

McLane Stadium Analysis:
A Huge Asset of Value Creation for Baylor University

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Executive Summary

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Subject: Analysis of McLane Stadium

Purpose

The purpose of this report is to delve into the process behind developing McLane Stadium.

Throughout our analysis, we will be looking at every step of the real estate development process to tell the larger story of McLane Stadium on the campus of Baylor University.

Overall, we found McLane Stadium to be a huge asset of value creation for Baylor University and also the city of Waco, Texas. McLane sheds light on the trend of using a venue to develop and become the impetus to revitalize an undeveloped area.

The process of developing McLane Stadium

McLane Stadium started as an idea by Mr. Drayton McLane Jr., who wanted to help usher in a ‘new era’ of Baylor football following a great season they had in 2011. After he brought it to the Regents, it was approved and constructed, all in under 3 years, and was ready for the start of the 2014 football season. Fortunately, Baylor already owned a very large plot of land in the Brazos River District, and their plan was to help revitalize that area of Waco through the new McLane Stadium. The value creation in this project abounds within their expansion of premium seating and the formation of the Baylor Club event space, along with other unique forms of value creation. The rest of the report will walk you through just exactly how they did that, and who captured the value on the project that was McLane Stadium.

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Significance of McLane Stadium

From the revitalization of the Brazos River district, to the lagoon attached to the stadium grounds, all the way to the brick facade that incorporates campus culture in the football stadium, this stadium is a significant college venue due to its uniqueness.

While the architecture of the stadium and its overall aesthetic is critical to understanding this new stadium, there are some key factors that make it significant as a new era college football stadium as well. After Baylor had been playing off-campus for more than 60 years, McLane stadium helped bring back the team to this modern, state-of-the art stadium right on Baylor University's campus. The goal of this stadium was to represent the Baylor University of the future, both physically and visually. The beautiful backdrop of the stadium, right on the Brazos river combined with the brilliant architecture make it one of the coolest college football stadiums in the country (See Appendix A). What really sets McLane apart is the interesting trend that it represents of bringing venues closer to campus, and using the venue as a revitalization project for the greater Waco area. McLane stadium also serves as a model of value creation in building a new college venue.

Idea and Rationale:

Floyd Casey Stadium

McLane Stadium would not have been considered had it not been for the situation that Baylor found themselves in with their old stadium: Floyd Casey Stadium. The stadium was built in 1950 and renovated in 1989. The cost of building at the time was only \$1.8 million to build the 50,000 seat stadium. However, the main downside of the stadium from its inception was its location,

roughly four miles away from campus. This posed to be a major point of fixture in McLane Stadium. Floyd Casey was starting to fall apart in the early 2011 (Smith, 2014). Floyd Casey was structurally becoming unstable, the technology needed to be updated, and Baylor was trying to compete in the rise of their team to national prominence. When they pulled off an upset of rival Oklahoma, in 2011 causing a field rush by the fans, that became the last straw for Baylor.

The Ideation of McLane

With Floyd Casey on its last leg, Baylor knew that it wanted a stadium near campus ground with upgraded technology to keep up in the college athletics arms race (“McLane Stadium - Populous,” 2018). Baylor knew from a prior feasibility study that they were going to need serious help in making a new stadium a possibility. Enter Dayton McLane, whom Baylor named their new venue after (“University names stadium for McLane,” 2014). The successful, Texas businessman spearheaded the idea for the new stadium (Smith, 2014) (Baylor University Athletics, 2012). He served as a representative to the regents of the University, pushing this new project. After the stadium was approved, Baylor knew that it was going to have a stadium that vastly improved from Floyd Casey. These improvements were: Better in-stadium technology like professional WiFi for a better fan experience (Stoffel, 2016), easier access to campus and downtown Waco, and allowed for value creation with proper seating and stadium amenities such as the Baylor Club.

Value Creation:

Premium seating and Sailgating

McLane Stadium created value in many different ways, which is why this project has been so successful for Baylor University. The first way that they created value was through seating.

While their general seating numbers are similar from Floyd Casey (50k) to McLane (45k), they added a large portion of premium seating. Overall, they have 39 suites, 74 loge boxes, 1,200 outdoor club seats (Davis, 2018). This adds value to the project because they can charge higher prices for these seats and it meets the demands of the growing corporation market in Waco.

Another unique aspect of value creation is their implementation of sailgating. Sailgating for 18 boats creates values in that they sell boating slips for \$3,000 a season (“Home - McLane Stadium,” 2015). This project also expanded parking spaces for fans, increasing revenues and creating value as well.

Surrounding Development

The land surrounding McLane Stadium had been undeveloped for years. With this project, McLane has brought tourism to this district of Waco. The city sees the revitalization potential in this project, which is why they gave Baylor University some funding. While the university does not directly capture this value from the surrounding development, the city of Waco does because it raised the value of land surrounding the area of the river, the city has current plans to revitalize the Brazos river district into an entertainment district like in San Antonio.

Baylor Club

Another major part of value creation in this project is the Baylor Club. The Baylor Club is a large event space built-in to the stadium; it allows for more events to be held on the grounds of

McLane, thus increasing non-football gameday revenues. They host some extra events in the off-season and they are able to keep a portion of the revenues from these events. This means that they capture some of the value, but the University does make them lease the space which gives the University some of the value capture as well.

Market Analysis:

Growing fanbase desires new stadium

In the initial phases of the real estate development process, Baylor needed to complete a market analysis to determine the needs of their fans and the surrounding Waco area. Due to the team being tied to the university, the fanbase will follow the team since they are still based in the Waco area. However, the great demand of their fans was for easier access from campus and downtown. With this, parking and tailgating zones became integral because Baylor fans desired for game days to be an all day long social event, which was limited at Floyd Casey.

The city of Waco market

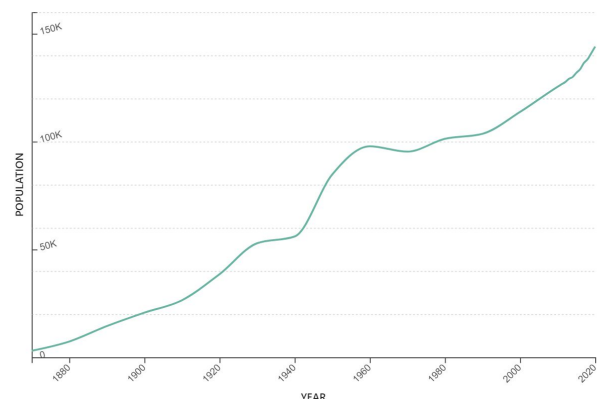
Over the previous years, prior to the McLane being built, Waco had grown significantly. In fact, there was a 22.4 % population increase in Waco over the past few years (Rule, 2017). With this population increase, the corporate scene of Waco started to grow and diversify. Two of the



("Baylor Club at McLane Stadium | Hufcor," 2017)

Waco, Texas Population 2020

144,015



("Waco, Texas Population 2020, (Demographics, Maps, Graphs)," 2020)

more prominent figures in Waco, the McLane Family and Chip and Joanna Gaines, have invested greatly in Waco and both have direct ties to Baylor University.

With this increase in the Waco market in terms of cash flow and population growth, Baylor knew that it would be able to meet the market demand for Baylor games, by raising ticket prices. The cheapest price to attend a game is \$40-50, on par with their Big 12 Conference competitors. However, where prices were raised, causing greater value creation is through premium seating. There has been a trend towards more club and reserved seating. Baylor met this demand by creating different tiers of reserved seating ranging from \$65 to \$115 (Davis, 2018). Overall, the growth of Waco and the needs of their fans helped to prompt Baylor to look into building McLane Stadium.

Project Feasibility:

Another key step in the development process is to determine the feasibility of the McLane Stadium project. Early on, McLane was proven to be a feasible project (“Baylor Regents Authorize Feasibility Study..,” 2013). Because of the low capital land costs and the extra value creation, McLane greatly exceeds its expenses.

Projected Revenues

The first main point of revenues is in regards to the land which we will analyze later in our discussion of McLane. Because Baylor had already owned the land for a while, they did not have any direct capital land costs to build McLane. This is critical to maximizing the value of this great asset.

Overall, the venue was estimated at 250 million and ended up costing 266 million (“Home - McLane Stadium,” 2015). To offset this, the major projected revenues were admission, suites and loge boxes, and secondary events. While these are all generally similar across all venues, Baylor brings a unique value creation element to this project. They plan to have a great portion of their revenues come from the Baylor Club. The Baylor Club operates events other than Baylor home football games (Copeland, 2020). These secondary events that can happen year-round in this club will prove to be a great point of revenue for McLane Stadium.

Projected Expenses

In contrast to the revenues, the major cost elements are upkeep, staffing, and utilities. Unique to this project is that Baylor is going to have to maintain the large grounds and be sure to keep the area clean so that the Brazos River is not polluted. Fortunately, capital improvements are not projected to be large expenses since the stadium was built to last a long time. The scoreboard is the only major point of capital improvements that Baylor considered due to the quick change in technology over time.

Site Selection:

Nestled on the banks of the Brazos

The site selection process for Baylor was quite simple. Baylor had already owned a large plot of land that was the perfect site for a new stadium. Baylor had purchased the 93 acres in 2001 to be eligible for the Bush Presidential Library bid (Culp, 2012). They had chosen this plot of land because of its beautiful aesthetic appeal on the river and because it is a major intersection for easy access to transportation. The land is located at the intersection of the Brazos River and Interstate 35 on MLK Jr. Boulevard. (Smith, 2014). This land also proved to be perfect for

McLane because it was only a walking bridge's distance away from the heart of Baylor's campus.

Extra space for parking and tailgating

This site proved to be perfect because it also met their demand for extra parking spaces for fans coming to McLane Stadium. In his analysis of the stadium, Michael Davis, a reporter for Stadium Journey offers this analysis: "There is plenty of parking for football games at McLane Stadium, even if you don't have a pre-paid parking pass. However, the best advice for parking is to take advantage of the eighteen-hundred city of Waco downtown parking spaces, all within five miles of the stadium, and free. While most of these spaces are about a 15-minute walk from McLane Stadium, there are free shuttles for fans, with pick-ups at 3rd Street & Franklin Avenue, and drop-off on the south side of MLK & I-35. There also will be plenty of fans walking to the stadium, so you'll be able to arrive at McLane Stadium without being misdirected." (Davis, 2018). This evidence shows that the site that McLane Stadium was built on is perfect for their development demands.

Land Acquisition:

Private Acquisition

As previously mentioned, the university has owned most of that land since it made a bid for the George W. Bush Presidential Library (Culp, 2012). The 93 acre land, located on the north bank of the Brazos River across from Baylor Law School proved to be a great acquisition for Baylor. However, as part of the acquisition, they needed to create a safe environment on the banks of the Brazos River. The site was in a floodplain, which is why they created an outdoor amphitheater to serve as a buffer from the river. They also created a landscape design that accommodates flood

plain function, conserving an aquatic ecosystem (Burnett, 2017). The project also redevelops a degraded site and restores ecological conditions (Burnett, 2017).

Final Puzzle Piece

One obstacle stood in the way of Baylor owning all of the land needed to build McLane Stadium. There was a small parcel (that is now part of their parking lots) that obstructed further construction. This parcel was most recently occupied by Hotel Waco, which had recently shut down operations (Culp, 2012). In 2011, the school bought the property for an undisclosed amount and demolished the hotel earlier that year (Culp, 2012).

Venue Program, Design, and Site Planning:

Football Stadium

The capacity of the stadium is currently at 45,140, but has reported room to expand up to around 55,000 in future renovations. As part of the venue design, the field itself was built in an East-West orientation for sun purposes. The designers of it wanted it to be an aesthetically pleasing stadium as well as futuristic, which you can see was done rather successfully. Some of the cool perks of the stadium itself include a huge video scoreboard, which is located in the South end zone, is a state-of-the-art 47 foot wide by 107 feet tall, HD video scoreboard. Another perk is the \$20 million shaded canopy atop the upper deck of the stadium which shades up to 55% of the seats during the day to protect fans from the heat of the Texas sun.

Outside features/Location

As discussed previously, there is a really nice opportunity for ‘sailgating’ in the lagoon just outside of McLane Stadium for fans to cool off and enjoy the warm weather of Texas. In addition to the lagoon, there’s an outdoor amphitheater and walking path that’s available for fans

and visitors to be able to enjoy the setting year round (weather permitting). As it relates to the location, a huge part of the location they selected is due to its close proximity to major Texas highway I-35, which has about 43 million motorists traveling the interstate per year.

Suite Perks/Other Amenities

As part of the design of the stadium, they built 37 private suites throughout the West side of the stadium. These seat roughly 16 per suite with the opportunity to purchase additional standing room only seats to accommodate more people if need be. Some of the nicer amenities of these suites include a welcoming lobby, an anytime bar and grill where members can dine and enjoy it year round, a relaxed atmosphere for both business and social gatherings. There's also some space for outdoor patios that overlook the football field. They also have some space available for use that is an upscale dining room, which can be a sophisticated setting for memorable dinners and celebrations. They also have some extra business rooms on the side, which they call Touchdown rooms, that can be used for private calls, interviews, and meetings with clients. All of these multiple, different types of private event spaces can hold anywhere from 10 to 1,200 guests (Davis, 2018).

Financing

In total, the stadium cost \$266 Million. A reported \$35 Million came from the city of Waco (Smith, 2014). There was also a very sizable, private donation donated by Mr. Drayton McLane Jr. whose family has a long history of very generous donations to the University. Baylor did not specify the amount of the donation by McLane and his family, but did confirm it was "the largest

capital gift in university history" (Baylor University Athletics, 2012). The reported previous record donation was \$20 Million.

Construction

The Idea was started and pitched in 2011, but did not get approved by regents until 2012 (Smith, 2014). Stadium designer Populous presented his drawings and proposal to regents in early November 2011, and the board, still noncommittal, agreed to release the sketches and seek input from Baylor fans. After seeking approval, the idea was approved and they officially broke ground in September of 2012 (Smith, 2014). It was then completed slightly ahead of schedule on-time for the start of the 2014 football season. Included as Appendix B are two pictures of the stadium construction throughout the process.

Operations

Thanks in large part to a wonderful fan base, McLane Stadium has been largely successful. Average attendance in 2017 was 43,830 despite the team's 1-11 record (Davis, 2018), which shows that even when the team itself isn't a huge draw, McLane can still get a sizable figure of fans to attend games. As far as the Baylor Athletics Club's use of the stadium, that has also been a huge success as Mike Mosel, general manager of McLane Stadium said this: "In 2017, we hosted a total of 798 private events in the Baylor Club," (Copeland, 2018). Reported 2018 Financial data on the stadium also indicate a successful launch as statements for the fiscal year ending Sept. 30 show operating revenues of \$542,010 compared to operating expenses of \$2.71 million. (Copeland, 2018) Baylor University contributed services valued at \$1.98 million, and

covered the operating loss with a payment of \$188,349, according to the report prepared by the Waco accounting firm of Jaynes Reitmeier Boyd & Therrell. Commissions and dues paid to the Baylor Club, a members-only establishment operated by ClubCorp on the fourth floor of the stadium complex, produced the most revenue, generating \$406,664. Baylor Club operates the in-stadium restaurant and meeting spaces near it. Unfortunately, like many other places in the country, Covid-19 has forced them to cancel events there for the remainder of the year 2020.

Conclusion

Overall, McLane Stadium at Baylor University has served to be a major college venue that sheds on the use of stadiums as a form of urban revitalization. McLane, because of its unique design and various forms of value creations, has served to be a great asset for Baylor University. The placement of this stadium is also a huge part of the project success. In conclusion, Baylor University has a great asset in McLane Stadium that has simultaneously started to develop and revitalize the Brazos River District which benefits the greater Waco community.

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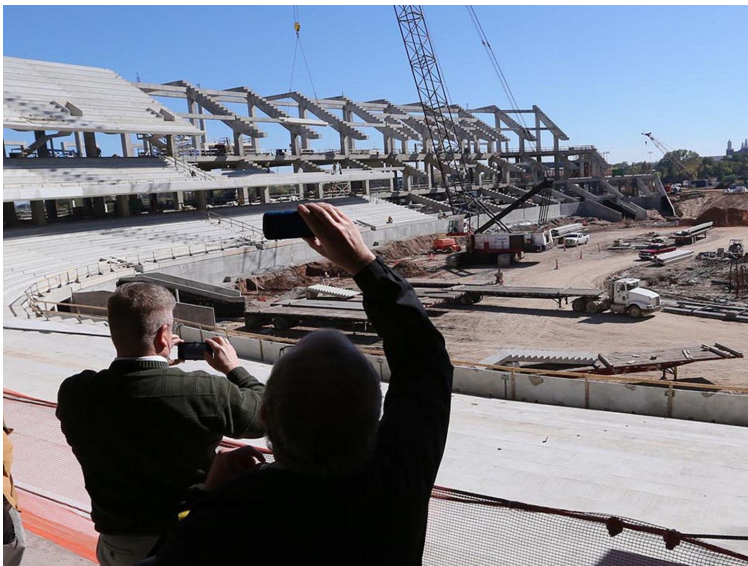
Appendices

Appendix A



Beautiful Backdrop of McLane Stadium
("McLane Stadium - Populous," 2018)

Appendix B



Both pictures showcase the construction process of Mclane Stadium.

(Copeland, 2019)