

MAXIMIZING POLAR PARK

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In 2017, after years of lobbying and planning, the Pawtucket Red Sox announced their move to Worcester, Massachusetts. The WooSox and Worcester announced that Polar Park would be fully emerged into Worcester's Canal District. From the beginning, this plan was centered on building more than a stadium through a massive redevelopment of the Canal District along with a restructuring of Kelley Square. This undertaking would be funded by the team through lease payments, and the city/state in the development stages. Overall, the stadium is projected to cost approximately \$99 million with additional fees around \$37.5 million for property acquisition and operating expenses (Kane, 2020). The team is expected to pay \$43.4 million while the city is responsible for \$56.1 million (Kotsopoulos, 2020).

In addition, the Canal District is expected to undergo a massive redevelopment. The plan created by Gilbane-Hunt and AECOM is projected to cost \$101 million (Welker, n.d.). This proposal includes a 120,000 square-foot office building in left field with retail and restaurant space; two hotels; and further retail, office, and residential areas throughout the Canal District. This redevelopment is expected to help the stadium pay for itself as Worcester City Manager, Ed Augustus, has stated, "the fundamental principle [is] that no existing city tax revenue will be used to fund the ballpark construction." Instead, payments will come from an incremental tax increase from the redeveloped district and increases in facility fees from the team through ticket sales and parking, among others (Kotsopoulos, 2020).

However, the COVID-19 pandemic may have thrown a wrench into these plans. Stadium construction was halted for five-and-a-half weeks at the beginning of the pandemic due to state protocols. Both the team and construction officials have reiterated that this will not delay the stadium opening thanks to a set buffer window and the continued emphasis on safe, but constant, work (Bonner, 2020). With many unknowns surrounding the Minor League Baseball (MiLB)

season and structure, as well as the pandemic itself, both the team and city have focused on staying on schedule. The goal for all involved is to ensure that the stadium will be completed on time and will pay for itself over time.

In looking at proposed solutions, the top priority for the WooSox is having the stadium completed for the 2021 MiLB season with successful public and private financing. With the pandemic temporarily halting construction projects and the economic recession, the best solution would be to maintain the steady course toward construction completion. Raising costs could present further roadblocks to completion, already leading to increased overtures of \$9.4 million for the team and \$32 million for the public (Kane, 2020).

According to *Worcester Business Journal (WBJ)*, economists worry if Polar Park can pay for itself or will have to rely on taxpayers. The city expanding the special tax district through tax incremental financing (TIF) allows for further public funding opportunities, but also redirects public financing away from public goods to the ballpark. Further, the surrounding development and renovations within the area of the park have already been altered. The planned hotel and apartment complexes have decreased in size and been delayed already (McNamara, 2020). This presents problems for Worcester in receiving funding, so the solution must be for the WooSox to continue to utilize private funds and minimize public funding to pay for the stadium and limit debt.

Another solution is to utilize the ballpark in more ways than just baseball to continue revenue generation. The ballpark is expected to be closed for more than 75% of the year, which limits fan and consumer interaction, making costs harder to repay (Welker, 2020). Rather, it should remain open for other events to garner additional revenue, such as high school tournaments, gatherings, concerts, or corporate events, in order to create more community focus

and revenue for the team. The team recently did this well with Dining on the Diamond which could be continued at Polar Park.

It is also necessary to look at other similar situations. A close comparison is the Hartford Yard Goats, a minor league team who faced delays in ballpark construction. This project led to playing the whole season on the road. The cost of the project rose from \$47M initially to \$72M, with taxpayers taking the hit (*Front Office Sports*, 2017). The WooSox must try to avoid this issue and be ready for any challenges that may arise, especially around COVID and whether fans will be present. The team should prepare to absorb any increased costs themselves and consider working out deals for debt repayment and revenue generation. This can be accomplished by looking into premium sales and amenities to raise the value of tickets and capitalize on this revenue for debt repayment. Current stadium projects such as Climate Pledge Arena (Seattle Kraken), UPMC Park (Erie Seawolves), and Steinbrenner Field (Yankees spring training) all faced construction delays and setbacks during COVID but were able to keep their projects on a reasonable construction pace and reduce cost increases. Each is projected to be completed for their respective season, while the Yankees' facility is utilizing the CARES Act to restructure costs and help pay debt (Reichard, 2020). The WooSox should explore this option of governmental pandemic-relief funding for help.

Upon considering the proposed solutions for Polar Park to open for the 2021 season, we see no issues in the WooSox being able to play in their new home. According to a personal interview with WooSox General Manager Dan Rea regarding being ready for next season, he stated the team is “optimistic and confident whenever Opening Day is.” Despite losing time on construction, they believed they lost “about as much time as we could have lost,” especially thanks to a good last winter which “helped pick up some time with construction” (D. Rea,

Personal Communication, October 30, 2020). Being able to have crews split up throughout two daily shifts to effectively and efficiently work during the pandemic has allowed the construction of the ballpark to continue while also keeping in mind workers' safety and COVID protocols. With the sod being recently placed, most of the focus throughout the winter can be on the ballpark's interior. While Rea does believe the stadium will be able to house their team at the start of the 2021 season, he recognizes that construction might not be "100 percent by Opening Day." However, Rea states that "Back of the house stuff may not be finished by then, but what the fans will see should be done" (D. Rea, Personal Communication, October 30, 2020). The focus must be on ensuring that the field is ready for the players first, followed by making it open and completed for fans. With this coming straight from a team representative, we share this confidence that the team will be able to play in Polar Park when the 2021 season begins.

In a worst-case scenario where the stadium is not complete in time, we see two potential alternatives. Rea states that while the "Chances are more likely that the ballpark will be done before a season starts... [they have] kept dialogue with Pawtucket from McCoy Stadium" (D. Rea, Personal Communication, October 30, 2020). Although "The Pawtucket Red Sox's lease at McCoy Stadium runs out at the end of this season and the ballpark will be vacant a year from now....If the city were receptive, staying at McCoy a little longer than anticipated ... would mean less disruption for the WooSox ... and some additional revenue for Pawtucket" (Ballou, 2020). It works in the WooSox's favor that no team has replaced them at McCoy Stadium. Therefore, if a place to play is needed, the door looks to still be open for them.

Another alternative is playing games at Holy Cross' baseball field along with the Worcester Bravehearts (FCBL). While scheduling conflicts might pose a challenge, presenting the WooSox with the option of still playing in their new city should ease some worries.

Additionally, this gives the WooSox the chance to build a simultaneous relationship with both organizations. It's important to consider that even though the WooSox may be competing with Holy Cross and the Bravehearts for fans and revenue, they share the common goal of creating a better city of Worcester. According to Rea, the team has talked with Holy Cross and their Athletic Director and are "eager to work together." They see "potential of playing their other sports on the field (Polar Park)" and "could have some student housing by Polar Park" (D. Rea, Personal Communication, October 30, 2020). If Polar Park is not complete in time for the season, having Holy Cross as a temporary home for the team gives them the opportunity to build relationships and collaborate to grow Worcester.

When looking at our proposed solution of having faith in timely construction, there are some costs and benefits associated compared to the alternative scenarios. Due to the ongoing pandemic, coupled with continuous talks of a massive restructuring of the minor leagues, MiLB schedules have not yet been released. This raises the question of whether MiLB can start on time in April 2021. A potential push-back of the season could benefit the WooSox as it allows them to avoid a race against the clock to get all construction complete by April.

Additionally, some optimism to this proposed solution is that we have seen other stadiums effectively finish stadium construction, as previously mentioned. If the team can play their entire season at Polar Park, then they would be able to avoid paying Holy Cross or Pawtucket to temporarily play games. This would have been an additional cost on top of construction. A potential drawback to that scenario could be the missed opportunities to build relationships with other organizations that could aid in future business partnerships (i.e., Holy Cross, Bravehearts).

The question of whether fans will be allowed in stadiums next season may also be a major cost of this proposed solution. If the stadium is not fully complete by the start of next season, it could affect the fan experience (if fans can enter), limiting profit maximization. If the stadium is in fact fully complete for next season and fans are not allowed to enter, that will also hurt the team in lost revenue. Overall, this proposed solution that the stadium will be ready is one that focuses on the long-term and economic redevelopment. The money saved from not having to look for potential short-term venues can be put towards any cost overruns of Polar Park's construction or for future initiatives to further enhance the city of Worcester.

There are potential obstacles to the implementation of these solutions. The biggest threat is the pandemic. As noted, many construction projects had already been pushed back with increased costs regarding health guidelines. As for COVID-19, market research has indicated that 58% of respondents answered, "Not at all likely," while 24% responded either "Very likely" or "Somewhat likely" when asked if they would attend a sporting event if restrictions were lifted (Paine, 2020). There is a strong chance that fans will either not be allowed or not attend due to COVID. Plus, there could be another delay come Spring without a vaccine (Bonner, 2020).

Another concern is debt repayment. Local communities are experiencing significant effects from borrowed money for stadiums. Tax levies are placed on hotels, rental cars, and other services to finance stadiums. The pandemic has reduced tourism, resulting in minimal tax revenue to fund the debt (Pallejero & Gillers, 2020). Worcester is building up the ballpark district and costs add up; thus, the WooSox need to be sure they can pay for the stadium and not default with the recession. The best way to pay debt is to generate revenue. Without revenue generation, debt payments and operations for the sport facilities cannot be covered, and so taxes increase for city residents. The revenue generation cannot be redistributed consumption, but

rather new and incremental consumption. Otherwise, the team is not bringing in new revenue, but rather displacing revenue and taking away business from other areas in the community that are not taking as much in taxes and levies. The WooSox need to be mindful of their bonds and credit value to repay debt holders and keep the stadium operating.

There are also obstacles to revenue generation. American communities will experience a combined loss of approximately \$360 billion through 2022 due to the pandemic, which questions how public funding will be allocated toward stadiums without normal spending habits (McFarland & Rivett, 2020). With no or limited fans, the ticket sales and taxes will provide minimal support to fund the stadium. However, the attendance levels for U.S. sport leagues appeared relatively stable throughout the 2008 economic recession, implying the sport industry is potentially “recession proof” (Genevieve, 2014). Worcester has already announced ticket tax increases to help with construction costs and COVID relief, with further visitor taxes to pay off the debt. Other strategies must be implemented due to the potential loss of fans.

A last revenue obstacle is continued sponsorships. Dan Rea noted the team’s sponsorship revenue line was \$5M-\$6M, which was “one of, if not, the highest in MiLB.” Twenty-one founding-level partners offered at least \$100 thousand per year in sponsorship revenue and have all stayed on-board even with rising uncertainties (D. Rea, Personal Communication, October 30, 2020). However, the CEO of DAZN explained this pandemic as “the biggest disaster to hit the sports world in 75 years,” where sponsors and advertisers have cut back on entertainment spending (Ahmed et al., 2020). This shows the importance of retaining sponsors, especially for a new team like the WooSox who needs the initial sponsorship support for operational funding.

The plan for Polar Park is not just short-term, but rather finding ways to ensure the stadium will pay for itself by spurring economic activity throughout Worcester. In order to

achieve this, the team and city must work together to ensure the redevelopment is completed. However, economic research regarding stadiums has been incredibly negative. Teams create leverage due to their popularity, and many deals result in higher taxes and costs of living (Coates, Humphreys, 2003). It is clear that stadiums tend to not bring in new spending but rather redistribute spending, thus leading to a lower economic impact (Zimbalist, 1998). Although some public benefits have been found, economists have repeatedly stated that stadiums generate negative or negligible returns for the city (Coates, 2007). This research, though, is focused solely on ballparks and not any redevelopment surrounding the stadium as is planned for Worcester.

Nola Agha's work has shown that minor league stadiums have been able to create a positive economic impact (Agha, 2013). Agha proves this success is due to minimizing leakage and keeping local spending within the economy. She highlights how teams bring in visitor spending due to less entertainment options in smaller cities as well as cheaper tickets, which leads to minimized crowding out effects. According to Dan Rea, the team plans to have a variety of ticket prices in order to ensure residents want and are able to come to games, but also so that they can maintain revenue streams through premium seating. This focus, along with the results of Agha's work, proves how Worcester is in a spot to have a successful redevelopment.

The WooSox should look at past "Major League Winners", coined by Mark Rosentraub, in order to create economic success. In his book, *Reversing Urban Decline*, Rosentraub explains different plans that allowed the stadium to truly pay for itself, from which Worcester can learn (Rosentraub, 2014). With a design team of Larry Lucchino and Janet Marie Smith, the team should specifically look at their past success of PetCo Park in San Diego. By building a stadium within the neighborhood and focusing on the development of the Ballpark District, the Padres

became a prime example of leveraging assets to ensure a positive impact for the community (Cantor, Rosentraub, 2012). The WooSox must use these successes, as well as Lucchino and Smith's experience with Camden Yards in Baltimore and understand the importance of the entire Canal District in their stadium plans.

The WooSox will also be able to create economic success through a joint partnership with the city. Sparvero and Chalip have described three ways to guarantee economic success: creating economic leverage, leveraging place marketing, and leveraging social welfare (Sparvero & Chalip, 2007). Beyond the economic leverage, the team must focus on marketing both the team and the city. Working closely with the city will allow the team to be marketed properly to Worcester and the surrounding areas which will also provide marketing for the city itself, giving people further reasons to visit and spend money. Lastly, the team must create strong community partnerships to ensure more fans relate to the team as this will promote social welfare. Suggestions include partnering with local schools, sport programs, community groups for youth/town nights, and garnering local support. If fans are not allowed in 2021, the team could create a marketing initiative with MiLB.tv. Offering a package that includes the option to stream WooSox games and get team apparel or other exclusive products will not only make up for lost revenue but continue to build a fanbase. Thus, the WooSox will be able to create a positive relationship with the city, which will allow them to increase engagement and thus spending to help further pay for the stadium over time.

While there is no denying the pandemic has produced challenges for the WooSox, we strongly believe that they have the planning and potential to create a positive economic impact. The best solution is for the team to stay on course regarding construction and redevelopment plans, while also understanding and preparing for any cost overruns or challenges to finding an

alternative solution while the stadium is completed. Regardless of the outcome, Worcester and the WooSox must work together to ensure a successful redevelopment of the Canal District that will bring economic success for all involved.

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