"What Do You Mean My Facility is Obsolete?": How 21st Century Technology Could Change Sports Facility Development

W.S. Miller
"WHAT DO YOU MEAN MY FACILITY IS OBSOLETE?": HOW 21ST CENTURY TECHNOLOGY COULD CHANGE SPORTS FACILITY DEVELOPMENT

W.S. MILLER* 

Few military projects have had as much opprobrium heaped on them, as has the Maginot Line. . . . Accused of fostering an insidious, corrosive 'Maginot Mentality,' the Maginot Line stands widely condemned. It has been charged with leaving France supine and immobile in 1940, lulled into a false sense of security and as paralysed as a rabbit caught in the glare from a car's headlights.¹

Most historians agree that one of the worst military strategic bunglers of all time was France's reliance on the Maginot Line to defend itself against a possible invasion by Germany in the late 1930s and early 1940s.² The concept of the Maginot Line was simple. It was a lengthy series of defenses designed by France's War Minister, Andre Maginot, to combat the tactics and strategies used by German forces during World War I.³ Believing that this "line" of World War I defenses would protect their country from any subsequent German invasions, the French invested most of their defense dollars into the Maginot Line and scaled back funding in other areas.

Unfortunately for Maginot and the French people, there was one thing that they did not take into consideration, changing technology. In the intervening period between the end of World War I and the invasion of France in 1940, new technologies were developed and the invading German forces used tanks and other high-impact mechanized equipment to quickly advance through the supposedly impenetrable Maginot Line.⁴

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² The author extends his appreciation to attorney Daniele St. Marie who compiled most of the research for this article. He also wishes to thank attorney and colleague April Anderson for her counsel and efforts to help him complete this piece.


² See id.

³ See id.

⁴ See Eric Margolis, Deadly Lessons of Verdun; France and Germany Suffered 1.2 Million Casualties in the Most Hideous Battle in History, CALGARY SUN, Nov. 7, 1999, at C7.
As a result, France was quickly occupied by German forces and remained under their control until liberated by Allied Forces in August, 1944.5

The lack of foresight into the changing technologies of warfare led to the Maginot Line being dubbed one of the greatest strategic blunders of the 20th century. As historian Martin S. Alexander noted, "few strategic concepts have been as oft-cited as the Maginot Line in support of the glib adage that armed forces prepare for their next war with the tools and thinking of the last."6

While the subject of warfare and Maginot's decision-making obviously takes on exponentially greater social and human significance, one can make the argument that there are some parallels between Maginot's lack of vision regarding the changes brought on by technology and the thinking employed by personnel in the sports facility industry as we enter the 21st century.

Municipal officials and team executives across North America are constructing multi-million dollar facilities, developing financial models and negotiating long-term facility leases based upon the technology of today. What will they do five, ten or fifteen years from now when the technology of sports facilities and structure of sports change? Who will foot the bill? Will today's municipal officials and team executives be left wondering like Maginot what they could have done to prepare for the future instead of preparing for the next wave of facilities with the financing tools and leases of yesterday?

These officials face a task even more daunting than the one Maginot faced in that they are dealing with several changes that could all have an impact on sports facility development. New facility technology, changes in team ownership structures and new media technology developments all will have substantial impacts on sports facility development in the 21st century. The task facing these sports facility negotiators is similar to the one that faced Maginot. How do you tackle tomorrow's technology and structural changes with the tools of today? One can only hope that these individuals will fare better than Maginot did when encountered with a similar situation.

6. Alexander, supra note 1, at 165.
I. THE SPORTS FACILITY INDUSTRY OF THE 20TH CENTURY

In order to fully understand the changes that could take place in the 21st century, it is necessary to review the state of the sports facility industry at the close of the 20th century.

A. The Sports Facility Boom

Most industry experts recognize the current sports facility boom as having begun in the mid-1980s. Since that time period, seventy-one percent of the 120 major league teams have received new facilities or had renovations of their old facilities in excess of $100 million. For example, by the start of the 2003 season, seventy-seven percent of Major League Baseball (MLB) teams will have received new or substantially renovated facilities since 1986. This figure surpasses what many have dubbed the "golden age of baseball park construction," 1909 to 1915. In that time period, ten of the then sixteen MLB teams received new facilities for a new construction rate of sixty-two percent.

The boom has extended to the minor leagues, colleges and universities and high schools as well. By the start of the 2002 season, fourteen of the fifteen teams in the Class-AAA International League will play in buildings built since 1985. Colleges and universities such as the University of Wisconsin and Ohio State University have built arenas that not only resemble professional facilities, but also, in some cases, compete with their professional counterparts for event days. In 1999, proponents of a new stadium for the Class-AA Texas League Midland RockHounds added the development of a new multi-million dollar high school football stadium to the proposal in a successful attempt to sway voters to approve the development.

7. See INSIDE THE OWNERSHIP OF PROFESSIONAL SPORTS TEAMS (William S. Miller & Paul Much eds. 1999) [hereinafter INSIDE THE OWNERSHIP].
8. See id., at 49-51.
Perhaps the most amazing item to note is that there is no immediate end in sight for the boom. Over $7 billion of new major league sports facilities are scheduled to open before 2002. This exponential growth in facility development extends to the minor leagues, colleges and high schools, just as it has throughout the development of the boom.\textsuperscript{13}

\textbf{B. Reasons for the Boom}

There are probably as many theories for the sports facility boom as there are facilities built since 1986.\textsuperscript{14} However, if an energetic, young graduate student took the time to study the reasons teams and municipalities articulate when making the argument for the construction of new facilities, the answers would tend to fall into one of the three following camps. While there have been many fine, and some not so fine, treatises that debate the merits of these items and pass judgment on them, most would have to agree that these answers usually appear somewhere in the process.

1. Economic Redevelopment

Municipalities such as Cleveland and Baltimore were the pioneers in using sports facilities to re-develop previously downtrodden areas. Even skeptics have to agree that Jacobs Field and Camden Yards are some of the finest examples of how sports and entertainment facilities can be used to resurrect communities and spark a new economic boom.\textsuperscript{15} This theory has even worked on the minor league level as the construction of the Ballpark at Harbor Yard for the Atlantic League Bridgeport Bluefish has proven to be successful in revitalizing that city's harbor area.\textsuperscript{16} New facilities in Detroit and San Diego have taken these templates and used the same arguments to secure voter approval.\textsuperscript{17}

\begin{itemize}
\item \textsuperscript{13} See \textit{BASEBALL AMERICA'S 1999 DIRECTORY}, \textit{supra} note 10, at .
\item \textsuperscript{14} For example, many experts argue that expansion and collective bargaining issues are cited in some quarters as factors contributing to the boom.
\item \textsuperscript{16} See Joan Stableford, \textit{Bridgeport's Field of Dreams}, \textit{FAIRFIELD COUNTY BUS. J.}, Nov. 9, 1998, at 17.
\end{itemize}
2. Economic Development

In other cases, mid-sized municipalities have built new sports facilities to prove that they are “major league” or, to merely distinguish themselves from their competitors. Cities such as Phoenix, Columbus and Raleigh have all constructed new facilities during the boom in hope of enhancing their national reputations.\(^{18}\)

This theory also extends to smaller municipalities who want to reach mid-size status in hopes of becoming “major league” one day. The City of Grand Rapids, Michigan is a prime example of a city using a new facility or facilities to demonstrate to the world that it is on the rise. After witnessing the success of the Class-A Midwest League West Michigan Whitecaps at Old Kent Park in suburban Comstock Park, the city spent $75 million to build Van Andel Arena in downtown Grand Rapids.\(^{19}\) It can be argued that the plan was a success as the city was named one of the “Top 10 Places to Do Business” by Fortune magazine and its population has grown 13.7 percent during the decade ending in 1998.\(^{20}\)

3. Competitive Factors

This is also known as the “keeping up with the Joneses” factor. The argument being that once one team owner in a league has a new or substantially renovated facility, then every other owner needs a new facility to stay competitive. The impacted owner will usually cite spiraling player costs, facility safety, and the negative impact of the team’s decaying or outdated facility on the team’s bottom line. This, of course, has a spiraling effect that leads to a worse product on the field and, in turn, the argument for the need for a new facility to stay competitive, which in most cases is true.

A prime example of this scenario is currently taking place in Green Bay as the National Football League’s (NFL) Packers have argued that they need a new facility or a renovated Lambeau Field in order to maintain competitiveness in the ever-changing NFL. “All we’re asking people now is to listen to our story, understand what is going on in the National


Football League and keep an open mind about it," stated Packers President Bob Harlan in a December 1999 interview.21

A final, hidden factor spurring sports facility development is that a cottage industry has developed around the sports facility industry. Since 1986, virtually every major architectural firm has developed practice areas designed to specialize in the development of sports and entertainment facilities. In addition, many experienced architects left the major firms to form boutique firms focusing solely on sports and entertainment facilities.

Similarly, the major accounting, consulting, law, and financial service firms all developed practice areas devoted solely to the sports and entertainment facility fields. In addition, new boutique firms designed to provide similar services with smaller overheads, such as the firm I work for, have also developed.

Even the media outlets have gotten into the act as major newspapers across the country added sports business reporters and columns. As a result, many fans were more intimate with their team’s lease, payroll and media contracts than the batting average of their center fielder. Publications devoted solely to the sports industry such as *Sports Business Daily* and *Street & Smith’s Sports Business Journal* were also started.

Seeing the potential dollars possessed by interested students, colleges and universities across the country have developed sports management and sports law programs designed to train students in the intricacies of the sports business industry and send students out to obtain jobs. The formation of the National Sports Law Institute at Marquette University Law School in 1989 is a prime example of this growth.

In other cases, urban development or economics professors have developed side industries based upon giving their expert opinions on the validity of the latest sports facility financing project or created think-tanks to espouse their opinions.

The major effect of this developing cottage industry is that numerous new advances in facility design, operation and financing are occurring on a daily basis. As a result, the developing cottage industry around sports facility development created, and continues to create, self-fulfilling prophecies and an upward, spiraling effect on demand.

C. Will it Continue?

In light of the discussion in the previous section, it is obvious that the answer to the question of whether the sports facility boom will continue is a resounding yes. Teams, players, and owners will always seek more revenue. Also, new leagues and sports continue to develop on a monthly basis, further necessitating the need for new facilities. Municipalities will continue to seek new facilities in the hope of using these development or re-development projects to become the next Cleveland, Baltimore, Nashville or Grand Rapids. Therefore, necessitating the need for new facilities. Finally, consultants, architects, concessionaires, financial firms, etcetera, will continue to develop new technologies and new concepts that teams and municipalities will want to have, professors will want to argue about, and sports business reporters will want to cover. All this confirming the fact that the sports facility boom will continue.

D. The End Results of the Sports Facility Boom

Now that we know the reasons for the boom and that it will continue, the next question is, what are the results of the boom and what trends have emerged as the 20th century draws to a close? The following items are those typically discussed when constructing sports facilities and the revenue streams delineated below constitute essential parts of sports facility leases and financing.

1. Architectural Appearance

Most facilities have incorporated elements of the retro-look popularized by Camden Yards, Coors Field and Conseco Fieldhouse.22

2. Seating Capacity

Facilities built during the boom tend to have smaller seating capacities in an attempt to create an intimate appeal. This also has the effect of reducing the amount of tickets to sell and increases the scarcity factor.23

3. Facility Size

In spite of reduced seating capacities, the overall size of the facilities has actually increased as teams and municipalities try to increase the

amount of revenue-generating items such as concession facilities, advertising opportunities, team shops and other retail opportunities.

4. Ancillary Development

Whether built in the city or suburbs, sports facilities are being built in locations where ancillary development around the facility can take place. The days of surrounding a facility in the country with acres of parking spaces have passed.24

5. Premium Seating

Facilities on all levels now have to have some luxury suites at a minimum.25 In addition, many facilities are adding club seats to allow individuals and smaller companies to experience the luxury of premium seating without incurring the expense of a luxury suite. Facilities are also developing supersuites and mini-suites to accommodate different demographic market segments.26 Another trend to note in this area is that premium seating opportunities are now being placed closer to the playing field versus being placed in a ring high atop the facility.27

6. Advertising

There has been an explosive increase in the amount of space devoted to advertising opportunities in sports facilities as facility owners attempt to maximize revenues. Scoreboard and concourse signage opportunities are growing in number and new signage opportunities in the bathrooms, on stairs and on concourse floors are now also commonplace.

7. Concessions

Several hot trends have developed in concessions at sports facilities over the past several years. First, concessionaires are striking deals with known brands to provide new concession opportunities at their facilities.


27. See Mayo, supra note 26, at 2.
Carls Jr., Little Caesar’s, Blimpie and McDonalds have all opened limited service menus in sports facilities throughout the country. Second, concessionaires are providing a wider variety of foods to include ethnic foods indigenous to a particular area and healthier foods, such as salads and low-fat shakes or smoothies to cater to the health-conscious consumer.

8. Sponsorship and Naming Rights

Facilities are also looking to maximize sponsorship and naming rights dollars. Since facility naming rights deals have become commonplace, many facilities are looking for new ways to tap into sponsorship dollars. As a result, some facilities have sold sub-naming rights for specific areas of the park or for the facility entrances to corporate sponsors. For example, the Arizona Diamondbacks sold the naming rights to their premium seating level to high-end car company, Infiniti. In 1999, the Cleveland Browns sold the naming rights to their facility entrance gates to four sponsors in an attempt to keep the facility called Cleveland Municipal Stadium.

9. Retail Space

Finally, teams and facilities are developing year-round team stores, halls of fame, restaurants and sports bars in an attempt to turn the previous game-day only revenue source into a daily revenue generator. Facilities such as the TGI Friday’s restaurant locations in Arizona’s Bank One Ballpark and Texas’ Ballpark at Arlington are popular, year-round dining choices. “You’re shooting yourself in the foot if you ignore any opportunity to entertain. Anybody who builds a ballpark now without a

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28. See Bill Muller, BOB Fare: Burros to Dogs; Food ‘Everywhere’ for Hungry Fans, ARIZ. REPUBLIC, Mar. 23, 1998, at A1; Bill Shaikin, When the Price Isn’t Right; Pro Sports: Inflated Concessions, Such as the $4 Burger and $5 Beer, Are Name of Game at Dodger Stadium and Edison Field, L.A. TIMES, Sept. 13, 1999, at D1.


31. See David Adams, Cleveland Browns Name Stadium Entrances After Corporate Sponsors, AKRON BEACON-J., June 29, 1999, available in LEXIS, News Group File, Most Recent Two Years.
free-standing restaurant like the Chop House is leaving money on some
table," said Philips Arena Chairman Stan Kasten.32

10. Parking

Facilities are trying to minimize the amount of parking spaces they
have to provide as these are often sunk costs that add to the develop-
ment price without generating much revenue. However, in situations
where the facility is placed in a location where it can serve a dual-pur-
pose by servicing demand for daily customers in an urban area, then
larger parking garages can be a component of the facility plan. The park-
ing structures for the St. Louis Rams’ Trans World Dome and the Hous-
ton Astros’ Enron Field are prime examples of co-development parking
projects.33

II. OTHER BUSINESS FACTORS AFFECTING SPORTS FACILITY
DEVELOPMENT IN THE 20TH CENTURY

It is impossible to separate the issue of sports facility development
from the topic of sports business. As such, the following two items that
have had an impact on the sports facility development industry need to
be acknowledged and discussed.

A. Team Ownership

Throughout the 20th century, major league team ownership has tradi-
tionally taken one of the following four formats:

1. Family

Families such as the Maras, O’Malleys, Halases and the Yawkeys
have been synonymous with the franchises they owned and the leagues
they helped shape. Due to the rising costs of operating major league
franchises, this form of ownership has become less prevalent.34

Due to the smaller franchise fees, family ownership exists with more
vigor on the minor league level. Ellis, Silber and Buzas are among the
many names in minor league baseball that have family-owned and oper-
ated franchises.

32. Mark Bradley, Philips Arena: A New Era: Ahead of Game; Enhancing the Fans’ Expe-
rience, From Restaurants to Entertainment, Will be the Goal 365 Days a Year, ATLANTA J. &
Const., Sept. 12, 1999, at 3P.
33. See Joe Stinebaker, County OK s $3.2 Million to Buy Land; Parking Garage Set for
34. See INSIDE THE OWNERSHIP, supra note 7, at 23.
2. Individual

Sole individual owners or individuals who serve as majority owners for a small investor group still control most major league franchises. George Steinbrenner, Senator Herb Kohl, Charles Dolan and Philip Anschutz are among the bigger names exercising this form of ownership.

3. Local Corporations

While the numbers are dwindling, there are still a number of corporations who own stakes in their local franchises as gestures of goodwill and civic pride. For example, H.J. Heinz Company, Mellon Bank Corporation, and USX Corporation all retain shares in the Pittsburgh Pirates that they acquired in a 1985 purchase of the team designed to keep it in Pittsburgh. An indicator of how this form of ownership is dwindling occurred in late 1999 as the seventeen St. Louis-based corporations that owned the St. Louis Blues and the Kiel Center sold the package to Bill Laurie for $100 million, well-below its estimated market value, in an effort to stem a steady stream of red ink.

4. Synergistic Corporations

In the 1990s, many media sources and industry observers sounded the alarm that corporations seeking to take advantage of entertainment and sports synergies would go on a shopping spree and overrun major league sports. The reasons seemed obvious. By combining similar operations and reducing cost, corporations could maximize profits and run their combined sports and entertainment operations more efficiently.

In fact, Ascent Entertainment’s 1995 acquisitions of the Denver Nuggets and the Quebec Nordiques, along with the team’s subsequent move to Denver, and Walt Disney Company’s 1996 acquisition of an option to buy the Anaheim Angels seemed to be the templates for future acquisitions. While Disney’s main competitor, Fox Entertainment Group, bought the Los Angeles Dodgers in 1998, there has not been the steady stream of synergistic deals that many feared.

37. See id.
5. Single Entity

As the 1990s ended, the hottest ownership structure was the single entity concept. Both Major League Soccer (MLS) and the Women's National Basketball Association (WNBA) formed with single entity structures under which the league owns the franchises and signs the labor contracts. In turn, the league grants operating rights to investors for individual cities. The structure is currently facing a legal challenge from several MLS players on antitrust grounds and its future is uncertain.38

B. Media

Throughout the 20th century, English language television (both over-the-air and cable) and radio were the main forms of media revenues for sports teams and leagues. In fact, many argue that television's development led to the sports explosion that continues to this day. At the close of the 20th century, a new development called the Internet was beginning to take hold and sports teams were just beginning to understand the technology and the potential significance that it had on their business.

1. Television

The four major sports leagues are currently engaged in over $20 billion of English language, American broadcast contracts on a league-wide basis.39 In addition to that figure, the leagues all negotiate small foreign language and worldwide broadcasts of their games. MLB, National Basketball Association (NBA) & National Hockey League (NHL) teams all also negotiate individual over-the-air and cable packages in their local markets for additional compensation. In MLB, that figure totaled $380 million in 1999.40 As such, television, a medium that barely existed fifty years ago, is the leading revenue stream for all major league teams.

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38. See Richard AIm, Matchup in the Courtroom; Aided by NFL Union, Soccer Players Hope Federal Judge Give Them Free Agency, DALLAS MORNING NEWS, Mar. 6, 1999, at 1F.
39. See Howard Manly, CBS Wins, But It's All the Same to You; Hartford Difference Would Have Been Undetectable at Eye Level, BOSTON GLOBE, May 2, 1999, at D5; Phil Taylor, Do It, for the Love of Mike!; For the NBA to Thrive After Jordan, It Must Make Changes That Honor the Way He Played, SPORTS ILLUSTRATED, Jan. 25, 1999, at 94; Patrick Allossery, NHL Hopes to Score With U.S. TV Deal: League Will Try Once Again to Attract Fans, NAT'L. POST, Sept. 24, 1999, at C3.
2. Radio

Radio rights have been the domain of the individual teams in all leagues and continue to remain so to this day. While the dollar amounts are substantially lower, radio revenues still provide a significant portion of a team's revenues. For example, the New York Mets received $5 million per year under their recently expired deal with WFAN-AM.41

While the leagues have recently become more aggressive at selling league-wide broadcast packages, the dollar amounts generated do not provide substantial revenues to the teams.

3. Internet

Teams and leagues are just beginning to make sense of, and attempt to harness the revenue potential of the Internet. Few, if any, teams and leagues are making money off of their websites and no team or league is using it as a major broadcast medium at this time.

Thus, as the 20th century comes to an end, analog over-the-air televisions and English-speaking media outlets are dominant. Team ownership is typically in the hands of families, monolithic corporations or older individuals who made their money in fields other than technology or marketing. Advertising takes up large amounts of space in sports facilities. The Internet is a new gimmick that teams and leagues are just beginning to tackle. And $7 billion more of new major league sports facilities are being built with financing packages and long-term leases that look to the past rather than the future.


Now that our review of the 20th century is complete, it is time to look forward and examine the factors that will impact sports facility development, financing and leases in the 21st century. When discussing these potential 21st century trends, it is important to note that in many cases, the precursors to these trends or the actual development of the trend has actually begun. The key item to note is the continued growth of the trend to the point where it reaches critical mass and has a substantial impact on facility development.

Also, the following factors do not form a linear line that can be followed to determine their impact on sports facility development. In fact,

some contradict each other. Thus, the challenge for sports facility negotiators is to stay on top of these changes and determine how they impact their respective facility deal.

As was the case in the 20th century, the key areas impacting sports facility development will break down into one of the following three areas.

A. Team Ownership

Changes in the ownership structure and attitude of team owners are a potentially frustrating area for attorneys and municipal officials who have current deals or are renegotiating sports facility leases and financing packages because it is an area over which they have no control. In essence, they have to hope that the following changes do not have a negative effect on their deal. Negotiators for new facilities will have to understand the changes in team ownership structures and how these changes will affect the structure of financing packages and leases.

1. Combined Ownership Groups

One of the biggest developments in sports ownership in 1999 was the expanding concept of merging team operations in contiguous geographic areas. While some of the monolithic corporations such as Time Warner and Disney have successfully combined the operations of their teams over the past decade, 1999 saw the first attempts at combining ownership from teams previously owned by different ownership groups under one heading in an attempt to create negotiating leverage for the new company.

The prime example of such a scenario was the merger of the MLB New York Yankees and NBA New Jersey Nets to form YankeeNets. The newly-combined company will handle all advertising, marketing and business operations for the two clubs.42 The combined operation will give the new company leverage in any negotiations with media outlets or allow YankeeNets to form its own media network.43 In addition, YankeeNets is exploring the acquisition of the NHL New Jersey Devils.44

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43. See id.
44. See Andy Bernstein, YankeeNets Feeling Devilish?, STREET & SMITH'S SPORTS BUS. J., Jan. 3-9, 2000, at 5.
If this transaction is completed, YankeeNets would own three teams, which would create increased leverage in media negotiations and increased leverage in facility development as well. Each of these teams plays in older, decaying facilities and YankeeNets could have a substantial impact on how sports will operate and what facilities are developed in the New York/New Jersey area for the next century.

While the combining of operations by single ownership groups such as Cablevision, Time Warner and Tom Hicks will continue, the issue as to whether combined team ownership by disparate ownership groups to create negotiating leverage will spread to other cities besides New York is open to debate. However, as Time Warner and Disney have demonstrated, there can be significant cost reductions and negotiation leverage benefits derived from combining geographically synergistic team operations. As such, we are likely to see more of these “strategic roll-ups” by sports enterprises in contiguous geographic areas.

In addition, we can also expect such operations to combine major league and minor league teams in an effort to maximize event dates, create further negotiation leverage in media and facility contracts and reduce operational expenses.

2. Sportsownership.com

The other key development in team ownership in the late 1990s was the continuation of the growing invasion of the dot.com executives and younger, more aggressive entrepreneurs into professional sports. The trend that began with a minor blip in 1988 when Microsoft co-founder Paul Allen purchased the NBA Portland Trail Blazers exploded in 1999 as several young entrepreneurs bought or entered into negotiations to buy major league sports teams.

a. Ted Leonsis and Jonathan Lednecky

In May 1999, America Online executive Ted Leonsis and financial services executive Jonathan Lednecky bought the NHL Washington Capitals, minority stakes in the NBA Washington Wizards and the MCI Center, the teams’ home, and a right of refusal on the remainder of Washington Sports and Entertainment for $200 million. Leonsis, who serves as President of the Interactive Properties Group at AOL, put his marketing and interactive backgrounds to work immediately by re-de-

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signing the team’s web site to include substantial interactive elements with the players and direct contact with Leonsis and Lednecky.  

b. Daniel Snyder

In February 1999, Snyder Communications President Daniel Snyder organized a group that paid $800 million for the NFL Washington Redskins and Jack Kent Cooke Stadium, the team’s two-year old home. In the next eleven months, the thirty-four-year-old marketing executive whose company does marketing and database work, completed a thorough evaluation of the team and facility that led to changes in concessions and parking and plans for substantial improvements to the relatively new facility. He also commissioned a study to see if the facility could be domed in order to host the Super Bowl or Olympic events. Finally, in December, he struck a twenty-seven-year, $205 million deal with FedEx to name the facility FedEx Field.

c. Robert McNair

In October 1999, telecommunications and energy entrepreneur Robert C. McNair was awarded the NFL’s thirty-second franchise in Houston for $700 million, the highest price ever paid in North America solely for a sports franchise. McNair, the founder of Cogen Technologies, Inc., the world’s largest co-generation energy company, promised five years of sellouts at the team’s new $310 million retractable roof facility to sway NFL owners to select his bid. The successful bid ended a three-year process for McNair and the City of Houston and started the clock toward the yet-to-be named team’s debut which is scheduled for the 2002 season.

46. See Sharon Raboin, Capitals’ Top Change: Fans No. 1, USA TODAY, Sept. 13, 1999, at 15C.
51. See John Williams, Are You Ready For Some Football?; ‘Nice Guy’ Finishes First; McNair Once Had Little Cash But He’s Gained Respect as Well as Riches, HOUS. CHRON., Oct. 7, 1999, at A22.
53. See id.
d. Mark Cuban

In January 2000, Broadcast.com founder Mark Cuban bought the NBA Dallas Mavericks for $280 million, the highest amount ever paid for a NBA franchise. Cuban, a long-time Mavericks season-ticket holder, bought the team after a brief 1999 flirtation with the NHL Pittsburgh Penguins. Cuban, who was ranked 199th on Forbes list of the 400 wealthiest Americans, indicated that the team would experience a change in philosophy under his leadership reflecting his technological past, “I want to bring every bit of Internet experience I have to bear on the Mavericks. When it’s all said and done, the NBA is content, and it’s no secret that the Internet will play a huge role in the future of sports.”

e. Henry Nicholas

In fall 1999, Henry Nicholas III, a co-founder of Broadcom Corporation, a California-based computer technology company, was reported to be investigating the purchase of the MLB Anaheim Angels and NHL Mighty Ducks of Anaheim from Walt Disney Company for an estimated price of $450 million. According to published reports, Nicholas would have used the development rights he obtained in the deal to construct a $100 million extreme sports park and retail area that would provide programming for Broadcom Entertainment Group, the firm’s newest venture.

The potential impact of the sportsownership.com generation on team ownership and sports facility development cannot be underestimated. Several trends are developing that bear watching.

(1) Team Prices Will Escalate. Three of the four owners discussed above all set new highs in terms of franchise price paid in their respective leagues. All of these billionaires expressed a life-long interest in pro-

54. See Richard Alm, Internet Executive Promises Active Role as Dallas Basketball Team Owner, DALLAS MORNING NEWS, Jan. 5, 2000, available in WL 265521.
56. See Alm, supra note 54.
fessional sports and were willing to pay a premium to acquire a team. Perhaps a story about Ted Leonsis sums up the sportownership.com generation. "When Ted Leonsis was 25, he had a horrifying airplane flight. The next day, he drew up a list of 101 things to do before he died.... Leonsis, now 42... checked off one item on his list: buying a sports team."59 In terms of the impact on sports facility development, if team prices continue to escalate, owners will have to generate additional revenues to pay the cost. Those revenues could come from new sports facilities or renegotiated lease deals.

(2) Sportownership.com Owners Demand Change. As the previous profiles indicated, all of the new owners came in and made substantial changes in team and/or facility operations. These entrepreneurs have achieved success at a young age by being demanding and staying one step ahead of the competition. Daniel Snyder's attempts to dome FedEx Field are prophetic in terms of the changes that new owners of their generation will try to make at their facilities. "We are absolutely committed to building and maintaining a winning tradition. This is, I believe, the greatest franchise in sports, and the community of Washington and the Redskins fan base deserves nothing less."60 Any changes in the facility will create new expenses and could strain existing financing plans and leases.

3) Marketing Technology and The Internet Will Become More Important. All of the profiled owners have backgrounds in technology and/or marketing and they have already exercised their influence on their respective teams in these areas. It is only natural that these new owners will want to carry over their successes and backgrounds from their original fields over to their teams. As such, marketing and information kiosks will undoubtedly become more prevalent. Internet and interactive playgrounds will develop. New ticketing technologies could also be developed that will maximize facility revenue opportunities and increase fan satisfaction. Facilities have to be wired for this technology and the technologies that follow. Leases and financing plans will have to account for these factors.

(4) Teams Are Becoming Merely Brands and Content. The new breed of owners are aware of the fact that sports teams are only as valuable as their brand and content value makes them. As such, in light of the

60. Eric Fisher, Snyder's 'Fearsome' Drive; Lifelong Fan Awaits OK on Skins Deal, WASH. TIMES, Feb. 8, 1999, at D12.
initial investment they have spent, they will take any action necessary to enhance the brand value of the team and ensure demand for its content value. While the idea of a team playing in a distant location under a different city's name seems far-fetched, and it is, as brand names become more established and new technologies place less emphasis on the facility, such a development could be coming some time in the next century.

B. Changes to Current Facility Revenue Streams

Ironically, the changes in current sports facility revenue streams should not be problematic for negotiators, as it is the one area over which they have some element of control. The key will be to stay on top of changes in these areas and maintain enough flexibility in their leases and financing plans to account for these changes.

For example, if a lease and financing package are dependent upon a percentage of fixed advertising revenue being paid to the lessor and the industry shifts most of its advertising to virtual signage, how will that affect the viability of the lease and financing package?

1. Seating Capacity

Seating capacities at sports facilities will continue to shrink for several reasons. First, premium seating opportunities will take up more facility space as they generate more dollars per square inch. Second, increased construction costs will make large amounts of standard seating financially prohibitive. Third, teams and leagues will continue to derive more of their revenues from media outlets so the need for a large number of seats will continue to diminish. Finally, more teams will recognize that fewer seats create an atmosphere of perceived scarcity.

2. Ancillary Development

Sports facilities will continue to be built in locations where ancillary development around the facility can take place. The economic benefits generated from ancillary development around a facility are too large to ignore. The only issue will be, as it is today, where will those revenues go?

3. Premium Seating

Premium seating will continue to be an essential revenue generator for sports facilities in the 21st century. The trend toward supersuites and mini-suites to accommodate different demographic market segments will continue so teams can capture every potential market. Finally, the trend
toward placing premium seating opportunities closer to the playing field versus being placed in a ring high atop the facility will continue.

In fact, we will undoubtedly see the day when premium seating comprises, most if not all, of a facility's capacity. However, this may not come about in the form of an opera-like series of boxes overlooking the action. Instead, facilities may create a blend of suites, mini-suites, club seats and interactive seat technologies to create the appearance of an "all premium seating" facility without creating a studio-like effect.

4. Advertising

This is the sports facility revenue stream that will undergo the most changes over the next decade. Virtual signage technology will allow teams and leagues to sell the same sign over and over again to different markets. With that development, teams and leagues will not be as dependent upon having physical advertising space in a facility. As such, there is the possibility that the amount of physical signage could be lowered, reducing both initial construction and maintenance costs.

5. Concessions

Concessionaires will continue striking deals with known brands to provide new concession opportunities at their facilities. They will also continue providing a wider variety of foods to ensure that they can encourage all patrons to spend their money at the facility.

The main consideration facing the issue of concessions as the 21st century dawns is the amount of technology needed to service customers in a fast, efficient manner. Larger premium seating areas require larger, more costly back-end kitchens. Computers are replacing cash registers at most venues. Smart card technology kiosks allow patrons to interact with the concessionaire in a direct manner. All of these developments incur additional expenses with no guarantee of a similar increase in revenues.

6. Naming Rights

As the prices of naming rights continue to skyrocket, more companies will look to strike smaller, sub-naming rights deals that allow them to directly reach their targeted demographic. In an effort to avoid clutter, some naming rights sponsors may buy the naming rights for the entire building, which, in light of the dollar amounts being paid now, begs the question of whether some company may just build a building and lease it to a team in return for being allowed to keep the signage and main advertising dollars? The stratification of naming rights deals will continue as companies will be willing to pay a premium for opportunities
that generate maximum exposures and return on their investment. Finally, the amount of partnerships or in-kind services put into naming rights deals will continue to grow as both teams and sponsors look for ways to generate maximum return for minimum out-of-pocket expense.

7. Retail Space

Teams and facilities will continue developing year-round team stores, halls of fame, restaurants and sports bars in an attempt to turn facilities into destinations. In spite of its lackluster success in Toronto, hotels could be built with views of the playing facility.

C. Media

Changes in the media and media technology will have a substantial effect on sports business, and in turn, how sports facilities will look in the 21st century. Again, unfortunately for the attorney or municipal official negotiating sports facility lease and financing agreements, this is an area over which they have very little control, making drafting in the proper protections difficult. Another problem is that the potential changes in media technology could change the entire business model of sports. As such, it is virtually impossible to negotiate around and plan for these developments.

1. Foreign Languages

In an effort to reach every potential ethnic audience, teams and leagues are now broadcasting in many different languages in the hope of attracting a new group of fans. For example, SAP technology allowed ABC to telecast Monday Night Football in Spanish for the first time in 1998.\footnote{See Evan Tuchinsky, Bringing NFL to Spanish Audience, PRESS-ENTERPRISE (Riverside, Cal.), Oct. 15, 1999, at C2.} In addition, numerous teams are broadcasting games in Spanish, Polish and German in hope of expanding their fan base. Several teams have already begun developing logos and advertising devoted solely to foreign language speaking fans.\footnote{See Natasha Emmons, No Place Like Home for Local Pro Teams, AMUSEMENT BUS., Oct. 11, 1999, at 18; Len Ziehm, Fire Has Shot to Reload in Draft; MLS Champ Has 3 1st-round Picks, CHI. SUN-TIMES, Feb. 5, 1999, at 116; Athelia Knight, NFL Turns to Radio to Get Hispanics Into the Game; League Steadily Increases Spanish Broadcasts, WASH. POST, Dec. 17, 1999, at D3.} While this is a relatively small development, it could have the effect of requiring sports facilities to accommodate bilingual or even trilingual fan bases.
2. HDTV

In a development that could change the face of sports, federal mandates require broadcasters to replace their current analog broadcast systems with digitally transmitted high-definition television by 2006.63 Broadcasters and team and league officials all agree that the change to digital broadcasts will change the way fans look at televised sports. As CBS executive producer Terry Ewert stated, “Not only does HDTV offer a very dramatic, striking, more defined picture, but it gives you a wider scope to increase your enjoyment.”64 In describing the effect of HDTV, perhaps Dave Shaw, Vice President of Technical Operations for MSG, described it best when talking about hockey broadcasts, “You can really see the puck!”65

The wider, crisper vision telecast provided by HDTV and digital technology will revolutionize sports broadcasts as fans will feel like they are actually at the game. More importantly for this discussion, by adding interactive functions and employing the use of virtual signage, teams and leagues will generate more dollars from the television-watching audience and the need for fans and teams to have the in-facility experience could be diminished. Thus, lessening the need for large seating capacities.

HDTV could be beneficial on the revenue side because the wider picture will put more of the in-facility signage into prominent vision on the telecasts which will increase the price of those opportunities. As noted earlier, the digital broadcasts will also allow for a greater use of virtual signage and advertising tailored to individual viewers.

HDTV and digital technology will also have a large effect on the expense and design side of sports facilities. First, the new digital cameras are much larger than their analog counterparts, and thus, require larger camera bays for operation. In addition, broadcasters are required to transmit their telecasts in analog until 2006 so sports facilities built from now through that date will require space for both analog and digital cameras. For example, one MLB executive described how his team had to redesign and reposition all of their camera bays to accommodate the new and old camera technologies.

Also, the conversion to digital technology could render all analog scoreboards and message boards as physically obsolete or make them

63. See Rudy Martzke, CBS to Air NFL Games For HDTV’s in NYC Area, USA TODAY, Nov. 6, 1998, at 3C.
64. Id.
appear so outdated that they become functionally obsolete. Newer buildings such as Staples Center and Miller Park will be HDTV-compatible, but older facilities or other facilities coming online soon could find themselves needing all new scoreboards and message boards if the proper preparations have not been made.

3. The Internet and Interactive Technology

The development of the Internet and interactive technology could have as big of an impact on sports business as television had on the game in 1950s and 1960s. By allowing fans to interact with the team and its players and become a part of the game, fans will have a greater attachment with their teams and higher demands when they make the trip to their local sports facility. As a result, the sports business and sports facility industries may never operate in the same way again.

a. Interactive Technology

ABC's 1999 introduction of interactive elements to its televised sports broadcasts was the vanguard of the connection between computers and televisions, also known as "convergence programming", in the next decade.66 The service, which ABC dubs "Enhanced TV", allows fans to interact with the game they are watching by calling up statistics, predicting play calls and interacting with other viewers.67

In the future, teams and leagues will probably offer similar services through their own websites or team portals. In the process, they will be establishing the concepts of interactivity and connectivity between the team and their fans to create a more personal connection with the team, thus, enhancing the brand of the team and driving franchise value.

b. Internet

As Broadcast.com founder and new Dallas Mavericks owner Mark Cuban noted earlier, the Internet will be a substantial driving force and could become as essential, if not more essential, a revenue and branding force than television currently is for sports teams and leagues.

The development of the Internet is an important development for teams and leagues because it allows them to maintain a seven-day a week, twenty-four-hour a day interaction with their fans and customers.

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67. See id.
Team portals and team-branded web addresses allow teams and leagues to take the previous ten hours a week that fans devoted to their team and make it a never-ending interaction. The Baltimore Ravens and New York Yankees have already begun this process by developing team portals in 1999.68

This could have a tremendous impact on every aspect of team and facility operations. The typical dynamics in the areas of ticket sales, sponsorship, advertising, concessions, merchandise sales and brand development will completely change as the Internet grows in popularity. Teams and leagues could also go from being entertainment providers to information providers. Fans could go to www.myfavoriteteam.com to track their personal or household finances, do their shopping, get their news or conduct their business. E-mails coming from bigfan@myfavoriteteam.com will further strengthen that association and create more brand value. In other words, the creation of a new paradigm for sports business.

In terms of the effect that the Internet and interactive technology could have on sports facilities, there are several possible developments that negotiators need to follow:

(1) Much like the development of instant replay on television caused the introduction of similar technology at facilities, the use of interactive and Internet kiosks and/or similar features in individual seats will explode in growth creating additional construction costs and maintenance expenses as facilities try to recreate the interactive experience in their facility.

(2) In a related matter, expensive digital and fiber optic wiring will be essential in all sports facilities.

(3) We may see the dawning of the smaller, but more expensive sports facility as the inclusion of high-tech devices causes facility construction costs to skyrocket.

(4) Teams may focus more on building web portals that are inexpensive to build and build more brand value and fan loyalty instead of focusing on sports facilities. In addition, the ancillary development that is taking place around sports facilities may soon be taking place around web portals.

(5) Finally, more ominously for facility owners, while it is highly unlikely, fans may become used to the virtual world of sports and skip the in-facility game experience entirely.

IV. Conclusion

The 21st century will bring major changes to the sports business and facility development industries. Developments such as the Internet, HDTV, a new breed of ownership and new facility technologies, will challenge sports facility lease and financing package negotiators to stay on top of these changing elements.

Much like Maginot, some negotiators will take the wrong strategic track and fail to recognize the changes taking place in society. While it is virtually impossible to plan for every contingency, negotiators can take some steps to protect themselves from reenacting Maginot’s tragic strategic mistake.

(1) Understand That Changes Will Take Place. The 21st century is going to witness many changes that will have a substantial impact on sports facility deals. The parties cannot sign the deal and lock it away for twenty or thirty years. All parties need to track and understand the dynamics of the industry.

(2) Strive for Short-term Packages. While this is easier said than done, the shorter the length of the lease or financing package, the less the chance of either party being overwhelmed by changes in the sports industry.

(3) Maintain Flexibility. With the ever-changing financial dynamics of professional sports, it is important that all parties in the negotiating process understand the need for flexibility in case changes arise in the business model that neither side could have anticipated.

(4) Maintain Good Relationships. In light of the flexibility that could be required in light of these potential changes, it is important that all parties to the process try to maintain good relationships with each other. While minor disputes will always arise in any relationship, it is important that these issues be tackled in a professional matter so that everyone will be able to address the larger issues that could arise in the future.

(5) Tackle Difficult Issues Immediately. If the fundamentals of a deal change, all parties must be prepared to tackle the issue immediately. Waiting until a party goes bankrupt or into default is not the way to handle these issues.
By doing the aforementioned items, sports facility negotiators will be able to prepare themselves for the changing world of professional sports and avoid the fate endured by Maginot.