



EXCLUSIVE

# Valuing the Silverdome

Deflated in Price and in Purpose, the Hotly Debated Michigan Arena Rises to Life Again, Thanks to Globally-targeted Auction

| PAMELA L. MCKISSICK |

**T**he auction was over in seconds. The Canadian bidder was the new owner of the Pontiac Silverdome for the sum of \$583,000. Williams & Williams knew the auction had been a success. The press and the rest of the world, however, debated, broadcasted, and blogged, lamenting that the dome was worth far more. After all, the Detroit Lions' legendary playing field had originally cost more than \$50 million to build back in 1975.

"The Silverdome is worth millions, and this is a disgrace," was the resounding response, but the dissident voices hadn't shown up at the auction cash in hand, to pay even slightly more in order to prove their point.

Fred Leeb, Michigan's state-appointed emergency financial manager, faced hard facts when he hired Williams & Williams. The dome hadn't been occupied since 2002, and although traditional brokers had worked diligently for the past three years trying to sell it, in the meantime the city had paid roughly \$12 million in holding costs and was facing another \$1.5 million annually just to keep the 10-acre, 200-ton roof inflated. Unoccupied, the 132-acre, 80,325-seat dome situated in a city struggling with serious financial problems in the economically hard-hit Michigan contributed no tax dollars, no new jobs, and not a modicum of entertainment.

## AN ABSOLUTE SOLUTION

The governor had tapped Leeb for solutions. It was mid-October 2009, and by year's end the city would be out of money to support the dome. An auction company that could manage something of this scope had to be found, the deal negotiated, the dome listed, marketed, auctioned, and closed by December 31—all in roughly 72 days.

After choosing Williams & Williams, Leeb agreed to sell "absolute," meaning if the dome brought a dollar, that's what it would sell for. Absolute sales are a signal to buyers that, regardless of previous failed attempts to sell an asset, they can bid with confidence because this time the asset will be trading hands with integrity. Not rejected or renegotiated, but sold to the highest bidder.

On the Williams & Williams side, the executive team weighed the risks to its reputation and the political fallout of taking the dome to auction.

"Do you know how many people need a dome in this economy?" Tommy Williams, co-founder of Williams & Williams, asked. "If I gave you the keys to the dome today and said it's yours for free and all you have to do is pay \$1.5 million annually to keep it inflated, pay the taxes, utilities, staff, repairs, and maintenance, what would you do with it?"



### WHERE THERE'S A WILL, THERE'S A WAY

Auctioneers like Williams, former president of the National Auctioneers Association, had sold on lawns for Williams & Williams across the United States for decades, standing in front of homes that banks had perhaps never seen, despite loaning money on them. He, and those like him, know month to month what commercial, REO, farmland, and premier estates are bringing and that it has nothing to do with mortgage spreadsheets and everything to do with what is going on in that market and what people, in and outside that market, were willing to pay. Sometimes auctions brought far more than last list. Sometimes they brought far less. But the traders knew that an auction brings current market value.

In the case of the Silverdome, Williams admonished, “When you take on something like this, it’s not about the money. It’s your reputation that’s at stake above everything else.”

Having reviewed the downside, Williams & Williams began to contemplate success. The project was in keeping with Williams & Williams’ culture, drilled into the staff by Dean Williams: “We exist to help discover the best stewards for vacant, unearning assets, swiftly, efficiently, and openly.”

### A WORLDWIDE SEARCH

The Silverdome was marketed globally across 200 countries, and investors from 84 of those made inquiries. Teams of Williams & Williams’ commercial sales execs fielded calls from around the world, vetted financial viability, and helped prepare a wide variety of bidders for the day of the auction.

An auction guarantees time-definite discovery of current market value, in the same way the New York Stock Exchange delivers market value. We may love the ticker price of Microsoft or we may hate it, but when the market closes at 4 p.m. EST, buyers, sellers, and market makers have told the NYSE, and the world, what Microsoft is worth on that particular day. And on Monday, November 16, 2009, at 1 p.m. EST, when Tommy Williams stood before the room of spectators and bidders in Pontiac, the market spoke. A 35-year-old deserted dome in Michigan was worth \$583,000. Even nostalgic memories of Barry Sanders roaring down the field didn’t change that.

### THE DOME WAS DONE

Leeb congratulated Williams & Williams and told the gasping press that Williams & Williams accomplished expertly what the city

had asked. The Canadian buyer whom no one had yet met in person stated by phone that he was planning to bring professional soccer teams to the United States. But who was he? And would he really? And how had a “foreigner” waltzed off with the dome?

Pontiac was awash in vociferous opinions. A city councilor expressed anger over the low sales price. Others said it didn’t matter because the buyer would never close. A class-action lawsuit was filed from an enraged citizenry and judicially dismissed a few days later. The Silverdome sale made the 2009 B-list of business blunders, and late-night comedy included it alongside Goldman Sachs and the Congressional recess as “Things Not to Be Thankful for.” All the while, Leeb, and the state of Michigan, stood tall. The market had spoken even more loudly and with greater clarity than the clamor around their decision to auction the dome. The real estate bubble might have fallen, collapsing on Pontiac, but the dome would stay inflated.

#### FOR WHAT IT’S WORTH

Within days, Williams & Williams’ commercial team received calls from owners of other massive buildings in Michigan and the surrounding area saying privately what they didn’t want to voice publicly: Williams & Williams had gotten what the dome was worth, and they wanted to sell their property, too.

The Silverdome closed on schedule on December 29, 2009. Two months later, Williams & Williams heard from the city of Pontiac. Leeb reported that the Silverdome had “hundreds of people in there working, cleaning, fixing, and bringing it up to date. The new owner has hired the local police force for security during events. Two international rock stars are booked for a concert. Four soccer teams are scheduled to compete this spring. This new owner is the true needle-in-the-haystack, miracle buyer.”

As the press gingerly reported that the dome appeared to be off life support and looking a lot healthier, one lone blogger wrote that he couldn’t believe the new owner intended to fill the dome with soccer teams that people had “never heard of,” demonstrating inexorably what your mother taught you: You can’t please everyone.

Leeb and the state of Michigan saw a problem and said we have to fix this. It can’t get better unless we take action. No one will save us but ourselves. Leeb’s concerns, as well as the citizens’ of Michigan, were those of everyone who owns real estate and doesn’t want to: What’s the property worth?

#### A BEST ‘GUESSTIMATE’

Whether it’s REO, commercial, farms, estates, bulk sales, or the Silverdome, what’s it worth? Williams & Williams has a sophisticated analytics department whose life is dedicated to the Holy Grail of determining what any piece of real estate on the planet will bring at any given moment. Williams & Williams models, matrixes, and markets proprietary mathematical formulas that excite investors and encourage clients. But in truth, no one can predict unequivocally what every asset is worth. That’s why there are so many ways to guess at it: broker price opinions, estimated market values, appraisals, last lists, unpaid principal balances —at best confirming, comforting, but inevitably time-consuming, costly, and sometimes, practically meaningless.

As much as we may dislike the idea, the litmus test for valuation is the moment when the evaluator writes you a check to back up his number. Ask your appraiser to do that. Ask your loan officer or your Realtor or your mother-in-law. Everyone has an opinion about value, but few intend to write you a check.

If assets are marketed robustly, intelligently, and even globally, and buyers

are psychographically and demographically targeted, and they log in, tune in, show up, and then all stop bidding at a given number, how can one argue that the asset was worth more? It’s like standing on the trading floor of the New York Stock Exchange at 4:30 p.m. shouting, “Stop! Google is worth much more!”

#### VALUE NOT ONLY ABOUT DOLLAR SIGNS

REO is stacking up like cordwood and the shadow inventory threatens to block out the sun of our economic future for at least a decade. A commercial tsunami is fast on its heels, yet we debate value. The real value is in putting families back into once-blighted neighborhoods, helping new businesses move into vacant and unearning commercial buildings, and breathing life back into America.

We tell each other we’re trying to “manage” the problem, being careful not to flood the market, drive down home prices, inundate or saturate cities with all of these foreclosed houses, but these houses already exist—boarded up, or simply vacant with the copper stolen and the wood rotting. If a family is living there, it’s unsustainably so, as they try to determine how to move on with their lives. And in the midst of this, we’re still “valuing” properties instead of letting new buyers find value in them.

Had the Pontiac placed a “value” on the Silverdome, they would still own it. Instead the property has a new steward and the dome’s “net” via auction exceeds any artificial valuation. Now the dome creates new jobs, perhaps necessitates the reopening of restaurants and shops nearby, and kids attend games there and may be inspired to grow up to be athletes. The return on investment for Pontiac could end up being a thousand fold. That’s real value. **CS**