

# Make Way For Mixed-Use Entertainment Districts

Are entertainment districts the new saviors of malls and sports facilities?

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There's no mistaking it, mixed-use and/or entertainment districts are becoming the "must-have" anchor for today's sports facilities and shopping centers. The industry has been witnessing this massive trend taking place across North America and other parts of the world, including Asia.

More and more, the share of mall GLA dedicated to food, beverage and entertainment has been ballooning. Rather than an amenity or glue that held the other pieces together, the critical mass of anchor restaurants, bars and entertainment concepts has become an anchor, replacing traditional department stores that continue to shutter. But that's not all. The death of the mall has been prematurely reported. These real estate assets remain critical nodes of commerce, work and residential activity, well-located, demographically rich and easily accessed. As a result, residential, offices and hotels are continuing to replace or fill in spaces, as these former suburban low-rise meccas transform into vertical, dense mixed-use districts. These quasi-urban feeling suburban districts are becoming more walkable, more developed with live-work-play assets (not to mention medical office and related) and more acceptable to patrons

or residents of all ages.

Mall owners had to redefine their assets and make them relevant to today's marketplace, which desires connectivity, entertainment, walkability, safety and easy access to services. As Baby Boomers age, having all these assets mostly under one roof or easy-to-access complex serves their needs, yet also serves the realities of Millennials and Gen Zers, who are more often being priced out of urban centers, where rents are higher than mortgage payments on nice homes.

The mixed-use suburban mall and entertainment district offers a practical solution, one that has been decades in the making. In many markets like Washington, D.C., Chicago, New York City, New Jersey and others, these complexes have been evolving in this direction for 20 years. In previously outlying suburban areas of mid-sized cities, the evolution of the mall to district is more essential than ever. Demographics have shifted and these malls are no longer the shiny new asset they once were. Evolving to meet multiple needs for all generations and demographics, through office space, entertainment options, numerous restaurant options and living setups is a way to not only survive, but thrive.

Yet recently, professional sports stadi-

ums and arenas have gotten into the act, again often out of necessity. There are two primary factors at play.

The first of those factors is money. Major league sports facilities are extremely expensive to develop

or renovate, with the average new facility costing approximately \$1 billion in 2019 and the average renovation often costing more than \$200 million. And while they draw thousands on a regular basis to their events, they are not able to capture the pre- and post-event spending that they generate. Cities, hotels, restaurants, bars and retailers capture these benefits. Is there a way that the event generator can recapture some of the benefits (including taxes) that their games and events throw off? Yes. Now more than 50 percent of major league venues are located in, or have developed dedicated entertainment mixed-use districts. Often these are part of a tax recapture district (known by many names: synthetic TIF, super TIF, Professional Sports Development Area, etc.) that helps to capture incremental taxes on meals, drinks, hotels, income and other spending within these districts. Facilities in Indianapolis, Richmond, Kansas City and many other cities utilize such districts to pay for all or part of their facilities.

The second factor relates to relevance/activity/tradition/party! Gone are the days — at least for most venues — when the stadium was located in the middle of hundreds of acres of suburban parking. Today's action is in the city, with many



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teams making the move in the 1990s. While the suburban land was cheap, there was an empty feeling. Teams realized that the risk of being the only thing onsite often resulted in poor attendance and lack of tradition surrounding games, especially when the team did not perform well. Fans – as well as visitors to the city – wanted to experience the game as part of a more vibrant feeling of “place.” They also wanted to be able to make a day of the game, with activity before and after.

The other realization that many teams had, especially in looking longingly at Chicago, Boston or San Diego, was that the ballpark was a center of a 365-day urban district, alive with activity, spending, tourists, residents, workers and fans, all keep the streets alive late into the night. These facilities often see 30 to 40 percent of their ticket sales to non-fans and tourists. Why? People come for the party, for FOMO (fear of missing out) on a great time that all their friends and family continue to post on social media.

Hunden Strategic Partners found that 66 percent of facilities are now located within an entertainment district, with an average of 26 percent of teams across the five leagues directly participating in the development of such districts. The MLB, NBA and NHL lead the way, while the NFL and MLS continue to lag. Renovations and expansions of existing facilities include major activities for the public outside, including at the Indiana Pacers’ renovated Bankers Life Fieldhouse, which include an events plaza, outdoor skating, concert area and other new amenities that will be active throughout the year. The \$360 million project is double what the facility cost to develop just 20 years ago, showing the level of investment both inside and outside the fieldhouse.

And mixed-use entertainment districts are not just for the game-day facility, but for the practice facilities, which are now anchoring suburban mixed-use districts. Major examples are underway in Frisco, Texas, for the Cowboys and York County, South Carolina, for the Carolina Panthers.

These districts combine the best of the suburban and urban mixed-use districts.

What do all these trends have in common? Walkability, density, availability, critical mass, and choice of lifestyle, leisure activity, workplace and entertainment. What does this amalgamation mean for malls and sports facilities? Sustainability, relevance and profit. **SCB**

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