

New Downtown Baseball Stadium Economic Analysis

SUBMITTED TO
The City of Biloxi

SUBMITTED BY
C.H. Johnson Consulting, Incorporated

August 19, 2013



**JOHNSON
CONSULTING**

Experts in Convention, Hospitality,
Sport and Real Estate Consulting.

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SECTION I
TRANSMITTAL LETTER

August 19, 2013

Mayor A.J. Holloway
City of Biloxi
140 Lameuse St
Biloxi, MS 39530

Re: Economic Analysis for a Proposed Downtown Baseball Stadium

Dear Mayor Holloway:

Johnson Consulting is pleased to submit this report to the City of Biloxi (“City”) to provide a review of the economic validity of the proposed stadium at the Beau Rivage site in downtown Biloxi. Pursuant to Johnson Consulting’s agreement with the City of Biloxi, we have quantified the total economic and fiscal impact of the proposed stadium and analyzed potential real estate investment and redevelopment opportunities as seen throughout minor league stadium developments across the US.

Johnson Consulting has no responsibility to update this report for events and circumstances occurring after the date of this report. The findings presented herein reflect analyses of primary and secondary sources of information. Johnson Consulting used sources deemed to be reliable, but cannot guarantee their accuracy. Moreover, some of the estimates and analyses presented in this study are based on trends and assumptions, which can result in differences between the projected results and the actual results. Because events and circumstances frequently do not occur as expected, those differences may be material. This report is intended for the clients’ internal use and cannot be used for project underwriting purposes without Johnson Consulting’s written consent.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely,

C.H. Johnson Consulting, Inc.

C.H. JOHNSON CONSULTING, INC.

SECTION II
INTRODUCTION & EXECUTIVE SUMMARY

INTRODUCTION

Minor league baseball stadiums can be catalysts for economic development, if the setting and motivations are aligned for success. Some markets have performed poorly. In these few instances common characteristics are present – a poor site is chosen, political gain is sought, or all dollars are consumed by the project.

These characteristics do not exist in Biloxi. It is our independent belief that baseball will be well attended in this market and the stadium location is outstanding. The cost of the stadium is being borne by three motivated partners. Downtown Biloxi is ripe for redevelopment. The team owners are seasoned operators and are joined by strong casino operations that seek high volumes of attendance and events and a good downtown environment in which to operate. Finally, Biloxi, as a City, collects more tax categories than any other city that have minor league baseball. It gets a share of sales, hotel, gaming and property taxes, and additionally with the partnership of the State, County and Beau Rivage the project cost borne by the City is minimized.

Biloxi has another agenda that is perhaps even more important than the baseball deal structure, project risk or economic impacts related to attendance: Land development is very hard in downtown Biloxi. Remembrances of Hurricane Katrina, high insurance costs and high land costs have inhibited development. The City has made several strategic investments to restore major uses—for example the new Lighthouse Visitors Center, Library and Civic Center. However restoration of the 3,500 lost hotel rooms and development of residential development has been slow to come. New retail is just emerging. Meanwhile Gulfport, D'Iberville and Ocean Springs have advanced faster than Biloxi and have taken market share away from Biloxi, as shown in the tax collection categories below.

Table 2-1

Harrison County Tax Collections By Industry			
Industry	CAGR* (2010-2012)		
	Biloxi	D'Iberville	Gulfport
Automotive	-1.17%	29.67%	8.27%
Machinery, Equip.	9.32%	37.06%	-10.18%
Food	-0.44%	3.93%	3.85%
Furniture	8.78%	-4.37%	-0.47%
General Merchandise	8.42%	-2.24%	0.03%
Lumber & Bldg. Supplies	33.98%	-1.50%	21.20%
Misc. Retail	-13.25%	28.53%	2.45%
Services	-1.56%	-7.25%	-5.02%
Public Utilities	5.76%	-	4.33%
Contracting	-68.52%	56.23%	7.95%
Recreational & Amusement	-6.77%	-	-

* Compounded Annual Growth Rate
 Source: Mississippi Department of Revenue

The Sales Tax Collections for Biloxi has decreased over the last three years in six of the 11 categories in the table. Additionally, Biloxi lags behind D'Iberville and/or Gulfport in many of the key industries, including Automotive, Machinery/Equipment, Food, Miscellaneous Retail, and Contracting. Furniture, Services, General Merchandise, and Lumber & Building Supplies are industries in Biloxi that have seen a higher growth in Sales Tax Collections than both D'Iberville and Gulfport. The goal is not to take demand from Gulfport and D' Iberville, but to make the entire market stronger. A stronger Biloxi will grow the pie and the County and the State recognize that.

In this report, we conclude that a baseball stadium and district are very important steps to make Biloxi more livable and attractive. We also conclude that Biloxi is ready for such development as it has an outstanding site and favorable lease terms with a good team operator. This public investment could not come a more opportune time for the City of Biloxi as it begins to restore itself. Biloxi has a strong baseball tradition and playing in the Southern League creates rivalries with several nearby regional markets for Biloxi. The casinos will market to these regional markets to make Biloxi more attractive to them.

Because of the participation of the State, County and Beau Rivage in the project, by adding a stadium, the City has a greater start in making downtown more livable. Hence, a strong investment such as the stadium and efforts by the casinos and others to make downtown Biloxi start to gel and become the live, work and play environment that is possible. Is the stadium itself the tipping point? No! But it communicates a shift in attitude for downtown that the City seeks a residential and retail base and it is taking steps to make that happen.

PROPOSED LEASE TERMS

The City of Biloxi proposes to enter into a 20-year lease with an AA baseball team with two (2) five year extensions. The base rent will be \$150,000 along with additional rent based upon attendance and ticket prices. The schedule for additional rent is based upon the following:

- AA baseball: \$2 per ticket not to exceed \$500,000
- Other baseball: \$1 per ticket
- Concerts:
 - \$2 per ticket up to a \$30 ticket price
 - \$3 per ticket from \$31-\$45 ticket price
 - \$4 per ticket from \$46-\$75 ticket price
 - \$5 per ticket from \$76 ticket price and up

- Other events: \$1 per ticket

Additional revenues available to finance the project include property tax revenues of the City and County estimated to be \$125,981 annually, a sales tax rebate from the State of \$406,568 annually for the first 15 years, and an annual contribution from the County in the amount of \$50,000. The City will also be able to sell the field naming rights for another source of income. If attendance and utilization of the stadium exceed the projections, the additional rent and tourism rebate will be increased and create additional revenues for the City. At this time the City is seeking other funding opportunities in addition to the State grant and Tourism rebates to offset some of the development costs of the stadium which will only enhance the financing for the stadium.

EXECUTIVE SUMMARY

The balance of this report supports our conclusion that this investment by the City is low risk.

The report shows:

1. That Biloxi-Gulfport market is attractive for baseball and that the projections used are reasonable to conservative. We actually expect the attendance to be among league leaders, as the casinos can unleash their marketing prowess to market attendance. We also see the special event and concert market having greater potential than projected, if the Stadium evolves into the “Town Square” we expect can happen.
2. The proposed project creates a destination/district in the downtown, as opposed to an isolated stadium development. The chosen site is excellent and can lever new hotel, retail and residential development.
3. The \$34 million direct, induced and indirect spending volume created by the attendees will help existing gaming, retail and restaurant establishments. This volume can help justify residential, hotel and retail in the future.
4. The deal structure is conservatively low risk.
 - Attendance should be very competitive.
 - Sophisticated and experienced operators are present.
 - The City is sharing the cost with the State, County and Beau Rivage and has more tax revenue sources than other ballpark destinations in other markets to help justify the investment. Its lease and tax collections will be able to service the debt payments on the \$21 million investment for the first 15 years and it is expected the gap in the debt service for the remaining five years will come from the additional revenues expected to be generated by the adjacent developments the stadium will likely attract.

SECTION III

MARKET & MINOR LEAGUE BASEBALL TRENDS



MARKET OVERVIEW

Minor League Baseball, which consists of 240 teams, was founded in 1869. These teams are predominately located in warm weather climates and range over six countries. In addition, they capitalize on small cities where there is a demand for baseball in particular. This League is a proving ground for athletes to get to the next level, Major League Baseball (MLB). It also hosts Major League players affected by injuries, as a place for them to rehabilitate with the benefits of still playing legitimate competition. This competition is categorized into sub leagues from single A to AAA.

The Biloxi-Gulfport Metropolitan Statistical Area (MSA), with a population of approximately 250,000 people, is smaller than the average market that supports a Southern, Texas, or Eastern League (AA) minor-league baseball franchise. However, the market really functions for a larger locale. For example, there is a newly developed three-county tourism agency, which stands to promote regional events, such as events at the proposed stadium. The population of the three county areas is 382,151. Further, Biloxi is located between New Orleans, 91 miles to the west, and Mobile, 62 miles to the east. The population of these nearby markets, combined with Biloxi is approximately 1,890,000 residents.

Overall AA attendance has averaged approximately 4,500 in recent years, but team attendance is not always a function of its market size. Given the proposed location of the stadium on the Beau Rivage site and the above average number of rooms and tourists to the location, it is expected that the attendance figures will benefit the area's attributes. In fact based on interviews with Hard Rock and Beau Rivage, they see this stadium as essential to continue growth of Biloxi as a tourist destination, and will use their extensive marketing engine to promote attendance to the stadium.

For projection purposes, we have assumed that a new baseball stadium in Biloxi will perform comparably to top tier stadiums in the Southern League, which has an average attendance of 4,300 (based on recent attendance figures of the top tier Southern League teams), even in light of the casinos' extraordinary efforts into marketing the stadium. Additionally, the proposed site would make the new Biloxi stadium one of the most attractive settings in all of the Southern League. The facility, if built as planned with amenities found in other comparable stadiums, would likely provide better services to patrons and tenants, attract new events to the area, and generate increased revenues to the facility's owners and tenants, as well as to the community.

Currently, there is a national trend towards upgrading, expanding, and improving public assembly facilities such as stadiums, and this has led to the development of new and renovated facilities throughout the country, not only in major professional sports but also in minor leagues such as the Southern League. This movement is particularly evident in minor league baseball and is a response to increased demand by the sports and entertainment markets, which have grown in recent years. Over the past ten years in the Southern League alone there have been four new ballparks constructed or currently under construction to serve growing

demand. The addition of a new multi-purpose stadium and concert venue will allow Biloxi to bring more events into the area, as well as provide local citizens and users with better facilities.

PROPOSED DEVELOPMENT

The planned stadium in Biloxi is expected to have a seating capacity of approximately 5,500 – 6,000 permanent seats, 12 luxury suites (based on demand), and it will be designed to accommodate a larger capacity for outdoor concerts. The site allows for an additional 6 acres of development that is envisioned to have hotel, retail, restaurant and entertainment facilities that will allow the site to be used year-round. The estimated cost of the proposed stadium is approximately \$36 million dollars, of which \$15 million will be funded by the State and the remaining \$21 million would be funded by the City of Biloxi.

DEMAND PROJECTIONS

Johnson Consulting projected the demand of a new stadium in Biloxi for its first ten years of operation, based on comparable facilities' operations, characteristics of the local market area, and various assumptions that are described in this text, including conversations with minor league baseball team owners, concessionaires, and architects. For the purpose of this analysis the demand projections begin in the 2015 calendar year, which is assumed to be the first full year that a proposed AA franchise would play in the facility along with other full-time stadium uses.

Table 3-1 summarizes the projected event schedule for the stadium from 2015 through 2024, by event type.

Table 3-1

Biloxi Baseball Stadium										
Projected Schedule of Events by Category and Year										
Category	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
AA Baseball	68	68	68	68	68	68	68	68	68	68
Other Baseball Events	16	16	16	16	16	16	16	16	16	16
Concerts	12	12	12	12	12	12	12	12	12	12
Festivals	8	8	8	8	8	8	8	8	8	8
Total	104									

Source: Johnson Consulting

The stadium's anchor tenant, the AA baseball franchise, will play its entire home schedule which consists of approximately 68 regular-season games at the facility (While the number of home games per year is up to 72 games, the total number of games played often fluctuates due to rainouts or other weather-related events). Other baseball events include all non-AA baseball games, such as high school and collegiate tournaments and championship games, clinics, and baseball camps, and a few speculated professional exhibitions games which place after spring training and prior to the MLB opening day. With the location of the proposed stadium it lends itself as an outdoor venue for the adjacent casino as well as other regional casinos to host their touring

concert events. Additionally, community events such as Mardi Gras, Crusin' the Coast, film festivals, spring break, fishing/boating tournaments along with other recognized holiday festivals would utilize the site as an anchor for associated concerts or as a Town Square.

In 2015, the stadium's first full year of operations, the facility is projected to host a total of 104 events. Of these events, 68 are regular-season home baseball games, 16 are other baseball events (includes tournaments, high school, and college), 12 concerts and 8 multi-day festivals. To remain conservative, Johnson Consulting has projected that the number of events will remain level over the next ten years, as opposed to increasing the number of the events. Each event category, and its projected demand over time, is explained in more detail in the following paragraphs.

Table 3-2 summarizes the projected turnstile attendance at the stadium by type of event, from 2015 through 2024.

Table 3-2

Biloxi Baseball Stadium										
Projected Event Attendance by Category and Year										
Category	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
AA Baseball	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000
Other Baseball Events	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000
Concerts	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000
Festivals	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
Total	445,000	445,000	445,000	445,000	445,000	445,000	445,000	445,000	445,000	445,000

Source: Johnson Consulting

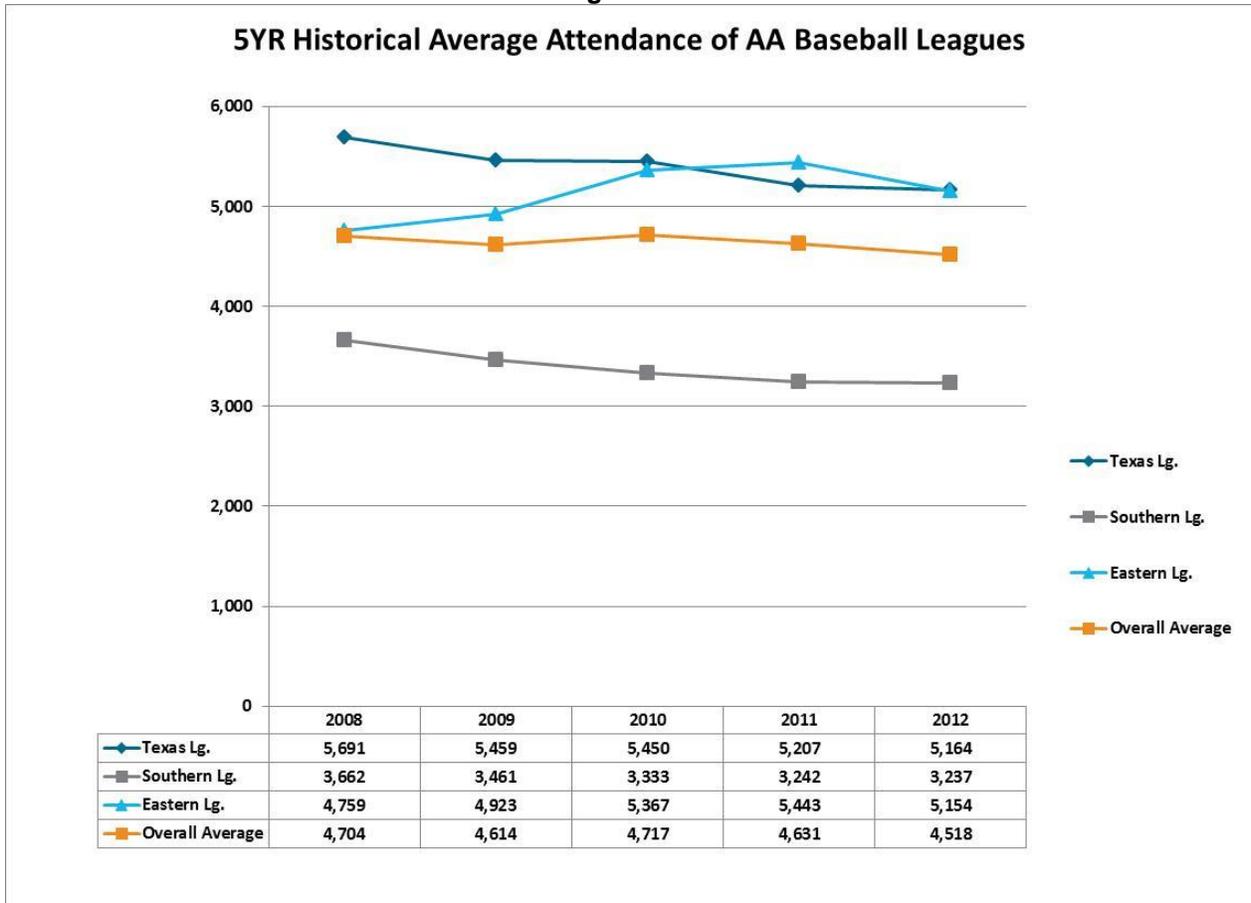
Total turnstile attendance at stadium events is projected to be approximately 445,000, remaining consistent over the next ten year period. Turnstile attendance is a percentage of paid attendance (as high as 95 percent, depending on the type of event) and many of the projections, such as the economic impacts, are based on turnstile attendance. The largest share of attendance is projected for AA baseball games, with 280,000 projected attendees. Each type of event is described in more detail below.

- **AA Baseball** games assume that an AA baseball franchise is a tenant in the new stadium and plays its entire home schedule in the facility. A Southern League team's schedule consists of 72 regular-season home games but again for the purpose of this analysis and to remain conservative in our assumptions we have assumed approximately 4 rainout games a year, thus we have used 68 home games in our estimates. In addition, the team's playoff participation would extend its season and add more home dates, but these games are not included in the projections, as they are not certain to occur in any year. Four Southern League teams play in a best-of-five-game divisional playoff, and the two series winners then play a best-of-five championship series.



To remain conservative in our approach, Johnson Consulting has assumed attendance will remain consistent over a ten year period. Beginning in 2015, average paid attendance at regular season baseball games is projected to be 4,300. Attendance projections are based largely on the recent historical average for the Southern League and all of AA baseball, which is shown in Figure 3-1.

Figure 3-1



Average AA attendance in the Southern, Eastern, and Texas Leagues ranged from approximately 3,200 to 5,100 in 2012. Overall, in the last five seasons, average attendance in the three AA leagues has ranged from approximately 4,500 to 4,700. In each of the last five years, Southern League attendance has been less than the overall AA average. Additionally, the top three teams in the Southern League averaged approximately 4,300 per games. Given the great location on the stadium and the state-of-the-art stadium we expect the Biloxi team to perform similar to the top tier Southern League teams.

- **Other Baseball Events** are local and regional high school games and tournaments along with significant collegiate matchups from schools in Texas, Louisiana, Mississippi, Alabama and Florida



representing the Southeastern Conference (SEC), Conference USA and Atlantic Coast Conference (ACC). This category of events also includes baseball camps and clinics.

A total of 16 such events are projected in 2015, with a total attendance of approximately 62,000. Not all of these events, such as a baseball camps, are expected to generate significant ticket sales and other related revenues. Overall paid average attendance at other baseball events, considering all types of events, is projected to be 4,080. The number of other baseball events is projected to remain consistent at 16 through in 2024.

- **Concerts and Other Events** are planned at the stadium as it will include a sound stage adjacent to the seating area. The projection estimates that the stadium's sound stage and pavilion will host 12 concerts and other events in 2015, with an average paid attendance of 6,565. The high percentage of capacity represents local gaming operators and their commitments to host numerous concerts and events with top performing acts. Event demand is projected to hold steady at 12 through 2024. The stadium developer has previously promoted numerous concerts in other locations, and is expected to hold similar events at the new stadium in the future. Because of the developer's local relationships and past experience in promoting similar events, the extended outdoor concert season due to Biloxi's climate, and the lack of existing facilities in the area, as well as the proposed sound stage's expected status as the premier local venue for outdoor events, concert demand is expected to be strong at the new stadium. This category of events also includes community events, such as high school and college graduations.

CONCLUSION

Johnson Consulting believes the City of Biloxi to be a strong market for a Minor League Baseball Stadium development. With the natural amenities of the Beau Rivage site, the promised marketing support by the casino properties, and experienced management team, we foresee the proposed stadium achieving attendance levels of league leaders. Moreover, we are convinced the stadium will serve as an anchor to downtown redevelopment and commence more spending to existing businesses and stimulate new investment in the downtown area.

SECTION IV
MINOR LEAGUE STADIUM CASE STUDIES

MINOR LEAGUE BALLPARK CASE STUDIES

In the following section, Johnson Consulting has analyzed downtown minor league ballparks. Each of these facilities is different in terms of size, attendance, and lease agreements; however they are all examples for the City to consider for the proposed team in Biloxi. The hope for Biloxi, the region, and State is that baseball provides the redevelopment impetus lost when the economy turned, when Hurricane Katrina affected Biloxi and when the BP oil spill affected tourism. Before these events, there were 3,500 more hotel rooms in Biloxi. There were also numerous proposed new developments. This economic loss and forestalling has hurt the local and state economy. It is hoped that with the proposed downtown site, combined with the promotional efforts of the area casinos, downtown will become a very attractive location for tourism, baseball, special events and new hotel, retail and residential development. The models here provide insights for Biloxi. The identified national facilities include:

- Pensacola Blue Wahoos – Pensacola, FL
- Tulsa Drillers – Tulsa, OK
- Birmingham Barons – Birmingham, AL
- Mississippi Braves – Pearl, MS
- Norfolk Tides – Norfolk, VA

Table 4-1 provides background on the comparable facilities:

Table 4-1

Biloxi Stadium Project Summary of Comparable Facilities and Markets						
	Proposed Biloxi Stadium	Pensacola Bayfront Stadium	Oneok Field	Regions Field	Trustmark Park	Harbor Park
Location	Biloxi, MS	Pensacola, FL	Tulsa, OK	Birmingham, AL	Pearl, MS	Norfolk, VA
Market Characteristics						
MSA Population (2013 Estimate)	259,408*	458,291	958,008	1,138,258	553,617	1,689,756
Median Household Income	\$40,908	\$45,696	\$47,027	\$46,446	\$43,973	\$58,190
Number of Businesses	10,735	21,833	42,963	48,784	26,408	66,052
Median Age	36.6	38.4	36.7	37.8	35.2	35.4
Facility Characteristics						
Year Built	2015 (projected)	2012	2010	2013	2005	1993
Development Cost	\$36,000,000	\$54,000,000	\$39,200,000	\$64,000,000	\$28,000,000	\$16,000,000
Anchor Tenant	TBD	Pensacola Blue Wahoos	Tulsa Drillers	Birmingham Barons	Mississippi Braves	Norfolk Tides
League	AA Southern	AA Southern	AA Texas	AA Southern	AA Southern	AAA International
Naming Rights	-	None	20 years/ \$5 million	20 years/ \$10 million	20 years/ \$4.8 million	none
Luxury Suites	12	6	23	23	22	22
Club Seats	-	300	60	400	none	none
Total Arena Seats	6,000	5,000	5,900	8,500	6,000	12,000

* Three county area of Hancock, Harrison and Jackson has a population of 382,151
 Source: Respective facilities, DemographicsNow, Johnson Consulting, Revenues From Sports Venues 2012 Edition

PENSACOLA BAYFRONT STADIUM PENSACOLA, FLORIDA

OVERVIEW

Pensacola Bayfront Stadium is home to the Southern AA League Pensacola Blue Wahoos and is located along Pensacola Bay in downtown Pensacola. The City of Pensacola is rich in history and tradition, dating back 450 years as the first European settlement in North America. Since then, the city has grown to 52,375 residents, and is one of the premier cities in the Gulf Coast Region. In addition to the Blue Wahoos, Pensacola is a major training base for the US Navy and home to the Blue Angels Naval aerobatics team.

STADIUM OVERVIEW

The site for the stadium is bounded by Main Street on the north and the Pensacola Bay on the south, with City Hall almost right across Main Street. Prior to the stadium being built, the land was used as a trading post as far back as the 1780's. The site evolved throughout the years along with the City of Pensacola and eventually became a petroleum depot and sea-to-rail transfer station. The site sat vacant for over 30 years until the City acquired the 32-acre site in 2006. After years of neglect, and because of the site's history for storing petroleum, \$20 million was spent on site cleanup prior to construction. The City viewed this project as so important to building a good downtown, it was concluded that this site was worth this investment.



The stadium was designed as a mixed-use facility to host baseball, football, concerts and other public events with the hope of driving economic development. One of the strategies implemented by the team to push fans to experience downtown before and after games is limiting parking. Instead of parking at the stadium, most fans park at a number of other downtown locations and are offered free transportation to the stadium via shuttle or bike "pedi-cabs." In a recent news story researched by Biloxi television, interviews were held with local downtown businesses, who commended the benefits from when games are held in the stadium. The stadium is too new to conclude how many apartment, hotel or other developments will materialize, but development is expected to occur.

Given the time and budget limitations for this study, we were not be able to survey businesses in downtown Pensacola to verify the increase in sales. We did, however, conduct a survey in Greenville, South Carolina regarding its arena – the BI-LO Center. Ten of the fifteen participants, or 66 percent, responded that they would attribute approximately two to five percent of their business directly to events at the BI-LO Center.

COST AND FINANCING

Built in 2012 at a total cost of approximately \$24 million (not including \$20 million for site cleanup), the stadium was part of a \$54 million redevelopment project that is now known as Community Maritime Park –



including an amphitheater and where there is land for other commercial development, such as a marina or museum. The stadium was financed through Community Redevelopment Agency (CRA) funds.

ATTENDANCE

The Blue Wahoos played their inaugural season at Pensacola Bayfront Stadium in 2012. Routinely selling out games, they led the league in total attendance attracting over 328,000 fans for the season, or an average of 4,826 fans per game. Because of the initial strong attendance figures for Blue Wahoos games and the unique design of the stadium, Pensacola Bayfront was awarded the 2012 Ballpark of the Year award from baseballpark.com, beating out Miami Marlins stadium and JetBlue Park (Boston Red Sox Spring Training facility) in Fort Myers, Florida.

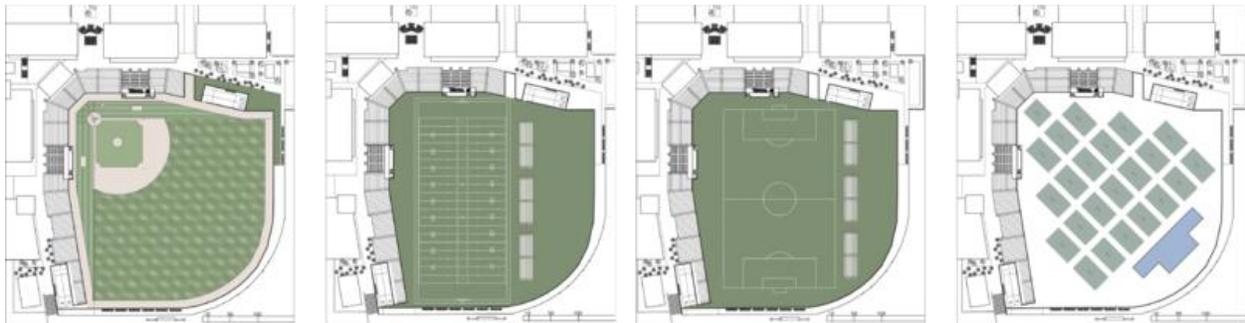
LEASE AGREEMENT

Some key features of the lease agreement for the Pensacola Bayfront Stadium are:

- The agreement is between the City of Pensacola and the Blue Wahoos for a period of only ten years rather than the typical 20-year guaranteed lease term (Blue Wahoos have two options to extend the lease for additional five-year periods).
- The annual rent paid by the baseball team is \$175,000.
- The Blue Wahoos keep all concession revenues, parking revenues and fifty percent of naming rights deals.

- The team is not responsible for basic stadium operating costs, maintenance, insurance payments and utilities.

In order to fund the development the City borrowed more than \$54 million using property tax revenues as collateral. The property tax revenues are generated for the CRA, a group that manages redevelopment efforts within the Downtown Pensacola area. Taxes generated within the district will be re-invested to foster economic growth. This is a somewhat risky situation as taxpayers are responsible for making annual debt payments of approximately \$4 million, if property taxes do not materialize. Also, in contrast to the structure in Biloxi, the City does not collect the Hotel Tax, which goes to the county, nor does it collect sales tax, which goes to the state. Finally, Florida does not have gaming or a meals/hospitality tax, so property taxes are the only available resource to fund the project.



OBSERVATIONS

The City of Pensacola accomplished its goal of building a unique, first-class stadium. The City has structured a tight deal. Time will tell how the economics of the stadium financing work out. In the short term, the stadium has been an absolute success and local businesses are experiencing large increases in sales on game days. Downtown Pensacola may experience development in its downtown core, but due to the newness of the stadium, and the nature of the site location, none has transpired yet. This project is part of an overall entertainment district that includes the civic center, stadium, historic theater and a very attractive New Orleans style development. This concentration of assets should engender hotel and residential development in the greater downtown area.

ONEOK FIELD TULSA, OKLAHOMA

MARKET OVERVIEW

ONEOK Field is home to the Texas AA League Tulsa Drillers and is located in downtown Tulsa. With a population of 397,477 residents, the City of Tulsa is home to several of the largest companies in several key industries, including aerospace, energy, healthcare, technology, manufacturing and transportation. Tulsa is generally viewed upon favorably due to a pro-business approach, its central location in the United States and its ability to remain mostly isolated from the effects of the recession.



STADIUM OVERVIEW

The ballpark sits on a formerly vacant, city-owned property in the downtown Tulsa neighborhood of Greenwood and just blocks from Tulsa's nightlife. Greenwood, an oil-boom district, was once known as the "Black Wall Street." Later, it became the site of one of the bloodiest race riots in U.S. history, which



destroyed 35 city blocks through fire. Although the district was rebuilt over time, it never regained the prominence it once held in downtown Tulsa. The construction of Oneok Field was an attempt to spur economic growth in the district.

Three blocks south of ONEOK Field is the Blue Dome District, featuring restaurants and music venues, including the famous Jazz Depot. Three blocks west of the stadium is Brady Village, consisting of more restaurants and nightclubs, as well as the historic Cain's Ballroom and Brady Theater. Seating 5,900 fans, the ballpark was built to further a downtown rejuvenation project that included upgrades to the Tulsa Convention Center and construction of the BOK Center.

COST AND FINANCING

The ballpark was built in 2010 at a total cost of approximately \$39.2 million (entire land development project was approximately \$60 million) and funded by 26 private donors and sponsors totaling \$25 million, a \$5 million naming rights deal with ONEOK (20-year naming rights agreement) and \$25 million generated through a 30-year downtown property assessment district. The Drillers are responsible for funding the remaining \$5 million.

ATTENDANCE

The Drillers have experienced very strong attendance figures since moving into ONEOK Field. Over the past three seasons the team has averaged over 5,600 fans per game. The team set attendance records in 2010 with a total of 408,183 fans for the season, and set the record for second highest attendance total in 2012 with 372,614 fans. Since its opening, ONEOK Field has also hosted over 148,000 people at special events.

LEASE AGREEMENT

The Tulsa Drillers entered into a 30-year lease agreement with the Tulsa Stadium Trust. Some key features of the lease agreement are:

- The Drillers pay \$150,000 in annual rent and manage the facility.
- If total paid attendance is above 400,000 a season, the team will pay the Trust 50 cents per ticket above the 400,000.
- The team contributes \$50,000 each year to a Capital Fund; if attendance exceeds 300,000 in a season, the team will contribute an additional 50 cents per ticket into the Fund.
- The team will collect all concession revenues for games and will pay 10 percent of net revenues from other events (concerts, special events) booked by the team to the Trust.
- The team has signage and sponsorship rights to the ballpark, but the Trust can sell sponsors for its events. The team gets all sponsorship revenue for baseball activities and pays 10 percent of net sponsorship revenues for other events to the Trust (Conversely, if the Trust sells sponsorship for any of its events, they pay 10 percent of net revenues to the Drillers).

OBSERVATIONS

The location of ONEOK Field was deemed critical to the success of this project. Developers believed it was important for a community to put their entertainment facilities in a mass location so they can benefit from ancillary development like restaurants, hotels and the other projects that drive economic growth. Since ONEOK Field was built in 2010, downtown Tulsa has announced projects totaling \$710 million and has seen 30 property sales that many believe were attributed to an increase in property values in the area. Some of the new projects that have been completed or are under construction include:

- One Place, a new \$100 million mixed-use project with office buildings and parking garage.
- \$75 million spent improving the bridges and highways surrounding downtown Tulsa.
- \$36 million to renovate and expand First Presbyterian Church.
- Mayo 420 Lofts, a \$30 million project to convert Mayo office building to 67 residential loft apartments, including office and retail.
- \$25 million in renovations to Oklahoma St. University Medical Center.
- Conversion of the former Tulsa City Hall into an Aloft Hotel featuring 67 hotel rooms and meeting space at a cost of \$25 million.
- \$18.2 million to renovate an old hotel and re-brand as Holiday Inn Tulsa Center.
- \$18 million to convert Mathews historical warehouse into the Philbrook Satellite Museum and the Zarrow Center for Art and Education.
- \$11.8 million in new construction for the KOTV-Channel 6 station compound.

While the construction of ONEOK Field cannot necessarily be credited for generating all of the economic development that has occurred in downtown Tulsa, it proved that the right combination of public and private investment can support a ballpark project that leads to additional projects in a downtown area. The ballpark has been successful in attracting fans to a previously under-utilized downtown district, but most importantly, it helped provide momentum for additional projects in downtown Tulsa.

TRUSTMARK PARK PEARL, MISSISSIPPI

OVERVIEW

As recent as the late 1990s, the City of Pearl, Mississippi, along with the rest of Rankin County, had very little commercial activity. By the mid-2000s, the area saw significant population growth. Many attribute this to the quality of life the area provides, with quality education, low taxes, and low crime rates. Over the past several years, the area has ranked high in state-wide success in terms of average household income growth and low unemployment.



To complement the quality of life a growing population demands, local officials have taken great strides in encouraging commercial activity. Large retail and mixed-use complexes now exist where a few years before was untouched land. The Bloomfield project in Pearl is a clear example of the new development efforts in the area. Along with retail components, the Bloomfield project includes a minor league baseball stadium, which lured the Atlanta Braves' Class AA affiliates to relocate from Greenville, South Carolina.

FACILITY

Built at a cost of \$28 million, Trustmark Park is home to the Mississippi Braves. Situated on 30 acres near the junction of Interstates 20 and 55, the stadium opened in 2005 after an 11-month construction period. Trustmark Park seats 7,200 and offers 22 luxury skyboxes.

In 2012, the Mississippi Braves recorded a total attendance for the season of 204,269, averaging 2,904 attendees per game.

Trustmark Park is owned by Bloomfield Equities, LLC.

FINANCING

Both the City of Pearl and Rankin County collaborated in the financing of the Bloomfield project. In 2004, the City issued urban renewal revenue bonds totaling \$72 million in addition to \$6 million in general obligation bonds. In addition, the City and County formed a Regional Economic Development Alliance (REDA) to be responsible for issuing refunding bonds for the project. Specifically for the baseball stadium, the City of Pearl received a \$7.5 million loan from the Mississippi Development Bank. This was used to help purchase land associated with the baseball stadium and parking lot. The County agreed to pledge \$320,000 over the course of 20 years to repay the loan.

ANCILLARY DEVELOPMENT

Trustmark Park is an element of a larger \$200 million Bloomfield development project, which spans over 101 acres. The first phase of the project included the baseball stadium and adjacent Bass Pro Shops, the only one in the state. The second phase is the Outlets of Mississippi, which is scheduled to open in November 2013. The third phase plans for a vibrant entertainment attraction, completing the family entertainment destination with shopping, entertainment, and dining options for all. The table below provides a review of the three phases.

Table 4-2

Bloomfield Project Summary Phase I and II		
Development	Size	Opened
Phase I		
Bass Pro Shop	130,000 SF	December 2005
Trustmark Park	30 acres	April 2005
Holiday Inn & Alumni House Sports Grill	120 rooms	August 2008
Sam's Club	135,000 SF	August 2009
Phase II		
The Outlets of Mississippi	325,000 SF	November 2013
Phase III		
Entertainment Component		TBD

Source: Bloomfield Equities

The accessibility of the project site generates high-traffic volume. In 2011, a total of 2.9 million visitors were recorded at the Bass Pro Shop, Sam's Club, Holiday Inn, and Trustmark Park. With the opening of the Outlets of Mississippi, the existing establishments, including the Mississippi Braves, are expecting higher business volume. As of August 2013, nearly 80 retailers have signed leases to the mall, including upscale brands like Saks Fifth Avenue Off 5th, J. Crew, Coach Factory & Coach Men's Factory, Crabtree and Evelyn, and Michael Kors. The image below shows the location of the first two phases of the Bloomfield development project.

Figure 4-1



Source: Spectrum Capital

IMPLICATIONS

Trustmark Park and the overall Bloomfield development benefited from a Tourism Sales Tax Rebate created for tourism projects. Big picture, the sales tax from the retail and the hotel subsidized those assets individually, but also facilitated payment of debt service on the stadium. While the development patterns at a suburban intersection are completely different from a downtown setting, the principles are the same. The baseball stadium was a driver for this district. As a result of this development, the City retains 18.5 percent of all sales tax earned by the retail, and there is a two percent tax imposed on the gross proceeds of sales at restaurants in the West Pearl Restaurant District. This levy is in addition to all other taxes imposed, and commenced in November 1, 2005. In part because of this investment, Pearl is experiencing population growth. Local officials also knew that in order to sustain its momentum more amenities were needed. The limited entertainment and retail options in the area could be a hindrance. As such, the City of Pearl and Rankin County not only worked together but with private developers to encourage commercial activity. The result is a state-of-the-art stadium district at Trustmark Park, providing quality, family-friendly entertainment for the region.

REGIONS FIELD BIRMINGHAM, ALABAMA

OVERVIEW

In 2009, after approximately two decades without baseball, the City of Birmingham began to investigate the merits of bringing the Barons back home and developing a new baseball stadium adjacent to the Railroad Park. The Birmingham Barons are a Double-AA affiliate of the Chicago White Sox major-league club, who play in the Southern League. The existence of the Barons in Birmingham dates back to 1885 when the Birmingham Barons were established as one of the charter members of the Southern League.



FACILITY

The stadium broke ground in February 2012 and was open for operation by April 2013. The total cost of the 8,500 seat stadium, which included approximately 26 private suites and 400 club seats, was approximately \$64 million. The new facility hosts all Baron home games as well as hosts a variety of NCAA baseball games, concerts, high school football games, and various other events.

The stadium is owned by the City of Birmingham, and operated by Birmingham Baseball Club, Inc.

FINANCING

The City is paying approximately \$3.6 million in annual debt service on the stadium bonds. The bonds were backed by a 3.5 percent increase in the City's lodging tax. Additionally, the City receives half of the ballpark naming rights, which was made with Regions Financial Corporation for approximately \$10 million over a 20-year period or \$500,000 annually. The City receives \$2,500 per suite leased during the regular season (estimated at \$65,000 per year); \$1 per attendee in excess of 200,000 fans per year; and 10 percent of annual revenue from tickets sales of all Barons special events except University of Alabama at Birmingham baseball games.

ANCILLARY DEVELOPMENT

Although the new stadium is in the midst of completing its first season in downtown Birmingham, a master plan for the adjacent area had been in the works all along with the development of the new stadium. The team owners have plans for the new stadium to serve as the cornerstone of the Parkside District, a proposed mixed-use downtown redevelopment district. It is envisioned that the \$375 million Parkside District master plan will include Regions Field, approximately 800,000 square feet of office space, 200,000 square feet of retail space and 800 new multi-family housing units. The photo below provides visual of the Regions Field site prior to construction.

Figure 4-2



According to recent press, there is a group of private developers who will be redeveloping the historic buildings all along the block of Second Avenue or right behind the Region's Field scoreboard. The \$4-5 million dollar redevelopment will include office space, a restaurant, a brewpub and loft with balconies facing Regions Field.

IMPLICATIONS

Time will tell if the development of this new downtown baseball stadium will serve as a catalyst in redeveloping downtown Birmingham, however history of other downtown stadiums and the early existence of private sector development already happening within its first year of operations are signs that the construction of the new baseball stadium will spur economic development.

HARBOR PARK NORFOLK, VIRGINIA

OVERVIEW

In the late 1980s, Norfolk City Council wanted to diversify its economy, which has a strong military presence. In an attempt to attract businesses in the professional services sector, the City wanted to build a business park. The most convenient location, with great road access, was the site of Metropolitan Park, which was the home to the triple-A Norfolk Tides baseball team. When the City moved forward with building the Lake Wright Executive Center, it also decided that a new baseball stadium would be built along the Elizabeth River in downtown Norfolk. Many residents and fans expressed concern about this location. Like many cities during that time, there were perceptions of crime and limited entertainment in downtown. Many wondered if the fans would continue to attend Tides games, especially night games.



The concerns proved unwarranted, as the Tides, in their first year at Harbor Park in 1993, set a new attendance record of 541,000. Not only were fans attending games, but employees working in nearby downtown offices were coming to watch games during lunch hours and after work.

FACILITY

Built in 1993 at a cost of \$16 million, Harbor Park sits on 36 acres and hosts a variety of NCAA baseball games, concerts, high school football games, and various other events. It seats 12,067 and offers 20 luxury suites.

The stadium continues to be the home of the Norfolk Tides, a triple-A affiliate of the Baltimore Orioles. In 2012 the Norfolk Tides recorded a total attendance of 389,188, with each game averaging 5,560 attendees.

The stadium is owned by the City of Norfolk, Virginia and operated by Maryland Baseball Holding, and its managing partner is also a partner in the new Biloxi team.

FINANCING

To finance the facility, the City issued revenue bonds and the Norfolk Tides guaranteed \$1 million a year, which escalated by \$50,000 every four years. In return, the team received credits against the \$1 million from revenue it directly generated, such as parking fees, admissions taxes, and food taxes. The City is also responsible for repairs to the facility.

ANCILLARY DEVELOPMENT

Harbor Park has been a catalyst for downtown development. Not only did it prove that fans would come to downtown, but it also drew a regional fan base, with over half of attendees coming from neighboring Virginia Beach. This increased visibility of the area added new life to existing cultural venues like the Norfolk Scope and Chrysler Hall and sparked subsequent developments, including the Hampton Roads Naval Museum and MacArthur Center, a premier regional mall located a mile from the stadium. Granby Street, the main artery of downtown, also added more than 10 restaurants and entertainment options timed very near to the opening of the stadium.

Many of the restaurants and entertainment activities are being supported by a new residential base, which had not existed prior to Harbor Park. The addition of the residential base phased in starting nearly a decade after Harbor Park's opening. Now there are thousands of new apartments and condominiums constructed within 1.5 miles of the stadium.

The City continues to recognize the importance of its downtown area. The Norfolk Redevelopment and Housing Authority purchased The Waterside, a festival marketplace that opened in 1983, from its private owner in order to reposition the facility. Located less than one mile from the baseball stadium, The Waterside was declining with businesses not matching well with the demands of the downtown visitors and residents. In late 2012, the Norfolk City Council entered into a letter of intent with Cordish Companies of Baltimore to transform The Waterside into a premier entertainment district.

The figure below shows the current amenities located nearby Harbor Park.

Figure 4-3



R - Restaurants
S - Shopping

Source: Downtown Norfolk, Johnson Consulting

Harbor Park has truly become a focal point for the City and is also a parking center for downtown workers and businesses. While the land itself around the stadium has not been built up yet, the presence of the stadium was one impetus to all of the downtown development. The Norfolk's 2030 Plan calls for continue planning for a multi-modal transportation center at Harbor Park, which would be a connection mode for passenger rail, light rail, regional bus, and ferry services.

IMPLICATIONS

The success of Harbor Park did not come overnight, nor did the success of downtown Norfolk. The stadium drew visitors to downtown in the 1990's and it was these visitors who demanded additional restaurant and entertainment options from the area. In part due to the addition of these amenities residents moved to

downtown Norfolk. Today, over 20 years after the opening of Harbor Park, the area been transformed to a true live, work, and play district. The ingenuity, consistency and willingness to execute public-private partnerships by Norfolk's local officials was instrumental to this success. While the economy of the Gulfport/Biloxi markets is very different from that of Norfolk, there are parallels, the most important being a fabric of beach and entertainment and military in both economies.

PUBLIC INVESTMENT IN REVATILIZATION OF DOWNTOWN

The below case study of Virginia Beach, Virginia provides a great example of a City that put significant investment into the revitalization of its downtown corridor. As being similar in terms of its destination tourism draws, the revitalization efforts of Virginia Beach has developed many of the same real estate elements that the City of Biloxi can look to emulate in its future visions for its downtown revitalization.

VIRGINIA BEACH, VIRGINIA

BACKGROUND

In the 1980s, Virginia Beach was a growing city. As home to three military bases and with its proximity to Norfolk, also a hub for military activity, the expansion of the federal government and the military spurred much of its growth. As a new core emerged in the Central Business District (CBD), groups began to advocate for its cohesion and its direction. By 1991 a new master plan had been developed for the CBD.

To realize the mixed-use concepts of the master plan, the City established a new mixed-use zoning category. In 1999, the City also established a tax increment financing (TIF) district to support construction of infrastructure in the CBD. The community also invested public dollars very heavily to advance development. The community participated in various TIF programs for major projects, and also built a major convention center in its downtown area. Virginia Beach advanced its first project, Town Center, located outside of the CBD. This became a catalyst for a subsequent development, 31Ocean, within its true downtown core.

TOWN CENTER

The emphasis and investments the City made attracted private developers. In the late 1990s, Armada Hoffer, a Virginia Beach-based development and construction company, presented a conceptual redevelopment plan near the CBD. The project, Town Center, aimed to provide a vibrant commercial, retail, and residential development. The idea was to contribute to quality and variety of the city as well as to increase its tax base. Below is a figure of its master redevelopment concept.

Figure 4-4



The development is a five phase project on a 17-block site. Phase I was completed in the fall of 2003 and the construction of Phase V is currently underway. The table below summarizes the project phases.



Table 4-3

Town Center Project Summary		
Phase I		968,000 SF
Block 4	Office Tower	254,000 SF
	Parking Garage (1284 spaces)	469,000 SF
	Hampton University	18,000 SF
	Surrounding Office	67,000 SF
	Surrounding Retail	42,000 SF
Block 5	Towne Bank	18,000 SF
	Hilton Garden Inn (176 rooms)	100,000 SF
Phase II		1,248,300 SF
Block 10	Apartment Building (341 units)	416,000 SF
	Public Parking Garage (856 spaces)	292,000 SF
	Plaza	20,000 SF
	Surrounding Retail	48,000 SF
Block 12	Dick's Sporting Goods	88,000 SF
	Public Parking Garage (574 spaces)	199,000 SF
	Surrounding Retail	18,000 SF
Block 3	3-story Retail & Office above	97,500 SF
Block 8	2-story with Mezzanine Retail & Entertainment	49,000 SF
	Public Plaza	20,800 SF
Phase III		996,979 SF
Block 5	Office (5 stories)	77,600 SF
	Retail	19,400 SF
Block 6	Condominium Residential (56 units)	59,382 SF
	Retail	12,300 SF
Block 7	Public Parking Garage (947 spaces)	344,166 SF
	Condominium Residential (119 units)	240,000 SF
	Westin Hotel (236 rooms)	183,780 SF
	Conference Center	20,000 SF
	Retail	40,351 SF
Phase IV		350,000 SF
Block 2	Office Tower	332,134 SF
	Retail	32,632 SF
	Parking Garage (601 spaces)	
Block 9	Aloft Hotel (162 rooms)	
	Apartment Building (197 units)	
	Retail	27,000 SF
	Conference Center	
Phase V		1,200,000 SF
Block 11	Retail	18,000 SF
	Parking Garage (850 spaces)	
	Office Tower	174,000 SF
	Apartment Building (267 units)	

Source: City of Virginia Beach and Virginia Beach Economic Development

As a public-private partnership, Town Center is funded by both Armada Hoffer and the City. TIF funds helped to fund the project’s infrastructure cost and capital improvement and economic development incentive funds were also applied to the project. The table below summarizes both the private and public investments made for each project phase.

Table 4-4

Town Center Investment (\$M)			
	Private	Public	Total
Phase I	\$75	\$29	\$104
Phase II	\$90	\$26	\$116
Phase III	\$173	\$29	\$202
Phase IV	\$158	\$56	\$215
Total	\$496	\$140	\$637

Source: City of Virginia Beach and Virginia Beach Economic Development

The project coincided with the development of the city’s new 525,000 square foot convention center, which opened in 2005. As a growing city, Virginia Beach was also getting increased visitor interest. It endeavored to build a new convention center and understood that the success of these projects were dependent on one another. With a new a state-of-the-art convention center to attract groups and associations, Town Center, located by a 10-minute drive, provides visitors with retail and restaurants to spur additional activity in downtown Virginia Beach.

31OCEAN

The activity taking place in Town Center spurred additional ancillary development along the waterfront. Such impacts could be expected in Biloxi from a larger development project, such as Town Center.

Located approximately 10 miles from Town Center along the Atlantic Ocean, 31Ocean aims to transform a tourist area into a year-round destination to live, work, and play. Following Virginia Beach’s 2008 Resort Area Strategic Action Plan and zoning provisions, which encourages coexistence of retail and resort developments, 31Ocean emphasizes pedestrian friendly and mixed-use developments.



The core components of 31Ocean include an apartment building (178 units), office tower (45,000 square feet), parking garage, and street-level retail (50,000 square feet). Its location in a popular area as well as along a shopping corridor, which attracts over \$1 billion in spending annually, makes it a vibrant entertainment district for Virginia Beach. This project is only part of the entire redevelopment happening in downtown Virginia Beach.

The project was developed by Gold Key/PHR Hotels and Resorts and a partner who owns the land, in conjunction with the City of Virginia Beach. Gold Key/PHR Hotels and Resorts provided \$72 million in private investment, while the City contributed \$40 million, which was used to build parking, assemble sites, improve roads and construct a gateway into the resort and other infrastructure improvements. The Virginia Beach Economic Development Investment Program also provided a \$1.9 million grant, which went towards sidewalk upgrades and streetscapping needs for 31Ocean. This investment is over and above the investment in the City's \$200 million convention center.

In addition to this project, Gold Key/PHR Hotels and Resorts has developed four hotels within proximity to 31Ocean. They include:

- The Cavalier, a 400-room historic hotel
- Hilton Virginia Beach Oceanfront, a 389-room hotel, with conference center
- Ramada Virginia Beach, a 167-room hotel
- Hilton Garden Inn, a 167-room hotel, expected to open in May 2014

In addition to the hotels, Gold Key/PHR Hotels and Resorts has developed five time-share resorts:

- Oceanaire
- Ocean Beach Club
- Boardwalk Resort and Villas
- Beach Quarters Resort
- Turtle Cay Resort

The project's success has helped area businesses, who were dependent on seasonal visitors. Additionally, it has attracted other developers into the market as residential demand along the beach has outstripped supply.

A vision of the area around the 31Ocean project is shown below.

Figure 4-5



IMPLICATIONS

The ancillary development of 31Ocean was a result of decades of public investment in core attractions. Officials in Virginia Beach recognized that the area was growing and worked with private partners to develop an attractive new CBD. Moreover, they recognized the need to revitalize other areas of the City, particularly its downtown along the oceanfront and provided a long-term vision for the area, as exemplified by the Resort Area Strategic Action Plan. Because of the City's active role in realizing a vibrant Virginia Beach, Gold Key/PHR Hotels and Resorts sought to revitalize a declining oceanfront downtown into a mixed-use entertainment district. The Virginia Beach example offers to Biloxi lessons of strategic planning. From the pivotal moment of realizing the changing landscape of the City to the opening of 31Ocean was marked by a decade of public and private efforts.

IMPLICATIONS FOR BILOXI

Redevelopment projects can be tipping points for many communities. Through such catalyst developments, many communities find themselves with increased attractions and amenities that add to the quality of life for residents. Currently, Biloxi offers rich culture through its history, architecture and antebellum qualities. The City also has built larger, more capital intensive assets, including Light House Park Visitors Center and the Civic Center and Library. Yet, the downtown area's appealing attributes have not been capitalized upon yet. In spite of having convenient road access and proximity to Biloxi Gulfport International Airport, people, especially those that work in or around downtown choose to live in other areas of the region. One reason for this is there are few entertainment options, aside from the casinos, to sustain a resident population.

It is our sincere belief that the casinos want a strong and vibrant downtown. They said as such in interviews with us. In fact, assuming that the stadium is built and managed as proposed, they will do all in their power to make the City blossom. Further, they dispelled the myth that they wish customers never to leave their casino properties. They know they have to be content. In fact, repeat customers will only come back if there are more and exciting things happening in the region. That is why there is such great interest in special events for the market. Baseball is seen as a very important element for the market.

Hence, the importance of the baseball stadium cannot be overlooked. It can change the course of downtown Biloxi and add vitality to attract residents. In the first year or two, the key is to make existing businesses do better. Our experiences in Pensacola, Greenville and other markets supports that they will. Biloxi does have an attractive set of good restaurants. They will do better.

Then, the case studies suggest that having a strategic vision for the area's potential is essential. The development profile achieved in Virginia Beach seems reasonable for the next period of development. There, in downtown, over 500 hotel rooms and several hundred apartments and condo units have been developed, along with over 50,000 square feet of retail and a similar amount of office space. If the casino properties and the economic development officials harness their employees and visitors, we see demand strategies that can help attract residential and retail to downtown, at that same scale. This again is supported by other case studies. Officials in Tulsa, Norfolk, and Birmingham were creative in transforming blighted areas through their baseball stadiums. Officials in Pearl and Pensacola worked collaboratively with private developers in an attempt to realize their area vision. The combination of the concepts seen in these other markets will occur in Biloxi.

As the case studies section described, baseball stadiums drive ancillary development. Through proper planning, use of selected incentives, and community engagement that many of the cities described earlier in this section used, Biloxi can position the baseball stadium to entice additional downtown revitalization. With new entertainment and commercial amenities, a resident base can build over time.

Based upon previous assessment of the market opportunity in Biloxi, and our analysis of competitive cities above, we estimate that the ancillary developments related to the baseball stadium will be developed roughly five years after its opening. The initial developments will be smaller in scale, such as what Tulsa has experienced, and will include approximately:

- 200 units of residential
- Additional hotel rooms - 250 rooms plus retail is proposed for the site.
- 45,000 square feet in office, and
- 50,000 square feet in retail.

This demand will be stimulated in part by the new \$25 to \$30 million in spending caused by the stadium and its baseball games, tournaments and special events. This initial development would generate additional interest in the area, prompting more businesses to enter the downtown market. Through increased popularity, downtown Biloxi can offer the level of amenities and attractions to create a residential base and offer visitors and residents alike a vibrant city core. Over the course of the next ten to 20 years, Biloxi has the potential to be transformed and the baseball stadium and the district from the Beau Rivage to City Hall to Vieux Marché will vitalize and grow in interest. Areas around these anchors, including the hospital area and the historic neighborhoods, will increase in attractiveness as well.

SECTION V
ECONOMIC AND FISCAL IMPACTS

ECONOMIC AND FISCAL IMPACT ANALYSIS

This analysis quantifies the effect of the spending of visitors to this project, as well as the new business operation of the team and facilities. The bases for the estimates are the recommendations and demand projections as described in other sections of this report. Additionally, Johnson Consulting's prior development of economic analyses for other stadiums, arenas, and event centers, and specific knowledge of the Biloxi marketplace and State of Mississippi contributed to the analysis.

While these are mathematical calculations, which are based on experience seen in numerous other settings, perhaps the most important thing to visualize is what will happen to Biloxi as a community. The development of a minor league stadium will provide an affordable entertainment activity in the local area, using downtown as a hub, provide a venue where the promotional talents of the area casino properties can be used, and spur economic growth via ancillary private sector development in the downtown area. By developing entertainment within or in close proximity to the Biloxi Stadium, investments are made that will both attract people from outside the region to Biloxi, increase the identity of the market by promoting to those visitors, and develop an ever expanding portfolio of repeat events. Such a venue will play host to tens of thousands of residents and visitors to the region annually.

DEFINITIONS

Economic impact is defined as incremental new spending in an economy that is the direct result of certain activities, facilities, or events. For the purpose of this analysis, impact totals are discussed in terms of the Biloxi economy. The levels of impacts are described as follows:

- **Direct Spending** – is an expression of the spending that occurs as a direct result of the games and events that occur in the stadium. For example, a baseball game attendee's expenditures on hotel rooms, shopping, and meals are direct spending.
- **Indirect Spending** – consists of re-spending of the initial or direct expenditures, or, the supply of goods and services resulting from the initial direct spending in the stadium. For example, a baseball game patron's direct expenditure on a restaurant meal causes the restaurant to purchase food and other items from suppliers. The portion of these restaurant purchases that are within the local, regional, or state economies is counted as an indirect spending.
- **Induced Spending** – represent changes in local consumption due to the personal spending by employees whose incomes are affected by direct and indirect spending. For example, a waiter at the restaurant may have more personal income as a result of the ball game attendee's visit. The amount of the increased income the waiter spends in the local economy is called induced spending.
- **Increased Earnings** – measures increased employee and worker compensation related to the project being analyzed. This figure represents increased payroll expenditures, including benefits paid to

workers locally. It also expressed how the employees of local businesses share in the increased outputs.

- **Employment** – measures the number of jobs supported in the study area related to the spending generated as a result of the game and events occurring in the stadium. Employment impact is stated in a number of full-time equivalent jobs.

Furthermore, both Biloxi and Harrison County are small, meaning that most of the visitors coming to the market are coming from outside the region, bringing their dollars with them.

ECONOMIC IMPACT OF THE BILOXI BASEBALL STADIUM

Economic and fiscal impact analysis is based on demand and attendance levels as projected in Section 3 of this report. On ticketed events, attendees refer to those going to see the baseball game, concerts or festivals, but not yet including the players (coaches, trainers, and other staff), members of the production teams, media, and others. Combined, these additional event participants are defined as Other Visitors in Table 5-1. The following is just for the developments of the stadium.

Table 5-1

Biloxi Baseball Stadium Projected Attendance						
	# of Events	# of Attendance or Spectators	# of Players & Coaches per Game		# of Players, Coaches & Support Staff	Total # of Visitors
	(A)	(B)	(C)		(D)	(E)
AA Baseball	68	280,000	40	*	2,720	282,720
Other Baseball Events	16	62,000	30	**	480	62,480
Concerts	12	71,000	10	***	120	71,120
Festivals	8	32,000	10	***	80	32,080
Total	104	445,000			3,400	448,400

Notes:

*Including baseball players, team staff, and sports reporters

**Including collegiate baseball players, team staff, and sports reporters

***Including production staff

Source: Johnson Consulting

As shown in the table, the Stadium is estimated to generate 104 events, 445,000 attendees, and 3,400 players, coaches and media annually. Approximately, 90 percent of attendees will spend on average \$45 daily, with 5 percent staying overnight and spending on average \$127 daily and the remaining 5 percent staying overnight and gambling and spending on average \$227 daily, as shown in Table 5-2. The estimates for lodging, meals, and incidental expenses are based on per person, per diem rates for Biloxi per U.S. General Services

Administration for an October 2012-September 2013 period, which can be viewed as an average amount of spending across various hotels, restaurants, retail and other establishments. The estimate for spending on tickets corresponds to the weighted average ticket price presented in the Stadium proposal. For the estimated 5 percent of visitors who will also visit and play at the casinos, they will spend an additional \$100.

Table 5-2

Biloxi Baseball Stadium Average Daily Spending			
	Most Visitors	Overnight Vistors	Gamer Visitors*
	90%	5%	5%
1 Lodging	\$0	\$82	\$82
2 Meals, Retail and Incidental Expenses	30	30	30
3 Tickets	15	15	15
4 Gaming	0	0	100
5 Total	\$45	\$127	\$227

Notes:

**Refers to visitors who will also visit and play at the casinos (est. 5% of all visitors).*

Lines 1 and 2 - Based on GSA Per Diem rate for Biloxi.

Lines 3 - Reflects weighted average of ticket price based on Stadium proposal.

Lines 4 - For gamers, assumed to be the average GGR based on a casino report by Proforma Advisors Report

Source: U.S. General Services Administration, Johnson Consulting

Conceptually, multiplying the number of total visitors with average daily spending will result in total direct spending. However, similar to gaming spending, not all visitors will spend money on lodging. Therefore, assumptions on visitors who do and do not require lodging need to be developed first. Such estimates are shown in Table 5-3.



Table 5-3

Biloxi Baseball Stadium Estimated Day and Overnight Attendees								
	# of Person-Days			% Overnight Visitors		# of Room Nights		
	Of Attendees	Of Visiting Players & Coaches	Total	Of Attendees	Of Visiting Players & Coaches	Of Attendees	Of Visiting Players & Coaches	Total
1 AA Baseball	280,000	2,720	282,720	10%	90%	28,000	2,450	30,450
2 Other Baseball Events	62,000	960	62,960	5%	90%	3,100	860	3,960
3 Concerts	71,000	120	71,120	2%	90%	1,420	110	1,530
4 Festivals	32,000	160	32,160	2%	90%	640	140	780
5 Total	445,000	3,960	448,960			33,160	3,560	36,720

Notes:

% Overnight Visitors indicate out-of-town visitors who stay overnight in hotels and thus are generating room nights.

Source: Johnson Consulting

The estimates assume that 10 percent of AA baseball attendees and 90 percent of visiting players and coaches will require lodging accommodation. Therefore, total new visitors to the Stadium as well as players and coaches combined, are estimated to generate 448,960 person-days and 36,720 room nights. Outside AA Baseball events, the estimates assume that 5 percent of Other Baseball Events attendees, 2 percent of Concert attendees, and 2 percent of Festival attendees will require lodging accommodation. Room nights for festivals could be larger, if such festivals blossom into major events. Spoleto, in Charleston, South Carolina creates thousands of room nights, but this festival is very established.

Based on the assumptions shown in Table 5-2 and Table 5-3, total direct spending by all visitors and team operations as estimated in Table 5-4.

Table 5-4

Biloxi Baseball Stadium Estimated Direct Spending from Attendees						
Calculations						Estimated Amount
1	On Lodging	\$82	x	36,720	room nights	= \$3,011,040
2	Meals, Retail and Incidental Expenses	\$30	x	448,960	total person-days	= 13,468,800
3	On Tickets	\$15	x	280,000	ticketed attendees	= 4,200,000
4	Gaming*	\$100	x	22,448	gamers' person-days	= 2,244,800
5	Sub-Total					\$22,924,640
6	Team and Stadium Operations				2019 Operations	\$2,500,000
7	Total					\$25,424,640

*As previously discussed, it is assumed that only 5% of all attendees will game and spend on average \$100 on gaming.

Source: Johnson Consulting

As shown in the table, all visitors to the proposed stadium are projected to spend \$22.9 million annually during their visits and the operations of the minor team and stadium are estimated to have a direct spend of approximately \$2.5 million, resulting in a total direct spending of \$25.4 million.

Based on the calculations and assumptions described thus far, Table 5-5 summarizes the total estimated economic impacts of the proposed Biloxi Stadium.

Table 5-5

Biloxi Baseball Stadium Estimated Annual Economic Impact		
	Multiplier*	Impact (\$Millions)
Direct Spending		\$25.42
Indirect Spending	0.20	5.08
Induced Spending	0.15	3.81
Total Spending		\$34.32
Increased Earnings	0.33	\$8.47

**Reflects the impact for each \$1 million of direct spending.
Source: Johnson Consulting*

As shown in the table above, the proposed Biloxi Stadium is estimated to generate \$34.32 million of total spending and \$8.47 million of increased earnings, annually.

FISCAL IMPACTS OF BILOXI STADIUM

Fiscal impacts are tax revenues that result from the spending and income related to the activities at the proposed Biloxi Stadium. This analysis estimates fiscal impacts for the governmental units that levy taxes in the jurisdiction.

The fiscal impacts are the public sector's return on investment. Fiscal impacts provide a partial offset to the capital and operating expenditures required to support the development of the facility. Although the incremental tax revenues cannot be expected to pay for a publicly-funded project in full, fiscal impacts are important because they improve the ability of the public sector to pay for the project. The overall economic impacts, including the fiscal impacts, provide a rationale for public participation in a project.

Based on the spending estimates, Johnson Consulting projected the fiscal impacts from major categories of tax revenues that are directly affected by a visitor's activity: general sales tax, hotel/motel occupancy tax, corporate income tax, and individual income tax.

- **Sales Tax** – is 7.00 percent in Mississippi, of which 18.5 percent goes to the City.



- **Hotel Occupancy Tax (HOT Tax)** – is 5.00 percent on spending on lodging, of which 55 percent goes to service debt on coliseum convention center and the remaining 45 percent to regional tourism commissions (County).
- **Gaming Tax** – is 12.00 percent overall on spending at casinos (State keeps 8 percent; City 3.2 percent; county/local 0.8 percent).
- **Ticket Surcharge** – is \$1.00 to \$4.00 per ticketed attendees, all of which goes to City.
- **Corporate Income Tax** – is 5.00 percent in Mississippi.
- **Hospitality Tax** – is 2.00 percent, but is not imposed in Biloxi.

The fiscal impacts represent only a fraction of the overall spending impact to the economy, as they are only the public sector's increase in tax revenue resulting from the overall increased spending in the economy. The presence of the proposed Stadium would increase values of commercial establishments in areas surrounding the new facility and beyond, which result in increased property tax supported by the project.

Table 5-6 shows the estimated annual fiscal impact of Biloxi Stadium and Team operations. Also included in the table below are the various revenue streams available to the City for debt service such as team rent, ticket surcharges, estimated property tax and the sales tax rebate from the State to the City.

Table 5-6

Biloxi Baseball Stadium Estimated Annual Fiscal Impact & Additional Lease Revenues								
	Tax Rate	Taxable Spending	Tax Revenues	Distribution				
				State	County	City	CC Debt Service	
Sales Tax - State*	7.00%	\$34,320,000	of total spending	\$2,402,000	\$1,957,630	-	\$444,370 [^]	-
HOT Tax**	5.00%	\$3,011,040	of spending on lodging	151,000	-	\$67,950	-	\$83,050
Local Gaming Tax***	12.00%	\$2,244,800	of spending on gaming	269,000	179,333	17,933	71,733	-
Corporate Income Tax	5.00%	\$3,432,000	or 10% of total spending****	172,000	172,000	-	-	-
AA Baseball Team Rent				150,000	-	-	150,000	-
Ticket Surcharge	\$1.00 to \$4.00 per ticketed attendees, depending on type and ticket price			736,000	-	-	736,000	-
Property Tax*****				125,981	-	-	125,981	-
Sales Tax Rebate from State to City				-	(406,568)	-	406,568	-
Annual Contribution from County to City				-	-	(50,000)	50,000	-
Total				\$4,005,981	\$1,902,395	\$35,883	1,540,282	\$83,050

*City keeps 18.5% of this.

**55% goes to service debt on Coliseum Convention Center, 45% goes to regional tourism commission.

***Of the 12%, the State keeps 8%, City 3.2%, county/local 0.8%.

****Assuming that 10% of total spending goes to taxable corporate income of vendors.

*****Estimated property tax for city and county

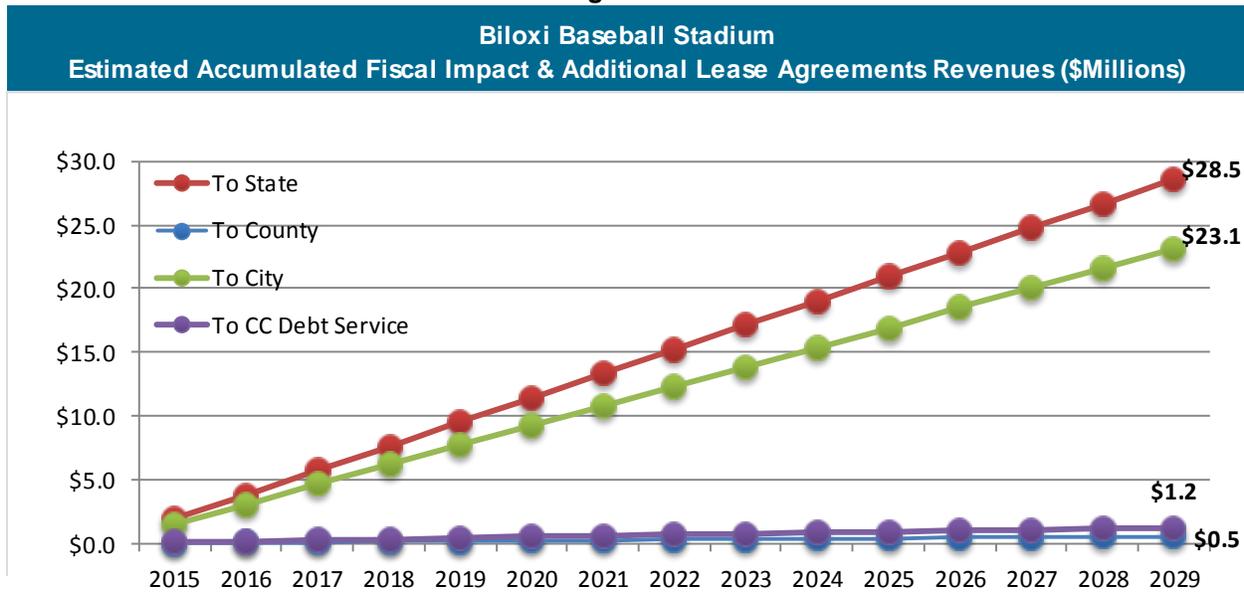
[^]Accounts for the City's 18.5% which would commence after the sales tax rebate expires in year 15

Source: Johnson Consulting



As shown on the table, activities at the proposed Biloxi Baseball Stadium and addition revenue through the proposed lease agreement are estimated to generate approximately \$4 million of tax revenues annually, of which approximately \$1.9 million goes to the State, \$35,880 to County, \$1.5 million to City, and \$83,050 to Convention Center (CC) debt service. The stadium and the proposed on-site hotel are expected to pay property taxes. Estimated property taxes for a hotel are \$2,500 per room. Figure 5-1 below shows the accumulation of the fiscal impacts to the State, County, City, and CC debt service as it relates to the first 15-year projections.

Figure 5-1



Source: Johnson Consulting

As shown above, in 15 years, accumulated tax benefit to State is estimated to reach \$28.5 million and accumulated tax benefit to the City is estimated to reach \$23.1 million. The County is estimated to receive \$500,000, while \$1.2 million goes to Convention Center debt service in a fifteen-year period. For the first 15-year period the City of Biloxi will be able to service the debt on its initial \$21 million investment and it is expected that the gap in debt service for the remaining five years will come from the additional revenues expected to be generated by the adjacent developments the Stadium will likely attract.

Outside of the indicated fiscal benefits, the City of Biloxi is likely to incur some expenses related to providing services to the improved facilities that are not estimated in this analysis. These expenses include increases in police, fire protection, emergency medical services, traffic control, street maintenance, sanitation, and other ongoing operating expenses required to maintain the environment around the facility. In addition it will also influence programming promotions, and advertising as a cost to be associated with an increase to expenses.



However, as shown in the above analysis, it is expected that such taxes and additional lease revenues would be able to supplement costs in these areas.

ONE-TIME IMPACT OF BILOXI STADIUM CONSTRUCTION

In addition to the on-going impacts from the operation of the facilities, the construction of the Biloxi Stadium would create a one-time influx of spending. This construction spending results in a one-time economic and fiscal impact.

Typically, only hard construction costs are included in impact analysis. Estimates for Biloxi Stadium, which do not include the roadway and infrastructure costs, were provided in the Stadium proposal. They are approximately \$32.3 million.

Table 5-7 shows the calculation of the construction impact, from construction hard costs to the resulted construction jobs as well as economic and fiscal impact.

Table 5-7

Biloxi Baseball Stadium Estimated One-Time Construction Impact		
	<i>Multiplier or Tax Rate</i>	Amount
Est. Hard Costs for Stadium Development**		\$32,300,000
Impact on Construction Jobs		
% of Costs Spent on Labor		55.0%
Labor Costs		\$17,770,000
Average Construction Laborer Salary		\$30,000
# of On-Site Construction Jobs		590 ✓
Economic Impact		
% of Costs Spent on Material		45.0%
Material Costs		\$14,540,000
% Spent Locally		80.0%
Direct Construction Spending		\$11,632,000
Indirect Spending	0.20	2,330,000
Induced Spending	0.15	1,740,000
Total Spending		\$15,702,000 ✓
Increased Earnings	0.33	\$3,880,000 ✓
Fiscal Impact		
Sales Tax - State*	7.00%	\$1,100,000
Corporate Income Tax	5.00%	19,000
Total		\$1,119,000 ✓
<i>*Assuming that 10% of total spending goes to taxable corporate income of vendors.</i>		
<i>**Including teams cost</i>		
<i>Source: Johnson Consulting</i>		

Construction jobs are estimated based on the amount spent on construction labor. In absence of an actual construction cost detailed rundown, labor costs are assumed to amount to 55 percent of construction hard costs, while the remaining 45 percent goes to material costs. In typical construction projects, labor costs typically make up 55 percent to 60 percent of total hard costs; material costs make up the remaining 40 percent to 45 percent. Applying this ratio to the \$32.3 million construction hard cost amount, labor costs are estimated to amount to \$17.8 million (material costs are estimated to amount to \$14.5 million). As shown in the table, assuming an average construction laborer salary of \$30,000, the construction is estimated to generate 590 construction jobs. A capital budget strategy to reduce costs could be to form a public entity that would purchase the materials for the stadium. If that occurs, sales taxes could be materially reduced, serving as a defacto savings in the development budget for the project.

Economic and fiscal impact is estimated based on the amount spent on construction material and construction jobs. Clearly, not all of the construction material is purchased locally. In absence of an actual construction vendor/supplier list, which would indicate where each of the material is purchased from, this analysis conservatively assumes that 80 percent of material costs, or \$11.6 million, is spent locally. Applying the multipliers to this amount, such spending on material is estimated to generate \$15.7 million of total spending and \$3.9 million of increased earnings in the economy. Tax revenues are estimated to amount to \$1.1 million.

SUMMARY OF TOTAL ECONOMIC AND FISCAL IMPACT

Table 5-8 summarizes the annual economic and fiscal impact of the planned Biloxi Stadium, including one-time impact of construction and annual impact of facility operations.

Table 5-8

Biloxi Baseball Stadium Summary of Economic and Fiscal Impact		
	ONE-TIME Impact of Construction	ANNUAL Impact of Facility Operations
On-Site Construction Jobs (FTE)	590	na
Economic Impact		
Direct Spending	\$11,632,000	\$25,420,000
Indirect Spending	2,330,000	5,080,000
Induced Spending	1,740,000	3,810,000
Total Spending	\$15,702,000	\$34,320,000
Increased Earnings	\$3,880,000	\$8,470,000
Fiscal Impact		
Sales Tax	\$1,100,000	\$2,402,000
HOT Tax	na	151,000
Local Gaming Tax	na	269,000
Corporate Income Tax	19,000	172,000
AA Baseball Team Lease Term		
AA Baseball Team Rent	na	150,000
Ticket Surcharge	na	736,000
Property Tax*****	na	125,981
Total	\$1,119,000	\$4,005,981

Source: Johnson Consulting



CONCLUSION

Johnson Consulting feels strongly that the development of the proposed downtown stadium will be a successful investment on behalf of the City, which will likely serve as a catalyst to the redevelopment of downtown Biloxi. As mentioned during our interviews, the current downtown businesses are extremely excited at the prospect of such a development coming to downtown Biloxi, which has already sparked future business development opportunities that may evolve with the addition of the baseball stadium to the downtown area. As shown in our analysis above, the City is estimated to receive approximately \$1.5 million annually from both fiscal tax and lease agreement revenues, which would cover the \$1.5 million debt service payments on the initial \$21 million dollars for the first fifteen years. Finally, as mentioned previously in the report, the analysis above does not account for the additional tax revenues that will be generated by the adjacent developments the stadium is likely to attract.