



INVESTING IN SEASON TICKETS



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Investing In NFL Season Tickets

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Also By Andrew Naylor

Super Bowl on a Budget

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1: Introduction

I met John on a Hawaiian cruise but he was not your typical cruiser. He was in great shape, loved working out on board with his wife, enjoyed the entertainment more than anything, and had been on over 100 cruises. He had the highest frequent cruiser status on almost every cruise line and knew the menu rotation of each cruise line better than the waitstaff.

He was also a season ticket holder for a number of professional sports teams, including the Los Angeles Dodgers, San Francisco Giants, San Francisco 49ers, and the Golden State Warriors.

Before retiring he worked in the title insurance industry specializing in large commercial property transactions. It didn't take him very long to realize that giving away tickets resulted in more business and very happy customers.

One of those happy customers was a lawyer at a medium sized law firm who John would call from time to time. One day when he had extra tickets he called up the law firm but connected to the wrong extension. By mistake he had called a lawyer who had just turned him down for a deal.

John didn't realize the mistake until the lawyer picked up the phone and by then it was too late. John offered two tickets to the next football game and the lawyer happily accepted. John only had a few hours to regret his mistake because later that day the lawyer's assistant called back with the message that the lawyer wanted him to land the deal. He just needed to beat the best bid. "I sharpened my pencil, resubmitted, and I got the deal worth \$100 million. For just two free tickets!"

A lot of people give away tickets in the hopes of getting business. But John was able to insure that deal as it passed through interme-

diary parties three different times. He turned two tickets into \$300 million in transactions for his firm.

What I like about John's story is that it illustrates the traditional way that companies invested in season tickets. The executives had the company buy season tickets so they could give away some and use the rest for personal use. The measure of success was whether or not the tickets were used, instead of the modern concept of selling tickets for profit.

What changed was the prevalence of luxury suites, higher ticket prices (including tickets, parking, food, and beer), regulatory restrictions on gifts, and the ways that individuals and companies could justify the expense.

What is a Seat License?

A seat license is the modern version of what historically was called "season tickets." This modern invention gives the license holder rights to buy season tickets in specific seats.

The biggest difference between traditional season tickets and seat licenses are the upfront fees for buying a license. The license fee varies with the desirability of the seat and the amenities offered. The fee can range from a couple hundred dollars up to \$150,000. as was the case for the Owner's Club seats at the new Dallas Cowboys' AT&T Stadium.

There may be conditions to that right, such as paying off the license fee on time, buying season tickets each year, and not running across the field in a shimmering, silver bodysuit.

Before seat licenses existed there was a different set of rules. Season ticket holders in some stadiums were not allowed to sell or otherwise transfer their right to buy season tickets. Even though this sounds unfair it sometimes worked to the advantage of season

ticket holders. Each year some would not renew and this afforded opportunities for season ticket holders to move to better seats on the basis of seniority. Some stadiums disallowed selling tickets on the aftermarket, and this led to significant demand as the NFL rose in popularity.

As demand increased, so did the prices charged by fans reselling tickets. The teams saw this and raised prices to make up the difference. As ticket prices rose, teams were further pressured to give the season ticket holders more rights. The first concession was the right to transfer the season ticket rights to a family member. Recognizing that seats have value beyond the price of admission—and the desire for more rights—led to the development of the seat license and the explicit right to sell individual game tickets or the the entire seat license.

What Is Seat License Financing?

Financing in the context of this book refers to a loan from the team in order to pay the upfront license fee over a number of years instead of all at once.

The Cowboys offered 30 year loans for the upfront seat license fee, while the Jets offered the option of 5 or 15 year financing. Each team decides what works best for their organization and their access to credit markets. Both teams accepted full payment up front or split over 2 years without any interest charges.

The 49ers structured their loans using simple interest. Simple interest is different from most credit cards that use daily compounding interest.

A Financing Example

Here is how the simple interest worked for the least expensive seat license at Levi's Stadium:

- Upfront License Fee: \$2,000
- Down payment: \$600
- Amount available to be finance: \$1,400
- Term of loan: 10 years
- Annual Percentage Rate: 8.5%

With this information, my calculator says there would be 10 payments of \$196.66 to pay off the \$1,400 principal and interest accrued over the 10 years. This calculator is also available on my website: www.seatlicense.com/¹.

When the first seats were sold in 2012, a 10% deposit was required. Two more 10% deposits were due January 1, 2013 and January 1, 2014. This is how we got the 30% down payment of \$600.

Taking on this loan gives the right to buy season tickets which are an additional cost. In the case of this seat, the per game ticket price was \$85. For a standard 10 game season, that's \$850 to buy season tickets. When we add up the yearly finance license fee and the cost of a single season ticket, we get the following:

$$\$196.66 + \$850.00 = \$1,046.66$$

Tying this all together, someone wanting to buy two of the cheapest seat licenses at Levi's Stadium would be charged the following amounts:

- \$400 (2 x 10%) - deposit at time of signing

¹<http://seatlicense.com/>

- \$400 (2 x 10%) - deposit due January 1, 2013
- \$400 (2 x 10%) - deposit due January 1, 2014
- \$393.32 (2 x \$196.66) - loan payment due March 1, 2014
- \$1,700 (2 x \$850) - 2014 season ticket due June 1, 2014

The total of all these payments is \$3,293.32 and it is due before the first game is played. The amount due each of the remaining nine years is \$2,093.32.

Ultimately this form of financing is not magic, it's simply a form of marketing. It's a way to advertise a product for \$2,000 that turns in to \$22,133.20 over the first ten seasons.

If you're thinking about buying a seat license, it would be wise to do this calculation before signing a contract.

A Story About Season Tickets

Many people dream of buying season tickets for their favorite sports team. These people might go to one or more games each year by buying tickets on StubHub or Craigslist. It's a good feeling to be at the venue cheering on the team with friends and family. However, many feel cheated because they had to pay more than face value for the tickets. An extra \$50 per ticket seems like a lot, but it's tolerated because it's affordable and because it's cheaper than buying season tickets.

Then the team makes it to the playoffs or the championship and ticket prices soar. The 2013 World Series saw the most expensive baseball tickets in history with tickets starting at \$900 for standing room only (SRO). Super Bowl tickets don't usually sell for under \$3,000 on the aftermarket.

The season following a playoff berth has a further increase in aftermarket ticket prices. Now prices are going for \$100 over face value and the fans are starting to feel fleeced.

Then the team announces they'll be building a new stadium and will finance the stadium by selling seat licenses. Some franchises use the term Personal Seat License (PSL), others use Stadium Builder's License (SBL), Charter Seat License (CSL), or Charter Ownership Agreement (COA). These are essentially the same thing: season tickets with some additional benefits like parking, concerts, transferability, or team events.

A new stadium means new opportunities to buy season tickets. Existing season ticket holders are first given the option to buy in the new stadium at the same approximate location as the old stadium. Fans and brokers without season tickets get an opportunity once all the existing season ticket holders have had a chance.

With the amenities, parking, or public transportation it sounds like a good deal and a good experience. That is when potential seat buyers ask themselves, a spouse, or family member if they can afford to buy the license and season tickets.

In a best case scenario the upfront license fee is only \$500 and yearly season tickets are \$1,000 for ten home games.

Seat License - One Seat



Example 1.01

For two seats that's \$3,000 due for the first season and it begins to sound like a lot of money.

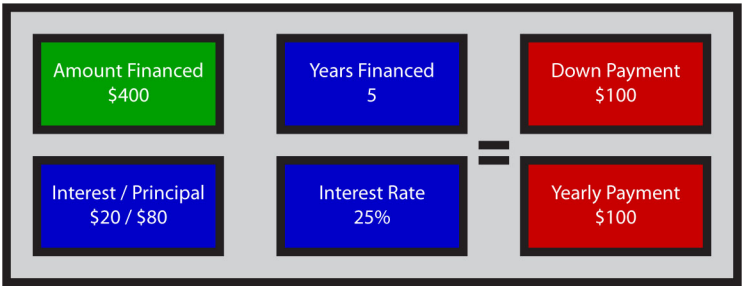
Seat License - Two Seats



Example 1.02

The sales office will give the option to pay the \$500 over five years, so the \$100 yearly financing is only an extra 10% on top of the season tickets.

Financing



Example 1.01

And splitting them with a family member, that \$3,000 drops down to only \$1,100 per person.

After justifying \$1,100 it might only be an extra \$500 to get much better seats, say 10 rows off the field in the end zone. Another \$1,000 and they'll be on the 30 yard line. Double the price and there are club seats available. Before long they are considering \$15,000 per seat.

When considering spending 15 large on sporting tickets, people start to look at recent stadiums to compare prices. Club tickets at another stadium are selling for three times face value and perhaps that \$15,000 could be subsidized by selling some of the tickets. After some quick math multiplying the number of home games by the

average ticket price on StubHub makes it an easy decision: Instead of two tickets they should buy four.

A down payment is paid, contracts are signed, Facebook status is updated, and everyone is excited for the opening season in three years.

Three years is a long time to dig deeper into StubHub and realize that the listed price is 32% more than what the seller receives. If the seats are for an NFL team the 10 home games turn into eight when StubHub shows preseason tickets selling for 75% less than face value. Then the friends and family math comes in to play and they have to invite certain people who they used to go to games with. Now that easy profit doesn't look very easy.

If there are four seats and eight home games, that's 32 regular season tickets each year. Half of those are used by the two people who bought the seats, and let's say half of the other games are given to family. Now there are only eight seats left to sell and that is not going to pay off four seats that cost \$15,000 each.

This may not be the exact path for every fan considering an investment in seat licenses but it was close to the path I took when buying seats in 2012 at Levi's Stadium. This book contains the lessons I learned from that experience as well as my attempt to quantify and define what it means to invest in a seat license. When I was conducting my research I couldn't find the deep analysis I wanted, so it was my hope that writing this book would answer my own question: Are NFL seat licenses a good investment?