in subordinated bonds that Cordish will purchase to strengthen the priority bonds” (Tritto, 2007a, para 5). While the city was going to sell the bonds to institutional investors they would have no obligation to repay them, except with the incremental revenue that is generated by the completed project. However, the process to get the financing became protracted and the project was initially delayed up to a year. At the time, one of the issues was that the project was still being expanded in the design stage. The first phase of the project, as it stood at the end of 2007, was to include 270,000 square feet of restaurant and entertainment space, 90,000 square feet of retail, 100,000 square feet of Class A office space, 1,200 parking spots and 259 condominiums (Tritto,
2007a). Even with the expanded project, there were no indications that the project would miss the required deadlines.

In early 2008 the project hit its first major roadblock. The Centene Corporation, a health care company based outside of St. Louis, backed out of a deal to become the anchor for the Ballpark Village. The company claimed that “the complexities of Centene’s proposed project in Ballpark Village proved insurmountable” (Weiner, 2008, para 4). This caused the project to run into a standstill. The Cardinals and the Cordish Co. were forced to go back to the drawing board to develop another plan that would fill enough of the project from the beginning to allow it to survive financially. At the time it was stated that “the Ballpark Village project isn’t on the ropes yet, but the Cardinals’ ownership has an agreement with St. Louis to get 60% of the project built by 2011- or they must pay an annual $3 million penalty for not hitting the mark. With Centene gone and the housing market softening, the Cardinals’ ownership has some problems” (Weiner, 2008, para 8). Yet there were still plans being worked on to get the financing approved. The Cordish Co. and the City of St. Louis were arguing over the guarantee of bonds for the project. The City of St. Louis refused to use general revenue funds or to guarantee the bonds for the project. These were two issues the Cordish Company was demanding in negotiations, and two factors that Cordish Company had received in other developments, including its Power and Light District in Kansas City Missouri. Ultimately, the two sides relented on certain points; the Cordish Company agreed not to demand the city guarantee the bonds, and the city backed off its stance that residential units be included in the
first phase of development. The city also agreed to prorate its subsidy package to give the Cordish Company more flexibility during construction depending on the market demands (Brown, 2008). However, shortly after this announcement the economy began to crumble across the country, causing real estate values to plummet and halting large scale development projects in many major cities. It became clear that the informal deadline of having the first phase completed by the 2009 All-Star Game in St. Louis was not going to happen.

In early 2009 the Ballpark Village began to gather new life. A new proposal had the project’s entire tab at approximately $600 million dollars with $300 million dollars being spent on the first phase. “The $300 million phase of the project [was to] have 325,000 square feet of office space, 250,000 square feet of retail space and entertainment space and 1,200 parking spaces” (Brown, 2009b, para 3). However, in order to start the new phase of the project subsidies of up to $188 million had to be approved. After a nearly five hour long meeting the subsidy was approved by the St. Louis Board of Aldermen, paving the way for financial approval. The project was slated to begin construction as soon as the bonds were sold, according to Chase Martin, the project manager for the Cordish Company (Brown, 2009b). The project had been stalled for over two years since Centene backed out of the project in 2008. However, with these developments the goal was to sell the bonds in March 2009 and have the first phase completed approximately 2 years later. At the time Chase Martin said the first phase of the Ballpark Village was between 80 to 85 percent pre-leased (Brown, 2009b). However, no shovels were put into the ground that fall and construction did not
start as planned. In fact the only thing to happen to the Ballpark Village for 2009, the target year for completion because of the All-Star Game, was to erect a softball field on the site. “The club still plans to construct the buildings and development that was going to be the Ballpark Village, but the calendar no longer permits the once grandiose plan to be completed anywhere close to the All-Star Game in July [2009]” (Goold, 2009, para 2). This was seen by many residents of St. Louis and baseball observers as an attempt to “green” over the eyesore that the lot for the Ballpark Village had become. Instead of a gleaming multi-million dollar development, the Cardinals were forced to make a dirt lot look decent for their showcase. This was supposed to be a grand opening celebration for one of the largest developments undertaken by a baseball team in major league history, but instead was a source of embarrassment for the team and the city. “The softball field and parking lot are temporary but welcomed improvements designed to provide additional amenities to our fans as we wait for final approvals on the larger Ballpark Village Plan”, Bill DeWitt III, [the] Cardinals president said in a release” (Goold, 2009, para 4). Ultimately, the Cardinals failed to deliver on their own goal of having the Ballpark Village completed in time for the biggest showcase in the baseball season. In fact, for a time, it seemed that the project would be stalled indefinitely.

In late 2010, the Ballpark Village began to gain momentum once again. Nearly two full years after the project came to a complete standstill the first phase is ready to begin, albeit on a much smaller scale. “In 2002, the first phase was tagged at $387 million. In 2008, it was reduced to $320 million. [In late 2010]…
the first phase was estimated at $150 million” (Moore, 2010a, para 7). The new goal of the project is to build something manageable to get the project started and instill confidence in the entire project. This time, 225,000 square feet of office space will join 100,000 feet of retail space in the first phase. There is currently no plan for any residential development, a major change from the original plans which focused on a mixed use residential development (Moore, 2010a). “When it all started [the city of St. Louis was] really trying to increase the residential base downtown, but since the planning the market changed and there were other residential developments that opened downtown. It seemed less and less important to fill the residential requirement down there. In addition, the residential units planed for the village were high-end condo developments and the current market is especially weak for condo developments, which would mean they would have a hard time selling them” (Ruthsatz, Personal Communication). Until late 2010 “it appeared Ballpark Village was on ice. About two years ago, the Cardinals and their development partner stopped the process of seeking local and state tax incentives for the project. But to the surprise of city leaders, the developers were back at the table before a city board [in mid 2010] saying financing is in place and tenants are ready to move in” (Moore, 2010b, para 6). To make starting the project easier the developers went with the smaller $150 million dollar project. However, according to the new plans, if the project takes off and the entire seven block area is developed, the final price tag could climb to as much as $800 million, higher than any of the previous proposals. One important concession the Cardinals and the Cordish Company received was a reprieve on
their mandate to have the project 60% completed by 2011. Under the original agreement the team would have had to pay the City of St. Louis $3 million dollars for each year the project was not completed after 2011. However, under the new agreement if the first phase is not complete by 2014, the team would owe the city $3 million in 2016 (Moore, 2010b). This new plan received unanimous approval from the city’s Downtown Economic Stimulus Authority in early 2011. This approval reset the clock on all the public incentives, but is just the first step in the process for getting the much delayed project back on track (Tritto, 2011).

“An Aquarium, a 20-story residential tower, a massive underground parking garage built in the hole left by the old Busch Stadium. Nearly a half-million square feet of top-notch office space. Streets lined with stores and restaurants unique to the region. A development that could exceed $600 million, creating hundreds of new jobs and the jolt sorely needed to revitalize downtown. A 24-hour place to live, work and play. That was how Ballpark Village was pitched when introduced to the region 10 years ago” (Moore, 2010b, para 1). However, 10 years later the site is nothing more than a grassy lot with parking for the stadium. The development has been the source of public excitement and frustration ever since it was proposed. It immediately became a key bargaining chip for the Cardinals to get millions of dollars in public money to support the construction of the new Busch Stadium. Furthermore, as part of that agreement the team agreed to pay a $3 million dollar penalty if it was not completed on time, yet has not been held accountable to that agreement (Moore, 2010b). Due to all the delays and the seemingly endless redesigns, many residents of St. Louis doubt
it will ever come to fruition. While it appears that after years of delays there is momentum for the project, it is a shadow of what was originally proposed and if built in its current size, will not have the transformative effects that were once promised.

The public support for the new Busch Stadium and the Ballpark Village has come under questions from both the taxpayers in the State of Missouri as well as the State Finance Board. The major issue was trying to make sure that the state is getting a return on its money. “Marie Carmichael, chairman of the Missouri Development Finance Board, said … that given the state’s financial problems, the board should ‘make sure we’re getting the bang for our buck’” (Young, 2011, para 2). The state usually gives state credits to projects up to $10 million dollars, but that cap has been exceeded several times. One of these examples was the $29.5 million this particular program granted for the St. Louis Cardinals to build Busch Stadium in 2002. However, no one has been responsible for tracking performance of these grants. Furthermore, one board member stated “projects pay consultants to produce favorable cost-benefit studies” and therefore she does not believe any of them (Young, 2011, para 8). These expenditures should be tracked and evaluated to see if projects are indeed helping the city of St. Louis and the State of Missouri or if the money could have been spent more effectively. There is also reason to worry about the ability of the City of St. Louis to track economic returns, or even check compliance with agreements made, such as the agreement made with the Cardinals when they aimed to build the new stadium.

“Eight years ago, as the St. Louis Cardinals aimed to build a new stadium; team
owners signed an agreement with the city worth millions of dollars a year in tax breaks. In exchange, the team agreed to a series of annual perks for the region’s residents- 100,000 free tickets, 486,000 seats for under $12 and $100,000 in donations to recreation for disadvantaged youths. The Cardinals also agreed to give the city a cut of profits made if any portion of the team was sold” (Hunn, 2010, para 1). However, no one has checked the numbers for the Cardinals or to make sure the city has been paid the proper amount. Several city officials say they felt no need to double check the Cardinals, they trusted their numbers. Critics argue that the city potentially has left several hundred thousand dollars on the table at a time when they can hardly afford to leave any money behind (Hunn, 2010). According to data provided by the team, most of the clauses have been met. However, if no one is checking to make sure the agreement is being followed it suggests that no one in the City of St. Louis has compared the relative economic impact of the stadium given the cost of the new stadium being built.

The Cardinals themselves claim that the new Busch Stadium has reaped tremendous benefits for the City of St. Louis and the State of Missouri. “To get the stadium built, the state contributed $36 million in tax credits and spent $12 million to move a highway ramp. The city agreed to suspend a tax on ticket revenue… [and include] a subsidized $45 million loan for St. Louis County” (Nicklaus, 2009, para 2). Bill Dewitt III, the Cardinals president said that he feels the investment from the city and the suspension of the city’s 5 percent admissions tax on each ticket has been worth it. He claimed that “Busch Stadium is the largest municipal toll booth in the city, and 90 percent of [the teams] attendance
comes from outside the city” (Tritto, 2011, para 4). Prior to 2002, when the
Cardinals were trying to decide whether to improve the old Busch Stadium or
build a new one, the team was looking at spending nearly $30 million dollars on
necessary upgrades. However, these upgrades would have gone towards
infrastructure improvements such as structural repairs and safety, and would not
have produced any additional revenue for the team, resulting in the need to cut
payroll (Tritto, 2011). Since building the new stadium the team argues its
contribution to the city and the state has increased tremendously. “The Cardinals
have paid the city an average of $10.3 million a year in taxes during the five
seasons since new Busch opened in 2006…That compares with an average of
$7.7 million during the five years of 1997 to 2001, before a ticket tax deal was
reached and a commitment to a new stadium was made. Meanwhile, the state has
collected an average of $17.5 million from the Cardinals during the past five
seasons, compared with a $9.1 million average during the five seasons up through
2001” (Tritto, 2011, para.6). The deal to build the new stadium also kept the team
in St. Louis as opposed to plans to potentially build a new stadium across the river
in Illinois.

The Cardinals were the first team in nearly 100 years to win a World
Series in the first year at their new Ballpark in 2006 (St. Louis Cardinals, 2011).
Furthermore, the team has remained among the most competitive teams in the
league, with one of the highest annual payrolls. The new Busch Stadium also
allowed the team to average the 4th highest attendance in Major League Baseball
last season (Tritto, 2010). Overall, the stadium has been very successful;
however, the entire project has been tarnished by the negative publicity surrounding the Ballpark Village. It remains too early to tell if the entire project is, or will be, a success. Currently, the stadium is separated from the downtown by a seven block area surrounded by chain-linked fence. In order to truly have the city feel the effects of the new stadium, some development will have to occur. It remains to be seen as of this writing what will ultimately come from the Ballpark Village, but nearly 10 years after it was originally announced it still remains a point of contention. St. Louis did get its new ballpark, but the promise of a revitalized downtown is still on hold as developers, the city and the Cardinals negotiate the final touches on the much delayed Ballpark Village.
San Francisco Giants

AT&T Park

Similar to many other teams in Major League Baseball, for many years the San Francisco Giants played in a multipurpose stadium with the National Football League 49ers. The old stadium, named Candlestick Park, was considered inadequate for a baseball team, due to renovations made for football, and lacked the modern amenities that most teams required, including club seating, enough luxury boxes, and seats angled towards home plate. Candlestick Park was the home of the Giants from 1960 until 1999 (Giants, 2011). However, beginning in the late 1980’s, the Giants’ ownership wanted a new home. They had been playing at Candlestick Park since 1960 and the stadium began to show its age. The team also had to play in a stadium that was more suited to football than baseball, and a stadium in which the winds off the bay constantly made fans uncomfortable. This intensified in the early 1990’s, after the success of stadiums in Baltimore, Cleveland, and Denver.

So the Giants set out to try and win taxpayer approval for a new stadium. However, “San Francisco has a very different means of approving public expenditures than do most U.S. cities. Virtually all city bond issues are subject to approval by the electorate, meaning the Giants would have to subject their stadium demands to a public referendum” (Demause, 2008, pg. 174). Whereas in Baltimore the state and city could approve the funds under the Maryland Stadium Authority, all the money to build a new Giants stadium would have to be
publically approved through referendum. As in most major cities with issues in their school systems, poor neighborhoods, and public parks, building new stadiums for wealthy owners with public money did not sit well with the taxpayers. In fact, it is highly unlikely that many of the stadiums that are currently being used in Major League Baseball would have been approved under the voting system required in San Francisco, meaning that these teams would have had to come up with other means of funding their stadiums.

Due to the system of approvals needed in San Francisco, the team was unsuccessful in its first attempts to secure a new stadium, paid primarily with taxpayer funds. “The Giants asked voters four times for public funds to help build a new park, but failed each time. A 1989 initiative looked like a sure thing, but the Loma Prieta earthquake hit three weeks before the November election and ruined any chance of passage” (Nevius, 2010, pg 2). While the plan in 1989 was not the first attempt it did come during one of the more successful seasons in Giants history as they ended up making the World Series that year. It was during the World Series that the earthquake hit the city of San Francisco and shifted public need away from a new baseball stadium. The situation was coming to a standstill. At one point Bob Lurie, the Giants owner, sold the team to a group of investors from Tampa Bay, which stated the team would begin play in Florida in 1993 (Demause, 2008). Tampa Bay had built a publically financed stadium in the late 1980’s but did not have a team to occupy it. These investors sought to take advantage of the Giants inability to get a new stadium, and utilize the stadium in Tampa. However, the National League owners rejected the sale for a variety of
reasons. The key reason was that the San Francisco television market was substantially larger than the market in Tampa Bay, and therefore losing a team in San Francisco would hurt profits from network television contracts. Eventually, Lurie sold the team for less money to a local investor, Peter Magowan, who wanted to keep the team in the San Francisco Bay area (Demause, 2008). This move avoided the risk of the team moving but still left the team searching for a new stadium. “Magowan immediately set out to secure the new ballpark that Lurie had failed to get, with one major difference: This time, the Giants were prepared to foot the bill themselves. The Giants would build and own the planned $255 million waterfront ballpark, with almost the entire cost paid for out of a private bond issue and the sale of naming rights and luxury boxes” (Demause, 2008, pg. 175).

Peter Magowan had done what no team was had done since the Brooklyn Dodgers moved to Los Angeles in 1962, offer to build a privately financed stadium. (Incidentally, today, Dodgers Stadium is the third oldest stadium in Major League Baseball.) Most teams had argued that they could not afford to build a private stadium. However, the Giants were attempting to prove that while it might be more appealing to have someone build a stadium for you, it was economically possible for a baseball team to build a new stadium on their own. “The alternative was that the Giants would leave, and the alternative was just not acceptable’ Magowan said [later at] the opening of his life’s dream” (Murphy, 2000, pg. 1). This new proposal passed in 1996 by a 2:1 margin. San Francisco would finally have their new stadium, and they were going to get it with very little
cost to the taxpayers. “There was no shortage of skeptics when the Giants announced their intention to build a new downtown ballpark in 1994. At that time baseball’s popularity had hit near rock-bottom following a crippling strike. Plus Bay Area voters had already rejected four requests to provide public money for a new facility… But with a promise not to put out its hands for public funds, the team finally got the approval to go ahead with a privately financed park on Port of San Francisco land in the China Basin Area” (Robson, 2000, para 7). At first people simply did not believe that a baseball team would build a stadium on their own, without public financing. However, Peter Magowan was determined to keep the Giants in San Francisco, even if he had to build the stadium on his own. The Giants were going to stay in San Francisco thanks to an owner who understood that baseball was a business and not a public good. He was willing to take a risk to build a new stadium, in the hope, that like any other business transaction, it would yield profits in the future.

The new Giants ballpark was not without any public assistance. First and foremost was the fact that the park would be on public land. The Giants did receive $15 million dollars in tax increment financing for infrastructure improvements on the land around the stadium as well as a $1.2 million subsidy for relocating a maintenance yard on the site. The $15 million dollar subsidy entailed the city diverting property taxes on the land into the construction fund (Demause, 2008). However, even with these subsidies, the City of San Francisco was going to receive a new stadium for a fraction of the cost to taxpayers of any stadium since 1962. Yet, the Giants themselves still had to finance the stadium.
The Giants set out to do this through a combination of a private bond placement, and the sale of naming rights and luxury boxes. “Magowan without apology had to sell off much of the stadium to finance it. The Giants weren’t getting public help, so things had to be sold. Starting with the name, for $50 million to Pacific Bell [now AT&T after two subsequent mergers]” and including the concession rights, signage and pouring rights (Murphy, 2000, pg 3). Ultimately, the stadium was financed with $150 million from a private bank loan and bonds, the $50 million from naming rights, a $100 million fund including sponsorship rights, concession rights, pouring rights, and charter seat sales (Greenberg, 2000). While these revenue streams, including naming rights, were not entirely new concepts, this was one of the first times that a team was using the money to finance the construction of a stadium instead of counting on the money as revenue. San Francisco was also one of the first teams in Major League Baseball to use personal seat licenses. A personal seat license is a contract between the team and the purchaser in which the licensee pays the team a fee in exchange for a guarantee by the team that the owner can purchase season tickets for that seat. The Giants sold 13,700 seat licenses in a price range of $1,500 to $7,500 for a total of $40 million dollars (Greenberg, 2000). All together the Giants managed to raise the entire $357 million tab for their ballpark without public support and without any major controversies.

While the Giants had succeeded in funding their new park and receiving zoning approval, the stadium did not come without its problems. There were some protests from local neighborhood groups who did not approve of a new
stadium being built in their neighborhood. However, these groups were few and far between and no group managed to mount a serious objection to the project (Nevius, 2010). “It isn’t like we had much choice,” said… [the] chairwoman of the Mission Bay Citizens Advisory Committee. The 2000 census showed just 540 residents lived next to the proposed site. ‘Mayor Willie Brown basically said this is going to happen. It is the kind of thing you can do when you don’t have anyone to vote on it” (Nevius, 2010, pg. 2). Jeffery Leibovitz was one of the citizens who did try to actively stop the stadium. He started a campaign against the stadium and proposition B, the referendum that needed public approval for the stadium to be built. His major concerns were the lack of supporting infrastructure. The area in which the stadium was to be built was an industrial site with narrow sidewalks, small roads, and virtually no parking (Leibovitz, Personal Communication). Furthermore, the area was seeing resurgence as a home for the dot-com boom because many of the technology companies were drawn by cheap rents and a close proximity to Silicon Valley, and downtown San Francisco. “I lived [in Mission Bay], I understood what was going on here, I knew the businesses that were here, and had I [and the other residents] not gotten involved there would be a different [stadium] here now. Rents would have skyrocketed and it would have driven out the businesses that were starting to develop in the area. Other than the stadium there was no driving force for rents to go up, and businesses weren’t going to pay that kind of money. [However,] the Giants had a lot of support because they were the Giants and they said there were going to [build] it on their own dime” (Leibovitz, Personal Communication).
Eventually, concessions were made to appease the neighborhood. Plans for a year-round restaurant atop the scoreboard were scrapped before construction began. The Giants also reduced the project’s size by 20 percent to make it more manageable for the area. However, these changes were not completely due to the neighborhood. The Giants had to constantly keep tabs on the cost of the stadium because they, themselves, were paying for every detail. Therefore, they evaluated the economics for the plan and concluded that the stadium, as planned, was too expensive and reduced certain features to make it more manageable financially as well as for the area. These changes, mostly impacted the team itself, such as eliminating a 180 spot subterranean garage, but also included removing a pedestrian arcade, and reducing the total size of the stadium by 200,000 square feet. The most glaring concern, traffic, remained unanswered. “Who will pay for the added transit service is a matter of some dispute… The Giants disagree [with the city,] saying that paying for transit is not their responsibility…Traffic is already highly congested, [in the stadium area] and the only way planners figure they can avoid making it worse is to get fans to use [public] transit” (Epstein, 1999, pg.1). “It has been consistently stated as city policy, going back to the ballpark campaign in 1996, that the city would provide all services - police, Muni (Municipal Transportation Agency Services), traffic direction - outside the ballpark. In fact, that’s the city’s only obligation since we [(the Giants)] are building our own ballpark, paying market rent and taxes” (Epstein, 1999, pg.2). Even in a situation where the team is footing the bill for construction there is still debate as to the public’s involvement into the operation of a stadium, which easily
can entertain 42,000 people on a given night. To address traffic concerns the Ballpark Transportation Coordinating Committee was founded. This committee was comprised of one representative from nearly every agency and community group that would be impacted by the traffic caused by the stadium. Initially the Giants agreed to pay for a transportation management plan. The committee then digested the plan and used it as a baseline to determine the most effective method to deal with traffic for the stadium. The plan was instrumental to making the ballpark operate effectively on opening day (Leibovitz, Personal Communication).

As the stadium came together it was highly regarded for its architecture and its feel, even after some of the design changes. Peter Magowan was not satisfied with the idea of just building a ballpark. He wanted a ballpark that was built in style. “Knowing we had an urban park we wanted an old-fashioned look of brick and steel…You see Fenway Park, you know you’re in Boston. You watch TV and you don’t need to see ‘Cubs’ on the uniforms to tell where you are. You can tell by the ivy, the bricks, the people in the stands. We wanted people to know our park was in San Francisco and that it was unique and different” (Murphy, 2000, pg. 2). The Giants borrowed ideas not only from the new “retro” parks in Baltimore, Denver, Cleveland and Arlington, but also incorporated historical elements from Fenway and Wrigley, and even a former stadium in San Francisco, Seals Stadium (Murphy, 2000). “A combination of creative financing, a killer location [in a newly built development on the water and close to downtown], savvy marketing, a blockbuster charter-seat program and
an agreement with its general contractor that it would pay for any cost overruns has resulted in what most critics are hailing as a gem of a stadium” (Robson, 2000, pg. 1). The Giants proved that a truly spectacular stadium could be built, and be profitable, with only private money.

The Giants Ballpark is officially part of the Rincon Point-South Beach development. “Rincon Point-South Beach is a 115 acre redevelopment project composed of two non-contiguous geographic areas along San Francisco’s northeastern waterfront. Much of the area was formally characterized by dilapidated warehouses, open cargo storage yards, abandoned or underutilized buildings, several piers in unsound condition and an extensive network of underutilized street right-of-ways” (SFRDA, 2011). The redevelopment of this area was first started in 1977 and was approved in 1981. The area was to consist of mixed-income housing, the historical rehabilitation of several old buildings, including an old Post Office, several acres of waterfront parks, a new pier and boat harbor, several corporate headquarters buildings, and the reconstruction of local roads (SFRDA, 2011). The area fell under the control of the San Francisco Redevelopment Agency. “The Agency is an entity legally separate from the City and County of San Francisco, but existing solely to perform certain functions exclusively for and by authorization of the City and County of San Francisco (SFRDA, 2011). The San Francisco Redevelopment Agency uses funding tax increment financing to fund its projects. Through this method the agency issues bonds which are sold to investors and then uses the bonds to fund agency projects. The future property taxes paid on the redeveloped land are then used to pay for
the debt service. The agency has no authority to levy taxes other than collect on
the property tax increments from the increased value of the land after
redevelopment (SFRDA, 2011).

While the Rincon Point-South Beach development had been underway for
several years before the concept of the new Giants Ballpark was introduced, as
soon as the idea came for a ballpark in the China Basin it was added to the
redevelopment area. This allowed the Agency to help with the $15 million for
infrastructure improvements (part of the public subsidy) and secure the rights to
build on the land that the stadium now occupies. This $15 million was
contributed because in most major land improvement projects the city helps to
pick up the tab for infrastructure improvement. According to Katherine Riley,
assistant project manager for the Rincon Point-South Beach development, the
development was in existence prior to the stadium being annexed in the late
1990s, so it is hard to say that the plans and development were driven by the
ballpark. Unlike St. Louis, and to some extent Baltimore, the San Francisco plan
was going ahead with or without the stadium, and the stadium was more of an
afterthought than an important part of the development plan. “Some places use
the stadium as an economic tool for the area; in San Francisco they did not try for
that that as much as [support the stadium to] keep the Giants in town” (Riley,
Personal Communication).

In addition to the Rincon Point-South Beach development, another
redevelopment area sits right next to the stadium. The Mission Bay development
covers 303 acres of land along the San Francisco Bay. Once again the San
Francisco Redevelopment Agency wants to build a mixed use development with a focus on education and housing (SFRDA, 2011). However, this time the San Francisco Giants want to have a part in the development. Unlike, the stadium construction period, the team is now firmly settled in their stadium and would like the opportunity to have a direct impact on the land next to their stadium, and eventually profit from it. The Giants “have joined forces with Baltimore-based Cordish Co. in a bid to develop the 13.6 acre parking lot across the Lefty O’Doul Bridge from AT&T Park. While the concept is still in the early stages, and other development teams are still coalescing, the Giants-Cordish group will be a clear front-runner in the competition to take on the prime port-owned waterfront parcel known as Seawall Lot 337” (Dineen, 2007, para. 2). (Incidentally, the Cordish Company is behind some of the newer aspects of the Baltimore Inner Harbor development as well as partners with the St. Louis Cardinals on the Ballpark Village.) The partnership wants to build shops, office space, rental units, and an entertainment center on the parking lot across the China Basin Channel from AT&T Park. This would allow the Giants to benefit from the traffic they bring to the area, while allowing them to profit from activity 365 days a year.

Despite the economy “the Giants remain committed to plant to build 875 housing units, 1 million square feet of office space, 240,000 square feet of shops and restaurants, 180,200 square feet of exhibit/event space, 8.7 acres of public open space, and 2,650 parking spots” (Young, 2010, para. 4). This, however, is different than other ballpark developments since it is being built after the stadium was constructed and not as part of a larger package to gain approval from
taxpayers. In fact, the development project headed by the Giants would not receive any financial support from the San Francisco Redevelopment Agency, with the only help coming from a zoning change permitted by the State of California. The land they are aiming to build on is part of the Port of San Francisco land and is officially State Trust Land and all use is supposed to be related to maritime activities or be state serving in nature. It falls just outside of the redevelopment zone but next to the Giants Stadium. The Port of San Francisco has received special legislation from the State of California to allow for more diverse land use on the lot with the idea that they would create a master development, and spin-off money would fund maintenance of the ports. Therefore the redevelopment authority has no control over the development but the development is still subject to the city planning board (Riley, Personal Communication).

The Giants built their stadium with private dollars in a location that was under redevelopment by the San Francisco Redevelopment Agency. However, “in both of these cases, [Rincon Point-South Beach, and Mission Bay] the stadium was only part of the plan, and other major land use issues were occurring at the same time, which can be argued to have had as much if not more impact as the stadium” (Riley, Personal Communication). It is hard to pull the stadium apart from the development, yet it is not clear cut that the stadium had a tremendous impact on the development. The land that was undergoing redevelopment was in a prime location, near the downtown, and most likely would have been redeveloped with or without the stadium. However, it is clear that the stadium did
bring attention to the area and a lot of publicity and tourists to the redevelopment areas (Riley, Personal Communication). Others argue that “AT&T Park is a model for new architecture of baseball stadiums and is the anchor of the first totally new neighborhood in San Francisco in decades… The ballpark has turned out to be the rarest of urban concepts- a big deal done well. This is not only a postcard-perfect structure; it had helped to drive a tsunami of development that has transformed an urban wasteland into the city’s new hot address… The ballpark has turned out to be the rarest of urban concepts- a big deal done well. This is not only a postcard-perfect structure; it had helped to drive a tsunami of development that has transformed an urban wasteland into the city’s new hot address… The city’s Planning Department calculated that from 2000 to 2009, nearly a third of all the city’s new housing- almost 7,200 residential units- was built in the census tracts closest to the ballpark” (Nevius, 2010, pg. 1). While it is admitted that all of the development was not due to the ballpark, and a lot of the development was already in the planning stages when the stadium was being constructed, the stadium did help to cement the area as one of the most exciting new developments in the San Francisco area (Nevius, 2010). Even Jeffrey Leibovitz agreed that the stadium as it turned out was beneficial to the area. “In the beginning there was some skepticism and apprehension, but after the first season, when the bugs were worked out things were going smoothly. By the third season the fans understood their routines including parking and the train schedule. [The stadium] became a driving force for some businesses and property owners. People wanted to live near the excitement. They wanted to use the ballpark as a marketing tool” (Leibovitz, Personal communication)

The Giants have also found other ways, besides baseball games, and their attempt to develop the surrounding land, to increase profits. The stadium is
hosting football games, motorcycle championships, concerts, and corporate events fill out the lineup during the off season. “The increased activity is making Giants Enterprises LLC, the subsidiary that oversees non-baseball events at the ballpark, a key player in the team’s financial lineup… [the] division has been profitable since it was established in 1999 and continues to see increased revenue each year. Giants Enterprises is about halfway to its goal of $5 million to $6 million in annual profits on $20 million to $25 million in revenue” (Young, 2003, para 3.) The Giants get to keep all of the money they make from events at the stadium because they own the stadium outright, unlike stadiums that are owned by public agencies. This helps the team with its debt payments on the stadium and maintains profitability, even though it had to finance the stadium on its own. In addition, “since the ballpark is multi-use, it has more of a benefit to the area than if it was baseball because it brings people into the area more than 81 times a year… Now that the ballpark has become an integrated part of the neighborhood, all the businesses have benefited from its presence” (Leibovitz, Personal Communication).

Overall, the San Francisco Giants are an anomaly in Major League Baseball. They are one of only a handful of teams to play in a privately-financed stadium, as the only team to build a privately financed stadium since 1962. The team has had continued success on the field, culminating in a World Series victory in 2010. This has proven to Major League Baseball that teams can be successful even if they build their own stadiums. While the taxpayers of San Francisco rejected the idea of a publicly funded stadium, other cities have not
followed suit, and even San Francisco may be caving when it comes to financing a new home for the NFL’s 49ers. Some believed that when the Giants built their stadium they would be “house-poor” and unable to compete with the rest of baseball because of their stadium debt. However, their on-field success has shown that teams can survive even if they have to finance a stadium themselves, and that there is no discernable difference in the economic impact on the city as a result of the funding of a stadium. The Giants have proved that if cities stand strong teams do have the capability to build ballparks themselves, however, few other cities have followed suit, and other “private” stadiums have come with far greater subsidies from the taxpayers.
The Boston Red Sox

Fenway Park

The Red Sox, one of baseball’s most famous franchises, are located in the City of Boston. Countless famous players with names such as Cy Young, Ted Williams, Babe Ruth have all played for the Sox. However, one of the most revered aspect of the Red Sox had to be its ballpark, Fenway Park. Built specifically for the Red Sox, Fenway Park opened on April 20th 1912, the day the Titanic sunk. Prior to Fenway, the Sox played at the Huntington Avenue Grounds, a park that the team leased. Once the team moved into Fenway it truly had a home in Boston. Generations of fans came to see the team play at Fenway. The crowds continued despite the fact that the team did not win a World Series from 1918 until 2004 (Red Sox, 2011). The team had a very loyal following and always seemed to field a competitive team, but was “cursed” according to fan lore and could not win the World Series. Despite the seemingly loyal fan base and the historic nature of Fenway Park, in the mid 1990’s the team began to search for public support for a new stadium. “In April 1995, John Harrington, CEO of the Red Sox, said “we really don’t want to leave Fenway Park. The spirits are great. The problem is this eighty-three-year-old stadium has become obsolete” (Greenberg, 2000, pg. 22). With that comment the team seemed to signal they had made up their minds and were going to build a new stadium next to the old Fenway, they just needed the proper approvals and public money to make the new stadium a reality.
Despite the charm of Fenway Park it was one of the smallest stadiums in Major League Baseball. The stadium was built during a time when baseball stadiums were fit into their surrounding street grid, instead of the more modern approach of building the stadium and then reconstructing the grid around it. This led to some of the more unique features of the park, including the iconic “Green Monster,” the large left field wall that was painted green. However, “Fenway’s charms paled in comparison to the luxury seating and expanded food courts afforded by new Ballparks” (Demause, 2008, pg. 203). The stadium was one of the two oldest in the sport, and was lacking even the modern amenities that were present in the “newer” stadiums other teams were positioning to replace. By comparison, nearly all of the new stadiums constructed or planned in the 1990’s were aimed at replacing stadiums 50 to 60 years newer than Fenway Park.

However, there was something special about Fenway that caused the fan base to protest against the destruction of what they deemed to be a hallowed baseball monument. “A group of old Fenway loyalists called Save Fenway Park [proposed] an alternative stadium plan that would involve renovating the current stadium” (Goldberg, 1999, para. 13). However, management immediately dismissed that plan stating that it would be too costly and would not produce enough revenue to make the team competitive. “Sox officials insisted that [renovating the park] would be far too expensive, if even possible at all. ‘It would be easier to straighten the Leaning Tower of Pisa,’ Harrington [CEO of the Sox] declared; HOK architect Earl Santee added, ‘you can’t renovate Fenway because the footprint is too small to fix what needs to be fixed.’ Mayor Tom Menino, who
had recently jumped on the Sox Stadium bandwagon, added: ‘I love Fenway Park and I was an advocate of renovating it right where it is, too. But I was educated and I now realize it’s just unrealistic’ (Demause, 2008, pg. 323).

Red Sox management understood the fans connection to the Old Fenway Park and designed the new park to incorporate many of the historical touches that made the old park unique. “The new park would have its own Monster and be designed by the same firm that created the charming Camden Yards and Jacobs Field in Cleveland,” both of which are renowned for their historical feel (McLaughlin, 1998, para. 11). In addition “the Red Sox plan to keep the best of old Fenway- part of the famed Green Monster fence and the original infield- but in a park next to the new stadium, a sort of museum version of Fenway. The new stadium would include replications of the best, the fence and the intimate layout- but include 10,000 more seats, bringing capacity to 44,000 and improvements ranging from wider seats and concourses to more bathrooms” (Goldberg, 1999, para. 10). Members of Save Fenway Park were still not satisfied. They argued “why try to recreate Fenway when you’ve already got it?” (McLaughlin, 1998, para. 13). Further protests were from the neighborhood groups in the stadium area. These neighborhood residents feel that the Red Sox were not a good neighbor. They complained about air quality, traffic, parking, and felt that a larger stadium would only make the relationship even worse. They argued that if a new stadium needed to be built it might be better to locate it somewhere with better traffic access, not in the middle of a neighborhood, where two-hour traffic
jams were already the norm during games. Further, they argued that 10,000 more people per game could cause total gridlock (Goldberg, 1999).

Despite the objections, the Red Sox claimed that overall fan reaction was strongly positive. Even a former great player, Ted Williams, was quoted as saying “I want Boston to have the best. If any city needed a new ballpark they need it. I won’t shed a tear” (Goldberg, 1999, para. 12). Fenway was badly in need of renovations. The wooden slat seats were too narrow for even an average sized adult, paint was peeling all throughout the stadium, the sound system was hard to hear even in the best seats, and there was a lack of modern amenities such as club seats and wider concourses (McLaughlin, 1998). John Harrington, CEO of the Red Sox, said in 1999 that “Fenway Park is a wonderful park… but the sad truth is it’s economically and operationally obsolete. It just doesn’t allow us to compete like the teams with modern ballparks do” (Demause, 2008, pg. 320). The Boston newspapers and even many of the fans agreed. They thought that the one thing that could be agreed upon, regardless of the nostalgic feel, was that the stadium was obsolete and did limit the ability of the team to compete with teams that received public support for their new stadiums. The Red Sox, while competitive, had not won a World Series in many years and reside in one of the most competitive divisions in all of baseball. Primarily, they needed to compete with the New York Yankees, who at the time of the stadium debate, were in the middle of one of the most successful periods in their team history.

Even though the stadium ranked sixth in 1996 for baseball revenues, Fenway Park seemed destined to be replaced by a modern, publically supported
stadium (Demause, 2008). Fenway Park only seated 33,871 people. This was well under most other stadiums in Major League Baseball. At the time, most stadiums seated around 45,000 people, with Camden Yards, a new stadium in the same division as the Red Sox seating 48,876. “Like many other owners in Major League Baseball, [the Red Sox] say this era of ever-rising player salaries forces [the team] to expand revenues in order to snag top players- and have winning teams” (McLaughlin, 1998, para 7). The Red Sox felt the only way to increase revenues by the amount necessary to compete was to build a new Fenway Park. To build the new stadium the team would put up $352 million and there would be a $312 million public subsidy (Demause, 2008). This amount would include the cost of infrastructure improvements as well as preserving the historic parts of the old Fenway Park. However, while the Red Sox had a plan and preliminary support from key government officials there was no guarantee the plan would go through. “The big challenge [to building the new stadium, was] lining up the financing for the project, which has an estimated price tag of… $350 million for the stadium, $65 million for land purchases, $80 million for two parking garages and $50 million for ‘infrastructure’ like new roads” (Goldberg, 1999, para 16) as well as various other expenses associated with relocating businesses.

The plans for the New Fenway Park were put on the back burner when the team was in the process of being sold. In 2001 a group of baseball investors submitted a bid to buy the Red Sox from the group led by John Harrington. “The Henry-Werner group gained the Red Sox with a $660 million bid and an agreement to assume $40 million in debt” (Chass, 2001, para. 21). The group also
included former Orioles president Larry Lucchino, who was instrumental in the construction and planning of Oriole Park at Camden Yards. “At their news conference, the successful bidders said they wanted to renovate and expand Fenway rather than look to build a new park” (Chass, 2001, para. 23). “We are committed to Fenway Park- short-term, middle-term, long-term’ team President Larry Lucchino said… ‘We’re going to be here. No thought has been, or is being given, to a new ballpark” (“The Boston Red Sox”, 2008, para 2). The new ownership understood the fans connection to the old ballpark. They also understood that the drawn out public battle over zoning and public funds would be bad for the team image and ultimately could hurt future ticket sales. In Boston, more than most cities, the residents have an affinity to history, and historic buildings. The city takes great pride in its history and works to preserve older buildings. Even when new buildings are built they are often done in a way to try and make them look old (Anderson, 1999). The new ownership group ultimately decided it would be better to preserve the historic structure than to try and recreate a new version that looked old. “Fenway Park is one of the great landmarks of New England’ [John Henry, general partner of the Red Sox said.] ‘When I think of Paris, I think of the Eiffel Tower. When I think of Boston, I think of Fenway” (Chass, 2001, para. 24). Now Fenway Park would have a new lease on life and continue to be at the center of Boston Baseball for years to come.

The Red Sox set out to make a host of changes to Fenway Park to improve both the structure of the stadium as well as improve the fan experience. As much as fans appreciated the historic nature of the old park they did concede that certain
aspects needed an update, such as the narrow concourses, and small seats.

Immediately after the Red Sox won their first World Series since 1918 in 2004, the team announced they would add over 1,500 seats, and standing room slots for the next season by gutting former roof boxes and opening a former glass enclosed club and VIP area. This came after additional concourse space was opened up for the previous season and new amenities for players, including a new weight room and interview room were created in a former parking lot (Zezima, 2005).

“Previous year’s renovations have included the Green Monster Seats above Fenway’s famous left-field wall, new and improved luxury suites and expanded concourses that have given Red Sox fans room to roam” (“The Boston Red Sox”, 2008, para. 3). In addition, many structural improvements have taken place, such as waterproofing the concrete under the lower deck, and replacing most of the seats in the stadium. “The Red Sox [also have] said they were committed to livening up the perimeter of the ballpark, which sits in a densely populated urban swatch… The team is leasing space to a private group for a restaurant with outdoor seating and is paying to widen the sidewalks and to plant trees around the ballpark. It is also renovating the stadium’s exterior masonry, restoring it to its original look” (Zezima, 2005, para 7). Ultimately the team has been able to create a world class stadium experience in the confines of a nearly 100 year old building. The owners were careful to retain the charm of the old park while improving revenues so that the team could continue to compete. John Henry reiterated that point when he stated that he was not looking to have more than 39,000 seats in the stadium to ensure the intimacy remained. While this would still be the smallest
ballpark in Major League Baseball, it had approximately 4,000 more seats than the stadium had prior to his ownership.

While the decision to stay in the old Fenway Park was not a complete surprise, it was the first time that an owner had committed to staying in the park. Furthermore, the team announced it would pay for all of the improvements and future improvements and would not ask for any public money (Zezima, 2005). This is particularly interesting because the previous owners were asking for a large sum of money to build a new stadium, and the new owners not only decided against that public money but insisted that they would pay for the improvements to the old park themselves. “We knew the perils of asking for public money,” Red Sox CEO [Larry Lucchino] said. Namely that fans get annoyed when teams ask taxpayers to build a stadium, and then raise ticket and concession prices on the very people who paid for it” (Yost, 2010, para 4). However, the Red Sox would still like to see public money spent, however, only for infrastructure improvements. The Mayor’s office claimed that there was little money available to spend on anything in the stadium area. Yet, “while the team would like to see neighborhood improvements, namely in the way of enhanced public transit and parking, it feels that these are not conditions for staying at the ballpark or imperative to the parks future success, but are public neighborhood issues” (Zezima, 2005, para 13). Unlike other teams, which demanded public money for infrastructure improvements, if not for the stadium itself, the Red Sox understood that they wanted to remain in Fenway Park because it was economically
beneficial to them and that any public support for infrastructure would be helpful but not a requirement.

The Red Sox were able to do what other teams had claimed was impossible, remain in their old ballpark and still be economically viable and successful on the field. Since the announcement that the team would remain in Fenway they have won two World Series Championships and are a perennial playoff contender. “After three years analyzing possible expansion of Fenway Park, the owners said that a sense of history was a prime factor in remaining there. Watching the Red Sox without the Green Monster would not be the same” (Zezima, 2005, para 15). “The team’s market value has… risen [during the period of the renovations] to $870 million from $617 million in 2005” (Yost, 2010, para. 13). Engineers and designers have told the Red Sox that with proper maintenance the stadium should be able to last another 40 years at least. The Red Sox proved that analysis of economic feasibility is sometimes persuaded by an agenda. The team went from an official stance that it had to move or it could not compete, to one of the most successful teams on and off the field playing in the oldest and smallest ballpark in Major League Baseball. Furthermore they renovated the stadium without any public money or demands for public improvements. The Red Sox proved that a team does not need a new taxpayer funded stadium to be able to compete.
Conclusion

As seen from these case studies, no two stadium debates are exactly the same. In some cities, fans are loyal and determined to help fund their team’s stadium, while in others the team is told there will be no public money. There are conflicting reports from the teams, the municipalities, as well as independent agencies as to the true economic impact of the stadiums. Unfortunately, there are no common measures of economic impact that are used across the country, or even across different studies of the same stadium. Some reports look solely at money generated at the stadium, while others include money spent at areas near the stadium. Many of the reports look at the impact to the general economy, while some reports try to ascertain the impact to the tax revenues of the municipalities. Furthermore, many reports fail to take into account the fact that with a new stadium, the revenues generated by the games at the old stadium fail to continue. Lack of standards regarding economic impact of sports developments creates unreliable, if not misleading rationale for building sports stadiums.

Interestingly enough, I found that the teams rarely wanted to entertain a discussion as to the impact their stadium has on the surrounding development. While any results provided by the teams could be assumed to have some bias, the lack of open communication from the teams was surprising. It appeared that the teams did not want to openly talk about the stadium issue once they had their stadium. It also showed that in the case of publically funded stadiums, the team had no responsibility to monitor the impact of the stadium once it was constructed, and consequently, had no accountability to ensure that the stadium
improved the surrounding area. In fact, one author felt that the new generation of stadiums, even those that were publically funded, did a tremendous job at ensuring that all money spent on going to baseball games was spent at the stadium, thus providing more money for the baseball team. “The owners and architects of new stadiums have gotten much more clever about creating structures that try to channel all spending within the confines of the stadiums themselves. This reduced the economic benefit available to businesses not connected with the team and its owners. In fact, expanded concessions within the new stadium provide a huge financial windfall for the team owners at the expense of independently owned local businesses or franchises. Camden Yards in Baltimore, [a publically owned and financed stadium] was the model for this approach to concessions” (Delaney, 2003, pg. 30). Thus the new stadium in Baltimore did generate more sales, but mostly for the team and not for the surrounding area. However, even that fact is disputed. Ultimately, when evaluating economic impact based on hard numbers there is no consistent method, and therefore no reliable results.

It is surprising that there is really no consistent oversight looking at the impact of baseball stadiums on a city’s economy, especially in cities where the stadium was directly funded by taxpayers. Even in cities such as Boston, where a publically funded stadium was very close to becoming a reality, there is no agreed-upon measure of the value of the baseball franchise to the city. Ideally, the individual municipalities and teams would work together to evaluate the impact of the stadiums, in an effort coordinated by Major League Baseball. In
repeated attempts to reach Major League Baseball, however, it became evident that they take a hands-off approach to monitoring stadium performance. The only information they regularly track is the economic impact of the All-Star Game on its host city. At that, the official press release is very vague on how the impact is determined. The press release from the 2010 All-Star Game in Anaheim, Ca. has four pages of information on the history of the game in Anaheim, and one only page stating the impact of the game on host cities during the last 13 seasons. Furthermore, no method to track the impact is given, and the numbers are simply listed next to their year. This further shows the lack of incentive for Major League Baseball to track economic results. The message they send is that while the Office of the Commissioner works to support the construction of new stadiums, they feel that the responsibility of monitoring the impact of the stadium falls with the individual teams, and not with the league itself.

In the beginning of the current stadium building boom the trend was to have a quasi-government agency fund the stadium with mostly taxpayer money. The idea was that the government sponsored development would spur private development in the city. Camden Yards at Oriole Park was built with this promise. However, as time went on taxpayers became skeptical of the direct economic benefits of building baseball stadiums. Those in positions of power who wanted the stadiums began to shift their investments from direct investment in building the stadium toward infrastructure improvement to support a stadium. In these cases, the municipality would fund site improvements, site cleanups, and necessary transportation improvements. Initially, these investments were rather
small. In the San Francisco and St. Louis examples the infrastructure improvements amounted to a fraction of the stadium price. However, in several newer stadiums these infrastructure improvements have become very large, sometimes close to the entire cost of other cities' new stadiums. The prime example for infrastructure improvements becoming a large portion of a stadium cost is the new Yankee Stadium. While proponents of the $1.6 billion dollar stadium will claim it is a privately financed stadium, the stadium would not have been possible without hundreds of millions of dollars in public support for infrastructure improvements. In addition, the new Yankee Stadium was built on former public park lands. The parks were demolished in early 2008 so that construction could start on the massive new ballpark. “The razed fields, in Macombs Dam Park, were the only regulation baseball diamonds nearby, and were home to neighborhood pickup games and youth leagues, and to teams from schools like All Hallows High School, a parochial institution several blocks away...The fields were originally to be completed late last year [2010], as the centerpiece of Heritage Field, a 10-acre park where the former Yankee Stadium stood. But the groundbreaking was delayed until last June, and city officials now say the fields will not open until fall 2011. ‘They built the new stadium in record time, but building replacement parkland for the community is literally dragging,’ said Helen Foster, who represents the neighborhood on the City Council” (Kilgannon, 2011, para 4&5). In addition, the cost of replacing the parks, which is to be covered by the city, is now estimated to be $195 million (Kilgannon, 2011). That is in addition to improvements made to the subways and roads
surrounding the stadiums as well as the construction of a new Metro-North Station just a few blocks away. Therefore, while infrastructure improvements used to be considered a relatively minor cost to supporting a new stadium, recently cities have been using the term to cover broader redevelopment and increased taxpayer expense.

Given the increased cost of infrastructure improvements and the still uncertain economic benefits, there are even more questions as to the reasons cities support new stadium development. At the new Yankee Stadium, a 2009 New York Times article cited many of the store owners surrounding the new stadium as saying their business was down dramatically since its opening (McGeehan). Every team that wants a new stadium argues that their current stadium is economically obsolete. While in many cases this reason seems plausible, the Boston Red Sox case raises questions as to the validity of such concerns. The Red Sox, like so many other teams in Major League Baseball, claimed that Fenway Park was economically and functionally obsolete, and would need to be replaced by a new, publically funded stadium. However, new owners bought the team and quickly changed their minds and began an extensive, private, redevelopment of the old ballpark, without even the need for infrastructure improvements from the city. If the Red Sox could change their statement fairly easily and turn an “obsolete” stadium into one of the most beloved, and profitable, stadiums in the league, it raises questions over the “need” for new stadiums in a host of other cities. Perhaps, other cities should have acted tougher and resisted new stadiums with the hopes that the owners would eventually renovate their
stadium at their own expense. However, these teams could have also left their cities for other municipalities, eager to spend money to attract Major League Baseball to their towns.

The Red Sox are not the typical stadium case because Fenway Park holds historic value both within baseball as well as the City of Boston. A case with more practical applications for all of Major League Baseball, as well as other large development projects, is AT&T Park in San Francisco. San Francisco, unlike many other municipalities in the United States, rejected the idea that the taxpayer should spend hundreds of millions of dollars on a baseball stadium which would mostly benefit the private owner of the team. However, the city also did not reject the idea of a stadium being built within city limits. In San Francisco, the result was a perfect balance of private investment and public support. The government, through the San Francisco Redevelopment Agency and the Port of San Francisco, supported the stadium but did not take on undue burden. The stadium is renowned as one of the best in Baseball and the team has continually been successful, despite the fact that many analysts predicted the team would struggle under the weight of the debt to build the stadium. Even opponents to the stadium now acknowledge that it has been beneficial to the area and has not caused too many problems in the community. The stadium has provided the same basic financial benefit to the City of San Francisco as most other modern baseball stadiums, without a large taxpayer investment.
While cities and teams debate the economic benefits of stadiums, no one rejects the idea that a Major League Baseball team brings a sense of civic joy to a town. Baseball teams bring national media attention to a city and provide the citizens with a uniting factor. When businesses are deciding where to locate their offices they often consider the cultural and recreational amenities a city may offer, and a Major League Baseball team is one of the benefits a city could have. “There is little doubt that the presence of a team provides a substantial level of publicity for the city that hosts a franchise. Numerous officials interviewed… even those who were not sports fans, commented on the improved image and feelings of civic pride that they believed were the result of the existence of [the teams and their new stadiums]” (Rosentraub, 1999, pg. 258). Especially in cities which are perceived to be a tier below the super cities of New York, Boston, Los Angeles, and Philadelphia, a new baseball stadium can represent an attempt to remain in the conversation. Yet, just because it raises civic pride does not make it a good investment, unless there are tangible results that can be gained.

Public involvement in private development is a very controversial topic, especially in times of economic hardship. The initial plans usually sound very beneficial, however, the results can be hard to track and the investment can be hard to justify. Baseball stadiums bring media attention to a city and do generate excitement in a town. They bring fans to the games and money to an area. Therefore, overall, baseball stadiums seem beneficial to a municipality. However, municipalities should not be in the business of building stadiums for private businesses without proper assurance that they will receive their money back in
full. Based on the San Francisco example it seems that municipalities should stand tough when it comes to funding the stadiums but provide support for infrastructure improvements and necessary upgrades surrounding the city. Baseball stadiums can be an important part of a city’s economic picture, but only at the right price. Based on the information that I have found- and lack of information in many cases, I believe that no city should mortgage its future to keep a professional sports team in town. Yet, for the right investment, a baseball stadium can help an economy by bringing attention to an area and publicity to a city.

When evaluating public investment in private development, there needs to be as standardized process to track results. For Major League Baseball this would require the league to establish guidelines as to how to evaluate the impact baseball stadiums have on their surrounding development. In an ideal situation, the league would track results from all 30 teams and be able to share ways to increase the impact from team to team. It would also ensure that any future stadiums that are built, such as the proposed new stadiums in Tampa Bay, Florida and Oakland, California, are built with the intent to maximize their positive impact. This would force the league to take some accountability for the teams. Currently, Major League Baseball has no accountability to municipalities, even when they lobby them to support the stadium projects. By making the league accountable it would also work to shift accountability to the individual teams to make sure they are acting in the public good, especially when the stadium was built with public money.
As part of the post-completion monitoring of the projects, the municipalities themselves should have established guidelines to judge effectiveness. Politicians are often all too eager to commit public money to either build or support private baseball stadiums. However, these same politicians rarely conduct comprehensive economic impact reports to ensure that the stadiums are having the intended results, and that the public investment was worthwhile. Public officials, especially those who sponsor these projects, have a fiduciary duty to ensure the money that is invested is having an impact. In the event that it is not creating an economic benefit, there should be actions taken to recoup the investment. I would argue that politicians should not hand private developers a blank check to do with as they please. While, it seems advisable that very little public money is invested in these projects, when it is there should be a standard process for evaluating the process. Otherwise, the politicians who authorize the investment are failing at their fiduciary duty, to serve the best interests of the taxpayers. In general, municipalities should evaluate projects on their merit as standalone projects, and offer to provide some assistance and regulatory support, but refrain from becoming financially dependent on a private development.
Works Cited


Carey, C. (2001, June 21). Cards hope to beat ballpark village deadline, but deal faces roadblocks (1 of 2 articles); complex could be finished years ahead of schedule, official says; team executive reports interest from developers. *St. Louis Post-Dispatch (Missouri)*, pp. A1.


Dwyer, J. February 25, 2011. Personal Communication


Leibovitz, J. March 30, 2011. Personal Communication


Riley, Katherine. February 18, 2011. Personal Communication


Project Summary

Major cities often provide millions of dollar in support for private developments in the hope that they will receive economic benefit in the long term. These multi-million dollar subsidies, and even direct investments, benefit private businesses and private owners. This is especially true in the case of baseball stadiums. Baseball teams are private businesses that have received millions of dollars of public funds to build new stadiums, with the promise that this investment will revitalize a neighborhood. Over the past 20 years, 24 of the 30 teams in Major League Baseball have built new stadiums or are in the process of building new stadiums, while two other teams are currently in the process of trying to win approval for a new stadium. The majority of these stadiums have received substantial government money. The question I am exploring is: Do these stadiums provide an economic benefit to the cities where they are located?

The aim of this thesis is to investigate the promises made by baseball teams in order to secure approval and funding for these projects, as well as promises made by the politicians who approved these projects and/or their funding, in order to discern if the tangible results ultimately fulfilled these promises. Furthermore, when baseball stadiums are used as the centerpiece of a redevelopment area, sometimes referred to as a “ballpark village,” does the rest of the development actually get built, or is it simply talked about as a way to make the baseball stadium more acceptable? A recent New York Times Article stated that stadiums were often “sold as a key to redevelopment and as the only way to retain sports franchises. But the deals that were used to persuade taxpayers to
finance their construction have in many cases backfired, the result of overly optimistic revenue assumptions and the recession” (Belson, 2009, para 2). By studying the details behind a few examples of these stadiums, I hope to shed light on the economic impact of publically financing private developments in general.

When selecting stadiums to include as case studies, I wanted to satisfy several criteria. I wanted a stadium that was designed to be the anchor of a new development, a stadium that was built to supplement an already existing development, and a privately financed stadium. I have chosen three “new” stadiums to research: The new Busch Stadium in St. Louis, Missouri, Oriole Park at Camden Yards in Baltimore, Maryland, and AT&T Park in San Francisco, California. All three of these stadiums have different expectations and public commitments. Busch Stadium was designed to be part of a larger “ballpark village” which has still not been developed five years after the stadium has been completed. This is despite numerous clauses in the original funding deal that required the project to be built within a set time period, which has now passed. Camden Yards was built in close proximity to Baltimore’s Inner Harbor, to take advantage of an established development with the intention of adding to the number of customers who visit the shops in the area. AT&T Park is a fairly unique case in Major League Baseball because it was the first privately financed stadium in nearly 40 years when it was built in 2000. However, the stadium was only built after the taxpayers of San Francisco voted against building a publicly funded stadium and the Giants had their planned move to Florida rejected by
Major League Baseball. While AT&T Park was privately financed, the team still used public money to complete infrastructure work on the site.

In addition, I also looked into Fenway Park, the home of the Boston Red Sox. In the late 1990’s the Red Sox ownership pushed for a brand new stadium claiming that they were no longer competitive in the old stadium. “The Boston Globe quickly jumped on board, editorializing that Fenway was ‘too cramped and unprofitable to allow the team to thrive in the high-priced baseball environment of the 1990’s’” (Demause, pg. 203). The CEO of the Red Sox even claimed that “Fenway is a wonderful ballpark… but the sad truth is it’s economically and operationally obsolete. It just doesn’t allow [the Red Sox] to compete like teams with modern ballparks do” (Demause, pg. 319). However, a nonprofit organization was formed to help save the old ballpark and conducted studies on ways to improve the financial validity. When a new ownership group took over the team in the early 2000’s they changed course and decided their best option was renovating the old stadium. Currently the Red Sox are one of the most successful teams in Major League Baseball and consistently rank at or near the top in payroll, attendance, and have fielded a very competitive team. This has proven to be a counter-argument against the threats of most owners that without a new stadium a baseball team cannot compete.

There are many intangible benefits to cities having a stadium. “Many smaller regional centers and some second-tier cities frequently want to be considered ‘major league’ or ‘big-time places’ to live and work. As such these areas try to emulate the supercities, [such as New York, Chicago, and Los
In addition, many studies, often paid for by the baseball teams, suggest that there are true economic benefits from a new stadium. “Based on a study done by the cardinals, a new stadium would bring a huge tax revenue boost to St. Louis and Missouri…. up to $23.5 million in 2005” (Dwyer, 2000, para 2.) Another example by the Maryland Stadium Authority, the owner of Oriole Park at Camden Yards, stated that in 2006 the Baltimore Orioles generated in $17.95 million in tax revenues (Asti, 2007). However, more independent studies have shown that ballparks in other cities cost taxpayers much more money than they bring in and produce only minimal development around the stadium (Gallagher, 2000). This raises the question; who is to believe and how much of an impact there truly is?

Through my research and interviews I have begun to assess the impact that the selected stadiums had on their respective cities. However, it is hard to assert what the actual impact is because the measurers are not consistent across the different cities, and the teams themselves are reluctant to discuss the results of various studies after the fact. One thing that is clear is that there is no discernable difference in the impact between publically financed stadiums and privately financed stadiums based on the fan attendance alone. Furthermore, the success of the team affects the economic impact more than the stadium itself. While teams argue that new stadiums help them field more competitive teams, that does not prove to always be the case. For instance, the Red Sox are perennial playoff contenders despite playing in a nearly 100 year old stadium, and the Baltimore
Orioles, despite playing in a new stadium built in 1992, and the model for many subsequent stadiums, have not had a winning record since 1997.

This project has the potential to influence many future publically financed projects around the country. In times of economic hardship, municipalities are re-evaluating how they spend taxpayer money, especially when it comes to projects such as professional sports stadiums. Across the United States, funding for schools, health care, and seniors centers are being cut every year due to budget shortfalls. While developments, such as sports stadiums, do provide a positive impact on cities moral and do bring visitors into the cities, there is little evidence that they are the most effective way to spend public money. Ultimately, sports teams and stadiums are a nice addition for any city, but municipalities should refrain from building or funding the stadiums themselves, because teams will play where it is economically beneficial for them to play, and if they cannot compete without public assistance in a particular city then the city may not be suitable for a major league team.