

**PROPOSED URBAN PLAZA  
AND REVITALIZED HORTON PLAZA PARK  
AT HORTON PLAZA SHOPPING CENTER:  
AN ECONOMIC IMPACT ANALYSIS**

**W. Erik Bruvold**



NATIONAL UNIVERSITY SYSTEM  
INSTITUTE FOR POLICY RESEARCH

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## **Acknowledgements**

The author would like to acknowledge the insights provided by NUSIPR's Board of Advisors: Dr. Jerry Lee, Richard Carter, Steve Francis and Robert Watkins. The criticisms offered by Vince Vasquez and Kelly Cunningham of NUSIPR helped suggest ways out of difficult methodological challenges. Current information on the performance of downtown hotels was provided by the San Diego Convention and Visitors Bureau. The study was underwritten by Westfield Corporation and we thank them for their support. All views (and errors) are the sole responsibility of the author.

W. Erik Bruvold

National University System Institute for Policy Research

January 2011

## Executive Summary

Well-designed urban public plazas and parks create significant ancillary economic and fiscal impacts. The Project for Public Spaces, for example, credits the River Market in Little Rock, Arkansas with generating an additional \$500 million in incremental investment in that city's downtown.<sup>i</sup> The City of Chicago estimates that Millennium Park has had a positive \$1.4 billion impact because of additional residential and commercial investment as well as another \$1 billion impact as a result of increased tourism.<sup>ii</sup>

The purpose of this report is to evaluate the potential of the proposed Plaza Improvements at Horton Plaza Park to create economic activity and increase tax receipts over the proposed life of the Programming Agreement (Attachment number 10 of the Ownership Participation Agreement (OPA)) between Westfield Corporation and the City of San Diego's Redevelopment Agency as described in pertinent detail below. Using very conservative assumptions, National University System Institute for Policy Research (NUSIPR) estimates that between its opening in 2014 and the end of the Programming Agreement in 2039, the Plaza Improvements at Horton Plaza (hereafter "Plaza Improvements") will have a **cumulative fiscal impact of \$37.6 million (expressed in 2010 dollars)**. This is the result of increased retail sales in the area surrounding the plaza, increased hotel revenues at nearby properties and the positive impact public spaces can have on property values (and thus property taxes) for parcels near the new amenity. The majority of this revenue will be received by the City of San Diego, with the exact percentage a function of the outcome of ongoing discussions on the future distribution of incremental property tax receipts in the downtown San Diego redevelopment areas. Overall, the project will have a **cumulative direct economic impact of \$185.2 million and an additional indirect impact of \$124.5 million. The new economic activity generated by the Plaza will support an average of 102 yearly full-time jobs. The fiscal and economic impacts of the project are summarized in Table 1 below.**

**TABLE 1**  
**SUMMARY OF ECONOMIC IMPACTS**  
**[ALL FIGURES IN 2010 dollars (millions) unless otherwise noted]**

Activity	2014-2039 Cumulative Direct Economic Impact	2014-2039 Cumulative Indirect Economic Impact	Average Yearly Employment Impacts	Cumulative Local Fiscal Impact
Impacts on Hotels	\$116.4	\$76.1	61 jobs	\$11.1
Impacts from Programming (Spending by Attendees)	\$54.6	\$38.9	41 jobs	\$2.3
Construction Impacts	\$14.2	\$9.5	145 jobs (temporary)	\$0.06
Impacts on Property Values	n/a	n/a	n/a	\$24.1
<b>TOTAL</b>	<b>\$ 185.2</b>	<b>\$124.5</b>	<b>102 jobs plus 145 temporary</b>	<b>\$37.6</b>

## **Introduction**

Well-designed public spaces are a tremendous community asset. Portland's Pioneer Courthouse Square has been referred to as Portland's "living room." Each day, 26,000 residents use this public plaza in the heart of Portland's downtown. San Francisco's Union Square each day attracts hundreds of downtown workers, residents and visitors as passive users and hundreds of thousands during nearly 200 special events booked each year.<sup>iii</sup> Public spaces like Millennium Park in Chicago and Seattle's Olympic Sculpture Park have become renowned tourist attractions, generating interest for their cities from throughout the world.

The vibrancy and activity associated with well-designed public spaces also creates incremental economic activity. Visitors, often attracted by programming, consume goods and services at surrounding businesses. Hotels are often able to book additional business and charge higher premiums for rooms near the space. Adjacent property can increase in value, which translates into higher property tax receipts.

San Diego has precisely these opportunities with the proposed improvement project at Horton Plaza.

## **Project Description**

In this policy brief, NUSIPR modeled the impacts of a world-class, 60,000-square-foot public plaza located between Broadway and the extension of what would be E Street and 4<sup>th</sup> Avenue and Broadway Circle.

As proposed, Westfield, the owner of the Horton Plaza shopping center, would demolish the existing structure at the northeast corner of the existing mall (hereafter referred to as the "Robinsons-May building"). After cleaning the site and performing a set of public improvements, the site would be turned over to the City's Redevelopment Agency. The Centre City Development Corporation (CCDC) would be responsible for hiring an architect, coordinating public input into the design process and constructing the new plaza.

Westfield would also be responsible for maintaining the site and programming more than 200 community events each year (as further discussed below). Westfield is also obligated to enhance connections between the existing shopping center and the new Plaza, including improvements to the “North Façade.” Finally, the Bradley



Building, on Broadway Circle, would receive enhancements, most notably a “green wall,” providing a signature architectural enhancement and physical demarcation to the new, improved Plaza. Westfield also would provide a total of \$1 million to the Lyceum and Balboa theaters and homeless services in the City of San Diego.<sup>iv</sup>

For the purposes of this project, we assumed that the City would utilize currently accepted best-in-class design standards as articulated by the Project for Public Spaces. These include a design that will encourage sociability, multiple uses and activities, access, linkages to the surrounding neighborhood and user comfort.<sup>v</sup> “Appendix B” and Attachment Number 8, the Preliminary Design Guidelines (“Guidelines”) of the Owner Participation Agreement, accomplish these goals. For example, the agreement explicitly references that the design guidelines were derived through consideration of such successful urban plazas as Union Square in San Francisco, Pioneer Courthouse Square in Portland and Bryant Park in New York City. The “Plaza Design Characteristics” are aligned with the research on what makes for a successful public space. While uncertainty is present, especially in regards to something as difficult to predict as the public’s acceptance and use of a new public plaza in the heart of downtown, it is our informed belief that Westfield, the Redevelopment Agency, and CCDC are taking great strides to ensure that the project is successful, creating both a new and important amenity for all citizens of San Diego as well as a catalyst that will help create economic value and provide fiscal rewards to the City.

## **Economic Impacts**

There are four kinds of economic and fiscal benefits from the Plaza Improvements that can be estimated.

### **1. Economic Benefit from Programming**

When the Plaza is completed and activated, it is likely to attract hundreds, if not thousands of users each day. Many of these will be existing downtown residents and workers, who are likely to spend money at adjacent stores and dining establishments. However, economic activity associated with these plaza users is likely to represent consumption *shifting* from another area of downtown San Diego to the area around the Plaza Improvements.

**Where there is likely to be noticeable *incremental* economic activity is from those visitors who live and usually shop outside of downtown and who are attracted to the neighborhood from the programming at the Plaza.** As articulated by the Owner Participation Agreement, Westfield is obligated to produce at least 208 distinct and separate programs annually. This is consistent with the position of experts on urban public spaces, who have found that active programming is a way of encouraging all members of the community to use the amenity and to create feelings of safety, inclusiveness, and vibrancy. Experience in other cities around the country suggests that the events will be well attended.

**TABLE 2  
ATTENDANCE AT WEST COAST URBAN PLAZAS**

Plaza/Public Space	Event	Estimated Average Attendance for the Event
Pioneer Courthouse Square, Portland	Christmas Tree Lighting	25,000
Union Square, San Francisco	Summer and Fall Movie Nights	1,500
Union Square, San Francisco	Afternoon Concert Series	500-750
Union Square, San Francisco	Health Expo/Nike Women's Marathon	7,000
Union Square, San Francisco	Holiday Lighting Event	10,000

To estimate the likely economic impact of the spending of attendees to these programs, we took into account past experiences by other urban plazas, the existing programming in downtown San Diego, infrastructure capacity and data generated by the San Diego Convention and Visitors Bureau (CONVIS). Our estimates are conservative, for it is our belief that the City, the Redevelopment Agency, and Westfield have strong incentives to do even more programming than what we are estimating here and have strong interests in increasing attendance above the levels we assumed. We also did not estimate, as noted above, any impact from passive users of the space. **Most importantly, since the mix of programming has yet to be determined, we did not measure any of the impacts of admissions or the monies that will be spent in producing the actual programming.** Rather, what we estimated is just the impact of spending that will occur “off-plaza” before or after programmed events.

Once fully programmed, events at the Plaza will annually attract an estimated 241,000 attendees who would not otherwise be downtown, and the spending associated with these attendees will generate an additional \$6.9 million in retail sales. Between 2014 and 2039, active programming at

the Plaza could result in cumulative spending of \$192.5 million, with the City of San Diego’s share of tax receipts totaling \$2.3 million. We estimate that over the course of the agreement, the spending from attendees at adjacent businesses will annually create 31 direct and 10 indirect jobs.



**2. Impact on Hotels and Accommodations**

The Plaza Improvements will also benefit San Diego’s visitors’ industry. Interviews with the general managers of surrounding hotels found that there was a strong interest in seeing the Plaza improved. Particularly attractive to this set of stakeholders is the opportunity to use the space for occasional receptions, weddings and other special events in ways compatible with the project agreement. These stakeholders also expressed that the improvements would drive increased occupancy and, in some cases, that rooms fronting the improved Plaza could support premium charges.

To estimate this impact we first identified five properties with 1,369 total rooms that are immediately proximate to the Plaza Improvements project.

**TABLE 3  
HOTELS POSITIVELY IMPACTED BY PLAZA IMPROVEMENTS**

<b>Property</b>	<b>Total Number of Rooms</b>
U.S. Grant Hotel	270
Westin	450
Westgate	223
Se San Diego	181
Courtyard by Marriott	245

Using the most recent information from CONVIS, we calculated the revenue-per-room (RevPAR) for 2010 for downtown hotels (\$98.26). To calculate the rate RevPAR would increase over the 25 years of the agreement, we used CONVIS’s Travel Forecast for 2011 to 2015 and then assumed a 1.5 percent growth rate above our forecasted rate-of-inflation for 2016 to 2039.

To derive the premium these hotels would realize (and in the absence of formal econometric analysis), we largely relied upon input from the property owners. One manager, for example, suggested that up to one-fifth of his property’s rooms could be priced with a view premium of \$50 upon the completion of the Plaza Improvements. That would be equivalent to an almost 10 percent increase in RevPAR for that property. He also noted that there was at least one major group that would have generated over \$130,000 in room sales that declined to book into San Diego because of the lack of outdoor programming space. Similar statements were made by the other general managers or hotel representatives we were able to contact.

After concluding these interviews, we believe that a conservative assumption is that the five surrounding properties would experience a **five percent increase** in their per-room-revenues after the Plaza opened. It is further assumed that this impact would only be gradually felt, spread out over the first four years after completion of the improvements.

**TABLE 4  
SUMMARY IMPACTS ON SURROUNDING HOTELS FROM PLAZA IMPROVEMENTS**

Cumulative Direct Economic Impact on Hotels	Cumulative Indirect Economic Impact	Direct Employment (number of full time jobs created during each year of agreement )	Indirect Employment (number of full time jobs created during each year of agreement)	Cumulative Fiscal Impact
\$116.4 million	\$76.1 million	40 jobs	21 jobs	\$11.1 million

### 3. Increased Value of Property in Surrounding Area

The Plaza Improvements are likely to further enhance property values in the surrounding community. In recent years, econometric analysis has found that values can increase up to 33 percent for properties adjacent to urban public spaces. These studies have also found that a noticeable positive effect on property values can be observed up to one quarter-mile from the new public amenity.<sup>vi</sup>

To estimate the benefits the City of San Diego could derive from the impact of the Plaza Improvements on surrounding properties, we first calculated the total assessed value of properties bounded by 1<sup>st</sup> and 6<sup>th</sup> Avenues and B and G Streets. For the purposes of this analysis, we excluded the Horton Plaza Shopping Center and the Civic Center. This area is actually much closer than one-quarter mile



but it reflects our philosophy in this study of being conservative with our assumptions. In 2009, properties in this 25 square block area of downtown had a total assessed value of \$928.5 million.

Our review of the relevant literature and research on similar projects suggests that properties in this area would see at least a 10 percent increase to their values. We modeled a scenario where this increase only gradually impacts *assessed values*, as the ownership of property changes and triggers reassessment, spreading out the impact over a 10 year time horizon. Furthermore, we did not assume any large scale redevelopment of surrounding property at higher and better use –actions which would *significantly* increase the amount of property tax generated in this 25 square block area above the levels we forecast in this study and which would seem plausible if the Plaza Improvements create the kind of benefits we have modeled.

With conservative assumptions, our model suggests that the area immediately near the Plaza Improvements would see assessed values increase by \$149.98 million by 2039. **These increased**

**assessed values would cumulatively generate an additional \$24.1 million in property tax receipts.** Due to the complexity of the various expiration dates of sub-areas in the downtown redevelopment area, the extension of the “redevelopment cap” recently enacted by the state legislature, and the ongoing discussions over revisions to tax-sharing agreements, we did not attempt to estimate how these funds would be distributed to the various local government entities that receive property taxes, nor between the City’s General Fund and Redevelopment Agency.

#### **4. Economic Benefit from the Construction of the Plaza**

The final economic benefit from the project will be the investment of \$14 million in the demolition of the existing structure, preparing the site and the construction of the Plaza Improvements. We estimate that this spending will create \$14.2 million in direct and \$9.5 million in indirect and induced economic activity in the region (\$23.5 million total), or 76 direct and 69 indirect temporary jobs during the year in which the construction took place.

## CONCLUSIONS

Using conservative assumptions, NUSIPR calculated the impact on tourism, increased spending, construction impacts and increased assessed value on properties in close proximity to the Plaza Improvements. NUSIPR estimates that over the life of the agreement (2014 to 2039) the project would cumulatively yield:

- **\$185.2 million in direct economic impact.**
- **\$124.5 million in indirect/induced economic impact.**
- **\$37.6 million in local sales, property and transient occupancy taxes.**
- **Each year a minimum of 71 direct and 31 indirect jobs will be supported by the incremental economic activity associated with the Plaza. Economic impacts will be greater if events at the plaza generate revenue and redevelopment occurs as a result of the Plaza Improvements.**
- **145 temporary jobs will be created from the demolition, site preparation and actual construction of the Plaza Improvements.**

## APPENDIX

To calculate indirect and induced economic impacts, NUSIPR utilizes IMPLAN, the recognized leading model for estimating regional economic impacts.<sup>vii</sup> The core of IMPLAN's model is a statistical representation for how change in demand in one sector of an economy creates impacts on other local businesses.

IMPLAN provides two kinds of second-order effects from initial economic changes, indirect economic impacts and induced economic impacts. Indirect impacts reflect the spending the original suppliers make when purchasing goods and services from subsequent generations of firms to meet the demand generated from the original entity. Induced impacts are the economic impacts created by the spending of the additional income created by the new economic activity. These can be expressed both in dollar terms as well as the likely increase in employment associated with the change in economic activity.

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### ENDNOTES

<sup>i</sup> . "10 Benefits of Creating Good Public Spaces," Project for Public Spaces. <http://www.pps.org/articles/10benefits>. Last accessed, December 9, 2010.

<sup>ii</sup> . <http://www.americansforthearts.org/NAPD/files/11989/Millennium.pdf>. Last accessed November 11, 2010.

<sup>iii</sup> . See <http://www.unionsquarepark.us/index.html> and "A Square is Born: Face-lift at S.F.'s most historic plaza has everything feeling like good old days"; San Francisco Chronicle, July 26, 2002.

<sup>iv</sup> . We did not model the economic impacts of this spending.

<sup>v</sup> . It should be noted that an assumption used throughout this study was that the City would take advantage of the opportunity being provided to it by this proposed project as students of public space have chronicled that some spaces do not work when place making is not a foundational element of the effort . NUSIPR makes no guarantees and offers no opinions about whether the City and Agency will be able to implement that sort of plan. For more see Project for Public Spaces, "Eleven Principles for Creating Great Community Places"; William Whyte, [The Social Life of Small Urban Spaces](#).

<sup>vi</sup> . A good summary of this literature can be found in "Downtown Minneapolis Park Space Initiative Final Report," City of Minneapolis, Appendix B.

<sup>vii</sup> . For more on IMPLAN see [www.implan.com](http://www.implan.com).