

ROUND TWO

Preliminary Instructions

This negotiation is between the Minnesota Vikings (represented by their Chief Operating Officer (COO) and their General Counsel) and the City of Los Angeles (represented by the Chairperson of the Mayor’s Committee on “Returning NFL Football to LA” and the City Attorney of Los Angeles). The general facts and confidential facts for each team supersede any conflicts with real world costs, facts, and figures. Any costs or revenues associated with playing additional games during the playoffs are not part of this negotiation.

GENERAL FACTS FOR BOTH TEAMS

“MOVING ON”

Since 1982, the Minnesota Vikings have played the majority of their home games at Mall of America Field at the Hubert H. Humphrey Metrodome. This facility was considered state of the art when it opened, with a fiberglass fabric roof that was supported by the air within the domed structure. Today, the Metrodome is the ninth oldest facility utilized by an NFL franchise. The Vikings current home has been remodeled several times since opening in 1982, and currently seats more than 64,000 fans, including 113 luxury suites.

The Vikings have been vocal about wanting a new facility in order to maximize revenue and remain a competitive franchise. However, the team has quieted discussions on a new publicly financed stadium, since the economy spiraled into a recession in 2007. Recently, the economy in Minneapolis has begun to recover and the Vikings reopened discussions about having a publicly funded stadium built for the team.

Last month, the voters of Minneapolis rejected a .1% rise in sales tax that would have paid for a new multi-purpose stadium to replace the aging and out of date Metrodome. Following the vote, Vikings owner and real estate mogul Zygi Wilf decided that with little public support for a new stadium for the Vikings in Minnesota, he should move his franchise to a location that can provide a facility, with terms that will keep the Vikings a competitive team.

Wilf owns numerous properties across the United States and he is a well-informed investor. While on a business trip to Los Angeles last year, Wilf met the Los Angeles City Manager and Mayor. These Los Angeles luminaries began discussions about the possibility of Wilf relocating the Vikings to Los Angeles if the Minnesota ballot measure failed. Since the ballot measure has now been defeated, Wilf is seriously considering the possibility of moving the Vikings to Los Angeles.

The City of Los Angeles

Los Angeles has become much more aggressive in this process since the stadium referendum was defeated in Minneapolis, but the city has also held discussions with Jacksonville

Jaguars owner Wayne Weaver. The negotiating body for Los Angeles is aware that other cities are also talking to Wilf's representatives about bringing the Vikings to their town, but they believe Los Angeles can provide a number of amenities that other cities cannot match.

Los Angeles has a track record with the NFL. The City was once home to two NFL teams, the Los Angeles Rams and the Los Angeles Raiders; however, both left Southern California in 1994. Los Angeles is a different town now than it was when the teams left in 1994. Since the riots of 1992 when many residents moved away, the level of violence and gang activity has dropped and Los Angeles has reestablished itself as a vibrant entertainment community. In addition, downtown Los Angeles has revitalized itself with the Staples Center, Nokia Theater, L.A. Live Entertainment center, restaurants, stores, businesses and residential improvements.

Alternative LA Franchise: The Jacksonville Jaguars

While the City believes Wilf is a better match for Los Angeles because the Vikings have been a competitive team for most of the last 20 years, Adrian Peterson's star power, along with Wilf's real estate experience, the City realizes alternatives must be explored. One of these alternatives is having the Jacksonville Jaguars relocate to Los Angeles. The Jaguars currently play in EverBank Field. The team has an opt-out lease option following the 2012-2013 season for a one-time payment of \$30 million to the City of Jacksonville.

The City's discussions with Jaguars representatives give the distinct impression the City could retain \$110-120 million from Farmers Field, because J. Wayne Weaver, the majority owner of the Jaguars, is aware the value of the franchise would skyrocket with a move to Los Angeles. Currently, the Jaguars are valued at \$700 million, and it is estimated the franchise would be worth \$850 million if it moved to Los Angeles. Weaver is willing to trade revenues for franchise value.

However, one of the hang-ups in a deal with Weaver and the Jaguars is the opt-out cost incurred if the Jaguars decide to leave Jacksonville. Jaguars' representatives have been adamant that if the team relocates, the new city must pay the \$30 million opt-out fee. The City of Los Angeles does not have \$30 million to spare for such a venture, but would be willing to cut revenues over the life of the contract to cover the opt-out fee.

Another Potential Home for the Vikings: San Antonio, Texas

Another city that has been vocal during this process, and held talks with Wilf, is San Antonio, Texas. San Antonio is one of the 30 largest metropolitan areas in the United States with more than 1.1 million residents. San Antonio has expressed a high level of interest in bringing an NFL franchise to the area and has proven the community can support a team. The City has hosted training camps for two NFL franchises, college football bowl games, an NBA franchise, and has received vocal support from the Commissioner of the NFL and NFL owners. San Antonio is similar to Los Angeles in that both cities are in the top 30 in the U.S. in terms of media markets and population, and yet do not have an NFL franchise. San Antonio has a proposed stadium location just off the I-35, in an area that was an abandoned quarry and now home to a smaller amateur sports complex. San Antonio is a serious contender in acquiring the Vikings and the NFL would approve a Vikings move to either of these two cities, if a deal is reached between the parties.

San Antonio has already committed to building a stadium that can seat 75,000 fans, including 220 luxury suites, the Vikings would be able to sell through an exclusive leasing arrangement with the city. The new “Alamo Bowl” would also incorporate 35,000 parking spaces in which the city would split that revenue with the team, but the Vikings would have to cover all costs associated with the use of the stadium and give San Antonio 35% of the in-game advertising revenue to help with the maintenance costs of the stadium.

The Vikings have estimated that based upon ticket prices, parking, and current rates for advertising and the contract for concessions, San Antonio would generate \$220 million gross revenue each season. Based on the agreed upon numbers, ticket sales will generate \$125 million, of which luxury suite seats will generate \$100 million of that total ticket revenue, stadium advertising can generate \$3-4 million, parking \$2.2 million, and concessions are capped at \$600,000 per year, because of a standard contract with Levy Restaurants.

While the revenues are much lower in San Antonio than in Los Angeles, the amount of cash that can be raised for the club is high because of the lower costs associated with the stadium.

The main concerns Wilf has with a move to San Antonio are the cost of living is significantly lower in Texas, and Wilf would not be able to charge nearly as much for individual,

season, or club level tickets, and the value of each luxury box would only reach an estimated average price of \$200,000 per season.

Farmers Field

The potential site of a new “Vikings” team and stadium is in downtown Los Angeles. The stadium is accessible by four major freeways, with new plans for a subway connection from existing lines and parking structures. The design of the stadium includes seating for 95,000 fans.

The City and the Vikings have already held several rounds of discussions. The parties have come to agreements on the design of the stadium, location (Downtown near the corner of Hope and Pico), and planning of the surrounding area. However, issues remain that could be the difference between the Vikings moving to Los Angeles or going elsewhere. How will revenue be shared between the parties? What is the length of the contract between the Vikings and the City of Los Angeles? Additionally, some of the revenue streams are in dispute; including parking, ticket sales, rent, utilities, and advertising. If an agreement can be reached in these areas, then the Vikings may have found a new home and Los Angeles may be able to celebrate a new NFL team.

Building Costs

As expected, the cost of the facility and the location of the new stadium will make it one of the nicest sports and performing arts facilities in the world. The total cost of the project including all construction costs, infrastructure, inspections, cleanup, etc., is a whopping \$1.2 billion dollars. The City of Los Angeles has already commented during the initial rounds of negotiation that the City does not have this money available in cash, and has decided to offer municipal bonds paying 2% annual interest, and being paid at different time intervals, to finance the cost of the facility. The City is offering five (5) year bonds, ten (10) year bonds, fifteen (15) year bonds and twenty (20) year bonds. These bonds are being offered in equal amounts and will only be issued to the \$1.2 billion total.

Naming Rights

The City is confident it will be able to raise the bond funding quickly because of the location of the stadium, the economic makeup of Southern California, and the revenue the new facility has already generated. Early in 2011, Farmers Insurance, a company based in Los

Angeles, reached the most lucrative naming rights deal in the history of sports. The company agreed to pay a total of \$700 million for the naming rights of the stadium for the next 20 years. The naming rights deal assures Farmers Insurance the stadium will be known as “Farmers Field” when it opens.

Repayment of Bonds and Maintenance

While the initial funds are likely to be generated easily, maintaining the facility to keep it a world-class venue is another issue. Moreover, to repay the bonds on the payment schedule, the City must be able to cover maintenance costs for the use of the stadium, as well as the costs associated with hosting football games, concerts, and other events. The City has expressed a desire to discuss how income from the stadium’s use will be distributed between those leasing the stadium and the City. The revenue streams on the table consist of rent, advertising, concessions; and ancillary revenue from parking, ticket sales, and concessions.

Needs of Each Party

Los Angeles sees this venture as being a potential moneymaker for the City and the profits generated from the facility will go into a fund to supplement education costs in the Los Angeles Public School system. In order to reach a deal with the Vikings, the City will have to be able to pay back the bonds issued to pay for construction costs, cover the maintenance of the facility, and make a substantial profit on its investment that will go to the public education fund. The City wants to strike a deal that makes business sense (e.g., generates returns commensurate with its investment). A skeptical city council and taxpayers believe the city is in dire financial straits and do not comprehend why the City would use scarce public funds to build a stadium, especially when it benefits a billionaire sports owner. Right now, the City is unable to find necessary funds to fix potholes, provide health care to the indigent, or adequately fund its schools.

The Vikings also require certain assurances to relocate to Los Angeles. The Vikings need a deal that increases the value of the franchise, guarantees them a home in a top-notch facility for years to come, and increases revenue on an annual basis. For the Vikings, the deal needs to be more lucrative than other cities in the mix.

In order to determine if the Vikings can realistically move the franchise to Los Angeles, the Vikings and Los Angeles must discuss the length of the deal, rent, utilities, maintenance costs, advertising, ticket revenue, parking, and needs for additional public transportation. All of these topics, as well as other issues important to each side, must be discussed to ensure this deal will be mutually beneficial for the Vikings and the City of Los Angeles.