

NEW SPORTS FACILITIES IN THE 1990s— A TALE OF ELEPHANTS AND BLIND MEN

by David M. Seldin

*It was six men of Indostan¹
To learning much inclined,
Who went to see the Elephant
(Though all of them were blind),
That each by observation
Might satisfy his mind.*

*The First approached the Elephant,
And happening to fall
Against his broad and sturdy side,
At once began to bawl:
"God bless me! but the Elephant
Is very like a wall!"*

I am the owner of a professional sports team in a major U.S. market. At an away game, as I look out on the opposing team's field of dreams, I think about my player roster, my cash flow statement and my current stadium. Terror overcomes me. I conclude that a new stadium is salvation for my franchise. I better call the mayor when I get home.

*The Second, feeling of the tusk,
Cried, "Ho! what have we here
So very round and smooth and sharp?
To me 'tis mighty clear
This wonder of an Elephant
Is very like a spear!"*

I am the mayor of a major U.S. city. The owner of our major league team tells me he wants a new stadium. He wants the city to pay nearly all the cost. He tells me that he cannot compete with his current facility and that he may have to move if I don't help him. I look out the window at all the other needs—schools, crime, infrastructure, job-intensive economic development . . . Terror overcomes me. I conclude that a new stadium is an early exit from public life. Better put out the word that we don't give welfare to millionaires.

*The Third approached the animal,
And happening to take
The squirming trunk within his hands,
Thus boldly up and spake:
"I see" quoth he, "the Elephant
Is very like a snake."*

I am the mayor of a major U.S. city. The owner of our major league team tells me he wants a new stadium. He wants the city to pay nearly all the cost. He tells me that he cannot compete with his current facility and that he may have to move if I don't help him. I remember following the team as a child—sometimes sneaking a radio into bed to listen to a night game after bedtime. I think about the frenzy the team provokes each season. I think

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about losing our team. Terror overcomes me. I conclude that a new stadium is essential for my city. Better see how much we can increase hotel and rental car taxes.

*The Fourth reached out his eager hand,
And felt about the knee.*

*"What most this wondrous beast is like
Is mighty plain," quoth he;
"Tis clear enough the Elephant
Is very like a tree!"*

I am the mayor of a mid-market, growing city. Lots of development, lots of jobs, little stature. If I build a stadium for a team, I can "advance to go" in one turn. I can get what the big guys have. I can become major league. Now that'll be one sure-fire corporate relocation sales pitch for that next site selector. I look at *USA Today* and see that all the competing mid-market, growing cities are getting teams. Terror overcomes me. I conclude that a new stadium is our path to glory. I'll need a list of distressed sports teams. Better yet, who's expanding this year?

*The Fifth who chanced to touch the ear,
Said: "E'en the blindest man
Can tell what this resembles most:
Deny the fact who can,
This marvel of an Elephant
Is very like a fan!"*

I am the commissioner of a major league sport. The owner of a team in a major U.S. market has just called to tell me that that he is moving his team to a new city. He says he's done everything in his power to get a new stadium, but the politicians just wouldn't listen . . . He says he can't compete in his old facility—the fans just won't come to an old dump. I look at the map and see that other teams have recently gotten new stadiums that produce enormous revenues; and yet another group of teams has left their cities for new stadiums in other cities. I see large revenue differences emerging across my league and know that this breeds instability. I look at my phone messages and see calls from three U.S. senators, 30 reporters and 3,000 fans—from each of the two cities. Terror overcomes me. I conclude that new stadiums are nuclear power—phenomenal energy for my sport, but also weapons so powerful that as soon as one guy has one . . . Oh well, better call the senators back first.

*The Sixth no sooner had begun
About the beast to grope,
Than, seizing on the swinging tail
That fell within his scope,
"I see" quoth he, "the Elephant
Is very like a rope!"*

I am a senior partner in a sports architectural firm. Wow, what a day. Calls from five sports team owners, four mayors, three county executives, two

bond underwriters and the commissioner of a major league sport. I look out my office door at teams of my architects at work on a dozen other sports projects. Terror overcomes me. How will we do all this work? I conclude that new stadiums are a lot like Christmas. Better call them all and tell them their projects are feasible.

*And so these men of Indostan
Disputed loud and long,
Each in his own opinion
Exceeding stiff and strong,
Though each was partly in the right,
And all were in the wrong!*

*So, oft in theologic wars,
The disputants, I ween,
Rail on in utter ignorance
Of what each other mean,
And prate about an Elephant
Not one of them has seen!*

So here we go, yet another epistle on new stadiums. Seems you cannot pick up the popular press, much less the industry and academic journals, without encountering the new stadium issue. Economists to the right of us, economists to the left of us—volleyed and thundered. Stadiums drive economic growth, stadiums sap economic growth. Fans are served by new stadiums with high amenities, fans are abused by new stadiums with high prices. Teams are essential to civic pride, teams are leeches on the public weal. Rest assured that a unifying theory for these issues will not be found in this article.

With apologies for the absence of a grand theory, how about some simple, but workable tools? Perhaps under some of the thrash, there might be some rather ordinary things going on.

Expansion to Jacksonville— Site Selection NFL-Style

On November 30, 1993, in what was called "the greatest upset in sports history" the National Football League awarded an expansion franchise to Jacksonville, Florida. Jacksonville joined Charlotte, North Carolina, which received a franchise one month earlier, as the winners in the league's first expansion competition in two decades. The Charlotte and Jacksonville awards were to the dismay of proposed team owners, politicians and fans in Baltimore², Memphis³ and St. Louis⁴, the three other expansion competition finalists.

The expansion competition was a major story throughout the country and dominated the news and sports fronts in each of the candidate cities for several years. As an example there were over 100 front page stories about expansion in the Jacksonville daily newspaper in 1991—one every third day. But strip away the media coverage and hype, and

what you have is a straightforward site selection exercise by an expanding business. Seeking the best possible probability of success, the NFL established three criteria for the selection process:

- *ownership*—net worth, liquidity, business strength and composition of the proposed ownership group,
- *stadium*—ability of the proposed home stadium to generate net cash flow for the new team and visiting teams, and
- *city*—ability of the business community and overall fan base to support the team.

Viewed from the perspective of one of the competitors, the criteria might look like this:

■ *Ownership*

1. Are these people in City X for real, or are they promoters looking for a score?
2. If we give them a team, can they afford the purchase price and afford to pay the bills for a while?
3. Do they seem to have any idea of what to do if they get a team?
4. Do they have any tie to City X? (See question 1)
5. We've got to go to three league meetings a year with these people for the duration. Do they pass the Toledo test?⁵

■ *Stadium*

1. Is this stadium for real? Can it be built as proposed? Technically? Financially? Is the money in place?
2. Can the stadium deliver the goods from a revenue perspective? Suites? Club Seats? Other revenue streams?
3. Who gets these goodies? What is the economic arrangement with the landlord?
4. Do the proposed owners have any construction or financing risk? Are we betting this new franchise's future on the ability of these people to be real estate developers in addition to sports team managers?

■ *City*

1. Is City X strong? Growing? Stable? Not overly dependent on any particular industry?
2. Do the people in City X want a team?
3. Do the businesses in City X want a team?
4. Do we believe them?
5. Is there enough individual and business community money to buy all the wonderful products available under *Stadium (#2)*?
6. How much competition will a new NFL team face? (See #5.)

Straightforward. The same type of analysis any cautious franchiser might undertake, not to mention any prudent franchisee facing a large franchise fee. The NFL established these criteria and executed against them.

■ Investment bankers reviewed the proposed owners' financial condition, while FBI-types investigated each proposed owner's closet. League experts analyzed each group's projections.

■ Stadium experts tore apart the proposed facilities. Stadium leases were studied, bond underwriters cross-examined, construction timetables analyzed.

■ Demographic analysis was commissioned for each market, disposable incomes compared, growth rates studied. Sports pedigrees were scrutinized. Were other teams supported, adored? Market analyses were performed on supply and demand of sports and entertainment product. And finally, the NFL permitted a pre-sale of suites and club seats in each market to demonstrate actual demand.

Strip away the media coverage and hype and what you have is a straightforward site selection exercise employing standard real estate methodology: Can it be built? Can it be financed? Will any one buy it? Can we trust the developer? Let's see the presale results!

Stadium Design—Or Why A Seating Bowl Is Just Another Beachfront High-Rise Condo

Contestant: "Alec, I'll take 'Immutable Real Estate Rules' for \$500".

Alec: "So important, your professor tells you in triplicate".

Each reader wonders how anyone would presume to invoke this most basic tenet in a *Real Estate Issues* article. So basic a tenet indeed.

1984

As the story goes, in 1984 Joe Robbie (founder and then owner of the Miami Dolphins) unveiled a revolutionary concept in stadium design—club seats. Wider seats on an exclusive level, offering access to an upscale concourse, partially shielded from the rain, some other added amenities—priced 300%-600% over other tickets. **"Unheard of, crazy, it'll never work."** Worked just fine.

The one part that didn't work just fine was that the club seat concourse went all the way around the stadium—so a large number of these enhanced seats were in the end zones and corners. No surprise, they were the hardest seats to sell.

Nearly every professional sports facility built since Joe Robbie Stadium includes club seats. They are a widely accepted product, bridging the enormous gulf between regular seats and luxurious suites. In essence, providing the mid-market business and the up-market individual with an enhanced—but not prohibitively priced—way to enjoy the game. And all these club seats were designed to go all the way around all these new facilities.

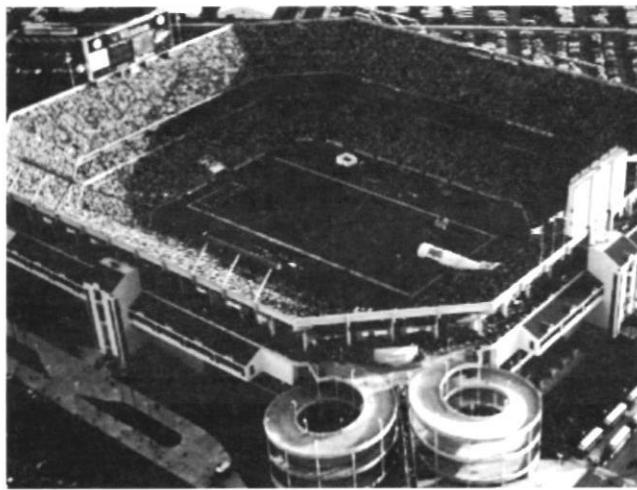


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Joe Robbie Stadium (renamed Pro Player Park), opened in August, 1987, features 10,000 horizontal club seats—shaded.

1991

The design of 'A New Stadium For Jacksonville.' "Gee, why don't we take all the seats at mid-field and make them club seats? That way we won't be trying to sell seats at a premium in the end zone." "**Unheard of, crazy, it'll never work.**" Worked just fine.

Seat Pricing—Why A Seating Bowl Is Just Another Beachfront High-Rise Condo—II

Oceanfront, ocean view, pool front, pool view, no view. Tier A, Tier B, Tier C. Lots of products, lots of price-points. Customers have a variety of preferences and a variety of budgets. What do you know—the customers sort themselves out all by themselves.

Fifty yard line, 25 yard line, goal line, end zone. Lower deck, upper deck. Beer for sale, beer not for sale (family section). Lots of products, but historically in most stadiums, not many price points or not much variation in price points. Why? Perceived ceiling on ticket prices? Too much box office complexity? Absence of revenue pressure? Let's try it. Eight price points from \$150 per game to \$15 per game. Let the fans decide where they want to sit; they'll sort themselves out. "**Unheard of, crazy, it'll never work.**" Worked just fine.

Fan Talk

"I can't wait to get to the game. Boy, this is great. Look at this place—it's beautiful. I hope we play OK. I hope we try to play OK."

I am a fan. Wow, we got a team. WOW, WE GOT A TEAM! Should I buy tickets? WHADDAYA MEAN, SHOULD I BUY TICKETS—get outta my way, I'm going to buy tickets. Wow, they're expensive. Oh well.

"You know, we're really trying to win. Look at all those guys we're signing. I hope we win. I hope we keep trying to win."

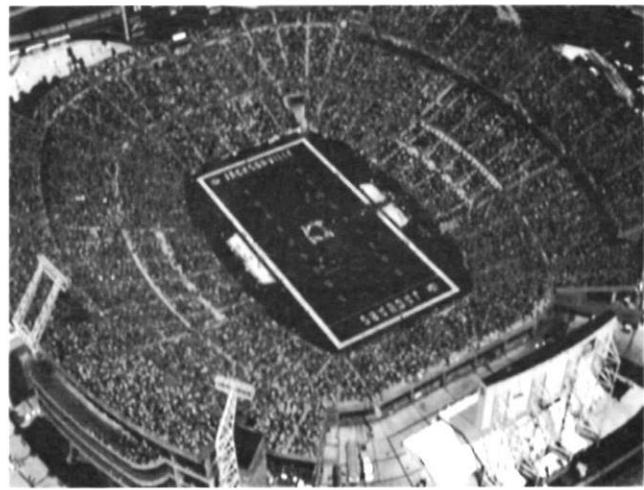


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Jacksonville Municipal Stadium, opened in August, 1995, features 10,000 vertical club seats—shaded.

"You know, this place still looks great, the bathrooms are even clean."

"You know, my husband volunteers with the Police Athletic League. They just got a big grant from the Team Foundation."

"Hey, we might just win. Be quiet, I'm trying to watch the game."

Final Thoughts

In the absence of a unifying theory, workable tools will have to suffice. The same simple things that mark a successful building, development or business.

Customers like choices. Customers want to be in control. Customers want value for money.

Customers like good service. They like to know you are trying to give good service. They cannot abide indifference.

Customers buy from *someone*. They care about who that is. The product is not separate from the manufacturer. How they feel about you is part of how they feel about your product.

In Jacksonville, our new stadium is still a honeymoon cottage. Every one of our 200 people, from our owner to our mascot, strives to work each day to leave a fresh mint on the pillow. We'd better.

NOTES

1. *The Blind Men and the Elephant* (A Hindu fable by John Godfrey Saxe).
2. In 1996, the Maryland Stadium Authority entered into an agreement with the Cleveland Browns to relocate to Baltimore. A new stadium will be constructed for the team now known as the Ravens.
3. In 1996, the Sports Authority of Davidson County (Nashville) entered into an agreement with the Houston Oilers to relocate to Nashville. A new stadium will be constructed for the team.
4. In 1995, the St. Louis Convention Bureau entered into an agreement with the Los Angeles Rams to relocate to St. Louis. The Rams now play in a new domed stadium.
5. With apologies to the City of Toledo—the litmus test in hiring decisions at professional service firms. In evaluating the candidate and making a hire/no hire recommendation, think about a flight cancellation during a business trip that forces you to spend the evening in Toledo with this person.