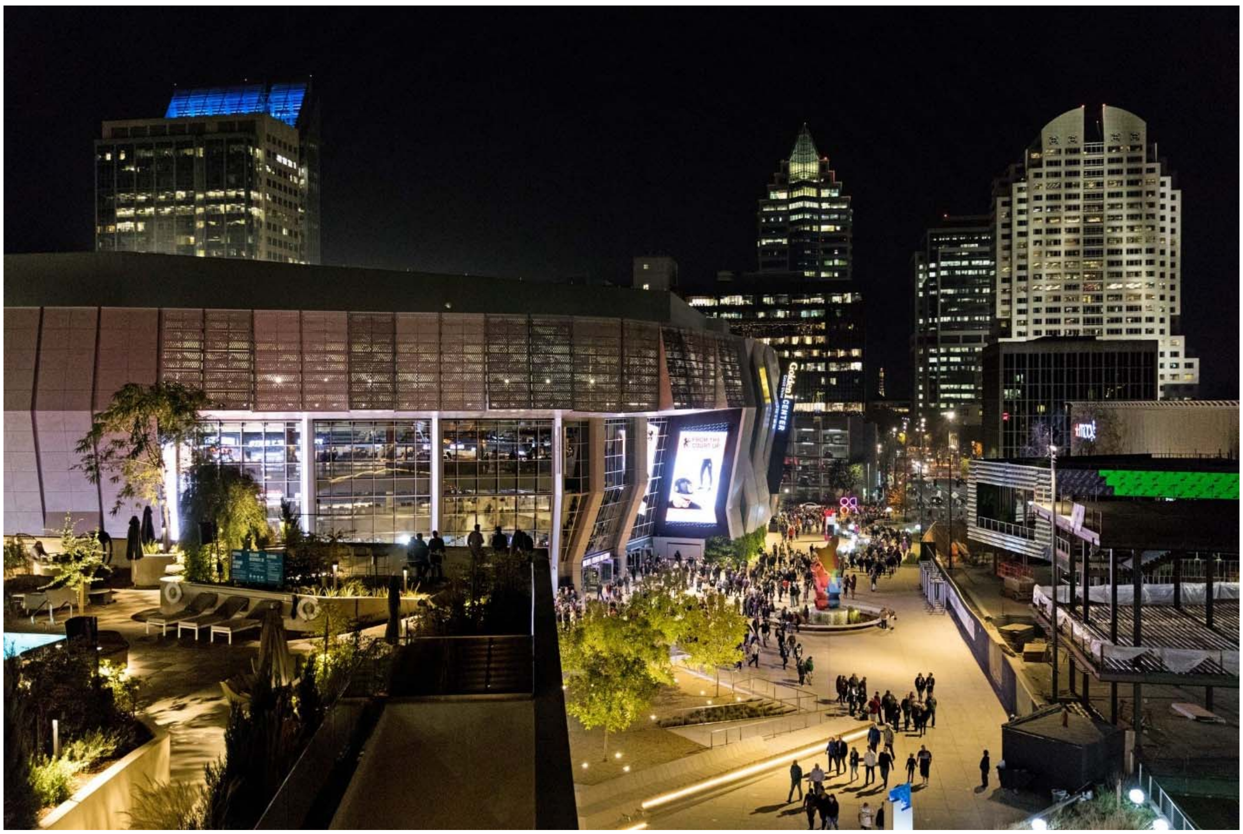
The New York Times

# Welcome to the Neighborhood: America’s Sports Stadiums Are Moving Downtown

By KEITH SCHNEIDER JAN. 19, 2018



The Golden 1 Center in Sacramento, Calif., home to the N.B.A. Kings, has played a key role in the redevelopment of that city’s downtown. CreditRyan Young for The New York Times

SACRAMENTO — Hours before the Sacramento Kings played their N.B.A. home opener in October, Vivek Ranadivé stood on the balcony of the team’s new fourth-floor office at the $1 billion Downtown Commons. He watched hoops fans stream into the year-old Golden 1 Center. He smiled at guests swimming in the rooftop pool of the brand new, 250-room Kimpton Sawyer Hotel. Below him, the open-air plaza at street level bustled with life.

“Four years ago, this place was dead,” said Mr. Ranadivé, referring to downtown Sacramento, the capital city of the most-populous state in the union. Like many cities, Sacramento’s urban core needed some serious rethinking. “You could have thrown a bowling ball,” he said, “and it wouldn’t have hit a soul.”

No longer. Three years after Mr. Ranadivé, the owner of the Kings, partnered with the city to scrape away a nearly empty downtown mall, and a year after he opened the arena and the 1-million-square-foot commons, Sacramento is a city reborn.

The number of downtown jobs has increased 38 percent, according to the Downtown Sacramento Partnership, a city economic development group. In the last year, 27 new stores have opened and 23 others are scheduled to open this year. So much construction is happening that the city has decided to hire two dozen new employees to process applications and building permits.

And Sacramento is not alone. Across the country, in more than a dozen cities, downtowns are being remade as developers abandon the suburbs to combine new sports arenas with mixed-used residential, retail and office space back in the city. The new projects are altering the financial formula for building stadiums and arenas by surrounding them not with mostly idle parking lots in suburban expanses, but with revenue-producing stores, offices and residences capable of servicing the public debt used to help build these venues.

“Four years ago, I said no other city is going to steal our team,” says Vivek Ranadivé, now the owner of the Sacramento Kings. CreditRyan Young for The New York Times

In San Francisco, the Giants baseball team is preparing to build a $1.6 billion mixed-use development on a waterfront parcel just south of AT&T Park, where the team has played since 2000. The development will have housing for 1,600 residents, and feature nearly 1 million square feet of retail and office space. Just blocks away, the privately financed Chase Center, the new home of the N.B.A. Warriors, is under construction. And just like in Sacramento, the 18,000-seat arena, which opens next year, anchors a $1 billion, 11-acre, 680,000 square foot mixed-use development of office and retail space, and a nearly 6-acre San Francisco Bayfront park.

In Columbus, Ohio, Nationwide Realty Investors has constructed the 75-acre, $1 billion Arena District, with an N.H.L. arena (home to the Blue Jackets), surrounded by 1,030 apartments, 2 million square feet of commercial space for 80 businesses, a minor-league baseball stadium, restaurants and stores. In Cincinnati, the Banks, a new $1 billion mixed-used district, has emerged on the Ohio River shoreline between the city's baseball and football stadiums. In Inglewood, Calif., a $3.8 billion, 298-acre mixed-use development currently under construction will include a privately financed N.F.L. stadium to be shared by the Los Angeles Rams and the newly located Los Angeles Chargers.

And in Detroit, the $863-million, 19,500-seat Little Caesar's Arena, home to both the Pistons and the Red Wings, opened last summer in amid the 50-block District Detroit, a $1.2 billion mixed-use neighborhood.

The explosion in mixed-use developments like these is owed, in part, to the urban American economic renaissance. City populations grew faster from 2010 to 2016 than those in the suburbs, reversing a 60-year trend that started in 1950, according to census data. And cities — not suburbs — are the now primary generators of the nation's economic growth, according to research compiled by the Federal Reserve.

"It's the one-square-mile effect," said Bruce Katz, an urban development specialist at the Brookings Institution. "Downtowns and midtowns possess an enormous amount of value in a relatively small geography."

### *Strong-Arming Local Governments*

For years, owners used their team's popularity or perceived economic importance to strong-arm government officials. In many cases, owners threatened to move their teams if governments did not build them new stadiums along with the roads and public utilities needed to operate them.

A 2016 study by the Brookings Institution found that 45 stadiums and arenas for the four major professional sports — football, baseball, basketball, hockey — were constructed or renovated in the United States from 2000 to 2014 at a cost of nearly $28 billion. Of that, $13 billion was publicly financed with tax-exempt bonds.

But previous projects that foundered, particularly in the 1990s, point up the potential risk of these investments. "What was at work in those deals was the idea that a large public subsidy for a stand-alone facility would keep the team in place and would stimulate economic activity," said Roger Noll, emeritus professor of economics at Stanford University. "The financial catastrophes that occurred convinced cities and residents that multimillion-dollar subsidies for stand-alone stadiums are a loser."

Examples of that are legion, particularly for N.F.L. stadiums. In the early 1990s, St. Louis city and county, and the state of Missouri, spent $258 million to [build a 70,000-seat domed stadium] downtown to attract an NFL team. The city lured the Rams, who played in the stadium from 1995 to 2015 before moving back to Los Angeles. The city, county and state still have $140 million in debt, and millions more in annual maintenance costs to pay until the debt service is completed — on an empty stadium — at the end of 2021.

Urban design specialists also raised their voices in opposition to the old model. They noted that generous public-stadium financing ignored almost every facet of sound real estate development, like location. America was producing a generation of isolated arenas in the suburbs and countryside, ringed by giant parking lots, many of which sat empty much of the year.


The $863-million, 19,500-seat Little Caesars Arena, which opened in downtown Detroit last summer, is the new home of the N.H.L. Red Wings, as well as the N.B.A. Pistons CreditPaul Sancya/Associated Press

That certainly characterized Detroit's comparatively brief experience with suburban sports stadiums. In 1975, the NFL Lions moved from the nine-acre, 63-year-old Tigers Stadium in Detroit's Corktown neighborhood to the $55.7 million Silver Dome in Pontiac, which was surrounded by over 100 acres of surface parking near the center of the struggling Oakland County city. The team stayed until 2002, when it returned to Ford Field, a $500 million stadium alongside the two-year-old $300 million Comerica Park, the baseball Tiger's new home on Woodward Avenue in downtown Detroit. Both stadiums were partially financed with taxpayer dollars.

Last year, Little Caesars Arena opened across the avenue, completing a strategic development vision, developed by business and civic leaders in the 1990s, that focused on professional sports as a catalyst for Detroit's revival. The NBA Pistons play in the new arena after spending the previous 29 seasons in The Palace of Auburn Hills, a 22,000-

seat arena in a prosperous suburb 33 miles north of downtown Detroit that opened in 1988.

The Palace held its last event in September and is scheduled for demolition. Its 109-acre site, most of it surface parking, is being rezoned as a campus for high tech business and research.

### *A Role Model in Kansas City*

If there is particularly good model for what's happening in Sacramento, it can probably be found in Kansas City and the city's Power and Light District. The $1 billion, 12-block district features a 150,000-square-foot covered plaza, more than 50 restaurants and taverns and hundreds of market-rate apartments. It opened in 2007 next to the city's publicly financed $263 million, 18,500-seat Sprint Center, which, though it does not host a professional team, has been frequently used as a site for college basketball games, including regional rounds of the annual NCAA tournament.

A decade later, the Power and Light District, developed by the Cordish Companies — whose chief executive, David Cordish, is credited with being a leader in sports-focused mixed-use development — is cited by city officials as the primary reason that a 2.5-mile, $102 million downtown streetcar line in the city center started in 2016. Thousands of new apartments opened, the downtown population increased to 30,000 from 8,000, and city tax revenue soared.

David Cordish, of the Cordish Companies in Baltimore, is a developer of sports-focused mixed-use projects across the country. CreditAndrew Mangum for The New York Times

Troy Schulte, city manager of Kansas City, explained how the project was initially seen as a risk but eventually remade his city and its finances. "I was budget director at the time," he said. "I was the guy saying, 'I don't know if this is going to pay for itself.'"

The transition from empty parcels to crowded streets was swift. H & R Block opened its 17-story, 531,000 square foot headquarters in the neighborhood in 2006.

A year later, the arena opened and so did a 150,000-square-foot KC Live! entertainment plaza across the street. Office workers strolled the sidewalks by day. Thousands more rolled into town for dinner and drinks before concerts and games, and stayed afterward to party.

Mr. Schulte and his colleagues have been criticized for a consultant's overly enthusiastic estimate that the district would generate sufficient tax revenue to service the bond debt, which is $17 million this year. The district produces $6 million in revenue from taxes on property, sales, earnings and utilities.

"That debt was issued with almost no safety cushion," a former city councilman, Dan Cofran, told The Kansas City Star in 2015. "It was reckless." Mr. Cofran said the project should have been smaller and constructed in stages.

Mr. Schulte disagrees. He said the city tried to finance the development with a dedicated sales tax, which was rejected in a referendum. Depleted at its center and stranded in an era of sluggish growth, the city pursued what he said was the next best option — selling municipal bonds paid for with revenue from a special taxing district.

Kansas City's tax base now raises $8 billion annually, with $2 billion from downtown activity. Before the Power and Light District opened, the city's tax base was $5 billion with $1 billion from downtown. There are now 40,000 downtown jobs, twice as many as a decade ago.

Mr. Schulte acknowledges that although tax revenue from the district is steadily increasing, it is not clear that enough will be generated to cover the debt service. "But from the perspective of economic development and economic resurgence," he said, "it's the best $300 million we've ever spent."

The Sacramento Kings playing the Phoenix Suns at the Golden 1 Center, the cornerstone of a newly revived downtown area. CreditRyan Young for The New York Times

### *Keeping the Kings in Sacramento*

Sacramento's downtown was ready for a makeover back in 2013, when Mr. Ranadivé met with Mayor Kevin Johnson to consider a pitch by David Stern, then the N.B.A. commissioner, to buy the Kings.

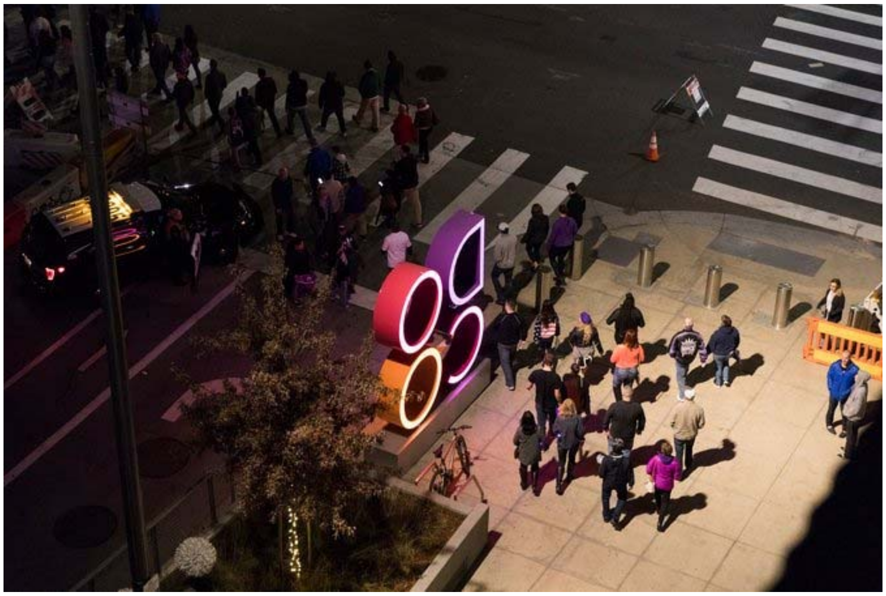
A growing city of about 480,000, and the hub of a seven-county metropolitan region with 2.4 million residents, Sacramento struggled for years to replace the home of the Kings, the 17,300-seat Sleep Train Arena, the smallest in the N.B.A. and which the team had played in since 1988.

Various proposals to build a new arena in the same area, publicly financed with sales tax or other public sources were floated and then sunk, two times by failed ballot measures. As the venue aged and the Kings consistently lost more games than they won, the owners, the Maloof brothers, sought to sell the team. A buyer's group from Seattle, which lost its own N.B.A. team to Oklahoma City in 2008, was interested. But city officials were determined to keep the team — and Mr. Ranadivé, who had become a Silicon Valley billionaire with the software company he founded, was a prime recruit to help make that happen.

Mr. Ranadivé had earlier parlayed the success of his company, TIBCO Software, into a role as vice chairman and co-owner of the Golden State Warriors, lending him credibility with Mr. Stern and Mr. Johnson, who himself had been an N.B.A. all-star during the 1990s.

Mr. Johnson had also become a fan of Mr. Ranadivé's story, described in a 2009 New Yorker article by Malcolm Gladwell. In 1973, when he was 16, Mr. Ranadivé emigrated from India and arrived in the United States with $50 in his pocket. A graduate of M.I.T. and Harvard, in 1985 he founded a company that enabled investors and traders to instantly collect and analyze large amounts of data in real time.

As part of the pitch, Mr. Ranadivé and Mr. Johnson toured a decrepit downtown mall that would be replaced with a new arena for the Kings. The mayor proposed spending $255 million, essentially a long-term loan, to construct the $560 million facility.



Fans exiting the Golden 1 Center after a recent Kings game. CreditRyan Young for The New York Times

Mr. Ranadivé would be expected to pay the balance, plus 65 percent of the city's investment through a 35-year lease agreement and property taxes. When all was said and done, Sacramento's investment in an arena that it would own would be $86.7 million.

The proposal departed from almost every previous arena-financing deal. Arena-construction packages that relied on public investments typically featured taxpayers paying all, or nearly all of the development costs without ever being paid back.

Would Mr. Ranadivé bite?

He did. Visiting downtown Sacramento that day, he said, he envisioned crowds on the sidewalks, and in the space occupied by the near-empty 42-year-old mall, he saw a plaza surrounded by a state-of-the art arena, hotel, offices, restaurants and stores. And he sensed opportunity in a city desperate to keep its N.B.A. franchise.

In May 2013, as the principal investor, Mr. Ranadivé bought the Kings for $534 million, at the time the highest price paid for an N.B.A. franchise up to that date. (It's since been eclipsed by the $2.2 billion paid last September for the Houston Rockets.) In buying the Kings, and agreeing to pay for more than half the new arena, he hoped to leverage his knowledge in technology, sports, information, and design to not only gain control of a sports franchise, but to revive what he considered an important American city.

Though Mr. Ranadivé has turned out be [a somewhat polarizing figure among fans of the Kings](), the project itself has since unleashed more than $1 billion more in new construction and redevelopment in surrounding blocks. And just north of the city center and Downtown Commons, on the site of the Sacramento's former 244-acre Union

Pacific rail yard, a local development group broke ground in the summer on a second sports-focused, mixed-use neighborhood anchored by a privately financed, $245 million, 20,000-seat outdoor major league soccer stadium.

“Four years ago, I said no other city is going to steal our team,” Mr. Ranadivé said. “The Kings are the heart and soul of the city.”