



Neighborhood Economic Impacts of the Proposed San José Stadium

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Executive Summary

Purpose of Study

The City of San José is proposing the construction of an open-air professional sports stadium near Downtown with the goal of drawing Major League Baseball (MLB) to the city. The proposed stadium would contain 45,000 seats, associated retail, food service, and community facilities, as well as an above-ground parking structure with approximately 1,200 spaces. In addition to hosting MLB games, the stadium would be used for other civic and entertainment events. In total, the development would encompass approximately 23 acres. The project remains in the conceptual stages, and its Environmental Impact Report (EIR) is currently being reviewed and finalized. As an alternative to the MLB plan, a joint-use stadium shared by Major League Soccer (MLS) and the San José State University football team has also surfaced as a possibility. The current stadium concept, notably its size and layout, would have to be reevaluated and redesigned to suit these alternative users' needs.

As part of the planning effort for the proposed stadium, in April 2006, the San José Redevelopment Agency (SJRDA) engaged Bay Area Economics (BAE) to evaluate the local economic impacts of the stadium on the surrounding neighborhood. This study, which occurs outside the EIR process, responds to neighborhood and City concerns regarding the possible effects of the stadium on local property values, traffic, and other issues. The study also reviews how urban sports stadiums can promote local economic development while mitigating congestion and noise, based on the experience of other stadiums throughout the country. These case studies are included in the main body of the report. This report will assist the City, its Redevelopment Agency, and local stakeholders in their evaluation, planning, and possible implementation of the stadium proposal.

It is important to note that this study does not address the broader economic impacts (i.e., economic multiplier effects) of a sports stadium on the city and region, nor does it assess the feasibility of any particular financing program for stadium development. These issues will need to be explored in later stages of the planning process.

Stadium Impacts on Local Residential Property

To understand how local home prices might be affected by the presence of a contemporary urban sports stadium, BAE compared residential real estate trends in South Beach, the neighborhood around San Francisco's AT&T Park, to sale prices and rents throughout San Francisco.¹ AT&T Park, built in 2000, and the proposed San José stadium share a number of key elements, making AT&T Park an appropriate model for this study.

¹ South Beach is defined as the district south of I-80 and east of Fifth Street in San Francisco.

Both venues seek to complement and enhance surrounding uses through sensitive design, they anchor the revitalization of a neighborhood near downtown, and they aim to foster a pedestrian-oriented and transit-accessible environment.

For-Sale Units

The data finds that South Beach condominiums consistently commanded higher sale prices than comparable condominiums citywide. In any given year between 2000 and 2006, the median price of South Beach units was 15 to 44 percent greater than units throughout San Francisco.

In terms of appreciation following the ballpark construction, South Beach units generally appreciated at a comparable rate to San Francisco units as a whole. While South Beach units showed lower average annual appreciation rates than San Francisco units between 2000 and 2006 (1.0 percent and 3.8 percent, respectively), one must consider that height of the South of Market “dot-com” boom as well as the opening of AT&T Park occurred in 2000. These factors inflated South Beach residential values in that year, leading to a relatively low annual appreciation rate through 2006.

These findings suggest that AT&T Park contributes to higher home values in South Beach compared to condominiums throughout the city. However, appreciation rates in both South Beach and the city as a whole generally remained comparable following construction of the ballpark.

Rental Units

The data show that rents in South Beach have consistently outperformed rents throughout the city units since 2002. The difference in average rents between the two areas ranges from 1.0 to 10.8 percent between 2002 and 2006, with the gap growing every year since 2002. Before 2002, South Beach and San Francisco apartments showed similar average rents, with a difference of only 1.2 to 1.7 percent.

Moreover, while both geographies saw rents fall between 2000 and 2006, South Beach apartments experienced a less dramatic decline. Between 2000 and 2006, South Beach rents fell by an average annual rate of 1.0 percent, compared to 2.9 percent for rents throughout San Francisco.

These findings suggest that AT&T Park generally contributes to a positive effect on the South Beach residential rental market relative to the city as a whole. The ballpark’s positive impact may be more pronounced on the rental than ownership market because younger households who are more likely to be renters may prefer living near AT&T Park and its surrounding amenities such as bars and restaurants.

Summary of Findings

It is difficult, at best, to forecast the precise effect of the proposed San José stadium on local home values and rents. Generally speaking, however, the AT&T Park analysis suggests that the new San José stadium would have a minor effect on local appreciation rates over the long term.

The AT&T Park study does suggest that the ballpark has had a more positive effect on South Beach rents, which have risen 2.2 percentage points faster than citywide rents since 2003. Already, apartment complexes in the area around the proposed San José Stadium outperform citywide projects. Since 2004, rents in the area have increased by 0.9 percentage points faster than citywide rents. The AT&T Park experience indicates that this advantage may grow following buildout of the San José stadium and the maturation of the neighborhood as an extension of Downtown.

Stadium Impacts on Local Commercial Property

AT&T Park Experience

As with the residential analysis, BAE used AT&T Park and the performance of nearby commercial properties as a gauge for how retail space performs following the construction of an urban sports stadium. BAE interviewed local commercial real estate brokers to ascertain their views on how the ballpark has affected the market.

Brokers consistently stated that AT&T Stadium has had a positive effect on the retail real estate market in South Beach. One interviewee declared that prior to the ballpark's opening in 2000, retail space in the area typically leased for \$1.50 to \$2.00 per square foot, compared to \$3.00 to \$4.00 today. Brokers also reported that the number of eateries and retail outlets has expanded since construction of AT&T Stadium, and properties near the stadium continue to attract strong demand from tenants.

However, brokers also stressed that while the ballpark anchored South Beach's development and contributes to the area's vitality, new residential development and the gradual revitalization of South of Market jobs since the dot-com bust have played a much larger role in the strength of retail lease rates. In fact, one broker stressed that successful businesses in South Beach do not rely on ballpark visitors as their primary clientele, and cater mainly to neighborhood residents and workers. These businesses treat the ballpark as a periodic revenue injection during the 81 home games and other events throughout the year. Brokers also pointed out that activity declines notably during the off-season, forcing businesses to focus even more on residents and nearby workers.

Traffic and congestion have certainly increased as a result of the ballpark's development, sometimes making deliveries to nearby businesses more challenging on game days. Nevertheless, brokers conveyed that business owners generally see the ballpark and the associated crowds as a positive factor in the neighborhood.

Lessons for San José

These reports suggest that the proposed San José stadium would contribute to local economic development in the area around the proposed stadium, particularly as the expansion of nearby residential projects continues. The AT&T Park experience and an overview of current asking rates in the Stadium Area suggest that lease rates could improve to \$3.50 to \$4.00 per square foot for attractive space with high visibility and access. Less attractive space could also rise to \$2.00 to \$2.50 a square foot.

Broker interviews in South Beach do point out, however, that the effect of the stadium and its visitors largely declines during the off-season, highlighting the importance of ongoing events throughout the year and a solid base of local residents and workers to maintain sustainable economic activity.

Conclusions

A new ballpark would significantly alter the proposed site's character by replacing aging industrial properties. Moreover, if well-designed, the San José stadium would anchor the neighborhood, linking it more visibly to HP Pavilion and Downtown and encouraging surrounding new development. The more successful case studies of urban sports stadiums, including AT&T Park in San Francisco, weaved the stadium into the urban fabric, surrounding the development with new residential and commercial projects. While the stadium and associated infrastructure improvements may lay the groundwork for this development, ultimately it is the new residents and local workers that sustain the local economy.

The case studies of other urban sports venues, particularly Baltimore's Camden Yards, also indicate that while a stadium would increase traffic and pedestrian activity in a neighborhood, the negative impacts can be mitigated by pro-active parking and traffic management, a transit-oriented design, and a positive working relationship between the stadium operator, the City, and local residents.

In recent months, the potential for an MLS soccer stadium at the proposed site has emerged as an even greater possibility than an MLB stadium. Initial concepts for the MLS facility would include the San José State University Spartans football team as a joint user.

Compared to an MLB franchise, an MLS team and the Spartans would draw a significantly smaller crowd. To provide a sense of scale, the Spartans' average home attendance is 18,800 in 2006, up from 12,500 in 2005. The Spartans have a total of 11 games in a season, five of which are at home. The Earthquakes, the San José MLS team which departed for Houston last year, had an average home attendance of 12,800 in 2005 over the course of 16 home games. In comparison, the San Francisco Giants and Oakland A's have 2006 average home attendances of 38,600 and 24,400, respectively, with 81 home games.

Introduction

Purpose of Study

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As part of the planning effort for the proposed stadium, in April 2006, the San José Redevelopment Agency (SJRDA) engaged Bay Area Economics (BAE) to evaluate the local economic impacts of the stadium on the surrounding neighborhood. This study, which occurs outside the EIR process, responds to neighborhood and City concerns regarding the possible effects of the stadium on local property values, traffic, and other issues. The study also reviews how urban sports stadiums can promote local economic development while mitigating congestion and noise, based on the experience of other stadiums throughout the country. This report will assist the City, its Redevelopment Agency, and local stakeholders in their evaluation, planning, and possible implementation of the stadium proposal.

It is important to note that this study does not address the broader economic impacts (i.e., economic multiplier effects) of a sports stadium on the city and region, nor does it assess the feasibility of any particular financing program for stadium development. These issues will need to be explored in later stages of the planning process.

Study Approach

As a first step in this study, BAE profiled five case studies of MLB and MLS stadiums in urban areas that are popularly considered to have spurred economic development in the surrounding neighborhood. In preparing the case studies, BAE performed a literature review, interviewed local public officials, developers, and neighborhood representatives at each site, and drew lessons from the cases that inform San José's situation. The case studies address the respective stadiums' effects on local property values, traffic, economic revitalization, and other factors.

Next, BAE considered the impact of the proposed San José stadium on local residential values. Towards this end, BAE analyzed the current residential real estate market around the proposed stadium site to describe baseline conditions. BAE then examined real estate trends in South Beach, the area around San Francisco's AT&T Park, as an indicator of how local values are affected by the presence of a modern urban sports stadium.

As a third step, BAE evaluated the San José stadium's potential effect on commercial property in the area, and examined current taxable sales, employment, and real estate conditions as a baseline. Again, South Beach was used as a benchmark for this analysis as well.

Overview of Stadium Site

The proposed site for the San José stadium lies along the western edge of the Greater Downtown Area of San José, in the Burbank/Del Monte Strong Neighborhoods Initiative Area. The 23-acre triangular site extends north from West San Carlos Street to West San Fernando Street, and is bordered by Autumn Street to the east and the railroad tracks to the west. Currently, the project site primarily contains industrial uses, Class B and C offices, a minimal amount of retail space, and a fire rescue training facility at its southern end. These uses would have to be cleared and/or relocated to make way for stadium construction.

The area surrounding the site contains a broader mix of uses, including industrial/commercial properties, small-lot single-family homes, and scattered retail outlets. Many of these older buildings show some deferred maintenance. In recent years, a series of multifamily residential projects have also been developed or are under construction in the area, adding approximately 1,300 units to the neighborhood. Examples of these projects include the Georgetown Townhomes, Avalon at Cahill Park, 51 by Centex Homes, and Legacy at Museum Park. In addition, the HP Pavilion lies about a quarter-mile north of the site. It hosts the San José Sharks hockey team, the San José Stealth professional lacrosse team, the San José SaberCats arena football team, and numerous major entertainment events every year.

The site enjoys several positive features that make it an attractive location for a new sports stadium. First, Downtown San José lies less than one mile to the east. Downtown eateries, offices, residential projects, entertainment options, and the San José State University campus, combine with the HP Pavilion and commercial uses in the Alameda District to enhance the area's economic and social vitality. The proposed sports stadium would add to and benefit from this activity, further supporting an active and walkable Greater Downtown Area. The project site also enjoys strong freeway access from Highway 87 and Interstate 280, as well as transit access at the nearby Diridon station,

which is served by numerous bus, light rail transit (LRT), and rail routes. In addition, the site boasts strong views of the San José skyline, an attractive amenity for an open-air venue. Finally, the site is within a Redevelopment Project Area, allowing the SJRDA to invest tax increment funds in the project and the surrounding area as necessary to promote local economic development.

In terms of drawbacks, Highway 87 visually segregates the site from the Downtown core. Still, HP Pavilion visitors currently park in Downtown, frequent the establishments there, then walk under the freeway to the stadium, suggesting that Highway 87 does not represent a significant or insurmountable barrier. As another drawback, the site will require substantial acquisition, demolition, and relocation efforts by the SJRDA. The Draft EIR states that the proposed project, including the parking structure, would require the removal of 17 buildings totaling 327,045 square feet, one of which is a historic resource. Relocation or reconfiguration of a PG&E substation located adjacent to the railroad tracks, northwest of the project site, would also be necessary. As another consideration, residential projects in the area contribute to local vitality, but will require parking, noise, and traffic mitigations if stadium construction moves forward.

Several City of San José planning documents address the project site and the surrounding neighborhood. These include the San José General Plan 2020, the Midtown Specific Plan (1992), the Greater Downtown Strategy for Development: Strategy 2000, the Burbank/Del Monte Neighborhood Improvement Plan (2002), and the Diridon/Arena Strategic Development Plan (2003). These documents generally call for the long-term development of the area around the project site as an extension of Downtown, and look to foster a pedestrian-oriented community centered around local transit nodes, and consisting of higher-density residential and mixed-use projects. The new multifamily projects in the area already support these goals, and a new stadium may further contribute to the viability of additional mixed-use projects in the area.

Case Studies: Neighborhood Impacts of Urban Sports Stadiums

Since 1980, 34 cities in North America have partially or fully funded new sports stadiums in or near their downtowns. An important goal for these cities has been the revitalization of downtown or a particular downtown neighborhood. Major League Baseball (MLB), with 81 home games a year, provides the largest and most consistent potential influx of people and consumer spending to a neighborhood of all the professional sports leagues in the United States. In this report we look at three new baseball stadiums that are popularly considered to have spurred neighborhood economic development and revitalization: Camden Yards in Baltimore, MD; Jacob's Field in Cleveland, OH; and Coors Field in Denver, CO. Each case study details the stadium's development process, the Stadium neighborhood's history and background, and an account of the economic development and other community impacts that have occurred in that neighborhood since the stadium opening. Conclusions are drawn by comparing neighborhood effects with particular features of the stadiums and the neighborhood planning process.

Major League Soccer (MLS), perhaps in conjunction with the San José State football team, has also emerged as a possible user of a new San José stadium. In contrast with MLB, MLS has only 16 home games during a regular season that runs from April to November. MLS also shows lower average attendance than baseball. Nevertheless, lower costs and the added potential for a variety of non-soccer uses have prompted attention to the benefits soccer stadiums can bring to local neighborhoods. In addition to the baseball stadium case studies, this report explores the impacts and benefits of two MLS stadiums: the Home Depot Center in Carson, CA and the Harrison MetroCentre in Harrison, NJ. These facilities were selected because of their location in an urban center, as would be the case in downtown San José.

Most MLS-oriented stadiums have been built in suburban areas, with little surrounding development. This factor, combined with their relatively short history (most were built after 2000) means that little comprehensive and long-term analysis has been done on the neighborhood impacts of MLS stadiums. Nevertheless, the case studies included here offer lessons that can be applied to San José.

These case studies will inform the City of San José and local stakeholders as they continue to explore the feasibility of a sports stadium located in Downtown.

Case Study 1: Camden Yards – Baltimore, MD

Background

In the 1980's, Baltimore's downtown experienced a dramatic renaissance. A new convention center, aquarium and science center attracted tourists and residents to the Inner Harbor neighborhood, raising property values and spurring extensive new development. However, not all of downtown benefited from this revitalization. Much of the downtown's west side remained destitute, empty and unsafe. The Camden Yards complex, the baseball stadium and the less well known football stadium, were conceived in an attempt to bring the Inner Harbor's success further west.

Built into the fabric of Baltimore's west downtown and incorporating a historic warehouse, the Camden Yards baseball stadium has received rave reviews for its architectural beauty and central location since it opened in 1992. As the first stadium in recent history explicitly designed to connect with and benefit the surrounding neighborhood, the perceived success of Camden Yards has changed the way stadiums are built in the US. The stadium has proved itself a good neighbor and gained trust from local residents. However, initially lacking a comprehensive neighborhood vision, the ballpark suffered a slow start in spurring economic development in west downtown. Later stadiums, such as Jacob's Field and Coors Field, have used the Camden Yards model to greater economic advantage.

Community Impacts

"Camden Yards has been a wonderful neighbor" proclaims Bill Cole, President of the Otterbein Neighborhood Association. His counterpart, Ridgely's Delight Neighborhood Association President Brian Dale, echoes these sentiments, noting that he and other neighbors were surprised by how well the City has been able to curtail parking, traffic and other nuisances often associated with large stadiums. Otterbein lies just east, and Ridgely's Delight a few blocks west of the baseball stadium. Both neighborhoods worked with the City and Maryland Stadium Authority to plan for impacts. Neighborhood parking now requires a resident permit and non-residents' cars are towed on game days. In Camden Yards' first year of operation, mounted police deployed on game days to maintain order and direct traffic. Extra street sweeping and garbage pickup were added as well. New construction is restricted by historic preservation regulations, helping to protect the historic character of both neighborhoods.

While nearby residents express satisfaction with the new stadium, their neighborhoods have seen little new economic development resulting from Camden Yards' construction. In fact, until 2005, the stadium's development impact was mainly limited to other Stadium Authority projects. Camden Yards' construction included renovation of the B&O Warehouse, which now houses offices, gift shops and restaurants. Additionally, the Stadium Authority renovated the adjacent Camden Train Station to add office space. The only development in the area beyond the Stadium Authority involved a few new stores

along Pratt Street, the main pedestrian arterial connecting Camden Yards to the Inner Harbor. Other neighborhoods intended to benefit, such as the retail district along Howard and Eutaw Streets to the north and low-income neighborhoods to the west, such as Pigtown, saw no changes. Even the Stadium Authority projects had difficulties; Camden Station, though renovated, remained empty through 2004. Most discouragingly, property owners tore down some buildings around Camden Yards to make way for surface parking as demand for parking on game days rose.

By 2005, 13 years after the stadium opened, some important progress in local economic development had occurred. The Sports Legends Museum filled the vacant space at Camden Station and the Bromo Tower Arts Studio entered planning stages. Parking lots directly north of the stadium are now slated to become the Hilton Convention Center Hotel with 750 units and a total investment of \$305 million. Another hotel, the Inn at Camden Yards, is under construction, with 126 units and a total investment of \$15 million.

New housing construction started in 2005 as well, with the Camden Court Apartments completed and the Zenith and Rombro buildings underway. Bob Aydukovic, Vice President of Economic Development at Baltimore Downtown Partnership, adds that Ridgely's Delight and Otterbein property values have easily doubled in the last three years after remaining stagnant for much of the 1990's. Aydukovic sees these recent changes as coinciding with the progression of Baltimore's Westside strategy. The Westside strategy seeks to promote neighborhood-wide investment and revitalization in west downtown. Aydukovic argues that the stadium was an important first step, but that major revitalization could not occur until other more recent improvements, such as the expansion of the University of Maryland campus and the implementation of neighborhood clean and safe programs, were made to the Westside.

Lessons Learned

- **It is possible to plan for stadium impacts such as parking, traffic, trash and noise.** Resident-only permit parking, police deployment to direct traffic and increased street sweeping and garbage pickup should be considered for any neighborhood that hosts a new stadium. Design features to limit noise should also be evaluated. These simple services can go a long way towards maintaining positive community relations.

- **Physical and functional isolation can prevent a stadium from spurring economic development.** Various factors isolate Camden Yards on all sides. To the east and west, the Otterbein and Ridgely's Delight neighborhoods prevent economic development through historic preservation regulations that limit new construction and parking regulations that keep sports fans out. Ironically, this stadium, intended to bring economic development to the district, was built in the middle of the only two neighborhoods in west downtown that did not need or desire new development. To the south, the elevated freeway, I-395, further separates the

stadium from the rest of the city. The ballpark's immediate vicinity is filled mostly by surface parking lots that set it apart from its surroundings and are perhaps the most isolating factor.

- **A stadium-based entertainment district may suffer from competition.** Baltimore's downtown already has an entertainment district, the Inner Harbor, which has continued to see new construction. The "Power Plant Live!" project, including an entertainment complex and new office buildings, opened in 2002. Dale argues that few of Ridgely's Delight's business have benefited from the stadium because most fans go to the Inner Harbor after games. Baltimore may not have enough tourism and local entertainment demand to sustain a second entertainment district.
- **The baseball team must have incentives and goals in line with economic development plans.** The Orioles' management successfully worked against the City and Stadium Authority's plans for an entertainment project between the baseball and football stadiums because they worried it would detract from sales by stadium vendors. In a *Journal of the American Planning Association* article, Chapin argues that, "Sports teams often actively fight entertainment-oriented projects near their facilities because they think these projects compete with sales inside their stadiums." Cities and teams should discuss these issues during the stadium planning process.
- **A stadium has the greatest positive impact when built as part of a larger neighborhood strategy.** For over ten years after its completion, Camden Yards did not generate notable economic development in nearby neighborhoods. Only in the last several years, with other projects to improve the neighborhood completed, have property values risen and new construction begun. For neighborhood revitalization to occur, a stadium must always be part of a larger effort and strategy.

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Case Study 2: Jacob's Field – Cleveland, OH

Background

The Cleveland Indians ballpark, Jacob's Field, sits in what was, from 1857 to the 1970's, a major produce and meat market. The neighborhood, today called the Gateway, began to decline after World War II, and by the 1980's many buildings had been torn down to make way for surface parking lots. City leaders were concerned about the state of the Gateway neighborhood, especially because of its location between two parts of downtown that were prospering, the Theater District and the Tower City shopping and office complex area. The neighborhood was also considered important because of its proximity to Cleveland's historic, but struggling, shopping district along Euclid and Prospect Streets.

Jacob's Field, a \$175 million project, was part of a \$467 million development initiative that also included a basketball arena, office buildings and improved pedestrian connections to a nearby train station, mall and other activity centers. After 10 years of community planning, the proposal won partial public funding in 1990. The project was finally completed in 1994 and the Historic Gateway Neighborhood Association took the role of fostering and directing neighborhood revitalization efforts centered around the stadium. Many sold out seasons later, the 43,345 seat Jacob's Field has gained less publicity than Camden Yards, but has gone further towards achieving its neighborhood revitalization goals. Where surface parking lots and empty storefronts once dominated the streetscape, the Gateway has now become Cleveland's premier entertainment district.

Community Impacts

The Gateway District has seen extensive renovation and development in recent years. Seven residential projects, totaling over 800 units of upscale housing have been built with another 800 units planned as of 2004. Five new hotels have opened in the Gateway – including the Radisson Hotel in 1998, the Holiday Inn Express and Suites in 1999, the Marriot Residence in 2000, the Hyatt Regency in 2001 and the Hilton Garden Inn in 2002 – with a combined capacity of 995 rooms. While more limited in scale, new retail, restaurants and offices have occupied previously vacant buildings, with private investment since the ballpark's opening exceeding \$400 million.

As a consequence of Jacob's Field and subsequent development, traffic congestion in the neighborhood has increased and parking has become more scarce, but neither excessively. Tom Yoblonksy, Executive Director of the Historic Gateway Neighborhood Association, states that he receives few complaints about such issues. Stakeholders in the neighborhood generally appreciate that the ballpark and new development have brought life to the Gateway's previously empty streets.

The Gateway project has had its share of disappointments, however. While economic development has occurred extensively in the Gateway neighborhood and even spilled over into the Euclid-Prospect corridor, local department stores have not returned, as many

City officials had initially hoped. Another disappointment stems from evidence that development in the Gateway has come at the expense of other neighborhoods. Since Jacob's Field opened, the Flatts neighborhood further west has seen most of its new restaurants and stores move to the Gateway.

The stadium project forms part of a larger Cleveland program encouraging development in the Gateway neighborhood and the rest of downtown. Yoblonsky argues that City tax abatements for new market rate housing were critical to making the Gateway's many new loft apartments competitive. A new convention center near the stadium also helped promote hotel development. At the same time, massive infrastructure upgrades and neighborhood design improvements made the neighborhood more attractive to all investors. However, Yoblonsky emphasizes that Jacob's Field was the major catalyst that focused development and drew people to the Gateway.

Lessons Learned

- **Pedestrian infrastructure and design improvements strengthen neighborhood connections.** Yoblonsky attributes the success of Jacob's Field and the Gateway neighborhood to quality design and infrastructure improvements. The ballpark is physically and visually connected with the surrounding buildings and street grid. The major pedestrian pathways built by the City from the Stadium to other nearby activity centers, combined with the stadium design, have allowed Jacob's Field and the Gateway neighborhood to bridge the gaps between the Theater District, Tower City and the Euclid-Prospect retail corridor.
- **Zoning and community watchdogs can prevent building demolitions and conversions to surface parking.** The high demand for parking near stadiums can work against neighborhood revitalization efforts. In Camden Yards, some buildings near the stadium were demolished and converted to surface parking lots. In the Gateway District, zoning and the vigilant efforts of Yoblonsky and other neighborhood leaders have prevented the proliferation of new surface parking around Jacob's Field.
- **Economic development requires appropriate zoning and room for growth.** Unlike Camden Yards, which abutted two well established, built-out neighborhoods, the Gateway neighborhood had many empty lots and vacant buildings when Jacob's Field opened. Regulations and zoning were not unnecessarily restrictive, and allowed renovation and new development to proceed smoothly when the market created demand.
- **Economic development in a stadium district can come at the expense of other neighborhoods.** Jacob's Field has helped bring economic development to the Gateway neighborhood. However, the possibility that this has redirected development from other neighborhoods, such as the Flatts, rather than creating a

net economic gain, should be considered by other cities attempting similar projects.

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Case Study 3: Coors Field – Denver, CO

Background

Coors Field, home of the Colorado Rockies, anchors Denver's Lower Downtown (LoDo) neighborhood at the edge of the city's central business district. In the late 1980's and early 1990's LoDo suffered from a predominance of empty warehouses and drug activity, and was generally considered the most blighted area in a struggling downtown. When LoDo was first suggested as a site for the Rockies' stadium, many politicians and planners worried that suburban fans would not be comfortable going there to see games. However, proponents of the location persuaded them that Coors Field would not only attract fans to games, but also formed a crucial part of Denver's larger plan to revitalize LoDo and the downtown core.

Since it was completed in 1995 Coors Field has regularly set major league baseball's annual attendance record, with sold out games even when the Rockies came in last in their division. The throngs of baseball fans streaming through LoDo on game days have helped transform the neighborhood from blight to what the Cincinnati Post enviously described as "a sparkling symbol of urban hipness."

The stadium project, which cost \$215 million to build – \$162 million of which was funded by a six county Denver Metropolitan area ballot initiative – has emphasized neighborhood pedestrian connections to help ensure success. The local business district received \$250,000 to upgrade the neighborhood streetscape. The City made improvements to 23rd and 20th Streets totaling \$28.8 million and removed or reconstructed viaducts on 15th, 16th, 20th, and 23rd Streets at a cost of \$170 million. Parking alongside the stadium is restricted to 5,000 spaces and a shuttle bus transports fans from parking lots in other parts of downtown.

Community Impacts

Revitalization efforts started several years before the ballpark's completion with LoDo's designation as a historic district in 1988. During this time, the neighborhood saw the historic Oxford Hotel restored and the development of new retail and loft housing. The announcement in 1991 that Coors Field would be located in LoDo gave the neighborhood

another boost. Sales tax revenue in LoDo increased by 22 percent a year from 1990 to 1995, and the number of restaurants increased 140 percent between 1993 and 1996.

However, the pace of change increased dramatically after the stadium opened. In 1994, LoDo contained 270 residential units. By 2000 that number had jumped to 1,374 with 410 more planned or under construction. Jim Kirchheimer of the Downtown Denver Partnership is confident that these units have since gone up significantly in value. Hotel occupancy rates rose from 66 percent in 1994 to over 70 percent each subsequent year. At the same time, room rates escalated continuously, reaching an average of \$117 in 2000, and the total number of rooms in downtown grew 25 percent from 1995 to 2000, reaching 5,329 total rooms. Sales tax revenue also increased. In 1995 sales tax collections rose by 86 percent to \$4.7 million. Crime in LoDo fell 17 percent in 1996 and again in 1997. Even in the off season, few stores have closed, with new development continuing year round. While Coors Field cannot take all the credit for these recent neighborhood improvements, it does appear that the stadium has been an integral part of LoDo's turnaround. George Mitrovich of the Denver Forum supported this view stating, "Without Coors, while there may have been some redevelopment, it would have been much less and infinitely slower."

The stadium and subsequent new development have brought some negative impacts. Traffic has increased and less parking is available on game days. Rents for residential and commercial space doubled and sometimes tripled between 1995 and 1997. Higher rents have hit art galleries especially hard. Over 30 art galleries were located in LoDo before the stadium opened; in 2000 only 10 remained. However, the dramatic increase in housing units suggests that these factors have not alienated residents.

Lessons Learned

- **If implemented well, a stadium district can help uplift an entire Downtown.** Kirchheimer believes that the success of LoDo can be directly connected to improvements throughout the Denver Downtown. In the past, problems in LoDo encroached on the business district and made the entire area feel unsafe. Today LoDo's active street life creates a sense of security and promotes a larger trend of urban living, shopping, and entertainment.
- **Limiting nearby parking forces fans out into the neighborhood.** The City of Denver limited parking next to the stadium to 5,000 spaces. As a result, most of the people attending the 50,249 capacity stadium have to park in other parts of downtown and either walk or take a shuttle bus to the game. As a result, most baseball fans in Denver pass by LoDo's shops and restaurants on their way to Rockies games.
- **Infrastructure improvements and neighborhood services make a pedestrian model more viable.** Because the traditional stadium model involves full-capacity

on site parking, most baseball fans are not used to walking several blocks to get to games. The extensive infrastructure improvements made to LoDo, as well as streetscaping and the downtown shuttle bus, have helped ease this transition to off-site parking.

- **A desirable neighborhood can increase stadium ticket sales.** Coors Field has had an exemplary attendance record despite several losing seasons. Many fans report that they enjoy going to the Rockies' games even when they lose because the game is part of a larger LoDo experience.
- **Rising rents can push out desired uses and tenants.** While in general rising rents connote a thriving, popular area, high costs can force out businesses and residents that the neighborhood may value. In LoDo's case, art galleries were pushed out by high rents. Cities should be aware of the changes rising rents can effect in a stadium district.

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Case Study 4: The Home Depot Center – Carson, CA

Background

Two MLS teams – the LA Galaxy and Chivas USA – both play at the Home Depot Center in Carson, CA. The Center, built by the Anschutz Entertainment Group in 2003, leases land from California State University at Dominguez Hills at low cost in exchange for allowing University access to a wide array of facilities for soccer, tennis, track, golf, football and other sports. The Home Depot Center required no public funding and Anschutz has reimbursed the City for all stadium related services provisions and infrastructure improvements.

The Center sports complex is bordered by the University to the east, and single family homes to the north, west and south. A small shopping mall located at the Center's west entrance is the only nearby neighborhood retail. Activities at the Center include the two MLS teams' 32 home games as well as the X-Games, concerts, tennis tournaments, day

camp programs and US Olympic Team training. The Home Depot Center soccer stadium also has the best attendance record in the MLS, frequently selling out the 27,000 seat stadium. The two teams, high attendance and a vital mix of other facilities and uses have helped the Home Depot Center achieve the greatest potential benefits of an MLS stadium.

Impacts and Lessons

- **An MLS stadium can spur some economic development, even if not on the same scale as a Major League Baseball stadium.** The City of Carson's Economic Development Director, Lance Burkholder, believes that the Home Depot Center has been a strong positive force for the City of Carson. The Center provides national press coverage for the small city and is frequently used in marketing efforts. Soccer fans stop by the mall and eat at local restaurants on their way to and from games. Even though much of the potential food sales get taken up by restaurants within the complex itself, neighborhood restaurant owners tell Burkholder that their revenues rise by as much as 30 to 40 percent on game days. Additionally, property values in Carson have risen sharply since the Center opened in 2003, although at rates in line with other nearby cities. The new Dominguez Hills Village housing development, completed in 2005 just north of the Home Depot Center, sold out quickly. These benefits accrue despite a ring of surface parking lots and a paucity of retail establishments near the stadium.

- **Negative impacts of soccer stadiums, such as parking, traffic and noise, can be mitigated using many of the same techniques applied at Camden Yards.** In Carson, the construction of a large land berm and other design elements insulate surrounding residents from the stadium's noise. Parking in residential areas requires permits, and access to residential streets is restricted to local residents on game days. Traffic has posed the greatest challenge. Richard Garland, Traffic Engineer for Carson, estimates that over 10,000 cars come in and out of the Center on game days, causing heavy traffic on local arterials. The first four soccer games caused what Garland calls "a traffic disaster." However, over time, the City's management skills and the soccer fans' familiarity with the facility have grown, leading to improved traffic conditions. To help address traffic impacts, the City widened intersections and deploys police to direct traffic during events and games. New entrances were created and routes designed to spread out traffic. Thanks to these efforts, Garland happily reports that he now receives very few complaints about traffic at the Center.

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Case Study 5: Red Bulls Stadium – Harrison, NJ

Background

In 2008, the New York Red Bulls will move from aging Giants Stadium in Rutherford, NJ, to Red Bulls Stadium, a new 25,000 seat soccer stadium in Harrison, NJ. Anschutz Entertainment Group, owner and manager of the Home Depot Center, and Red Bull will build and manage the approximately \$100 million stadium with contributions of \$39.4 million from the Town of Harrison and Hudson County. As in Carson, CA, the Red Bulls Stadium will also host concerts, international soccer matches, and other special events.

Anschutz and Red Bull are building the stadium in conjunction with a larger project by Advance Realty Group that will develop 135 acres of vacant land around the stadium and along the Passaic River. The Advance mixed-use project will include 3.0 million square feet of Class A office space, 300,000 square feet of retail, and 3,500 housing units. While the mixed-use project was planned before the stadium location was finalized, Greg Kowalski, Executive Director of the Harrison Redevelopment Agency, explains that Advance responded very positively to the idea of the stadium being part of the project. Kowalski states that Advance views the Red Bulls Stadium as a major draw for retail and hotel tenants. In fact, one major hotel group has already threatened to leave the project if the stadium is not included. On the other hand, Kowalski claims that the Town of Harrison and Advance do not see the stadium as having an impact, positive or negative, on residential demand. Still, the residential market remains strong and Advance's first phase of units have sold out quickly.

Eventually Harrison hopes to extend development along the Passaic to cover 275 acres of aging industrial areas in the Town's redevelopment zone, with a goal of \$3.0 billion in total development. Kowalski cites six developers currently planning projects in this area. This urban, mixed-use environment coming to fruition along the Passaic helped Harrison beat out stadium locations in other nearby cities.

The site's strong transit access also supported its selection. The site rests just off I-280 and near a PATH subway station that offers a 15 minute, \$1.50 ride to and from Manhattan. In addition, with large soccer-friendly Latino and Portuguese neighborhoods nearby, Anschutz estimates that a total of 100,000 soccer fans reside within a 15 minute bike ride of the stadium. The stadium's dense, active surrounding uses are also designed to encourage fans to arrive and leave at different times, as they stop at stores and restaurants before and after games, helping reduce traffic congestion at peak game times.

Impacts and Lessons

- **Transportation access should consider transit as well as autos.** While Advance, Anschutz and Red Bull all cite easy access to I-280 as an important factor in locating in Harrison, perhaps even more important are train, bike and

pedestrian access. The stadium site lies next to the PATH transit station with rapid service to Manhattan and Newark. Alternative modes of transportation, such as walking and biking, also play an important role in the site's accessibility. The pedestrian-friendly nature of the Advance development takes advantage of the 100,000 soccer fans that live within a short walk or bike ride of the stadium site.

- **Stadiums can function as an anchor tenant for large urban development projects.** The Advance Realty Group values Red Bulls Stadium as a major asset to its development. Additional tenants express confidence about joining the project because of the crowds attracted on game and other event days. Most pointedly, individual hotel and retail companies have made clear to Advance their plans to leave if the stadium is not part of the project.

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Stadium Impacts on Local Residential Property

This section discusses the San José stadium's possible impacts on residential values in the surrounding neighborhood. As part of this analysis, BAE profiled current residential trends in the area around the proposed stadium to illustrate baseline conditions. Next, BAE studied residential trends around San Francisco's AT&T Park as an indicator of how contemporary urban sport stadiums can affect local property values and rents.

Existing Economic Conditions

Residential Sale Price Trends

This analysis describes existing residential market conditions, defining the local area ("Stadium Area") as a one-mile ring around the proposed San José stadium site.

Table 1: Median Home Prices for San José Stadium Area and City of San José , 2000-2006

Year	Stadium Area (a)			San José
	All Home Prices	Condo Prices	Single Family Home Prices	All Home Prices
2000	\$383,500	\$373,000	\$395,000	\$402,000
2001	\$371,250	\$350,000	\$490,000	\$418,000
2002	\$435,000	\$399,000	\$450,000	\$430,000
2003	\$475,000	\$459,000	\$479,000	\$447,000
2004	\$460,000	\$436,000	\$507,500	\$509,000
2005	\$555,000	\$497,000	\$639,000	\$620,000
2006 (b)	\$621,000	\$568,000	\$700,000	\$660,000
Avg. Ann. Change, 2000-2006	8.4%	7.3%	10.0%	8.6%

Notes:

(a) Stadium Area is within a 1 mile radius of the proposed stadium site.

(b) Year-to-date.

Sources: First American Real Estate Solutions, 2006; BAE, 2006.

As shown in Table 1, homes in the Stadium Area experienced strong appreciation between 2000 and 2006, with an average annual appreciation rate of 8.4 percent, roughly in line with the city's appreciation rate over the same period. Sale prices in the Stadium Area typically fell below citywide prices between 2000 and 2006, with prices between 4.8 to 12.6 percent higher throughout San José. As exceptions, in 2002 and 2003, Stadium Area homes were respectively 1.1 and 5.9 percent more costly than San José units as a whole.

Residential Rent Trends

Table 2 summarizes residential rent trends in the Stadium Area and in San José. BAE secured the data from RealFacts, a private service that surveys apartment complexes with 50 or more units. RealFacts updates its rent data on a quarterly basis.

The data indicate that Stadium Area rents, while still lower than 2000 levels, have rebounded in recent years. Between 2004 and 2006, rents rose by an average of 3.5 percent annually. Occupancy rates have also improved, rising from 93.1 to 96.4 percent between 2004 and 2006. These trends parallel recent citywide gains in rent and occupancy rates.

The analysis also found that rents in the Stadium Area are significantly higher than the rest of the city, largely because Stadium Area apartments are newer. Between 2000 and 2006, average rents in the Stadium Area ranged from \$1,635 to \$2,467, 31 to 53 percent higher than rents throughout San José. However, occupancy rates in both geographies generally remained comparable during this period.

Table 2: Residential Rents in San José Stadium Area and City of San José

STADIUM AREA (a)								Average Ann. Change	Average Ann. Change
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006 (b)</u>	'00-'06	'04-'06
Avg. Rent	\$2,467	\$2,317	\$1,854	\$1,709	\$1,635	\$1,709	\$1,751	-5.6%	3.5%
1bd/1bth	\$2,117	\$1,926	\$1,526	\$1,445	\$1,396	\$1,430	\$1,461	-6.0%	2.3%
2bd/2bth	\$2,550	\$2,392	\$1,973	\$1,752	\$1,684	\$1,823	\$1,895	-4.8%	6.1%
2bd TH	-	-	\$2,281	\$2,132	\$2,045	\$1,931	\$1,795	n/a	-6.3%
3bd/2bth	\$3,111	\$3,307	\$2,395	\$2,411	\$2,176	\$2,249	\$2,366	-4.5%	4.3%
3bd TH	\$3,495	\$3,685	\$2,635	\$2,580	\$2,563	\$2,445	\$2,275	-6.9%	-5.8%
Avg. Occup.	98.0%	92.1%	86.8%	92.6%	93.1%	93.7%	96.4%	-0.3%	1.8%
SAN JOSÉ								Average Ann. Change	Average Ann. Change
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006 (b)</u>	'00-'06	'04-'06
Avg. Rent	\$1,617	\$1,671	\$1,357	\$1,269	\$1,245	\$1,260	\$1,310	-3.4%	2.6%
1bd/1bth	\$1,485	\$1,541	\$1,231	\$1,136	\$1,095	\$1,113	\$1,158	-4.1%	2.6%
2bd/2bth	\$1,913	\$1,932	\$1,571	\$1,470	\$1,450	\$1,458	\$1,522	-3.7%	2.8%
2bd TH	\$1,880	\$1,908	\$1,530	\$1,550	\$1,559	\$1,568	\$1,745	-1.2%	2.5%
3bd/2bth	\$1,965	\$2,095	\$1,911	\$1,839	\$1,831	\$1,819	\$1,829	-1.2%	5.8%
3bd TH	\$1,716	\$2,896	\$2,216	\$2,253	\$2,166	\$2,197	\$2,155	3.9%	-0.1%
Avg. Occup.	98.5%	94.3%	92.1%	91.8%	92.8%	93.4%	95.6%	-0.5%	1.5%

Notes: (a) Defined as one-mile ring around proposed stadium site.

(b) 2006 rents through 2nd quarter.

Source: RealFacts, 2006; BAE, 2006.

This study of sale price and rent trends in the Stadium Area suggests that the area boasts a fairly strong residential real estate market, with positive home appreciation rates and well-performing apartment complexes. The recent wave of new high-density residential development in the area further establishes this formerly industrial neighborhood as a viable location for urban living near Downtown San José and should help support a stronger residential market.

At the same time, it remains to be seen how current shifts in the national and regional residential real estate market will affect local home values. Condominium prices typically suffer more than single-family home values during low points in the real estate cycle. As new residential projects in Greater Downtown and the Stadium Area are high-density product types, the next few years may see a decline or flattening in prices, as well as a slow-down in construction.

Neighborhood Economic Impacts

AT&T Park Analysis

To understand how local home prices might be affected by the presence of a contemporary urban sports stadium, BAE compared residential real estate trends in South Beach, the neighborhood around San Francisco's AT&T Park, to sale prices and rents throughout San Francisco.² AT&T Park and the proposed San José stadium share a number of key elements, making AT&T Park an appropriate model for this study. Both venues seek to complement and enhance surrounding uses through sensitive design, they anchor the revitalization of a neighborhood near downtown, and they aim to foster a pedestrian-oriented and transit-accessible environment.

Certainly, other factors besides the AT&T Park's construction have had a major impact on residential values in South Beach. These include the state of the regional economy, the expansion and contraction of nearby job centers (e.g., South of Market), local infrastructure improvements (e.g., extension of MUNI streetcar lines), the lack of major developable sites elsewhere in the city, and the maturation of other uses in the area (e.g., new residential projects, retail). This analysis does not attempt to control for these multiple variables, some of which are related to the ballpark's economic development effects and others which occurred independently. However, the analysis does offer a general perspective on how residential values adjacent to AT&T Park perform relative to the city as a whole, and provides relevant findings for the area around the proposed San José stadium site.

Table 3 and Figure 1 present data on condominium *sale prices* in South Beach and San Francisco.³ This analysis focuses exclusively on condominiums as they make up virtually

² South Beach is defined as the district south of I-80 and east of Fifth Street in San Francisco.

³ The data reflects full and verified sales from the San Francisco County Assessor's Office, as recorded by First American Real Estate Solutions (FARES).

all the units in South Beach. In addition, the analysis only includes units built prior to the construction of AT&T Park in 2000. This conservative methodology effectively excludes newer units which might represent a different product type and price point, thereby masking actual appreciation rates in older projects. In keeping with this approach, the citywide analysis only includes units built between 1995 and 2000 to allow a comparison with the South Beach units, which were largely built during this period.

Table 3: Median Condominium Prices for South Beach and the City of San Francisco, 2000-2006

Year	South Beach Median Price (a)(b)	San Francisco Median Price (c)	Difference in Median Price
2000	\$800,000	\$555,600	44.0%
2001	\$623,000	\$509,000	22.4%
2002	\$589,500	\$515,000	14.5%
2003	\$735,000	\$535,000	37.4%
2004	\$797,000	\$600,000	32.8%
2005	\$882,500	\$661,000	33.5%
2006	\$849,000	\$695,000	22.2%
Avg. Ann. Change, '00-'06	1.0%	3.8%	
Avg. Ann. Change, '01-'06	6.4%	6.4%	

Notes:

(a) South Beach neighborhood is defined as south of I-80 and east of 5th St.

(b) Prices are only for units built before the year 2000.

(c) Only includes units built between 1995 and 1999 to allow comparison with South Beach units.

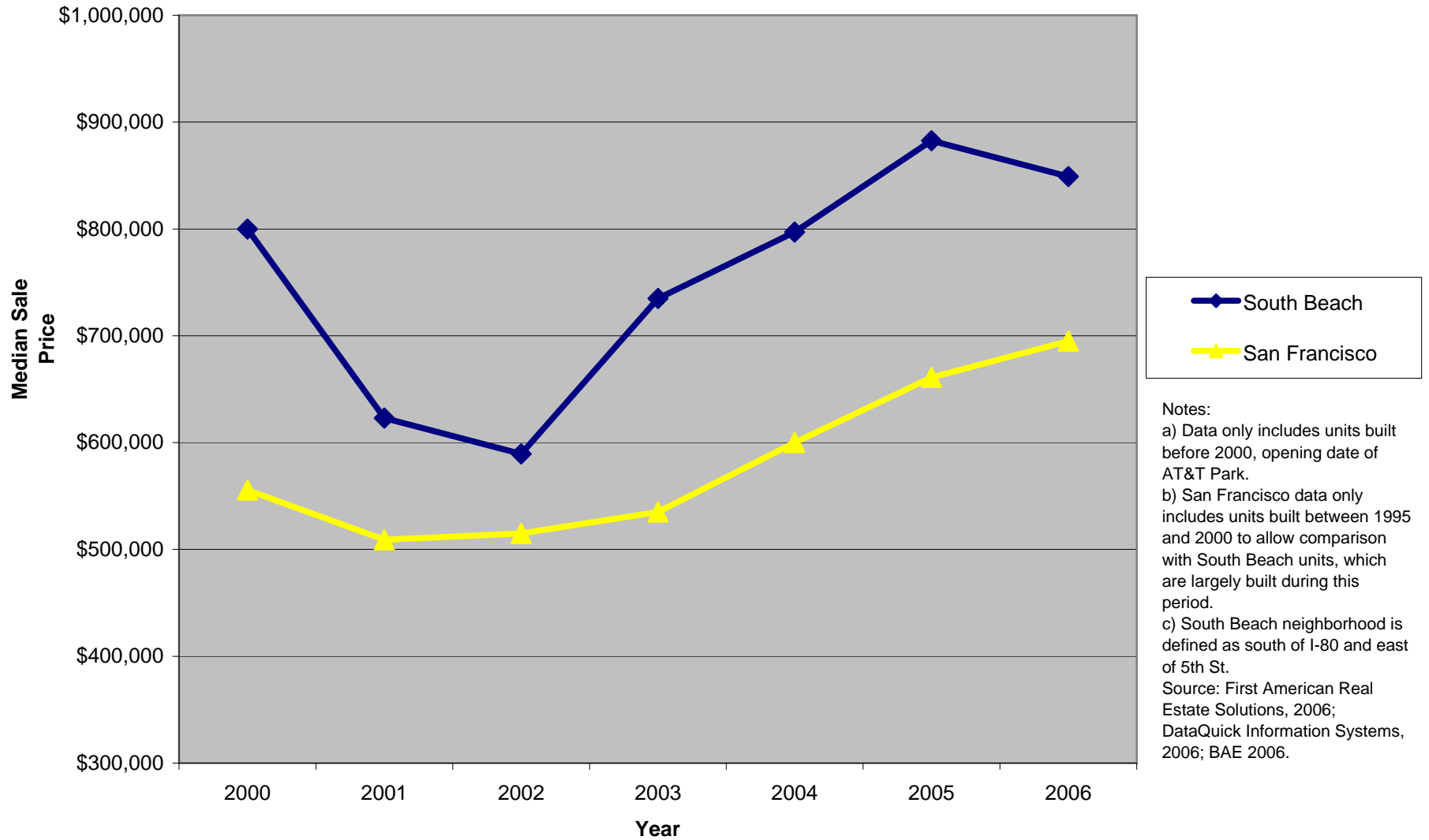
Source: First American Real Estate Solutions, 2006; DataQuick Information Systems, 2006; BAE 2006.

The data finds that South Beach condominiums consistently commanded higher sale prices than comparable condominiums citywide. In any given year between 2000 and 2006, the median price of South Beach units was 15 to 44 percent greater than units throughout San Francisco.

In terms of appreciation following the ballpark construction, South Beach units generally appreciated at a comparable rate to San Francisco units as a whole. While South Beach units showed lower average annual appreciation rates than San Francisco units between 2000 and 2006 (1.0 percent and 3.8 percent, respectively), one must consider that height of the South of Market “dot-com” boom as well as the opening of AT&T Park occurred in 2000. These factors inflated South Beach residential values in that year, leading to a relatively low annual appreciation rate through 2006. In fact, in 2001, prices in both South Beach and San Francisco corrected to coincide with the regional economic slowdown. Between 2001 to 2006, a more economically stable period, average annual appreciation rates in South Beach and San Francisco were identical at 6.4 percent.

A more detailed look at specific projects in South Beach shows that some properties have appreciated at a greater rate than condominiums throughout San Francisco. For example, the median sale price of units in 301 Bryant Street appreciated from \$864,500 to \$1.1 million between 2000 and 2006, a 4.2 percent average annual increase. Over the same years, units at 1 Clarence Street appreciated from \$779,500 to \$1.1 million, a 5.9 percent average annual increase.

Figure 1: Median Condominium Prices: South Beach vs. City of San Francisco, 2000-2006



These findings suggest that AT&T Park contributes to higher home values in South Beach compared to condominiums throughout the city. However, appreciation rates in both South Beach and the city as a whole generally remained comparable following construction of the ballpark.

Table 4 and Figure 2 summarize *rent* data for South Beach and San Francisco.⁴ As with the for-sale data, the analysis only includes apartment complexes built prior to the ballpark's opening in 2000 to account for the possibility that newer projects might represent a different product with higher rents, thereby skewing trends. This analysis only includes San Francisco apartment complexes built in the same time frame as South Beach projects to allow effective comparisons between the geographies.

Table 4: Residential Rents in South Beach and San Francisco, 2000-2006 (a)

SOUTH BEACH (b)								Average Ann. Change	Average Ann. Change
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006 (d)</u>	<u>'00-'06</u>	<u>'03-'06</u>
<i>Avg. Rent</i>	\$2,295	\$2,141	\$1,899	\$1,814	\$1,879	\$2,007	\$2,156	-1.0%	5.9%
studio	\$1,538	\$1,451	\$1,313	\$1,218	\$1,308	\$1,397	\$1,520	-0.2%	7.7%
1bd 1bth	\$2,103	\$1,975	\$1,754	\$1,705	\$1,749	\$1,850	\$1,977	-1.0%	5.1%
2bd 2bth	\$2,987	\$2,760	\$2,466	\$2,311	\$2,384	\$2,566	\$2,756	-1.3%	6.0%
SAN FRANCISCO (c)								Average Ann. Change	Average Ann. Change
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006 (d)</u>	<u>'00-'06</u>	<u>'03-'06</u>
<i>Avg. Rent</i>	\$2,324	\$2,178	\$1,880	\$1,744	\$1,763	\$1,821	\$1,946	-2.9%	3.7%
studio	\$1,626	\$1,564	\$1,332	\$1,245	\$1,266	\$1,329	\$1,419	-2.2%	4.5%
1bd 1bth	\$2,133	\$1,994	\$1,757	\$1,624	\$1,619	\$1,676	\$1,801	-2.8%	3.5%
2bd 2bth	\$2,964	\$2,737	\$2,373	\$2,261	\$2,303	\$2,367	\$2,535	-2.6%	3.9%
SOUTH BEACH VS. SAN FRANCISCO									
<i>Avg. Rent Diff.</i>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006 (d)</u>		
	-1.2%	-1.7%	1.0%	4.0%	6.6%	10.2%	10.8%		

Notes:

- (a) Only includes apartments built before 2000.
 - (b) South Beach neighborhood is defined as south of I-80 and east of 5th St.
 - (c) Only includes units built between 1985 and 1999 to allow comparison with South Beach units.
 - (d) 2006 rents through 2nd quarter.
- Source: RealFacts, 2006; BAE, 2006.

The data show that South Beach apartments have commanded higher average rents than comparable units throughout the city since 2002. The difference ranges from 1.0 to 10.8 percent, with the gap growing every year since 2002. Before 2002, South Beach and San

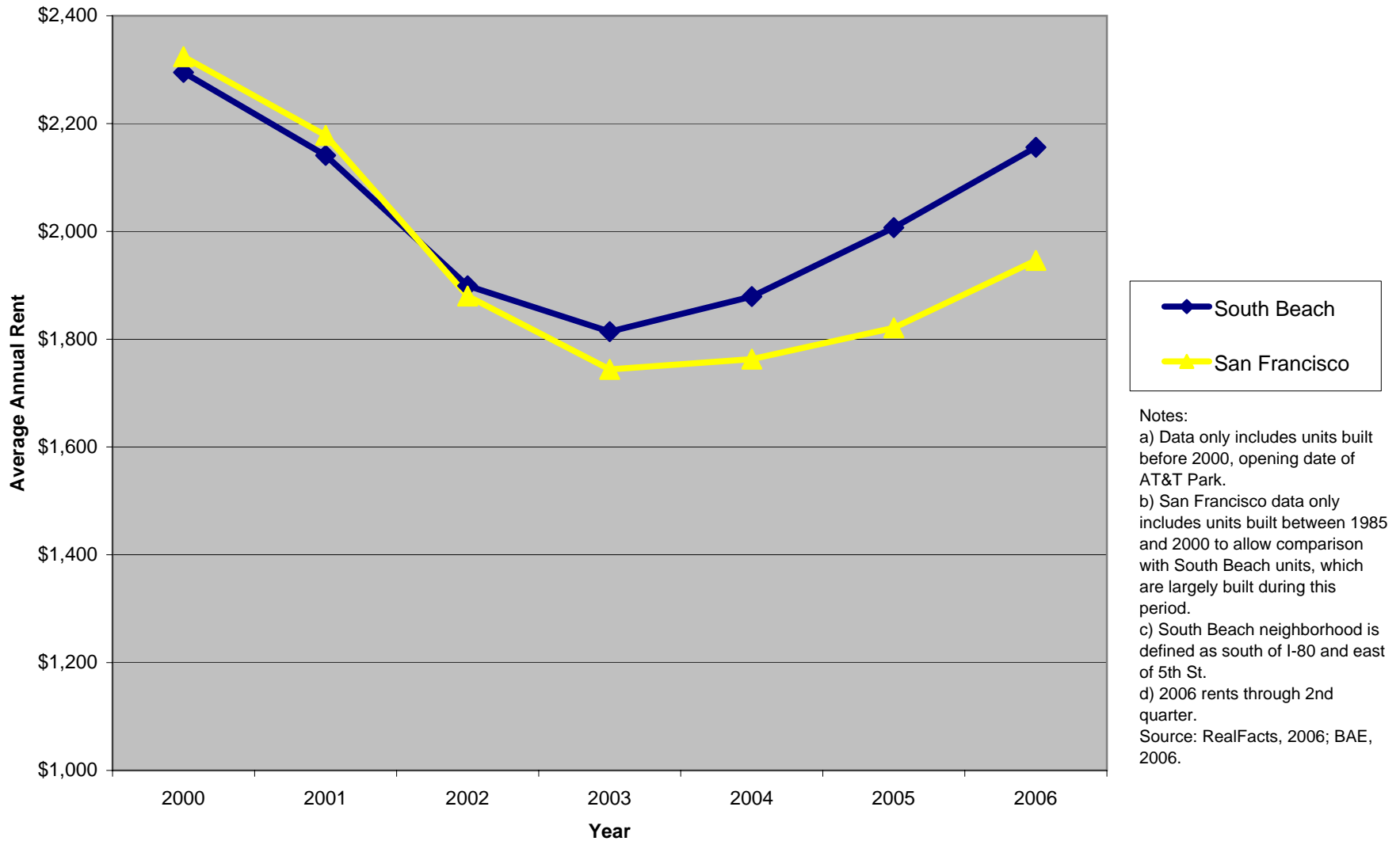
⁴ Data from RealFacts, a private subscription service that collects rent information from apartment complexes with 50 or more units.

Francisco apartments showed similar average rents, with a difference of only 1.2 to 1.7 percent.

While both geographies saw rents fall between 2000 and 2006, South Beach apartments experienced a less dramatic decline. Between 2000 and 2006, South Beach rents fell by an average annual rate of 1.0 percent, compared to 2.9 percent for rents throughout San Francisco. South Beach rents also recovered more rapidly after both areas saw sharp drops in 2001. Between 2003 and 2006, South Beach rents climbed by an average of 5.9 percent a year, compared to 3.7 percent a year for San Francisco rents.

These findings suggest that AT&T Park generally contributes to a positive effect on the South Beach residential rental market relative to the city as a whole. The ballpark's positive impact may be more pronounced on the rental than ownership market because younger households who are more likely to be renters may prefer living near AT&T Park and its surrounding amenities such as bars and restaurants.

Figure 2: Average Annual Residential Rents: South Beach vs. City of San Francisco, 2000-2006



Lessons for San José

It is difficult, at best, to forecast the precise effect of the proposed San José stadium on local home values and rents. Multiple factors affect residential real estate trends, including the health of the national and regional economies, the construction of other uses in the area (e.g., new retail and residential properties), and the growth of jobs in Downtown San José. The current shift, as the regional housing market begins to cool, further complicates long-term forecasts.

Generally speaking, however, the AT&T Park study suggests that the new San José stadium would have a minor effect on local appreciation rates over the long term. Immediately following the opening of the San José stadium, as the novelty and excitement are at their peak, a price spike may occur. This pattern emerged in South Beach (though the simultaneous effect of the South of Market “dot-com” boom cannot be discounted). It is also worth noting that specific condominium projects in South Beach had appreciation rates between 0.4 and 2.1 percentage points higher than citywide rates between 2001 and 2006. That being said, nothing in the AT&T Park study indicates that the San José stadium would contribute to a long-term boost or decline in local appreciation rates relative to the city as a whole.

In contrast, the AT&T Park study does suggest that the ballpark has had a more positive effect on South Beach rents, which have risen 2.2 percentage points faster than citywide rents since 2003. Already, apartment complexes in the San José Stadium Area outperform citywide projects. Since 2004, Stadium Area rents have increased by 0.9 percentage points faster than citywide rents. The AT&T Park experience indicates that this advantage may grow following buildout of the San José stadium and the maturation of the Stadium Area as an extension of Downtown. However, even with the construction of the San José stadium, it appears unlikely that local rents would increase beyond the limits of the San José Rent Control Ordinance, which caps rent hikes at 8 percent over 12 months and 21 percent over two years. Increases over these levels are subject to a hearing with the San José Advisory Commission on Rents.

Alternatives to Stadium Construction

The Midtown Specific Plan lists the following zoning designations for the proposed San José stadium site: Transit-Oriented Mixed Use (TMU), Public/Quasi-Public (PQP), and Public Parks/Open Space (POS). As the latter two zoning designations are reserved for utilities/transportation and open space, only parcels with TMU zoning would have residential and commercial uses replaced by the San José stadium.

The TMU zone specifically calls for development to promote transit patronage, with residential densities of 40 to 100 units per acre. Zoning also permits commercial development at 0.5 to 3.0 FAR. However, the recent expansion of multi-family projects in the Stadium Area suggests that the site’s likely use under the Midtown Specific Plan would be high-density housing, with a relatively minor amount of commercial space at

street level. Avalon at Cahill Park exemplifies this type of project. Under TMU zoning, the site's 10.4 acres would accommodate approximately 400 to 1,000 units of housing, depending on the project density and site plans.

The addition of these 400 to 1,000 units would further the Stadium Area's ongoing transformation into an urban mixed-use neighborhood, and appreciation rates would likely continue on their current path, barring any major national and regional shifts in the housing market. That is to say, longer-term annual appreciation rates would range between 5.0 and 10.0 percent a year, roughly in line with citywide appreciation rates (see Table 1). Rents should similarly improve at a steady rate as the neighborhood's modern mixed-use character develops, possibly increasing at a greater pace than citywide levels in response to added retail and personal services targeted at new residents.

Stadium Impacts on Local Commercial Property

This section discusses the potential impact of the proposed San José stadium on commercial property in the area. Local taxable sales trends, employment figures, and an overview of the commercial real estate market are presented as indicators of current economic conditions. In addition, lessons from the AT&T Park experience in San Francisco are applied to the San José situation.

Existing Economic Conditions

Local Taxable Sales Trends

Taxable retail sales are a key indicator of an area's economic activity. They make up the vast majority of retail sales (approximately two-thirds of grocery and drug store sales are non-taxable) and directly contribute to a jurisdiction's General Fund through sales tax revenue.

Table 5 summarizes the taxable retail sales occurring in the one-mile ring around the proposed stadium site (the "Stadium Area") and throughout San José. A one-mile radius was used for this analysis as it captures San Pedro Square in Downtown and The Alameda commercial corridor. These districts represent the primary areas for dining and entertainment near the proposed stadium site, and would likely experience notable effects should the stadium construction proceed as planned.

As shown in Table 5, the Stadium Area generates a relatively small portion – approximately 4.0 percent – of San José's overall sales. This is due to the lack of major retail outlets in the area. Eating and drinking places catering to local employees, HP Pavilion visitors, and nearby residents make up the bulk of retail activity. In fact, eating and drinking outlets generate between 40 and 45 percent of all taxable retail sales in the Stadium Area.

Between 2001 and 2003, stores in the stadium area experienced a significant decline in activity, with taxable retail sales falling 18.6 percent from \$359,400 to \$292,500. In terms of absolute dollars (as opposed to percent changes), particularly large declines occurred among Eating and Drinking Places and Other Retail Stores. San José as a whole also saw similar declines, though to a lesser extent. Between 2001 and 2003, total taxable retail sales only fell by 9.1 percent among all city stores. These declines coincided with the regional economic downturn following the "dot-com" bust. Between 2001 and 2003, the California Employment Development Department (EDD) reports, unemployment in Santa Clara County grew from 5.1 percent to 8.5 percent. This loss of jobs affected Stadium Area stores more acutely because many of the businesses rely on Downtown workers as a client base.

Table 5: Taxable Retail Sales in Potential Stadium Area and San José, 2001-2004 Q3

STADIUM AREA (a)					% Change
	2001	2002	2003	2004: 1Q-3Q	'01-'03
<i>Taxable Sales in \$1000's</i>					
Apparel	\$4,690	\$4,094	\$2,626	\$2,027	-44.0%
General Merchandise, Drug, and Food Stores (b)	\$21,709	\$20,022	\$19,478	\$13,543	-10.3%
Eating and Drinking Places	\$143,130	\$132,696	\$124,034	\$100,108	-13.3%
Home Furnishings and Other Appliances	\$11,003	\$8,439	\$8,066	\$6,402	-26.7%
Building Material and Farm Implements	\$54,108	\$45,192	\$48,093	\$35,077	-11.1%
Auto Dealers and Auto Supplies	\$29,941	\$28,577	\$30,794	\$24,676	2.8%
Service Stations	\$17,451	\$15,692	\$15,014	\$10,463	-14.0%
Other Retail Stores	\$77,327	\$59,697	\$44,418	\$31,127	-42.6%
Retail Stores Total	\$359,359	\$314,409	\$292,523	\$223,423	-18.6%
CITY OF SAN JOSÉ					% Change
	2001	2002	2003	2004: 1Q-3Q	'01-'03
<i>Taxable Sales in \$1000's</i>					
Apparel	\$349,789	\$355,144	\$376,572	\$288,999	7.7%
General Merchandise, Drug, and Food Stores (b)	\$1,708,621	\$1,600,576	\$1,561,267	\$1,102,639	-8.6%
Eating and Drinking Places	\$938,424	\$895,012	\$909,645	\$726,092	-3.1%
Home Furnishings and Other Appliances	\$394,242	\$362,161	\$340,105	\$243,478	-13.7%
Building Material and Farm Implements	\$760,590	\$754,961	\$746,439	\$633,541	-1.9%
Auto Dealers and Auto Supplies	\$1,656,763	\$1,485,547	\$1,481,458	\$1,151,853	-10.6%
Service Stations	\$798,940	\$673,714	\$753,451	\$641,884	-5.7%
Other Retail Stores	\$1,693,109	\$1,452,417	\$1,378,629	\$970,886	-18.6%
Retail Stores Total	\$8,300,478	\$7,579,533	\$7,547,567	\$5,759,372	-9.1%

Notes:

(a) Describes one-mile ring around proposed stadium site.

(b) Approximately 66% of sales in food and general merchandise stores are non-taxable. This analysis only includes taxable sales. Categories combined to avoid disclosure of confidential data.

Source: CA Board of Equalization; BAE, 2006.

Local Employment Trends

Looking at employment by industry in the City of San José and the Stadium Area helps explain how the two geographies differ, what contributions the Stadium Area makes to San José's overall economy, and what industries harbor potential for expansion following construction of the proposed stadium.

Table 6 shows employment by industry sector for the entire City of San José and for the Stadium Area, defined as a mile ring around the proposed stadium site. The data, from the Quarterly Census of Employment and Wages, bases employment numbers on unemployment insurance records. Therefore, it may undercount employment in some areas by excluding independent contractors, self-employed workers, and undocumented workers.

Stadium Area employment comprises just over nine percent of total City employment, with 31,160 jobs. The Stadium Area holds particular strength in Technology and Business Services. These 15,550 jobs, largely located in the Downtown area, comprise almost 50 percent of the Area's employment and 17 percent of such jobs in San José as a whole. Accommodation and Food Services also show a strong presence in the Stadium Area with 4,904 jobs, 15.7 percent of the Area's jobs, and 19.8 percent of all such San José jobs. Downtown hotels and eateries throughout the area are the source of this sector's strength. Real Estate and Rental and Leasing jobs also concentrate in the Stadium Area with its 1,308 jobs making up 18 percent of all such jobs citywide. Combined, these sectors total 69.8 percent of all Stadium Area jobs.

Several sectors are worth noting for their dearth of jobs. Only 1,202 people, or 3.9 percent of Area employees, work in Retail Trade. Only 648 people, or 2.1 percent, work in Arts, Entertainment, and Recreation. Retail brokers working in the Stadium Area cited a new stadium, as well as increased housing, as key to bringing the kind of attention and foot traffic that makes a thriving retail and entertainment district possible.

Commercial Market Conditions

BAE conducted a series of interviews with local commercial real estate brokers and surveyed local properties for lease, focusing particularly on retail space in Downtown, The Alameda District, and in the neighborhood immediately surrounding the proposed stadium site (i.e., south of The Alameda, west of Highway 87, east of the rail tracks, and north of West San Carlos St.). Table 7 summarizes the findings from this survey.

In general, retail properties in Downtown and The Alameda District show mixed performances, depending on their particular location. Brokers report that new space with high visibility, a new building, and good foot and auto traffic can achieve rents of over \$3.00 per square foot.⁵ The space at 975 Alameda typifies this type of property (see Table 7). However, older spaces in marginal locations in Downtown and The Alameda only secure rents between \$1.50 and \$2.00 per square foot.

Retail properties in the stadium site's immediate neighborhood typically command even lower lease rates due to minimal pedestrian and auto traffic, limited jobs, and the lack of visibility from major commercial corridors. The two identified retail properties in the neighborhood around the stadium site have asking rates of \$1.20 and \$1.67 per square foot.

Brokers did state that despite the prevalence of underperforming retail space in the area, conditions have generally improved in recent years due to more intensive residential development in Greater Downtown. HP Pavilion also generates a significant amount of business on game days and during events. These two factors, combined with new

⁵ All retail lease rates are reported on a triple-net basis.

commercial projects, such as the planned opening of Whole Foods on The Alameda, have helped boost demand for retail space and improved local lease rates.

Table 6: City of San Jose & Stadium Area Jobs by Sector

Sector	City of San Jose (a)		Stadium Area: 1 Mile Ring (b)		
	Jobs	Percent of Total	Jobs	Percent of Total	Share of City Total
Agriculture, Forestry, Fishing and Hunting	537	0.2%	29	0.1%	5.3%
Retail, Lodging, and Entertainment					
Accommodation and Food Services	24,781	7.3%	4,904	15.7%	19.8%
Arts, Entertainment, and Recreation	6,636	2.0%	648	2.1%	9.8%
Retail Trade	31,872	9.4%	1,202	3.9%	3.8%
Subtotal	63,289	18.6%	6,754	21.7%	10.7%
Public Administration	17,400	5.1%	1,317	4.2%	7.6%
Health Care and Social Assistance	32,904	9.7%	1,242	4.0%	3.8%
Educational Services	22,086	6.5%	986	3.2%	4.5%
Construction & Real Estate					
Construction	21,912	6.4%	1,091	3.5%	5.0%
Real Estate and Rental and Leasing	7,271	2.1%	1,308	4.2%	18.0%
Subtotal	29,183	8.6%	2,399	7.7%	8.2%
Technology & Business Services					
Information	12,005	3.5%	3,258	10.5%	27.1%
Admin/Support & Waste Mgt/Remediation Svcs	25,093	7.4%	2,148	6.9%	8.6%
Management of Companies and Enterprises	3,760	1.1%	477	1.5%	12.7%
Professional, Scientific and Technical Services	31,389	9.2%	6,535	21.0%	20.8%
Other Services (except Public Administration)	10,125	3.0%	1,145	3.7%	11.3%
Finance and Insurance	8,982	2.6%	1,990	6.4%	22.2%
Subtotal	91,355	26.9%	15,554	49.9%	17.0%
Manufacturing	58,013	17.1%	1,063	3.4%	1.8%
Logistics & Utilities					
Transportation and Warehousing	10,386	3.1%	726	2.3%	7.0%
Wholesale Trade	13,687	4.0%	1,084	3.5%	7.9%
Utilities	1,123	0.3%	0	0.0%	0.0%
Mining & Other	36	0.0%	0	0.0%	0.0%
Subtotal	25,233	7.4%	1,810	5.8%	7.2%
Other	32	0.0%	1	0.0%	3.1%
Total	340,032	100.0%	31,155	100.0%	9.2%

Notes:

a) For the City of San Jose, the number of jobs is based on the average of 2006 Q3 data from the Quarterly Census of Employment and Wages (QCEW). This data does not reflect some public administration positions and at-home businesses or sole proprietorships that are not required to report unemployment. Data includes jobs within the City of San Jose.

b) One-mile ring around proposed stadium site. Average of 2006 Q3 data from the Quarterly Census of Employment and Wages (QCEW).

Sources: CA Employment Development Department, 2006; BAE, 2006.

Table 7: San José Stadium Area Retail Properties

Address	Year Built	Total Sq Ft	Available Sq Ft	Occupancy Rate	Lease Rate (NNN)
DOWNTOWN WEST OF MARKET					
2 N Market St	N/A	5,780	5,780	0.0%	\$2.50-\$2.75
95 S Market St	N/A	12,471	12,471	0.0%	\$1.75-\$2.15
157 W San Fernando St	N/A	3,890	3,890	0.0%	\$1.85
60 S Market St	1986	206,000	99,833	53.0%	\$1.65
DOWNTOWN EAST OF MARKET					
S 3rd St & E Santa Clara St	1920's	2,000	2,000	0.0%	\$3.00
S 1st St & E San Fernando St	1920's	1,500	1,500	0.0%	\$3.50-\$3.75
69-89 E San Fernando St	N/A	19,000	N/A	N/A	\$3.00
288 S 2nd St	1984	7,500	7,500	0.0%	To Be Negotiated
83-91 S 1st St	1888	21,000	9,000	57.1%	\$2.75
325 S 1st St	1985	35,000	6,000	82.9%	\$1.50
28 E Santa Clara St	2006	20,522	10,877	53.0%	To Be Negotiated
20 Post St	N/A	1,386	1,386	0.0%	\$1.65
THE ALAMEDA					
975 The Alameda	2006	9,529	9,476	0.6%	\$3.60-\$3.75
830 The Alameda	N/A	6,552	6,552	0.0%	\$1.50-\$1.95
74 Race St	1950	2,750	2,750	0.0%	\$1.10
SITE NEIGHBORHOOD					
Park Ave	1970's	10,000	10,000	0.0%	To Be Negotiated
1045 Park Ave	1957	2,500	2,500	0.0%	\$1.20
387 Delmas Ave	1920	3,000	1,500	50.0%	\$1.67

Source: Loopnet.com, 2006; BAE, 2006.

Neighborhood Economic Impacts

AT&T Park Analysis

As with the residential analysis, BAE used AT&T Park and the performance of nearby commercial properties as a gauge for how retail space performs following the construction of an urban sports stadium. Unfortunately, the limited data on commercial real estate sales around AT&T Park negates its usefulness as a quantitative indicator. As an alternative methodology, BAE interviewed four local commercial real estate brokers to ascertain their views on how the ballpark has affected the market.

Brokers consistently stated that AT&T Stadium has had a positive effect on the retail real estate market in South Beach. One interviewee declared that prior to the ballpark's opening in 2000, retail space in the area typically leased for \$1.50 to \$2.00 per square foot, compared to \$3.00 to \$4.00 today. Brokers also reported that the number of eateries and retail outlets has expanded since construction of AT&T Stadium, and properties near the stadium continue to attract strong demand from tenants.

However, brokers also stressed that while the ballpark anchored South Beach's development and contributes to the area's vitality, new residential development and the gradual revitalization of South of Market jobs since the dot-com bust have played a much larger role in the strength of retail lease rates and the expansion of that sector. In fact, one broker stressed that successful retail businesses in South Beach do not rely on ballpark visitors as their primary clientele, and cater mainly to neighborhood residents and workers. These businesses treat the ballpark as a periodic revenue injection during the 81 home games and other events throughout the year. Brokers also pointed out that activity declines notably during the off-season, forcing businesses to focus even more on residents and nearby workers.

Traffic and congestion have certainly increased as a result of the ballpark's development, sometimes making deliveries to nearby businesses more challenging on game days. Nevertheless, brokers conveyed that business owners generally see the ballpark and the associated crowds as a positive factor in the neighborhood.

Lessons for San José

These reports suggest that the proposed San José stadium would contribute to local economic development in the Stadium Area, particularly as the expansion of nearby residential projects continues. The AT&T Park experience and an overview of current asking rates in the Stadium Area suggest that lease rates could improve to \$3.50 to \$4.00 per square foot for attractive space with high visibility and access. Less attractive space could also rise to \$2.00 to \$2.50 a square foot. The stadium and broader neighborhood development should also spark job growth in the Accommodation and Food Services industry, already a mainstay of the Greater Downtown economy. At the same time, one can expect an increase in City sales tax revenue generated by stores in the Stadium Area.

Broker interviews in South Beach do point out, however, that the effect of the stadium and its visitors largely declines during the off-season, highlighting the importance of ongoing events throughout the year and a solid base of local residents and workers to maintain sustainable economic activity.

Alternatives to Stadium Construction

Brokers around AT&T Park emphasized that new residential projects played a key role in sparking commercial development in South Beach, more so even than the ballpark itself. As stated in the previous section, the construction of the proposed San José stadium would replace between 400 and 1,000 units. While it is hard to identify the precise difference between commercial real estate conditions under the stadium scenario versus buildout of the Midtown Specific Plan, the construction of these units, coupled with ongoing residential development (about 1,300 units in the area) would certainly boost lease rates, job growth, and taxable sales over current conditions.

Conclusions

A new ballpark would significantly alter the proposed site's character by replacing aging industrial properties. Moreover, if well-designed, the San José stadium would anchor the neighborhood, linking it more visibly to HP Pavilion and Downtown and encouraging surrounding new development. This study also suggests that while the stadium would have a relatively minor effect on long-term residential appreciation rates, residential rents and commercial lease rates would improve following construction of the stadium. Retail job growth and taxable sales would also gain as a result of the stadium development. The case studies profiled for this report generally support these findings.

At the same time, it is important to emphasize that the more successful case studies, including AT&T Park in San Francisco, weaved the stadium into the urban fabric, surrounding the development with new residential and commercial projects. While the stadium and associated infrastructure improvements may lay the groundwork for this development, ultimately it is the new residents and local workers that sustain the local economy. Certainly, careful parking planning and urban design elements can encourage stadium visitors to patronize nearby businesses before and after games, as in the case of Coors Field in Denver, CO. However, the evidence suggests that even an MLB stadium, with 81 home games a year, cannot exclusively sustain local businesses of any significant scale.

This study also indicates that while a stadium would increase traffic and pedestrian activity in a neighborhood, the negative impacts can be mitigated by pro-active parking and traffic management, a transit-oriented design, and a positive working relationship between the stadium operator, the City, and local residents.

In recent months, the potential for an MLS soccer stadium at the proposed site has emerged as an even greater possibility than an MLB stadium. Initial concepts for the MLS facility would include the San José State University Spartans football team as a joint user.

Compared to an MLB franchise, an MLS team and the Spartans would draw a significantly smaller crowd. To provide a sense of scale, the Spartans' average home attendance is 18,800 in 2006, up from 12,500 in 2005. The Spartans have a total of 11 games in a season, five of which are at home. The Earthquakes, the San José MLS team which departed for Houston last year, had an average home attendance of 12,800 in 2005 over the course of 16 home games. In comparison, the San Francisco Giants and Oakland A's have 2006 average home attendances of 38,600 and 24,400, respectively, with 81 home games.

As stated earlier, the economic effects of MLS-specific stadiums have not been documented due to their limited history and generally suburban locations. However, these

attendance figures suggest that the economic impact resulting from an MLS/Spartans facility would be notably less than an MLB stadium. Local businesses would have to rely even less on stadium visitors.

Nevertheless, the infrastructure and urban design elements that support a new MLS/Spartans stadium, despite its smaller scale, would still improve the visual character of the proposed site. These factors, coupled with the area's growing residential base and non-sporting events at the stadium, would establish the area as an active extension of Greater Downtown and promote local economic development.