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A ballpark and neighborhood change: Economic integration, a recession, and the altered demography of San Diego's Ballpark District after eight years

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ABSTRACT

In the 1990s the owner of the San Diego Padres and San Diego entered into a partnership for the building of a new ballpark. The public sector invested $209 million and the team spent $187.1 million and retained all revenues from the new facility. At first blush this might seem like the typically imbalanced public/private partnership with the public sector spending more than the team and the ballclub getting to keep all of the revenues. What made this deal unique, however, was that the team owner also guaranteed that $487 million in new real estate development would occur near the ballpark adhering to a plan approved by the City that would create a new downtown neighborhood that included amenities and elements specified by San Diego. Despite this guarantee criticisms included fears of gentrification and that the development would merely replace what would have happened elsewhere. Those issues have been analyzed elsewhere. This article focuses on (1) the extent to which a new neighborhood was populated and sustained; (2) the creation of an economically integrated neighborhood; (3) the ability of the Ballpark District to attract young well-educated individuals as well as older higher income residents, and (4) the ability of the new neighborhood to protect property values during the recession. The data analyzed suggest that an economically integrated neighborhood has been created with property values that remained relatively stable during the recession. In addition, the neighborhood has attracted a large number of highly educated workers with few demands for public services.

Introduction

In the late 1990s the owner of the San Diego Padres (a Major League Baseball team) and the City of San Diego (California) entered into a partnership for the building of a new ballpark. The City of San Diego agreed to invest $186.5 million in the facility and other public entities (The Downtown Redevelopment Authority and the Port Authority) committed $109.5 million to the project. The total public sector investment was $296 million.[1] The Padres invested $115 million and was responsible for all cost overruns. Those overruns would lead to a total investment by the team of 187.1 million for a state of the art ballpark that would permit the Padres' ownership to enjoy numerous revenue streams that were not available to the team at the facility where they played their home games (Qualcomm Stadium, where naming rights, advertising income, and other revenue streams were controlled by the San Diego Chargers, a National Football League team).[2] In addition, playing in a facility specifically designed for baseball meant there would be dramatically enhanced sight lines for fans (Qualcomm Stadium was built for a football team) that would sustain higher ticket prices generating more income for the team.

At first blush this might seem like the typically imbalanced partnership between teams and the public sector (Chapin, 2004; Rosentraub, 1997). In most of those partnerships a city and other public sector agencies invest more than the team's owner in a new facility while the team receives most (or all) of the enhanced revenue streams. What made this deal unique, however, was that in addition to the

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[1] The investment by the Port Authority did not involve taxes levied against residents of San Diego but was generated by fees collected by the independent authority.

[2] The stadium was built for the football team and most revenue streams were given to the Chargers when they relocated from Los Angeles. The San Diego Padres were created a few years later and were tenants who were not given access to most of the revenue streams generated by the stadium since those were already guaranteed to the Chargers by their lease with the City of San Diego.

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contribution of $187.1 million for the ballpark by the San Diego Padres, the team's owner also guaranteed that $487million in new real estate development would occur in the neighborhood surrounding the ballpark. The new real estate developed would adhere to a plan approved by the City and the team's owner. The investment was to be in a new downtown neighborhood that would include amenities and elements specified by the City through its negotiations with the Padres' owner, John Moores. The agreed to plan for the Ballpark District included a commitment to add 1000 new hotel rooms to enhance the attractiveness of San Diego's Convention Center. These hotels also had to be designed to enhance the visual and aesthetic appeal of the new neighborhood. Never before had a team owner guaranteed a specific level of investment. Notably, long before the deadline to complete the $487 million investment (which was required across two time periods) the total amount of new real estate built had a market value in excess of $2.87 billion (Rosentraub, 2010).

Why was a new ballpark needed? The San Diego Padres was a tenant in a football stadium built for and controlled by the National Football League's San Diego Chargers. The Chargers began play at the stadium when it opened in 1967 and their lease gave them control of all revenues. In 1969 the San Diego Padres were created as an expansion team and immediately began to play at that venue. John Moores purchased the team in 1994. Recognizing that the lease and revenue model was not sustainable his campaign for a new facility led to the unprecedented partnership.

Despite the fact that no team owner had ever guaranteed a specified amount of new real estate development in exchange for the public sector's willingness to invest in a new sports facility, there were numerous criticisms of the partnership. There was concern that the public sector's investment would become a subsidy, as the anticipated real estate might never generate sufficient *new* tax dollars to repay San Diego for its investment. Others argued the new tax revenue would only enrich the downtown development authority (created and controlled by San Diego's City Council in accordance with existing state law)[3] and would not produce new revenues for the city or help taxpayers. Some believed the development in the Ballpark District would merely be a substitute for what would have occurred elsewhere in San Diego and therefore would represent no new tax money.[4]

Issues involving the fiscal outcomes and the redevelopment effects of the Ballpark District have been addressed (Chapin, 2002; Erie et al., 2011; Rosentraub, 2010). This article focuses on the performance of the Ballpark District based on four other criteria: (1) the extent to which a new neighborhood was populated and sustained through the recession; (2) the creation of an economically integrated neighborhood (that was home to people from various economic groupings or income categories) in downtown San Diego; (3) the ability of the Ballpark District to attract young well-educated individuals as well as older higher income residents, and (4) the ability of the new neighborhood to protect property values during the recent severe recession. Preceding the data analysis is a brief explanation of the importance of these criteria for public policy and cities. A brief concluding section dealing with the role of sports facilities and urban development follows the analysis of housing and demographic changes in San Diego's Ballpark District.

Some goals for the public sector's interest in inner city redevelopment

The outward migration of wealthier households to suburban cities and counties or the outlying areas of cities with a large geographic footprint creates a number of challenges. In metropolitan regions with high levels of economic segregation it is possible to have a disproportionately high concentration of lower income households in a particular city (Jargowsky, 1996). Communities with larger concentrations of lower income households can face severe problems when it comes to financing and delivering needed government services (Goetz, 2003). The concentration of lower income households creates numerous other challenges. As Goetz (2003) observed, "Detroit typifies a city overcome with neighborhoods of high poverty where the middle class has fled to relatively safe and secure havens of racial and class exclusivity. The city is wracked by high property-tax rates on ever-devaluing property, generating insufficient resources to fund essential city service and the elevated level of public and social services necessary to support an impoverished populace. Its schools are underfunded and inadequate, and its streets unsafe…." As many have also observed, deterioration spreads outward from areas where property values decline (and where properties may be abandoned) resulting in the flight of residents and businesses to suburban and exurban areas (Davis, Nelson, & Dueker, 1994; Morrill, 1992).

Attracting and retaining highly educated and younger residents has become a vital economic development goal for all cities. Numerous researchers have underscored the importance of educated and younger human capital for economic development (Benhabib & Spiegel, 1994; Garmise, 2006; Heckman, 2003). Those cities that are able to attract both young and educated workers have experienced more growth, and that has led local leaders to focus on building communities that attract educated and younger workers. Revitalized downtown areas have been shown to be especially valuable in the effort to attract well-educated workers (Jang, Hughes, & Danielsen, 1997; Robertson, 1995; Rosentraub, 2010).

San Diego just like every other city has a vested interest in developing its inner city communities and keeping the downtown area vital and attractive to educated workers. Some community leaders were disappointed that the area where the Ballpark District now stands suffered from stagnating levels of development and as some saw it, had substantially deteriorated. Others disagreed (Newman, 2006), but a goal for San Diego's City Council was a revitalized downtown community that while economically integrated, was also home to a highly educated and young labor force

[3] In 2012 the California legislature and the Governor agreed to terminate the existence of all downtown development authorities. This was done to insure that revenue produced by properties in the downtown areas was directed into each city's general revenue fund. Previously the incremental tax revenues had to be used to develop, enhance, and maintain the revitalized downtown areas.

[4] The best summary of the criticisms of the partnership and its creation of revenue only for the downtown area and the corporate interests concentrated in that area is to be found in Chapin's work (2002) and the work by Erie, Kogan, and Mackenzie (2011).