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SPENDING IT; Joy in Mudville: The Resale Value of Minor League Teams

By ROY FURCHGOTT OCT. 26, 1997

THE Quad City River Bandits, a minor league baseball team in Davenport Iowa, are not exactly the stuff of legend. The clubhouse is so small that players have to take turns dressing. The stadium, which seats 5,100, has one men's and one women's restroom (and a 50-cent beer night). And in April the team had among the worst records in baseball -- 3 wins, 15 losses.

And yet, Richard M. Holtzman, the River Bandits' owner, turned the team into the stuff that baseball dreams are made of with two words: for sale.

Many a fan has fantasized about owning a team. Maybe the attraction is rubbing elbows with celebrity owners like the comedian Bill Murray or the singer Jimmy Buffett. Maybe it is the desire to have stationery with the "Lansing Lugnuts" letterhead, or a fond regard for the atmosphere of the movie "Bull Durham." Maybe it is the opportunity to watch future major leaguers, or even the hope of big cash returns.

Investors tempted to make any of those dreams a reality can shop for one of the six to eight minor league teams that are sold each year. But team owners warn that would-be baseball moguls should take a long look before stepping up to the plate.

"It's possible to make money, and it's also possible to lose a lot very quickly," said Mike Veeck, owner of five minor league teams, including the St. Paul Saints of the independent Northern League.

Many team owners have done well on their investments, not necessarily because of ticket sales but because resale values have skyrocketed. "A team that cost \$350,000 just 10 years ago costs \$8 million today," said Robert D. Richmond of Scottsdale, Ariz., president of the Class A Northwest League, who also owns and brokers minor league teams.

Prices for independent league teams that are not affiliated with major league clubs can run as low as \$25,000, for example, in the North Atlantic Baseball League, based in Southampton, N.Y. Prices increase with each step up the league ladder, from rookie league to classes A, AA, and AAA, the step just below the majors. The AAA teams have asking prices of up to \$12 million, still low when compared with a major league team like the Los Angeles Dodgers, which is close to selling for \$350 million.

Howard J. Darwin, owner of the Class AAA Ottawa Lynx, put the club on the block in August, asking \$10 million. He paid \$5 million for it as an expansion club in 1993.

Mr. Darwin said the team had been profitable, sometimes making more than \$2 million a year, but that much of those profits were passed back to the city of Ottawa, which built the team's new stadium.

At first blush, the economics of the minor leagues seem sweet. Although few teams make TV money, they receive income from tickets, concessions, advertising and team merchandise, while their big-league affiliates underwrite many expenses. The major league teams, which need the minors to develop players, pay all players, managers, coaches and trainers at 156 minor league clubs -- as well as meal allowances, some hotel rooms and spring training.

But a recent agreement shifts more costs to the minors. Next season, they will pay the costs for more than 200 umpires, the cost of uniforms and half the cost of balls and bats. As in the previous contract, the minors also pay for travel and for

running the stadium.

Stadium lease deals are the key to profits, and the cause of owner headaches. The major leagues set stadium standards and minor league owners must persuade stadium landlords, usually municipalities, to make improvements. That can lead to friction.

"The current Mayor of Davenport and I are not on each other's Christmas list," said Mr. Holtzman, who said he was selling his team because Davenport would not make an estimated \$6 million of stadium improvements required by the league. Without improvements, Mr. Holtzman must sell, move or get a league waiver to play in the stadium. Failing that, the league president can force a sale of the team -- though as a practical matter, that has not happened since the stadium standards were introduced in 1990.

Teams are rarely listed publicly for sale; rather, they sell via brokers or blind ads in sports journals. Owners don't want to anger fans by openly offering to sell a team that could move if sold. The governing body for the minors, the National Association of Professional Baseball Leagues in St. Petersburg, Fla., stays out of the trading, but will help buyers find brokers.

Mr. Richmond, as a broker, advises that, "If you want to get the right management and work hard, and you would be satisfied with a 5 to 8 percent return on your investment, then O.K., we can do it."

Plenty buy anyway, including Mr. Veeck, who grew up around baseball. His grandfather, William Louis Veeck Sr., was president of the Chicago Cubs; his father, Bill Veeck, owned several teams, including the Cleveland Indians and the Chicago White Sox. (Perhaps following the example of his father, who was known for innovations, the younger Mr. Veeck ran a promotion in which an enormous Chia pet was doused with gasoline and set on fire.)

The young Mr. Veeck said it was a good year when a team made \$200,000. Yet when he compares his least profitable team, the Butte Copper Kings in Montana, with his most profitable, "Butte lost money and I love them as dearly as St. Paul," he said.

IF money is to be made, it's in the long run. Joe J. Buzas, 79, of Salt Lake City, the owner of the Class AA New Britain Rock Cats in Connecticut and the Class AAA Salt Lake Buzz, says he has owned 83 teams in 52 years. "I've become a multimillionaire managing minor league baseball teams," he said.

Mr. Buzas was a minor-league player and had a brief stint in the majors -- "a cup of coffee," he calls it -- with the New York Yankees in 1945. "I didn't want to get off the stage, so I became an owner," he said.

Mr. Buzas said that any well-run AAA team should make \$1 million a year, but that he has made his real money buying and selling. He bought the Class AA Reading Phillies in Pennsylvania in 1977 for \$1. "I sold it nine years later for \$1,000,001," he said.

Some owners, like Mr. Veeck, have a fanatical love of the game. "At the end of the day, no matter how rotten the day is, my office is a ball field," he says.

Others warn that it is easier to watch from the bleachers. "Being an owner makes it harder to enjoy a game," Mr. Holtzman said. "You are concerned if all of the light bulbs are working, if the hot dogs are warm, if the other fans are having a great time. It's a disadvantage."