

## NBA LEASE SUMMARIES

**TEAM: Houston Rockets**

**Team Owner:** Leslie Alexander

**Team Website:** <http://www.nba.com/rockets/>

**FACILITY:** Toyota Center

**Facility Website:** <http://www.houstontoyotacenter.com/>

**Year Built:** 2003

**TITLE OF AGREEMENT:** Letter Agreement-Arena Development

**Lessor:** City of Houston

**Lessee:** Harris County-Houston Sports Authority; Rocket Ball, LTD

### **Financing Information**

The city spent \$20 million on the land for the arena. The sports authority sold \$182 million in bonds to build the arena and secured \$125 million of that with money from hotel and car rental taxes. The garage project is paid for by a private business. The Rockets are responsible for cost overruns and have pledged to spend \$20 million on enhancements.

### **Term**

The Houston Rockets will enter into the Arena Lease having an initial term commencing upon the earlier of the date of the first regular season or official pre-season Rockets game played in the Arena; and the latest to occur sixty (60) days following completion of the Arena and ending one month after the completion of the Rockets 2032-2033 NBA season (including playoffs). – pg. 16, 21

### Option to Extend

“The Rockets will have the option to extend the term for up to three consecutive periods of five years each at a rental to be negotiated at the appropriate time.” – pg. 16

### **Rent**

In consideration of the Rockets rights with respect to the Arena and the Parking Garage, the Rockets will pay to the Sports Authority annual rental of \$8.5 million, inclusive of the Naming Rights Payment, and gross of the deposits to the Maintenance Fund and the Capital Fund. Annual Arena Rental is payable in semi-annual installments on January 31 of each year and June 30 of each year during the lease term; provided, however, that the rent for any partial first year of the Arena Lease term is prorated according to the number of days in such term prior to the next regularly scheduled installment of rent and such amount is payable within ten (10) days following the Commencement Date. – pg. 11

“With respect to naming rights for the Arena, the [Rockets] will pay as part of Annual Arena Rent an amount equal to 5% of the naming rights fees payable to the [Rockets]; provided that such amount payable shall not exceed \$200,000 per year[.] – p. 12

### **Team Use of the Facility**

Rockets have exclusive rights to use all parking spaces in the parking garage at no charge at all Rockets and affiliate events, and up to twenty (20) additional sporting related events. – pg. 6

## **Revenue Sources**

The Rockets and its affiliates will have the exclusive right to all revenues related to the operation of the Arena including rent, concessions, merchandise, tickets, club seats, suites, sponsorships, telecommunications, broadcast by any and all methods, internet rights, advertising rights, naming rights, grants, prepayments, supplies, utility and energy supply agreements or rights, equipment or loans from concessionaires, vendors and other parties, and other rights, revenues and benefits generated by or through the Arena or in connection with the NBA Club Garage. – pg. 19

The Rockets and not the City will be entitled to any other revenues generated at the Arena in connection with City Events, including without limitation, ticket revenues outside of five charitable events, concessions, advertising and broadcast rights. – pg. 23

## **Maintenance**

The Rockets will be responsible for all maintenance expenses related to the Arena except for costs associated with Excluded Capital Expenses, the Renovation and funds required to be deposited in the Maintenance Fund and the Capital Fund. – pg. 12

Any surplus in the Maintenance Fund upon termination of the Arena Lease (including any renewals) belong to the Rockets. – pg. 14

## **Operating Expenses**

The Rockets will be responsible for all operating expenses related to the Arena except for costs associated with Excluded Capital Expenses, the Renovation and funds required to be deposited in the Maintenance Fund and the Capital Fund. – pg. 12

Rockets must pay administrative and legal expenses incurred in respect to the team. The Rockets are also responsible for concessions build-out costs of up to \$8 million. – pg. 9

## **Capital Improvements**

The Rockets will be responsible for all capital repair expenses related to the Arena except for costs associated with Excluded Capital Expenses, the Renovation and funds required to be deposited in the Maintenance Fund and the Capital Fund. – pg. 12

Any surplus in the Capital Fund upon termination of the Arena Lease (including any renewals thereof) shall belong to the Rockets. – pg. 14

## **Taxes**

The Rockets will not be subjected to a ticket tax. – pg. 20

## **Escape, Default or Termination Clauses**

### Remedies

Rockets possess self-help rights in the event the Sports Authority or the City fail to perform obligations, including “seek to perform” and charging cost plus interest. – pg. 21

### Termination

“The Letter Agreement will automatically terminate in the event that the Referendum is not approved by the voters on November 7, 2000, or if it is determined that the Referendum will not be held on such date.” – pg. 25

In addition, either Party may terminate this Letter Agreement by notice to the other Party within forty-five (45) days after any of the following:

- 1) The failure of the Sports Authority and the City to enter into the Interlocal Agreement within sixty (60) days after the date of the Letter Agreement, approved by the Rockets.
- 2) The failure of the Sports Authority or the City to obtain the Studies within ninety (90) days following the date of this Letter Agreement.
- 3) The failure of the Sports Authority, the City and the Rockets to execute and deliver the definitive agreements within sixty (60) days following the date of the Referendum.
- 4) Prior to commencement of construction of the Arena. – pg. 25

### **Retention Methods**

#### Non Relocation Agreement:

“The [Rockets] will enter into an appropriate non-relocation agreement with the Sports Authority in order to provide an enforceable prohibition against the playing of more than five (5) ‘home’ regular season games of the [Rockets], as applicable, per year anywhere other than in the Arena[.]” – pg. 16