CONFIDENTIAL FACTS FOR THE CITY OF LOS ANGELES

The City of Los Angeles is the second largest media market in the United States. Among the largest media markets in the country, Los Angeles is the only city without an NFL team. When the Raiders and Rams left Los Angeles, the city was very different than it is today. In 1994, the population of Los Angeles was 3.64 million, while the county of Los Angeles population was 9.095 million, and the state of California stood at 32 million. Today, between the cities of Los Angeles, Long Beach, and Santa Ana (all within 30 miles of each other) there are more than 12.9 million residents, and when you include Riverside County (within 40 miles) , that number jumps to 17.9 million. If Orange County were included (within 75 miles, another 3.02 million residents), the total population of Southern California, with no football team (excluding San Diego County and the San Diego Chargers), there are 20 million residents, with more than 35 million in the state.

The City administration has desired to have the NFL return for several years and since the Vikings stadium referendum failed, this is the most promising opportunity the City has had in regaining a team. In the past 10 years, the City has opened a number of large sports and entertainment facilities that include the Staples Center, the Kodak Theatre, and the performing arts complexes. These facilities (some publicly financed) generate a substantial amount of tax revenue for the city through tax on tickets sold for events.

Although the City administration is enthusiastic about the project, it will have to get the project passed by the City Council and a referendum of the voters. In order to be able to do this, the City is going to have to demonstrate to skeptical council members and voters why the City should invest $1.2 billion in public funds for essentially the benefit of a private business. The City is telling citizens it cannot afford to fix potholes, reduce class sizes in the schools, or provide health care for the indigent. The City administration must come up with a plan that is sound business and demonstrates the City would make money on the deal immediately and during the life of the contract. City officials are painfully aware that the New York Giants/Jets stadium in the Meadowlands was just demolished for a new stadium and the taxpayers of New Jersey are still paying off the bonds for that hole in the ground. This deal has to make solid business sense and not rest on vague, pie-in-the-sky projections of increased economic activity, property values, or even increased revenue from sales tax.

The City has hired several consultants to determine the amount of revenue the City could receive from a facility in Downtown Los Angeles. These consultants have advised Los Angeles City Council members that the City would need to make $120 million per year from the Stadium (not counting sales tax revenues or other projected real estate value appreciation) to just to break even on the deal. Ancillary benefits such as increased property values or increased sales tax revenue are gravy for the deal and are a make weight argument, but not part of the hard numbers City administrators will present to the City Council and voters. The consultants and the city administrators have agreed the City will have to show a substantial additional profit to make the deal viable—the suggested annual profit is 6% of the $1.2 billion initial investment in Farmers Field or $72 million per year. The City realizes the demand for a 6% return on its investment is a bit inflated because it is retiring its debt during the course of the 20-year life of the bonds. Thus, if necessary, they will settle for 3% per year of the $1.2 billion figure or $36 million per year. The stadium revenues must be meet the consultants' figure of $156-$192 million per year (including the $20 million needed for public transportation discussed below and return on investment) or the deal's viability is at risk because it will never pass the City Council nor get by a public referendum.

Costs

In order to maximize the total amount of money Los Angeles could keep from the new stadium and keep it a viable endeavor, the City cannot agree to an exclusive lease for the Vikings of a new stadium because additional events will bring in additional revenues. In order to keep the facility at a world-class level now and for the future, the City has estimated and nearly all respected analysts agree, operation costs (including parking, security, maintenance, utilities, etc.) on this large stadium will average $25 million per year. These maintenance costs include materials used to fix structural issues, repair of wiring and plumbing, electrical upgrades, including video and scoreboards, and insurance on the facility.

Revenue Generated

Naming Rights

Securing the $700 million dollar naming rights deal with Farmers Insurance alleviated much of the worry of being able to acquire financing for the facility. The money from Farmers will be paid out in equal installments over the next 20 years.

Other Revenue

The sale of naming rights is not the only revenue the City has planned for the new Farmers Field. The City has estimated that based upon ticket prices, parking revenue, current rates for advertising and the contract set for concessions for football games, the new Farmers Field can generate between $292-294 million in gross revenue per season. Luxury suites alone will contribute $180 million; regular admission seats can generate $95 million; stadium advertising can generate $8-10 million; parking $8.2 million; with concessions capped at $800,000 per year because of a current contract with Levy Restaurants. The City is also aware that Los Angeles would be a media and merchandizing bonanza for the Vikings, but is unable to project exact revenue at this time.

Tickets

The new stadium has the opportunity to generate vast revenue for the Vikings and for the City through the sale of tickets for luxury suites. The City estimates luxury suites can generate an average of $800,000 per suite, per year, for a total of $180 million per year. The City desires to find a way to share in this revenue source in order to reach its stated goals. Non-luxury seats will generate $95 million, assuming sellouts for all ten games as is likely for at least five years. The City sees a percentage of the ticket sales as a major source of revenue to get to its intended goal of $156 to $192 million per year for 20 years.

Advertising

Farmers Field will have digital scoreboards and sponsorship signage. This is a standard option in modern facilities and allows the venue to sell advertising space for specific events, certain times, and allows numerous sponsors to be involved in an event. The City realizes the Vikings will sell a lot of advertising based upon the popularity of the NFL, but the City does not want to share any revenues from advertising from non-football related events. The City is willing to share advertising revenues from the sale of advertising for football events, as long as the City's required numbers are met. The City has estimated it can generate $4 million in stadium advertising revenue for non-football related events per year. The City will not share these funds with the team. However, in order to break even on the stadium, the City is looking at asking for a share of advertising revenues generated by the Vikings on game days, if the requirements of the City's bottom line cannot be reached without this additional revenue source.

Rent

Another important revenue stream is rent. The city would like a 30-year lease on the stadium from the Vikings, but it cannot enter the deal without a minimum term of the 20 years it will take to pay off the bonds. Any event taking place at the stadium needs to at least pay for the use of the venue. As the primary tenant of the stadium, the City wants the Vikings to cover the cost of maintenance and generate additional funds to help cover the outstanding bond payments and their rate of return. The City is looking for the team to pay $25 million per season in rent; however, the City is willing to accept a lower rental number, as long as their overall goal of $156-192 million is met. While the rental cost of the first ten years is higher than other teams playing in most advanced facilities, the City's estimates show the last 10 years of a lease will be moderately priced for a football team playing in a world-class venue. These are minimum figures. If necessary to get to the $156-192 million dollar figure, the City could ask for much more.

The City will also be charging for concerts held at the facility. In order to keep public interest in concerts at Farmers Field, the City will only host ten concerts per year for the first ten years of the facility. These concerts will generate $800,000 of net revenue per event or $8 million per year.

Parking

The City knows parking is another large moneymaker with a new stadium. Facilities for 45,000 parking spaces are planned. Based upon calculations, the gross revenue from the planned parking is $11.375 million per season, with a net of $8.2 million per season.

When the venue hosts concerts, because of the lower amount of tickets sold for these events, the analysts have told the City that only about 80% of the spaces would be utilized. The costs would remain the same, and as a result would net another $6.25 million a year in parking revenue from concerts and related events.

The City has heard Wilf is interested in exploring the possibility of developing some of the land around Farmers Field that is currently designated for parking and likely to remain unused on game days. With approximately 10 acres of parking that may not be necessary, the City is willing to work with the Vikings and Wilf to develop this land, as long as the return is a worthy investment. The City has not estimated the income that could be generated from any commercial space currently allocated for parking spaces, but is willing to hold serious discussions about the possibility.

Supplement for Costs of Improved Public Transportation

Included in the payments the City Council is demanding is $20 million per year to pay for additional public transportation needs to get to Farmers Field. Traffic is already difficult to navigate and another major sporting event in the City of millions of cars and people will only increase the existing delays.

<u>Bottom Line</u>

In order to reach a deal with the Vikings, the City of Los Angeles needs to find a way to generate $156-$192 in revenue from all sources to pay back the bond holders at each increment, and cover the maintenance costs, improve public transportation, and generate a return on their investment. The anticipated revenue above costs will go into a fund for the Los Angeles Public School System. Any deal with the Vikings must last until the bonds are paid in full and meet the requirements set forth by the Los Angeles City Council.