## *Stadium Lease Between City and Team*

**Objectives.** Determine whether the change in the name of Major League Baseball's Anaheim Angels to Los Angeles Angels of Anaheim negatively impacted the City of Anaheim. Franchise owner Arte Moreno, who purchased the team in 2003, changed the name of the team as part of a larger marketing plan to increase the size of the team's fan base. The City of Anaheim sued the team for more than $300 million in damages because City officials believed their financial and economic situation was harmed as a direct result of the name change.

**Challenges & Methodologies.** One challenge that is common in damage analyses is determining what the world would have been like without the changes having taken place. This is often referred to as the "but for" world - what would the outcomes have been, but for the change in policy. Another challenging factor was that there was no established methodology or precedent for determining the impact of such a name change in professional sports. Additionally, the City argued that tourism had been lowered as a result of the name change reducing its media exposure (and hence, its media value) – an issue for which there was also no broadly accepted methodology for assessing impact.

The impact of the name change on the team and the city had to first be isolated from all other factors which influenced the outcome. As such, different scenarios had to be generated to determine what the outcome would have been had the name not changed and had the franchise implemented a different management strategy.

The first part of the analysis involved examining the financial performance of the stadium lease (which the City argued required the team name to include "Anaheim") and comparing what actually occurred with what would have taken place without the change in the franchise name and management strategy. Different scenarios were created based on previous years' data and also on historical projections.

A separate analysis involved measuring how the economic impact on the City of Anaheim might be different under the new team name and marketing plan. An econometric analysis was undertaken to determine the impact of the name change on team attendance controlling for other factors using historical data.

To address the issue of impacts to tourism, spatial analysis was performed to determine where new fans were coming from to see if the larger geographic name for the team positively impacted attendance.

Finally, an overall return on investment (ROI) calculation was conducted to see what type of return the City of Anaheim was receiving on its investment in stadium upgrades and how that ROI varied when comparing Mr. Moreno's new strategy with previous ownership strategies. Comparisons were also made to other stadium leases by other franchises located in other cities.

**Outcomes.** Our analysis showed that the name change combined with the new marketing plan and investment in team quality improvement increased attendance by nearly one million more fans per year since Mr. Moreno took over control of the franchise. The analysis accounted for the World Series win and its impact under the previous ownership group. This rise in attendance directly increased payments to the City through ticket taxes and parking revenue via the stadium lease, adding more than $2 million per year to the City's coffers. The analysis also measured the increase in economic impact to businesses in

Anaheim coming from the one million additional fans who reside outside of Anaheim and spent money in local restaurants, retail, etc. In addition to the spending by the incremental fans, the rise in franchise spending further increased the direct economic impact on the Anaheim community.

In addition to the higher revenue streams and broader appeal of the change to the Los Angeles market, a separate non-pecuniary benefit to the City is the heightened fan interest due to the increase in team quality. What the City failed to realize is that most local fans would prefer a winning team more than a mediocre team that is named after the city in which it resides.

Our analysis of opposing experts' reports provided the court with important information in the proceedings. Moreover, the testimony of one of the opposing experts was thrown out as a direct result of our assessment of that expert's findings.

The final result was that the Angels franchise was found to have been in compliance with the lease agreement, and did not financially damage the City, but actually improved its financial situation. Moreover, the Court agreed with our analysis which showed that the City's ROI was positive and significant. As a result, the City was awarded none of the more than $300 million in damages it requested in the lawsuit and its appeal was also rejected – outcomes which were directly related to the work of SportsEconomics, LLC.