

SEMINAR IN ECONOMICS: SPORTS ECONOMICS

The Development of a Professional Sports Facility: A Lawyer's Perspective



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Perception



VS.



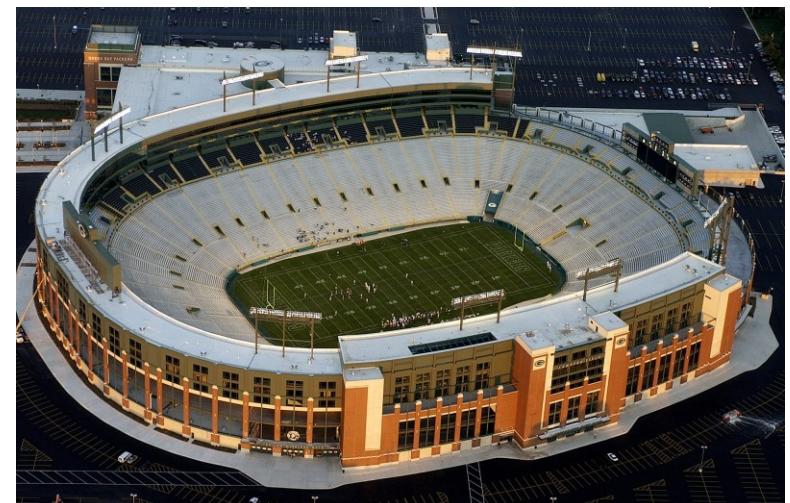
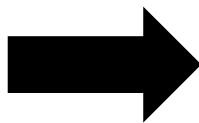
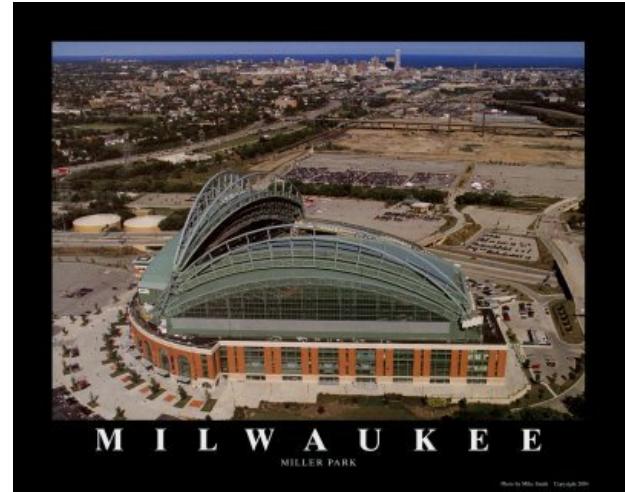
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Reality



How the Deal Gets Done





County Stadium

- Built 1952 by County for \$7.7 M
 - To attract Boston Braves
 - Problems →
 - 1. lack of skyboxes other revenue sources
 - part of the reason the Packers stopped playing in Milwaukee
 - too few concession areas
 - 2. number of obstructed view seats
 - 3. industry shift to smaller capacity in late 80s and early 90s
- 50 State of Wisconsin Legislative Reference Bureau (1996, January). Stadium finance: Government's role in the 1990s. Informational Bulletin 96-1.





BALLPARKS

Milwaukee Brewers New Stadium

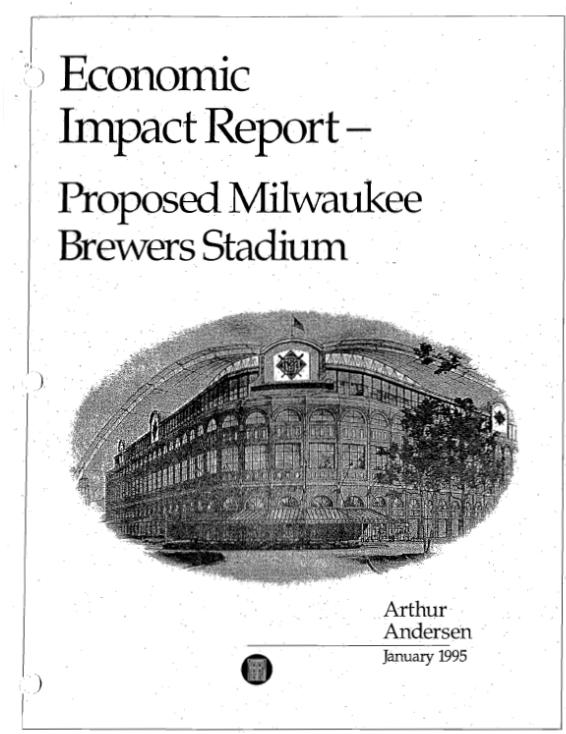
- ↳ 1987 → GMC task force studies renovating County Stadium or building new ballpark
- ↳ 1988 → task force recommends new stadium to be completed in 1992
 - renovation = \$100 M while new stadium \$120 M (\$179 M in 2001)
- ↳ 1990 → Brewers approve site for new stadium, construction moved to 1994
- ↳ 1994 →
 - Brewers say they need convertible roof and public assistance for new stadium
 - State Senate and Assembly vote to amend state constitution to allow new lottery games to finance sport facilities
 - Brewers commit \$60-90 M toward stadium



Economic Impact Report → Proposed Milwaukee Brewers Stadium

- Requested by the Greater Milwaukee Committee on behalf of Wisconsin Governor's Stadium Commission (not for or by the team). Prepared by Arthur Andersen in January 1995.
- Impacts
 - Direct (economic)
 1. focus on direct not multiplier effects
 2. annual spending \$105.2 M
 3. 4-year construction related spending \$540.5 M
 4. state and local tax annual increases \$3.4 M

► **TOTAL = @ \$650 M (2011 \$964 M)**
 - Indirect
 1. national image
 2. showcase for WI technology
 3. anchor redevelopment



Milwaukee Brewers New Stadium

⌘ 1995 →

- January → voters reject lottery to finance stadium
- April → Governor, Milwaukee County Executive & Mayor announce MOU for 30 year lease and \$90 M commitment from team for new facility. Public financing includes one-tenth of one percent sales tax and 1% hotel tax for other \$160 M → expected completion 1999
- State Assembly approves plan 52-47
- October 6 → State Senate approves 16-15 (deciding Senator Petak recalled June 4, 1996)

⌘ 1996 → stadium tax takes effect and District Board approves financing and site plan (digging begins on October 21)

⌘ 1999 → 3 workmen killed in Big Blue accident (damage estimate \$100 M)

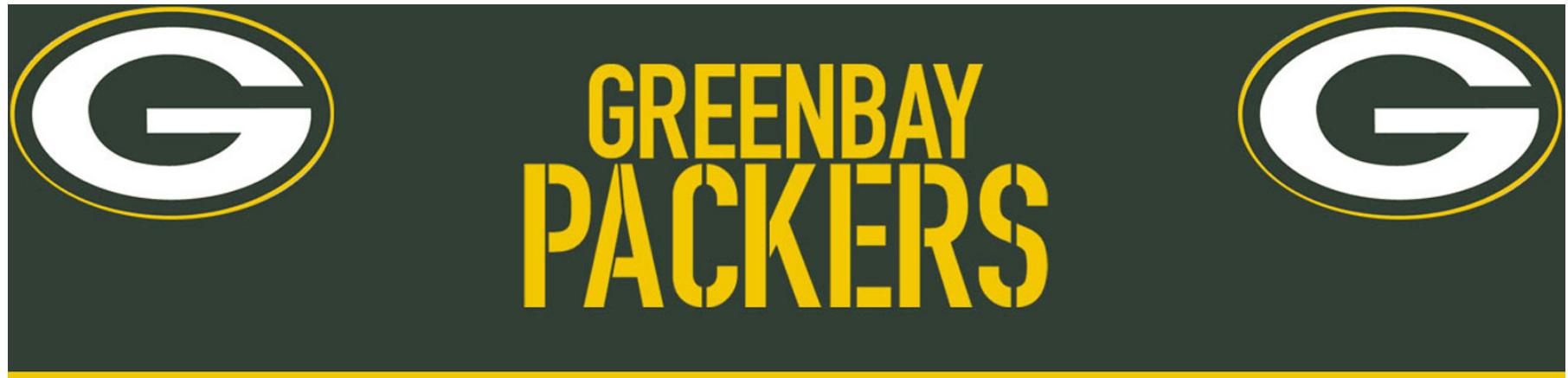
⌘ 2001 → completion of Miller Park



Miller Park

- ☞ Final Cost → @\$392 M (\$100 M+ due to accident)
 - Brewers contributed \$90 M
 - \$72 M of infrastructure costs were split by the city, county and state.
 - A five-county stadium district was created to cover the remaining costs. A 0.1% of a cent sales-tax increase was levied in this stadium district to pay for Miller Park → could expire by 2017

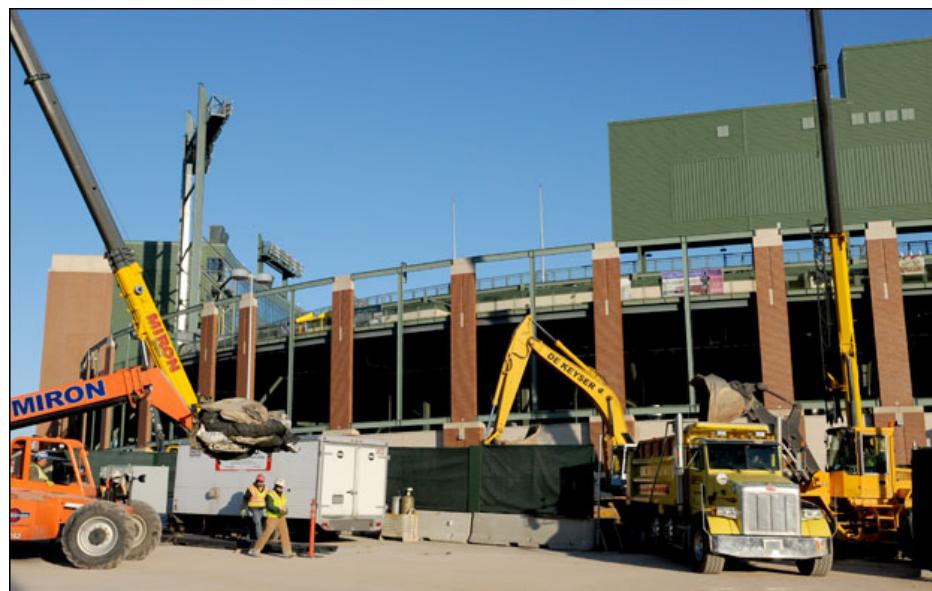




Green Bay Packers

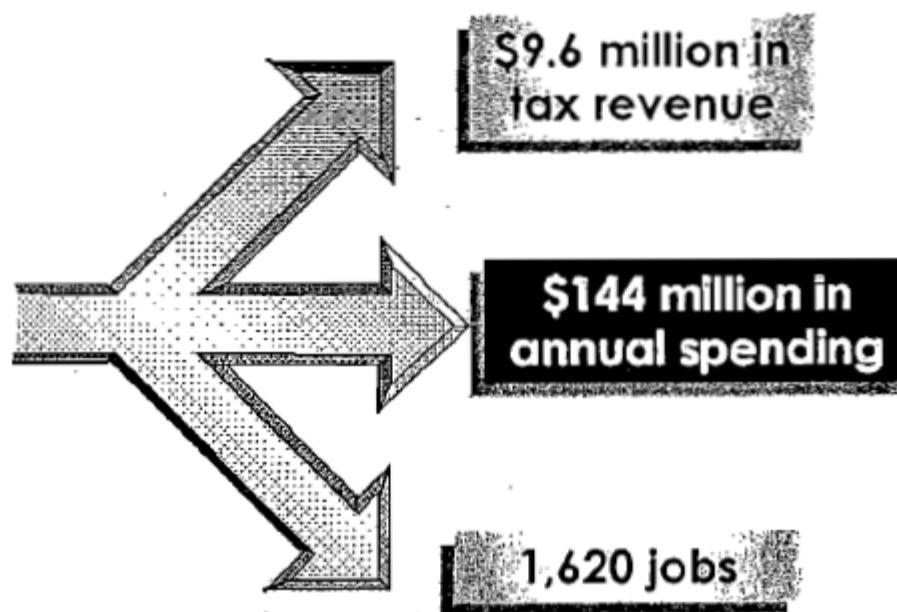
Renovation of Lambeau Field

- Soon after won Super Bowl in 1997 projections by team and NFL showed that without a refurbished stadium, and because Green Bay is the smallest market in the NFL, team would lose money starting in 2000
- Could not compete with larger market teams



Economic Impact Report

- ❖ Packers commissioned study done by PricewaterhouseCoopers and CSL International (2000) → Annual Impact of Team in Green Bay



Green Bay Packers

- ☞ In September 2000, Brown County voters approved a 0.5 cent sales tax to help fund renovation of the stadium
 - The tax proceeds are being used to pay off \$160 M of the renovation costs.
 - At the time the Brown County voters approved the sales tax increase in 2000, 53 Wisconsin counties already had the 0.5 cent sales tax
- ☞ The Packers paid \$135 M towards the renovation.
 - The Packers got this money from a combination of an NFL loan, \$20 M in stock proceeds, and a one time user fee on season tickets.
- ☞ Total = @ \$295 million



2012-13 Renovations



- The Packers have elected to pay for the entire \$143 million project (\$67 M from recent stock sale)
- The renovation will create over 1,600 construction jobs over the next two years.

Deals

AMENDED AND RESTATED

MILLER PARK
LEASE AGREEMENT

By and Between

SOUTHEAST WISCONSIN PROFESSIONAL
BASEBALL PARK DISTRICT

and

MILWAUKEE BREWERS BASEBALL
CLUB, LIMITED PARTNERSHIP

Dated as of June 30, 2004

LAMBEAU FIELD
LEASE AGREEMENT

By and Among

GREEN BAY - BROWN COUNTY PROFESSIONAL FOOTBALL
STADIUM DISTRICT,

CITY OF GREEN BAY, WISCONSIN

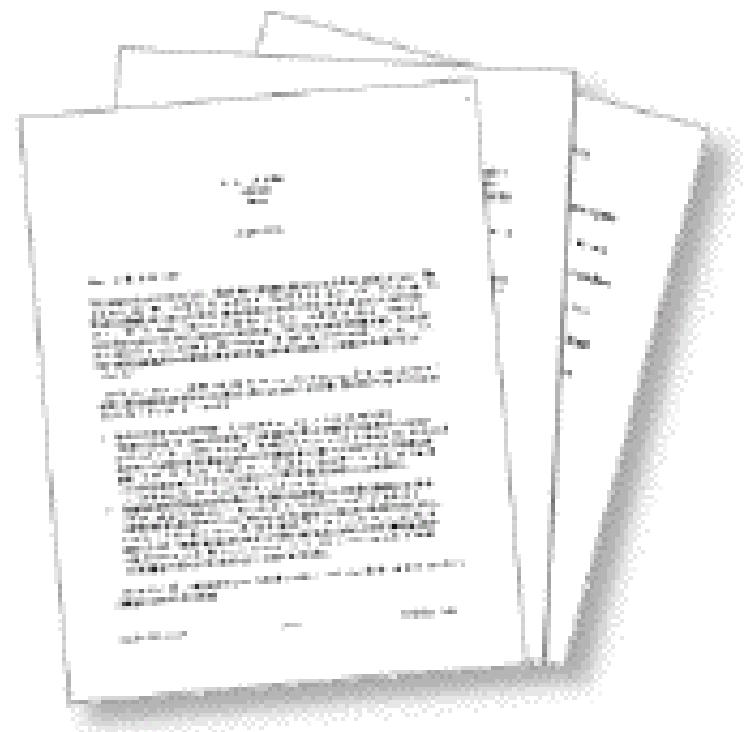
and

GREEN BAY PACKERS, INC.

Dated as of January 1, 2001

The Agreement

- Often First Letter Agreement or Memorandum of Understanding
- “Lease” – Generic Term
- Names
 - Lease / License / Sub-Lease / Management, Development, Use, Operating Agreement
 - All these together can become the lease agreement
- Length
 - Currently → @100 pages per document



Brewers LEASE

- (1) Started with 20 page lease in April of 1970
- (2) Memorandum of Understanding, 8/19/95 (11 pgs. + 16 pgs. of exhibits)
- (3) All the CURRENT LEASE
 1. Interim Lease Agreement, 12/31/96 (11 pgs. + 17 pgs. of exhibits)
 2. Construction Administration Agreement, 12/31/96 (28 pgs.)
 3. Shared Ownership Agreement, 12/31/96 (20 pgs.)
 4. Ground Lease, 10/21/96 (18 pgs. + 30 pgs. of exhibits)
 5. Non-Relocation Agreement, 12/31/96 (7 pgs.) → Amended and Restated, 1/1/04 (7 pgs.)
 6. *Lease Agreement, 12/31/96 (56 pgs. + 40 pgs. of exhibits)* → **Amended and Restated, 6/30/04 (53 pgs. + 50 pgs. of exhibits)**
- **TOTAL = 364 pages**



Who Owns the Facility?

- ∞ Keep in mind virtually no team owns the facility
- ∞ They are the lessor → Community is the landlord
 - New Cowboys Stadium =
 - City → \$325 M +
 - NFL → \$150 M +
 - Jerry Jones → more than \$500 M
 - TOTAL = \$1.3 billion (70% private)
 - Still → City owns the facility



Who Owns the Facility?

» Brewers Lease, Recital C, pg. 1.

C. The State currently owns a portion of land legally described or depicted on Exhibit A attached hereto (the “Site”). The State has leased the entirety of the Site, together with all rights appurtenant to the Site, to the District pursuant to a 99-year ground lease (the “Ground Lease”) dated October 21, 1996.

ARTICLE 3

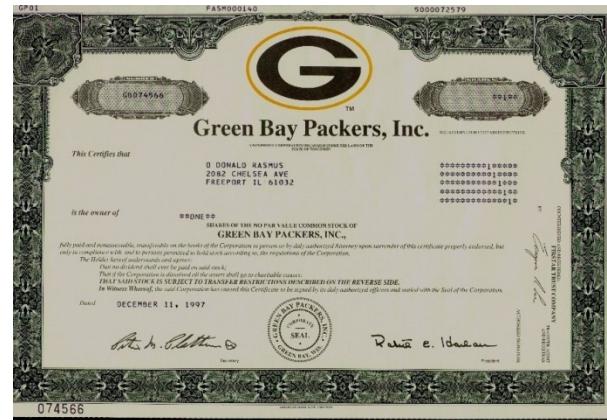
OWNERSHIP OF STADIUM PROJECT

3.1 **Ownership Interests.** It is acknowledged by the parties hereto that the Team, both during and subsequent to the Term of this Lease, will own an undivided twenty-nine and seven one-hundredths percent (29.07%) interest in the Stadium Project (the “**Team’s Ownership Interest**”), and the District, both during and subsequent to the Term of this Lease, will own an undivided seventy and ninety-three hundredths percent (70.93%) interest in the Stadium Project (the “**District’s Ownership Interest**”), all subject to and in accordance with the Shared Ownership Agreement. The Team agrees that (a) the Team’s Ownership Interest shall be held and owned by the Team subject to the terms and conditions of this Lease and the Shared Ownership Agreement; (b) all Rent and other payments required to be made by the Team hereunder shall be made solely to the District and shall constitute property of the District; and (c) the District, except as otherwise expressly set forth in this Lease or the Shared Ownership Agreement, shall have the right, at all times during the Term, and notwithstanding the Team’s Ownership Interest, to grant all consents and enforce any and all rights and interests of the District set forth in this Lease or the Shared Ownership Agreement, all such authority to act hereunder being hereby irrevocably granted to the District by virtue of the full execution by all parties of this Lease and the Shared Ownership Agreement.

Who Owns the Team?

- Corporation / Single Owner / Partnership
- Often hard to tell
- Examples
 - Packers, Party Statement & Recital D, pg. 1 → CORP (Brewers Limited Partnership)

D. The Team is the holder of a professional football franchise issued by the National Football League (the “NFL”) and is the owner of the Green Bay Packers professional football team (the “Green Bay Packers”).



Overall Costs for new facilities

- Costs for new facilities have gone up but not as much in real dollars
 - AVERAGE COST | Stadiums \$450 M \ Arenas \$250 M
 - Average Costs of New Facilities (converted to 2012 dollars)
 - 1950s: \$33.75 M
 - 1960s: \$179 M
 - **1970s: \$320 M**
 - 1980s: \$214 M
 - **1990s: \$314 M**
 - **2000s: \$446 M**
 - (recent increase due to Cowboys \$1.3 B, Yankees \$1.5 B, Mets \$860 M)
 - Stadiums 2012 = \$750 M (projects involved more than just stadium)
- Sources: Keating, R.J. (1999); NSLI, *Sports Facility Reports*.



Team: Milwaukee Brewers

Principal Owner: Mark Attanasio

Year Established: 1970

[Team Website](#)

Most Recent Purchase Price (\$/Mil): \$223 (2005)

Current Value (\$/Mil): \$376 (#22)

Percent Change From Last Year: +7%

Stadium: Miller Park

Date Built: 2001

Facility Cost (\$/Mil): \$414

Percentage of Stadium Publicly Financed: 71%

Facility Financing: The Brewers contributed \$90 million for the stadium, while the public contributed \$310 million through a five-county, 0.10% sales tax increase. The \$72 million infrastructure costs were split as follows: \$18 million from the city, \$18 million from Milwaukee County, and \$36 million from the state.

Statutory Authority for Funding

Electronic reproduction of 2009–10 Wis. Stats. database, current through 2011 Wis. Act 15 and April 30, 2011.

1 Updated 09–10 Wis. Stats. Database

PUBLIC INSTITUTIONS

229.12

CHAPTER 229 PUBLIC INSTITUTIONS



SUBCHAPTER I POPULOUS CITIES	
229.11	First class city museums.
229.12	Board of trustees; composition.
229.13	Board of trustees; annual meeting and general functions.
229.14	Director and employees; curators.
229.15	Museum funds; expenditures.
229.16	Donations and miscellaneous receipts.
229.17	Sites, buildings and equipment.
229.18	Accountability; reports.
229.19	Applicability of sections 229.11 to 229.18.
229.21	First class city auditoriums and music halls.
229.22	Auditorium board.
229.23	Property and finance.
229.24	Operation.
229.25	Annual report.
229.26	Exposition center.
229.27	Municipal theater.
SUBCHAPTER II LOCAL EXPOSITION DISTRICTS	
229.41	Definitions.
229.42	Creation and organization.
229.43	Jurisdiction.
229.433	Certification of board members.
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229.45	Powers granted to sponsoring municipality.
229.46	Certain contracting requirements.
229.47	Transfer agreements.
229.477	Dissolution of a district.
229.48	Insurance of bonds.
229.49	Bond security.
229.50	Special debt service reserve funds.
229.52	Bonds not public debt.
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229.56	Funding and refunding bonds.
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229.66	Creation and organization.
229.67	Jurisdiction.
229.68	Powers of a district.
229.682	Special provisions.
229.685	Special fund tax revenues.
229.69	Powers granted to a city or a county in a district.
229.70	Minority contracting goals; disabled veteran-owned business contracting goals.

229.71	Dissolution of a district.
229.72	Insurance and negotiability of bonds.
229.74	Special debt service reserve funds.
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229.81	Assistance by state agencies.
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229.820	Legislative declaration.
229.821	Definitions.
229.822	Creation and organization.
229.823	Jurisdiction.
229.824	Powers of a district.
229.825	Limitations on district.
229.825	Special fund tax revenues.
229.827	Football stadium facility maintenance and operating cost fund.
229.826	Powers granted to a municipality or county.
229.827	Contracting.
229.8273	Minority, disabled veteran, and women contracting.
229.8275	Prevailing wage.
229.828	Dissolution of a district.
229.829	Insurance and negotiability of bonds.
229.830	Special debt service reserve funds for moral obligation pledge.
229.831	Bonds not public debt.
229.832	State pledge.
229.833	Trust funds.
229.834	Budgets; rates and charges; audit.
SUBCHAPTER V LOCAL CULTURAL ARTS DISTRICTS	
229.840	Legislative declaration.
229.841	Definitions.
229.842	Creation and organization.
229.843	Jurisdiction.
229.844	Powers of a district.
229.845	Minority contracting goals; disabled veteran-owned business contracting goals.
229.846	Powers granted to a sponsoring city.
229.847	Dissolution of a district.
229.848	Transfer; transfer agreements.
229.849	District bonds and debt not public debt.
229.850	Special fund for payment of principal and interest costs on certain bonds.
229.851	State pledge.
229.852	Pledge of revenues.
229.853	Trust funds.
229.854	Sponsoring city employment regulations.



Statutory Authority for Funding

- ∞ Baseball Park District Legislation (Wis. Stat. § 229.64, et. seq. (2012))
 - Southeast Wisconsin Professional Baseball Park District
 - (1) The legislature determines that the provision of assistance by state agencies to a district under this subchapter, any appropriation of funds to a district under this subchapter and the moral obligation pledge under s. 229.74 (7) **serve a statewide public purpose** by assisting the development of a professional baseball park in the state for providing recreation, by encouraging economic development and tourism, by reducing unemployment and by bringing needed capital into the state for the benefit and welfare of people throughout the state. The legislature determines that the taxes that may be imposed by a district under subch. V of ch. 77 are special taxes that are generated apart from any direct annual tax on taxable property.
 - (2) The legislature determines that a district including a county with a population of more than 600,000 **serves a public purpose** in that county and all counties that are contiguous to that county by providing recreation, by encouraging economic development and tourism, by reducing unemployment and by bringing needed capital into the multicounty area for the benefit of people in the multicounty area.
- ∞ SAME FOR PACKERS
 - Football Stadium District Legislation (Wis. Stat. § 229.820, et. seq. (2011))
 - Green Bay/Brown County Professional Football Stadium District



Legality of Funding

∞ Plans for public funding of sports facilities often face legal challenges

○ Libertarian Party v. State, 199 Wis.2d 790 (1996)



- Political Party sued over Wisconsin Stadium Act providing for the formation of local baseball park districts and empowering those districts to build and maintain professional baseball park facilities
- Legislature stated the act would "serve a statewide public purpose" by assisting the development of a professional baseball park in the state for providing recreation, by encouraging economic development and tourism, by reducing unemployment and by bringing needed capital into the state for the benefit and welfare of people throughout the state."
- Court → “While some private benefit will result, the project is sufficiently public in nature to withstand constitutional challenge. Therefore, we conclude that the Stadium Act authorizes constitutionally permissible expenditures for a public purpose” (812-813)

Why Fund Sports Facilities?

- ∞ In their lawsuit against the Sonics the City of Seattle argued
 - presence of the Sonics in Seattle **creates large financial benefits for the City and for local businesses**, including . . .
 - income generated from lease payments;
 - ticket sales;
 - concessions and novelty sales;
 - spending at local restaurants and hotels. . . ;
 - parking;
 - spending on advertising and merchandising; . . .
 - taxes paid by the team;
 - revenues associated with Sonics players living in the Seattle area; . . .
 - revenues from media covering the team's games. . . and
 - numerous non-quantifiable benefits. . . including . . . enhanced economic growth and ancillary private sector development spurred by the operation of a professional sports facility; convenient entertainment options for local families; facilities for youth activities; charitable events sponsored by the team and by individual players; advertising opportunities for local businesses; increased inducements for businesses to locate in Seattle, and for existing businesses to remain; and enhanced community pride, self-image, exposure, reputation, and prestige.
 - City of Seattle, Complaint for Declaratory Relief, 2007 WL 5262606

Public Purpose and Economic Impact

RECITALS:

A. The presence and conduct of professional baseball in the State of Wisconsin (the “State”) stimulates economic activity in the State and, therefore, the creation of a modern state-of-the art baseball stadium facility for the playing of professional baseball will be beneficial to the State.

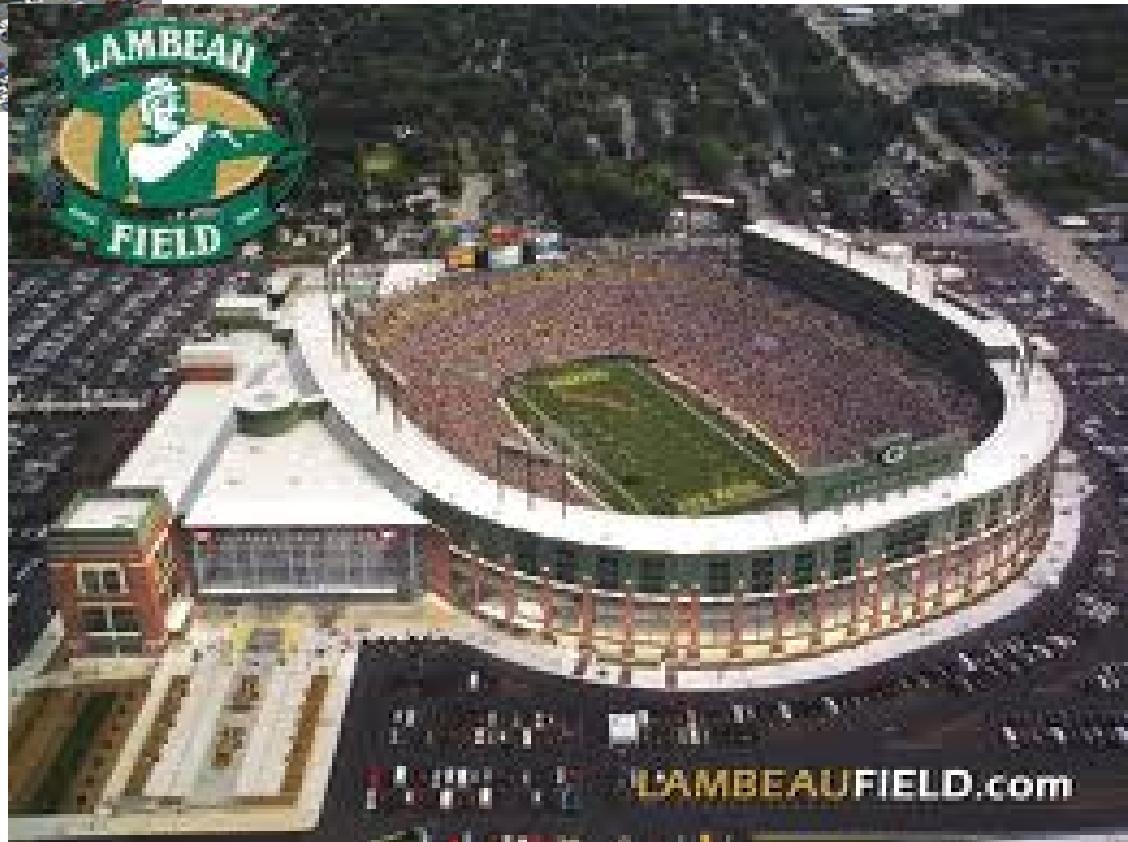
RECITALS:

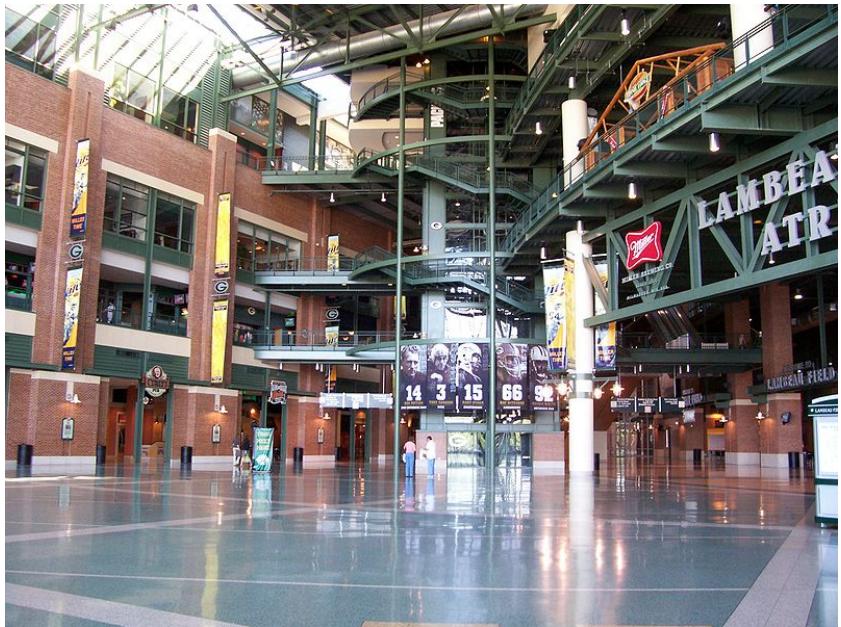
A. The presence and conduct of professional football in the City, Brown County, Wisconsin (the “County”), and the State of Wisconsin (the “State”) stimulates economic activity in the City, County and State and, therefore, the expansion and redevelopment of Lambeau Field into a modern, state-of-the art football stadium facility for the playing of professional football will be beneficial to the City, County and State.



← Before renovations

After renovations →





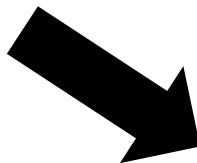
Economic Impact of Redeveloped Lambeau Field

- ☞ Commissioned by the Green Bay/Brown County Professional Football Stadium District (9/22/10) (not by the team). Prepared by AECOM Technical Services.
 - *District committed \$160 M to the project*

- ☞ In 2009
 - Total economic impacts attributed to the Packers and Lambeau Field are approximately \$141 million, in addition to 760 jobs and \$80.6 million in wages
 - Total tax revenues estimated at \$5.7 million
 - Impacts from off-site spending by visitors to training camp and regular and pre-season games estimated at \$131 million, and 1,670 jobs.
 - Total = @\$277 M in 2009 ➔ cost of improvements = \$295 M



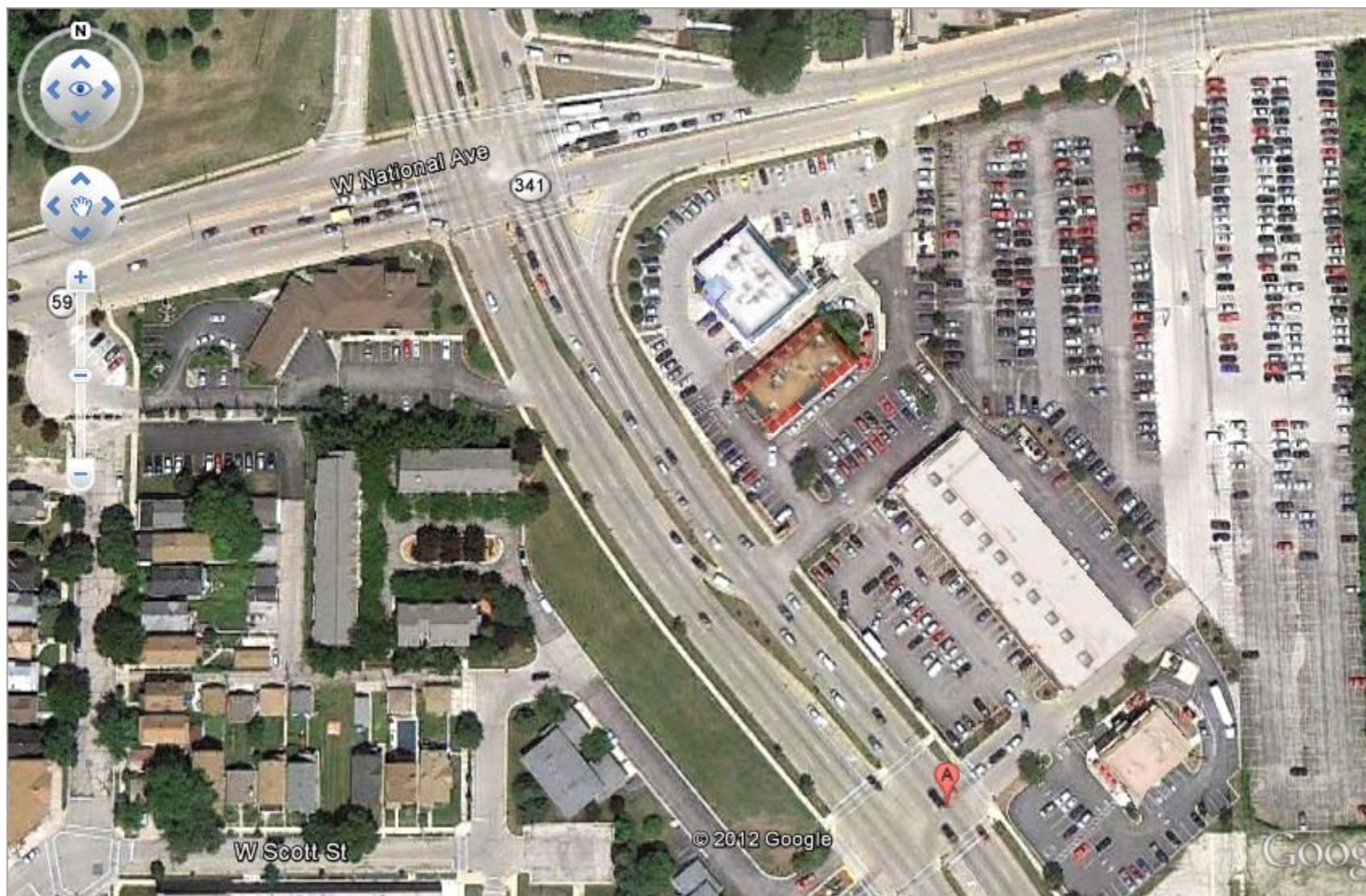
County
Stadium



Miller
Park







Impact of Miller Park

- » 26. From 2001 to the present, the South 43rd Street Corridor, which is comprised of Miller Park Way, Electric Avenue, Burnham Street, and Greenfield Avenue (hereinafter collectively referred to as Miller Park Way) has experienced a renaissance and has been transformed from a vacant, blighted eyesore to a center of commerce and business corridor.
- » 28. The development of Miller Park Way from National Avenue to Lincoln Avenue, with adjacent development on Electric Avenue, Burnham Street, and Greenfield Avenue, has added significant assessed valuation to the Village of West Milwaukee, which has increased its real estate tax base and population base, as well as created new jobs.
- » 42. Since the opening of Miller Park, the west end of the Menomonee Valley has experienced a rapid growth in construction and development, resulting in increased assessed valuation as a result of said construction, the creation of new real estate taxes for the City of Milwaukee and, of course, the creation of industrial real estate development also creates new jobs.
- » The Report concludes that “MLB stadiums can be valuable anchor tenants for development districts.”

TEN YEARS LATER: MILLER PARK AND
REAL ESTATE DEVELOPMENT IN
THE VILLAGE OF WEST MILWAUKEE
AND THE MENOMONEE VALLEY

A Report for the Southeast Wisconsin Professional
Baseball Park District



June 2012

As Prepared By:
Martin J. Greenberg, Board Member
Southeast Wisconsin Professional Baseball Park District

Economic Impact of Miller Park

- ☞ Study by the Institute for Survey and Policy Research at the University of Wisconsin-Milwaukee (2007)
 - The direct and indirect economic impact by visitors from outside the area, a majority of whom came from outside the state, resulted in \$327.3 million in increased spending and the creation of 4,683 additional full- and part-time jobs
 - direct economic effects of the ballpark and the Brewers included the total yearly spending of those attending games at Miller Park from outside the five-county area, as well as the resulting local employment and earnings. The study says that figure is \$292.5 million.
 - indirect effects included the total operating expenses of the Brewers, including administrative expenses, as well as the earnings of club employees. That figure is estimated at \$34.8 million yearly.
 - Spectators from outside the five-county area also contributed \$10.2 million in added sales tax revenue and \$3.9 million in added income tax revenue.
 - Updating now for Major League Baseball



NAIA College FOOTBALL CHAMPIONSHIP MATH

\$75K
PUBLIC
SPENDING
IMPROVTS.
TO BARRON
STADIUM

*PLUS
INTANGIBLES

GENERATES → \$1 MILL IN ADDED SALES → ADDS TO PUBLIC COFFERS*

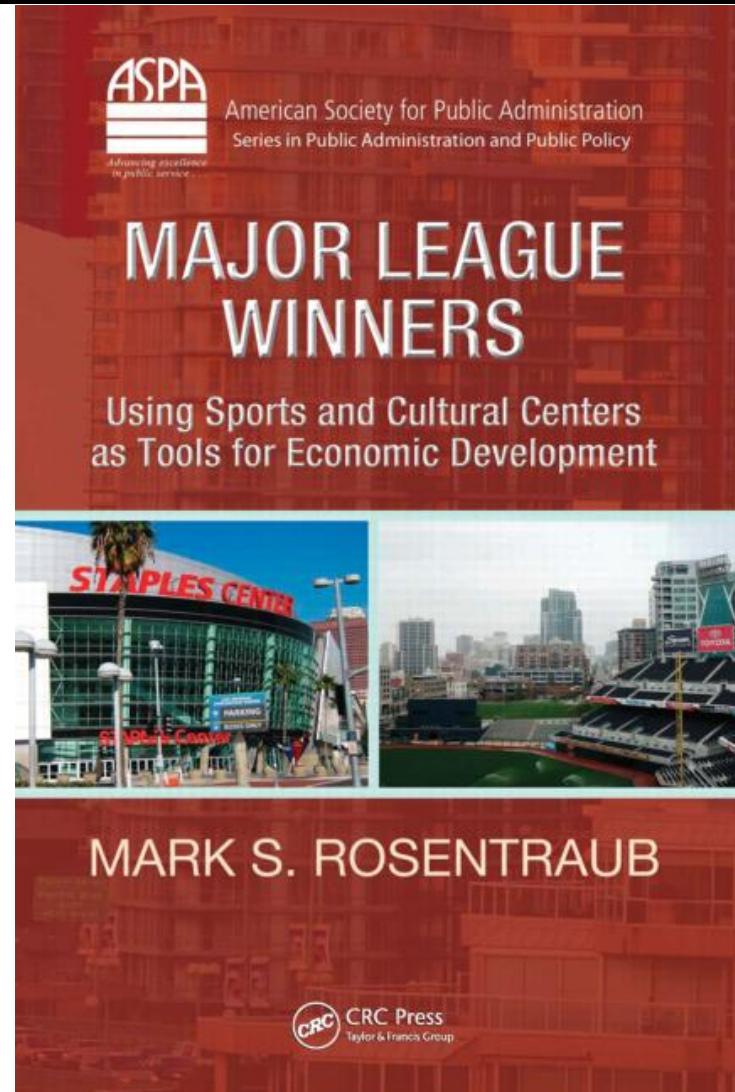
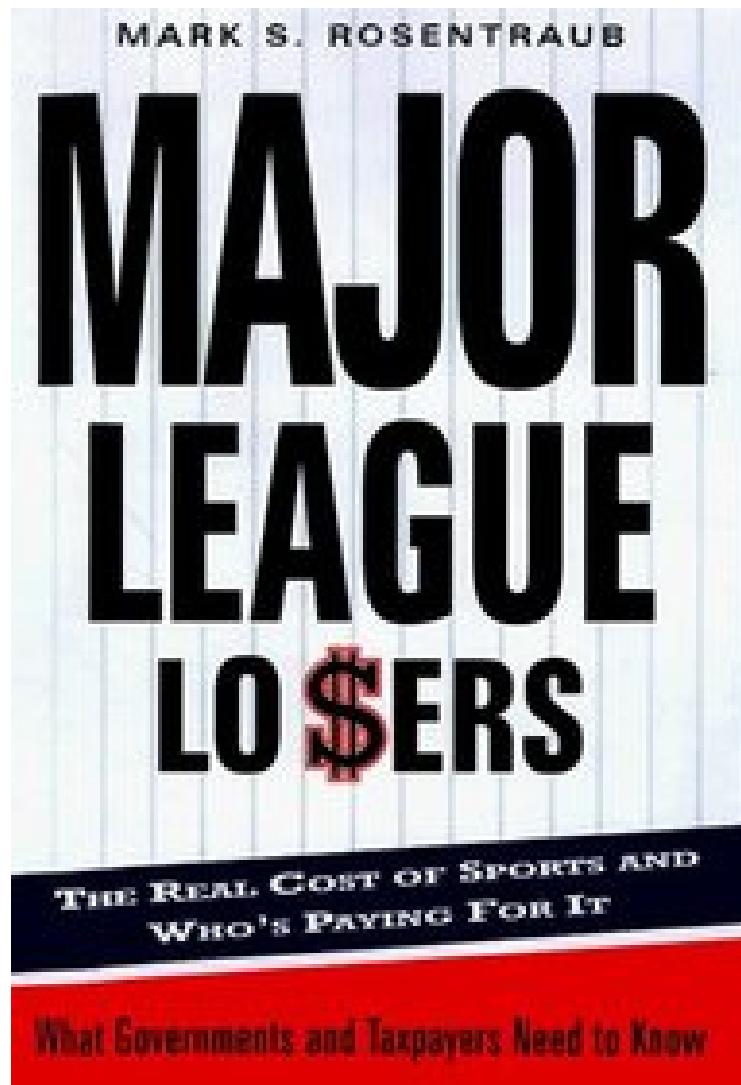
(INTANGIBLES = ? IN THE

YOU JUST
CAN'T GET
KIDS INTER-
ESTED IN
MATH
ANYMORE...



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Confusing Economics



Public Approval of Funding

- Since 1995 → 79% of public referenda for stadium/arena funding have been successful
 - 32 communities with 38 referendums
 - 30 who passed → approval range from 51-80-%
 - 8 who denied → from 40-46%



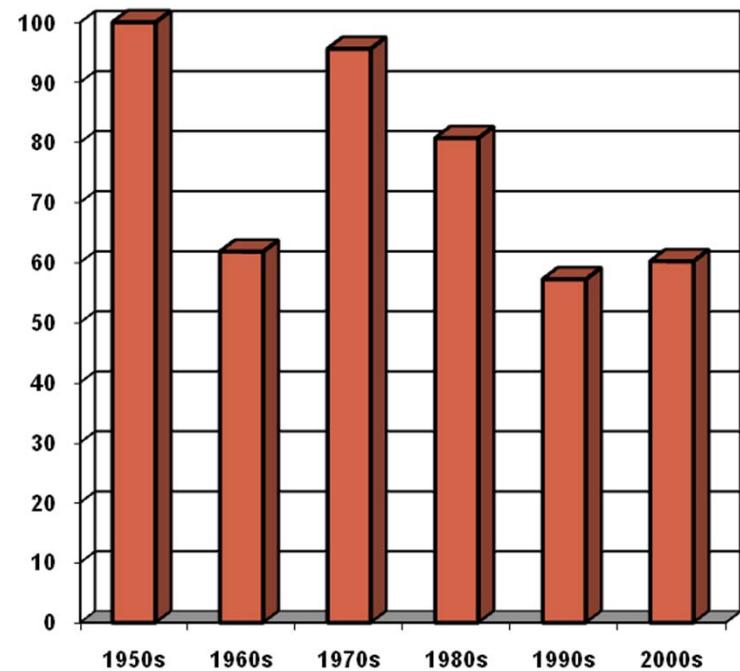
OR



?

Public Funding Portion

- Percentage of facility costs contributed by public funds
 - 1950s = 100% ← #1
 - 1960s = 61.8%
 - 1970s = 95.6% ← #2
 - 1980s = 80.7% ← #3
 - 1990s = 57.2%
 - 2000s = 60.2 %
- Total \$ amount may be increasing but percentage is not



Reality Today

» Every sports facility project is a public/private partnership

- 1999-2010

- Public Sector often pays most for the individual facility
 - Total Public input in NFL 1990 → 2009 = @\$4.46 Billion
- **Private Sector (owner) always contributes**
 - Total Private Input in NFL since 1990 (as of 2009) =@\$5.14 Billion

- Currently

- NBA/NHL arena = 65% public / 35% private
- NFL/MLB stadium = 55% public / 45% private



Funding in the Lease



1. Public portion not often reflected in lease agreement
2. Could be separate development agreement/ debt management agreement / statutory provision
3. Difficult to tie team to public funding

Funding issue

☞ Bengals Lease Example

- Recital A. By public vote on March 19, 1996, the citizens of Hamilton County passed a one-half percent increase in the Hamilton County general sales tax to *keep competitive and viable major league football and baseball teams in Cincinnati*, Ohio by, among other things, the construction of a new football stadium in Hamilton County.

☞ Performance lawsuit (2003)

- \$458 m stadium (95% public funding)
- 13 seasons never a winning record
- Suit claiming team is not fulfilling its end of the bargain
- Claim dismissed → City does not own team and "competitive" cannot be defined by a court



Partnership

- ∞ Public / Private Partnership Funding Facility

- ∞ Example

- Packers
 - Article IV, pgs. 11→ 13



Section 4.2 Funding of the Construction of the Project.

(a) Commitment by the City.

- (i) Existing Lambeau Field.** The City hereby agrees that the Site and the City's Ownership Interest in all property located thereon on the date of this Lease shall be part of the Lambeau Field Complex, for all of which the City shall be credited with an Equity Contribution of \$100 million.
- (ii) User Fee.** The City, with the consent of the District and the Team, hereby imposes the User Fee described in Exhibit F. The Team agrees to administer the User Fee as provided in Exhibit F. The first \$10 million of net proceeds from the User Fee shall be deposited into the Construction Reserve Fund and all remaining net proceeds from the User Fee shall be deposited into the User Fee Subaccount of the Project Construction Fund. The City reserves the right to impose additional user fees pursuant to Section 229.826(5) of the Act, but may do so only with the prior written consent of the District and the Team; provided, however, that the consent of the Team shall not be required during the continuance of a Major Default.
- (iii) City's Equity Contribution.** At any point in time the City's Equity Contribution shall be the sum of (A) the amount specified in Section 4.2(a)(i) above, plus (B) the aggregate amount disbursed from the Construction Reserve Fund to pay Project Costs, plus (C) the aggregate amount disbursed from the User Fee Subaccount of the Project Construction Fund to pay Project Costs.

(b) Commitment by the District.

- (i) Issuance of Stadium Revenue Bonds.** The District agrees that it shall issue and sell Stadium Revenue Bonds in an amount sufficient to deposit \$160 million of proceeds thereof into the Bond Proceeds Subaccount of the Project Construction Fund. The District shall use good faith efforts to cause such deposit to be made on or before May 1, 2001. The District shall use commercially reasonable efforts to sell the Stadium Revenue Bonds as expeditiously as possible and with terms that will enable the maximum permitted contribution in each year to the Operations and Maintenance Fund pursuant to Section 229.825(2)(b) of the Act. The District shall not be liable to the City or the Team for a failure to sell the Stadium Revenue Bonds by the stated deadline if the failure is attributable to events beyond the control of the District.
- (ii) District's Equity Contribution.** At any point in time the District's Equity Contribution shall be the aggregate amount disbursed from the Bond Proceeds Subaccount of the Project Construction Fund to pay Project Costs.

(c) Commitment by the Team.

- (i) **Stock Proceeds.** The Team agrees that on or before the date on which the District makes the deposit described in Section 4.2(b)(i), the Team shall deposit at least \$20.6 million from the 1997 sale of the Team's common stock into the Team Subaccount of the Project Construction Fund.
- (ii) **NFL Loan.** The Team agrees that it shall deposit at least \$13.0 million into the Team Subaccount of the Project Construction Fund from the proceeds of a loan from the National Football League made pursuant to its "G-3 Loan Program". Such deposit shall be made as soon as practicable consistent with the National Football League Rules and Regulations applicable to such program.
- (iii) **Other Funds.** Subject to the fulfillment of the City's and the District's funding commitments as set forth in Sections 4.2(a) and 4.2(b), respectively, the Team agrees that it shall deposit such additional funds into the Team Subaccount of the Project Construction Fund from available sources as shall be necessary to complete the Project in the event the funds otherwise available in the Project Construction Fund and the Construction Reserve Fund are insufficient for such purpose.

(d) Project Cost Overruns.

The Construction Administration Agreement contains provisions dealing with the cost of the Project in relation to budget. If, in accordance with the Construction Administration Agreement, the actual cost of the design and construction of the Project (which for purposes hereof shall mean all costs paid or incurred until completion of the Project) exceeds \$295.2 million and there are insufficient funds in the Project Construction Fund to pay the difference, the Team shall fund the short-fall.

History of new facilities

Time Period	New Facilities	Renovated Facilities	Total Number of Teams	% of Teams Affected
1950s	8	1	46	20%
1960s	25	4	51	57%
1970s	35	10	81	56%
1980s	21	7	91	31%
1990s	56	11	102	65%
2000 – 2010	39	10	122	40%
2011 - 2012	2	7	NA	NA



- @90% of current teams are in new or renovated facilities since 1990

Team Obligations/Payments

- Types of Rent
 - No Rent
 - Minimal Rent (\$1)
 - Fixed Rent
 - Per Game/ Ticket/Attendance Dependant
 - Percentage Rent
 - Fixed Plus Percentage
 - Fixed or Percentage
 - Fixed With Deductions or Offsets
 - Rent Credits



- Merely is Part of Total Allocation of Payments
 - Examples
 - Brewers, Schedule 1

SCHEDULE 1

Rent Schedule

<u>Lease Year</u>	<u>Annual Rent</u>
1 - 10	\$ 900,000
11 - 20	\$1,200,000
21 - 30	\$1,208,401

Expenses

∞ Typical Categories

1. Equipment
2. Operational Expenses
 - Staffing / maintenance / security / medical services
3. Revenue Streams
4. Taxes

MAINTENANCE AND MAJOR REPAIRS; IMPROVEMENTS

14.1 Maintenance Obligations.

(a) **Obligations of the Team.** The Team shall, at its sole cost and expense, make and perform any and all Maintenance on the Stadium Complex. Such Maintenance shall be performed in accordance with the provisions of Exhibit B attached hereto and made a part hereof and the provisions of this Article 14.

(b) **Obligations of the Team and the District.** Representatives of the Team and the District shall:

(i) Not more often than once each calendar quarter (except in the event of an emergency), (1) inspect the Stadium Complex to identify and evaluate any Maintenance that may be required under this Lease or proposed by the Team or the District, and (2) discuss and address any other issues relating to Maintenance.

(ii) On or before thirty (30) days prior to the commencement of each Lease Year, review and address the Maintenance standards and procedures employed by the Team during such Lease Year, and any changes that may be needed thereto, in order to avoid a material adverse impact upon future Major Capital Repairs.

∞ Brewers lease

Expenses

(a) **Major Capital Repairs.**

(i) **General.** Subject to the provisions of Section 14.2(a)(ii), the District shall make and perform all Major Capital Repairs in accordance with the provisions of Exhibit C attached hereto and made a part hereof and the provisions of this Article 14.

(d) **Roof Maintenance.**

(i) **General.** Subject to the provisions of Section 14.2(d)(ii), the District shall (except for such actual periodic, routine maintenance of the Convertible Roof performed by personnel employed by the Team) make and perform all Roof Maintenance to the Convertible Roof and all Components relating to the Convertible Roof (including pre-season, mid-season and post-season Roof Maintenance and for the purchase of all necessary spare parts with respect thereto), all in accordance with the provisions of Exhibit B-1 attached hereto and hereby made a part hereof and the provisions of this Article 14.



Force Majeure \ Acts of God



Force Majeure Situation

∞ New Orleans Saints and the Superdome

○ Article 15 – Force Majeure

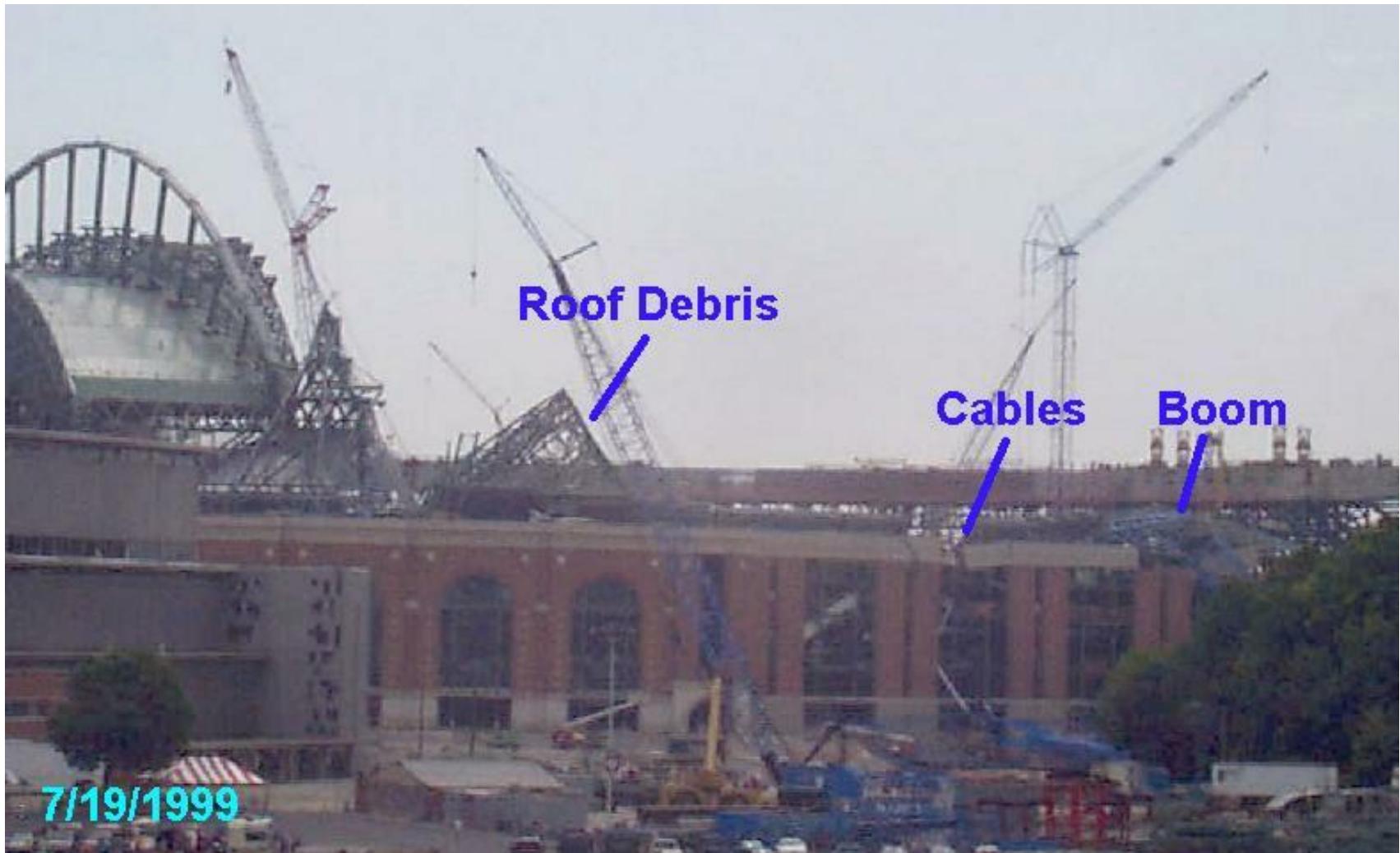
- "In the event that the Superdome or any portion thereof to be used by Club. . . is damaged or destroyed in whole or in part, Manager (Facility Management of Louisiana) agrees to commence the repair or reconstruction of the Superdome. . . promptly after such damage or destruction occurs"

• Hurricane Katrina

- \$134.6 M in repairs needed
 - FEMA paid 90%
- \$51 M in improvements
 - NFL and Louisiana Stadium & Exposition District paid



Damage or Destruction



Damage or Destruction

☞ Damage or Destruction Clauses

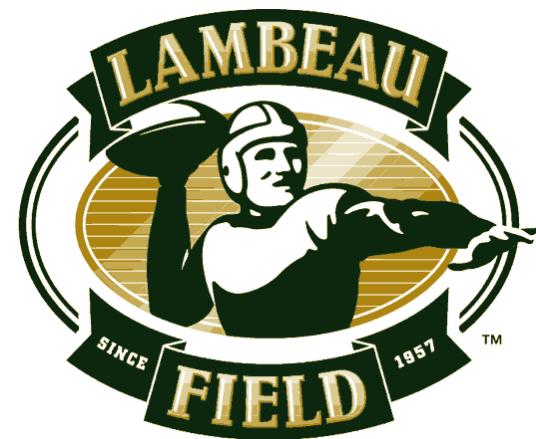
- **Brewers**, Article 17, pgs. 37-38
 - \$100 M in damages with 1999 accident

17.1 **Damage or Destruction by Casualty.** If the Stadium Complex shall be damaged by fire or other casualty, then the Team and the District shall, but only to the extent of actual insurance proceeds received, proceed to repair and restore the same pursuant to the procedures set forth in the Construction Administration Agreement with all reasonable promptness, subject only to reasonable delays for insurance adjustments and the provisions of Section 29.9 hereof. During the period (the “**Untenantability Period**”) commencing on the date that the Stadium Complex cannot be reasonably used for Baseball Use and ending on the date that the Stadium Complex can reasonably be used for Baseball Use, the Team shall be permitted to use locations other than the Stadium Complex to conduct Baseball Home Games in the Metropolitan

Milwaukee Area if the same are reasonably available to the Team, or, if a reasonably acceptable location is then unavailable in the Metropolitan Milwaukee Area, locations outside the Metropolitan Milwaukee Area, in both events as determined in the reasonable joint determination of the Team and the National League and subject in all events to the Baseball Rules and Regulations.

Other Revenue Streams

- Many Leases do not specifically define revenue streams
 - Focus on Allocation and Payment
- Streams
 1. Tickets – often not large revenue stream
 2. Parking – large
 3. Premium Seating – large
 4. Concessions, Novelties, Retail – often split
 5. Media Revenues – driven by league
 6. Advertising – often for facility owner
 7. Sponsorships – facility owner and team
 8. Seat Licenses – facility owner and team
 - Seat deposits
 - Permanent seat licenses



Naming Rights

Often not part of revenue sharing
Packers, Section 3.7: Naming Rights, pgs. 15-16

The City, in consultation with the Team, shall determine whether or not and when to proceed with a request for proposal ("RFP") for a sale of Naming Rights. If the City determines to proceed, the RFP shall first be distributed subsequent to January 1, 2002, and the RFP process shall be conducted in a manner mutually acceptable to the City and the Team which shall be designed to maximize price and assure a proper accounting to the City. The highest responsible bidder shall be awarded the Naming Rights, except that the bid shall be rejected if (i) the value of the contract, determined on a present value basis (using the prime rate of the Qualified Bank on the date of the RFP as the discount rate) in accordance with GAAP to the extent applicable, is less than \$120 million, (ii) the name is determined to be offensive by the City or the Team, (iii) the contract would violate the National Football League Rules and Regulations relating to the public image presented by the name of an NFL stadium, or (iv) the name would be inconsistent or incompatible with commercially reasonable contracts entered into by the Team in good faith such as, but not limited to, contracts which allow first refusal on Naming Rights if the highest offer is matched or exceeded, provided the Team does not enter into any contract that will materially diminish the value of the Naming Rights. If no sale results from the RFP, the City may repeat the process commencing on or after May 1, 2003, except that the minimum value of the contract, as determined on the aforesaid present value basis, shall be \$100 million. If no sale then results, the City and the Team may nevertheless mutually determine at any time during the Term of this Lease to accept the best available offer or to decide upon another method of soliciting proposals for the purchase of the Naming Rights in order to maximize the proceeds.



Naming Rights



Seattle Sues SuperSonics

CITY TRIES TO STOP NBA TEAM'S OWNERS FROM BREAKING ARENA LEASE AND FLEEING TOWN



By Caroline Miller, Newser Staff

Posted Sep 25, 2007 5:59 PM CDT



Seattle Sues
SuperSonics

City tries to stop NBA team's owners from breaking arena lease and fleeing town

Sep 25, 2007 5:59 PM CDT

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STORY

COMMENTS (0)



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KeyArena, home of the NBA basketball team the Seattle SuperSonics, is shown at night in this Jan. 16, 2007 file photo in Seattle. The City of Seattle filed a lawsuit Monday, Sept. 24, 2007 against the... (Associated Press)

(NEWSER) – In the latest struggle between local governments and pro sports teams over who foots the bill for the places they play, the city of Seattle has filed suit to try to stop the SuperSonics from breaking their lease at the city's Key Arena before 2010 and moving elsewhere. The NBA franchise's Oklahoma-based owners claim they're losing money under the deal.

"Too often, pro sports teams just run over local governments," the Seattle city attorney said at a press conference announcing the suit. "Today we're standing up and saying, no, we have an agreement and we want to enforce that agreement and we want you to honor your promises."

Ads by Google

Watch Live Basketball

[www.DrinkWithSports.com](#)

Team Movement

MLB

- 2005:



NBA

- 2001:



- 2002:



- 2008:



Experience of areas that lost teams

- St. Louis:

- Cardinals left in 1987 after city refused \$120 (**\$138** M in 1990) toward new facility
 - → 1990 – 3 years later voters approved **\$280** M for new stadium for Rams (double what had refused for Cardinals)



- Cleveland:

- Cleveland refused to provide sufficient public funding to keep Browns (would renovate but not assist with new stadium – capped at \$125 M (**\$129** M in 1999))
 - → they moved to Baltimore in 1997 where city paid \$220 M for their new stadium and became Ravens
 - → in 1999 Cleveland paid **\$285** M for stadium for expansion franchise (more than double what it would have cost to keep old Browns)



Communities desire for teams

- Nashville Example
 - Built \$145 M arena (approved 1994) for NHL before even awarded a team (became Predators in 1998)



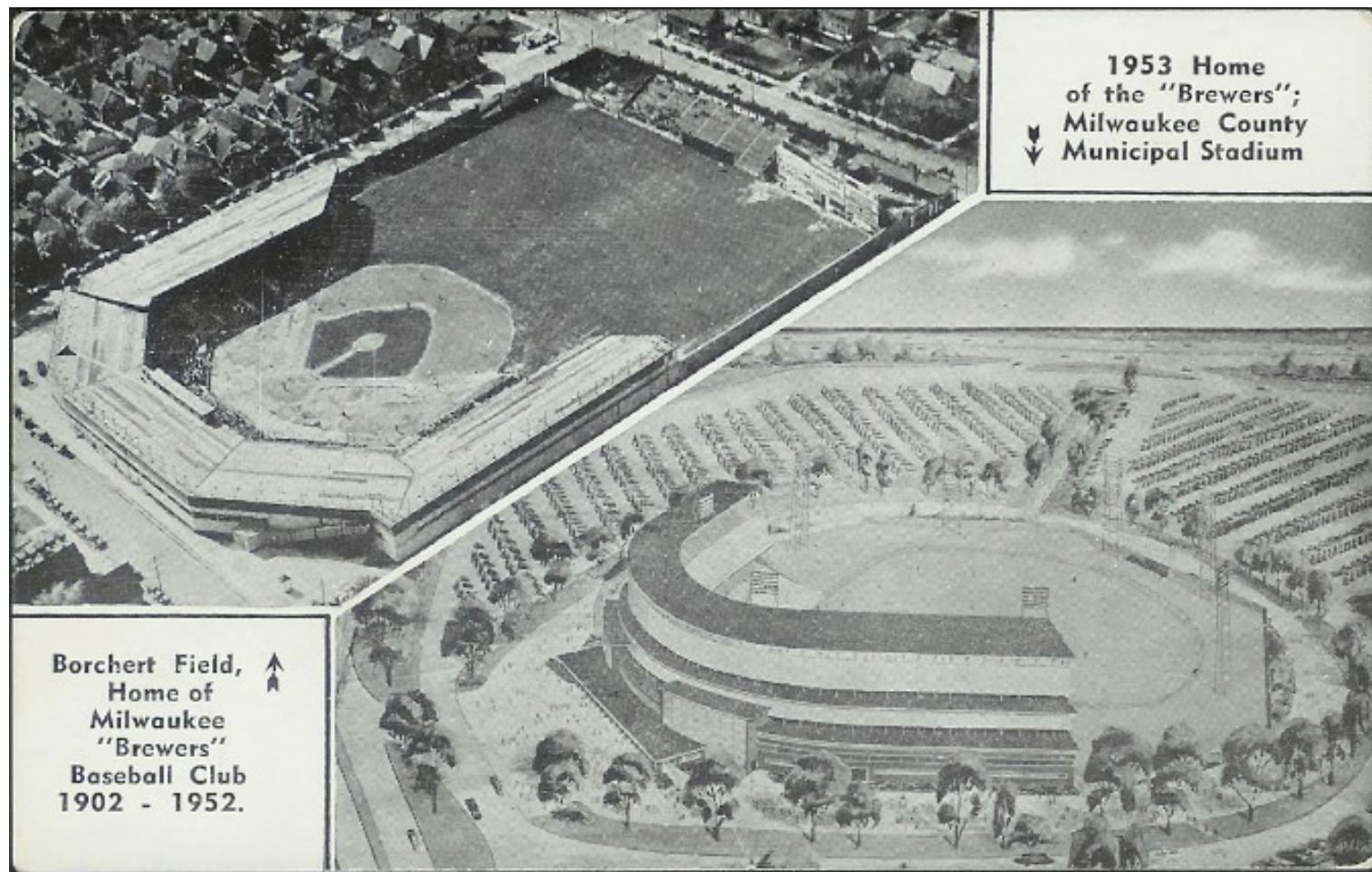
- Built \$292 M stadium (approved 1996) to lure Houston Oilers to Nashville (1999)



- \$437 M committed before even had commitment from teams



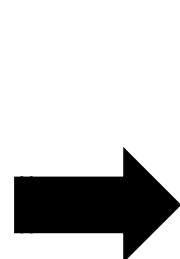
Milwaukee Baseball History



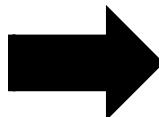
Milwaukee Baseball and Relocation



1912 - 1952



1953 - 1965



1966 - present



1967 - 1969



1970 - present

Retention Methods

○ Brewers Non-Relocation Agreement

ARTICLE II

TRANSFER OF TEAM'S FRANCHISE

2. General. The Team hereby acknowledges that the State and the District will be irreparably harmed by the transfer of the Team's Franchise to a location other than the Stadium Complex during the Initial Term of the Lease. Accordingly, during the Initial Term of the Lease, the Team hereby acknowledges and agrees as follows:

- a. The State and the District do not have ~~an~~ adequate remedy at law for breach of this Article II.
- b. The Team shall not enter into any contract or agreement of any kind to transfer the Team's Franchise outside the City of Milwaukee to a location other than the Stadium Complex without the prior written consent of the State and the District.
- c. The Team shall not make formal application to the National League for approval to transfer the Team's Franchise to a location other than the Stadium Complex without the prior written consent of the State and the District.
- d. The Team shall, from and after the Commencement Date and until the termination or expiration of the Lease, subject to Force Majeure, any Untenantability Period, and to Baseball Rules and Regulations, play all of its Baseball Home Games for each Season at the Stadium Complex.

Retention Methods

- Brewers Non-Relocation Agreement

e. The Team agrees that, in the event of a violation of this Article II, the State and the District shall be entitled to seek and obtain, and the Team hereby consents to the entry of, a temporary restraining order, together with preliminary and permanent injunctive relief, from any court of competent jurisdiction to enjoin any violation of this Article II. The Team hereby waives any requirement that the State and/or the District post a bond in connection with such injunctive relief.

f. The State and the District shall be given prior written notice of any negotiations regarding:

i. Any proposed relocation of the Team's Franchise to a location other than the Stadium Complex;

ii. Any proposed sale or transfer that would involve relocation of the Team's Franchise to a location other than the Stadium Complex; or

iii. Any related sale or transfer of the Team's Ownership Interest in the Stadium Complex.

Retention Methods

- ☞ Bexar County Community Arena Non-Relocation Agreement by and between Bexar County, Texas and San Antonio Spurs, L.L.C., d.b.a. San Antonio Spurs Basketball Team, August 22, 2000
 - "Covenant to Play,"
 - "Non-Relocation" provision,
 - "Liquidated Damages" clause that starts at \$250,000,000.00 and declines to \$106,000,000.00 over the term of the lease.
 - agreement allows for either party to seek specific performance to enforce any of the promises made by the other party

- ☞ ISSUE: Enforceability?



Condemnation



- Process by which governmental unit takes private property for public use – refers to taking of the facility in lease agreement
 - Dictated by local laws
 - Supreme Court has recently held that governments can take virtually any private property
 - Focus would be facility not team
→ community already owns facility

Arena: Bradley Center

Date Built: 1988

Facility Cost (\$/Mil): \$90

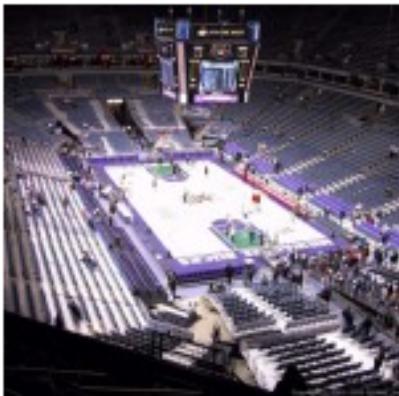
Percentage of Arena Publicly Financed: 0%

Facility Financing: Money for the arena was donated by the Pettit family as a gift to the people of Wisconsin and in memory of Jane Bradley Pettit's father Harry Lynde Bradley. The team does not pay rent and gets a percentage of suite revenue and concessions.



The 9 Worst Facilities in America

4. Bradley Center – Milwaukee



No one will ever call Wisconsin a basketball state, but that's still no excuse for the atrocity that is the Bradley Center in downtown Milwaukee. The oldest arena in NBA screams "whatever the opposite of 'showtime' is." The outside of the Bradley Center is innocuous enough, but the inside is truly appalling.

Concrete and steel abound in both the concourses and seating areas. There seems to be zero interest in creating any sort of feel in the arena. Its architecture is utilitarian in the worst sense. I'm not saying it has to look like a museum, but NBA arenas aren't supposed to be reminiscent of college football stadiums once you're inside. All I'm asking for is something in the way of character, here.

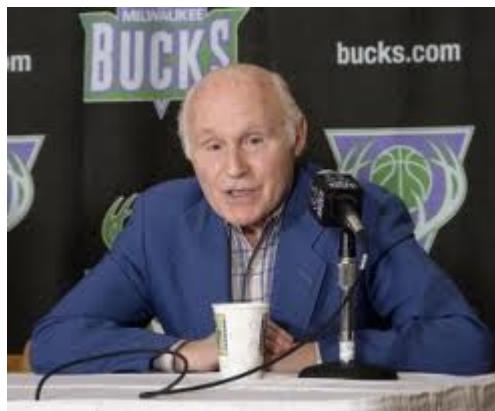
The most curious aspect of the Bradley Center's design is that it doesn't seem to be sunken in to the ground at all. You enter most arenas at a level that's about two or three sections up from the court. But not in Milwaukee, you don't. As best one could tell, the court is on street level, which means that immediately after entering, you have to hike UP to your seats, which a) sucks because walking up stairs is hard and b) sucks because you don't seem to get that inspirational moment where you walk off the concourse and look out over the arena.

The county has flat-out rejected any possibility of a new arena, and has proven to be pretty stingy when it comes to any sort of large-scale renovation, so you can expect to see the home of the Milwaukee Bucks on this list for years to come.

New Arena?

- ☞ Call for new arena began in 1999
- ☞ Main discussion within business community
- ☞ May 4, 2012

Kohl said he would make a personal financial commitment toward a new arena but said it would ultimately take a public and private combination to build it. The public seems have a mixed opinion.



Concerns with Bradley Center

- ☞ 1. Seriously outdated mechanical and HVAC systems requiring major upgrades.
- ☞ 2. An aging roof and exterior façade that requires ongoing maintenance.
- ☞ 3. A severely outdated scoreboard that will need to be replaced to ensure the Bradley Center can continue to produce sports and special events while sustaining vital sponsorship revenue (replaced 2010 for \$3.2M).
- ☞ 4. Significant and increasing elevator and escalator maintenance.
- ☞ 5. An obsolete hockey rink system that must be replaced.
- ☞ 6. Parking structure repairs and structural maintenance.
- ☞ 7. Substantial exterior grounds repair and maintenance.
- ☞ 8. Outdated event production technology required to produce live sports and special events.
- ☞ 9. Aging and energy inefficient lighting, and worn out electrical and electronics components.
- ☞ 10. Infrastructure of various types including an aging plumbing system.
- ☞ 11. Replacement or refurbishing a substantial portion of 18,000 Bradley Center seats.
- ☞ 12. Security and life safety systems.
- ☞ 13. Lack of Revenue Potential
 - Lack of signage / Facility not conducive to new technology / Attendance 26th out of 30
 - Non-exclusive use of facility

Outdated Facility?

63% NBA arenas new or significantly renovated since 1999



Milwaukee Bucks

Team Value¹ \$268 M

Team Value calculated January 2012

+ Follow (0)

At a Glance

Owner: **Herbert Kohl**

Championships: **1**

Price Paid: **\$18 M**

Year Purchased: **1985**

Revenue²: **\$92 M**

Operating Income³: **\$-7.6 M**

Debt/Value⁴: **21%**

Player Expenses⁵: **\$66 M**

Gate Receipts⁶: **\$19 M**

Revenue per Fan⁸: **\$27**

Metro Area Population: **1.6 M**

Forbes Lists

#30 NBA Team Valuations

Numbers

Valuation Breakdown



Rank ▲	Team	Current Value (\$mil)	1-Yr Value Change (%)	Debt/Value (%)	Revenue (\$mil)	Operating Income (\$mil)
21	Denver Nuggets	316	0	8	113	-1.2
22	Philadelphia 76ers	314	-5	48	116	-10.3
23	Sacramento Kings	300	2	33	104	6.4
24	New Orleans Hornets	285	2	105	109	-2.7
25	Indiana Pacers	283	5	53	101	-10.5
26	Charlotte Bobcats	277	-1	54	101	-25.5
27	Minnesota Timberwolves	272	3	28	97	-6.8
28	Atlanta Hawks	270	-8	90	109	-14.7
29	Memphis Grizzlies	269	1	56	99	-24.8
30	Milwaukee Bucks	268	4	21	92	-7.6

9. Portion of franchise's value attributable to revenue shared among all teams.

10. Portion of franchise's value attributable to its city and market size.

11. Portion of franchise's value attributable to its stadium.

12. Portion of franchise's value attributable to its brand.

13. Current team value compared with latest transaction price.

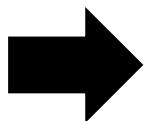
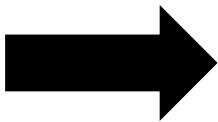
14. Renovation.

15. Average Nielsen rating in local market for regular season games.

Economic Impact?



- ☞ Study prepared by the Metropolitan Milwaukee Association of Commerce, March 2012 (team not part of it)
 - one out of three Bradley Center event attendees comes from outside the metro Milwaukee area of Milwaukee, Ozaukee, Washington and Waukesha counties and that these non-local residents generate \$41.6 million of new spending in the metro area every year
 - supports 1,068 jobs with an annual payroll of more than \$29 million
 - generates more than \$95 million in direct revenue every year,
 - \$8.8 million in state and local tax revenues are generated annually by the Bradley Center's overall economic impact



City Argument to Keep Sonics in Seattle

- ∞ the city made clear that it sought to enforce the lease “to obtain the benefits, economic and intangible, that it bargained for when deciding to pledge taxpayer dollars in a completely renovated basketball arena. Those benefits are unique in nature and cannot be measured in monetary terms.”
 - as to **tangible benefits**, the City alleged that the team spent \$30 million annually in Seattle, that this spending created approximately 150 jobs, that the team brought in substantial game-related spending from outside the city, and that it made substantial contributions to charitable organizations.
 - As to **intangible benefits**, the city argued that the team “create[d] civic pride, a sense of community, greater visibility to the country and world, and attract[ed] new businesses and residents



Most likely to move?

Milwaukee Bucks

Odds of moving in next five years: 10-1

Arena: Bradley Center (18,717).

Lease: Year-to-year.

Record: 15-24.

Average attendance: 14,594 (78 percent capacity).

Comment: Their lease situation makes the Bucks maybe the easiest team to actually relocate quickly, and the team has an aging arena (built in 1988) and recently was judged by Forbes to be the least valuable team in the NBA. But owner Herb Kohl, a Milwaukee native who has owned the team since 1985 and bought it to ensure it would stay put, says he won't sell to anyone who would move the team.



Bucks?



1951 - 1954



1955 - 1968



1968 - present

QUESTIONS ????

The image shows the homepage of the Aviva Stadium website. At the top left is the Aviva Stadium logo with the tagline "BUILT ON GREATNESS". To the right are logos for the FAI (Football Association of Ireland), IRFU (Irish Rugby Football Union), and Aviva. Below the header is a green navigation bar with links: Home, Stadium Information, Gallery, What's On, Local Community, Conference & Events, and News. The main content area features a large photograph of the Aviva Stadium's distinctive green roof against a blue sky. Overlaid on the right side of the photo is the text "WELCOME HOME". At the bottom right of the page, there is a green banner with the text "ONLY 0 3 5 DAYS LEFT TO KICK OFF!".

\$662 M (\$309 M public funding)