

# Personal seat licenses



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The cost of building a state-of-the-art facility has grown dramatically over the past decade. As the pressure rises on intercollegiate athletic programs to raise as much money as possible, universities have been depending increasingly on high-cost amenities such as luxury boxes, personal seat licenses and club seating. Luxury seating includes special skyboxes usually purchased by corporations at premium prices and another level of more expensive seating often referred to as club seats. Club seat ticket holders often have better views, preferred parking, indoor/outdoor options and higher quality food and beverage service including a wait staff. Luxury seating alone is a tremendous moneymaker and is the second most important revenue stream for sports franchises behind television revenues. The most talked about of the three has become the personal seat license. Personal seat licenses are a relatively new revenue source. They give fans the right to buy a season ticket or specialty seating such as club seats. PSLs offer the holder a series of amenities and benefits including the right to transfer your long-term season-ticket rights, sometimes for a profit.

Stadium revenues come in a variety of ways, and in today's world of professional and collegiate sports, they are the key to profitable teams. This is why many team owners claim they cannot afford to keep teams in old stadiums without the tremendous earnings potential of special seating and other stadium income. In theory, seat licenses are a simple if slightly devious device that allows teams to raise large amounts of cash in a hurry. Typically, the money is used to help cover stadium improvements or construction costs. It has worked well in professional sports, and the colleges have seen

that. It just makes sense it would filter down to intercollegiate athletics. The concept of PSLs has been spreading through collegiate athletic departments over the last few years.

PSLs typically cost anywhere from \$250 to \$5, 000 per seat and average more than \$1, 000. Often the most and least expensive seats are the first to sell out. As existing teams attempt to use this concept in the future, there will be a need for more creative amenities and marketing programs so that fans are not turned off.

At Ohio States Schottenstein Center, 4, 500 personal seat licenses were sold in three price levels, \$15, 000, \$7, 500 and \$4, 000. These grant the holder the right, or license, to purchase a season ticket for the seat for 40 years, as well as receive special amenities, such as preferred parking rights and access to hospitality areas. But you just don't pay for a license and tickets. Buyers of seat licenses also must pay an annual fee, ranging from \$150 to \$2, 000 per seat, to endow athletic scholarships. And after 10 years, some of these license holders must pay a \$1, 000 " maintenance fee" for their seats, with another such fee due every fifth year thereafter.

Club seating, part of a personal seat license program, is another way in which well-heeled fans and corporations help fund stadiums. Club seats usually are a group of seats in preferred locations and that are near a special lounge area with television monitors, couches, upscale finishes, climate control, and upgraded concessions and services. Unlike a seat license, a club seat is acquired on a year-by-year basis, although there can be some long-term leasing.

### Example of a College Using the PSL Program: Texas Tech

In recent years, PSLs have become the rage in college and professional sports. Simply put, the PSL guarantees a fan a specific seat. The decision for Texas Tech University to build the United Spirit Arena, a state-of-the-art, approximately 15, 000-seat facility, was based on a wide scope of factors including timing, need and support. Over the years, the mens and womens basketball teams established nationally-renowned programs which simply outgrew the antiquated, 40-year-old Lubbock Municipal Coliseum. Sell-outs became the norm as Texas Tech soon proved it could compete for championships in the powerful Big 12 Conference. In order to develop the personal seat license plan, Texas Tech officials organized a committee of people who then contacted numerous universities that had recently constructed new basketball facilities.

The PSL program is extremely important to the university. The revenues from the PSL program are an integral part of financing the construction costs for the \$51 million United Spirit Arena. Other major sources are donations, luxury suite rentals and student general use fees.

The personal seat license (PSL) allows fans to purchase and own a specific seat for men's or women's basketball games at Texas Tech over a 10-year period. A total of 4, 043, or 26. 5 percent, of the 15, 200 seats in United Spirit Arena will be considered PSL eligible. That number drops to 3, 300 for men's games because one group of seats is designated for Lady Raider games only. In its simplest terms, a PSL is new terminology for what the school used to call a seat option. The cost of the PSL only covers the actual license to sit in a certain spot, so holders will be required to buy season

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tickets each year.

Texas Techs PSLs require their basketball fans to make a 10-year monetary commitment anywhere between \$1, 250 and \$4, 000 in order to purchase a seat in the university's new basketball facility, scheduled to open in January 1999. Tech's PSL plan, which officials say involves 26. 5 percent of the seats in United Spirit Arena, will replace what was known as seat options. Tech officials see purchasing a PSL as a chance for fans to not only claim the best seats in the house but also to make them feel like shareholders in the construction of United Spirit Arena.

PSL holders would have priority ticket status for other events that the arena hosts besides basketball, such as NCAA tournament games. PSL holders will also receive priority status for purchasing prime reserved parking at all arena events. Those who commit to a PSL early enough will have first seat selection rights.

Tech will provide an option when first purchasing a PSL that will allow transferring of owners. The PSL is designed to be transferable. If one accepts the ability to transfer, Tech officials believe the PSL payments are non-deductible on taxes. If one declines the ability to transfer, Tech officials believe the PSL payments are 80 percent deductible. However, Tech officials suggest checking with a tax adviser. Should you decide you wish to transfer ownership of your PSL to another individual or company during the 10-year period, Tech officials say they will charge a " reasonable" transfer fee. If a

PSL owner dies prior to the end of 10-year commitment, the PSL would be considered an asset belonging to the next of kin.

If any unsold seats in the PSL program exist, they will be sold on an individual game basis the week of the game at a price higher than what the PSL holder is paying per game. According to Texas Tech officials, the PSLs are being sold at a steady rate and are expected to be sold out before the stadium opens for use.

#### Overall Assessment

In the going over the research for the personal seat license program, I realize that it is a very good way to increase revenue. However, there are always ups and downs to every business transaction. I think the biggest question that colleges and universities will need to answer before initiating such a proposal is whether or not they will actually be able to sell the seat licenses. In asking that question, college officials will need to look at the status of their teams- if they are winning or losing. Having a losing team doesn't make it any easier to motivate people to come out and see them. Without a crowd base, there is no sense in even constructing a new facility. If there is any doubt, they should not even bother with it.