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For Berkeley's Sports Endowment, a Goal of $1-Billion

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Most athletics programs, if forced to raise $300-million to renovate a football stadium, would not set a wildly ambitious endowment goal at the same time. The University of California at Berkeley is trying to do both.

The university's California Memorial Stadium sits directly over an earthquake fault, and it needs a major seismic retrofit that will take three years to complete and will be one of the most expensive capital projects in the athletics program's history. But with dwindling state support and an uncertain economic future, university officials have decided that aggressively developing an athletics endowment cannot wait.

In fact, even as it begins construction on the stadium, Berkeley is starting what appears to be the largest athletics-endowment campaign in the country. The department hopes to raise its endowment, now $40-million, to $450-million by 2014 — and to more than $1-billion by 2030.

The plan, which depends on a novel mixture of borrowing and long-term seat licenses, is being closely watched by other institutions. It carries considerable risks, not the least because no university has ever tried anything exactly like it before.

"Many are thinking about it on the collegiate landscape, and they're looking at us," said David P. Rosselli, Berkeley's associate athletic director for development.

In the spring, the university plans to start selling the rights to 3,000 prime seats in the renovated football stadium for terms of 30 to 50 years. Fans will be asked to pay up to $225,000 for each seat, money that will go into the university's athletics endowment. They will be able to pay for the seats up front or in annual payments, with interest.

In the meantime, Berkeley will borrow the $300-million it needs to improve the stadium. The university then plans to use the interest gained from its expanded endowment to pay back the debt on the stadium, assuming — and it's a significant assumption — that the endowment grows big enough to do that.

The idea, Mr. Rosselli says, is that "the debt goes away in 30 years; the money that goes into the endowment lives on forever, and so at the end of the day you're bolstering the long-term financial stability of the campus." Officials hope the campaign, called the Endowment Seating Program, will help Berkeley catch up with athletics endowments at other universities with major sports programs, like Duke and Stanford.

A Professional Model

Professional sports teams and some universities have previously used long-term seat licenses to pay for major capital projects. (The firm that helped Berkeley develop the program, Stadium Capital Financing Group, also works with professional baseball and soccer teams.) But at the college level, the revenue from seat-licensing programs typically goes directly to capital costs, not to an endowment.

Mr. Rosselli said the university had little choice but to try something creative because the department had just tapped out its largest donors during a previous campaign (since 2002, Berkeley's sports program has raised over $100-million for capital improvements). At the same time, the seriousness of the earthquake threat at the stadium meant the university needed to raise money quickly, or else the football team would be forced to start playing somewhere else.

But the plan does carry significant risk. It depends on the continued stature of the university's football program and of the university as a whole: If the market for the seats declines, the university could be stuck with seats it can't sell. And it assumes that affluent fans will be willing to make a 30-year commitment to a seat during what could be a prolonged recession.

"It's not the very best of timing," says David Blinder, Berkeley's associate vice chancellor for university relations, who oversees university development. However, he says that the main campus development office is fully behind the big athletics-endowment goal, and that "the commitment to intercollegiate athletics is as strong as it's ever been. I don't think there's any indication that we're backing off."

Another perpetual challenge with programs based on long-term seat licenses is that they can prevent institutions from generating additional revenue in the future. A decade ago, Ohio State University used long-term seat licenses to help build a new basketball facility, the Jerome Schottenstein Center. The program was a success, but it has tied the university's hands to some extent, says Tom Hof, Ohio State's senior associate athletics director for external relations.

"If you've got a donor who wants to come in 10 years from now and wants to give $1-million and wants basketball seats, I don't have anything to give him," Mr. Hof says.

Even so, the Berkeley campaign is an intriguing model, he says.

"I think particularly now, being creative is what you're going to have to do," Mr. Hof says. "A lot of us are embarking upon pretty significant endowment campaigns, and this will be something for all of us to explore and see if it could be adapted for other places."

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