

**Stadium Development and Urban Renewal:  
A Look at Washington, DC**

by

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Submitted to the Department of Architecture in Partial Fulfillment of the Requirements for  
the Degree of Master of Science in Real Estate Development

at the

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**ABSTRACT**

This thesis investigates the factors, related to urban stadium development, that act as a catalyst for subsequent local urban renewal. Over the recent decades there has been substantial debate related to stadium or arena development. “The stadium debate intersects with cultural studies, economics, law, urban studies, civic planning, sports administration, mass communications, and sociology.”<sup>1</sup> The center of this debate is over the economic and social “net benefit” to a city that undertakes a stadium development.

Many argue that the economic and social costs created by urban stadium development outweigh the public good, especially in the case of publicly funded or subsidized stadiums. This thesis concentrates on the renewal of the surrounding real estate markets rather than broader economic renewal. When this thesis refers to “urban renewal” it is meant in the context of the renewal of the physical infrastructure and real property.

The thesis examines the range of costs and benefits resulting from stadium induced urban real estate renewal. The benefits analyzed are derived from the changes in the local real estate markets that may be connected to the arena or stadium construction. The subject case study illustrates some of the broader economic benefits related to urban real estate renewal.

Washington, DC provides a recent example of urban arena development that led to significant local investment in the development of the surrounding area. Construction of the Verizon Center led to development of residential, office, and retail product in the immediate area. The case study explores the factors (specific to the site, team owners, local developers, and city officials) that create a fertile environment for urban real estate renewal. It also ascertains, by way of interviews and public record, the concerns of these parties while making the critical decisions that can spark this type of urban rebirth. Using the Verizon Center case study, this thesis examines the factors that had a positive impact on urban renewal.

Thesis Supervisor: John F. Kennedy  
Title: Lecturer

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<sup>1</sup> Trumbour, Robert (2007) *The New Cathedrals: Politics and Media in the History of Stadium Construction* Syracuse: Syracuse University Press.

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## **1.0 INTRODUCTION**

Many American citizens have had the experience of attending a professional sporting event in a stadium or arena. It is hard to forget the masses converging on the often-colossal stadium, arena or ballpark. The approach to the venue is a swirl of patrons from different backgrounds, merchandising and retail peddlers, the patrons of the bars surrounding the stadium, and the fumes of the local food vendors and the restaurants. Attendees come from all areas of the region, emerging from the parking lots, buses and trains that empty into the immediate stadium neighborhood. Standing in the shadow of a professional sports facility, just prior to game time, leaves little doubt of the broad draw and community vitality they effectuate.

Over the course of the twentieth century, professional sports have emerged as big business; capable of substantial profits through a broad range of operations and media endeavors. Sports franchises (and the facilities that house them) have gained significant prominence over the past two decades. The amount of money generated through professional sports has created an environment of league expansion in recent years. This profitability paired with increasing media coverage has made these franchises an asset to their host cities. A professional franchise can stimulate a city's national prominence and can create a distinct identity for the city and its greater region. The development of a new stadium or arena can set the tempo for the success of a professional sports franchise.

Simultaneous with the growth of the professional sport industry has been a commercial real estate trend towards the revitalization of downtrodden urban centers – creating even greater opportunities for downtown entertainment and sports facilities.

Sports venues as destinations have proliferated in recent years in response to a number of factors. In some cases, such as Baltimore’s Camden Yards, Denver’s Coors Field, and the MCI Center, sports venues have been part of municipal planners’ efforts to revitalize the downtown district. When new sports venues are built, complimentary businesses, including restaurants and retail, are often drawn to the area to take advantage of the large gameday crowds. In otherwise blighted areas, such an influx of additional amenities and businesses can spur construction and renovation, job creation, and increased tax revenue.<sup>2</sup>

Accordingly, “stadium construction has moved forward at an unprecedented rate over the past 20 years.”<sup>3</sup> Development of these stadiums and arenas can do much to define a city’s local and national image. And, in most cases, the venue itself can help to bolster team revenues. Furthermore, in certain cases, urban stadium development can act as a catalyst for the revitalization of the surrounding neighborhoods. “Major development projects contribute to economic growth in three ways. First, they stimulate direct spending. Stadium boosters argue that the direct revenues emanating from stadium construction and operation exceed the costs of stadium construction and maintenance. Second, there are indirect benefits and there is a multiplier effect. Advocates of stadiums maintain that

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<sup>2</sup> Beyard, Michael D. et al. (2001) *Developing Retail Entertainment Destinations*. Second Edition. (First Edition Title: *Developing Urban Retail Centers*) Washington, D.C.: ULI – the Urban Land Institute. p 25.

<sup>3</sup> Trumbour, Robert (2007) *The New Cathedrals: Politics and Media in the History of Stadium Construction* Syracuse: Syracuse University Press.

these produce revenues that exceed construction costs. Finally, the cluster of activity and innovation associated with a new development project gives a city the reputation of a vibrant and reliable place to do business.”<sup>4</sup>

As these stadiums and arenas are planned and constructed, real estate developers, often in partnership with the host city, follow suit and look to invest in residential, cultural, and commercial development in the neighborhoods immediately surrounding the proposed venues. Thus, stadiums can provide a catalytic effect to real estate development in the area surrounding the stadium. As a result, American cities have sought to lure these franchises (and the prospects for a new stadium) in hopes for broader national recognition and some level of local urban activation and renewal.

However, due to the significant price tag associated with constructing the venues there is an ever-growing debate over how beneficial these arenas ultimately are for the communities they impact. As Roger Noll and Andrew Zimbalist point out, this debate focuses on two core questions: (i) who is responsible for the financing of a stadium? and (ii) how will the stadium effect aggregate economic welfare? “Typically, the debate over stadium economics focuses on job and income creation in the community in which the facility is built, but the range of economic effects is far broader: it encompasses regional and national wealth, as well as the welfare of sports fans and the distribution of income.”<sup>5</sup>

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<sup>4</sup> Euchner, Charles C. (1994) *Playing the Field: Why Sports Teams Move and Cities Fight to Keep Them*. Baltimore: Johns Hopkins University Press. p 65.

<sup>5</sup> Noll, Roger G, and Zimbalist, Andrew, Editors (1997) *Sport, Jobs and Taxes*. Washington: Brookings Press. p 6.

Housing a professional sports franchise can be a “net benefit” for a city, although it is difficult to precisely, quantitatively define or project this benefit. There is no magic bullet stadium solution that leads to broad economic and urban renewal. Even stadiums that prove to be successful cannot be credited to a simple eloquent equation or recipe. The successful cases often involve an element of good timing and always require cooperation between the public and private interests. As with all large-scale developments, there is simply no way to solve all problems or to please everyone in the community. Thus, cities should not seek to develop a stadium simply as a panacea for any lagging economic or social circumstances.

Due to the availability of data spanning its ten-year existence, the Verizon Center in Washington, DC will be the central case study in this document. The Verizon Center (formerly the MCI center) was completed in 1997 and is home to the Wizards NBA franchise and the Capitals NHL franchise. The Wizards and Capitals, although Washington teams, were previously housed in an arena in nearby Landover, MD. The thesis will explore how the Verizon Center came to be and the effect it has had on the subsequent development patterns of its surroundings in Downtown Washington, DC.

The Verizon Center is located in Washington’s East End and there can be no denying the explosive growth of this submarket over the past ten years. The area has transformed from a beat up, urban carcass, left for dead after the riots of 1968, to a thriving downtown business district with a solid balance of office, residential, retail, arts and entertainment product. It is a unique Washington, DC submarket, which many consider similar to the

vibrant urban environment of New York City. This thesis investigates the emergence of the East End and what impact the presence of the Verizon Center has had on the development of the broader submarket. The thesis will also look into the dynamic forces that came together to facilitate, not only the success of the arena itself, but also the success of the greater Downtown DC revitalization.

In order to properly understand the place of a stadium, arena or ballpark in the urban fabric of contemporary America one must consider the role of stadiums throughout history. This requires exploration all the way back to the development of stadiums in ancient Greece and Rome. It was there that the standard design and construction methods of stadium development took root. Even in those times stadiums played a central role in the everyday lives of the citizens in the cities the stadiums called home. Throughout history stadiums have ebbed and flowed in their role as urban landmarks and stimulants. The presence of athletic events waned in the first one and a half millennia AD, only to reemerge as a focal point of urban centers at the end of the twentieth century.



## **2.0 THE STADIUM IN HISTORY**

Sports stadiums have been at the center of cities and communities for over two thousand years. Over this period construction materials, architectural design, uses and operations have all evolved. Stadiums and arenas have gone from temporary wooden structures to colossal works of steel and concrete. Over the centuries stadiums have seen the rise, fall and rebirth of their architectural importance and their role in the community. Still stadiums, arenas and their derivatives have always played a substantial role in urban identity and recreational programming. Even in the earliest days of the stadium, citizens were drawn from the surrounding community to witness the games housed within. The role of the audience at a sporting event in Rome was somewhat similar to that of the audience at today's events. The nature of the interaction between the citizens, the stadiums, and the contests that took place within these venues has remained largely consistent over time.<sup>6</sup> Despite the variety of common characteristics between the stadiums of old and their contemporary cousins, stadiums and arenas did not become commercial entities until recently.<sup>7</sup>

Stadiums represent some of the most historic architectural structures on earth. Perhaps the best-known historic example is the Roman Coliseum (AD 82). "The Flavian Amphitheatre in Rome, better known as the Coliseum from the eighth century onwards, is the greatest exemplar of this building type and has seldom been surpassed to this day as

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<sup>6</sup> Trumbour, Robert (2007) *The New Cathedrals: Politics and Media in the History of Stadium Construction* Syracuse: Syracuse University Press.

<sup>7</sup> Ibid

a rational fusion of engineering, theatre and art.”<sup>8</sup> Still, stadiums and their predecessors existed centuries before the Coliseum was constructed. And, in a parallel to contemporary stadium debates, historians dispute whether the development of the ancient stadiums represented a burden or a benefit to the lower classes.

## **2.1 GREECE**

The Greeks provided the prototypes for modern sports venues. The Greek’s stadia and hippodromes were home to Olympic and other events as early as 800 B.C. “The civic importance of such sporting facilities in Greek life is demonstrated particularly well at the ancient city of Olympia...at the height of its development, (it) was a rendezvous for the whole Greek world.”<sup>9</sup> Olympia was home to a mixed-use complex of temples for deities and sporting venues. Clearly this ancient real estate development was a huge engine for the city of Olympia. The use of the Olympian site was very similar to the multi-use arenas we see in contemporary urban centers.

Modern stadium design is derived from the early Greek forms. In fact, according to David Romano, the Panathenaic Stadium in Athens (constructed 200 B.C.) was re-used in conjunction with the 1896 and 2004 Olympic Games.<sup>10</sup>

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<sup>8</sup> Geraint, John, and Sheard, Rod and Vickery, Ben (2007) *Stadia: A Design and Development Guide*. Burlington: Architectural Press.

<sup>9</sup> Ibid

<sup>10</sup> Trumbour, Robert (2007) *The New Cathedrals: Politics and Media in the History of Stadium Construction* Syracuse: Syracuse University Press.

## **2.2 ROME**

The Romans adopted and continued the Greek tradition, and introduced the development of stadiums on a much larger scale from 300 BC to AD 400. Their arenas and stadiums were home to sporting contests; however the Romans primarily used these venues for combat events such as the infamous battles of the gladiators. The Romans put a particular emphasis on “entertainment and spectatorship” in their sport.<sup>11</sup> Facilities, such as the Coliseum, could offer members of the community from all walks of life an opportunity to take in these events. The Coliseum was a large four-story ellipse with a tapered elevation of seating similar to that of contemporary stadiums. At 48,000, its capacity would not be surpassed by any other facility until the twentieth century.<sup>12</sup>

The city of Rome was the center of a vast empire and it can be argued that the Coliseum was the focal point of the city. Its proximity to the center of Rome is evident in the figure below (the ellipse just southeast of center).

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<sup>11</sup> Trumbour, Robert (2007) *The New Cathedrals: Politics and Media in the History of Stadium Construction* Syracuse: Syracuse University Press.

<sup>12</sup> Geraint, John, and Sheard, Rod and Vickery, Ben (2007) *Stadia: A Design and Development Guide*. Burlington: Architectural Press.

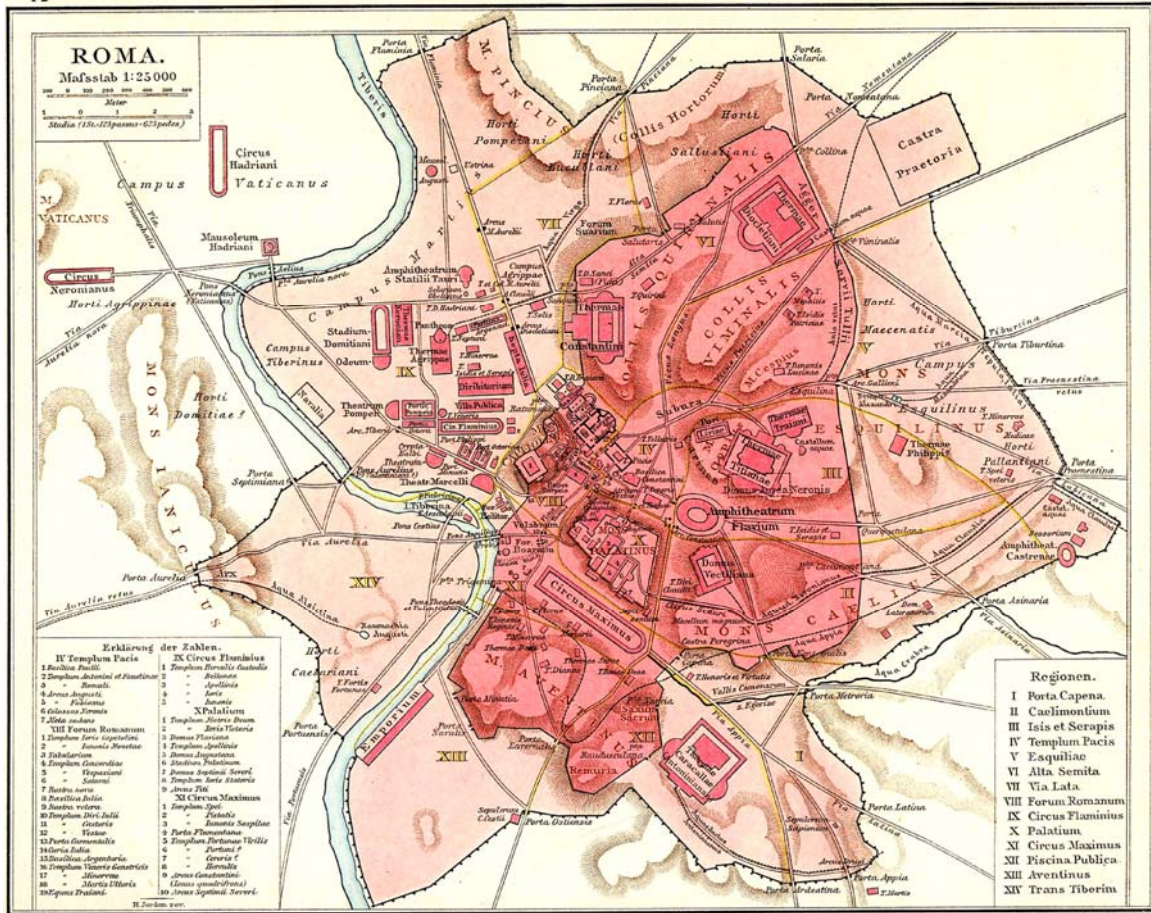


Figure 1 – Downtown Rome

“As Christianity swept through Europe the emphasis of society shifted to religious salvation, and architectural effort was turned to the building of churches rather than places of recreation and entertainment.”<sup>13</sup> For the most part, there were no significant new stadiums developed for the next fifteen hundred years. “Rome’s secular model of sport and the evolution of stadium construction from temporary wooden facilities to grandiose permanent structures parallels the development of sport in America.”<sup>14</sup> Indeed, stadium development around the globe was relatively stagnant until the Industrial Revolution of the 19<sup>th</sup> century brought with it a stadium renaissance in the New World.

<sup>13</sup> Geraint, John, and Sheard, Rod and Vickery, Ben (2007) *Stadia: A Design and Development Guide*. Burlington: Architectural Press.

<sup>14</sup> Trumbour, Robert (2007) *The New Cathedrals: Politics and Media in the History of Stadium Construction* Syracuse: Syracuse University Press.

### **2.3 AMERICA AND THE REBIRTH OF THE STADIUM**

The Industrial Revolution was catalyst to an increase in population density in the cities of the United States. It also represented a time of extreme immigration, which further populated the urban centers of the east coast and other major cities. From 1860 to 1914, the population of New York City grew from 850,000 to 4 million, the population of Chicago grew from 110,000 to 2 million, and the Philadelphia population grew from 650,000 to 1.5 million.<sup>15</sup> At the same time steel was being used more frequently for construction and engineering practices. Annual steel production in the United States increased from one million tons in 1880 to twenty five million tons in 1910.<sup>16</sup> The Industrial Revolution was also a period of labor exploitation. This exploitation facilitated large-scale construction. Add this all up and you had a recipe for urban stadium and arena development. Accordingly, the end of the nineteenth century ushered in a period of widespread, innovative stadium development in American cities.

The British athletic tradition up to the twentieth century focused on amateur sports. America followed this tradition through most of its early history. In America, college football was the preeminent athletic spectator draw of the 19<sup>th</sup> and early 20<sup>th</sup> centuries. Professional sporting events did not begin to become popular in America until the emergence of professional baseball in the late nineteenth century. In 1869 the Cincinnati Red Stockings became the first American “professional” sports franchise. Prior to 1869 baseball was played at the highest level by a handful of local club teams that fielded their

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<sup>15</sup> Zinn, Howard (1997) *A People’s History of the United States*. New York: The New Press.

<sup>16</sup> Ibid

rosters with local talent. The Red Stockings were the first team to recruit nationally and thus lure players away from other markets by way of salary incentives. This national outreach led the Red Stockings to a 56-0-1 record for the 1869 season. As a result of their astounding success, the Red Stockings were the first baseball team to garner national prominence. The cities and towns that hosted the rival teams saw the amount of national attention the Red Stockings had brought to Cincinnati and wanted their piece. Suddenly there was a move by many baseball teams to attract as much talent as possible in hopes of replicating the success of the Red Stockings. Hence, baseball became America's first professional athletic league.

“Civic pride influenced the attempt to corral the finest athletes, and civic pride later led to more ornate ballpark construction.”<sup>17</sup> The increased interest in professional sports and the technological advancement of the Industrial Revolution propelled the development of more advanced construction practices than the wood frame designed venues of the past. “As Americans displayed a great willingness to pay admission, owners contemplated the benefits of larger, more permanent facilities while weighing the apparent liabilities of wood construction.”<sup>18</sup> This trend led to the construction of stadiums using steel and concrete.

The industrial development also provided the cities with broader public transportation systems such as the trolley, which became popular at the turn of the twentieth century. These urban trolley systems allowed for easier public access to sporting events. The

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<sup>17</sup> Trumbour, Robert (2007) *The New Cathedrals: Politics and Media in the History of Stadium Construction* Syracuse: Syracuse University Press.

<sup>18</sup> Ibid

development of transportation systems such as the trolley, the train and later the bus allowed citizens from the relative outskirts of town to easily access the sporting events that often took place in the center of the city. Public transportation was just as important to early twentieth century American stadiums as it is today.

The newly erected stadiums at the turn of the twentieth century created a draw based on the newly formed American interest in professional sports. However, there is no strong evidence that the development of these stadiums had a drastic affect on the development pattern of their surrounding neighborhoods during the first decades of the twentieth century. In order to illustrate the relationship between stadiums and their surroundings at the turn of the twentieth century, we must explore the trends that accompanied America's two most popular sports: football and baseball.

#### **2.4 FOOTBALL STADIUM TRENDS IN THE U.S.**

Amateur sport, more specifically college football, was the focal point of the American spectator experience at the dawn of the twentieth century. College football teams were arguably the most well known sports teams in America at this time. There was no television broadcast of these events so, unless they were at the event, fans or enthusiasts could only follow the game through the newspapers or on the radio. Thus, universities and their stadiums had the ability to draw a large group of people from the surroundings area to watch a game in person.

As a result, schools such as the University of Pennsylvania and Harvard University were the forerunners of modern stadium construction. Franklin Field at the University of Pennsylvania was constructed in 1895. Its original construction included the use of wood for the bleachers and other less prominent features. Franklin Field shares many design features common to the stadia and arenas of ancient Greece and Rome, including its U-shape and vast facade of structural arches. It was a distinct facility for one of the most followed sports teams of the day, the Quaker football squad. Franklin Field remains the oldest football stadium in current use. However, despite its trailblazing nature, it was not upgraded to its current woodless form until the 1920s.



*Figure 2 – Franklin Field - 1940*

In fact, the first sports facility to be built wholly of steel and concrete was Harvard University's football stadium. It was erected in 1903 and remains in use to this day. Both of the aforementioned stadiums were designed in manner consistent with the ancient



Greek and Roman forms. These stadiums were home to some of the largest football crowds at the turn of the twentieth century. Given the absence of professional football until 1920, these amateur events had the ability to draw large crowds of people from all walks of life. They did not, however, influence the pattern of urban development to a great degree in their surrounding neighborhoods. The college football stadiums of the early 1900s instead served as a point of pride for students, faculty and alumni. The newly created steel stadiums acted more as public relations vehicles for the universities than as a key element to the design fabric of the schools.

The American Professional Football Association (APFA) was founded in 1920 and was the precursor for what we now know as the National Football League. In 1921 the APFA was changed to the American Professional Football League (APFL). Smaller towns, such as Canton, Ohio, hosted many of these professional football franchises. By 1934 almost all of the smaller-market teams had moved to the larger cities of the east coast and Midwest. Many of the professional football teams shared facilities with the existing baseball franchises of the day. Examples of such multi-use venues are New York's Polo Grounds, Boston's Fenway Park and Chicago's Wrigley Field. Still, up until the end of World War II, college football remained far more popular around the country than its professional offspring. Then in the 1950s with the beginning of national television broadcasting, professional football emerged as a major American sport. Professional football's league names evolved until reaching the current moniker of NFL.<sup>19</sup>

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<sup>19</sup> Trumbour, Robert (2007) *The New Cathedrals: Politics and Media in the History of Stadium Construction* Syracuse: Syracuse University Press.

The 1960s and early 1970s saw a trend towards single use stadiums for baseball and football. It was also in these years that there was a growing trend toward public subsidization of stadium development. Much of this trend was based on the civic pride, or perception there of, that cities attributed to hosting major professional athletic franchises. The widening television market for professional sporting events fueled this marketing appeal. Thus cities began to pursue the development of state of the art facilities to house the teams, such as the construction of the Arrowhead Stadium in Kansas City (1972) and Giants Stadium in New Jersey (1976). However, in many cases these stadiums were constructed outside of the city center. The stadiums were not intended to interact with any surrounding developments and were not planned as a part of any broad vision of urban renewal. These stadiums, instead, were stand alone shrines to the teams they housed and the cities they called home.<sup>20</sup>

The 1960s and 1970s were also characterized by urban flight and the disintegration of the fabric of the downtown districts in many of America's cities. Cities became less than desirable locations for stadium development. This circumstance combined with the sheer size of most football stadiums caused much of the stadium development in the decade to take place outside of the city centers. Football stadiums became visualized as massive structures surrounded by vast surface parking lots. They were in many cases entities unto themselves. Many stadiums - such as Washington, D.C.'s RFK Stadium (formerly D.C. Stadium) - although technically within city boundaries, were well outside of Downtown and in many ways isolated.

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<sup>20</sup> Trumbour, Robert (2007) *The New Cathedrals: Politics and Media in the History of Stadium Construction* Syracuse: Syracuse University Press.

Despite the fact that during the 1970s professional football surpassed professional baseball as the country's most popular spectator sport, the state of the economy made it difficult for new stadiums to be constructed in the second half of the decade.<sup>21</sup> The economic situation made public subsidies largely unavailable and the teams themselves were unable to fund development due to broader issues within the capital markets. Accordingly, the early 1980s were characterized by the renovation of existing stadiums rather than the construction of new facilities.

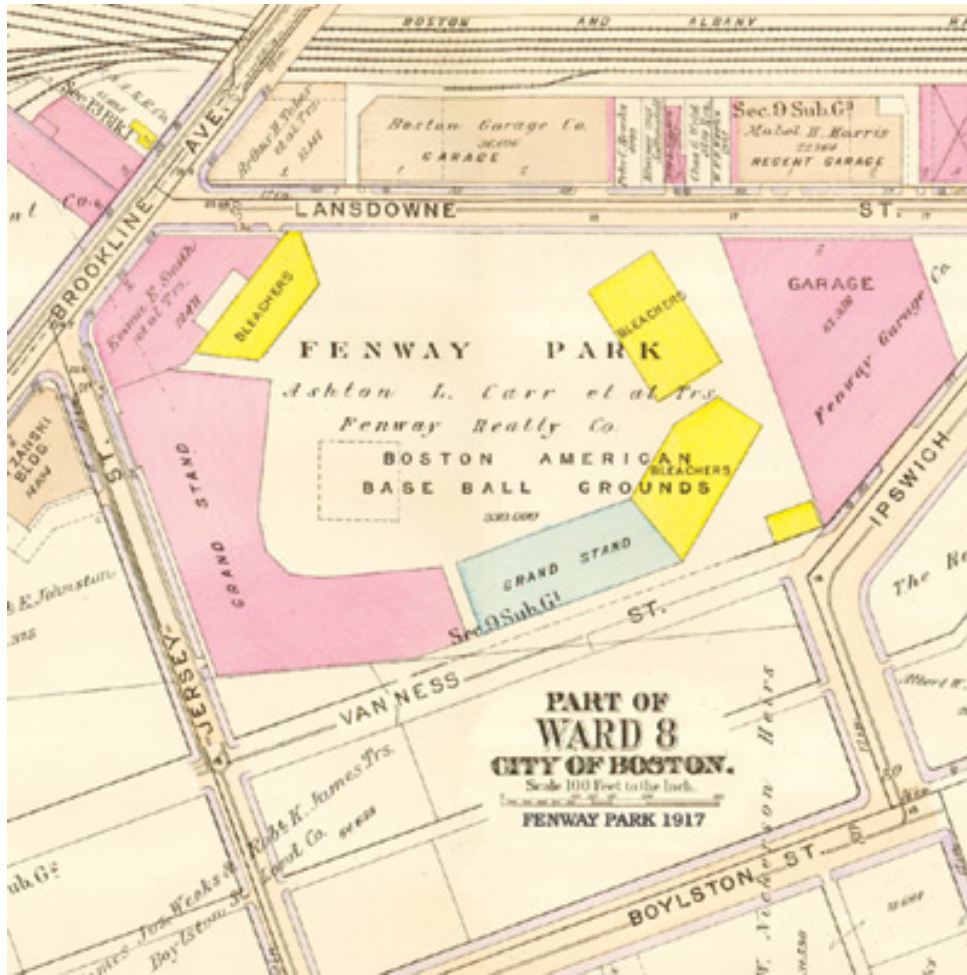
## **2.5 BASEBALL STADIUM TRENDS IN THE U.S.**

Professional baseball franchises began to move into more modern concrete and steel structures in the early twentieth century. In 1909 two steel and concrete baseball stadiums were completed in Pennsylvania. This development trend continued throughout professional baseball with the development or redevelopment of stadiums such as Chicago's Comiskey Park (1910), New York's Polo Grounds (renovated 1911) and Boston's Fenway Park (1912).<sup>22</sup> In the first decades of the twentieth century, professional baseball stadiums became more common in cities around the country. The stadiums acted as a hub of public entertainment and were quickly engrained in the American psyche.

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<sup>21</sup> Trumbour, Robert (2007) *The New Cathedrals: Politics and Media in the History of Stadium Construction* Syracuse: Syracuse University Press.

<sup>22</sup> Trumbour, Robert (2007) *The New Cathedrals: Politics and Media in the History of Stadium Construction* Syracuse: Syracuse University Press. pp 25 -27.



*Figure 3 – Map of Fenway Park - 1917*

At the same time, the stadiums did not greatly influence the development patterns of the cities that housed them. They were often located in less than central urban locales and often times were surrounded by industrial uses or railroad tracks. In short, the stadiums were developed strictly for utilitarian purposes; there was no direct intent to stimulate any part of the city through stadium development. The stadiums did, however, influence public transportation patterns. Public transportation systems were a key mode of travel for many of the events' attendees. The basic stadium framework in baseball would not see any major changes for the following couple of decades.

The next major trend in baseball stadium development in America took place in the late 1960s and early 1970s. In the early 1960s municipalities began to contribute to, or provide subsidies for, the development of sporting venues. Prior to this change, the majority of professional sports facilities were privately owned and funded.<sup>23</sup> This evolution of financing occurred largely because of the national prominence that a city was afforded if it had its own professional franchise. At the forefront of this changing environment was the growing television media market related to broadcasting sporting events. By the late 1960s, the team owners and the cities that these teams called home began to fully realize the role that a stadium or arena could play in the marketing of the franchise and the city. These owners and city officials soon sought to build stadiums that not only housed the sporting events, but were also attractions in and of themselves. As televised sporting events proliferated, the popularity of the professional sports franchises grew as well. Team owners quickly moved to capture the potential revenue associated with broad media appeal. “Several of the cozy old Progressive Era ballparks were replaced in the 1960s and early 1970s by much larger facilities with the hope that these structures would portray a thoroughly modern image. The stadium had become a symbol of community pride, and taxpayer funding was expected.”<sup>24</sup>

These developments in the business of professional sports also led to new trends in stadium construction. Three major innovations were at the center of this change: circular shaped stadiums, artificial turf and dome construction. The circular design was intended

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<sup>23</sup> Noll, Roger G, and Zimbalist, Andrew, Editors (1997) *Sport, Jobs and Taxes*. Washington: Brookings Press. p 2.

<sup>24</sup> Trumbour, Robert (2007) *The New Cathedrals: Politics and Media in the History of Stadium Construction* Syracuse: Syracuse University Press. p 24.

to facilitate television coverage although it often did not create optimal views for the live spectators. Dome construction allowed for indoor play and created a futuristic design element. It is also worth noting that this period was also marked by suburban sprawl and thus many stadiums were planned outside of the downtown districts. These suburban stadiums were built for size and were intended as city trophies rather than vehicles for urban growth. Attendees had to rely less on public transportation and more on automobile transportation to games. As a result many of the stadiums and arenas developed in the 1960s and 1970s are vast structures rising from a sea of parking lots. The stadiums themselves had become civic mascots that were largely disconnected from their surroundings.<sup>25</sup>

No stadium better personified the stadium movement of the late 1960s and early 1970s than the Houston Astrodome, which opened to the public in 1965. The Astrodome was intended to become a Houston landmark and was immediately recognized for its futuristic design, artificial or “astro” turf field, and modern electronic scoreboard. The dome was the darling of the media and often received better coverage than the teams that it housed. The stadium, perhaps alone, caused Houston to be seen as the city of the future by many in the media.<sup>26</sup>

The rise of these “modern” stadiums was quickly dampened by a worsening national economy. The mid 1970s and 1980s saw a marked decrease in the growth of both professional sports and the stadiums and arenas they occupied. The country was hit by an

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<sup>25</sup> Trumbour, Robert (2007) *The New Cathedrals: Politics and Media in the History of Stadium Construction* Syracuse: Syracuse University Press.

<sup>26</sup> Ibid. pp 22 – 23.

economic recession that brought with it interest rate levels which made any kind of development nearly impossible to finance. Almost no new stadium development occurred over these decades. In place of new development, facilities in need of changes had to undergo repairs and renovations. These years were characterized by increased urban flight and subsequent erosion of the fabric of many city centers. Professional sport facilities would not see any new major construction until the 1990s.

## **2.6 1990S AND THE REBIRTH OF URBAN STADIUMS**

The 1990s represented a time of stadium rebirth in the United States. After the conclusion of the 1991 recession many professional sports franchises sought to reestablish team identities and increase team revenues. “The demand for new stadiums has also come from various trends within the professional sports industry: for one thing, the lack of lucrative luxury suites, preferential club seating, and high-revenue concourse activities has rendered many stadiums obsolete...Other factors include the surging popularity of professional basketball and hockey...and the evolution of professional sports into a true entertainment industry.”<sup>27</sup> As a result many franchises have constructed new stadiums over the past two decades. In many cities this construction occurred within the boundaries of the city’s downtown districts.

At the same time, team owners chose to leverage their impact on host cities by requesting public funding for this stadium development. In many cases these requests were accepted, at least to a degree. According to Robert Trumbour, “these subsidies can take many

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<sup>27</sup> Beyard, Michael D. et al. (2001) *Developing Retail Entertainment Destinations*. Second Edition. (First Edition Title: *Developing Urban Retail Centers*) Washington, D.C.: ULI – the Urban Land Institute. p 47.

forms but are primarily the result of federal policy that allows tax-free funding of municipal projects.”<sup>28</sup> The team owners argue that if developed in the proper downtown locale, the presence of a stadium can provide revitalization for its surrounding market. Accordingly, owners argue that city governments have good cause to disburse this type of financing due to the potential economic benefits created by a new stadium. While many have been skeptical of the universal benefits derived from these venues, many teams and cities proceeded with stadium development during the 1990s. These owners, city officials and developers set out to design stadiums that meshed with or complimented the urban fabric of the host city.

A key trailblazer of this urban development trend was Baltimore, MD. The Baltimore Orioles abandoned their home at Memorial Stadium to locate further downtown in Baltimore’s Inner Harbor district. The planned stadium was to be a throwback of sorts to the stadiums of old. It was also intended to be a catalyst for the renewal of an underused area along Baltimore’s waterfront. Upon opening in 1992, the stadium succeeded as a sports entertainment anchor for Baltimore’s waterfront retail complex, drawing millions of tourists to Baltimore’s harbor on an annual basis. It was viewed by many as a successful example of stadium development leading to urban revitalization. In the years that followed, Baltimore acquired an NFL franchise and developed its stadium blocks away from Camden Yards. Baltimore’s urban stadium development practices were mirrored in many cities throughout the United States during the 1990s with mixed results.

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<sup>28</sup> Trumbour, Robert (2007) *The New Cathedrals: Politics and Media in the History of Stadium Construction* Syracuse: Syracuse University Press.



### **3.0 CONTEMPORARY STADIUM ISSUES**

The 1990s represented the beginning of the latest era of stadium development. This contemporary era has also been highlighted by a city trend toward the revitalization of blighted downtown districts. The presence of these two trends has created an environment where “facilities that are well integrated into an urban framework have substantial potential for both influencing development patterns and coupling attendance at a game or event with other activities.”<sup>29</sup> Due to this confluence, among other factors, there has been a desire by both team owners and cities to implement stadium construction strategies that seek to cause revitalization in downtown districts that are not achieving their highest and best use. Successful realization of this potential requires the participation and integration of three significant groups: team owners, local developers and local governments.

### **3.1 TEAM OWNER PERSPECTIVE**

The contemporary environment of the professional sports industry affords team owners the upper hand in stadium negotiations. This power stems from a professional sports franchise’s ability to threaten to relocate to another city if they are not given the incentives or subsidies they desire. Of course, there is no such thing as a blank check and communities have historically pushed back on the notion of major subsidies for stadium development. The friction of these negotiations has grown in recent years. Despite the almost engrained, ongoing profitability of today’s professional sports franchises, when

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<sup>29</sup> Noll, Roger G, and Zimbalist, Andrew, Editors (1997) *Sport, Jobs and Taxes*. Washington: Brookings Press. p 183.

choosing a location for their future home, team owners have multiple legitimate concerns in addition to financing.

## **LOCATION**

As is the case with all things real estate, the leading factor that drives the decision to develop is location. Despite the fact that sports franchises can leverage their ability to “go elsewhere”, the proposed location of a facility remains a central concern. Location defines the value and therefore cost of the land a stadium or arena is to be developed on.

Location is also important to ensure a vibrant environment outside of the stadium. This may not be the top concern for team ownership, but owners recognize the influence the exterior stadium environment has on patrons. The ability of the facility to stimulate a sense of place is a key attribute for a sporting venue.

Team owners desire a site that will be easily accessible for its fans and patrons. This desire often emphasizes proximity to major roads with minimal potential ingress and egress issues. When locating downtown there is an emphasis on easy accessibility to public transportation. Key methods of public transportation to sporting events are metro (subway) and bus. These travel options have become increasingly important as Americans seek to avoid traffic congestion, minimize their environmental impact, and reduce fuel costs.

## **POTENTIAL NEIGHBORHOOD VITALITY**

Another team concern related to location is the ability to create and maintain safe surroundings. In many cases safety can be dependent on the potential for “activation” in the neighborhoods surrounding the proposed sporting venue. Often teams will seek out neighborhoods that are less developed but have the potential to be activated by the introduction of a stadium. These site decisions tend to be made in conjunction with a broader city plan to reactivate a dilapidated area.

## **FINANCING**

Stadium financing relates to who pays for the construction and operation of the arena or stadium. The ability to receive financing incentives is a central factor driving team owner due diligence. Most franchises seek to leverage the local appeal of a professional sports team to receive some level of subsidization from the local government. Team ownership almost always attempts to receive substantial public subsidies for construction. Financing can be a huge determinant in where a franchise ultimately locates. In places, such as Washington, D.C. and New York, NY, where there are multiple states and cities in close proximity, battles can erupt between all of the nearby states and municipalities to lure teams to come to their market. The types of financing packages offered to teams are discussed in greater detail later in this chapter.

### **3.2 DEVELOPER PERSPECTIVE**

Commercial real estate developers take many factors into account when considering whether to develop in the areas surrounding a proposed stadium or arena. Typically the

presence of a stadium alone is not a great enough motivator to spark commercial real estate investment. The presence of a stadium may create a more fertile environment for development, however developers must take into account the myriad of economic and market risks that comes with the consideration of any major development.

In order to commit to substantial investment, developers must examine all of the characteristics of a neighborhood or submarket and its relationship to the city as a whole.

## **LOCATION**

Location, location, location. The location of the stadium development must present commercial developers with a marketable environment. Commercial investment is unlikely to follow the development of a stadium or arena if the venue is isolated and has little ability to connect to nearby mature markets. The potential for connectivity is an important ingredient for a development to cause broad urban renewal.<sup>30</sup>

When considering investment in an immature market, developers must evaluate the ability to “create place.” These developers must believe not only in their own ability to deliver but also the ability of the entire market to transform through like investments. “In large part, the distinctiveness of a destination development derives from the creation of environments that yield a sense of place for patrons and a strong sense of place for tenants.”<sup>31</sup>

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<sup>30</sup> Carr, Robert O. Carr Partners. Personal Interview. June 10, 2008

<sup>31</sup> Beyard, Michael D. et al. (2001) *Developing Retail Entertainment Destinations*. Second Edition. (First Edition Title: *Developing Urban Retail Centers*) Washington, D.C.: ULI – the Urban Land Institute. p 79.

Developers are also interested in proximity to the following features: public transportation, such as metro and bus stops; natural attractions such as a body of water or park; complimentary attractions such as a monument or museum; theater districts; and more maturely developed submarkets. In order to activate an urban locale there must be sufficient access to nearby attractions such as those listed above.<sup>32</sup>

Ultimately, developers need to be comfortable that tenants will be willing to locate in the market or, more specifically, the development in question. If considering for sale residential product, the concern is no different. Developers also must be convinced that the rents they can achieve in that location will produce satisfactory returns on cost.

Finally, developers must evaluate the location in terms of standard due diligence related to topography, environmental contamination and neighboring properties, among other factors.

## **FINANCING**

Aside from being afforded density bonuses by the local government, developers also seek financial incentives. These financial incentives are typically provided by the local government as a part of a larger revitalization plan. The use of tax incremental financing (TIF) has become popular in cities in recent years. “Tax increment financing is a retail incentive program that cities use to provide funding incentives for real estate

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<sup>32</sup> Carr, Robert O. Carr Partners. Personal Interview. June 10, 2008

development projects without taking money from the city's general funds. To raise cash, the city issues TIF notes that provide incentives for developers and landlords. The new projects' sales tax is then used to pay back the TIF notes. Once all the notes have been repaid, participating retailers' sales taxes go into (the city's) general fund to help pay for schools, streets, and other services."<sup>33</sup> Tax credits are an additional source of alternative financing commercial developers can obtain in order to limit costs.

Of course developers must be able to obtain competitive private financing in order to execute a development project. The availability of such financing is contingent upon the level of interest rates, the perceived project risk and other standard due diligence requirements.

## **STADIUM USE**

The nature of the team or teams housed by a stadium is a significant determinant for development firms looking to invest in the surrounding community. Teams with longer seasons are more attractive than those that are only active for a short time.

The typical NFL team only has 8 home games during its season, which lasts from September to January. This low number of home events over a relatively short time frame makes an NFL stadium less apt to produce the consistent traffic need to spur broad neighborhood revitalization.

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<sup>33</sup> Downtown DC BID\_1. Pamphlet. *Downtown DC BID's Retail Incentive Program*.

Major League Baseball teams have roughly 80 home games per season. These contests take place between April and October. Due to the high number of games, baseball can generate substantial traffic to the area of the stadium over the course of a season. The key limitation to ballparks is their often-awkward footprint and their lesser ability to house alternative functions. Furthermore, indoor arenas often house professional basketball, college basketball and ice hockey, while football and baseball teams tend to play in single use athletic facilities.

The typical NBA team has roughly 40 home games between October and April, making it a strong engine for pedestrian traffic in the neighborhood surrounding the arena. NBA arenas are also the most compact of the three major professional sports in America, requiring less land than football and baseball stadiums. Basketball teams also commonly share their arena with a professional hockey franchise, further expanding potential attendance over the course of a year. These arenas are also used for college basketball, concerts and other major events. Thus, multi-use arenas are an ideal format for urban revitalization efforts.

Developers recognize that the longer the season and the more teams housed, the more consistent the traffic around the venue. The ability to host non athletic events is also viewed as a bonus and traffic driver. The ability of a sports facility to draw traffic from other markets on a consistent basis allows a multiplier effect to take place in the area surrounding the arena during events. Spectators are likely to visit the various retail stores

and restaurants nearby before and after a given event. This is a very alluring prospect for developers.

## **ZONING**

Commercial real estate developers desire zoning regulations that justify the price they must pay for land. While zoning officials may ignore this want in the course of a typical development project, these guidelines take on increased importance when associated with plans for the renewal of an entire submarket. In many cases developers will seek density bonuses for residential product (particularly if there is an affordable housing requirement) in order to compensate for the relatively low-income stream per square foot compared to a use such as office. City planning offices sometimes create zoning overlays, which afford these bonuses, in an attempt to induce residential construction in urban areas. This type of symbiotic planning is attractive to developers. It is also key to create a dynamic balance of uses.

Developers, and city officials alike, often seek to mix uses in a central urban setting. City zoning can stimulate the development of a 24-hour setting by requiring diversity among the allowed uses. If implemented properly, a diversity requirement limits the probability of the oversupply of a single product type. This, in turn, allows landlords to maximize their rents and maintain a viable balance of energy. An emphasis on diverse zoning regulations surrounding a proposed sports facility enables landlords to offer office,



residential and retail product, creating a dynamic environment for the submarket and an attractive setting for tenants of all types.<sup>34</sup>

### **SAFETY AND SANITATION**

Neighborhood safety (or the potential for safety) is a significant concern for developers when considering investment in the area. These commercial developers seek to ensure that their future tenants will not be subjected to substantial levels of crime. Desirable, high-level office tenants, such as legal or financial firms, do not want to settle down in downtrodden markets with high levels of crime. Likewise, developers desire an environment that will be sanitary and, at a minimum, comfortably “walkable” for the average worker. Robert Carr, who has developed millions of square feet in Downtown Washington, DC, cited tenant safety as one of his foremost concerns when evaluating the viability of a neighborhood for development.<sup>35</sup>

If a planned stadium location has trouble with crime and cleanliness, commercial real estate firms frequently look to the local government to enact policies that will limit or eradicate this problem in the future. Often times a city will establish a building improvement district or BID in order to oversee street maintenance, security, parking, safety and sanitation of a downtown district.

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<sup>34</sup> Wilbur, Tom. Akridge. Personal Interview. July 17, 2008.

<sup>35</sup> Carr, Robert O. Carr Partners. Personal Interview. June 10, 2008

## **PROFITS**

Of course the life's blood of any business venture in our capitalist system is the ability to achieve profits. Thus, commercial development firms focus on the ability of their investment to produce returns commensurate with the risks. Key components to achieving satisfactory returns are the ability to acquire land for a reasonable price; the ability to develop the property within budget and on time; the ability to lease the property in a timely manner; the ability to achieve pro forma rental rates, the likelihood of market appreciation of the real estate product over time; and the ability to liquidate the investment.

### **3.3 LOCAL GOVERNMENT PERSPECTIVE**

Over the past decade sports venues have emerged as destination developments and have become part of municipal planners' efforts to revitalize downtown districts.<sup>36</sup> "Cities around the nation have recognized the catalytic effect of these projects. In 2000, over 20 cities - from San Jose, California, to Charlotte, North Carolina - were pursuing destination developments as the linchpin for district-wide redevelopment efforts."<sup>37</sup>

Ultimately, the local government and its derivative organizations have the loudest voice in a stadium debate. Successful implementation of a strategy to use stadium development as a cornerstone for greater urban renewal is highly dependent on the participation of city

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<sup>36</sup> Beyard, Michael D. et al. (2001) *Developing Retail Entertainment Destinations*. Second Edition. (First Edition Title: *Developing Urban Retail Centers*) Washington, D.C.: ULI – the Urban Land Institute. p 46.

<sup>37</sup> Ibid. p 95.

officials. Indeed, local governments have the widest range of concerns related to the development of a stadium.

“Realizing that the vitality of the downtown is essential to the economic health of an entire region, governments at all levels have undertaken a spectrum of legislative and economic actions aimed at encouraging redevelopment, revitalization, adaptive use, and infill development. The goals of these revitalization efforts have typically included raising property values and taxes, increasing sales tax revenues, stemming crime, creating employment in the construction industry, creating jobs, improving civic image, and attracting tourists.”<sup>38</sup> Stadium development can be catalyst to these and other benefits, however the local government must also act to ensure that these benefits do not come at the cost of other important public outlays. “Today, justification for the public’s investment in the building of sports facilities incorporate a discussion of both the redevelopment efforts that can be led or jump-started by ballparks and arenas and the micro-level impacts of sports facilities and events on downtown areas.”<sup>39</sup> In order to successfully implement urban activation through stadium development, the local government must create some level of urban renewal or economic stimulus, and maintain an acceptable standard of care for its citizens and the aggregate public infrastructure.

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<sup>38</sup> Beyard, Michael D. et al. (2001) *Developing Retail Entertainment Destinations*. Second Edition. (First Edition Title: *Developing Urban Retail Centers*) Washington, D.C.: ULI – the Urban Land Institute. p 26.

<sup>39</sup> Noll, Roger G, and Zimbalist, Andrew, Editors (1997) *Sport, Jobs and Taxes*. Washington: Brookings Press. p 179.

## LOCAL AND NATIONAL IDENTITY

The presence of one or more professional franchises in a city brings with it a distinct local and national prominence. Television coverage provides a global marketing platform for the city as well as the team. Professional athletic contests draw spectators from not only the region but in many cases from around the country and the world. For example it is unlikely many Americans would be familiar with Green Bay, Wisconsin were it not for the NFL's Green Bay Packers. Thus, the Packers create a focal point on the global stage for their host city. What's more the passion attributed to Packers' fans represents the dynamic local pride for the organization.

A professional sports franchise provides a city's citizens a common cause to root for. The team can be a point of personal identification and pride. Furthermore, the presence of a local sports franchise is often a defining factor for how citizens view themselves and relate to others from rival cities. A shining example is the rivalry of the New York Yankees and the Boston Red Sox. While this rivalry began on the field, it has spilled into the fabric and soul of both cities. Cities are very cognizant of the transcendent nature of professional sports franchises and the pride they instill in the hearts of the citizens. While it is hard to put an economic value on this relationship, it is undeniably desirable for every city. "These noneconomic arguments sometimes are most effective in convincing the citizens of a city that the presence of a sports franchise is important. In the pursuit of a franchise, it is often confusing to distinguish between the actual dollars-and-cents value of a franchise and other, less tangible societal values."<sup>40</sup>

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<sup>40</sup> Shropshire, Kenneth (1995) *The Sports Franchise Game*. Philadelphia: University of Pennsylvania Press. p 4.

## LOCATION

Most American cities have constrained amounts of urban land that can be dedicated to stadium or arena construction. In many cases the land may be more valuable if it is subdivided and used for office development or some other standard commercial use. Thus, most cities seek to make the stadium development a piece of a larger plan to revitalize a specific area of the city that may not be able to reactivate without some watershed stimulus or anchor. “When new sports venues are built, complimentary businesses, including restaurants and retail, are often drawn to the area to take advantage of the larger game day crowds. In otherwise blighted areas, such an influx of additional amenities and businesses can spur construction and renovation, job creation, and increased tax revenues.”<sup>41</sup>

There has been a recent trend towards utilizing stadium development as a catalyst for broader urban renewal in an urban submarket. Oftentimes cities will seek out rundown, downtrodden, long-stagnant areas for the stadium sites. Beyond their potential for reactivation, these areas largely represent the only location in a city with enough vacant or underused land to support the level of development required. The other enticing characteristic of these tracts of land is that they are relatively cheap when compared to the established, dense urban markets. The advantages of this strategy are that there are often fewer permanent residents and fewer employers in these dilapidated areas.

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<sup>41</sup> Beyard, Michael D. et al. (2001) *Developing Retail Entertainment Destinations*. Second Edition. (First Edition Title: *Developing Urban Retail Centers*) Washington, D.C.: ULI – the Urban Land Institute. p 46.

Stadium development in these broken neighborhoods can help to reduce crime; re-energize the local economy; create a more safe, livable environment; and provide connections between parts of the city that previously stood on their own. Locations that were once avoided can become a destination for entertainment, dining and other retail uses. The infusion of residential and office product can complete the transformation of these areas into a 24-hour environment.<sup>42</sup>

## FINANCING

“In the vast majority of destination developments, the public spaces, amenities, and infrastructure require an active public sector with both a commitment to the project and the required resources. In turn...the participation of the public sector implies that the destination developments must often fulfill a public purpose.”<sup>43</sup> Accordingly, the local government has two major financial concerns when considering urban stadium or arena development as catalyst to urban renewal/ revitalization. The first is whether or not public funding will be allotted for the construction of the stadium. Many argue that city contributions to stadium financing act to reduce the amount of funds available for other government programs such as educational funding. Thus, the local government and its citizens must be convinced of the net benefit that a stadium can bring to the area in order to proceed with stadium development. Proponents of stadium or arena development believe a net city benefit can be achieved through increases in construction jobs,

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<sup>42</sup> Beyard, Michael D. et al. (2001) *Developing Retail Entertainment Destinations*. Second Edition. (First Edition Title: *Developing Urban Retail Centers*) Washington, D.C.: ULI – the Urban Land Institute.

<sup>43</sup> Ibid. p 75.

permanent jobs, tax revenues, and other benefits that are harder to quantify, resulting from such development.<sup>44</sup>

The second financial consideration is how to promote development in the areas surrounding the stadium. This promotion facilitates the opportunity for urban renewal. Local governments can offer TIF packages in order to stimulate retail and other commercial development. As stated earlier, the development of a dynamic mix of uses in the area neighboring the sporting facility is key to the ultimate realization of a revitalized urban setting. If the city can properly encourage commercial developers to construct office, residential and retail in the emerging market, it can ensure the creation of office jobs, retail jobs and a dynamic tax generator.

### **CITY REVENUE**

The development of a stadium and the consequent presence of sporting events can help to catalyze local development and renewal. With this revitalization can come increases in a myriad of tax revenues for the city.

Commercial real estate development alone increases property tax revenue on many fronts. The value of existing properties increases due to the increase in safety, sanitation, aesthetics, neighborhood perception and, transitively, the rents that properties can achieve from these improvements. At the same time, new commercial development increases the

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<sup>44</sup> Noll, Roger G, and Zimbalist, Andrew, Editors (1997) *Sport, Jobs and Taxes*. Washington: Brookings Press.

number of properties in the area, thus drastically increasing the number of taxable properties.

The combination of a professional sports facility and subsequent commercial real estate investment allows for uses that would not have otherwise located in the area. As the vitality of the sports entertainment anchored market increases, hotels, apartments and condominiums are often introduced. The hotels generate hotel tax. Meanwhile, the residential products create property tax and income tax revenues for the city. Furthermore, the presence of these uses also helps to stimulate retail, restaurant and entertainment consumption; providing an even greater tax basis.<sup>45</sup>

A unique characteristic of revitalization in a sports or entertainment anchored area is the multiplier effect that these uses have on the surrounding businesses. The setting of such a dynamic sports entertainment district attracts traffic to the area from more distant tertiary markets. Patrons of the sports facility are more likely to visit the local restaurants, hotels and shops; thus causing an added boost to the revenues of these shops. The ability to capture this commuter traffic attracts retail and restaurant businesses to the market, increasing tax revenue and further revitalizing the urban fabric. A dynamic mix of uses can have a catalytic effect on the overall vitality of the area by reducing the “down times” in the submarket. The presence of office, retail, residential, hotel, restaurant,

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<sup>45</sup> Widdicombe, Gerry\_1. Downtown DC BID. Personal Interview. July 16, 2008.



entertainment and sports entertainment product creates a 24/7, 365 day-a-year activity center for the city. This consistent activity maximizes the potential tax revenue.<sup>46</sup>

## **DISPLACEMENT**

City activists often cite displacement of lower income residents as a key problem related to urban development and subsequent gentrification. In the case of stadium development aimed at the repositioning of an entire submarket, this issue often emerges as a key concern for local residents. It goes without saying, that an effect of urban renewal on this scale is a broad increase in rents and prices across all product types. Local activists view the resulting displacement of those who can no longer to afford to live in the area as a negative effect, which it certainly is for those effected. However, if urban renewal is the goal of the city, it must accept that some people will be “priced out” of the market. This is not an effect limited to urban development. Take for example the effect of sprawl into once-rural suburbs. As greater portions of the population spreads out from the city and raises the demand for land in the suburbs, some existing residents in those suburbs may be forced to move elsewhere due to changes in rent and pricing. This effect is, in most cases, a harsh reality of development that cannot be easily avoided.

## **ENVIRONMENTAL CONCERNS**

The past couple of years have brought an increased focus on environmental awareness in both the private and public sectors. As a result, local governments have begun to put a premium on transit oriented stadium (or arena) development (TOSD). Accordingly,

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<sup>46</sup> Beyard, Michael D. et al. (2001) *Developing Retail Entertainment Destinations*. Second Edition. (First Edition Title: *Developing Urban Retail Centers*) Washington, D.C.: ULI – the Urban Land Institute. p 95.

proximity to an existing metro stop is highly encouraged if not required for the approval of venue development. Through this requirement, cities aim to alleviate automobile congestion and the pollution it causes. Bus systems, whether existing or implemented in conjunction with the broader revitalization plans, compliment the metro and add another method of transportation for the public. A corollary benefit of the emphasis on public transportation is that as ridership increases so too do the city's public transportation revenues.<sup>47</sup>

The emphasis on TOSD also limits the number of parking structures in and around the sporting facility. In many, cases the local government will put a limit on the amount of dedicated structured parking allowed at the venue. A parallel benefit from urban stadium development is that the surrounding office garages, which are in use during the workday, can be used for excess automobile traffic to sporting events, thus generating higher revenues. This symbiotic relationship benefits the office landlords who own and operate these garages in proximity to the venue.<sup>48</sup>

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<sup>47</sup> Widdicombe, Gerry\_1. Downtown DC BID. Personal Interview. July 16, 2008.

<sup>48</sup> Ibid

#### **4.0 VERIZON CENTER CASE STUDY**

According to a 2007 press release penned by the Verizon Center Public Relations office of Washington Sports and Entertainment, LP,

Ten years later Verizon Center continues as a shining example for other cities looking to redevelop and revitalize downtown neighborhoods. Recently, with the opening of the new Prudential Center arena in Newark, New Jersey, SportsIllustrated.com referenced Verizon Center as a building to emulate, and the *Star Ledger* declared that, because of Verizon Center, “the neighborhood along 7<sup>th</sup> Street NW has evolved from one of the most depressed areas in the nation’s capital into a planner’s dream neighborhood of hotels, restaurants, stores and people on the streets at all hours.”

There is no doubt that the development of the Verizon Center (formerly the MCI Center) – opening in 1997 and home to Washington, DC’s Wizards NBA franchise and Capitals NHL franchise – was a key element in the revitalization of the city’s Downtown. The Verizon Center was primarily a catalyst in the sense that it changed the city’s vision of the type of “place” that could be created in the Washington, DC submarket known as the East End. With the arena’s development, commercial real estate developers also began to recognize the potential for this underused area to become much more than another office corridor, operating actively only a “9 to 5” basis.

In retrospect, the Verizon Center was the cornerstone for a larger development that built upon it. Specifically, it created an immense sports entertainment anchor that encouraged dynamic mixed-use development between its 7<sup>th</sup> Street location and 14<sup>th</sup> Street to the west. Considering the dilapidated state of this area less than twenty years ago, and

witnessing the vibrant urban community that exists today, for longtime DC residents and developers the impact is clear. However, most DC developers and planners involved in the area will concede that it was not solely the development of the Verizon Center that led to the broad urban renewal that occurred in Downtown Washington, DC. According to Ellen McCarthy, head of the Zoning & Land Use Practice at Nixon Peabody LLP and former Director of the DC Office of Planning, “the development of the Verizon Center accelerated development” in the area in conjunction with some key city programs.<sup>49</sup> Indeed, the Verizon Center preceded a number of city revitalization initiatives that fanned the flames of Downtown development. The Verizon Center was the spark that started a fire of urban revitalization in Washington, DC’s East End. A fire that was ultimately set ablaze by a confluence of city initiatives and commercial real estate investment.

The Verizon Center is located on 7<sup>th</sup> Street between F Street and H Street in the northwest quadrant of Washington, DC. It is in the East End submarket. The area is also known as the downtown district. The arena is the size of a city block and is constructed of steel and concrete. Its façade is a combination of glass and concrete with a modern design that goes beyond the traditional “big box” arena design. A large video screen is also part of its 7<sup>th</sup> Street exterior façade. The sports arena can seat 20,000 spectators and is accompanied by an additional 70,000 of retail and entertainment space.<sup>50</sup> Today the arena averages approximately 2.5 million visitors a year and acts as a sports entertainment anchor for its entire submarket.<sup>51</sup>

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<sup>49</sup> McCarthy, Ellen. Nixon Peabody. Personal Interview. July 15, 2008.

<sup>50</sup> Verizon Center Website. <<http://www.verizoncenter.com/>>

<sup>51</sup> Widdicombe, Gerry\_2. Smart Growth Tour. *DC Government Economic Development Investments in Downtown DC*. Downtown DC BID. July, 2008.



*Figure 4 – Map of Downtown DC*

#### **4.1 NEIGHBORHOOD BACKGROUND**

The Verizon Center is located in a section of Washington that was considered the heart of the city for many years. The area, spanning almost 20 blocks along Pennsylvania Avenue from the White House in the west to the U.S. Capitol building in the east, was the nerve center of the capital city for the majority of the 19<sup>th</sup> century. During the Civil War it was very much the center of the city, with F Street representing the heart of Washington’s retail district. President Lincoln was assassinated while taking in a play at Ford’s Theater, only blocks away from the current site of the sports arena. The neighborhood maintained a certain prominence until the urban flight of the 1950s and the riots of the late 1960s. These events motivated developers to look west of the White House for office development, leaving the East End, effectively, for dead. Over the almost fifty years

since the 1968 riots this section of downtown Washington, DC witnessed a steep decline in activity that was not remedied until the development of the Verizon Center in 1997 and the subsequent development and revitalization that occurred in the area.<sup>52</sup>

The end of World War II and the baby boom led to mass urban flight to the suburbs during the 1950s and 1960s. Citizens of Washington looked north, south and west of the city for their piece of the American dream. This urban flight left the downtown core of Washington, DC almost lifeless. The area along Pennsylvania Avenue between 16<sup>th</sup> and 7<sup>th</sup> Streets was dealt another blow in 1968 when social and racial friction sparked national riots that saw many urban centers burned to the ground. Suddenly, Washington's East End was not only undesirable; it was destroyed and unsafe.<sup>53</sup>

Granted "Home Rule" in 1973 by the federal government, the District could finally operate its own city. As a result, "in a historic leap for greater self-determination, District citizens elected a Mayor and Council in the fall of 1974."<sup>54</sup> In the years that followed the City of Washington considered many potential plans to reinvigorate its downtown core. The city attempted to stimulate retail development and activity through a series of mini-mall developments along F Street. The mini-mall style developments required permanent street closure to allow for pedestrian foot traffic. At the same time, the city encouraged department stores to enter the Downtown market to compliment the intended draw of the

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<sup>52</sup> McCarthy, Ellen. Nixon Peabody. Personal Interview. July 15, 2008.

<sup>53</sup> Ibid

<sup>54</sup> DC Council Website, < <http://www.dccouncil.washington.dc.us/>>

F Street destinations.<sup>55</sup> These attempts largely failed to bring life back to the downtown area due to a lack of density and overall poor planning and design. The 1970s were the years of suburban sprawl and suburban mini-malls; shoppers had no interest in Downtown Washington, DC other than to visit the national monuments and museums. Thus, most of the buildings - between 16<sup>th</sup> Street, 7<sup>th</sup> Street and the U.S. Capitol further to the east - deteriorated or were simply abandoned. In addition, the development of the DC region's Metro Rail system in 1976 left the downtown area scarred from the extensive subterranean work.<sup>56</sup>

By the 1980s the majority of office and retail development in Washington was located west of the White House at 16<sup>th</sup> Street. Some development had occurred immediately east of the White House but 15<sup>th</sup> Street was viewed as the line of demarcation for contemporary development. The blocks to the east were filled with untapped, downtrodden, concrete structures. It was recognized that, in order to bring life into the blocks of the East End, there would need to be broad cooperation and investment by all interested parties. The strong economy and transitive development boom of the 1980s forced commercial real estate developers to consider a foray east of the line of demarcation. Office demand in the city rose through the mid to late 1980s and many thought that the underdeveloped downtown core could be the logical progression of the development that was beginning to push east through 14<sup>th</sup> Street.<sup>57</sup>

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<sup>55</sup> McCarthy, Ellen. Nixon Peabody. Personal Interview. July 15, 2008.

<sup>56</sup> Wilbur, Tom. Akridge. Personal Interview. July 17, 2008.

<sup>57</sup> Carr, Robert O. Carr Partners. Personal Interview. June 10, 2008.

However, 14<sup>th</sup> Street and the market to the east were stained with poverty, drug use and crime. Its sidewalks and streets were in disrepair, creating an unsettling environment for potential tenants. In addition, the total lack of residents in the area further darkened its already ugly personality. The vast amount of public capital required to refurbish these deficiencies in infrastructure created a real hurdle. Compounding this issue was the fact that the City of Washington suffered from poor management.<sup>58</sup>

City officials and developers could not agree on the proper balance of zoning and financial incentives required to effect change and investment in the East End. Many developers and officials visualized something more than an urban office park in this area. Planning activists desired the injection of residential and entertainment uses in this corridor. Throughout the mid 1980s there were disputes related to the required level of historic preservation, the creation of land use maps, the establishment of density bonuses to spur residential development, and the method of implementing the variety of proposed downtown development programs. The District began to realize it would require some sort of lead entity to address these issues. Momentum was building to create a comprehensive plan to revitalize the area, although the specifics of the plan remained elusive. Then in 1990 the real estate market started to slow down. The recession that occurred through 1991 brought development to a virtual halt in the city.<sup>59</sup>

As development began to return to the city in 1992 and 1993, developers again set their sights on the swath of underdeveloped land east of 14<sup>th</sup> Street. A number of planning

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<sup>58</sup> McCarthy, Ellen. Nixon Peabody. Personal Interview. July 15, 2008.

<sup>59</sup> Ibid



groups existed during the 1990s with hopes to map out a comprehensive plan for the area. These groups included the Pennsylvania Avenue Development Corporation (PADC), the Committee of 100, the National Capital Planning Commission (NCPC), the Interactive Downtown Task force, and the Downtown DC BID. Still, the individual groups had different views on how the plan should be implemented. Key points of contention were the city's desire for residential housing, the perceived higher value of office development, a want for historical preservation, and the desire to create a dynamic, "living," mixed-use market.<sup>60</sup>

Throughout the late 1980s and early 1990s DC Mayor Marion Barry was interested in the possibility of bringing Washington's NBA and NHL franchises into the city. At the time, these franchises were housed at the Capital Center (aka US Air Arena) in Landover, MD. Though it did not come to fruition under his watch, Barry did much to set in motion the relocation that would follow.

Finally, in the early 1990s, this hope became a real possibility. Due to the lack of development in Downtown DC, the city owned a substantial number of sites that were not fulfilling their highest and best use. In addition, the fact that it would be an indoor arena made the footprint of the venue a far smaller issue than it would have been for a football or baseball stadium. The city focused on a large site along 7<sup>th</sup> Street in the struggling East End market. The site was only blocks from the National Mall and many of the Federal Government buildings. Much like the coliseum in Rome, the arena would

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<sup>60</sup> McCarthy, Ellen. Nixon Peabody. Personal Interview. July 15, 2008.

stand in the center of the capital of a nation. For those hoping that it would have a catalytic effect on urban renewal, the site was viewed as ideal because it was approximately five blocks east of any major contemporary development and could act as an eastern entertainment anchor that would stimulate developers to “fill in” the area between 14<sup>th</sup> Street and 7 Street. Furthermore, it would create the opportunity to stimulate mixed-use development and thus avoid the lifeless qualities of an exclusively office market. The new arena was approved for development by the Washington DC government in 1994.<sup>61</sup>

#### **4.2 THE DEAL**

The Verizon Center was approved for development by the Washington, DC government in 1994. The city, and Washington Wizards and Capitals owner Abe Pollin, viewed the development as a vehicle to bring people back to what used to be the heart of the city. The site of the arena is on the eastern edge of an area that connects the White House to Union Station and The U.S. Capitol building. Development in the city over course of the 1980s and early 1990s had not proliferated to a great degree east of 14<sup>th</sup> Street. The Verizon Center, which was to be built on 7<sup>th</sup> Street to the east, was intended to have an anchoring effect for the blocks of underused and greatly dilapidated space that spanned west to 14<sup>th</sup> Street. It would create a bookend that would encourage the development and revitalization of the East End market that was essentially bounded by these streets.<sup>62</sup>

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<sup>61</sup> Carr, Robert O. Carr Partners. Personal Interview. June 10, 2008.

<sup>62</sup> McCarthy, Ellen. Nixon Peabody. Personal Interview. July 15, 2008.

In order to bring these effects to fruition, the city provided financial support for the development of the arena. The City of Washington contributed a net total of \$60 million to the development of the Verizon Center. It provided a below market land lease for the site that represented a net present value of \$20 million in funding. The city also provided \$20 million in property tax abatements based on a calculation of the net present value of the annual abatements to be provided. Finally the city contributed \$20 million in cash for the demolition of existing structures and the redevelopment of the Metro Rail stop located at 7<sup>th</sup> and F Streets. In addition to this \$60 million dollar infusion, the city issued Arena Revenue Bonds in the amount of \$43 million to further fund the redevelopment of the Metro Rail station. However, these bonds are repaid through a gross receipts Arena Tax on all businesses in the area and therefore do not represent an increase in the city budget's net contribution of \$60 million. Most recently, in 2007, the City of Washington allowed an increase in the ticket and merchandising sales tax related to the Verizon Center. This increase from 5.75% to 10% financed \$50 million of improvements at the arena. One highlight of these improvements was the installation of the country's first indoor high definition scoreboard.<sup>63</sup>

Team owner Abe Pollin provided the balance of funds for the \$303 million arena development. He contributed approximately \$200 million. Credit should be given to Pollin for not attempting to relocate the development as a result of the relatively limited funding provided by the City of Washington. Pollin recognized the value of the site and the potential impact it could have on the surrounding area.

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<sup>63</sup> Widdicombe, Gerry\_2. Smart Growth Tour. *DC Government Economic Development Investments in Downtown DC*. Downtown DC BID. July, 2008.

As a result of this public – private cooperation, the Verizon Center opened on December 2, 1997 with the Washington Wizards defeating the Seattle Supersonics 95-78.<sup>64</sup> As the Verizon Center attracted massive foottraffic to the East End, submarket developers became more convinced of the emerging viability of the revitalization of the entire downtown area. At the same time, city planners at the Downtown DC BID and the DC Office of Planning recognized an opportunity to implement specific development plans, policies and programs that would fuel commercial real estate investment in the market and achieve the high level of urban renewal that now seemed possible.

### **4.3 CITY DEVELOPMENT PLANS, POLICIES & PROGRAMS**

The development of the Verizon Center provided an eastern anchor on 7th Street (NW Washington, DC) that paved the way for expansion eastward from the previous development demarcation line at 14<sup>th</sup> Street. Suddenly, the area in between these streets was viewed as prime for commercial real estate investment. Few doubted that, in the years to come, this area could transform into a vibrant connection between the White House and the United States Capitol building. The question was what type of development would actually unfold.

In order to induce the development of a dynamic mix of office, residential, retail, cultural, and entertainment uses; the City of Washington, along with the Downtown DC BID, set out to create a number of development incentives. Looking back, it is hard to deny the

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<sup>64</sup> Washington Sports & Entertainment, LP. Press Release. *Verizon Center 10<sup>th</sup> Anniversary Press Release*. 2007.

impact that this confluence of events and policies had on the transformation of the East End into a vibrant 24-hour urban community.

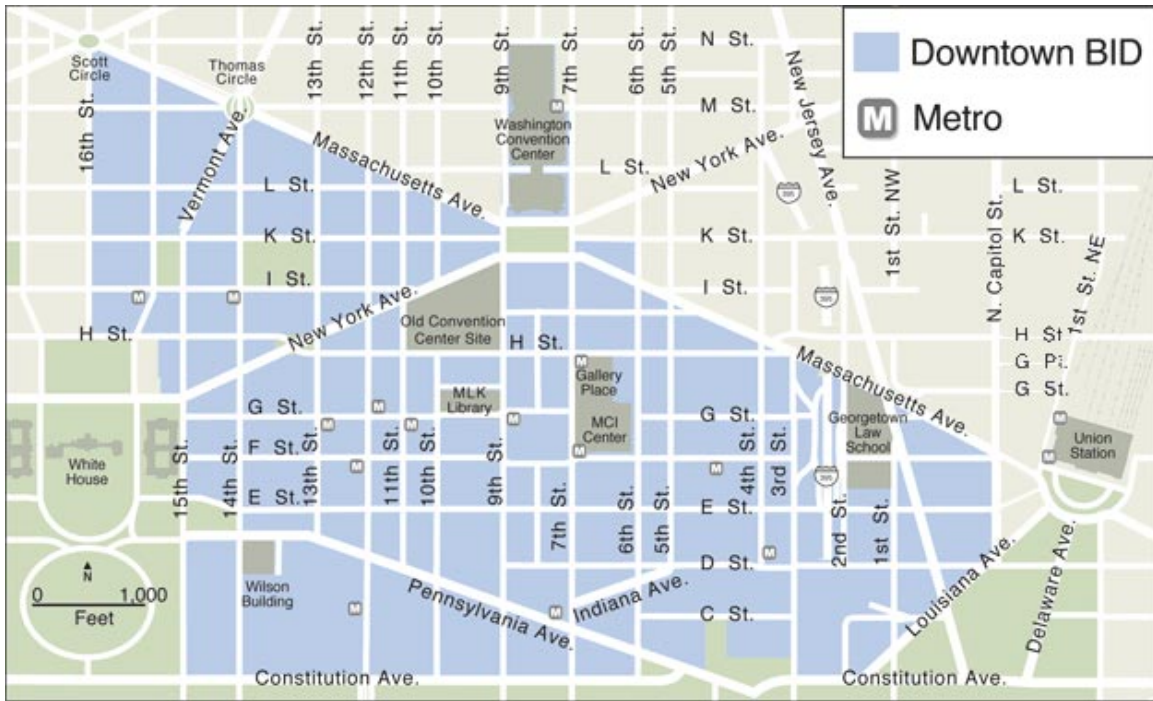
The City of Washington implemented a number of plans, policies and programs, which complimented the development of the Verizon Center and, ultimately, helped lead to the revitalization of East End of the city. These platforms ranged from the creation of a business improvement district (BID) to financing incentives for commercial real estate developers.

#### **DOWNTOWN DC BID**

“The Downtown Business Improvement District (BID) is a tax-funded nonprofit that works to revitalize the city's urban core. The District covers a 140-block neighborhood near the U.S. Capitol to the White House where property owners tax themselves to make their community cleaner, safer and more vibrant. The tax is used by the BID to purchase services and capital improvements that supplement those provided by the city.”<sup>65</sup>

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<sup>65</sup> Downtown DC BID website. <<http://www.downtowndc.org/>>



*Figure 5 – Map of Downtown DC BID*

The Downtown DC BID was created in November of 1997 to support a clean, safe and friendly environment in downtown Washington, DC. Since its creation, the BID has sought to help transform downtown DC into a premier, commercial, cultural and entertainment destination. The BID expanded its homeless outreach with the creation of its Downtown Service Center. “The Downtown BID created and operates the Downtown Services Center (DSC) as a multi-service, comprehensive, drop-in center for homeless adults in the center of its district.”<sup>66</sup> As it increased its focus on the welfare of the public, the DC BID also began to work towards the stimulation of its physical development. Accordingly, the mission of the BID expanded to “providing stability to developers and

<sup>66</sup> Downtown DC BID website. <<http://www.downtowndc.org/>>

investors in the marketplace.” The DC BID’s goal of establishing a central retail market at 7<sup>th</sup> and F Streets led to a 2000 “Action Agenda” for the entire downtown district.<sup>67</sup>

### **DOWNTOWN ACTION AGENDA**

The Downtown Action Agenda, penned in 2000 by the DC Office of Planning in coordination with the Downtown DC BID, had four central objectives. The first was to maximize and concentrate downtown housing. The second objective was to “increase the vitality of street life”. Third was to “provide clear direction for downtown growth and new development.” The final objective was to “connect downtown economic growth to district residents.”<sup>68</sup>

### **DOWNTOWN INFRASTRUCTURE IMPROVEMENTS**

The Downtown DC BID and the city reopened multiple blocks along F Street and G Street in the downtown district, which were previously closed off and used as “Pedestrian Malls.” Intended to operate somewhat like the current 3<sup>rd</sup> Street Promenade in Santa Monica, California, these attempts at creating retail marketplaces had failed over the years leading up to their redevelopment.

In 1997 the City of Washington reopened the 700 and 800 blocks of F Street (directly adjacent to the Verizon Center) and the 500 block of 8<sup>th</sup> Street (just southwest of the Verizon Center). Later in 2000, the 900 block of G Street was reopened. According to the

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<sup>67</sup> Downtown DC BID website. <<http://www.downtowndc.org/>>

<sup>68</sup> DC Office of Planning website. <<http://planning.dc.gov>>

Downtown DC BID, this was a symbolic investment representing the idea that “the city is open for business.”<sup>69</sup>

The City of Washington contributed \$4 million to the reopening and infrastructure upgrades of these blocks. The funding was viewed as a practical investment that served to reduce shadowy areas conducive to crime, and also served to create better access and traffic circulation around the Verizon Center.<sup>70</sup>

From 2001 to 2007 the City of Washington funded streetscape improvements throughout the downtown district in the aggregate amount of \$15 million. These improvements served to further enhance the downtown image and provide a clean setting for pedestrian traffic.<sup>71</sup>

#### **PUBLIC TRANSPORTATION FUNDING**

Over the recent years the metropolitan DC area has created a long-term capital funding program for the region’s Metro Rail system. The plan, set to be approved in 2008, will put into motion a 10 year, \$3 billion capital improvement program for the DC metropolitan metro system. The funding consists of \$1.5 billion in Federal allocations and \$1.5 billion in local funding over ten years. The local portion of the money will be made up of \$500 million per state/district in contributions from Maryland, Virginia and

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<sup>69</sup> Widdicombe, Gerry\_2. Smart Growth Tour. *DC Government Economic Development Investments in Downtown DC*. Downtown DC BID. July, 2008.

<sup>70</sup> Ibid

<sup>71</sup> Ibid



Washington, DC. The improvements are aimed at maintaining and expanding metro service as ridership increases throughout the region.<sup>72</sup>

#### **DOWNTOWN RETAIL TAX INCREMENT FINANCING**

“In an effort to attract the highest quality retailers and merchants to Downtown, Washington, DC, has established the District’s Retail Incentive Program with tax increment financing (TIF) to encourage those stores that qualify to locate in the Downtown TIF district with the benefit of cash incentives to offset the costs of building a new store.”<sup>73</sup> Approved in 2003, the DC retail TIF program sold \$30 million of TIF debt notes. The program succeeded in attracting “high-impact” retail tenants to the downtown market surrounding the Verizon Center. Specifically, it made funding available to offset the tenant improvement costs for qualified, “anchor” retailers and focused on the area immediately surrounding the arena. It’s goal was to further encourage investment in the East End.<sup>74</sup>

\$9.5 million was allocated to three major retailers: H & M (clothing), West Elm (furniture), and Zara (clothing). The financing is also available to “for profit” museums. \$6.5 million in aggregate funding is currently proposed for Madame Tussaud’s Wax Museum and the Crime and Punishment Museum. A final example of the TIF in action is the proposed \$4.5 million for Balducci’s, a boutique, high-end grocery store.<sup>75</sup>

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<sup>72</sup> Widdicombe, Gerry\_2. Smart Growth Tour. *DC Government Economic Development Investments in Downtown DC*. Downtown DC BID. July, 2008.

<sup>73</sup> Downtown DC BID\_1. Pamphlet. Downtown DC BID’s Retail Incentive Program.

<sup>74</sup> Widdicombe, Gerry\_1. Downtown DC BID. Personal Interview. July 16, 2008.

<sup>75</sup> Widdicombe, Gerry\_2. Smart Growth Tour. *DC Government Economic Development Investments in Downtown DC*. Downtown DC BID. July, 2008.

As stated in the previous chapter, a portion of retail sales tax will repay the TIF notes, putting no strain on the City of Washington's budget. This program, assisting the further revitalization of the area, would not have been possible without the momentum created by the development of the Verizon Center. For instance, a monotone office market would have almost no ability to attract this type of retail tenant.

### **RESIDENTIAL DEVELOPMENT INCENTIVES**

Perhaps the most important catalytic actions by the City of Washington were the introduction of a zoning overlay and residential property tax abatements for the Downtown district of Washington. From 1991 to 2002 only 81 residential units had been constructed in the area. Following the 1997 opening of the Verizon Center, life began to reemerge in the East End. Accordingly, the City of Washington sought to increase residential development in the area and, in 2000, began to discuss the potential to provide zoning and tax relief as an incentive.

The city approved the implementation of zoning changes and tax abatements in 2002. The zoning overlay removed the previous residential requirements for 0.5 FAR of recreational space per site. It also eliminated the existing height and FAR requirements. This flexibility was backstopped by the constrained site sizes in Downtown DC and the overriding maximum height limit related to national monuments. The changes were

estimated by the DC Office of Planning to allow for 1 or 2 additional floors per building.<sup>76</sup>

The tax abatement was implemented in the form of a \$0.81 per rentable square foot property tax credit for residential properties. The amount of the credit was calculated to boost landlord cash flow yields by 50 basis points on their market rate rental properties. Previously, developers had worried that residential deals would not meet underwriting requirements because of a perceived inability to achieve rents at a level that would offset total development costs.<sup>77</sup>

In the end, this combination of residential incentives led to the development of 2,700 apartment and condominium units from 2003 to mid 2008.<sup>78</sup> There would have been almost no interest in residential development had the Verizon Center not sparked the infusion of national retailers and cultural attractions to the area. This spark paved the way for retail TIF funding, which in turn created vibrant environment that was ripe for residential development.<sup>79</sup>

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<sup>76</sup> Widdicombe, Gerry\_2. Smart Growth Tour. *DC Government Economic Development Investments in Downtown DC*. Downtown DC BID. July, 2008.

<sup>77</sup> McCarthy, Ellen. Nixon Peabody. Personal Interview. July 15, 2008.

<sup>78</sup> Widdicombe, Gerry\_2. Smart Growth Tour. *DC Government Economic Development Investments in Downtown DC*. Downtown DC BID. July, 2008.

<sup>79</sup> Widdicombe, Gerry\_1. Downtown DC BID. Personal Interview. July 16, 2008.

#### **4.4 DEVELOPMENT PROJECTS**

This section provides a brief summary of some of the more significant real estate developments surrounding the Verizon Center in the East End and how they were achieved.

##### **WALTER E. WASHINGTON CONVENTION CENTER**

Known as the “new convention center” to DC residents, development of the 2.3 million square foot Walter E. Washington Convention Center was initially approved by the City of Washington in 1998.<sup>80</sup> It represented a “catalytic \$850 million project intended to support the city’s hotel industry with a modern and competitive convention center.”<sup>81</sup> The convention center is located approximately one half mile north of the Verizon Center.

While some may argue that the convention center itself could represent a direct stimulus for the revitalization of Downtown DC, the fact that the substantial existing convention center in Washington, DC was located only two blocks away limits the credulity of such a claim. Events that were housed at the former convention center would simply be held two blocks away at the new facility, thus limiting a real change in visitor travel. The modern design and amenities of the new convention center added to the revitalization that had been kicked off by the Verizon Center when it was approved four years earlier. However, the development of the new convention center did not represent the same “game changing” injection to the market as the professional sports facility.

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<sup>80</sup> Walter E. Washington Convention Center website. <<http://www.dccconvention.com/>>

<sup>81</sup> Widdicombe, Gerry\_2. Smart Growth Tour. *DC Government Economic Development Investments in Downtown DC*. Downtown DC BID. July, 2008.

A peripheral advantage of the approval and development of the Washington Convention Center was the fact that, in the future, it would open the existing or “old convention center” site up for the development of residential product, retail product, public space and public parking. This redevelopment, expected to commence in 2008, represents the city of DC’s desire to further encourage a “Living Downtown.” Accordingly, the newer, more modern center was certainly a piece of the downtown revitalization puzzle that came together during the late 1990s and early 2000s.<sup>82</sup>

The new convention center project was funded with the help of the city government. The city contributed the land for the development of the new center, an estimated value of \$40 million. Financing was also complimented by the city issuance of \$580 million in “Convention Center revenue bonds.” These revenue bonds did not represent a net investment from the city because the Convention Center’s restaurant and hotel agreed to repay these bonds via an allocation of their sales taxes. As of July 2008, 1% of the 10% restaurant sales tax and 4.45% of the 14.5% hotel sales tax are dedicated to the repayment of these bonds.<sup>83</sup>

The city projects an annual attendance of approximately 1 million visitors to the Walter E. Washington Convention Center. The projected demand for hotel “room nights” in 2007 is 600,000.<sup>84</sup>

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<sup>82</sup> Widdicombe, Gerry\_2. Smart Growth Tour. *DC Government Economic Development Investments in Downtown DC*. Downtown DC BID. July, 2008.

<sup>83</sup> Ibid

<sup>84</sup> Ibid

## **GALLERY PLACE**

Gallery Place was perhaps the second most important catalyst to the revitalization of Washington, DC's East End (after the Verizon Center). Abutting the Verizon Center to the north, this dynamic mixed-use development is a perfect compliment to the arena. Together these two developments form an essential sports entertainment anchor for the entire East End and downtown market as a whole. The project includes restaurants, retailers, a 13-screen movie theater and sits directly on top of a metro stop. Today, this development is a key driver of traffic to the area with a projected average 6 million visitors per year.<sup>85</sup> Still, as Tom Wilbur, Senior Vice President of Development at Akridge, points out, the project would have been very difficult to realize without the presence of the Verizon Center to the south.<sup>86</sup>

Gallery Place was approved for development in 1999. The site would likely have been developed as a pure office project had the city not provided \$75 million in Tax Incremental Financing.<sup>87</sup> The TIF was intended to support the projected catalytic effect of the development on retail and housing in the area.<sup>88</sup> The \$300 million project was completed by Akridge in 2004.

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<sup>85</sup> Widdicombe, Gerry\_2. Smart Growth Tour. *DC Government Economic Development Investments in Downtown DC*. Downtown DC BID. July, 2008.

<sup>86</sup> Wilbur, Tom. Akridge. Personal Interview. July 17, 2008.

<sup>87</sup> Ibid

<sup>88</sup> Widdicombe, Gerry\_2. Smart Growth Tour. *DC Government Economic Development Investments in Downtown DC*. Downtown DC BID. July, 2008.

In addition to 210,000 square feet of office space and 192 residential condominium units; Gallery Place is currently home to Clyde's Restaurant, Regal Cinemas, Bed Bath & Beyond, City Sports, Lucky Strike bowling, and Washington Sports Club – among many other retail tenants. Gallery Place and the Verizon Center continue to be the central engine for retail patronage and overall foot traffic in the heart of Washington, DC's East End. Together they create a multiplier effect in the area that helps to maximize city tax revenues.<sup>89</sup>

### **SHAKESPEARE THEATER SIDNEY HARMAN HALL**

Located directly to the south of the Verizon Center, the Shakespeare Theater's Sidney Harman Hall is home to a 775-seat performance theater. The International Union of Bricklayers & Allied Craftworkers resides above the theater in the 11-story building. The theater is another key generator of tourist traffic. It is worth noting that theaters are typically credited with one of the highest multiplier factors due to the tendency of its patrons to pair their theater visit with a meal and other retail consumption.<sup>90</sup>

Development of the new theater was proposed around 2000, approved by the city in 2002, and completed by CarrAmerica and JM Zell Partners in 2007. The project cost was approximately \$90 million according to the DC Downtown BID.<sup>91</sup> The City of Washington contributed \$20 million in cash to the financing of the project in order to fulfill its arts initiatives. Further TIF dollars in the amount of \$10 million was specifically

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<sup>89</sup> Gallery Place website. <<http://www.galleryplace.com/>>

<sup>90</sup> Shakespeare Theater website. <<http://www.shakespearetheatre.org/>>

<sup>91</sup> Widdicombe, Gerry\_2. Smart Growth Tour. *DC Government Economic Development Investments in Downtown DC*. Downtown DC BID. July, 2008.

allocated to the Shakespeare Theater. The Shakespeare Theater was also able to raise funds from various contributors.<sup>92</sup>

The Shakespeare Theater adds to the dynamic mix of uses in the East End. It is one of the most technologically advanced performance halls in the world and is estimated to have an annual fiscal impact of \$500,000 to \$1 million per year in the area.<sup>93</sup> It fills another crucial role in the ability of the neighborhood to function vibrantly 24 hours a day, 365 days a year. According to Tom Wilbur, the theater has had a significant ability to attract restaurants to the area due to the nature of the typical habits of its patrons.<sup>94</sup> However, this development would have been difficult to justify without the presence of the Verizon Center and the broad transformations to the neighborhood it effectuated from 1997 to 2002. Had the East End become an office-focused submarket with typical workday activity patterns, the theater would have suffered greatly (if it was developed at all). The development of the Shakespeare Theater was very much facilitated by the neighborhood revitalization of the late 1990s.<sup>95</sup>

## **TERRELL PLACE**

Terrell Place is a historically preserved office project with ground floor retail that was privately developed by CarrAmerica. The project was completed in 2003 although according to project developer Robert Carr it had been planned back in the mid 1990s,

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<sup>92</sup> Shakespeare Theater website. <<http://www.shakespearetheatre.org>>

<sup>93</sup> Widdicombe, Gerry\_2. Smart Growth Tour. *DC Government Economic Development Investments in Downtown DC*. Downtown DC BID. July, 2008.

<sup>94</sup> Wilbur, Tom. Akridge. Personal Interview. July 17, 2008.

<sup>95</sup> Carr, Robert O. Carr Partners. Personal Interview. June 10, 2008



around the time of the Verizon Center announcement.<sup>96</sup> Totalling nearly 480,000 square feet, Terrell Place consists of three connected buildings of office and retail. These buildings include: a redevelopment of the 8-story former Hecht's department store, a newly developed 9-story building that includes historic facades, and a newly developed 11-story building.<sup>97</sup>

### **HOTEL MONACO**

The Hotel Monaco was opened across 7<sup>th</sup> Street from the Verizon Center in 2002. It represented a \$40 million historic renovation of the former Tariff Building and DC General Post Office, originally constructed in 1839.<sup>98</sup> Prior to its redevelopment, the building was run down and largely unnoticed by DC residents.

## **4.5 MARKET LEVEL RESULTS**

There can be no denying the current vitality of Washington, DC's East End. Since approval in 1994, the Verizon Center has played a significant role in the revitalization of this market. Still, as described in section 4.2, subsequent renewal was the combined result of the efforts of the team owners, local developers and city officials working in tandem. The sports entertainment anchor created the environment that led to broad commercial real estate investment. Between 1998 and 2007 \$4.6 billion of new development was completed within seven blocks of the Verizon Center. Over that same period in the same area 39,000 jobs were created. Furthermore, the businesses and operations in the area

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<sup>96</sup> Carr, Robert O. Carr Partners. Personal Interview. June 10, 2008.

<sup>97</sup> Terrell Place website. <<http://www.tishmanspeyer.com/Properties/Property.aspx?id=153>>

<sup>98</sup> Hotel Monaco website. <<http://www.monaco-dc.com/>>

within seven blocks of the arena accounted for a cumulative tax generation of \$1.05 billion (See Appendix 1).<sup>99</sup>

## **PHYSICAL DEVELOPMENT**

While ideas for development in the East End have percolated for almost fifty years, it was not until the approval of the development of the Verizon Center in 1994 that the area began to see large-scale commercial real estate development. Major developers such as Akridge, CarrAmerica and Douglas Development, who had previously invested in the area on a limited basis, commenced long considered plans for major development in the years just prior to the opening of the multi-use professional sports arena. The participation of these leading DC developers resulted in a sort of critical mass with each announced project fueling justification for the next. With the help of the zoning overlay and the retail TIF and historical preservation incentives, these developers were able to carry out a number of high profile projects such as CarrAmerica's Terrell Place and Shakespeare Theater, Akridge's Gallery Place and Kimpton's Hotel Monaco.

The development of these projects and a number of similar endeavors led directly to the vibrant Downtown district that the East End represents today. What's more, due to the almost non-existence of residential units in the area, this revitalization did not serve to cause mass displacement of lower income residents or businesses. The development of the area was able to occur with minimal citizen upheaval. The central concerns of the

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<sup>99</sup> Widdicombe, Gerry\_1. Downtown DC BID. Personal Interview. July 16, 2008.

local community with regard to this development were city fiscal responsibility and historical preservation.<sup>100</sup>

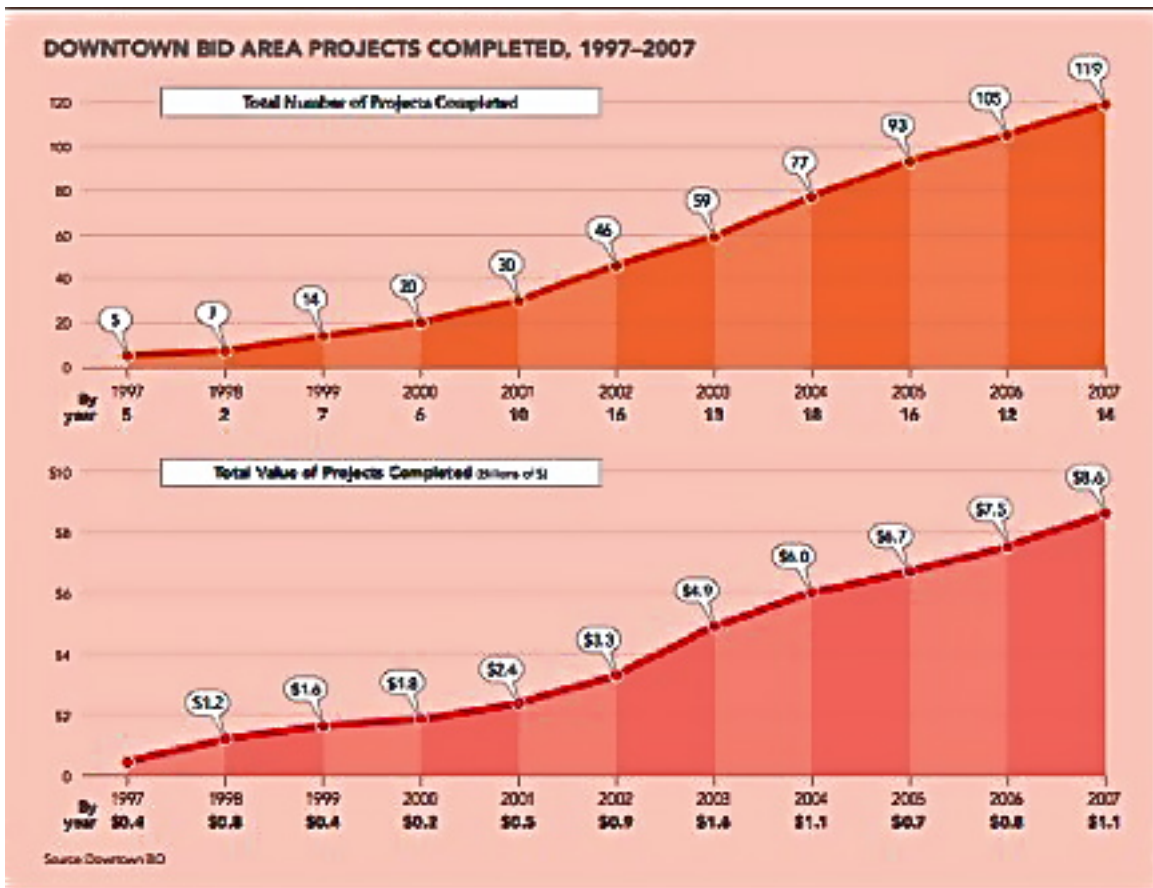


Figure 6 – Downtown DC BID Projects Completed

TOTAL RENTABLE/USABLE SQUARE FEET DEVELOPED (in thousands)												
Within 7 blocks of the Verizon Center												
1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
789	264	237	-	772	1,201	1,023	1,583	1,792	2,771	1,849	1,462	2,755

Figure 7 – Downtown DC BID SF Developed per Year

The chart above illustrates the increase in the number of square feet developed per year following the opening of the Verizon Center in December 1997. Note that plans to develop the arena were approved in 1994. It is also evident that the incentives put forth

<sup>100</sup> McCarthy, Ellen. Nixon Peabody. Personal Interview. July 15, 2008.

by the DC Office of Planning and the Downtown DC BID in the Downtown Action Agenda, introduced in 2000, predicated a substantial increase in the number of square feet delivered per year from 2002 to 2007. The following is a breakout of total development within seven blocks of the arena from 1995 to 2007 by product type: 9.8 million square feet of office space; 920,000 square feet of retail space; 1 million square feet of live theater space; 492,000 square feet of museum space; 755 hotel rooms; 1,703 apartment units; and 2,184 condominium units (see Appendix 2).<sup>101</sup> This development clearly represents a dynamic mix of uses. It is also clear that this development occurred after the 1994 approval of the Verizon Center. Despite the fact that the city supplemented the catalytic effect of the arena with a number of stimulating policies, there is no doubt that Verizon Center was the first key piece of a dynamic mixed use puzzle that came together in the years to follow.

### **ECONOMIC DEVELOPMENT**

The area surrounding the Verizon Center represented the doldrums of the city until the mid 1990s. There were few jobs available in the East End due to its downtrodden, undesirable environment. The market was, in many ways, a blank pallet. The lack of any activity allowed developers to start from scratch, displacing few existing businesses. Accordingly, the number of jobs in downtown Washington, DC has increased significantly following the arrival of the Verizon Center and the subsequent urban renewal in the area. With the “reopening” of this market came a flood of office, retail, restaurant, entertainment, hotel and service workers. As these businesses began to

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<sup>101</sup> Widdicombe, Gerry\_1. Downtown DC BID. Personal Interview. July 16, 2008.

reemerge in the East End there was substantial increase in employment in the area. According to a November 2007 Downtown Leadership Paper, “recent Downtown job growth has outpaced that of the District of Columbia and the region as a whole.”<sup>102</sup>

The Downtown BID area alone added approximately 57,000 jobs from 1996 through 2006.”<sup>103</sup> From 1998 to 2007 40,000 total jobs were created by new development within seven blocks of the Verizon Center. Based on the roster of planned or recently completed development projects, the Downtown DC BID expects another 8,000 jobs to be created in 2008 and 2009. The chart below illustrates the number of jobs created by new development within seven blocks of the arena on a year-by-year basis.

TOTAL JOBS CREATED PER YEAR BASED ON DELIVERED PROJECTS									
<i>Within 7 blocks of the Verizon Center</i>									
1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
160	2,481	4,191	3,757	5,069	6,476	7,377	1,774	2,930	6,386

*Figure 8 – Jobs Created per Year*

This chart shows to substantial number of jobs created each year in close proximity to the Verizon Center. To better understand the impact of this job creation, one must consider the fact that from 1996 to the third quarter of 2007 downtown accounted for 64,450 of the 67,000 new jobs in the entire city (recall the Downtown DC BID area was responsible for 57,000 jobs from 1996 to 2006). That means that the downtown area was responsible for 96% of the job creation in DC between 1996 and third quarter 2007. Over the same

<sup>102</sup> Widdicombe, Gerry\_3. *Downtown: The Economic and Fiscal Engine of the District of Columbia*. Downtown Leadership Paper. Downtown DC BID. November, 2007.

<sup>103</sup> Ibid

period downtown increased “its share of total employment in the city from 20% to 26%.”<sup>104</sup> There is little question that the ongoing revitalization of Downtown DC BID area surrounding the Verizon Center was directly responsible for this downtown concentration of job growth.

Another result of the increase in development and the broad revitalization of the East End was an increase in city tax revenues. This enhancement was spawned by the increases in number of workers, level of real estate development, property assessment values, and visitor traffic in the area. The revenues were enhanced by the newly established 24/7 365-day a year environment. From 1998 to 2007 \$1.065 billion of cumulative taxes were generated by the properties within seven blocks of the Verizon Center. The following chart shows the amount of taxes generated each year by completed real estate projects.<sup>105</sup>

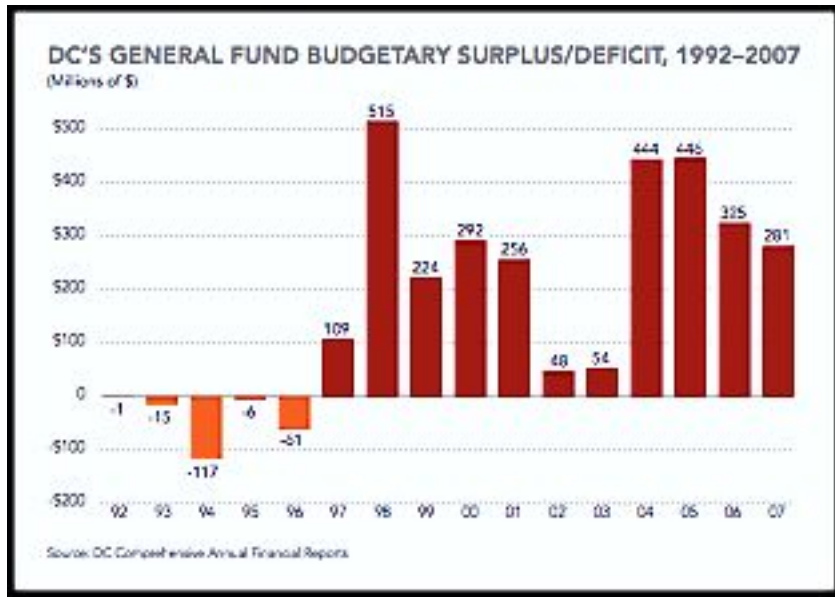
<b>TOTAL TAXES GENERATED PER YEAR BASED ON DELIVERED PROJECTS (in thousands)</b>									
<i>Within 7 blocks of the Verizon Center</i>									
<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
900	9,249	15,365	14,937	19,592	35,360	43,341	19,441	18,186	43,623

*Figure 9 – Taxes Generated per Year*

The ability to create such tax revenue streams has allowed the City of Washington the flexibility to implement tax incentives like its retail TIF program. As the East End continues to grow and gain value so too will the tax revenue of the city. This growth has helped to maintain the annual budget surplus of the District of Columbia since 1997.

<sup>104</sup> Widdicombe, Gerry\_3. *Downtown: The Economic and Fiscal Engine of the District of Columbia*. Downtown Leadership Paper. Downtown DC BID. November, 2007.

<sup>105</sup> Widdicombe, Gerry\_1. Downtown DC BID. Personal Interview. July 16, 2008.



*Figure 10 – DC Annual Budget Surplus*

The increase in tax revenue, coinciding with the construction of the Verizon Center and the resulting gentrification of Downtown Washington, DC, has been a significant boost to the city economy. This revenue increase represents yet another positive impact that a properly located and supported professional sports venue can have on its community.

The Verizon Center also increased the use of the Metro Rail system by approximately 14 million riders between 1997 and 2007, according to a 10<sup>th</sup> anniversary Verizon Center press release. It is estimated that 60% of all Verizon Center patrons use the metro to attend events.<sup>106</sup> This spike in ridership provides a significant revenue boost for the Metro Rail system.

<sup>106</sup> Washington Sports & Entertainment, LP. Press Release. *Verizon Center 10<sup>th</sup> Anniversary Press Release*. 2007.

The estimated total city investment in the Verizon Center and its surrounding market was \$400 million. The Federal Downtown investment was approximately \$300. These public investments were complimented by \$10 billion and growing of private investment. Beyond the aesthetic and other intangible benefits to the city, these investments have generated “approximately \$400 million in new annual taxes in fiscal 2007 and a cumulative total of \$1.6 billion in new taxes from 1996 through 3Q 2007.”<sup>107</sup>

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<sup>107</sup> Widdicombe, Gerry\_3. *Downtown: The Economic and Fiscal Engine of the District of Columbia*. Downtown Leadership Paper. Downtown DC BID. November, 2007.



## **5.0 CONCLUSION**

The role of stadiums throughout the world has evolved since the time of the ancient Greeks. Their place in the urban fabric has also changed over time. Over the past century, the professional sports industry has proliferated in the United States. The end of the twentieth century brought with it a rebirth of stadium development - most recently focused in urban centers.

Today, there are certain intrinsic stadium characteristics that must be achieved in order to create a venue that can be constructed and operated effectively. The stadium must be planned at a scale that can be absorbed by the sports entertainment market. In other words, size matters. If a stadium is too big it will be wasteful and will not operate efficiently. If it is too small ticket prices will be astronomical and there will be public discord.

Along these same lines, the team owners must be able to achieve revenues that justify development. They must be able to attract profitable vendors that can add amenities to the venue while providing revenue streams for the franchise.

Some stadium characteristics that were once considered luxuries are now considered intrinsic needs. Today, every stadium must have a state of the art audio and video system for announcements and replays. This entertainment requirement has spread to encompass the need to effectuate a vibrant environment inside and outside of a venue. Cheerleaders,

vendors, mascots, music and other elements all round out the proper setting for an enjoyable spectator experience.

The recent renaissance of urban stadiums and arenas was aided by the allocation of public funding for stadium development. Many justified this method of stadium financing with the notion that urban stadiums can as a catalytic tool to revitalize their surroundings. As a result the actual net benefits of urban stadium development have been widely debated. Still, there can be no question that, given the proper circumstances and public support, stadium development can achieve significant benefits. That is not to say that every stadium development will prove successful or that every stadium project will provide benefits proportionate to public investment. However, if implemented properly, catalytic stadium plans can succeed. The Verizon Center in Washington, DC provides an example of such success. There were four central ingredients to the success of the Verizon Center that are key for any stadium development aimed at effectuating urban renewal: location, timing, government programs and complimentary projects.

## **LOCATION**

The location of the Verizon Center was the initial factor that created the possibility for significant urban renewal. The Verizon Center was constructed at the east end of an underdeveloped section of the city between the White House and the U.S Capitol. The simple fact that this area had been targeted for revitalization for many years prior to the development of the Verizon Center provided a fertile environment to achieve great market change. In order for any stadium to spark broad urban renewal it must be located

in an area that needs and desires improvement. The city government had focused on this area for decades without success. Accordingly, the government was ready to act and the Verizon Center provided the needed catalyst.

Other physical features made this location viable. It was important that the arena had relatively easy access to major roads that connected to the surrounding suburbs. The presence of a Metro Rail station was also a key element. Proximity to public transportation is central to any urban stadium development. It provides a key means of transportation to the area, which bypasses the common gridlock of the Downtown streets. The metro is also an asset to the array of real estate development projects that followed. Worker access to Downtown is greatly facilitated by the presence of metro stations. Proximity to a major metro station is effectively an intrinsic need for all stadiums in the 21<sup>st</sup> century.

Another aspect of the location of the Verizon Center that made it successful was the lack of any real life or businesses in the area prior to construction. The area was virtually void of full time residents removing any battles over displacement. Likewise, the area had few businesses other than undesired shops peddling alcohol and pornography. This combination of factors allowed redevelopment to occur without any great injustice to its neighbors.

Finally proximity to other attractions played a role in the success of the location. The market sits between the two most identifiable structures in Washington: the White House

and the U.S. Capitol. While these buildings may not directly compliment the arena they gave it a sense of place. Furthermore, the area surrounding the arena was filled with historic buildings that were waiting to be renovated and reactivated. The arena's development led to this redevelopment, creating a greater market dynamic.

## **TIMING**

The Verizon Center was approved for development in 1994. At this time the economy was recovering from a recent recession and was beginning to rebound. This timing would prove significant. The seven years following the announcement of the Verizon Center were a period of strong economic growth, allowing for vast real estate development. There is no question that the economic backdrop of the mid to late 1990s provided a friendly environment for urban renewal and growth. A stable economic environment is another, almost intrinsic, requirement for stadium development.

It must be noted that the revitalizing development occurred in a flood as a result of the introduction of the Verizon Center. According to Gerry Widdicombe, Director of Economic Development at the Downtown DC BID, "the Verizon Center accelerated development in the area by four to seven years."<sup>108</sup> Developers such as Robert Carr and Tom Wilbur, who have accounted for millions of square feet of development in the area, agree that the Verizon Center "accelerated" development in the area. They also

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<sup>108</sup> Widdicombe, Gerry\_1. Downtown DC BID. Personal Interview. July 16, 2008.

acknowledge that without the Verizon Center the market may have evolved over a longer period of time into something far different such as single use office market.<sup>109</sup>

Thus, the Verizon Center acted to spark a wave of development that occurred largely before the economic slowdown of 2001. Without this four to seven year acceleration, the redevelopment may have been stalled by the events of 2001; the economic slowdown and the concurrent hesitation to develop in the areas directly surrounding National landmarks in Downtown DC. Indeed, the acceleration provided by the development of the Verizon Center was the key catalytic event leading to dynamic mixed-use development and revitalization of the area. As with most things, good timing can mean the difference between success and failure. Good timing is essential for urban stadium development to spark renewal.

### **GOVERNMENT PROGRAMS**

The Verizon Center was a key catalyst for a renewed focus on the East End. However, the programs that the City of Washington enacted following the announcement of the arena played a central role in the revitalization that would follow. These programs ranged from financing incentives for the arena, to zoning density bonuses for residential development and financing incentives for local developers.

One important attribute of the development of the Verizon Center was that it was primarily privately funded. As a result, there were limited debates regarding the city's

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<sup>109</sup> Wilbur, Tom. Akridge. Personal Interview. July 17, 2008.

contribution of funds. The city did, however, inject important capital into neighborhood revitalization in the form of infrastructure improvements and a retail TIF program, among others. The Federal Government and the City of Washington implemented a number of policies and programs that assisted the revitalization of the area. This participation played a key role in encouraging investment in the area over a mix of uses ranging from live theater to high-end office.

Government participation is central to the success of urban stadium development and derivative urban renewal. The initial challenge is the financing of the construction of the venue, but just as important is the government's role in the implementation of balanced policies aimed directly at real estate and market renewal. These policies require the cooperation of team owners and local developers and thus must be crafted with great care.

### **COMPLIMENTARY PROJECTS**

The result of properly implemented government policies and incentives is the actual development that makes up the revitalization of the area surrounding the arena. The sum of these projects equal the success or failure of any revitalization efforts. Broad market revitalization cannot be achieved by a single watershed development. The catalytic development must be complimented by the projects it leads to.

The Verizon Center paved the way for the development of neighboring Gallery Place. Gallery Place, in turn, complimented and magnified the draw of the Verizon Center with

its modern movie theater and dynamic mixed-use format. The Verizon Center led to an environment where DC residents now felt safe enough in the East End to hop on the metro to Gallery Place to take in a movie. This creation of place led to further development in the area and, ultimately, a neighborhood that is not only safe, it is vibrant.

The combination of the Verizon Center, Gallery Place and a host of complimentary venues such as the Shakespeare Theater and the National Portrait Gallery led to the re-establishment of Washington, DC's central market. The Verizon Center provided the spark that ignited the revitalization of Downtown DC.

“Verizon Center has been an incredible catalyst for dynamic, urban revitalization in the District of Columbia,” said Adrian M. Fenty, Mayor of Washington, D.C. “It has become the heartbeat that has pumped life into downtown Washington and brought a renewed sense of pride about everything our great city has to offer.”<sup>110</sup> Indeed, the Verizon Center played a central role in the revitalization that has occurred in Downtown Washington, DC. Described by many as the closest thing to New York City in Washington, the area has been totally transformed over the past decade. Yet the Verizon Center alone did not effectuate these changes. It simply provided the critical momentum to follow through on long sought goals for Downtown reactivation.

Downtown Washington, DC would have been developed at some point and over some period of time. That is not in question. The question is, given the history of the area, how

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<sup>110</sup> Washington Sports & Entertainment, LP. Press Release. *Verizon Center 10<sup>th</sup> Anniversary Press Release*. 2007.

long would it have taken to come about and with what result? Without a series of catalytic events, the East End most likely would have become another monotone office district with little life after 7pm. Instead, the economic rebirth following the 1991 recession, the city's desire to create a "living downtown," the interest of local developers, the announcement of the development of the Verizon Center, and the pro growth city programs that followed, combined to achieve an accelerated revitalization of the area. Thus, the Verizon Center provides a successful example of stadium development acting as a catalyst for urban renewal and revitalization.

“When Irene and I opened the doors to Verizon Center ten years ago, our goals were to provide a world-class sports and entertainment facility in the heart of the nation's capital, and provide a catalyst for the revitalization of downtown Washington, D.C. ,’ says Abe Pollin, Chairman of Washington Sports & Entertainment. ‘On our tenth anniversary, we can look back and say that we have accomplished both of those goals. Now not only is the building filled with people attending events, but the entire area has become a vibrant economic center. We’re proud of what we’ve accomplished and we’re excited about continuing to bring the best in sports and entertainment to this city for many years to come.’”<sup>111</sup>

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<sup>111</sup> Washington Sports & Entertainment, LP. Press Release. *Verizon Center 10<sup>th</sup> Anniversary Press Release*. 2007.



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# Appendix 1

## Verizon Center Development Summary and Impact as of December 1, 2007

Development Activity Within Seven Blocks of the Verizon Center

	<u>Development Value</u>	<u>Employment Generated</u>	<u>Cumulative Taxes Generated</u>
Projects Completed 1996-12/1/2007	\$ 4.6 Billion	39,000 Jobs	\$ 1.05 Billion
Projected Development Completions			
2007	\$ 0.2	1,600	\$ 1.07 Billion
2008	\$ 1.0	3,725	\$ 1.38 Billion
2009	\$ 0.4	2,923	\$ 1.73 Billion
Sub-Total	<u>\$ 1.6 Billion</u>	<u>8,248 Jobs</u>	
<b>Cumulative Total</b>	<b><u>\$ 6.2 Billion</u></b>	<b><u>47,248 Jobs</u></b>	

The 1998 -2007 cumulative development generates \$259 million in annual taxes based on 2007 market values

By Downtown DC Business Improvement District

Source: Downtown DC BID

# Appendix 2

## Annual Development Within Seven Blocks of the Verizon Center (1995 to 2007) (updated 11/21/07 rw)

Page 2

Project/Site	Project Address	Project Status	Invstmnt Ld&Cnst (MM's)	Type	Rentable/Usable Square Footage (in thousands)								No. of Apts/Condos	No. of Hotel Rooms	No. of Theatre Seats	No. of Movie Screens	No. of Parking Space	
					Total	Office	Resdnl	Retail	Ent	Arts	Hotel	Other						
<b>2005</b>					<b>\$470</b>	<b>1849</b>	<b>254</b>	<b>1223</b>	<b>77</b>	<b>0</b>	<b>66</b>	<b>212</b>	<b>23</b>	<b>1088</b>	<b>383</b>	<b>265</b>	<b>0</b>	<b>2184</b>
The Lafayette Condos	7th & D Sts (Sq 457)	Completed	\$120	New/GR	616	0	540	40	0	36	0	0	253	0	0	0	450	
The Clara Barton at Penn Quarter	7th & D Sts (Sq 457)	Completed	\$95	New	215	0	3	0	0	212	0	0	383	0	0	0	165	
Embassy Suites	1001 New York Avenue	Completed	\$60	New	276	0	259	17	0	0	0	0	257	0	0	0	220	
400 Massachusetts Avenue	4th & Massachusetts Ave	Completed	\$50	Dem&New	215	0	215	0	0	0	0	0	192	0	0	0	0	
Gallery Place--Residential	7th & H Streets	Completed	\$45	Dem&New	170	144	0	3	0	0	0	23	0	0	0	0	101	
The Portrait Building	755 8th Street	Completed	\$25	GR/New	115	110	0	5	0	0	0	0	0	0	0	0	20	
Washington Gas	SWC of 11th & H Sts	Completed	\$35	New	126	0	123	3	0	0	0	0	139	0	0	0	92	
1150 K Street Condos	1150 K Street	Completed	\$17	New	46	0	46	6	0	0	0	0	46	0	0	0	12	
The Cosmopolitan Condominium	715 6th Street	Completed	\$10	New	40	0	40	0	0	0	0	0	30	0	0	0	12	
6th Street Flats	809 6th Street	Completed	\$8	New	30	0	0	0	0	30	0	0	0	0	265	0	12	
Woolly Mammoth Theatre	7th and D Streets	Completed	\$5	NA	0	0	0	0	0	0	0	0	0	0	0	0	1,100	
Old Convention Center Parking Lot		Completed																
<b>2006</b>					<b>\$705</b>	<b>1462</b>	<b>693</b>	<b>291</b>	<b>101</b>	<b>0</b>	<b>152</b>	<b>0</b>	<b>220</b>	<b>297</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>666</b>
Natl Portrait Gallery / American Art Museum	Mass Ave and F/G Sts	Completed	\$283	GR&New	382	0	10	0	0	152	0	220	0	0	0	0	0	
1101 K Street	1101 K Street	Completed	\$122	New	311	295	0	16	0	0	0	0	0	0	0	0	171	
Atlantic Building	920 - 932 F Street	Completed	\$120	Fcd/Dem/Ne	81	240	0	41	0	0	0	0	0	0	0	0	188	
Artisan Condos	915 E Street	Completed	\$63	Fcd&New	138	0	131	7	0	0	0	0	160	0	0	0	110	
Carroll Square	975 F Street	Completed	\$50	New/Pres	178	158	0	15	0	0	0	0	0	0	0	0	103	
Ventana Condos	912 F Street	Completed	\$37	Nw&Rehab	92	0	80	12	0	0	0	0	62	0	0	0	9	
The Sonata	301 Massachusetts Ave	Completed	\$30	New	80	0	80	0	0	0	0	0	75	0	0	0	85	
<b>2007 *</b>					<b>\$1,111</b>	<b>2755</b>	<b>1702</b>	<b>879</b>	<b>48</b>	<b>0</b>	<b>98</b>	<b>0</b>	<b>28</b>	<b>855</b>	<b>0</b>	<b>1024</b>	<b>0</b>	<b>1754</b>
1101 New York Ave	1101 New York Ave	Completed	\$160	New	390	385	0	5	0	0	0	0	0	0	0	0	215	
505 9th Street	505 9th Street	Under Construction	\$135	New	326	307	0	6	0	13	0	0	0	0	248	0	225	
Liberty Square	450 5th Street	Completed	\$110	GR	460	460	0	0	0	0	0	0	0	0	0	0	0	
455 Mass Office	455 Massachusetts	Under Construction	\$110	New	242	229	0	13	0	0	0	0	0	0	0	0	219	
Madrigal Lofts	811 Fourth Street	Under Construction	\$100	New	259	0	259	0	0	0	0	0	259	0	0	0	250	
Sidney Harman Hall	620 F Street	Completed	\$86	New	110	20	0	5	0	85	0	0	0	0	776	0	200	
1010 Massachusetts	1010 Massachusetts	Completed	\$76	Dem&New	185	0	176	9	0	0	0	0	163	0	0	0	169	
777 6th Street	777 6th Street	Completed	\$75	New	191	181	0	10	0	0	0	0	0	0	0	0	150	
Reynolds Center Courtyard	Btwn 8/9 and F/G Sts	Completed	\$63	New	28	0	0	0	0	0	0	28	0	0	0	0	0	
Bricklayers Office Bldg	SWC of 6th & F Sts	Completed	\$61	New	120	120	0	0	0	0	0	0	0	0	0	0	0	
The Newseum Residences	555-A Pennsylvania Ave	Completed	\$54	New	146	0	146	0	0	0	0	0	135	0	0	0	80	
City Vista- L Condos	5th & K Sts	Completed	\$41	New	149	0	149	0	0	0	0	0	149	0	0	0	121	
Yale Steam Laundry Lofts	New York Ave (b/w 4th and 5th)	Under Construction	\$40	New/GR	149	0	149	0	0	0	0	0	149	0	0	0	125	
<b>2008*</b>					<b>\$1,025</b>	<b>2749</b>	<b>686</b>	<b>1498</b>	<b>204</b>	<b>0</b>	<b>310</b>	<b>0</b>	<b>197</b>	<b>1368</b>	<b>0</b>	<b>741</b>	<b>0</b>	<b>1923</b>
The Newseum	6th & Pennsylvania	Under Construction	\$381	New	497	50	146	30	0	250	0	167	0	0	0	0	112	
City Vista- K Condos, V Apts	K St between 4th/5th Sts	Under Construction	\$179	New	652	0	536	116	0	0	0	0	536	0	0	0	661	
DuMont East & West	425 Massachusetts	Under Construction	\$115	New	559	0	559	0	0	0	0	0	559	0	0	0	562	
1099 New York Ave	1099 New York Ave	Under Construction	\$80	Dem&New	175	167	0	8	0	0	0	0	0	0	0	0	125	
1199 F Street	1199 F Street	Under Construction	\$75	Dem&New	250	216	0	34	0	0	0	0	0	0	0	0	165	
Yale Steam Laundry Phase II	New York Ave (b/w 4th and 5th)	Under Construction	\$40	New/GR	210	0	210	0	0	0	0	0	210	0	0	0	125	
1050 K Street	1050 K Street	Under Construction	\$40	New	136	126	0	10	0	0	0	0	0	0	0	0	90	
Ford's Theatre Renovation	511 10th Street	Under Construction	\$40	GR	60	0	0	0	0	60	0	0	0	0	741	0	0	
250 H Street (AIPAC)	250 H Street	Under Construction	\$35	New	90	90	0	0	0	0	0	0	0	0	0	0	50	
Blagden Alley	917 M St & 1212 9th St	Under Construction	\$23	New	50	0	47	3	0	0	0	0	63	0	0	0	33	
1331 G Street	1331 G Street	Under Construction	\$12	Renov	40	37	0	3	0	0	0	0	0	0	0	0	0	
Mt Vernon Church Renovation	900 Massachusetts Ave	Under Construction	\$5	Renov	30	0	0	0	0	0	0	30	0	0	0	0	0	
<b>2009*</b>					<b>\$424</b>	<b>958</b>	<b>646</b>	<b>165</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35</b>	<b>186</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>590</b>
901 K Street Office (Mt Vernon Church Office)	901 K Street	Under Construction	\$130	New	250	208	0	7	0	0	0	35	0	0	0	0	220	
700 6th Street	700 6th Street	Under Construction	\$100	New	303	296	0	7	0	0	0	0	0	0	0	0	150	
Gallery Square	7th & H Streets	Planned	\$110	New	185	65	40	80	0	0	0	0	22	0	0	0	100	
1000 F Street	1000 F Street	Planned	\$32	New	80	77	0	3	0	0	0	0	0	0	0	0	60	
Eye Lofts	459-433 Eye St	Planned	\$52	New	140	0	125	15	0	0	0	0	164	0	0	0	60	
<b>After 2009*</b>					<b>\$2,926</b>	<b>6811</b>	<b>2405</b>	<b>1311</b>	<b>430</b>	<b>0</b>	<b>0</b>	<b>640</b>	<b>1610</b>	<b>1292</b>	<b>1450</b>	<b>0</b>	<b>0</b>	<b>3500</b>
Old Convention Center Site	900 9th Street	Planned	\$1,000	Dem/New	2,481	415	686	280	0	0	0	985	686	0	0	0	1700	
Convention Center Hotel	9th /10th/Mass Ave	Planned	\$555	New	800	0	40	0	0	640	160	0	1150	0	0	0	200	
300 K Street	300 K Street	Planned	\$198	New	480	450	0	30	0	0	0	0	0	0	0	0	300	
K Street Promenade	400 K Street	Planned	\$198	New	450	450	0	0	0	0	0	0	0	0	0	0	300	
Martin Luther King Jr. Library	901 G Street	Planned	\$160	GR	400	0	0	0	0	0	0	400	0	0	0	0	0	
600 Mass Ave	600 Mass Ave	Planned	\$150	New	370	350	0	20	0	0	0	0	0	0	0	0	300	
Mt. Vernon Place Residential (Carroll Square)	7th & H Streets	Planned	\$140	New	350	0	350	0	0	0	0	0	351	0	0	0	350	
Metro Headquarters Redevelopment	600 5th Street	Planned	\$120	Renov	400	380	0	20	0	0	0	0	0	0	0	0	0	
Old Post Office	1100 Pennsylvania Ave	Planned	\$100	Adapt/Reuse	300	NA	NA	NA	NA	NA	NA	NA	300	NA	NA	NA	NA	
National Law Enforcement Memorial	1100 E Street	Planned	\$80	New	100	30	0	5	0	0	0	65	0	0	0	0	0	
First Congregational Church	945 G Street	Planned	\$76	Dem/New	210	170	0	0	0	0	0	0	0	0	0	0	140	
AV Ristorante Site	601-605 New York Ave	Planned	\$50	Dem&New	165	0	160	5	0	0	0	0	165	0	0	0	160	
Penn Tower	724 3rd Street	Planned	\$45	New	115	0	115	0	0	0	0	0	90	0	0	0	50	
Gallery Square	7th & H Street	Planned	\$34	New/GR	60	30	na	30	0	0	0	0	0	0	0	0	0	
Canterbury Site	3rd & G Streets	Planned	\$20	New/Pres	130	130	0	0	0	0	0	0	0	0	0	0	NA	

**Total Investment 1998-December 31, 2007**  
**Total Investment 1998-2009**

\* Projected Deliveries

Source: Downtown DC BID

# Appendix 3

## Annual Development Within Seven Blocks of the Verizon Center

Prepared by the Downtown Business Improvement District (11/21/07)

21-Nov-07

Development By Type (dollar numbers in millions, and built space numbers in thousands of square feet)											
	Total Investment (land & const)	Office Space Built	Retail Space Built	Hotels: Number/Rooms Built	Apartments Built	Condos Built	Movie Screens/Seats Built	Live Theatre Stages/Seats Built	Museums: Number/Square Footage Built	Restaurants Opened/Cumulative	
1995	\$ 178	705 SF	84 SF	- Rooms	- Apts	- Condos	-	-	-	0	0
1996	\$ 59	258	3	-	-	-	-	-	-	0	0
1997	\$ 53	225	12	-	-	-	-	-	-	3	3
Opening in December 1997											
1998	\$ -	-	-	-	-	-	-	-	-	4	7
1999	\$ 193	656	18	-	86	-	-	-	-	5	12
2000	\$ 340	1,063	44	1 188	-	-	-	-	-	6	18
2001	\$ 242	869	132	-	-	-	-	-	-	5	23
2002	\$ 444	1,238	63	1 184	58	-	-	-	1 40	9	32
2003 (2003 does not include new convention center)	\$ 485	1,792	33	-	665	79	-	-	1 45	7	39
2004	\$ 826	1,524	411	-	759	-	22 3,600	-	-	3	42
2005	\$ 470	254	70	1 383	-	1,088	-	1 265	-	3	45
2006	\$ 705	693	101	-	-	297	-	-	1 382	0	45
2007	\$ 1,111	1,702	48	-	135	720	-	1 776	1 25	9	54
<b>Sub-Total for 1998 - 12/31/2007</b>	<b>\$ 4,816</b>	<b>9,791 SF</b>	<b>920 SF</b>	<b>755 Rooms</b>	<b>1,703 Apts</b>	<b>2,184 Condos</b>	<b>3,600</b>	<b>1,041</b>	<b>492</b>	<b>54</b>	
2008* Projection	\$ 1,025	686	204	-	-	1,368	-	1 248	1 497	5	55
2009** Projection	\$ 424	646	112	-	165	22	-	-	-	5	60
<b>Total 1998 through 2009</b>	<b>\$ 6,265</b>	<b>11,123 SF</b>	<b>1,236 SF</b>	<b>755 Rooms</b>	<b>1,868 Apts</b>	<b>3,574 Condos</b>	<b>3,600</b>	<b>1,290</b>	<b>989</b>	<b>60</b>	

\* 100% of projects are currently under construction.

\*\* Projects are mostly planned, with one or two already under construction.

Source: Downtown DC BID

# Appendix 4

## Annual Incremental Tax Revenues Generated By Development Within Seven Blocks of the Verizon Center by the Downtown Business Improvement District (11/21/07)

21-Nov-07

	Taxes Generated by the Projects Completed in Each Year Based On Each Year's Delivered/Completed Projects									
	Total Taxes	Office Taxes	Retail Taxes	Hotels Taxes	Apt Taxes	Condos Taxes	Movie Taxes	Live Theater Taxes	Museums Taxes	Restaurant Taxes
1995	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1996	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1997	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Opening in December 1997										
1998	\$ 900	-	-	-	-	-	-	-	-	\$ 900
1999	9,249	\$ 7,035	\$ 370	-	\$ 663	-	-	-	-	1,181
2000	15,365	\$ 12,156	\$ 952	\$ 772	-	-	-	-	-	1,485
2001	14,937	\$ 10,642	\$ 3,002	-	-	-	-	-	-	1,294
2002	19,592	\$ 14,101	\$ 1,502	742	\$ 467	-	-	-	350	2,430
2003	35,360	\$ 26,382	823	-	\$ 5,436	695	-	-	54	1,969
2004	43,341	24,458	10,636	-	6,292	-	1,077	-	-	878
2005	19,441	4,541	1,901	1,888	-	10,095	-	104	-	911
2006	18,186	12,378	2,848	-	-	2,779	-	-	180	-
2007	43,623	30,400	1,354	-	1,139	6,738	-	305	852	2,835
Sub-Total for 1998 - 12/31/07	<u>\$ 219,994</u>	<u>\$ 142,092</u>	<u>\$ 23,388</u>	<u>\$ 3,402</u>	<u>\$ 13,998</u>	<u>\$ 20,308</u>	<u>\$ 1,077</u>	<u>\$ 409</u>	<u>\$ 1,436</u>	<u>\$ 13,883</u>
2007* Projection	34,734	12,253	5,753	-	-	12,802	-	98	2,254	1,575
2008** Projection	17,870	11,538	3,158	-	1,392	206	-	-	-	1,575
Total 1998 through 2009	<u>\$ 272,598</u>	<u>\$ 165,883</u>	<u>\$ 32,300</u>	<u>\$ 3,402</u>	<u>\$ 15,390</u>	<u>\$ 33,316</u>	<u>\$ 1,077</u>	<u>\$ 507</u>	<u>\$ 3,690</u>	<u>\$ 17,033</u>
ANNUAL TAXES GENERATED	<u>\$259,445</u>	\$174,881	\$25,944	\$3,877	\$14,371	\$20,439	\$1,077	\$409	\$1,436	\$17,010
Based on development through 2007										

Source: Downtown DC BID

# Appendix 5

## Jobs Generated By Development Within Seven Blocks of the Verizon Center

Prepared by the Downtown Business Improvement District (11/21)

21-Nov-07

		Jobs Generated Based On Each Year's Delivered/Completed Projects									
		<u>Total Jobs</u>	<u>Office Jobs</u>	<u>Retail Jobs</u>	<u>Hotel Jobs</u>	<u>Apt Jobs</u>	<u>Condos Jobs</u>	<u>Movie Jobs</u>	<u>Live Theater Jobs</u>	<u>Museums Jobs</u>	<u>Restaur-ant Jobs</u>
1995		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1996		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1997		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>Opening in December 1997</b>											
1998		160	-	-	-	-	-	-	-	-	160
1999		2,481	2,187	90	-	4	-	-	-	-	200
2000		4,191	3,543	220	188	-	-	-	-	-	240
2001		3,757	2,897	660	-	-	-	-	-	-	200
2002		5,069	4,127	315	184	3	-	-	-	80	360
2003		6,476	5,973	165	-	33	4	-	-	20	280
2004		7,377	5,080	2,055	-	38	-	84	-	-	120
2005		1,774	847	350	383	-	54	-	20	-	120
2006		2,930	2,310	505	-	-	15	-	-	100	-
2007		6,386	5,673	240	-	7	36	-	40	30	360
<b>Sub-Total for 1998 - 12/31/07</b>		<u>40,600</u>	<u>32,637</u>	<u>4,600</u>	<u>755</u>	<u>85</u>	<u>109</u>	<u>84</u>	<u>60</u>	<u>230</u>	<u>2,040</u>
2008	Projection	3,725	2,287	1,020	-	-	68	-	-	150	200
2009	Projection	2,923	2,153	560	-	8	1	-	-	-	200
<b>Total 1998 through 2009</b>		<u>47,248</u>	<u>37,077</u>	<u>6,180</u>	<u>755</u>	<u>93</u>	<u>179</u>	<u>84</u>	<u>60</u>	<u>380</u>	<u>2,440</u>

Source: Downtown DC BID

## **FIGURES**

Figure 1 – *Map of Downtown Rome*. Public Domain.

Figure 2 – *Franklin Field – 1940*. <<http://www.espn.com>>

Figure 3 – *Map of Fenway Park*. Public Domain.

Figure 4 – *Map of Downtown Washington, DC*. Downtown DC BID.

Figure 5 – *Map of Downtown DC BID*. Downtown DC BID.

Figure 6 – *Annual Development Projects Completed in DC BID*. Downtown DC BID.

Figure 7 – *Square Feet Developed per Year within 7 Blocks of the Verizon Center*.  
Downtown DC BID.

Figure 8 – *Jobs Created per Year within 7 Blocks of the Verizon Center*. Downtown DC  
BID.

Figure 9 – *Taxes Generated per Year within 7 Blocks of the Verizon Center*. Downtown  
DC BID.

Figure 10 – *DC General Fund Budgetary Surplus/ Deficit, 1992-2007*. DC  
Comprehensive Annual Reports.