

## Sitting on a Gold Mine: Sell Stadium Seat Licenses

By Jim Lackritz Friday,

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A major issue for a new football stadium in San Diego is the funding gap between the stadium cost and the expected contribution from the Chargers and NFL. Selling personal seat licenses (PSLs) has been used as a funding source for stadiums in other markets, but the Chargers have expressed reservations about their viability here. The cost of PSLs at the San Francisco 49ers' new Levi's Stadium — \$12,000 between the 20 yard lines and \$5,000-6,000 for end zone seats — seems higher than what would work in San Diego.

An average of \$5,000 per seat in a 70,000-seat stadium generates \$350 million towards stadium costs, but this is unreasonable. A different approach for PSLs could generate at least \$100 million and possibly \$200 million or more to fund new stadium costs.

I propose a tiered approach with an online or silent auction for some period which a minimum amount per seat would be required to buy a PSL. For example, a minimum bid of \$1,000 may be required with a two week-week window for bidding. Anyone purchasing a PSL would bid \$1000 or more per seat requested, with a nonrefundable 25 percent deposit.

### **Move to the Front of Ticket Line**

Anyone bidding a certain amount would be additionally entitled to purchase tickets for any other events at the stadium before they are available to the general public. As an example, any bid of \$5,000 or more, or perhaps limited to the top 10,000 seat bids, would be entitled to purchase tickets for SDSU football games or bowl games, concerts, soccer matches, motocross, etc., before tickets are available to the general public.

After bidding is closed, people select their ticket locations in the order of their dollar bid, ties broken by some criteria (time of the bid, number of years as a Charger season ticket holder, random selection, etc.). Prior to seat selection, people either pay the remainder of their PSL or opt for a payment plan which covers interest and service charges.

For example, for a \$1,000 PSL with \$750 owed, beginning in year two, they pay \$125 per year for the next seven years, so their total payment was \$1,125 if they chose the payment plan. The \$125 per year is basically the cost of one additional ticket, not a terrible additional burden.

Once the PSL is paid in full, it becomes the permanent right of the owner to transfer or sell. If a payment plan is not completed or the person chooses not to renew season tickets before complete payment has been made, the PSL reverts back to the Chargers.

For any remaining tickets, people can sign up for purchasing season tickets with no PSL. They pay a \$150 "service fee" for each season, with no obligation to renew. Remaining single game tickets would be subject to

a \$20 service fee. For year two, the process restarts for any available season tickets. Over an eight-year period, this generates the equivalent of at least \$1,000 for these seats.

At \$1,000 per seat for 70,000 seats, this generates a minimum of \$70 million in PSL revenue/service fees. Assuming bids would increase for premium seating and for permanent PSL rights to other events, a \$2,000 per seat average is far more likely (generating \$140 million), and \$3,000 average a realistic possibility, yielding more than \$200 million. If the Chargers do not want to carry financing for PSLs and single-game seats, they could finance this to get the money up front.

### **Soccer Kicks In**

A new stadium must book additional events, with a single ticket service charge proportional to the ticket price. For example, if the stadium could host 25 additional events per year (SDSU football, MLS soccer, high school football championships, monster truck events, concerts, etc.), with an average ticket cost of \$30 and a \$6 service fee to an average attendance of 30,000 people, this would generate \$4 million per year, or \$32 million over an eight-year period.

This does not completely close the gap between the stadium cost and the Chargers/NFL contribution, and while it is not a perfect solution, it will possibly encourage new discussion.

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