FOUR DECADES OF FACILITY NAMING RIGHTS: WHAT HAVE WE LEARNED AND WHERE ARE WE GOING?
Bill Miller, Associate Professor, HESM Department, UW-Parkside

Today’s Roadmap
- Background
- What We’ve Learned
  - Case Law/Litigation
  - Defunct Deals
  - Business Elements
  - Typical Contract Provisions
- Going Forward
- Conclusion

Background Defined
- When a Company (or Individual) Pays Compensation to Another Party for the Right to Place a Name on a Sports Facility or a Portion Thereof

History
- Origins: College Building Naming Scenarios
- Started in Early 1970s
  - Schafer/Rich Issue
- Took Off in 1990s
- Up and Down 2000s
- Continually Defying Skepticism/Opposition to Achieve Stability...

Today
- Usage
  - MLB: 63% (19/30)
  - MLS: 72% (13/18)
  - NBA: 87% (26/30)
  - NFL: 72% (23/32)
  - NHL: 90% (27/30)
  - Overall Major Leagues: 77% usage
- Key Deals
  - Biggest: Farmers Field (NFL LA) 30 yrs, $600 million
  - Biggest In Place: MetLife Stadium (NJ/NY) 25 years $400-600 million
Past Year

- New Deals Trend Continued
  - Overall
  - Internal/External
  - New Types
- Some Negative Issues Developed
  - Name Changes
  - Bigger Recurring Issues As Well...
- Overall: A Solid Year...

Litigation/Case Law

- Case Law
  - Buffalo Cases
    - Bills
    - Bisons
  - RCN
  - Barclays
  - Melrose
- Notable Litigation
  - Enron/Astros

Lessons

- Address With Teams/Tenants
  - Obligation to use
  - Compensation & costs
- Be Specific in Terminology
- Address Outside Issues
  - Signage/zoning
- Address Negative Scenarios
  - Financial issues
  - Nuisance lawsuits

Key Examples

- Case Law
- Buffalo Cases
- Bills
- Bisons
- RCN
- Barclays
- Melrose
- Notable Litigation
- Enron/Astros

Defunct Deals
Items of Note

- Most deals run their natural course
- Most “name changes” are a result of rebranding & acquisitions
  - Typically accounted for & paid for in current NR contracts
- Reasons for “Failures”
  - Facility
  - Never Built
  - Obsolete/Torn Down
  - Financial Issues
  - Bankruptcy
  - Team Relocations
  - Changes in Sponsor Business Strategy/Executives

Lessons

- Identify Potential End of Deal Issues
- Identify & Address Potential Negative Scenarios
  - Business Issues
    - Mergers/Rebranding
    - Changing Strategies
  - Financial Problems
    - Bankruptcy/Moral Clauses
  - Facility Issues

Business Elements

- Parties & Typical Sponsors
  - Parties
    - Changing...
    - Public Sector Less Involved
      - Approval?
  - Typical Sponsors
    - Financial Institutions, Retail & Beverage
    - Sellers Key Areas
    - Growing Diversity in Sponsor Types

Sponsor Reasons/Goals

- Exposure
- Better Image in Community/New to Community
- Connection to Sports
- Cut Through Advertising Clutter
- Direct Business Generation

Inventory

- Opportunities
  - Virtually Everything
- Elements
  - Signage/Impression Elements Typically Essential
    - On- & Off-Site
  - Growing Focus on Sponsor-Specific Inventory & Opportunities
    - Unique Customer Access/Benefits
    - B2B
Compensation/$$$

- Cash is King
- Swapping of Inventory Occurring With Greater Frequency...

Lessons

- Determine Level of Sophistication/Knowledge of Parties
- Find Out Real Reasons/Goals for NR Transaction
- Identify & Be Specific on Elements

Contract Elements

Parties

- Get Everyone On Board Contractually
  - Teams/Tenants
  - Buffalo/Oakland Scenarios
  - Facility Owners
  - Municipalities
  - Approvals
  - Zoning
  - Leagues/Governing Bodies

Term

- Keys
  - Start Date
  - Pre-Opening
  - Opening
  - End Date
- Other
  - ROFRs
  - Defaults

Inventory & Compensation

- Four W’s
  - What?
  - Opportunities
  - Descriptions
  - Who?
  - Where?
  - Descriptions
  - When?
Boilerplate/Basics

- Satisfy Legal Requirements for Jurisdiction
- Other Requirements
  - League/Governing Body
  - Financial Institutions
- Often Looks Like Typical Advertising Contract When Complete

Going Forward...

Competition

- More In-Facility Opportunities
- Uniform Sponsorships
- Team Names
- Question: How will your client view these?

Technology/Inventory

- Virtual Signage/Branding
  - Multi-Named Facilities?
- More Sponsor-Focused Inventory
  - Cost Issues
- Changing of Key Inventory/Development of New Inventory
  - How will your deal look in 5 to 10 years?
    - Will it age well?
    - Can it reasonably evolve as technology changes?
  - Again, how will your client view these?

Changing Deal Structures & Reasons

- Shorter Deals
- Second (or More) Deals Becoming More Common
- More Direct Business Elements Included
  - Requires definition...
- More Flexible Deals
  - Escape Clauses

Risk/Reward Clauses

- Bonuses
- Penalties
- Walk-Away/Escape Clauses
  - Financial
  - Business
  - Moral
Facility Financing Impact?

- Events
  - More Short-Term Deals
  - Shorter Terms in General
  - More Deal-Ending Trigger Situations
- Question: Effect on COI/Financing Scenarios?

Lessons

- Unconventional Becoming Conventional
- Research/Know the Business
- Be Visionary/Creative
  - Negative & Positive
  - Address Tough Issues/Scenarios
- Talk to Client
- Every Situation is Different…

Conclusion & Questions…