Stadiums and Ancillary Development: The Impact from Financing to Fan Experience

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What is Ancillary Development?

- Land surrounding or adjacent to facility that is underutilized and is developed hopefully for the betterment of all
- Common examples are entitling or up-zoning land to create value to justify investment for public or private parties

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Examples of Ancillary Development

- LA Live
- San Francisco Giants
- San Diego Padres
- Colorado Rockies
- St. Louis Cardinals

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What is feeding the trend?

- Started as a way to justify public investment by expanding tax base
- With success came analysis: How does such development impact revenues?
- Teams began to ask, “How can we control our environment, improve fan experience and generate revenues?”
- Public Sector is asking, “Can we push stadium development risk to Team?”

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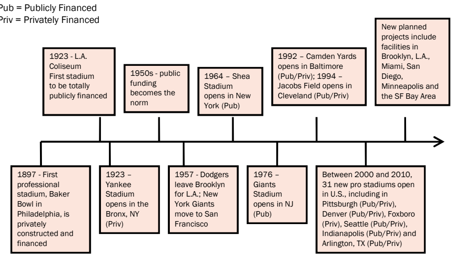
Historical Funding Timeline

Pub = Publicly Financed
Priv = Privately Financed



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Traditional Stadium Financing Tools

- Public Sector Investment
  - Granted funds backed by TIF, PILOT, BID
  - Discounted or free site
  - Revenue bonds
  - Tax exempt debt supported in part by Team revenues/rent
- Private Sector Investment
  - Private financing backed by exclusive team revenues

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Recent Tools

- EB-5
- Historic or new tax credits
- Equity seat licenses
- Indentures (Europe)
- Ancillary stadium development

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Ancillary Stadium Development Pros

- Team Perspective
  - Control fan experience
    - Protect and/or enhance team revenues
    - Enhance Team valuation
- Public Perspective
  - Reduce direct investment in highly charged political debate
  - Incent developer to invest and create a new tax base to justify incentives

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Ancillary Stadium Development Cons

- Team Perspective
  - Shifting development risk to Team
  - Now you have to develop both the stadium and ancillary development
- Public Perspective
  - Political risk of providing corporate incentives; however overall much more palatable than previous approaches

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Approach for Team

- Negotiate for entitlement that justifies risk
  - Not a dollar for dollar negotiation
  - Risk/reward balance
- Consider partnering with third party developer to reduce risk. Give up some upside for certainty?
  - However in doing so, have to put in place land use restrictions to protect team revenues, for example:
    - No sports merchandise store
    - No views into new facility
    - In essence: minimize competing interests
    - Protect ingress and egress

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Conclusion

- Method to protect and control your environment
- If done properly, can prove fan experience, increased revenues and protect valuation
- Look to find right balance of risk versus reward

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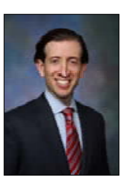

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