Will the Bolts Bolt for L.A.? Stadium Squeeze Play in San Diego

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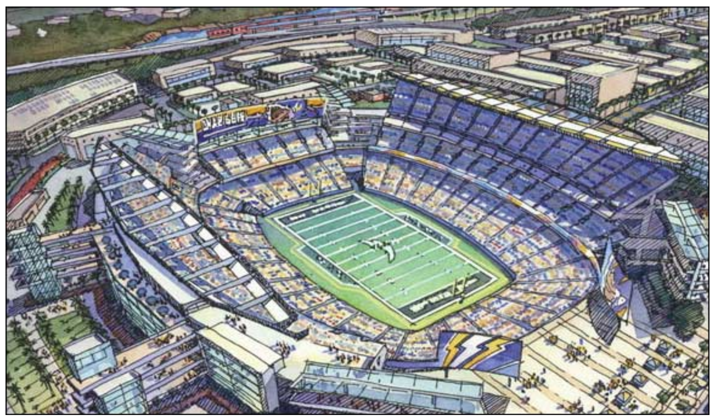


San Diego Union-Tribune Interview with John Vrooman, Vanderbilt University 6/6/2006

I'm trying to get a feel for why stadium costs have gone through the roof in the last 15 years. It can't all be inflation and luxury items, can it? Below is a sampling of reported costs over the years. Is there a simple way to explain this? Any insight or perspective you could provide would be appreciated.

1987, Miami Dolphins stadium cost $125 million
1998, Tampa Bay stadium cost $168 million
1999, Cleveland Browns Stadium cost $283 million
2001, Denver Broncos Stadium cost $364 million
2002, Detroit Stadium cost $350 million
2002, Houston Stadium cost $449 million
Projected cost of San Diego Stadium: $450 million
Projected cost of Twins stadium in Minnesota: $522 million
Projected cost of L.A. or Anaheim Stadium: $800 million

Since Joe Robbie built the prototypical private stadium with a combination of club seats (from Chiefs' Arrowhead) and Luxury suites (from Cowboys Texas Stadium) in 1987, construction cost indexes have only increased by about 70 per cent., so you are right. Inflation does not alone explain the rise in NFL stadium construction cost to $650 million for the New Texas Stadium, $675 million for the proposed Vikings Stadium (now stalled), or especially the $800 million price tag on the new LA Coliseum.

As you surmise, the major cause for the cost increase is the revolutionary change in structural design to squeeze more revenue from fewer and fewer, more affluent fans. At the real bottom line, teams are only interested in more premium seating in the form of club seats and luxury suites. As venue design has evolved since the late 1980's, traditional stadium seats in the lower and upper decks have become appendages to the luxury suite and club mezzanine level, rather than the other way around in older stadiums. This requires reconstruction of the stadium with a "motel in the middle", and an upper deck on top and lower bowl in the front. This is very expensive and the old stadium can be reduced to a shell surrounding the smaller stadium, such as Chicago Soldier Field or LA's proposed new Coliseum. Premium seating is valuable because it is contractually obligated revenue (COR) or certain "money." This is also "money" that may not always be subject to revenue sharing with other teams or even with the players under NFL salary cap rules. *The important point that needs to be made is that the premium seat money alone can easily cover the total cost of the stadium.* The rest of the stadium revenue and gate can be used to operate the team–-particularly in the NFL, where TV money can alone cover team payroll. (Annual team average share of $116.7 million in the 2006-11 NFL TV contract is approximately equal to the expected payroll cap in 2008.)

Since Robbie rediscovered the cash cow of luxury seat revenue (Cowboys Clint Murchison used luxury suites and "PSLs" in the original funding of Texas Stadium in 1971), the NFL has played a stadium extortion game through threats of team relocation. Through this strategy the NFL has levered 28 of 32 members into new digs by 2010. After the Cards, Cowboys, KC, Indianapolis and two New York teams move in to new venues, only four NFL teams remain in older ones (ignoring the $78 million renovation of 113 luxury suites and 7800 club seats in Qualcomm in 1997). Only the Vikings, Saints, Bills and Chargers remain to play the game with threats of relocation to an empty LA or San Antonio market. I have attached an architectural drawing of the motel in the middle of the new LA Coliseum.

Some of your cost figures are different than mine, so I have attached a table to compare venue deals in the NFL since Robbie's revolution. Land acquisition prices will also inflate venue costs. For example, only $315 million of the advertised price of $667.3 million for the Nationals new park in DC is hard building cost. Land acquisition cost blew up the $458 million (2000) price of the Bengals Stadium in Cincinnati. This may also be why the $450 million for the new Chargers stadium at Qualcomm was probably a bit understated. If the 166 "free" acres in San Diego are valued at a steal price of $1.2 million per acre, then the total stadium package comes to $650 million. (Value of the 60 acre development tract is estimated at $500 million.)

I'm also checking out story angles about the NFL in Los Angeles and the possible relocation there by the San Diego Chargers. I was interested in your opinion of how much economic sense it would make for the Chargers to move there if the situation presented itself.

The move of the Bolts back to LA makes a lot of financial sense on the revenue side for Spanos, but the rest of the league will probably not let him unilaterally move to LA without a relocation fee, adverse ruling in the 1982 Raiders reaction case notwithstanding. The increase in value is not as much as one might think, however, because of the extensive revenue sharing in the NFL (80-82 per cent of revenue is now shared). It doesn't really matter where (what city) you play as long as you play in a venue with a motel in the middle. For example, let's say that the Bolts are worth about $700 million playing where they sit in Qualcomm. If the Bolts were to play in a new venue in San Diego, their value may increase by 25 percent to $875 million (comparable to Tampa or Carolina). But if the beloved Bolts moved to LA in a proposed new stadium in either site, their value would probably hit $1.32 billion in value on revenues of about $300 million (a value/revenue multiple of 4.4 similar to the Redskins). Rough estimates of $1.5 billion that simply sum the teams current value (or the Houston Texans $700 million expansion fee in 2002) and the $800 million cost of the stadium or probably too high. An important complication arises with the realization that the new team must either buy the stadium from the NFL, or pay an annual lease and maintenance payment equal to the value of the stadium. So the revenue side is a no-brainer, but the cost side may require some serious head scratching. In addition to all of this debt, the League is very protective of its potential expansion sites, and much of any gain for whatever team relocates will most probably be neutralized by the rest of the league as a relocation fee. The relocated LA team will probably have a leverage ratio (debt/value) well in excess of 50 percent. This compares leverage ratio of 45 per cent for a league-high Houston Texans who were saddled with a 2002 expansion fee of $700 million and stadium cost of $132 million on $450 million Reliant Stadium. (source: Forbes)

The League has already blown its target of getting a team in LA by 2008, largely with the help of the complex politics of LA. The new target is probably 2010 or 2011. The League will not announce whether the team is an expansion or relocation team until the four remaining teams (Vikings, Bills, Saints and Bolts) have finished their local extortion games. Never underestimate the NFL. It was only decided that Cleveland would get an expansion team after several teams, including the Saints and Bengals (how cold that be?—the Bungles moving to Cleveland from Cincy) had finished their respective stadium extortion referenda. When the time is right (2008) the league will announce the lucky relocation winner. The League will not expand beyond 32 clubs because the new owners (Jerry Jones, Kraft and others) don't want to dilute talent (read revenue sharing) more than necessary. The League will also negotiate with LA directly until a deal is struck and then sell the rights to LA along with the stadium deal to the prospective relocation team. (Similar to what happened with Cleveland.)

Based on the facts and figures below, is it a financial no-brainer? Or is it another case where an NFL owner (Alex Spanos of the Chargers) is using the implicit threat of moving to get a better deal for himself even though a move to another city is more complicated and less economically advantageous as he would like San Diego to believe?

When MLB teams threaten to leave if they don't get a stadium, nobody really listens anymore because they have never really left. The last MLB team to relocate was the Rangers from DC in 1972 (with the weird exception of the Expos to the Nationals in 2004. When an NFL club sees greener pastures the threat is credible, again because it doesn't really matter where they play as long as they get their cash cow. So the Spanos' Bolts relocation gambit should be taken very seriously. As a matter of fact, it is better than a fifty-fifty proposition now because of his failure to find a developer stupid enough to front a project that has absolutely no external benefits whatsoever. It is bad investment to anchor a development with a seldom used football stadium—downtown baseball park or basketball/hockey arena, maybe—but a monolithic stadium—never. Zygi Wilf (new owner of the Vikings whose plan has stalled in the State legislature) has tried the same gambit north of the Twin Cities in rural Anoka County MN. All the developer is looking for is free land and property tax exemption. How much activity can be generated by tailgaters on 10 Sunday afternoons a year? Zero-zip-nada—bad idea.

Any insight you could provide in this regard would be appreciated.

Consider:

The Chargers lease with San Diego: *It allows them to talk about relocating elsewhere in January. They cannot move until after the 2008 season. If they leave after 2008, the lease requires the Chargers to replay $60 million in bonds the city issued in 1997 to expand Qualcomm Stadium. If they leave after 2009, it would have to pay $56.2 million. After 2010, it would pay only $24 million, and the amount of debt owed decreases after that.*

The Bolts will probably not bolt until the NFL's new promise date of 2010 or 2011, and they will not announce the move until the game has properly run its course—not only in San Diego, but also Buffalo (New York State will come to the rescue here), New Orleans (even the NFL won't mess with Katrina), Twin Cities (Zygi will come up with another scam) and of course San Antonio (with the Alamo Dome), the new stalking horse that replaces LA as the empty seat in musical chairs.

The lease buyout is not all that important if the other numbers are right (which they already are). I worked up a funding scenario below, where the San Diego lease can be bought out by PSL money, as was the case in Houston and Anaheim when the Oilers and Rams split for premium-seat manna.

As an aside, consider the PSL case of the former LA Rams: St. Louis sold $80 million in PSLs before the Rams moved to St. Louis. None was used for the stadium, $20 million was used as part of the $29 million relocation fee,$17 million went to the League in PSL sharing, $28 million for Rams former lease in Anaheim, and $15 million for a practice facility and other moving expenses. The total St. Louis relocation fee to the League was $29 million ($20 million from PSLs and $9million from Rams) plus $17million PSL share for a total of $46 million. In the Bolts relocation scenario, they would sell 25K PSLs for $2500 a pop, which would allow them to cash out the Qualcomm lease in 2010.

What the Chargers want:
What else? A new $450 million stadium with all the amenities. But the city of San Diego won't help subsidize it because it's riddled with financial problems of its own. All the Chargers had asked for was 166 acres of city land to given to them for free. They would have joined with a developer to pay for the stadium and $175 million in public improvements around the stadium. However, that will not happen because the Chargers could not find a development partner in time to join them for this project while the city's financial situation remained so murky. The team's best chance of staying in greater San Diego now seems to be finding a development partner and a site in San Diego County - outside of the city. Again, they would like land for free or little cost in exchange for building the stadium.

Given the two choices the suburban development is preferred to the urban one because of the lower value of the land and the lack of economic spin-offs from a football yard gobbling up major urban space. Suburban cities like Chula Vista don't have the social overhead responsibilities of central San Diego, they can expedite the political coalitions, but they will also pay a heavy price because they could not capture wide external economic benefit even if it existed. This is the case in the "relocation" of the Cowboys from Irving to Arlington in suburban DFW. The taxpayers of Arlington (small city half way between Dallas and ft. Worth) are funding half of the $650 million Cowboy Stadium with a sales tax (the more regressive of all taxes), while they can't possibly capture all of the gain for DFW.

Please beware, Chula Vista--giving away land to developers is giving away a potential tax base and falsely prioritizing you public welfare. In venue finance there are no positive sum gains, and if a something-for-nothing proposal seems too good to be true, then it probably is. In the end and given the weight of incredible social overhead responsibilities of the City of San Diego, you have way more important issues to worry about than whether Phillip Rivers is the real deal at QB—It may be time to let the Bolts bolt, if that's how they want to play the game.

What it would cost to move to L.A.:

The NFL said it would need an $800 million facility in L.A. -- either at the Coliseum or in Anaheim. The team would have to foot some of this bill at least. If two teams land in L.A., they could share costs.

In spite of the best wishes and political clout of the Governator, there will never intentionally be two teams from one league placed in one city. This is because two monopolies are always more valuable to a league than one duopoly. The only major cities with two clubs are the vestiges of former rival league warfare: AFL jets and NFL Giants in NY, NFL Niners and AFL Raiders in the Bay area (both the Niners and Giants were the only teams compensated in the 1967 AFL-NFL merger agreement).

What L.A. could provide:

The nation's No. 2 TV market and a new stadium with all of its revenue-generating amenities certainly seems more economically appealing than staying put in a 37-year-old stadium in San Diego or a new stadium in San Diego County.

If you're Alex Spanos, looking strictly at the bottom line, is a move automatic? As soon as possible (2008) or after 2010, when you can save $30 million? Anything about these basic circumstances makes you think twice? How much more money could it mean to Spanos to move to L.A., if you have any frame of reference for this in a league where team accounting is private?

The second largest media market in the country is irrelevant if home games are not sold out. If games are not sold out they are blacked out on TV. This is why the Rams and Raiders both hauled out of LA. This is also why newer stadiums are downsized to mid-60,000's (Chicago's New Soldier Field is 61,500). Fair-weather fans are excludable, and 92,000-seat Coliseum-type public venues are major private financial liabilities. The LA TV market is equally important to all teams in the league in maximizing national television contracts. The new LA club gets 1/32 share of an increasingly large media pie. .The money game has changed so that the stadium as virtual media has become more important to the league than the real stadium, whose unshared venue money concerns the lone club.

We have a frame of reference because we know most of the parameters of the preceding stadium deals. These extortion games are all about premium seat money anyway, so here is a basic plan to finance the stadium based on contractually obligated revenue from premium seats alone

Lightning Bolt Stadium Plan in LA

Club seats	8200
Season price	$3,000
Luxury suites	200
Season lease	$125,000
Club seat revenue	$24.6M
Luxury suite revenue	$25.0M
Annual payment (30 at 5%)	$49.6M
Total Venue Cost (.05, 30)	**$800.0M**

1. Club seats (similar to Denver): 8,200 club seats at $3000 for $24.6 million per year.
2. Luxury suites: 200 suites at $125,000 for $25million per year. (Dallas has 400, Denver 120).
3. Personal Seat Licenses (present value of future season ticket discounts): 25,000 at $2500 each for $62.5 million to buy out the Qualcomm lease.
4. $100 million G-3 loan from the NFL to be repaid by 34 % visitor share of premium tickets.
5. $120 million annual TV revenue (same for all teams) to fund payroll (2006.cap=$104million.)
6. Total Revenue $300 million: gate (65,000 seats at $500 average per season), sponsorship $12-20 million per year, naming rights ($8-10 million per year) and concessions.
7. Lightning Bolts expected value of $1.32 billion with revenue multiple=4.4.

One initial follow-up.
To paraphrase you: Premium seating may not always be subject to revenue sharing and sharing with the players. When is it and when is it not? Is there an easy way to explain exactly how this works?

That's what the recent flap in March about the NFL's Collective Bargaining Agreement (CBA) was all about.. Remember when the "rich clubs" and "poor clubs" went after each other in March, while the players were cool on the outside looking in.

The revenue sharing exception started after 1987, when Joe Robbie (Miami Dlophins), and Jack Kent Cooke (Washington Redskins) were making major money, not from tickets per se, but from the associated club fees and suite leases. The league didn't know how to treat premium seat money as gate revenue subject to the 66/34 sharing formula. So they created the *premium seat waiver*, where the clubs could keep the club fees, and only the *ticket* part of suites and club seats was sharable with the league. For example a $3000 club seat could be split into $750 for the season ticket and $2250 for the annual club fee. Soon owners of the other clubs, particularly Jerry Jones of the Cowboys, found the incentive to build more suites and club seats and keep all the money for their venues and share less and less with the league. The league allowed the waiver only if the unshared premium seat money was used to finance a new venue. In the beginning unshared stadium revenue was only about 10 percent of total revenue league-wide. This is how the Dallas Cowboys made unshared money from Texas stadium often at the expense of shared revenue from the Cowboys as an NFL franchise. As the stadium revolution has evolved the unshared club-suite part portion is now approaching 20 percent of total revenue. It is not just Jerry Jones but now his biggest early critic, Bob Kraft of the Patriots along with Bob McNair of the Texans, Dan Snyder of the Redskins, Jeff Lurie of the Eagles, and most of the other owners are shifting revenue from team to stadium in order to keep up with Jones. So "rich and poor" teams had become teams with unshared v. shared revenue streams. In reconsidering the CBA in March, the "poor" owners (including Spanos) wanted the "rich" teams to share their suite and club money, but Jerry and the boys in the new old guard resisted. Ironically the players (NFLPA) were cool about it, and it was the two sets of owners going at it. The NFLPA should also be concerned, however, because suite money and club fees are not included in DGR (defined gross revenue) that makes the base for the 59.5 per cent salary cap. In essence the home team keeps almost all suite and club money and the players and visitors get none. The league has made a distinction between Cowboys or Patriots revenue as league money that was to be shared, and Texas Stadium or Gillette Stadium money that was not to be shared. This revenue asymmetry has propelled the NFL stadium revolution.

The conflict was resolved in the recent CBA, when the big five revenue clubs agreed to not take the visitors share of ticket money (34 per cent), but they refused to give up the visitor share of premium money. The *premium seat waiver* evolved into the NFL stadium loan program with the private funding of Gillette Stadium that opened in 2002—after the Patriots had threatened to move to Hartford and vacate the Boston media market. In the G-3 loan program the NFL would borrow money at low rates with TV contract as collateral, and loan amounts equal to 50 per cent of the private stadium costs in the top six media markets and 34 per cent in smaller markets. These "G-3 loans" are repaid with "visitor share" of premium money.

Vanderbilt Sports Economics 6/6/06

John Vrooman, Vanderbilt University, 6/8/2006.

Another follow-up. You wrote, "The Bolts will probably not bolt until the NFL's new promise date of 2010 or 2011, and they will not announce the move until the game has properly run its coursenot only in San Diego, but also Buffalo(New York State will come to the rescue here), New Orleans (even the NFL won't mess with Katrina),Twin Cities (Zygi will come up with another scam) and of course San Antonio (with the Alamo Dome),the new stalking horse that replaces LA as the empty seat in musical chairs. "You have suggested that San Diego is the likeliest relocation candidate for L.A. Some see it differently because if the NFL is going to eliminate one of its existing markets, it would eliminate one of its least lucrative markets to trade up for L.A. Of those four markets -- Minnesota, Buffalo, New Orleans and San Diego – it would seem that San Diego might be the most lucrative of those markets because of lucrative Southern California base, etc. How do you see this?

San Diego is the logical (odds-on) relocation candidate for these reasons:

1. The NFL will never pace two teams in one market region. This is because two monopolies are more valuable to the league than one duopoly, and this is particularly true in a syndicated revenue-sharing league like the NFL. This is why the NFL lost the Raiders relocation case in 1982. The court ruled that when the members of the League blocked Al Davis' move they were conspiring to protect the Rams from the competition of the Raiders as a second team in LA.

2. The only reason dual markets exist is because rival leagues: LA Chargers+Rams, NY Jets+Giants; 49ers+Raiders; Cubs+White Sox; and NY Yankees+Mets.

3. San Diego is part of the SoCal regional market and would become a dual market team if another team is placed in LA. Another team in LA would not be worth as much if the Bolts remained in SD, and the Bolts would be damaged if another team was in LA. The move of the Bolts to LA is a positive sum gain for the NFL, any other move would be negative sum (the NFL would lose money overall).

4. The original move of the Bolts to San Diego in 1961 was to escape the dual market of the Rams (LA was a separate market from SD in 1961). The Bolts v. Rams and Dallas Texans v. Cowboys (the KC Chiefs in 1963) moved out of the dual markets they were originally placed in by the rival AFL.

5. Although these cities are comparable to San Diego in corporate presence they currently have a monopoly regional presence. The League is most interested in multi-regional presence for the golden goose national TV contract. This is why they put a team in Jacksonville, and why they will try to keep these teams where they are. The regional presence of the league is magnified with the Bolts in LA.

Of course there are other scenarios. The second most likely candidate to move is the Saints, who probably should have moved out of the Big Easy even before Katrina. There are no corporations left in NO—none. Attendance at the Super Dome is fine but there is no "motel in the middle," and the suites couldn't be leased even if there was one. Louisiana agreed to over-pay the Saints $186 million outright over 10 years back in 2001 to make up for the lost premium seat money. There are other possibilities. The Saints could move to San Antonio. The Bolts could move to LA and the Saints could move to SD. But these moves would violate the local monopoly markets of the Cowboys and Texans, as well as the Bolts in LA. The important thing in the NFL extortion game is that these San Antonio default options exist to force maximum concessions from the four remaining host cities, new or old.

All of these scenarios are what is best for the NFL bottom line, unfortunately profit maximizing moves are caddywompus with the best interest of NFL fans. That's the problem--here are the LA odds.

Lightning Bolts	EVEN
New Orleans Saints	2-1
Expansion Franchise	8-1
Minnesota Vikings	10-1
Buffalo Bills	20-1

Another thought on the 28 of 32 NFL teams with new digs and the "extortion" game: From your years of following this, which of them were the best examples of this? Some are obvious. Some not. And you make have a different perspective on some of the cases. I take it you're arguing they all played the extortion game to one degree or another because the threat of leaving is always the unspoken threat when asking for a new stadium.

Yep, they have all pretty much all threatened to leave. The best example involves twelve teams in a series of complex moves. Please see the attached stadium table. This extortion initially concerns the expansion derby of 1995 and the eight teams in the middle “expansion and relocation” section.

The NFL expansion derby of 1995 came down to six finalists:

1. Oakland
2. St. Louis
3. Baltimore
4. Memphis (Mid-South)
5. Charlotte
6. Jacksonville

By some surprise, the last two markets were chosen over the first four: Carolina won out because of the prototypical stadium design and its total private funding package--it had the motel in the middle and every seat carried a PSL---the city kicked in the land. Jacksonville used a heavy club seat multiyear subscription and its strategic regional TV advantage, but the city paid almost 90 percent of the expansion costs. The other four candidates were left frustrated at the expansion altar.

Be careful for what you wish for because you just might get it, and one by one each of the four brides maids was used in a relocation extortion game and each of these cities paid a heavy public price in order to get their teams.. Check out the team cost share column on the far right of the stadium cost table. These private shares should all have been similar to the Panthers at about 80 per cent.

So now the league has moved six teams into new venues all with a motel in the middle and they have leveraged maximum public subsidy in the process. In addition, Carolina and Jacksonville each paid expansion fees of $140 million, and the Rams, Browns and Oilers each paid relocation fees of $29 million taken mostly from PSL money from fans in the new markets (Raiders paid nothing).

But wait the game isn't over...here is the best part. That left former home markets Houston, LA and Cleveland who were now without teams. The league had to put a team in Cleveland because the city was suing them for moving a team with some of the best fan support in the country—oops, new stadium with 75 percent public money. The expansion or relocation decision for Cleveland wasn't made until Cincinnati voters approved their stadium (2000) at a whopping 90 per cent public funding rate and in 2001 the Saints leveraged a $186 million subsidy from Louisiana over 10 years

That leaves the League in another advantageous situation: Two major markets in LA and Houston fighting over one 32nd expansion team. The league preferred LA at the time because of the TV presence, and keep Houston as the stalking horse. LA couldn't get its competing stadiums and investment groups together and blew deadline extension after deadline extension. Finally Bob McNair who had his investment group together made the league an offer they couldn't refuse and blew LA out of the water. He offered an expansion fee of $700 million when the Browns had paid only $376 million 3 years earlier and one of the LA groups had offered $500 million. The public private splits for Houston and Cleveland are upside down—bingo, each with 75 percent public money.

In a complex game of “build it or we will go,” the league had maxed out public funding for eight stadiums with a motel in the middle, and one Louisiana boondoggle.

Since then it hasn't mattered to the league whether the 32nd team was LA or Houston. LA would prove to be just as valuable as the empty musical chairs seat for Arizona an Indianapolis to leverage maximum public money from their home cities---both funded with 75 - 80 percent public money.

Domino….that makes twelve.

Table 1. National Football League Stadiums ($millions)

NFL Franchise	NFL Stadium	Year Open	Total Seats	Lux Box	Club Seats	PSL Seats	Total Cost	Team Cost	PSL Take	Name $/YR	Rent PV[d]	League Cost	Team Share
Premium Waiver [a]													
Miami Dolphins	Pro Player Stadium‡*	1987	75.4	216	10209		115	102		20/10	0	30	.887
Atlanta Falcons	Georgia Dome	1992	71.2	203	4688		214	. . .		. . .	-41.5	20	.000
Washington Redskins	FedEx Stadium	1997	80.1	284	15000		251	180		205/27	0	90	.720
San Diego Chargers	Qualcomm Stadium‡†	1997	71.5	113	7800		78	18		18/20	23.9	. . [U]	.231
Tampa Bay Bucs	Raymond James Stadium	1998	66.3	195	12300		169	15		39/13	56.5	. . [U]	.089
Cincinnati Bengals	Paul Brown Stadium	2000	65.6	114	7600	58.0	458	44	26	. . .	4.0	. . [U]	.096
Pittsburgh Steelers [b]	Heinz Field	2001	64.5	129	6600	45.0	284	113	37	57/20	1.9	. . [U]	.398
Expansion and Relocation													
Jacksonville Jaguars[X95]	Altell Stadium†	1995	73.0	85	11200		138	17		6.2/10	11.2	. . .	.123
Carolina Panthers[X95]	Ericsson Stadium	1996	73.4	158	11358	62.5	248	187	160	20/10	0	34	.763
St. Louis Rams[R95]	Edward Jones Dome*	1995	65.3	124	6150	53.5	299	. . .	80	74/23	4.0		.000
Oakland Raiders[R95]	Network Associates‡†	1995	63.1	143	6300	39.0	128	. . .	68	6/5	6.0		.000
Baltimore Ravens[R96]	Ravens Stadium*	1998	69.3	108	7900	60.2	229	29	65	105/20	0		.127
Tennessee Titans[R97]	The Coliseum*	1999	67.7	144	9600	58.2	292	71	71	30/15	4.5		.243
Cleveland Browns[X99]	Browns Stadium[c]	1999	73.2	147	8800	57.0	314	79	25	. . .	4.0	48	.252
Houston Texans[X02]	Reliant Stadium	2002	69.5	177	8200	44.0	449	132	70	300/32	64.6	. . .	.294
G-3 Loan Program													
Denver Broncos	Invesco at Mile High	2001	76.2	124	8200		401	100		120/20	29.7	48	.250
New England Patriots	Gillette Stadium*	2002	68.8	80	6000		397	325		120/15	0	141	.819
Detroit Lions	Ford Field	2002	64.4	132	8600		500	375		40/20	4.0	100	.750
Seattle Seahawks	Seahawks Stadium	2002	67.0	82	7000	8.3	430	130	17	. . .	13.7	63	.302
Philadelphia Eagles	Lincoln Financial Field	2003	66.0	117	9000	29.0	535	340	70	140/20	4.0	125	.636
Chicago Bears	New Soldier Field	2003	61.5	133	8600	27.5	383	200	70	. . .	92.0	100	.522
Green Bay Packers	Lambeau Field†	2003	71.0	167	6260	58.0	295	126	93	. . .	11.1	13	.427

[X] Expansion Teams. Carolina Panthers played 1995 in Clemson (South Carolina) Memorial Stadium..† Stadium Renovations ‡ Stadium shared with MLB team..

[R] Relocations. Ravens played 1996-97 in Baltimore Memorial Stadium. Titans played 1997 in Memphis Liberty Bowl, 1998 in Nashville Vanderbilt Stadium..

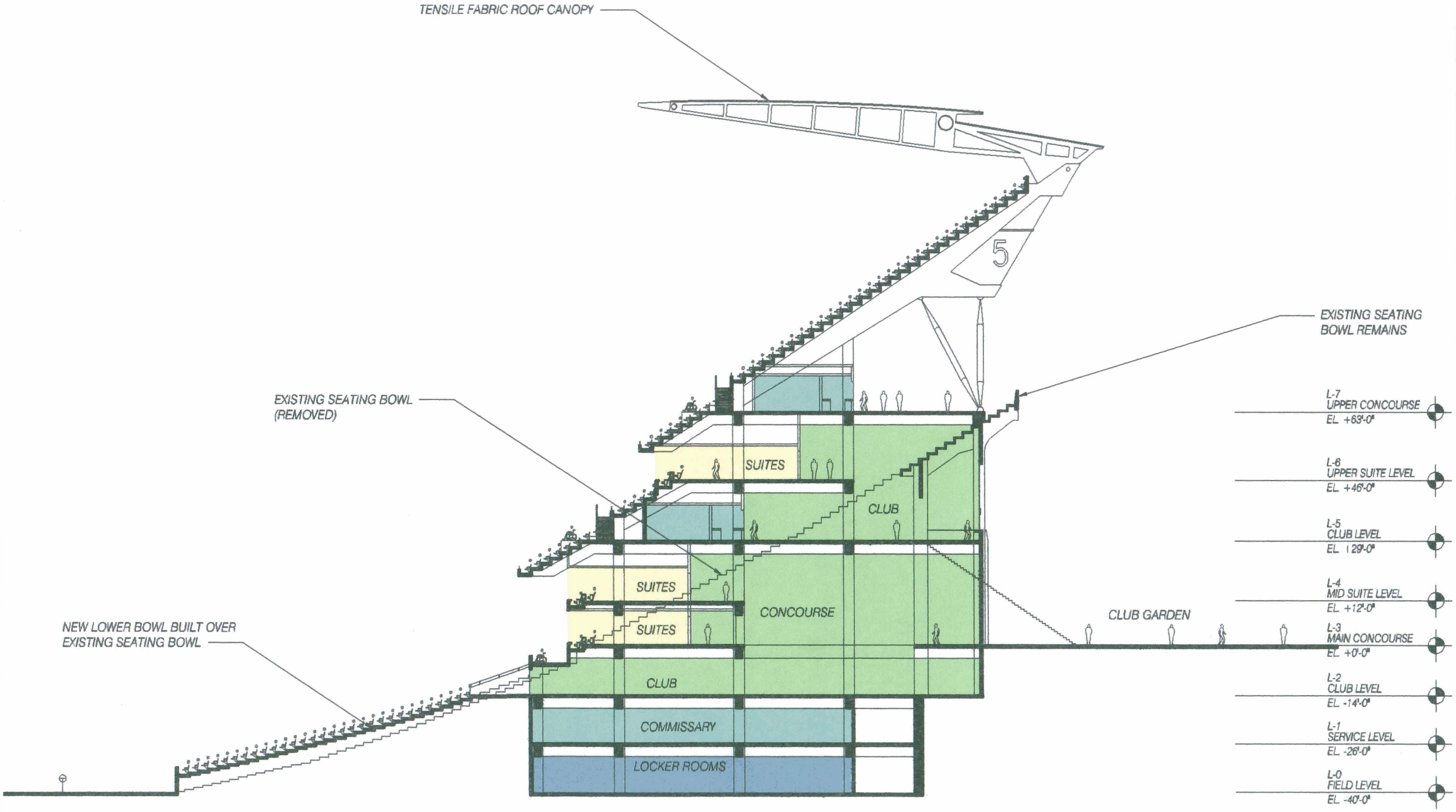
*Originally named for corporations that later filed for bankruptcy: Miami Pro Player, St. Louis TWA, Baltimore PSINet, Nashville Adelphia and New England CMGI.

[a] Buffalo Bills granted 1993 waiver of $63.3 million for 7800 new club seats and 76 suites (136 total). New Orleans Saints 1994 waiver for $20.5 million club seats.

[b] Pittsburgh Heinz Field plans were last to be finalized under the premium waiver rule, before inception of G-3 program in Spring 1999. First ten years of $250K rent paid up front.

[c] Cleveland Browns Stadium gates named for corporations. NFL loan is part of settlement with City of Cleveland after the relocation of the Browns.

[d] PV rent is not included in calculation of team share of stadium cost. Present value of annual rent payment for 30 years at certain rate of 5 percent. Negative value for subsidy.



Approximate Scale
1 inch = 40 feet

This rendering is conceptual and is subject to change.

Source: NBBJ Architects, A401 - 50 Yard Line Section, July 22, 2003.

CHRISTOPHER A. JOSEPH & ASSOCIATES
Environmental Planning and Research

Figure III-19
Conceptual Plan - 50 Yard Line Section

San Diego Union-Tribune Follow-Up with John Vrooman, Vanderbilt University 6/6/2006

What about the Oakland Raiders? They weren't in your odds and are easy to overlook...

Good call. Another eccentric bidder creates the perfect storm for the NFL's auction of LA market. The Raiders signed a 15 year lease in 1995 and it expires after 2010. They have just renegotiated to drop the failed fixed-term PSL payments for 2006 (PSLs should be for the life of the season ticket contract and season ticket prices should be discounted by the amount of the PSL), but the Raiders refused to extend the lease beyond 2010, as negotiated in the Raiders move back to Oakland in 1995. The Saints renegotiated the $186 million subsidy in 2001 that ends with their lease after 2010 (the 90 day window to avoid the lease after 2005 with a penalty of $81 million closed at the end of March 2006). The Minnesota Vikings lease expires after 2011, and their new stadium proposal has bogged down in the State House. The Buffalo Bills lease expires after 2012, and they are seeking a new stadium from Eerie County (Bills can move after 2004 with $12 million penalty). Along with the self-defeating stadium politics of LA, the coincidence of expiration of these leases may explain why the NFL has extended its LA expansion from 2008 to 2010 or 2011. I have reconsidered the odds of which of these teams (Jacksonville has also been mentioned) will relocate to LA in 2010 or 2011.

As candidates for relocation, all of these teams are obviously on the edge NFL of team values as shown in the table below. The team in the worst financial shape is not necessarily the best candidate, because of the high visibility of the LA market. For example, Jim Irsay and Bill Bidwell, owners of the Colts and Cardinals both explicitly threatened to move to LA in the recent stadium extortions (where they each got 75 percent public money that their small markets could not afford to pay), but the NFL was never-ever going to allow either of them to be the face in LA—please. Like I said in the first interview the revenue side may be a no-brainer, but the cost side of the equation is what is going to separate staying from leaving. The approximate value of all of these clubs if they get new stadiums in their current home-cities is over $1.3 billion in 2011 (Stay Home +New Venue). If they stay, then they have probably exploited their respective cities at least to the same 25/75 degree that the Colts and Cardinals have done to Indianapolis and Phoenix. They achieved this increase in team value without acquiring significantly more debt (Stay-Home Debt Ratio). On the other hand, if they bolt to LA then each of their values would jump to over $1.5 billion ($800 million stadium v. a $600 million stadium), but their leverage ratio would also explode above 50 per cent. This is because the NFL is negotiating with LA or Anaheim directly and the team that relocates to LA will either have to pay for the stadium (it doesn't really matter if they buy it or lease it form the league). If the League totally scams LA or Anaheim and gets a sweetheart deal, it doesn't matter because the relocating team will have to compensate the League for the implicit value of the deal. The other owners are not just going to give away the LA market for nothing. Any gains to the relocation team will be diminished by the number of clubs bidding on the LA market. Moving a team to LA is going to be like buying a Jag and putting it on your Visa--the good news and bad news is the same. This analysis eliminates Zygi Wilf and the Vikings—he just can't take on the debt (after buying the club his current leverage ratio is at 50 percent). It also casts doubt on ability of the Saints to afford such a move. Still in the running: Raiders, Bolts and Bills.

TEAM VALUES WITH OR WITHOUT L.A. RELOCATION ($MIL)

					Stay Home		Relocate to L.A.	
Team	**Lease Ends After**	**Forbes Value 2005**	**NFL Rank 2005**	**Estimated Value 2010**	**+New Venue**	**Debt Ratio**	**Value 2010**	**Debt Ratio**
Buffalo	2012	708	25	990	1390	0.158	1590	0.547
San Diego	2008	678	29	950	1360	0.184	1560	0.577
Oakland	2010	676	30	950	1360	0.150	1560	0.547
Minnesota	2011	658	32	925	1340	0.347	1540	0.722
New Orleans	2010	718	22	900	1320	0.130	1520	0.607

Source: *Forbes* and John Vrooman

Ostensibly, a second measure of relocation measure is fan support, because the League according to its own Bylaws respects fan support (Cleveland Browns to Baltimore Colts notwithstanding) and it serves as a rough measure of revenue potential (corporate presence is a better one). This is also true for most club owners (particularly old schoolers) who not strapped in liquidity crises (like Art Modell of the Browns). Further, if the league ignores fan support then unsupported relocation may be subject to litigation (like the City of Cleveland v. NFL). By this measure in the table below we can pretty much eliminate the Buffalo Bills from ever moving out of Eerie County—it just ain't gonna happen. Jacksonville is included in the table as a flight risk, because of faltering attendance. As the smallest NFL city, support is an elastic function of winning and when four losing seasons ended in 2004 and 2005, relocation talk disappeared. The table also reveals three observations about the remaining three clubs in the relocation derby. First, the Saints support before Katrina is strong, in 2001 the Saints drew 70K fans into the Super Dome and were ranked 9th in attendance. This is what Paul Tagliabue was talking about when he said the League would do everything it could to keep the team in Louisiana (most of the season-ticket holders come from outside the Big Easy). The problem N.O. has now, and even before Katrina, was an inadequate corporate presence and few luxury suites close to the field. This fan support and regional importance for the national TV contract lowers the probability of the Saints move, although it could still happen if there is evidence that the support is gone. The NFL is also not likely to want Tom Benson to be their face in LA. The second notable factor is the total collapse of the Raider-Nation. Al Davis is smart enough to leave Oakland again and weird enough to try the LA market one more time. The question would be whether he would want to pay the price, but more importantly, it is very doubtful that the new old guard would want Al Davis to be the new NFL face in LA. A third observation concerns the soft support of San Diego fans, who were ranked 29th in the NFL two seasons ago. Lower-mid 60K's is a concern, but not enough reason to move the team, Only the Raiders can be red-lined for lack of fan-support.

NFL AVERAGE HOME ATTENDANCE 2002-05

Team	2002-05 Average	2005 Home	NFL Rank	2004 Home	NFL Rank	2003 Home	NFL Rank	2002 Home	NFL Rank
Buffalo	71,296	71,906	9	71,799	9	73,015	8	68,462	13
Minnesota	64,090	63,995	24	64,121	24	64,179	21	64,064	20
New Orleans	63,191	52,158	31	64,147	23	68,611	15	67,849	15
San Diego	62,578	66,239	18	60,682	29	61,520	25	61,871	24
Oakland	54,672	52,306	30	50,742	31	55,007	30	60,636	28
Jacksonville	61,227	65,689	20	69,433	14	53,509	31	56,277	30

Here are revised odds in the LA relocation Derby with no skimming for the house (probability =1).

LA Relocation Derby	Odds	Prob
Lightning Bolts	2-1	.333
New Orleans Saints	3-1	.250
Oakland Raiders	5-1	.167
Minnesota Vikings	8-1	.111
Expansion Franchise	10-1	.091
Buffalo Bills	20-1	.048
All of the above		1.000

Unfortunately the Bolts are still the odds-on LA relocation favorite, unless of course "owner" Dean Spanos and "problem-solver" Mark Fabiani can leverage $.5 billion in public land from San Diego County. In the final analysis, the best option would be for the Bolts to forget LA, stop the extortion threats, quit suing the city, suspend the ticket guarantee and privately build the stadium near the Qualcomm site without the development land grab. This is not too much for San Diego to ask, and this is not hard for a creative owner to do.

Please see attached example of an unveiled threat, vintage 2002.

Vanderbilt Sports Economics, 6/10/06

Appendix A

Dean A. Spanos
President- CEO

April 22, 2002

Hon. Dick Murphy
Mayor
City of San Diego
202 C Street
San Diego, California 92101

Dear Dick:

Thank you for meeting with me last week. I appreciate having the opportunity to discuss how we can work together to secure the Chargers' long-term future in San Diego.

I reaffirm what I said at our meeting: My family and I want to do everything possible to keep the Chargers in San Diego. That is our top priority. We are committed to San Diego. This is our home. We want to stay here for many years to come if we can ensure, that the Chargers will be able to remain economically competitive with the rest of the NFL teams.

As we discussed, the recent wave of new stadiums that have opened across the country has dramatically shifted the economics of the NFL and have put teams in older stadiums at a significant competitive disadvantage. As a result, Qualcomm Stadium is not an economically viable long-term option for the Chargers. Our economic challenges are further evidenced by the fact that we could have triggered our right to renegotiate the existing lease last year. If trends continue, it is likely that we will be in a position to trigger our renegotiation right this year as well. Although we did not pursue our renegotiation right last year, various factors may compel us to do so this year.

I firmly believe it is in the best interests of both the City and the Chargers to begin negotiations now, rather than forcing the Chargers to trigger the contractual renegotiation right. Exercise of the renegotiation right may be incorrectly perceived by the public as the first step in a relocation effort, which .would damage the City (by increasing its burden under the ticket guaranty) and the Chargers (by causing unnecessary controversy for fans, eroding public support and reducing revenue streams not impacted by the guaranty). Furthermore, now that construction of the Padres' ballpark has resumed, public attention appears to have shifted to ensuring the Chargers' future in San Diego (spurred on, in part, by the publicity surrounding a potential new stadium in Los Angeles). Finally, the time-frames for renegotiation contemplated by our lease may not provide the fullest opportunity to explore available options. The present circumstances create the best environment for a successful negotiation; waiting creates a real possibility of economic impairment to both parties, as well as strained negotiations under unnecessary pressure.

Of course, I am aware of the private stadium development efforts in Los Angeles that have been widely covered in the press. I know the people who are spearheading the project, but I have had no discussions with them regarding a deal with the Chargers. While opportunities may arise in Los Angeles and elsewhere, the Chargers are committed to exploring every option for staying in San Diego, provided that we can do so and stay competitive in the NFL. The sooner we start exploring those options with the City, the more likely that we will be able to find one that works.

As I mentioned, I have assembled a negotiating team to be lead by Mark Fabiani. Mark is a renowned strategist and problem solver and is particularly well suited for this task. My team is ready to sit down with the City's representatives immediately. Please let me know who they should contact to begin this process.

Dick, I am eager to get started and am confident that we can work together to build a new home for the Chargers in San Diego.

Best regards,

Dean A. Spanos
President-CEO

Final

STATEMENT OF MARK FABIANI ON BEHALF OF THE SAN DIEGO CHARGERS

May 29, 2002

Chargers Respond to Call from Los Angeles Stadium Group by Postponing Discussions to Focus on Efforts to Remain in San Diego

Yesterday the San Diego Chargers received a call from a representative of the Anschutz Entertainment Group (AEG) regarding AEG's proposed new downtown Los Angeles professional football stadium.

The Chargers responded to this call by emphasizing that the team's desire is to remain in San Diego while keeping the team financially competitive with its NFL rivals over the long term. Moreover, the Chargers emphasized that, although they intend to review AEG's stadium proposal at some point in the future, the team's first priority is to focus on establishing a productive dialogue with the City of San Diego. Therefore, the Chargers have told AEG that the team will not discuss the proposed stadium with AEG until the middle of the summer. In the meantime, the Chargers' goal is to make progress with the City of San Diego toward a solution that will be acceptable to our community.

[For questions, please call Mark Fabiani at 858.551.2818.]