

NEWS AND NOTES:

How does the San Diego Region Compare with Other NFL Host Areas

In February of 2015 the stadium issue in San Diego seemed to go from zero to 60 miles per hour overnight. The Mayor announced a taskforce on stadium issues, the Chargers fired back with skeptical letters and press releases, a potential stadium deal was announced in Carson, California while the ownership of the Rams in St. Louis contemplated a move to the City of Inglewood. Attention began to crystalize around two options for a new stadium in San Diego and it is a real possibility that the voters will be presented with an option sometime in the next 12 months.

This policy brief attempts to help shed light on how San Diego “fits” into the echo system of other regions which host NFL teams. A comparison of demographics suggests:

- **San Diego scores as an average market among NFL hosts in respect to the demographics key to ticket sales, personal seat licenses (PSLs) and the ability to generate local revenue. San Diego falls right near the median value on nearly every value we measured.**
- **If San Diego reaches a deal similar to 21 other recent NFL stadium deals, the public’s share of financing could be close to 65% in the cost of the new stadium. This contribution does NOT include naming rights or PSLs, revenue usually accounted toward the NFL franchise’s contribution by researchers undertaking this kind of accounting.**
- **The public’s contribution could be raised through a combination of means, including development rights, contribution of some of the funds currently spent to make up for operating deficits at QUALCOMM, or increases in taxes directly related to stadium operations such as ticket surcharges or parking.**
- **Based on the experience of other NFL franchises, San Diegans would likely support between \$100 and \$150 million in PSLs. This would require, however, that the Chargers perform and market adequately enough to create strong demand for tickets.**

I. The Unit of Analysis and data sources

In some stories commentators have compared the City of San Diego with other cities which are NFL hosts. This likely misstates the actual markets for NFL teams - which frequently draw a high proportion of their fans from the suburban towns and small cities that surround the core metropolitan jurisdiction.

The proper unit of analysis should be the Metropolitan Statistical Area (MSA) in which the team plays. MSAs are defined and delineated by the Federal government as a county or group of counties tied together economically. In the case San Diego, our MSA is just one single county.

In the case of Denver, it includes not only the City and County of Denver but also nine smaller suburban counties which have strong economic ties to one another.

Admittedly, even these larger units of analysis do not fully capture the total market on which NFL franchises tap. Indeed recent reports suggest the Chargers have been successful in developing fan support beyond San Diego County. Green Bay Packer faithful travel from all over Wisconsin. The New Orleans Saints draw fans from all over the state of Louisiana and from Gulf Coast communities in Mississippi, Alabama and Texas.

That said, MSAs are likely a reasonable proxy for the overall metro market teams try to serve and can help with an initial comparison of the various host regions for the NFL. It is also the easiest unit of analysis which is consistent across the nation and for which it is possible to gather comparable economic and demographic data. Other choices would require significant subjective judgment on the case of the researcher absent proprietary data from all 32 teams. For data sources we relied on the U.S. Census's American Community Survey and its 2008 to 2013 dataset.¹

Determining the cost of stadiums and the public's share is more difficult. There is no uniform way of allocating costs and contributions. To determine stadium costs and the share that the public has contributed we relied on a report prepared by Convention Sports and Leisure (CS&L) in a March 2012 report prepared for the Minnesota Vikings (<http://www.vikings.com/assets/docs/stadium/DES-recent-nfl-stadiums.pdf>) and then augmented it with additional information about the financing of the San Francisco 49ers Levi stadium and the new Minnesota Vikings stadium. To Determine the amount raised from PSLs we used another Vikings related source, a graphic listing the amount of money raised from PSLs adjusted for 2016\$. (<http://prod.static.vikings.clubs.nfl.com/assets/docs/2013/sbl-chart-100313.pdf>)

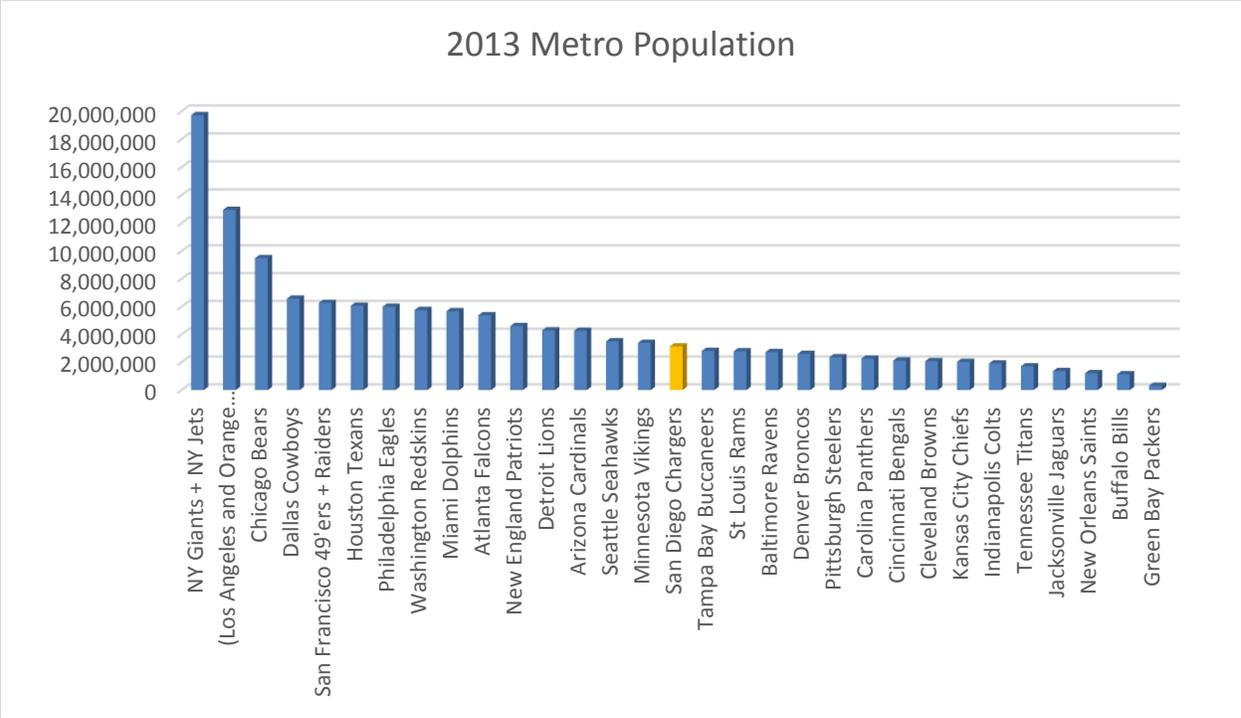
II. How San Diego Compares

We looked at four different measures as these are likely to be critical for the Chargers as they analyze various options and markets.

Population

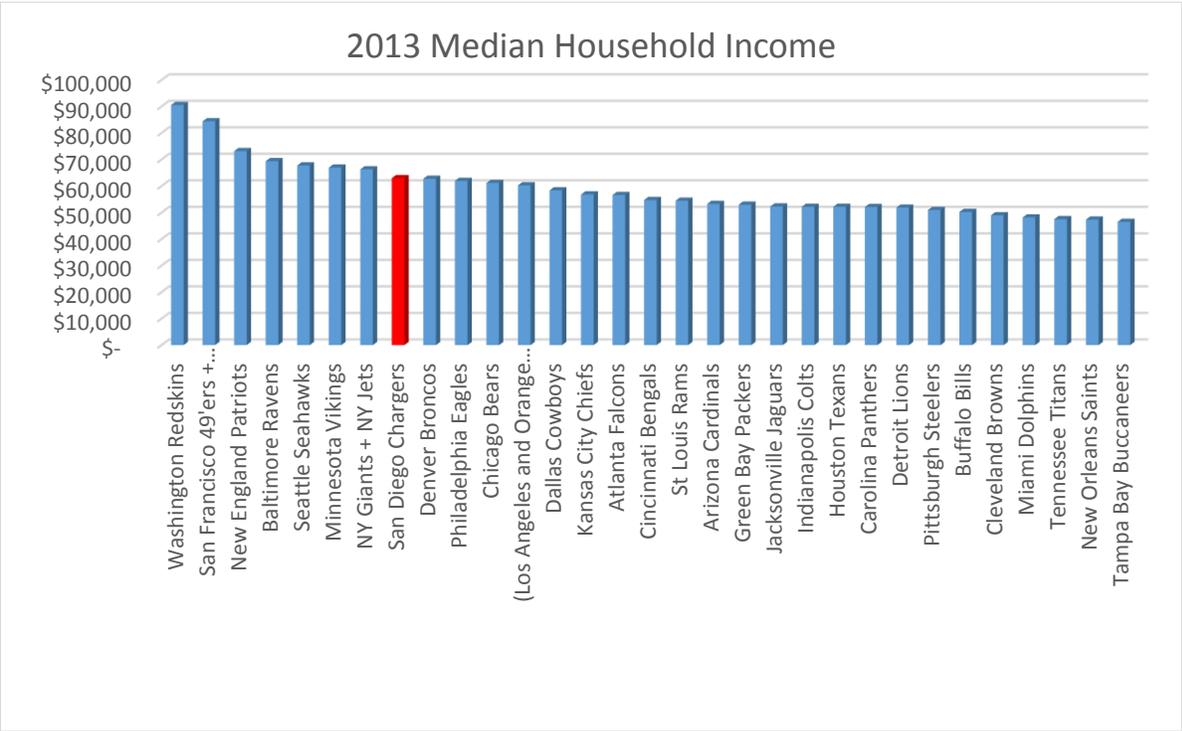
The San Diego metro area, with population of 3,138,265, is the 15th largest metro area served by the NFL. It is significantly larger than the two 2 smallest: Green Bay, WI with 308,706 and the Buffalo, NY MSA with 1,134,695. It is dwarfed by the New York City MSA, home to more than 19 million people. By way of comparison, the Los Angeles MSA, comprising Los Angeles and Orange Counties has a population of 12,945,252, more than four times larger than San Diego's.

¹ This program replaced the long-form of the decennial census and is a regular survey annually administered to more than two million people. The data can be found on the American Factfinder web portal (<http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>).



Median Income

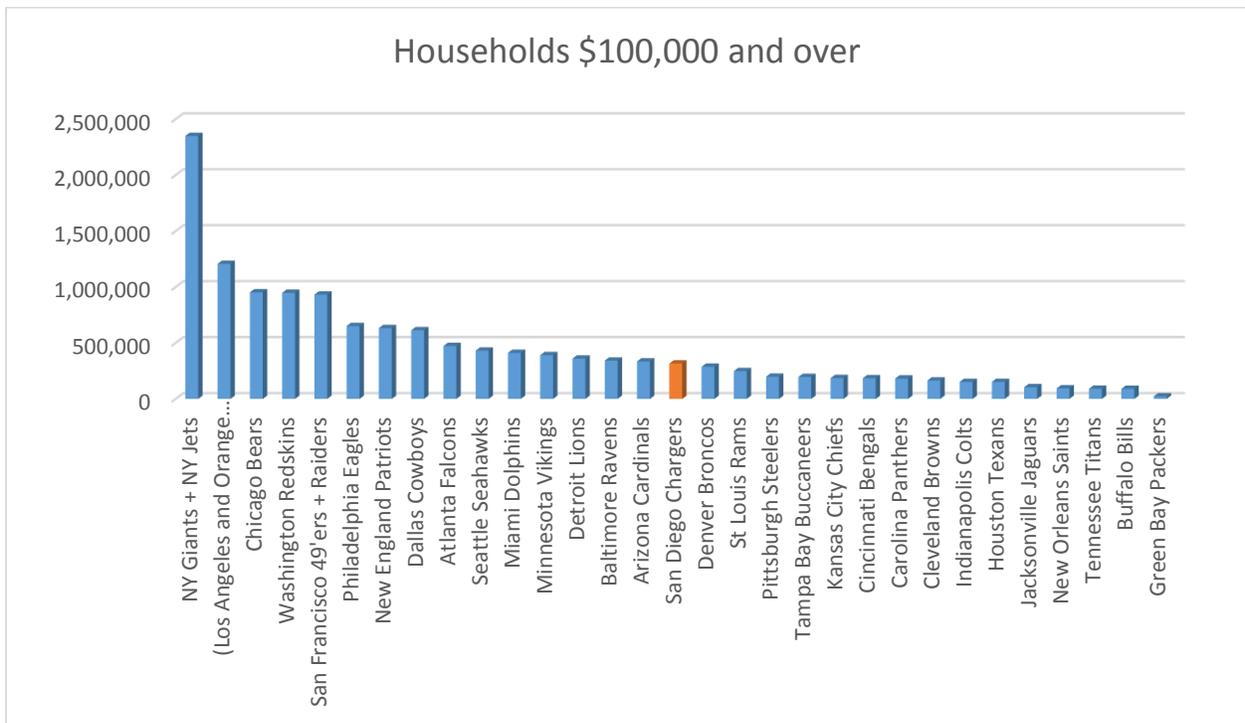
San Diego is one of the wealthier NFL markets. In 2013 median household income in the region was \$62,962, making us the 8th highest average income market the NFL plays in by that measure. Household median income in the Los Angeles MSA in 2013 was \$60,252. This does make our TV market more attractive to NFL advertisers and sponsors, interested in reaching such a market.



Higher Income Households

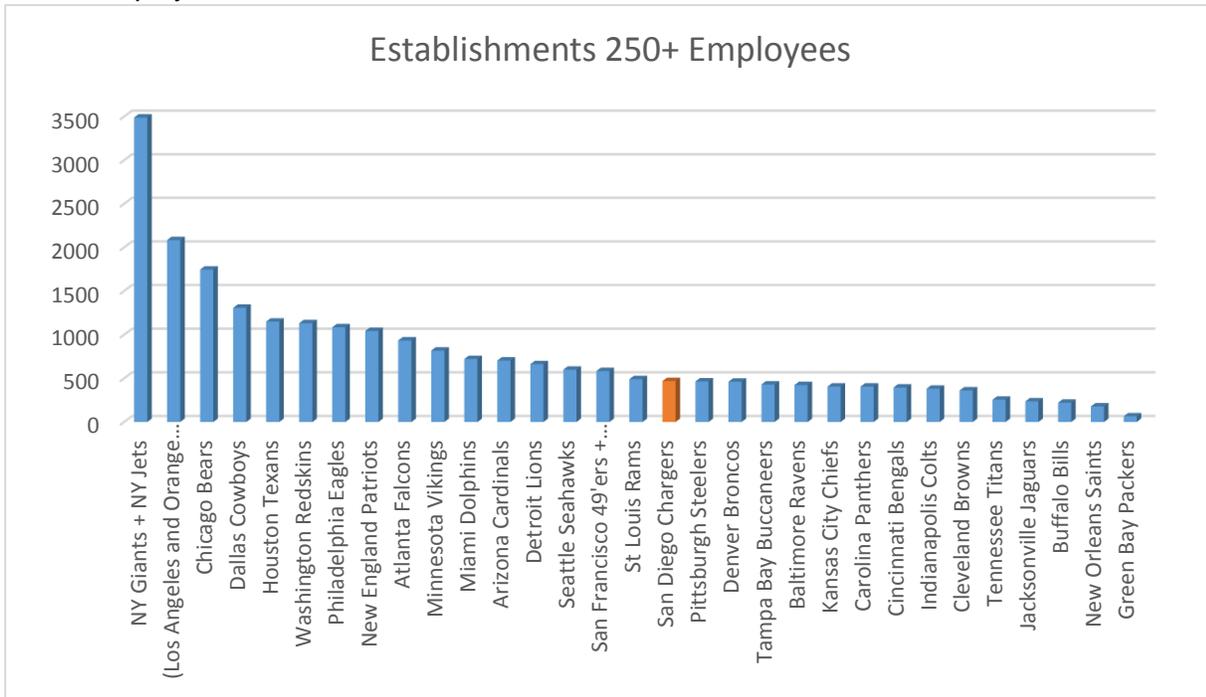
While NFL teams are an important community wide amenity, ticket prices (and especially club and luxury boxes) are priced out of the range of many fans. This is doubly true when considering the potential market for personal seat licenses, the purchase of which is needed in some newer stadiums to buy a season ticket for particular seats and which has been a more common way of NFL ownership groups to finance their contributions to new stadium projects. We compared the number of households with combined incomes greater than \$100,000 as measures for the relative size of the ticket buying public.

San Diego comes in average among NFL markets with 316,352 households in the region making more than \$100,000 in income in 2013. Like population, this puts San Diego right in the middle for NFL markets. Los Angeles, in contrast, had 1.2 million households with incomes greater than \$100,000.



Larger Businesses

NFL franchises have spent significant energy in recent years selling in-stadium advertising to local businesses and to encourage them to purchase club seats and luxury boxes. As a proxy for the number of businesses in a community likely to be able to afford such investments, we used Census data which measures the number of establishments in a region with more than 250 employees.



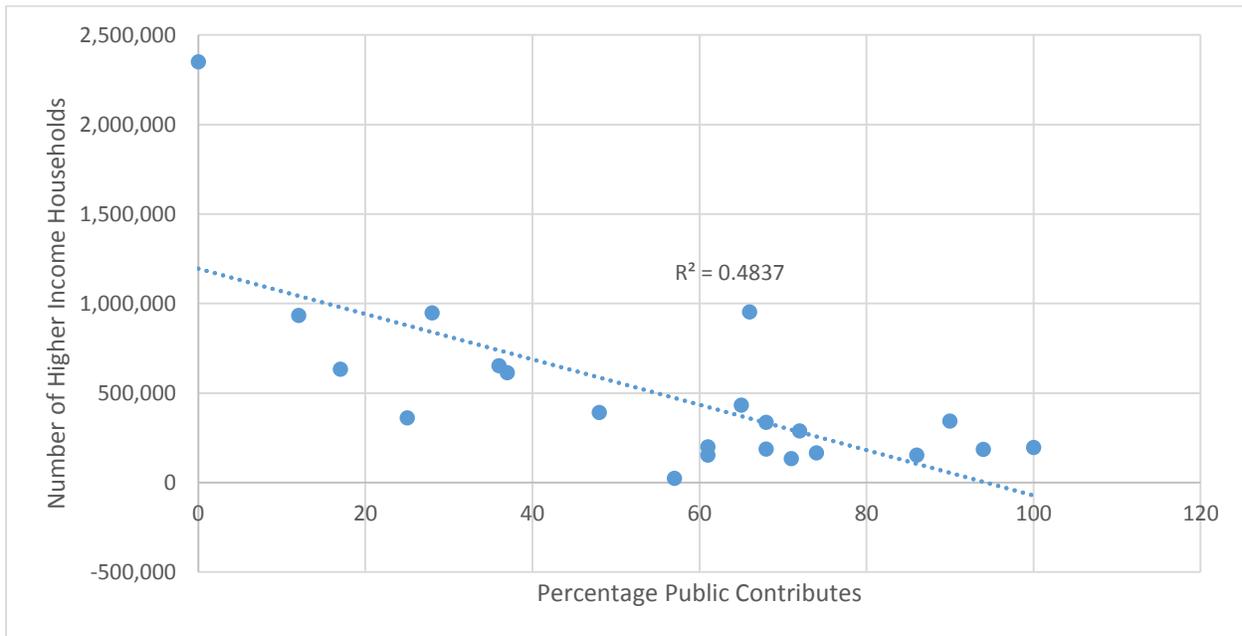
This isn't a perfect measure but likely better than using data sets such as the Forbes 1000 since such a list is likely to miss major employers who may happen to be part of a much larger corporation. For example, because they are owned by companies headquartered in other areas NASSCO and Solar Turbines do not appear on the Forbes list, even though they are major employers (and frequent sponsors) of local events and athletic activities.

On this measure San Diego is a bit below average compared to other NFL markets with 468 establishments having more than 250 employees. Comparatively, the median value is 490 and NFL host regions had an average of 764 establishments with more than 250 employees.

III. The Public's Contribution to the Construction Cost of New Stadiums

At present, a citizen's advisory group is meeting to discuss possible locations and develop a financing plan for a new stadium in San Diego. We believe it is important for their work to understand the relationship between market size and ultimate share of NFL stadiums paid for by public sources (taxes, surcharges, land grants, etc.). This isn't to argue that the public SHOULD pay these costs. Instead, we want to understand if there is a discernable relationship between public contributions and market size. As a cautionary note, correlation does not mean causation.

To investigate the relationship we created a scatterplot of the data and conducted simple regression between the number of higher income households in the region and the percentage the public has contributed. The source for this data is a 2012 Convention and Sports Leisure study found here (<http://www.vikings.com/assets/docs/stadium/DES-recent-nfl-stadiums.pdf>). We added to the data set information about the Levi's stadium in Santa Clara and the new stadium in Minneapolis.



In this chart the horizontal axis represents the percentage that the public has contributed to the construction of a particular stadium. On the left, we charted the number of households in a metro region with greater than \$100,000 in income in 2013. The data generally shows an inverse relationship, with markets having more affluent households paying less of a stadium's cost from public sources and smaller markets seeming to pay more. The R^2 of this simple regression is .4837, a reasonable, if not perfect, fit. In future work we intend to build a more complete model that integrates several additional factors to improve the model fit.

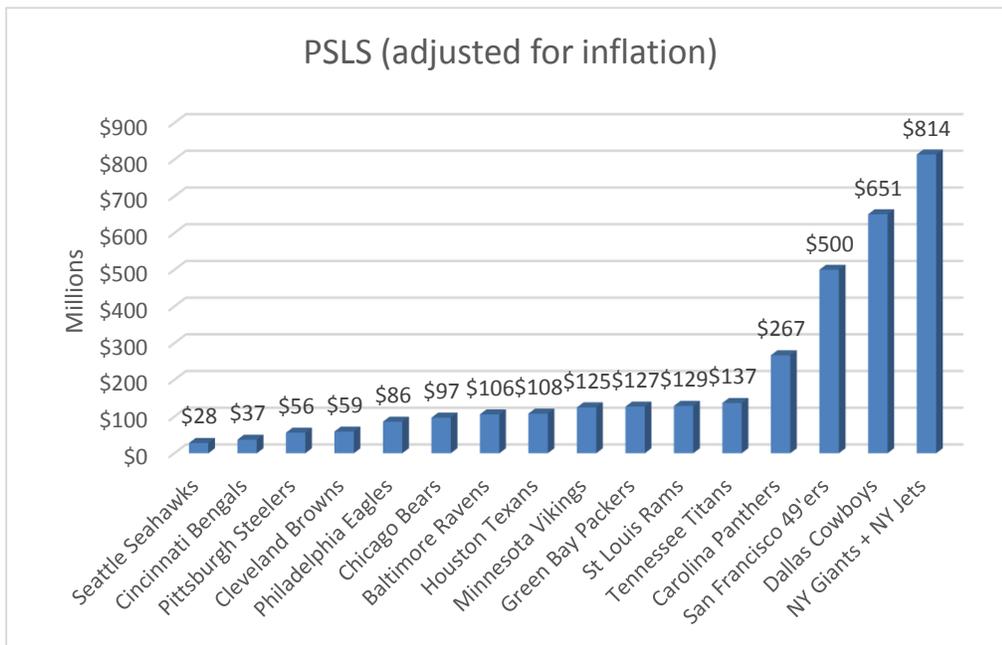
While these represent initial figures and not a full fleshed-out, multivariate model, they should give policy makers some pause. If San Diego is like other NFL host regions, it is probable that the public's share of the financing costs would be about 65%. It would be extraordinary for San Diego, as home to "only" 319,000 higher income households, to contribute less than 1/3, a level for a medium size market team only achieved by the Detroit taxpayers who footed between 36% and 25% of the bill for Ford Field.

It is important to note that the public's contribution does NOT necessarily need to be raised from taxes or general fund receipts. Cities have found a variety of creative ways to help aid in the financing of new stadiums from rebating sales taxes for purchases within the stadium (Houston) to limiting support to required infrastructure upgrades. It could also be the case that San Diego is in an advantageous bargaining position, with the Ram's plans for the Inglewood site a bit ahead of Carson's, and the NFL unlikely to put three (or perhaps even 2) teams into the NFL market.

Nevertheless, it seems doubtful to us that public contributions through some form of tax revenue would not be required given the size of the San Diego market compared with other NFL hosts and the existing track record when it comes to the financing of modern NFL stadiums.

III. Personal Seat Licenses

Personal seat licenses have been used with increasing frequency to finance stadiums. Typically when buying a PSL a fan pays a certain amount of money up front which then gives the fan the right to purchase tickets for that seat. Teams often use PSLs just for their premium seats, such as those near mid-field and/or which have access to amenities like clubs, restaurants or other premium features.



Data from the Minnesota Vikings² show NFL teams have raised between \$28 million to \$651 million in PSLs as part of their stadium financing efforts. This chart and the figures above suggest that San Diego could potentially support between \$100 and \$150 million in PSLs in

its stadium financing plan. By way of comparison, Nashville raised \$137 million in inflation adjusted \$s and that metro area is significantly smaller than San Diego (1.3 million vs. 3.1 million) and has much fewer higher income households (90,954 vs. 316,000). The Vikings are on pace to sell \$125 million in PSLs in a market slightly bigger than San Diego as measured by these metrics.

CONCLUSIONS

Financing an NFL-stadium is an extremely difficult proposition. The costs are so large and the use of the facility so specialized that communities and franchises have to be extremely creative in how they get to the finish line. The NFL is also a classic “sellers” cartel, controlling the production and distribution of a product in which there are more cities demanding the chance to

². <http://prod.static.vikings.clubs.nfl.com/assets/docs/2013/sbl-chart-100313.pdf>

host an NFL team than there are franchises. It may not be liked, but in such a situation it seems inevitable that should San Diego wish to retain the Chargers there will be a public subsidy.

That is not to say there are not advantages to being in our market. We have relatively high median household incomes. San Diego offers year round fair weather especially for August through February. The community has nearly a 50 year history of being a loyal NFL-host community and has previously expanded and modernized the stadium on the public's back.

Getting to a plan which works requires balancing these two factors. Both sides in this negotiation need to recognize San Diego's intrinsic values (and capacity to ask fans to support PSLs) but also be aware – if you wish to participate in this marketplace as a medium-sized region it is unlikely we can do so purely tapping private sources and without public investment in the project.

APPENDIX

Team	MSA	Population	Public Contribution in millions in Nominal dollars	Public Percentage CSL	PSLs 2016 \$	Households with income \$100,000 and over	Median Household Income	Average Household Income	Establishments with 250 or more employees
NY Giants + NY Jets	New York-Newark-Jersey City, NY-NJ-PA Metro Area	19,716,880	0	0	814	2,349,593	66,285	96,267	1744.5
(Los Angeles and Orange Counties)	Los Angeles-Long Beach-Santa Ana, CA Metro Area	12,945,252				1,206,820	60,252	86,061	2083
Chicago Bears	Chicago-Naperville-Elgin, IL-IN-WI Metro Area	9,488,493	387	0.66	97	952,100	61,156	83,637	1745
Dallas Cowboys	Dallas-Fort Worth-Arlington, TX Metro Area	6,575,833	444	0.37	651	613,363	58,356	80,504	1307
Houston Texans	Houston-The Woodlands-Sugar Land, TX Metro Area	6,063,540	289	0.61	108	151,835	52,147	70,547	1149
Philadelphia Eagles	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metro Area	5,992,766	188	0.36	86	651,297	61,923	84,726	1084
Washington Redskins	Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area	5,759,330	70.5	0.28		947,624	90,540	116,403	1131
Miami Dolphins	Miami-Fort Lauderdale-West Palm Beach, FL Metro Area	5,673,185				411,656	48,148	71,444	721
Atlanta Falcons	Atlanta-Sandy Springs-Roswell, GA Metro Area	5,379,176				473,512	56,605	77,607	934
New England Patriots	Boston-Cambridge-Newton, MA-NH Metro Area	4,604,278	72	0.17		633,145	73,180	99,210	1042
Detroit Lions	Detroit-Warren-Dearborn, MI Metro Area	4,295,700	110	0.25		359,936	51,844	70,159	662
Arizona Cardinals	Phoenix-Mesa-Scottsdale, AZ Metro Area	4,268,289	310.3	0.68		335,142	53,228	71,690	704
Seattle Seahawks	Seattle-Tacoma-Bellevue, WA Metro Area	3,504,628	300.3	0.65	28	431,607	67,745	88,624	599
Minnesota Vikings	Minneapolis-St. Paul-Bloomington, MN-WI Metro Area	3,391,191	\$498	0.48	125	390,909	66,940	85,965	817
San Diego Chargers	San Diego-Carlsbad, CA Metro Area	3,138,265				316,352	62,962	84,889	468
San Francisco 49ers + Raiders	San Francisco-Oakland-Hayward, CA Metro Area + San Jose-Sunnyvale-Santa Clara, CA Metro Area	3,135,526	114	0.12	671	466,130	84,425	114,359	583.5
Tampa Bay Buccaneers	Tampa-St. Petersburg-Clearwater, FL Metro Area	2,819,241	194	1		195,814	46,497	64,590	429
St Louis Rams	St. Louis, MO-IL Metro Area	2,792,127			129	248,249	54,463	73,121	490
Baltimore Ravens	Baltimore-Columbia-Towson, MD Metro Area	2,734,044	203.6	0.9	106	342,578	69,367	90,693	423
Denver Broncos	Denver-Aurora-Lakewood, CO Metro Area	2,601,465	289	0.72		287,384	62,742	83,922	461
Pittsburgh Steelers	Pittsburgh, PA Metro Area	2,358,746	171.6	0.61	56	198,252	50,935	68,788	464
Carolina Panthers	Charlotte-Concord-Gastonia, NC-SC Metro Area	2,261,321	55.9	0.23	267	181,903	52,051	72,886	405
Cincinnati Bengals	Cincinnati, OH-KY-IN Metro Area	2,122,940	424.8	0.94	37	185,025	54,692	72,938	394
Cleveland Browns	Cleveland-Elyria, OH Metro Area	2,070,965	200	0.74	59	164,637	48,954	67,134	361
Kansas City Chiefs	Kansas City, MO-KS Metro Area	2,025,297	263.4	0.68		186,147	56,815	74,775	406
Indianapolis Colts	Indianapolis-Carmel-Anderson, IN Metro Area	1,911,795	619.6	0.86		151,835	52,147	70,547	381
Tennessee Titans	Nashville-Davidson--Murfreesboro--Franklin, TN Metro Area	1,702,603	206.9	0.71	137	133,047	52,481	71,545	332
Jacksonville Jaguars	0.86	1,363,610	121.3			105,020	52,258	71,097	236
New Orleans Saints	New Orleans-Metairie, LA Metro Area	1,209,239				93,773	47,341	67,381	178
Buffalo Bills	Buffalo-Cheektowaga-Niagara Falls, NY Metro Area	1,134,695				90,164	50,210	65,272	220
Green Bay Packers	Green Bay, WI Metro Area	308,706	169.1	0.57	127	22,797	52,947	67,906	65

In cases in which a cell is empty it means that there is no applicable figure. For example, we do not list a number for the amount of PSLs sold in Detroit because our best data says that this financing tool was not used for Ford Field. Similarly, in the case of Atlanta we do not list the public's share as we did not have complete data on the financing plan for the new stadium.