CONFIDENTIAL FACTS FOR THE MINNESOTA VIKINGS

The Vikings owner, Zygi Wilf, feels because he is not a native Minnesotan, the people of Minnesota have slighted him since he bought the team in 2005. Unlike his predecessor Red Combs, Wilf has never embraced the city of Minneapolis. He has been in owners meetings, and watched as a number of NFL owners have been able to move into publicly financed stadiums and see the value of their franchises expand exponentially.

Wilf was in serious negotiations with Minneapolis officials from the time he bought the Vikings to get a new facility, but city officials were preoccupied with building Target Field for the Twins. The collapse of the roof of the Metrodome and the Vikings 2010 losing season has only made his willingness to move the team greater. Wilf, who bought the team as an investment, desperately needs this investment to pay off. Wilf's fortune was made through a family business that owns commercial property, including a number of shopping malls and more than 30,000 apartments across the country. However, the recent recession took a large bite out of the value of these properties and out of Wilf's personal wealth.

On a recent trip to Los Angeles, Wilf toured the location of the newly proposed stadium in downtown Los Angeles and he believes this would be a perfect spot for a football stadium in Southern California. He believes the value of a franchise can be boosted into one of the top five most valuable properties in the NFL, based on the number of potential fans, location of the stadium, personal seat licenses, ticket sales, merchandise, etc. He has studied the way the Modell family was able to escape the negative media attention received when the Browns left Cleveland, and the way the Modell's were able to increase the value of that franchise by re-branding it in a new city.

Desire

The Vikings as a franchise are desperate to find a modern facility. In a new facility, the number of luxury suites will increase and the amenities included in the suites can drive ticket prices for these premium seats up to a total of $18 million for each of the ten (10) home games the team plays each season.

Revenues

The Vikings have estimated that based upon ticket prices, parking revenue, current rates for advertising and the contract for concessions for football games, the new Farmers Field can generate between $292-294 million in gross revenue per season, plus an additional $85 million in broadcasting and merchandise revenue (total of $377-379 million). Luxury suites alone will contribute $180 million; regular admission seats in the bowl 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.

Franchise Value

Over the last ten years, the value of NFL teams has skyrocketed. Last year, Wilf's Vikings were near the bottom of the league in terms of value of the franchise at $740 million. Wilf is looking to sell the team within five years and wants the value of the team to rise above the $1 billion mark. In order to do this, Los Angeles is the only viable option. Wilf's analysts have told him a move to San Antonio may increase the amount of cash flow generated, but it would not significantly raise the value of the franchise because the size of the media market is actually smaller than Minneapolis.

However, a move to Los Angeles would raise the value of the Vikings to more than $900 million. Wilf believes he needs a total of $250 million per year from gross revenues to get the Vikings' Franchise valued at the $1 billion figure he needs to salvage his personal wealth. (For these purposes, "gross revenue" includes all stadium revenue received by the Vikings, plus broadcast revenue and merchandise fees, but does not reflect team operation costs). Wilf uses a conservative franchise valuation, where the franchise value is equal to four (4) times the gross revenue.

Ticket Sales

The cost of tickets and luxury suites is also a large draw for Wilf to bring the Vikings to Los Angeles. Los Angeles residents are in the center of one of the largest economic areas in the country, and with the surrounding areas of Beverly Hills, Santa Monica, and Orange County, there are scores of celebrities, millionaires, and luminaries that love to attend high-profile sporting events. The cost of the average NFL ticket in the main seating bowl is around $75 per game. Luxury suites/boxes are the big money maker. Wilf and his analysts believe they can sell 100% of the 95,000 seats, at $100 per ticket, for at least the first five years in the new facility. The majority of the ticket sales revenue will come from luxury suites and boxes, which will total $180 million per year, bringing the total gate per year to $275 million.

Advertising

Currently in the Metrodome, the Vikings are faced with limited opportunities to sell advertising space and must limit the overall number of sponsors. In Los Angeles, the City has promised that all advertising will be on digital and video boards, which will increase the total number of spots for sponsors and the ability of sponsors to create unique advertising.

Team analysts have estimated the Vikings can raise $8-10 million in advertising a year for the next ten years, if the team can fill 90% of its seats (the team hopes to fill 100% of its seats, for at least the next five years). The team wants to avoid sharing any football-related advertising revenue. Wilf would like a share of any non-football advertising commensurate with any share of football advertising the city gets.

Parking

Another area the Vikings are looking to capitalize on is parking. The design previously negotiated calls for 45,000 parking spaces. The average percentage of parking spaces filled across the NFL is 90%. The Vikings believe Los Angeles will fill only 80-85% of parking spaces because the proposed plans provide for approximately 10,000 more spaces than needed. If used, these 10,000 spaces would equate to roughly $3 million dollars in gross revenue. The Vikings would like to split the profit from parking with the City because the City would be building the facility, but the team would hold the events that fill the lots. The Vikings have run the numbers and feel they can fill parking spaces to 80-85% capacity at $30 per parking space, which will gross $11.475 million per season and net $8.2 million per season.

Wilf is also interested in exploring the possibility of developing some of the land around Farmers Field that is currently designated for parking (i.e., the 10,000 extra parking spaces), which will likely be empty during events anyway. With approximately 10 acres of parking that may not be necessary, development of this land into commercial properties, restaurants, bars, and shopping makes sense. Wilf estimates rent from these properties in downtown can generate more than $12 million annually and would be a better utilization of space compared to having empty parking spaces that generate no revenue.

Costs

Rent

One of the costs associated with a team utilizing a public facility is the rent that is paid. Currently, the Vikings pay $4 million in rent for the Metrodome, but that rental cost has been waived for the past several years. The club realizes the public will not respond well to a team moving into a new stadium without paying any rent, especially when the stadium costs more than $1 billion to build. The Vikings have analyzed the future of rent for sports teams and believe that rent for most teams playing in the top stadiums in their sports will not exceed $6-8 million per year during the next ten years, and after that period, rent will likely jump to between $15-18 million per year. The team is willing to consider a higher rental amount if all of its other financial goals can be met.

Cost of Stadium Operations

Among the costs Wilf and his franchise must consider are the costs besides rent and utilities, like maintenance and security (i.e., operations). Wilf and his analysts have run the numbers and believe stadium operations for 10 home games will cost $25 million per year (this figure includes maintenance, utilities, staffing, and all associated costs). Wilf is willing to include some or all of these costs in the rental figure or pay some or all of those costs separately.

Bottom Line

While each of the categories must be discussed and values placed on the amount of money that will be allocated to each, the main focus for the Vikings is reaching or exceeding a franchise value of $ 1 billion dollars, which means that total gross revenue from operating in LA, including broadcast and merchandising, must be at least $250 million.