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Orlando Magic Arena Contract - The Magic Money Machine

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THE ORLANDOOOO MAAAAGIC MONNNNEY MACHINNNNNNEEE

When Paul Porter announces the entrance of the Orlando Magic into the O-Arena this coming season he should use this new monicker for the club. Because it's clear that a money machine is exactly what this business has become.

The sale of the Orlando Magic last week to Amway founder Rich DeVoss for the tidy sum of \$85M was an event of astounding proportions. It is important to remember that William Dupont III was having a fire sale here, dumping off assets to cover his apparently formidable financial liabilities. Lucky for him he had the Magic to sell or he might have been in serious difficulty.

Dupont you will recall was the principal owner of the Magic holding 58% of the team, and the right to sell the other 42% which was held by founder Jim Hewitt and other minority owners. (That is not minority owner as in affirmative action by the way) In 1988 these owners had purchased the franchise for \$32.5M. There has been an increase of over two and a half times the value. Anyone with that kind of return on investment in three years ought to be jumping for joy.

This is one reason why the Magic should be called the Magic Money Machine.

In addition we are told that the Magic have turned a profit of approximately 9 million dollars each year, and Forbes ranks them as one of the most profitable sports franchises in the United States in any sport. This may be even better than an Amway franchise.

This is a second reason why the Magic should be called the Magic Money Machine.

Why has this been such a profitable venture? Well certainly the fact that every game in the past two seasons, except two, have been announced as sellouts doesn't hurt. This is especially true when considering the fact that Magic ticket prices are among the highest in the league (DeVoss says they will go higher) and considering the fact that the Magic sell over 12,000 season tickets. In addition season tickets are sold earlier than any

other NBA franchise, and therefore all that season ticket money draws interest for months before a single game is even played. Those familiar with raising sheep will recognize this process.

This is a third reason why the Magic should be called the Magic Money Machine.

It has also been a very profitable venture because of the agreement the Magic have with the city of Orlando for the Orlando Arena. The lease is for 20 years and it's a one way arrangement. The city gets no share of ticket sales, no share of the sale of 24 sky boxes sold by the Magic, and only half the concessions. Somehow the city retained all the parking rights. Ticket sales in the first year were \$13.8M not counting the interest on season ticket sales, the sky boxes brought in \$50,000 each, and concessions hit the \$1M mark.

In addition the Magic got \$12.2M in the first year for television, has the revenue from all Arena advertising, gets 2,300 square feet of office space free (estimated annual worth \$32,200). Incidentally the TV revenues from the NBA network contract give the Magic \$32M for four years, just about the original price of the franchise. But of course it's not all income, the Magic pay rent of \$7000 per game, and this is fixed for the next ten years, after which it will increase by the same percentage as ticket prices increase. While the Magic were trucking away the money, the city was breaking even, unless you count the city mortgage payment on the Arena, and then the city was losing a half million dollars in the first year of operations. Those familiar with the principles of socialism will see how well it works for the Orlando capitalist entrepreneurs in this case. It is a wonder that these people remain such hot devotees of capitalism.

This is the fourth reason why the Magic should be called the Magic Money Machine.

The amazing conditions of this lease bring up an apparently little noted item from the newspaper. About ten days ago the Orlando Sentinel reported that city officials under terms of the lease would get the right to review any sale of the team. The city could have in theory disapproved of the owner and terminated the lease. No one would have expected the city to do such a thing, however one might have expected the city to use its leverage to seek a renegotiation of the lease and end the giveaway that is guaranteed to the Magic and Rich DeVoss for the next eighteen years.

It is astounding to me that there was no move to adjust the lease. Even Mayor Frederick has been heard to say that he wished the city had done a little better when negotiating the deal with the Magic. The fact of the matter is that the city was outfoxed by Pat Williams, who dangled major league sports before the city leaders, while picking the pocket of city taxpayers. Had this sort of thing gone on in a 7-Eleven Store the culprits would be jail.

But no, the city made no attempt to alter these grossly unbalanced arrangements. Another billionaire is in town, and he seems like such a nice Christian gentleman and family man. Give him the key to the city, and the key the cash box. After all it's only money. Your tax money. It's such a small price to pay, to be a major league town.

Does the term, bumpkin, ring a bell?

On Sport and Society this is Dick Crepeau reminding you that you don't have to be a good sport to be a bad loser.

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