International Municipal Lawyers Association
2015 Annual Conference
Las Vegas, Nevada
October 5, 2015

Work Session VI
" When Professional Sports Comes to Town – Team Perspective"

Jonathan Fine
Fine Strategies, LLC and Charlotte School of Law
Charlotte, North Carolina

©2015 International Municipal Lawyers Association and Fine Strategies, LLC. This is an informational and educational report distributed by the International Municipal Lawyers Association during its 2015 Annual Conference, held October 4-7, 2015 in Las Vegas, NV. IMLA assumes no responsibility for the policies or positions presented in the report or for the presentation of its contents.

What are Team's primary goals?

- Cash
  - Venue development – minimize capital contribution
  - Venue-related revenue streams – tickets, sponsorships, media and other venue use
- Control
  - Venue design and development – input and direction
  - Operation of venue once open
- Team desire to maximize profit and control will drive team's negotiation of development/use agreement for the venue
- This presentation assumes new venue development rather than use agreement for an existing venue
  - Cash and Control issues for Team, however, remain similar

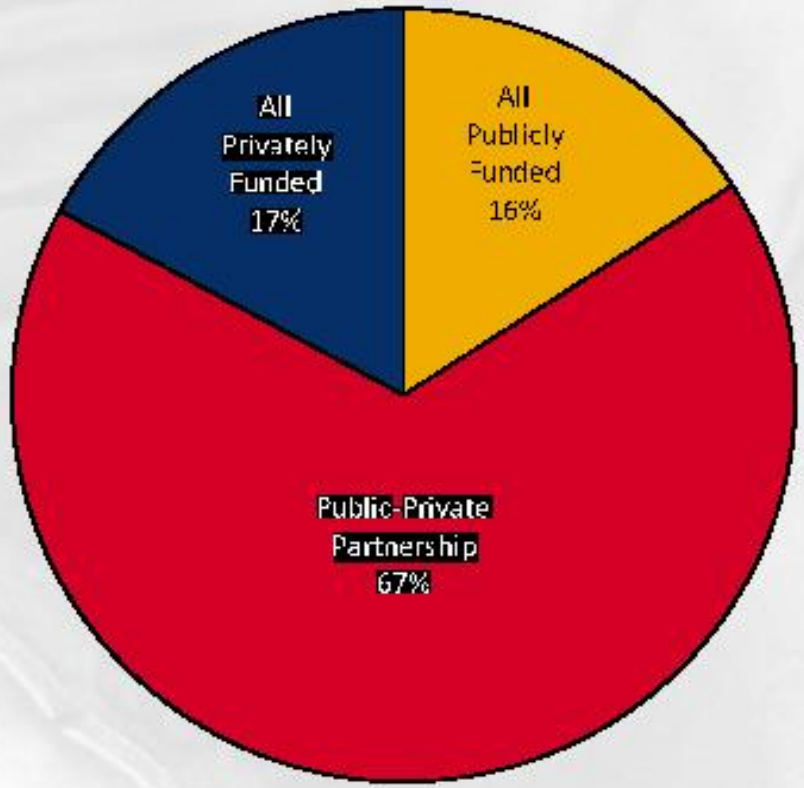
Cash: Venue Development

- Team wants to incur as little development expense as possible
- Days of 100% public funding are largely behind us
- Negotiation of capital contribution split between team and public entity can vary greatly:
  - Public support
  - Political issues
  - Sources of funds
  - Team alternatives – pressure to switch venues?
  - Opportunities for sharing – ancillary development; operating revenue splits

  - In general: the more Team contributes to development, the more cash and control Team will expect in the development/operational agreement.

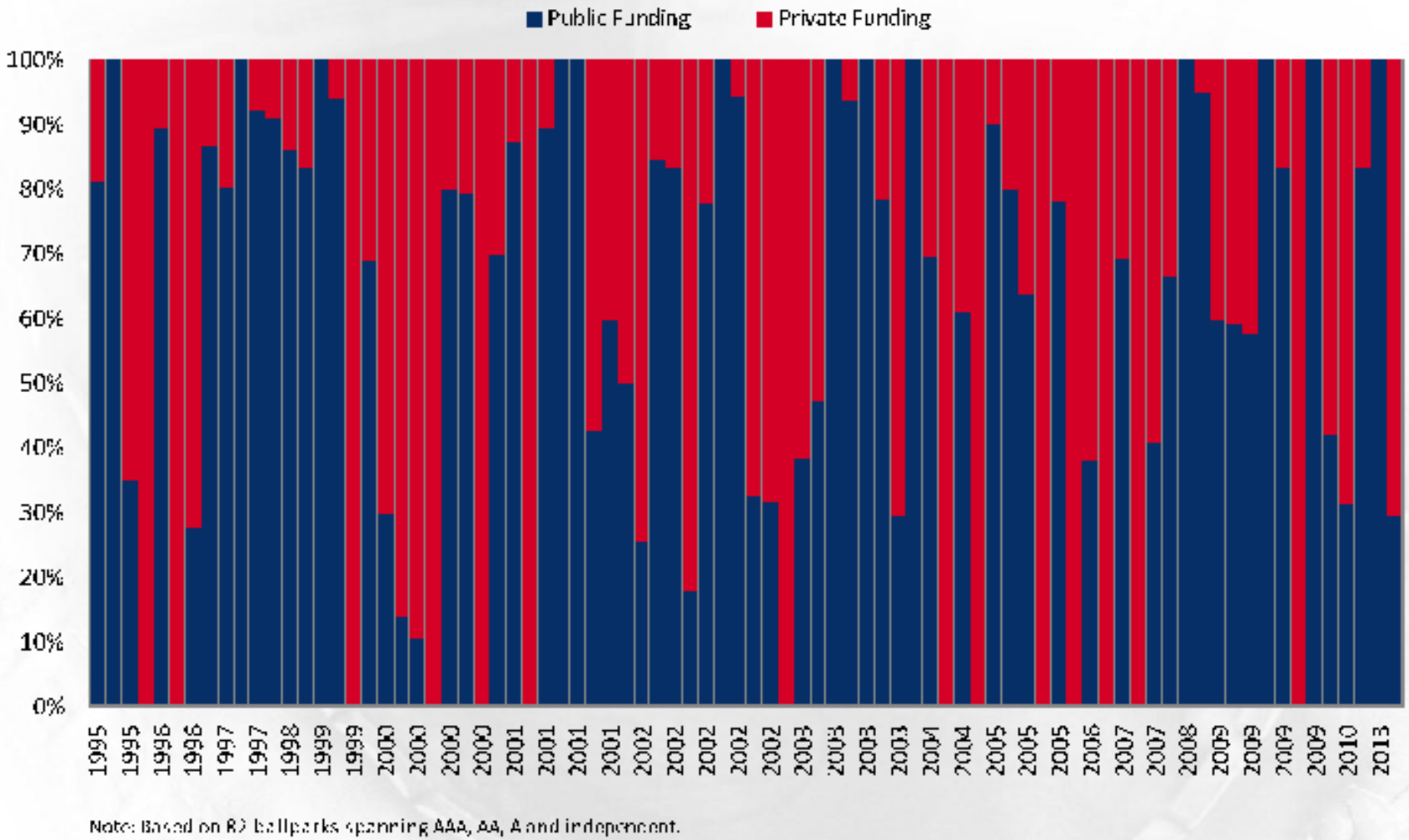
Public-Private Partnerships

Minor League Ballparks Built Since 1995



Note: Based on 82 ballparks spanning AAA, AA, A and independent.

Funding Participation



Note: Based on 82 ballparks spanning AAA, AA, A and independent.

Average Ballpark Funding Participation:

59% Public Funding / 41% Private Funding

Cash: Operating Revenue

- Typical sources of venue operational revenue: Tickets; Sponsorships; Media rights; Food and Beverage; Parking; Subleases and outside events
- These revenue streams are not necessarily the exclusive domain of the teams – get creative if you can:
  - Fixed vs. Variable rent
  - Rebates over defined thresholds
  - Other
- Again: the more Team contributes to development, the more cash and control Team will expect in the development/operational agreement.

Control: Development

- Design
  - Experienced sports venue architects/contractors
  - Customization for revenue generation
  - Initial incorporation of branding/sponsorship
- Vendors
  - Scoreboard and video
  - Food and beverage concessionaire
  - Other
- Use of Funds
  - “Seat at the table”
  - Project management
  - Public bidding; tax-exempt procurement

Control: Operation

- Team often wants control as both “anchor tenant” and venue operator
  - Branding opportunities
  - Sponsorship opportunities
  - Sales opportunities
  - “Look/feel” matters
  - “Front-of-house” customer touchpoints
  - Scheduling priority for anchor [Team] tenant
  - Ancillary venue use opportunities (subleases for minor league users or other outside events)
- One More Time: the more Team contributes to development, the more cash and control Team will expect in the development/operational agreement.

Minor Leagues vs. Major Leagues

Influence On Your Deal? A Primer

Minor Leagues

- $$ -- fewer zeroes (but often still plenty)
- “quality of life”
- Economic Development - local stage
- Fans – it’s about the entertainment experience

Major Leagues

- $$ -- more zeroes
- “civic pride” and tradition
- Economic Development – local and [inter]national stages
- Fans – it’s about star players and winning championships