

November 3, 2015

Mr. Paul Mitchell
ESA | Community Development
550 Kearny Street, Suite 800
San Francisco, CA 94108

Re: Response to Philip King, Ph.D. November 2, 2015 Memo Regarding Urban Decay Analysis of Proposed Movement of Golden State Warriors from Oakland to San Francisco

Dear Mr. Mitchell:

ALH Urban & Regional Economics (ALH Economics) has reviewed the November 2, 2015 memo from Philip King, Ph.D. to Patrick Soluri, Attorney at Law, regarding Dr. King's comments on the ALH Economics September 30, 2015 urban decay-related letter report. This letter report was prepared in response to July 13, 2015 comments provided by Dr. King pertinent to the environmental documentation associated with the relocation of the Golden State Warriors to San Francisco.

This current letter provides a few summary comments regarding Dr. King's Memo. These comments are provided below in bullet format, addressing some of Dr. King's more salient comments. Unless otherwise stated, references hereafter to Dr. King's memo pertain to the November 2, 2015 memo.

- In several places Dr. King states that ALH Economics argued that another sports team would be attracted to the arena after the departure of the Golden State Warriors. Specifically, Dr. King states "ALH argues that another team will be attracted to the area and cites the City of Oakland's Coliseum Redevelopment Area."¹ This assertion is repeated in Dr. King's overall conclusion, in which he states "Thus any conclusion that the Oracle Arena can find another sports team is speculation."² Dr. King further states "On the issue of other sports teams entering the market, the evidence as it stands today indicates that it's unlikely in the foreseeable future that another NBA team will locate to Oakland (and ALH provides no evidence that any team is interested.)"³

Dr. King's statement that ALH economics argued that another sports team would be attracted to the Oracle Arena following the departure of the Golden State Warriors is not accurate.

¹ Philip King, Ph.D., November 2, 2015, Memo to Patrick Soluri, Attorney at Law, "Re: Urban Decay Analysis of Proposed Movement of Golden State Warriors from Oakland to San Francisco," page 1. Please note subsequent page number references to this document refer to an excerpted copy of this memo, and that page numbers in the source document may be plus or minus one.

² Ibid, page 4.

³ Ibid.

There is no mention in the letter report prepared by ALH Economics of the expectation that another sports team will locate at the Arena. Instead, the ALH Economics report includes considerable case study analysis of other indoor arenas in the United States that lost their sports teams and continued to operate in the absence of a sports affiliation. Thus, Dr. King's criticism in his overall conclusion that the ALH Economics report provided no evidence that any NBA team is likely to locate in Oakland is irrelevant, as there was no such argument made by ALH Economics.

- Dr. King states that "ALH argues that I do not provide a definition of urban decay."⁴ ALH Economics did not *argue* that Dr. King did not provide a definition of urban decay. His lack of definition was provided as a statement of fact, and was not stated in an argumentative manner. Instead, ALH Economics provided a definition to set a context for the information and analysis presented by ALH Economics. Dr. King did not provide a similar context for his original memo, but subsequently agrees with the ALH Economics definition.
- Dr. King's memo addresses at length the issue of relocated jobs, and claims that ALH Economics argues that "the move of the GSW from Oakland will not lead to a transfer of jobs."⁵ This is a false statement, as the ALH Economics analysis did not make this argument. What the ALH Economics memo implied was that Dr. King likely overstated the job impacts of the Golden State Warriors relocation. Further, the ALH Economics letter report acknowledged there would likely be some economic shift pursuant to the relocation, e.g., the ALH Economics report stated that "ALH Economics recognizes there are some team expenses that are likely to be shifted geographically upon team relocation to the Event Center."⁶ This relocation of team expenses comprises some degree of economic shift, but ALH Economics did not attempt to quantify the associated jobs impacts. This is not the same as saying there would be no transfer of jobs.
- Dr. King seems confused about the ALH Economics discussion regarding the degree to which Golden State Warriors employees might or might not relocate pursuant to the team's relocation. ALH Economics presented this information pertinent to Dr. King's assumptions regarding the degree to which Golden State Warriors **expenditures** would shift from the East Bay to San Francisco. The ALH Economics point was that employees are unlikely to relocate their residence with a minor geographical relocation of the team, and thus the portion of Golden State Warriors expenditures spent on employee salaries would be unlikely to shift to San Francisco to the degree implicitly assumed by Dr. King. This ALH Economics discussion did not address the relocation of jobs, which appears to be Dr. King's interpretation,⁷ but rather the distribution of Golden State Warriors expenditures. In contrast, as it pertains to jobs, ALH Economics is in agreement with Dr. King's statement that the employment numbers

⁴ Ibid, page 1.

⁵ Ibid, page 3.

⁶ ALH Economics letter report to Mr. Paul Mitchell, September 30, 2015, "Re: Response to Philip King, Ph.D. Memo Regarding Proposed Relocation of Golden State Warriors from Oakland to San Francisco," page 8.

⁷ See King, pages 2 and 3.

referenced by IMPLAN represent “the location of the jobs themselves and not the residence of the person who perform those jobs.”⁸

- ALH Economics notes that in his current memo Dr. King provides information and clarification that would have benefitted his earlier analysis, although ALH Economics continues to disagree with his manner of implementing IMPLAN. This includes Dr. King’s citation that his “employment numbers do not represent the number of people directly employed by the Warriors organization, but also include those employed by other companies (concession stands, parking attendants, etc.). The traditional implementation of IMPLAN is for “direct” jobs to pertain to the economic stimulus under examination, as referenced in the September 30, 2015 ALH Economics letter report. Interpretation of Dr. King’s original analysis might have been better facilitated if it had been more explicit about his assumptions, including his current reference to IMPLAN jobs now being equivalent to 85% of a full-time equivalent job.⁹ Omission of this equivalency earlier was misleading to the interpretation of his analysis. However, this could be complicated by questioning of the proper economic sector for implementation of the IMPLAN analysis. Since the Warriors do not own or operate the Oracle Arena, upon reconsideration ALH Economics believes some of the expenditures might have been more appropriately analyzed relative to at least one additional sector, pertaining to “promoters of performing arts and sports and agents for public figures,” which is the IMPLAN sector that would mostly pertain to the concert promoter that currently manages the arena.
- Dr. King cites that his original analysis generously assumed that 74% of the Golden State Warriors annual spending was non-local, and claims that ALH Economics criticized the “arbitrary nature”¹⁰ of this leakage estimate. This is another misstatement, in that ALH Economics did not use this phrasing when questioning Dr. King’s assumption. Dr. King further implies that application of the Warrior spending figure in its entirety would have resulted in higher impacts, even with IMPLAN’s internal adjustments accounting for sectoral spending patterns impacts.¹¹ There are many decision points involved in the preparation of an IMPLAN analysis. One of these is the geography of analysis. One could equally argue that if the full amount of Golden State Warriors expenditures were reflected in an IMPLAN analysis then the geography of analysis should be larger than just Alameda County, as current Golden State Warrior’s spending most likely is more regional in nature, as assumed by Dr. King himself in his original analysis. However, expanding the analysis beyond Alameda County would be contradictory to Dr. King’s argument regarding potential economic impacts of the Golden State Warriors relocation.
- Dr. King states that “ALH argues that the departure of the Golden State Warriors is not an issue since the City of Oakland’s Coliseum Redevelopment Area will bring in other sports teams.”¹² Further, Dr. King cites recent media articles regarding difficulties encountered by Oakland surrounding other prospective professional sports team relocations and efforts to attract a master developer to help implement the City of Oakland’s recently adopted

⁸ King, page 2.

⁹ Ibid, page 3.

¹⁰ Ibid.

¹¹ See King, page 3.

¹² Ibid, page 3.

Coliseum Area Specific Plan. Thus Dr. King concludes that ALH Economics' responses to King's earlier analysis "fail to deal directly with my analysis" and that "any discussion of future teams occupying that space is speculative."¹³

As stated earlier, ALH Economics does not make any assumption that other sports teams will be brought in to replace the Golden State Warriors. Further, the City of Oakland's Coliseum Area Specific Plan, which encompasses a portion of the former Coliseum Redevelopment Area (which, despite Dr. King's reference in the present tense, was disbanded concurrent with the dissolution of Redevelopment in California 2012), provides flexibility for potential land use outcomes, which do and do not accommodate sports facilities. ALH Economics recognizes that future planning for the Coliseum Area will be a long-term effort, with several possible configurations depending upon the future disposition of all the sports teams that currently hold home games in the Coliseum Area. This includes land use alternatives featuring no future sports teams. However, the City of Oakland is fortunate that a planning structure has been developed. The actual outcome for the area and implementation of the Specific Plan is speculative at present, with several possible outcomes. However, area assets for future development include highway visibility and accessibility as well as BART accessibility.

In summary, ALH Economics finds that Dr. King's November 2, 2015 memo does not provide any new evidence or meaningful support for his claim that relocation of the Golden State Warriors to San Francisco will result in urban decay in Oakland. Dr. King makes many inaccurate and misleading statements regarding the ALH Economics September 30, 2015 analysis, such as ALH Economics arguing that another sports team would be attracted to the Oracle Arena following the departure of the Golden State Warriors, that ALH Economics argues that the relocation of the Golden State Warriors to San Francisco will not lead to a transfer of jobs, and that ALH Economics misrepresents the IMPLAN findings as pertaining to where employees live versus where employees work. None of these are the case. Instead, ALH Economics provided examples of indoor arenas that continue to operate after the departure of their last professional sports team, acknowledged that some economic activity will be transferred from Oakland to San Francisco with the Golden State Warrior's relocation, and explained that the residential location of employees pertains to Dr. King's assumptions regarding transfer of Golden State Warrior expenditures, and not job impacts. In conclusion, ALH Economics continues to believe that Dr. King does not provide sufficient information or evidence to support his claim regarding the potential for urban decay to ensue in Oakland directly attributable to the relocation of the Golden State Warriors.

Sincerely,

ALH Urban & Regional Economics



Amy L. Herman
Principal

¹³ King, page 4.