

The Virginian-Pilot

Luxury Boxes Could Win NHL Deal

**At \$80,000 to \$120,000 Per Suite, Support From Local Businesses
Is a Necessity for an NHL Expansion Arena**

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The question has come up before, but this time the region needs an answer: Does Hampton Roads have what it takes to support luxury boxes - at least 50 suites at \$ 80,000 to \$ 120,000 each a year - in a new arena?

The answer must be yes, if the region is to build the 20,000-seat arena needed to land a National Hockey League franchise, say experts who study luxury boxes.

"That criterion was the one area of possible weakness we found in the Hampton Roads market compared to other markets," said Chris Dunlavey, of Brailsford and Dunlavey, who worked with the architectural firm HOK Sports in drafting a 1995 arena feasibility study for the Sports Authority of Hampton Roads. That report concluded that Hampton Roads compared favorably in most categories - such as disposable income and population - to similar-sized markets.

But the region's depth of corporate support for professional sports raised lingering doubts in the report. Now the region is trying to erase those doubts. George Shinn, owner of the NBA's Charlotte Hornets, is bidding for an NHL expansion team in Hampton Roads that he would call the Rhinos. Shinn and local leaders expect to make their formal pitch to the NHL Board of Governors on Jan. 13, the tentative date for presentations from the nine cities that have applied for franchises. By then, the region must have a plan to build and finance an arena.

Perhaps the most important part of the deal is selling luxury boxes. "Luxury suites are the driving force for arenas and stadiums in the '90s," said Bill Dorsey, executive director of the Cincinnati-based Association of Luxury Suite Directors. "They're what get the things built. The banks are hesitant to finance a facility based on the hope that if you build it, 20,000 people will come. When they see a revenue stream from luxury suites, they are more willing to provide the financing."

Luxury suites also are a cash cow for owners, providing the second-highest revenue source for sports franchises behind television, according to a National Sports Law Institute study. By the end of 1996, 85 percent of the major league teams in basketball, football, hockey and baseball will have luxury boxes at their facilities. The luxury boxes will generate about \$ 375 million annually. Luxury boxes have become so important that virtually no sports arena is built without them anymore. In fact, Shinn already wants to move his Hornets from the 24,000-seat Charlotte Coliseum that opened in 1988 to a proposed arena downtown - primarily because the Coliseum is one of the last arenas built without a full compliment of luxury suites. Boston's new FleetCenter, which opened in October 1995 with 104 luxury boxes, charges \$ 158,000 to \$ 258,000 a year for a luxury box - the highest luxury-box rentals ever.

Tom Ward, vice president of marketing for the Hornets and leader of the Rhinos' season-ticket and luxury-suite drive, estimates 50 to 60 luxury boxes will be needed in a Hampton Roads arena. Leases probably would range from \$ 80,000 to \$ 120,000 a year per suite. Shinn has said

he wants deposits for 10,000 season tickets and 25 luxury boxes before the presentation on Jan. 13.

Rhinos officials are not disclosing their sales numbers, but deposits for seven suites have been publicly acknowledged: NationsBank (two), Crestar, Central Fidelity, WTKR-TV, Miller Oil and The Virginian-Pilot. To spur sales, Shinn is planning a "Suiteheart Party" from 6 to 8 p.m. Dec. 5 at the Omni International Hotel in downtown Norfolk. Anyone purchasing a suite that night will receive a ticket to a Hornets game, and will be flown to and from the game in the Hornets' team plane.

The cost of a 20,000-seat arena in Hampton Roads is estimated at \$ 120 million to \$ 140 million. A key ingredient in repaying the arena debt would be luxury-box revenue, which likely would go to Shinn, who then would use part of it to make his payments toward the debt. The price of a luxury box is too steep for most individuals, which is why corporate support is critical. Some boosters say area companies can afford it.

"Everyone wants to be associated with a winner," said Steve Snyder, vice president of Checkered Flag, an automobile dealership that shares a Harbor Park sky box. "Business people are certainly behind the movement to bring a team here and put up a coliseum. I think business people will support it."

Others are skeptical. "I'm not as optimistic," said Donald Maxwell, development director for Virginia Beach, who says he has talked to more than a dozen officials with major-league sports teams. "I'm not sure we have the business support of the caliber of the teams I'm talking to."

"That's not to say we won't have it three or four years down the road."

Hampton Roads' record with corporate sponsorship of sports events has been spotty at best. "The big Crestar Classic had a very difficult time getting corporate sponsorships, sponsorships of holes and all that sort of locked ticket sales," said Brad Face, president of the Future of Hampton Roads, about the former Ladies Professional Golf Association tournament hosted locally until 1991. "That's one reason the Crestar LPGA Classic isn't here anymore." But when the 20 sky boxes in Harbor Park, home of the Norfolk Tides, went on sale, no advertising was needed.

A blurb at the end of a baseball story announcing the sale was enough to generate 60 calls from potential buyers, said Dave Rosenfield, general manager of the Tides. "We didn't go out after one account," Rosenfield said. "We did nothing but call back the people who'd called us when the stadium was announced. It was an amazing thing." Sky boxes at Harbor Park range from \$ 14,400 to \$ 28,800, depending on the size of the suite. Leases are for three to five years. Nine of the 20 Harbor Park boxes are shared by more than one company.

The Hampton Roads Admirals also had no problem selling all 20 boxes available at about \$ 2,000 apiece during their hockey season. And the Virginia Beach Amphitheater sold all of its 60 corporate boxes, which range from \$ 9,900 a year for a four-person box to \$ 19,800 for an eight-person box.

Luxury boxes are more than just a nice place to watch a game. Often businesses use them to entertain prospective clients. "It's very rare that there's not somebody you're selling to" in a luxury suite, Dorsey said. "Invariably you're making a contact with somebody. I don't think it's just an ego tool."

Years ago, luxury suites could be deducted as a business expense. But tax laws tightened in the 1980s, and the tax break now is minimal. If a company rents a suite just once during the year, it can write off the entire expense. But with full-season rentals, companies can write off only 50 percent of the rental fee, food and beverages associated with a business-related meeting or entertainment.

And they must be able to prove they discussed business. The choice to lease a suite often is more than a business decision, however. "Corporations are more willing to pony up for luxury boxes and club seating for new buildings and expansion franchises," Dorsey said. "They feel it's their civic duty. They want to help bring a team to their city."

But the depth of Hampton Roads' corporate community remains a concern. Shinn and area officials are exploring potential suite owners in other parts of the state, primarily Richmond. If Hampton Roads chose to market the Rhinos as "Virginia's team" - at present, there are no major-league teams in the state - it might win support from Richmond and even Northern Virginia, said John A. Hornbeck, president of the Hampton Roads Chamber of Commerce. Thirteen Fortune 500 firms operate in Virginia - but just one, Norfolk Southern Corp., is in Hampton Roads.

Richmond boasts seven Fortune 500 companies, tying four other cities for the ninth-highest total in the country. Richmond's metropolitan population is 866,000, well below Hampton Roads' 1.6 million. Richmond is 90 miles driving distance from Norfolk, approximately an hour and a half, and about the same distance from Washington, which has three major-league franchises.

Hampton Roads' lack of Fortune 500 companies isn't necessarily an indication of an inability to support luxury boxes. Many Southeast or mid-Atlantic regions that Hampton Roads competes against for expanding companies don't have many more. Jacksonville, which snared an expansion NFL team, claims two Fortune 500 firms. Nashville, heir to the Houston Oilers' NFL team, has one. Baltimore, home to the baseball Orioles and football Ravens, has three. Is Hampton Roads comparable to these cities in terms of corporate support?

"The trouble with making a presumption is that the market is evolving," Face said. "Both in good ways and bad ways. Our wage rate is going down compared to the rest of the country, but we are getting businesses that are coming in and businesses that are growing."

But has area business grown enough to provide the luxury-box support necessary for an arena? We should know the answer by mid-January.