

# Santa Clara Stadium Authority

## Proposed 10-Year Extension to the Stadium Naming Rights Agreement with Levi Strauss & Co.

January 30, 2024, #24-107



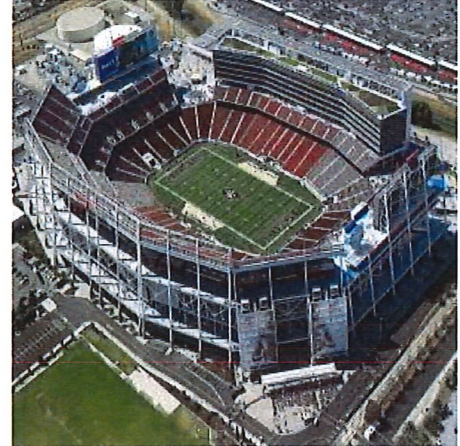
## Outline

- Background
- Overview of Proposed Naming Rights Extension
- Analysis and Consideration
- Recommendation



## Background

- On May 9, 2013, the Santa Clara Stadium Authority (Stadium Authority) and Levi Strauss & Co. (LS&Co.) entered into a Naming Rights Agreement.
- Under the 20-year agreement, LS&Co. provides an annual payment to the Stadium Authority in exchange for exclusive naming rights and branding at the Stadium.
- Levi Strauss & Co. also has a separate sponsorship agreement with Forty Niners SC Stadium Company LLC (StadCo), which includes digital content, and merchandise collaborations, among other things.



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## Background (cont.)

- The existing Naming Rights Agreement between the Stadium Authority and Levi Strauss & Co. includes the following key terms:
  - **Naming Rights Payments:** LS&Co. is obligated to make annual payments to the Stadium Authority increasing at the rate of 3% per year.
    - Year One (2013-14) = **\$5.74 million**
    - Year Eleven, current year (2023-24) = **\$7.6 million**
    - Totals **\$154 million** over the initial term of 20 years
    - Revenue deposited into Stadium Authority's "Operating Fund" - Supports stadium operations, maintenance, and pays debt from the initial stadium construction.
  - **Extension Right:** LS&Co. had the option to extend the term for an additional five (5) years by delivery of written notice no later than the last day of the fifth contract year. The extension right expired on May 10, 2018.

LEVI STRAUSS & CO.



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## Background (cont.)

- **Sign Maintenance/Replacement:** The Stadium Authority is responsible, at its sole cost for cleaning, repairing, and maintaining the Naming Rights signage throughout the 20-year term. If Levi's requests that the signs be replaced (for example, if they change their logo and want updated signage to match), this replacement will be done at Levi's sole cost.
- **Levi's Proposal Discussion:** In mid-December 2023, Levi's prior CEO and StadCo discussed a potential naming rights extension. On January 8, 2024, StadCo briefed the Stadium Authority on Levi's proposed terms for an extension to the Naming Rights Agreement, at staff's request, arranged a January 17<sup>th</sup> meeting between Stadium Authority, StadCo, and Levi's to discuss the proposal.
- **Proposal to the Board:** As a product of the negotiations between the parties, the following proposal is being presented to the Stadium Authority Board >>

## Proposed Naming Rights Extension

- **Amendment:** Parties will enter into a First Amendment to the Naming Rights Agreement to extend the term for an additional 10 years, terminating on February 29, 2044.
- **Annual Fee:** During the extension period, LS&Co. will continue paying the annual fee to the Stadium Authority, increasing at a rate of 3% per year. ***The total anticipated revenue over the 10-year extension period is approximately \$119 million.***
- **Enhanced Signage:** As part of the extension, the Stadium Authority will provide a one-time enhancement of the Naming Rights signage (Enhanced Signage). The Enhanced Signage includes the stadium Name Letters on the east and west exteriors of the Stadium and the two signs above the Stadium scoreboards in the interior of the Stadium.



## Proposed Naming Rights Extension (cont.)

- **Enhanced Signage (cont.):** StadCo has provided a preliminary cost estimate for the project, including the removal of the existing signs and the design and installation of the Enhanced Signage in the amount of approximately \$3 million.
  - **Cost Sharing:** Enhanced Signage installation costs will be shared between StadCo and the Stadium Authority under the terms of a project Implementation Agreement.
  - **First Right:** With the extension, LS&Co. will continue to have the right of first negotiation for an additional Naming Rights Agreement extension (expires last day of the twenty-seventh contract year).
    - *Requires good faith for a period of sixty (60) days*



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## Proposed Naming Rights Extension (cont.)

- **Cost Sharing:** Concurrent with the First Amendment to the Naming Rights Agreement, the Stadium Authority and StadCo will be entering into the Levi's Stadium Naming Rights Extension and Enhanced Signage Project Implementation Agreement (Implementation Agreement) to coordinate the Enhanced Sign Project and the share in the costs for the design, construction, and installation of the signage.
  - The Stadium Authority will be required to fund the first \$2 million of the Enhanced Signage Project.
  - Any Costs over \$2 million will be shared between the Stadium Authority and StadCo in a 70/30 split.



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## Proposed Naming Rights Extension (cont.)

- **Santa Clara Community Grants:** In conjunction with the Naming Rights Extension, StadCo is committing to support charitable causes within the City of Santa Clara for each “Contract Year” of the remainder of the amended term of StadCo’s Sponsorship Agreement with Levi’s (beginning April 1, 2024).
  - **The \$4 million commitment** will provide \$200,000 annually for 20 years to benefit organizations serving the City of Santa Clara.
    - *Commitment is contained in the Naming Rights Implementation Agreement between the Stadium Authority and StadCo.*



## Proposed Naming Rights Extension (cont.)

- **LS&Co. Sponsorship Agreement with StadCo:** LS&Co. and StadCo plan to concurrently extend their existing Sponsorship Agreement.
  - The payments to StadCo under the Sponsorship Agreement extension are expected to be \$51 million over the 10-year extension period. This represents 30% of the \$170 million total.



## Agreement Terms

- **First Amendment to the Naming Rights Agreement**
  - Existing Naming Rights Agreement total value is projected to be \$154 million over the initial term of 20 years. In the current year (2023-24), the annual payment is \$7.6 million.
  - To date, the Stadium Authority has received \$65 million in Naming Rights revenue.
  - The Stadium Authority utilizes naming rights revenue to fund stadium operations and maintenance, and to pay down the debt from the initial stadium construction.



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## Agreement Terms (cont.)

- **First Amendment to the Naming Rights Agreement (cont.)**
  - Proposed 10-year extension will **generate an additional ~ \$119 million in revenue.**
  - The annual payments during that extended time period will **begin at \$10.3 million and increase at a rate of 3% per year.**



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### Summary of Initial Term & Proposed Extension Payments

Current Agreement			
Contract Year	Year Begin	Year End	Payment to SCSA (↑ @ 3%/yr.)
1	2013	2014	\$ 5,740,000
2	2014	2015	\$ 5,912,200
3	2015	2016	\$ 6,089,566
4	2016	2017	\$ 6,272,253
5	2017	2018	\$ 6,460,421
6	2018	2019	\$ 6,654,233
7	2019	2020	\$ 6,853,860
8	2020	2021	\$ 7,059,476
9	2021	2022	\$ 7,271,260
10	2022	2023	\$ 7,489,398
11	2023	2024	\$ 7,714,080
12	2024	2025	\$ 7,945,502
13	2025	2026	\$ 8,183,867
14	2026	2027	\$ 8,429,384
15	2027	2028	\$ 8,682,265
16	2028	2029	\$ 8,942,733
17	2029	2030	\$ 9,211,015
18	2030	2031	\$ 9,487,345
19	2031	2032	\$ 9,771,966
20	2032	2033	\$ 10,065,125
Sub-total (Y1-20)			\$ 154,235,950

Proposed Extension			
21	2033	2034	\$ 10,367,078
22	2034	2035	\$ 10,678,091
23	2035	2036	\$ 10,998,434
24	2036	2037	\$ 11,328,387
25	2037	2038	\$ 11,668,238
26	2038	2039	\$ 12,018,285
27	2039	2040	\$ 12,378,834
28	2040	2041	\$ 12,750,199
29	2041	2042	\$ 13,132,705
30	2042	2043	\$ 13,526,686
Sub-total (Y21-30)			\$ 118,846,937
Total (Y1-30)			\$ 273,082,886

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## Agreement Terms (cont.)

- **First Amendment to the Naming Rights Agreement (cont.)**
  - **Naming Rights Signage:** Levi's is requiring an enhancement of their existing "Naming Rights Entitlements" signage package:
    - **Suite Tower - Marquee Sign.** One (1) primary exterior stadium identification banner sign displaying the Stadium Name in large lettering.
    - **East Facade Marquee Sign.** One (1) large, centered sign across the east-facing exterior displaying the Stadium Name in large lettering and, together with the West Side Lettering, the "Stadium Name Lettering"), visible to surrounding corporate and residential areas.
    - **Two (2) primary seating bowl stadium identification** end zone panel signs above the Stadium jumbotrons displaying the Stadium Name. The signage will face the inner bowl of the Stadium and will be illuminated during all Stadium events.



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# Signage Package Images



Suite Tower - Marquee Sign



East Facade Marquee Sign



End Zone Jumbotron Sign - N



End Zone Jumbotron Sign - S



# Agreement Terms (cont.)

## • First Amendment to the Naming Rights Agreement and Enhanced Signage Project Implementation Agreement

- The Enhanced Signage Project involves the replacement of all four of the existing signs.
  - *The project shall be implemented in a manner that minimizes impacts on Stadium NFL and non-NFL events.*
- The overall quality is to be equal or superior to the quality of comparable NFL stadium signage installed over the past 5 years. *Final design is subject to Stadium Authority approval.*
- The estimated cost of this overall project is \$3 million and will need to be completed by December 31, 2025.
  - *Stadium Authority to fund the initial \$2 million of the Enhanced Signage Project. Any Costs over \$2 million will be shared between the Stadium Authority and StadCo in a 70/30 split.*





## Agreement Terms (cont.)

- **First Amendment to the Naming Rights Agreement and Enhanced Signage Project Implementation Agreement**

- The Stadium Authority Fiscal Year (FY) 2023/24 Capital Expense (CapEx) Budget includes a **line item for a Levi's Naming Rights Signage Refurbishment project (\$1,260,000) related to the maintenance of four (4) signs** located above the North and South Scoreboards, west side of the suite tower, and on the east side of the grandstands.
- **These funds have not been expended** and staff will recommend that they be carried forward to FY 2024/25 as part of the upcoming Stadium Authority FY 2024/25 budget process.

## Agreement Terms (cont.)

- **Grants to Santa Clara serving Community Organizations**

- The Implementation Agreement includes, as part of the proposed extension, **\$4 million (\$200,000/annually over the next 20 years)** for grants to Santa Clara serving community organizations
- Details of the commitment will be implemented through a Grants Agreement to be entered into **between a StadCo-designated charitable affiliate and the City utilizing the City's existing Community Grants Program** for distribution.

## Analysis and Consideration

Through research, staff found the **proposed terms in line with recent naming right extensions deals, market events, and expectations.**

- In general, it is beneficial for facilities to **maintain their initial and/or iconic naming rights partner** to fully leverage the brand goodwill which takes years to build.
- Switching to a new naming rights sponsor will likely **cost the Stadium Authority a 10-20% broker commission (anticipated between \$18.8 - \$37.6 million).** And, Stadium Authority bears sole responsibility for all Naming Rights signage removal costs.
- Projections indicate that **around 2031, the Stadium Authority's demolition fund reserve will be fully funded** so the additional Naming Rights revenue, if beyond the amounts necessary for operations and annual debt, could offer unrestricted "excess revenues" funding to the City.



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## Analysis and Consideration (cont.)

- It is also important to consider that many **top tier sponsors are currently not extending their naming rights agreement** due to underperforming return on investment (ROI).
  - Examples include **Target not renewing its naming rights deal** in Minneapolis, and **Wells Fargo not renewing its naming rights deal** in Des Moines.
- The proposed extension **guarantees continuity for the Stadium Authority** with Levi's, which is one of the strongest brands in the San Francisco Bay Area with a 170-year track record of solid financial performance.
- **Comparisons to other large market naming rights deals are on par** with this deal when Designated Market Area (DMA) media ranking, car/foot traffic, and the number of NFL games played are considered.

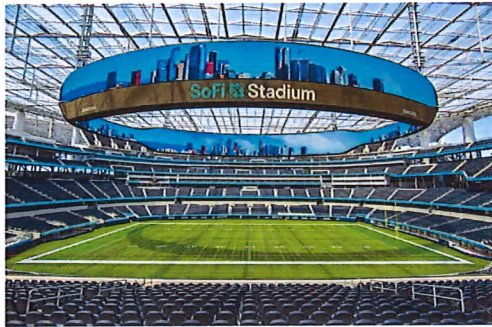


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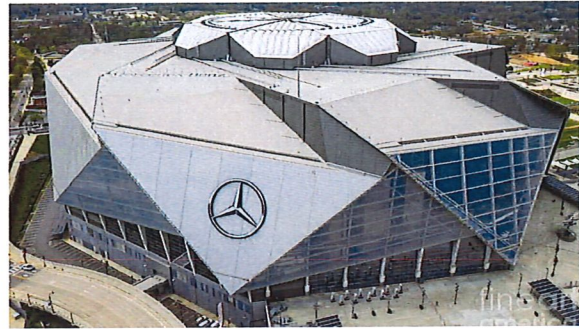


# Analysis and Consideration (cont.)

- Comparisons to other large market naming rights deals are on par...



SoFi Stadium - Los Angeles (#2 DMA)



Mercedes-Benz Stadium - Atlanta (#7 DMA)

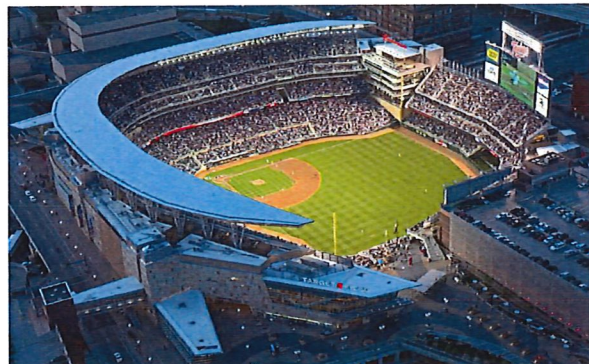


# Analysis and Consideration (cont.)

- Comparisons to other large market naming rights deals are on par...



Levi's Stadium - SF-Oak-SJ (#10 DMA)



Target Field - Minneapolis (#15 DMA)





## Staff Recommendation

- 1. Approve a First Amendment to the Naming Rights Agreement** with Levi Strauss & Co. that will provide a 10-year extension and additional Naming Rights revenue to the Stadium Authority on the terms presented, in a final form approved by Authority Counsel.
- 2. Approve a Levi's Stadium Naming Rights Extension and Enhanced Signage Project Implementation Agreement** with Forty Niners SC Stadium Company LLC (StadCo) to coordinate the Enhanced Sign Project and the share in the costs for the design, construction, and installation of the signage, and memorialize StadCo's \$4 million charitable commitment over 20 years, on the terms presented, in a final form approved by Authority Counsel.
- 3. Authorize the City Manager to negotiate and execute a grants agreement,** and take other actions as may be required to implement StadCo's charitable commitment, in final form(s) approved by the City Attorney.



**SCSA**  
Santa Clara Stadium Authority