



Agenda Report

21-800

Agenda Date: 6/8/2021

REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Stadium Authority Response Regarding the Stadium Manager's Proposal to Add Stadium Builder's Licenses to Temporary Field Seats in the North and South Endzones of Levi's Stadium (Continued from May 25, 2021)

BOARD PILLAR

Ensure Compliance with Measure J and Manage Levi's Stadium

BACKGROUND

The Forty Niners Stadium Management Company LLC (Stadium Manager) has presented a proposal to add Stadium Builder's Licenses (SBLs) to temporary field seats in the North and South Endzones of Levi's Stadium which provides for possible additional Stadium Authority revenue for debt repayment by the Santa Clara Stadium Authority (Stadium Authority). This proposal has been previously presented to the Stadium Authority Board and was denied with Board direction for additional modifications to the Stadium Manager's proposal.

This section of the report summarizes the various relevant legal provisions of multiple agreements, NFL approval, and a summary of SBLs for temporary field seats.

Relevant Provisions in the Lease, Management and/or SBL Agreements

When considering the Stadium Manager's proposal, it is important to take all of the following provisions from multiple Stadium Agreements into consideration, as well as options available to the Stadium Authority to minimize risk and maximize revenue for the purpose of debt repayment (e.g., Lease, Credit, Management, Operations, Non-Relocation, and SBL Agreements).

Lease Agreement -- Stadium Lease Agreement with the Forty Niners SC Stadium Company LLC (StadCo) provides that the Stadium Authority has the sole and exclusive right to sell, license, or transfer SBLs and similar instruments for the seats located in Levi's Stadium, with the exception of those seats located in, or accessible through, the Suites. Specifically, the relevant Agreement section reads:

STADIUM LEASE AGREEMENT 4.6.1 STADIUM BUILDER'S LICENSES.

As owner of the Stadium, ***the Stadium Authority possesses the sole and exclusive right to sell, license, or otherwise transfer SBLs and similar instruments and rights with respect to any and all of the manifested seats located in the Stadium*** (i.e., seats available and intended for sale to the general public), but excluding seats located in, or accessible through, the Suites. Prior to the Effective Date of this Lease, the Stadium Authority commenced marketing of SBLs and has entered into various SBL Agreements. The Stadium Authority specifically reserves the right to enter into SBL Agreements over the Term of this Lease with respect to any and all seats located in the Stadium, including the right to resell any SBLs that are terminated in accordance with the provisions of the SBL Agreement. Tenant agrees that, in the marketing and sale of Tickets to NFL Games and, following the Tenant Season Expansion Date, Non-NFL Events, ***Tenant will offer such Tickets to the SBL***

Holders, as and to the extent provided in the SBL Agreement. Subject to the terms and conditions of the Stadium Lease Documents, including without limitation, the provisions of Paragraph 7.3.1 of this Lease, Tenant shall also be responsible to make available to SBL Holders the amenities described in Exhibit D to each such SBL Agreement to the extent applicable to NFL Events, including providing a complimentary buffet to certain SBL Holders during NFL Games; provided, however, that the Stadium Authority shall, within thirty (30) days following receipt of an invoice therefor, reimburse Tenant for all costs and expenses incurred by Tenant in providing any such complimentary buffets. ***In no event shall Tenant have any obligations under any seat licenses sold, transferred or licensed by the Stadium Authority other than licenses issued to Persons pursuant to the SBL Agreement ("Other Seat Licenses"),*** nor shall any Other Seat Licenses affect Tenant's rights or increase Tenant's obligations under this Lease, nor shall Tenant be bound by the agreements made by the Stadium Authority in any such Other Seat Licenses, without Tenant's prior written approval, which approval may be granted or withheld in Tenant's sole and absolute discretion.

Credit Agreement -- As the Borrower, Stadium Authority is required to use SBL proceeds to pay down debt, currently the Term A Loan, relevant section reads:

CREDIT AGREEMENT. 2.14 MANDATORY PREPAYMENTS (D) SBL PROCEEDS.

On or after the date of receipt by Borrower of any net Cash proceeds relating to the sale of SBLs, Borrower shall prepay the Term Loans, and the remaining Term Loan Commitment shall be permanently reduced, as set forth in Section 2.15(b) in an aggregate amount equal to 100% of such proceeds.

Operations Agreement -- Stadium Operations Agreement provides that StadCo, as the Tenant, can sell tickets for seats that don't have SBLs by May 31 of each calendar year for the immediately following NFL Season, the relevant provision reads:

STADIUM OPERATIONS AGREEMENT. 13. Annual SBL Cutoff Date.

As provided in Paragraph 4.6.1 of the Stadium Lease, Tenant Agreements that, in the marketing and sale of Tickets to NFL Games, Tenant will offer such Tickets to the SBL Holders, as and to the extent provided in their respective SBL Agreement. However, ***the Stadium Authority and Tenant agree that, with respect to any seats in the Stadium not subject to a binding SBL Agreement as of May 31 of any calendar year, Tenant shall have the unencumbered right to sell Tickets for such seats for the immediately following NFL Season, and any SBL Agreement applicable to such seats entered into after May 31 of any calendar year shall be effective only for Non-NFL Events and, unless the Parties otherwise agree, subsequent NFL Seasons.***

Management Agreement -- Marketing and sales of SBLs are managed by the Stadium Manager with the relevant section stating:

STADIUM MANAGEMENT AGREEMENT 2.6.18

On behalf of the Stadium Authority and not on behalf of StadCo, make recommendations to the Stadium Authority with respect to facilitation of a secondary market for SBLs, monitor and manage any agreements entered into by the Stadium Authority with respect thereto, and coordinate with Legends to transition responsibility from Legends to the Stadium Manager for managing both sold and unsold SBLs upon termination of the SBL Sales Agreement.

Non-Relocation Agreement -- Non-Relocation Agreement defines "NFL Ticket Surcharge" as a surcharge on the price of admission to all NFL Surcharge Games in an amount equal to ten percent (10%) of the Ticket Receipts from such NFL Surcharge Games. The Agreement also defines "Surcharge Term" as the period commencing on the Sublease Commencement Date and ending on the earlier of (i) the last day of the 25th Sublease Year, (ii) the Tenant Season Expansion Date (as defined in the Stadium Lease), or (iii) the termination of the Non-Relocation Agreement. The Agreement states that the NFL Ticket Surcharge payable to Stadium Authority is 10% of the Ticket Receipts from the NFL Surcharge Games. It is important to note that the Ticket Receipts do not include any of StadCo's revenues that are described in Article IV of the Team Sublease, including "Premium Seating Premiums". The Non-Relocation Agreement section reads as follows:

5.1 NFL TICKET SURCHARGE

During the Surcharge Term, Team shall collect, on the Stadium Authority's behalf, the NFL Ticket Surcharge for all NFL Surcharge Games and shall deliver to Stadium Authority all collected NFL Ticket Surcharges for each such NFL Surcharge Game within ten (10) days after the game is played.

Team shall have the right to provide complimentary Tickets to NFL Surcharge Games and any such complimentary Tickets shall not be subject to the NFL Ticket Surcharge. For the avoidance of doubt, Ticket Receipts shall not include, and no NFL Ticket Surcharge shall be required to be collected with respect to, any of StadCo's Revenues as described in ARTICLE IV of the Team Sublease.

Team Sublease - StadCo's revenues are defined as the following:

4.1.2 StadCo's Revenues.

Subject to the terms of the Stadium Lease, StadCo shall exclusively own and possess all StadCo's Concession Revenues, **Premium Seating Premiums**, StadCo's Advertising Revenue, parking revenues from Forty Niners Events and other Forty-Niners related activities and expressly included in Forty Niners Revenues pursuant hereto (collectively, "StadCo's Revenues"). **As used herein, "Premium Seating Premiums" means the premiums received pursuant to and/or in connection with the sale of tickets for any Premium Seating for any Forty Niners Event and/or other Forty Niners-related activities, as determined in accordance with NFL Rules and Regulations.** The non-premium portion of the revenues received from the sale of such tickets shall constitute Forty Niners Revenues.

SBL Agreement -- By entering into an SBL Agreement, an SBL holder has exclusive right to purchase 49ers season tickets and priority access to other events at the Levi's Stadium. Additionally, the SBL Agreement between the Stadium Authority, Stadium Manager, and SBL Holder provides guarantees in the event that the seats are not available due to various circumstances. In short, the SBL Agreement requires the Stadium Authority to either assign the SBL Holder a comparable seat or return the unamortized portion of the SBL if there was no comparable seat in the case that their original seat was made unavailable. The SBL Agreement section reads as follows:

5. RIGHTS RESERVED BY LICENSOR.

The Stadium Authority expressly reserves the following rights:

(c). The right to improve, alter, restore, expand or enlarge the Stadium, any amenity area, any seating area or any other portion of the Stadium, as determined by the Stadium Authority in its sole discretion. If, in connection with any such action, the Stadium Authority relocates or reconfigures the Stadium seating or any amenity area(s), the Stadium Authority reserves the right to re-designate the specific locations of seats and to modify the assignment of specific seats to SBLs. If the Stadium Authority determines that any such modification is necessary, **the Stadium Authority will endeavor to assign to an affected SBL a seat that is comparable to, in terms of field vantage point and access to amenities, the seat that was assigned to the SBL prior to the relocation or reconfiguration, all as determined by the Stadium Authority in its sole discretion and without regard to the original License Fee amount (each such Seat, a "Comparable Seat").** In the event the Stadium Authority notifies Licensee that there is no Comparable Seat(s), then Licensee shall have the right to terminate this License Agreement upon notice to the Stadium Authority, in which event the Stadium Authority shall, within sixty (60) days following such notice of termination return to the Licensee the Unamortized Portion of the License Fee. For purposes of this License Agreement, an SBL will be assumed to have a life of thirty (30) years and the applicable amortization will be straight-line (e.g., if an SBL with an initial cost of \$20,000 (paid in full) is terminated after three (3) years, the Licensee would receive a refund in the amount of \$18,000; such amount, the "Unamortized Portion of the License Fee").

NFL Approval

When the Stadium Authority first initiated discussion about the application of a revenue generating instrument on the field seating, the Stadium Manager represented that the NFL held full authority to

annually approve the installation of the field seats. The Stadium Manager previously shared a February 25, 2019 letter from the NFL, which states that temporary seating structures are subject to annual review and approval from the NFL prior to each season (Attachment 1). At the time of writing this report, the Stadium Manager has not yet received the NFL's approval for the seats. In their May 10, 2021 request, they noted that the revenue projections they submitted assume approval for the seats from the NFL prior to June 1, 2021. The Stadium Manager confirmed via email that they have not pre-sold tickets for the temporary seats.

Summary of Field Seats SBL Proposals

The Stadium Authority first initiated the discussion of assigning SBLs to the field seats in the North and South Endzones during the 2018 NFL season when the Stadium Manager installed the field seats without Stadium Authority approval or opportunities to discuss how to maximize revenue for the Stadium Authority. At the time, the Stadium Authority inquired why the field seats did not have assigned SBLs, which the Stadium Manager responded that the temporary nature of the seats did not make for optimal conditions to assign SBLs. The Stadium Manager stated that this was due to the NFL's requirement to approve annually the installation of the field seats, not the Stadium Manager or Stadium Authority. The potential assignment of SBLs to temporary field seats was also discussed during Summer 2019 when the Stadium Manager submitted permit applications for temporary field seats on the playing field for NFL games during the 2019 NFL season and, separately, proposed developing an SBL pricing plan for the seats. In the end, the seats were installed by the Stadium Manager without SBLs.

In April 2020, the Stadium Manager submitted a similar proposal to the one from 2019 and requested that the proposal be submitted to the Stadium Authority Board for consideration in May 2020. While SBL revenue allows the Stadium Authority to repay its debt, this proposal significantly differs from other SBLs in that the Stadium Authority controls the permanency of other seats, which is not the case in this proposal. Stadium Authority staff expressed the following concerns to the Stadium Authority Board and Stadium Manager regarding the proposal:

1. The Stadium Manager proposes the sale of a product, of a temporary nature, that is amortized over the Life of the Stadium (30 years), but cannot guarantee its availability each year
2. Annual renewal of the temporary field seats entirely depends on the NFL's annual approval
3. Stadium Authority must guarantee the replacement of a comparable option to make the SBL Holder whole if the seats are not approved in any given year or return the unamortized portion of the SBL.

As an alternative option to the SBLs in 2019, the Executive Director requested that the Stadium Manager develop a "similar instrument" as permitted by the Stadium Lease Agreement that would mitigate the unnecessary burden placed on the Stadium Authority. The Executive Director requested for the similar instrument again in 2020, one that would address the goal of: maximizing revenue, addressing the required annual NFL approvals, removing the burden to make the SBL Holder whole if the NFL did not approve the seats, and removed the sale of a product, that by nature is temporary, and amortized over 30 years. Stadium Authority staff expressed there was interest in a year-to-year sale of the seats through a "similar instrument" that coincides with the NFL annual approval process. This approach would allow the Stadium Authority to generate more revenue for debt repayment, remove the risk, and add transparency for the customer that the seats are temporary in nature and, therefore, the season sale of rights to the seats matches the product.

On May 14, 2020, the proposal was presented to the Stadium Authority Board while the regional and state Stay at Home Orders were in full effect. The Stadium Authority Board took no action on the Stadium Manager's proposal and was waiting for further information from Santa Clara County and State of California on the status of large sports gatherings during the 2020 NFL Season and directed the Stadium Manager to continue to develop a "similar instrument" proposal that addressed the Stadium Authority's concerns.

DISCUSSION

On May 10, 2021, the Stadium Manager sent Stadium Authority staff a proposal to add SBLs priced at \$10,000 per seat to 64 seats in the North and South Endzones of Levi's Stadium, as well as a table that outlines the Stadium Manager's SBL revenue projections over the span of 30 years (Attachment 2). Stadium Authority staff sent questions to the Stadium Manager regarding their submittal, which the Stadium Manager provided responses (Attachment 3).

Table 1 summarizes the Stadium Manager's May 10, 2021 proposal and SBL revenue projections (based on noted assumptions).

Table 1: Summary of Stadium Manager's Field Seats SBL Revenue Projections

	\$10,000 SBLs	SCSA Comments
Assumptions	-- Annual NFL approval -- Sale of all 64 SBLs in 18 months (46 SBLs sold in 2021 and 18 sold in 2022) -- 10% of the 46 SBLs sold in 2021 (4.6 SBLs) and 11% of 18 SBLs sold in 2022 (2 SBLs) are paid in full, with no interest earnings. -- Financed SBLs have 10% down, 8.5% Annual Interest Rate, paid over 10 years -- 3% annual increase in ticket revenue until Year 18 (2038) which is when the Surcharge Term ends	
Interest Rate	8.5%	This is the interest rate applied to all SBLs that are financed long term over 10 years
(A) Interest Earnings Over 30 Yrs	\$270,738	Maximum Interest Earnings/SBL based on the sale of all 64 SBLs within 18 months (as assumed). Assumes all are sold and financed per schedule.
(B) Ticket Surcharge Revenue Over 30 Yrs	\$262,242	Amount Stadium Manager provided in 2021 SBL Revenue Chart. Reflects 10% surcharge on Reserve Ticket Price, which changes every year, until Year 18 (2038).
(C) SBL Revenue Over 30 Yrs	\$640,000	Amount is equal to 64 SBLs priced at \$10,000

TOTAL REVENUE OVER 30 Yrs (A+B+C)	\$1,172,980	Maximum Average Revenue/Year: \$39,099. Of the \$39,099/yr, the principal totals \$21,333 and the remaining \$17,766 is associated interest (assuming all SBLs are sold and financed per schedule) and does not include any ticket premium costs that may be placed on SCSA or administrative costs by the SCSA or Stadium Manager to absorb handling these SBLs.
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Below is Stadium Authority staff's analysis of the Stadium Manager's 2021 proposal, their SBL projections for the field seats, and responses to the Stadium Authority's questions about the proposal:

1. Stadium Authority's Previous Concerns Still Remain Relevant:

- a. **The Stadium Manager proposes the sale of a product, of a temporary nature, that is amortized over the Life of the Stadium (30 years), but cannot guarantee its availability each year**
- b. **Annual renewal of the temporary field seats entirely depends on the NFL's annual approval**
- c. **Stadium Authority must guarantee the replacement of a comparable SBL option to make the SBL Holder whole if the seats are not approved in any given year or refund the unamortized portion of the SBL.**

Staff Analysis: At the time of writing this report, the Stadium Manager is still waiting for the NFL to approve the field seats for the 2021 NFL Season. While the anticipated revenue from the SBLs totaling \$1.17M will help with additional debt repayment, the **maximum** average revenue per year over the span of 30 years is \$39,099 based on the assumptions outlined in the Stadium Manager's SBL revenue chart (less costs to provide SCCA/Stadium Manager administration of these SBLs, costs not absorbed by StadCo for premium ticket amenities, and refund on unanticipated unamortized funds if seats are not approved by NFL or available at the Stadium).

It is the SBLs themselves that present a financial risk for the Stadium Authority as the seats are not permanent in nature, subject to annual approval by the NFL, and generally provided premium ticket amenities that may exceed the maximum annual revenue of \$39,099/year. If the temporary field seats are not approved, the Stadium Authority would be responsible for either (1) finding comparable seats for the SBL Holders (which is unlikely) or (2) absorbing the costs of issuing refunds for the unamortized portion of the SBLs if the seats are not available in any given year. Despite the Board's May 2020 direction to develop a "similar instrument" to mitigate concerns, the Stadium Manager has not developed options for the Board to consider, as requested.

1. In their response to the Stadium Authority's question as to how the Stadium Manager has implemented the Stadium Authority's Board May 2020 direction, the Stadium Manager states:

"As explained in Mr. Beauchman's letter dated 8.20.2019 (attached), the SCSA's desire to create a new "seat license" product for these temporary seats -- with no customer

refunds if the seats are removed -- is a dead-end.

The SBL Agreement grants the consumer rights to their seats for the “Life of the Stadium”, and includes a provision for a prorated refund to the consumer if those seats are removed. This is an important consumer protection included in every single SBL that has been sold for Levi’s Stadium. Your request to “remove the (SCSA’s) burden to make the SBL holder whole” would eliminate this protection from the SBL Agreement, and the consumer would be rightly concerned that they would purchase an SBL for a specific seat, and that seat could simply be eliminated next year with no refund to the consumer. If the SCSA doesn’t want to commit to consumer refunds as is required under the SBL Agreement, then it should simply not sell SBLs for temporary seats.

As background, we explained to the SCSA in 2019 that we don’t think it is prudent to require SBLs for these particular seats because they are temporary seats that have the potential for being eliminated for NFL games in the future (as was the case for the 2020 season). However, we have attempted to accommodate your request for an SBL plan for these seats in order to prevent this matter from becoming another issue that needs to be sorted out by an arbitrator.

There was a discussion in the City Staff’s report to the Board dated 5.12.2020 that suggested creating a “year to year” SBL product. That is not an SBL or a similar instrument. That is a season ticket.”

Staff Analysis: The Stadium Manager’s response validates the Stadium Authority’s concerns about conditional future approvals from the NFL. In fact, they state that the Stadium Authority should not sell SBLs for temporary seats if it doesn’t want to commit to the related risks, but did not provide other options for the Board to consider. Instead, they agree that an SBL was not a good option and that this offer is to prevent arbitration (which the Stadium Authority has not even mentioned as part of this discussion).

Given that the term “similar instrument” was included in the Stadium Lease, it makes sense that there would be options under this category known to industry experts. Their response demonstrates that the Stadium Manager did not consider developing a “similar instrument” per the Board’s request.

The Board should be concerned that the Stadium Manager is not addressing its direction and has allowed for insufficient time for the Board to act on this matter. Further, the response is silent on any potential financial benefits to StadCo by: (1) not obtaining timely approval from the NFL despite planning for a sold-out stadium since January 2021, (2) not resolving the Board’s concerns by creating options under a “similar instrument” to maximize revenue and minimize risk, (3) creating the optic of trying to collaborate in good faith without offering real solutions to Board’s previously expressed concerns, and (4) submitting the proposal late, thus, not allowing for sufficient time for further Board to review given the pending May 31 date that allows for StadCo to sell the tickets unencumbered. Even with a 30 day potential extension, the ability to resolve the SCSA’s concerns

and sell the SBLs according to their projections is unlikely.

2. The Stadium Operations Agreement allows StadCo, as the Tenant, to sell tickets for seats that don't have SBLs by May 31 of each calendar year for the immediately following NFL Season. Any SBL Agreement applicable to such seats entered into after May 31 of any calendar year shall be effective only for Non-NFL Events and, unless the Parties otherwise agree, subsequent NFL Seasons. When asked whether they would be willing to sell SBLs for the field seats beyond the May 31 cutoff date for this upcoming 2021 NFL Season, the Stadium Manager response was:

"Yes. As a showing of good faith, the Stadium Manager will commit to ensuring that SBLs for field seats sold through June 30 will have access to the full slate of tickets for the upcoming 2021 NFL Season. We believe that this additional 30-day exclusive window will allow the SBL sales team to achieve the revenue figures contained in our projections, subject to pricing and NFL approval prior to June 1. Beginning July 1, the tickets for unsold field seats will be made available to the public on a first-come, first-served basis."

Staff Analysis: While the additional 30 days to sell the SBLs is to the benefit of the Stadium Authority, it is a small window for the Stadium Manager to sell the 46 SBLs to meet the proposed revenue projections. This offer comes without addressing any of the valid concerns expressed by the Board and provides for the Stadium Manager to sell the tickets unencumbered by July 1 and months before the season begins. The combination of a late submittal with no Board modifications, and small extension of time, is designed overall to favor the Stadium Manager.

3. Section 5.1 of the Non-Relocation Agreement states that the NFL Ticket Surcharge payable to Stadium Authority is 10% of Ticket Receipts from such NFL Surcharge Games, which does not include any of StadCo's revenues described in Article IV of the Team Sublease, including "Premium Seating Premiums." Premium Seating Premiums are the premiums received pursuant to and/or in connection with the sale of tickets for any Premium Seating for any Forty Niners Event and/or other Forty Niners-related activities, as determined in accordance with NFL Rules and Regulations.

As part of last year's proposal discussion, the Stadium Manager verbally communicated during a meeting that the season ticket prices for field seats for 2020 will be \$10,000 - \$12,500 (\$1,000 - \$1,250 per ticket per game). The revenue projection the Stadium Manager provided shows the NFL Ticket Surcharge is applied to a Reserve Ticket Price of \$175 per ticket per game for Year 1. This means that the Ticket Premium the 49ers are charging, and receiving, is between \$825 and \$1,075 per ticket per game (up to \$25.1M - \$32.7M over the span of 30 years assuming a 3% increase on total ticket sales price and Reserve Ticket Price).

When asked about the actual ticket price, the Stadium Manager responded that ***"there are two components to the pricing for NFL premium seating (including these Field Seats): The "ticket" portion, which is subject to the 10% surcharge, and "premium" portion, which is not subject to the 10% surcharge. Total ticket pricing will be finalized following SBL pricing approval, but is likely to be in line with pricing in previous seasons."***

Additionally, the Stadium Manager referenced the Stadium Authority's May 2020 agenda report and said, *"it appears that you developed your own estimate of the "premium" charges associated with the tickets for these seats (i.e. the portion of the price that is excluded from the calculation of Ticket Receipts and the NFL Ticket Surcharge). The details of those premium revenues are confidential tenant financial information, but your estimates appeared fairly reasonable to us based on publicly available information."* - thus confirming the Stadium Authority's estimates of their revenue. The referenced pricing from 2020 was \$10,000 - \$12,500 for season tickets, or \$1,000 - \$1,250 per ticket per game.

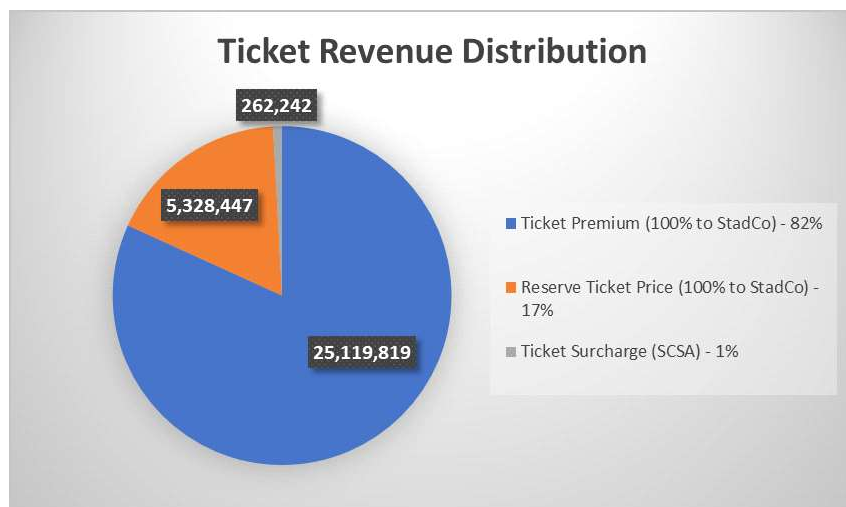
It is also important to note that the Stadium Authority was concerned about absorbing complimentary buffet costs for last year's proposal. The Stadium Manager confirmed at an April 15, 2021 meeting with Stadium Authority staff that the Stadium Authority will not be responsible for those costs as part of the proposal.

Staff Analysis: The Stadium Manager's response confirms that the temporary seats, with or without SBLs, generate significant revenue for StadCo. The chart below shows the portion of revenue allocated to StadCo and Stadium Authority based on the full ticket sales price of the ticket, assuming the price is set at \$1,000 per ticket by StadCo and a 3% year over year increase. In this example, the ticket pricing is broken down as follows (Assumes the Year 1 Reserve Ticket Price provided by Stadium Manager):

Reserve Ticket Price (StadCo Revenue)	\$ 175.00
<u>Ticket Premium (StadCo Revenue)</u>	<u>\$ 825.00</u>
Ticket Sales Price	\$1,000.00
<u>10% Ticket Surcharge (Stadium Authority Revenue)</u>	<u>\$ 17.50</u>
TOTAL	\$1,017.50

If we extend this revenue structure for 64 seats, assuming 10 games per season over the span of 30 years with a 3% year to year increase, the Ticket Premium received by StadCo totals approximately \$25.1M and the portion of the Reserve Ticket Price that StadCo receives totals \$5.3M. Stadium Authority's portion of the Reserve Ticket Price, a 10% Ticket Surcharge, totals \$262,242.

Table 2: 30 Year Ticket Revenue Distribution



**The chart above assumes a \$1,000 priced ticket with a Reserve Ticket Price of \$175 over 30 years with a 3% year over year escalator. SCSA is only entitled to the Ticket Surcharge for the first 18 years (Year 2038).*

4. As part of last year's proposal, Stadium Authority staff requested that the Stadium Manager provide a report of the total revenue generated from the ticket sales related to these seats in recent years. The Stadium Manager provided the following tables, which date back to 2018, when the seats were first installed, for only ticket revenue (excluding premium).

2018 Season

Game #	Ticket Price	Tickets Sold	Total
#1	\$111	62	\$ 6,882
#2	\$111	64	\$ 7,104
#3	\$111	64	\$ 7,104
#4	\$111	64	\$ 7,104
#5	\$155	64	\$ 9,920
#6	\$300	64	\$ 19,200
#7	\$136	64	\$ 8,704
#8	\$155	64	\$ 9,920
#9	\$155	64	\$ 9,920
#10	\$155	64	\$ 9,920
Total			\$ 95,778

2019 Season

Game #	Ticket Price	Tickets Sold	Total
#1	\$124	0	\$ -
#2	\$124	0	\$ -
#3	\$214	58	\$ 12,412
#4	\$172	61	\$ 10,492
#5	\$124	61	\$ 7,564
#6	\$140	64	\$ 8,960
#7	\$124	64	\$ 7,936
#8	\$214	64	\$ 13,696
#9	\$124	64	\$ 7,936
#10	\$140	64	\$ 8,960
Total			\$ 77,956

Staff Analysis: The tables demonstrate that StadCo/Stadium Manager are able to change the Reserve Ticket Price (for which the SCSA's 10% Ticket Surcharge is derived) to an arbitrary amount, which can increase or decrease revenue for the Stadium Authority. The tables also underscore the importance of StadCo absorbing any costs associated with adding on special premiums for these tickets that can easily result in no revenue or at an added cost for the Stadium Authority, such as: buffet, food and beverages, and any other premium seat amenities. At this time, the Stadium Managers' position is that it will absorb these costs; however, it is unknown and not documented whether that offer is good for the full term (e.g., 30 years). **It is only under the circumstance of StadCo absorbing any expenditures for premium seat amenities that this proposal becomes financially advantageous: but, yet, still does not resolve the other risks already stated.**

There are still many unknowns to achieve the maximum revenue assumed in the proposal: NFL's approval of this year's seats and future seats over 30 years, StadCo's commitment to allow maximum amount of time to sell SBLs for these seats, StadCo's commitment to absorb all premium seat amenities (e.g., food and beverage) over 30 years to maximize revenue for the Stadium Authority, and a "similar instrument" that minimizes risk and maximizes revenue. The opportunity to timely review and have Board input could have advanced this proposal and satisfied the needs of the Stadium Authority; however, this did not occur.

If all the assumptions under Table 1 are correct, the Stadium Authority would receive a maximum of \$1.17M in revenue for debt repayment over the span of 30 years, averaging \$39,099 per year. However, there are administrative costs for both the Stadium Manager and Stadium Authority to administer these SBLs, which are likely to reduce or come close to the \$39,099 per year. As such, the costs to Stadium Authority will likely outweigh the projected revenue and, definitely, if StadCo does not agree to absorb future costs of premium ticket amenities for these temporary field seats.

Given the Stadium Manager's own expressed position regarding the SBLs for these seats validate the Stadium Authority concerns, it is recommended that the Board "take no action" on the proposal presented by the Stadium Manager and that the Board direct the Stadium Manager to follow previous direction by providing revenue options for the Board to consider. If the Board would like to approve the sale of SBLs for the temporary field seats, then the Board should require:

- a) Stadium Manager absorb the administrative cost of managing these SBLs which could require special handling if the NFL does not approve the installation of these seats in any given season
- b) Stadium Manager absorb the administrative cost of identifying comparable seats if the need should arise
- c) StadCo absorb all costs for the full term (e.g., 30 years) of any premium ticket amenities (e.g., buffet access, food and beverage, and any other premiums such as swag, etc.) to ensure that this proposal does not result in added expenditures to the Stadium Authority
- d) SCSA work with the Stadium Manager when it is required to refund the unamortized value of the SBLs when a comparable seat cannot be located

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

FISCAL IMPACT

See Table 1 for potential fiscal impact. No action results in receipt of the Ticket Surcharge value as noted in Table 1.

COORDINATION

This report has been coordinated with the Treasurer and Stadium Authority Counsel.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov or [<mailto:clerk@santaclaraca.gov>](mailto:clerk@santaclaraca.gov).

ALTERNATIVES

1. Take no action on the Stadium Manager's proposal to add Stadium Builder Licenses to the 64 temporary field seats in the North and South endzones of Levi's Stadium;
2. Direct the Stadium Manager to present revenue options, based on previous direction, within three months for the Board to consider;
3. Approve the Stadium Manager's proposal to add Stadium Builder Licenses at a \$10,000 price point to the 64 temporary field seats in the North and South endzones of Levi's Stadium with the following terms:
 - a) Stadium Manager absorb the administrative cost of managing these SBLs which could require special handling if the NFL does not approve the installation of these seats in any given season
 - b) Stadium Manager absorb the administrative cost of identifying comparable seats if the need should arise
 - c) StadCo absorb all costs for the full term (e.g., 30 years) of any premium ticket amenities (e.g., buffet access, food and beverage, and any other premiums such as swag, etc.) to ensure that this proposal does not result in added expenditures to the Stadium Authority
 - d) SCSA work with the Stadium Manager when it is required to refund the unamortized value of the SBLs when a comparable seat cannot be located; or
4. Any other direction from the Board.

RECOMMENDATION

Alternatives 1 and 2:

1. Take no action on the Stadium Manager's proposal to add Stadium Builder Licenses to the 64 temporary field seats in the North and South endzones of Levi's Stadium; and
2. Direct the Stadium Manager to present revenue options, based on previous direction, within three months for the Board to consider.

Prepared by: Christine Jung, Assistant to the Executive Director

Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. February 25, 2019 Letter from NFL Regarding Annual Approval of Temporary Seats
2. 2021 Field Seats SBL Revenue Projection Chart Submitted by Stadium Manager

3. Email Correspondence with Stadium Manager Regarding Proposal
4. Post Meeting Materials received from May 25, 2021 Council & Authorities Concurrent and Special Stadium Authority