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Entertaining Entertainment Districts

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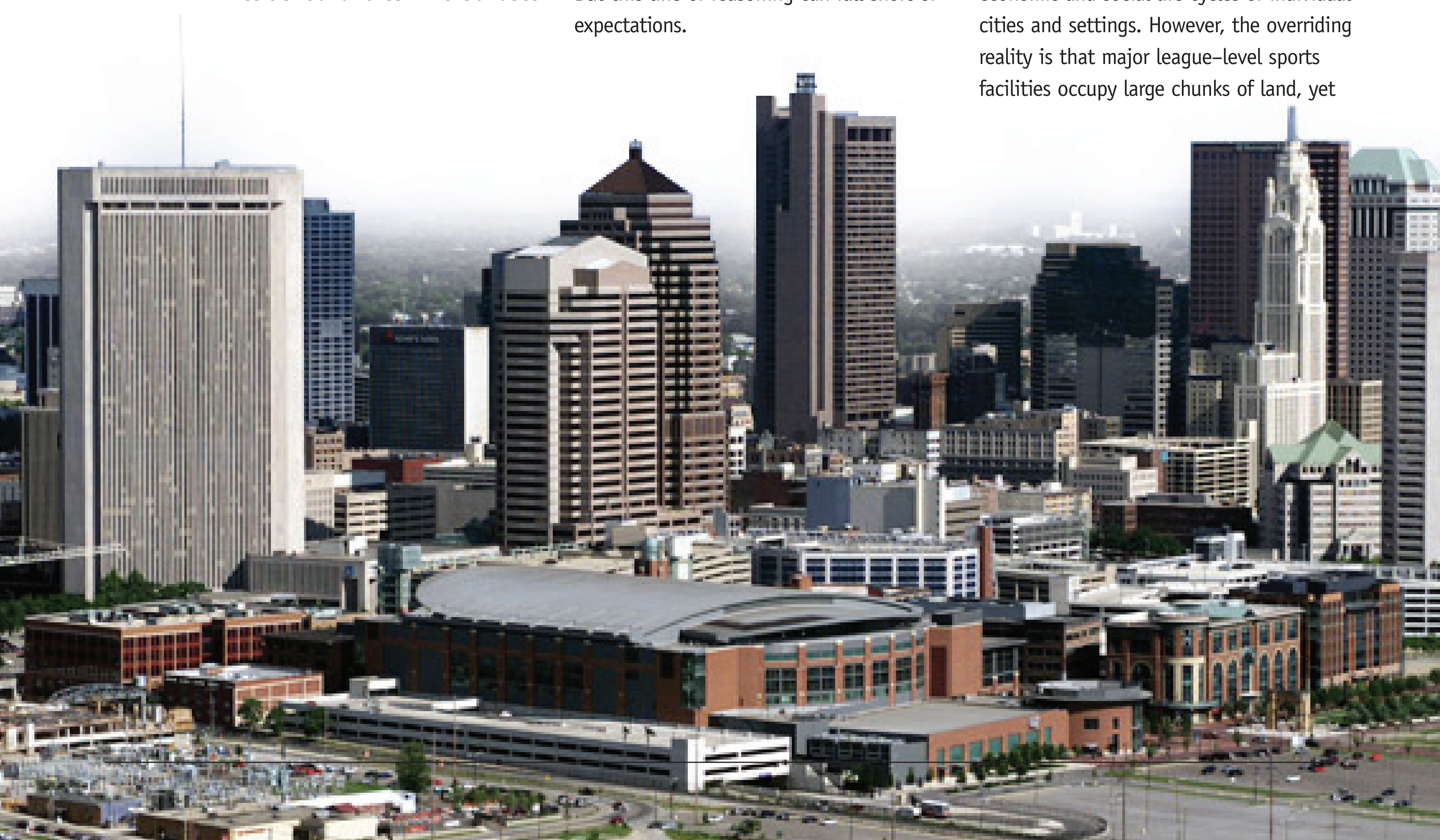
A number of U.S. cities are banking on new sports facilities to create vibrant entertainment districts with a mix of residential and commercial uses.

COMMUNITIES ONCE ASSUMED THAT IF THEY built sports facilities, developers would create commercial spin-offs and a critical mass of mixed uses around them. But this line of reasoning can fall short of expectations.

There are many reasons why this desired chain of events does not occur, including times and patterns of use, access, investment climate and financing, and the economic and social life cycles of individual cities and settings. However, the overriding reality is that major league–level sports facilities occupy large chunks of land, yet



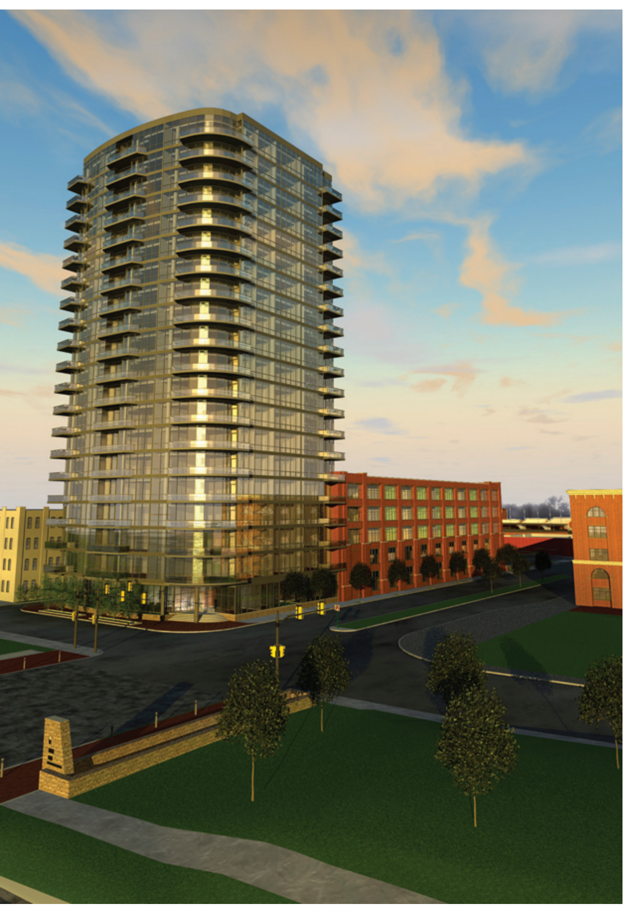
are dark and inactive much of the time.

In contrast, the restaurants, bars, and other retail services that make up a true entertainment district require a steady, year-round clientele to prosper. Sports facilities can serve as a catalyst for developing an entertainment district, but the creation of a true neighborhood with a complementary mix of uses is far more important to its long-term success.

Large-scale, mixed-use urban developments are extremely complex and expensive and can take years to complete, making it imperative for developers and communities to work together, commit to a plan and process, and be willing to build and maintain an ongoing public/private partnership.

Not every community is sold on helping pay for stadium development as a means to improve downtown economic health. For example, this past November, by a three-to-one margin, Seattle voters passed Initiative 91, which restricts public subsidies for professional sports teams.

The Seattle Supersonics' (NBA) new owner had vowed to move to another city, or at least to the suburbs, if the city didn't help with a new Seattle home for the team. In response, public activists were able to place the initiative on the ballot—and prevail with voters. It is conceivable that other municipalities will follow suit, reinforcing the responsibility that team owners and developers have in proving that any proposed stadium or arena is a good civic investment.



As part of a plan to encourage people who worked in the city to live downtown, a commitment was made to build downtown housing units in Columbus's Arena district. Among the projects are an early 20th-century bakery warehouse that is being converted into 21 lofts and an adjacent new 20-story lass and steel tower that will contain 88 condominiums.

Some cities believe that they have a successful plan in place. Kansas City, Missouri, for instance, is betting that its new Sprint Center, scheduled to open next October, will catalyze economic development for the city's laggard downtown. This new facility comes in advance of a major league sports franchise commitment in a city that already has both National Football League (NFL) and Major League Baseball (MLB) teams.

In Pittsburgh, the downtown environs have been extended—in a planned manner—at Continental Real Estate Development's North Shore mixed-use project. With Heinz Field (Steelers) and PNC Park (Pirates) already in place, this expansion of the city's downtown commercial and residential space includes offices, multifamily housing, restaurants, and an entertainment district as well as amenities, in the form of walkways and parkland, that tie it all together.

There also are urban-styled and urban-sited major league stadiums that have stimulated nearby development, independent of master-planned mixed-use developments. Examples include Baltimore's Camden Yards and Denver's Coors Field, but these may be exceptions rather than the rule.

In Columbus, Ohio, a new major league sports franchise and an arena have been used as key components of a downtown revival. Columbus's Nationwide Arena, which ultimately did not rely on any public subsidies, demonstrates the value of entity-controlled, mixed-use master planning that can result in a critical mass of sports, entertainment, commercial, and residential uses, along with vehicular and pedestrian access and parking.

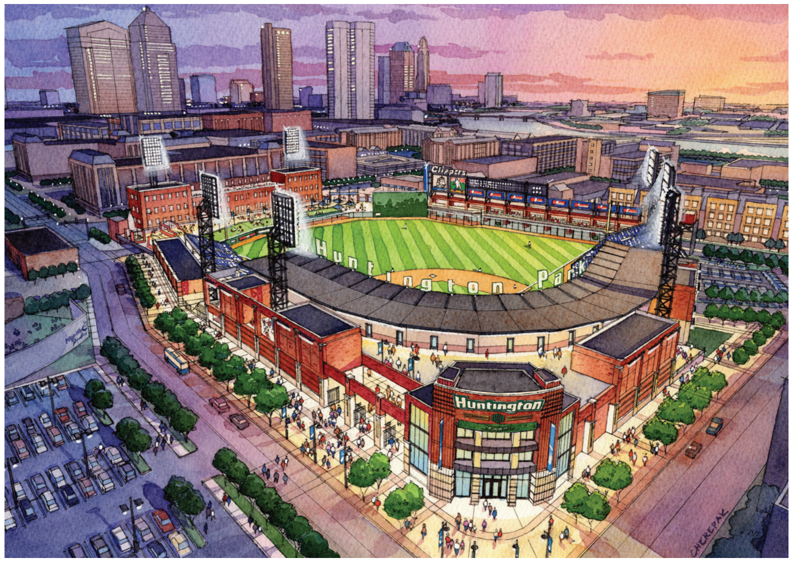
Central Ohio's desire for a National Hockey League (NHL) team served as the impetus for the Nationwide Arena and the encompassing Arena District, which is located in downtown Columbus. The greater Columbus area had the population, corporate concentration, economic base, sports fans, and overall ambition to join up with a professional sports franchise. Despite these resources and sentiments, voters ten years ago rejected a bond proposal to fund the arena. These events motivated Nationwide Realty Investors' (NRI) parent company, Nationwide, to step up and commit to the private development of the $155 million multipurpose arena and to the $750 million Arena District.

The next step was a comprehensive master plan, one that anticipated an inward shift in urban growth. The development of Nationwide Arena was seen as a means to help initiate the transformation of downtown Columbus into a "24/7" neighborhood.

In 1950, the city's peak, more than 29,000 people resided in the downtown area of Columbus. The city was alive with residential, retail, and entertainment uses. However, the mobility and opportunities made possible by the freeway system proved to be too great for the small downtown. By 1990, the city's population had declined to fewer than 3,500.

In negotiations with the city in 1997 for a 13.5-acre (5.4-ha) downtown site that had been occupied by the Ohio State Penitentiary between 1835 and 1984, municipal officials pledged $35 million in infrastructure improvements to NRI in return for a commitment to build 350 downtown housing units in the Arena District.

At the time the arena was announced



A $55 million ballpark is planned for the Arena District for the columbus clippers, the minor league Triple A affiliate of the New York Yankees; the park is scheduled for completion in 2009. Locating the ballpark elsewhere in the city to seed redevelopment was considered, but he decision was made to pair the facilities together to expand the Arena District's critical mass.

in 1997, the market opportunity in Columbus was office, not residential, as most of the 100,000 people who worked in the city by day returned to their homes in the suburbs at night. However, the city's land was needed to complete the assemblage of the 75-acre (30.3-ha) area that would constitute the Arena District, so NRI made the commitment, purchased the property, and moved forward with the project.

By late 2001, however, the downtown office market was beginning to soften and NRI needed to decide whether it would move the project forward by building spec office space or start on the district's residential component. NRI, recognizing the opportunity in downtown housing, began construction on the 252-unit Arena Crossing Apartments in early 2002. Currently the largest apartment project ever built in downtown, Arena Crossing is 100 percent leased with a waiting list.

Soon after the apartment project began, NRI then moved to plans for Burnham Square Condominiums, an eight-story project consisting of two buildings surrounded by park space.

The creation of a residential neighborhood helped activate the Arena District 24/7 and increased traffic to the restaurants, entertainment venues, and service retailers. There was then demand for additional downtown housing, a driving force in the reversal of a 55-year population decline in the city. This growing demand for downtown residential led NRI and other developers to expand beyond the Arena District's original footprint; projects are now rising on the periphery, extending the boundaries on all fronts. One project currently underway is Condominiums at North Bank Park, an upscale residential development located across the street from the penitentiary site, which defines the original district's western border. NRI is converting an early 20th-century bakery warehouse, formerly occupied by grocer A&P, into 21 lofts and adding on a 20-story glass and steel tower with an additional 88 luxury condominiums. Other developers are following suit with projects of their own in and around the area.

Long & Wilcox is renovating the historic Brunson Building, a 40,000-square-foot (3,721-sq-m) early 20th-century Chicago-style high-rise office building, into 22 luxury urban loft condominiums. Spectrum Properties is working on an additional 117 units in two projects downtown and City Space's Sixty Spring project will add 108 more. In all, there are 21 condominium projects currently under construction in downtown.

The Arena District's impact on the city has been more profound and far reaching than expected. "What Nationwide did in a 1.3-square-mile area changed the reality of what downtown can be for many people," says Bob McLaughlin, director of the City of Columbus Downtown Redevelopment Agency. "It has been very much a catalyst for the rebirth of downtown Columbus."

Since 2000, downtown Columbus has attracted $1.2 billion in private investment capital. In addition, the city of Columbus has sustained its activist mode, which includes the formation of a new Columbus Downtown Development Corporation (CDDC), a private, nonprofit development corporation, to implement the mayor's strategic business plan for downtown Columbus. The plan focuses on five action strategies, including the mayor's downtown housing goal of 10,000 units in ten years; stabilizing the office market; creating new downtown neighborhoods on Gay Street and in the River South District; developing a riverfront park system; and making infrastructure improvements that address parking, traffic flow, public transportation, and pedestrian orientation.

"With new housing, there is a more positive vibe for the future in all of downtown," McLaughlin continues, noting that since 2000, more than 3,600 downtown housing units have been completed or are in the pipeline. "Up until 2001, employers were leaving downtown, no one would live there, and it was one of the last places people would go to be entertained," he adds.

"Having a district with great restaurants and entertainment right across the street from the expanded convention center gives Columbus a real distinction in the national marketplace," says Joe Marinelli, senior vice president for sales at Experience Columbus, a not-for-profit group that organizes and books events in downtown Columbus. "It opens up a whole new world that Columbus couldn't touch before."

The promise of sports bringing people to the table is very attractive, notes Brett Post, "Paisano partner" (general manager) for the eatery Buca di Beppo, but that is not the only reason he opened a restaurant here. Pointing out that Columbus traditionally has had a quiet downtown that empties out early, he says, "Our decision was based on city planning and the commitment of the mayor and Nationwide. As a company, we understood what [developing the Arena District] would mean."

Noting that although the 1 million square feet (93,023 sq m) of office space in the Arena District came at a time when the market was already soft and exacerbated office vacancy in the central business district (CBD), McLaughlin says that the unique space kept many companies downtown and pulled several others in from the suburbs. "Growth and change often involve a transition with short-term sacrifices," he explains. "In the long run, it added a different dimension to the downtown office market, providing the broadest office options in central Ohio—a place where businesses can find formal and informal office environments."

The new office inventory, which has maintained a high 80s/low 90s occupancy rate, also drove the conversion of several Class B and C office buildings to residential, which turned out to be very positive for the property owners, the office market, and the city.

McLaughlin contends that a drop in the CBD's office vacancy over the last year, from 21 to about 18 percent, is as much a result of office-to-condo conversions as an improved economy. He notes that besides tax abatements for residential development, the city has established tax increment financing (TIF) districts throughout downtown to fund infrastructure improvements, including in the CBD, where 17 condominium projects have been completed or are in the pipeline. The city has also implemented a tax incentive for businesses with ten employees or more that relocate to downtown from the suburbs.

Moreover, no one has forgotten what set all of this in motion—NHL hockey. Marinelli says that having a team here is what has really raised awareness about Columbus nationally, because it puts the city and the arena on television six months out of the year.

"With restaurants, shops, and special events year round, the area is a magnet for people," Marinelli concludes, noting that there is so much activity in the vicinity that his organization is studying the potential for another hotel. "This is a model district and other cities, including Pittsburgh and Louisville, have come here to study how to make this concept work in their own towns," he says, adding, "That's quite a compliment."

"The Arena District is an exciting, energy-filled development that has the appeal to attract foot traffic back to the city," acknowledges John Rosenberger, president of Capital South, a private nonprofit redevelopment corporation that operates downtown parking facilities and partners with the city on projects to support business in the CBD. "It restored downtown's competitiveness and footing in the race for central Ohioans' wallets."

In early 2006, NRI was selected by the Franklin County Commissioners to serve as their owner's representative in the development of the new $55 million Huntington Park for the Columbus Clippers, the minor league Triple A affiliate of the New York Yankees. The park is scheduled for completion in 2009. Originally, some community members wanted to use the ballpark to seed redevelopment elsewhere in the city, but NRI convinced municipal leaders that the strongest position would be to pair the facilities together, leveraging them to add greater energy and expand the Arena District's critical mass.

In addition, the CDDC chose NRI as the developer for the redevelopment of River South, a 25-acre (10-ha), 23-block area located downtown that is owned by the city. The plan for the district, which includes Columbus City Center Mall, the Franklin County Justice Center, and warehouses and parking lots, will transform the area into a 24-hour neighborhood, with a variety of retail, entertainment, residential, and office uses.

The Pittsburgh Penguins NHL team invited NRI to be a partner on a collaborative proposal to build a $500 million Arena District in Pittsburgh surrounding a proposed new NHL arena and casino. The project, located on the edge of downtown on the current site of Mellon Arena, would include a mix of uses on the scale of Columbus's Arena District. The project is contingent upon Mississippi-based gaming company Isle of Capri's receipt of a gaming license.

In 1997, Columbus voters rejected the idea of publicly funding a multipurpose arena for their city. Eight years later, not only was one of the best sports venues in the country developed, but more importantly, a "true" community and a new vision for the city's future.

Although the Arena District will continue to expand and mature, its success is a testament to the role that public/private partnerships can play in revitalizing cities. These relationships provide an opportunity for the public and private sectors to work together toward the common goal of building vibrant urban neighborhoods where people want to live, work, and play.

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