



COUNCIL AGENDA: 8/26/25  
FILE: 25-909  
ITEM: 8.2

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Lee Wilcox

**SUBJECT:** See Below

**DATE:** August 8, 2025

Approved

Date:

8/15/25

**COUNCIL DISTRICT: 6**

**SUBJECT: Actions Related to the Agreement with San Jose Arena Management, LLC for SAP Center at San Jose, Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena, and Memorandum of Understanding with Sharks Sports & Entertainment and Associated Agreements**

## **RECOMMENDATION**

- (a) Approve the Third Amended and Restated Arena Management Agreement between the City of San José and San Jose Arena Management, LLC, for the property commonly known as SAP Center located at 525 W. Santa Clara Street, in San José, California, the term of which extends through June 30, 2051, including all attachments and ancillary documents contained in that agreement and subject to the terms contained therein.
- (b) Approve the Memorandum of Understanding related to the Arena District Agreement, prescribing an evaluation and negotiation period from execution of the proposed Arena Management Agreement through March 31, 2027, with a defined goal of identifying a Future Arena Location and executing an Arena District Agreement for the new Arena District no later than September 1, 2027.
- (c) Adopt a resolution authorizing the City Manager, or her designee, to negotiate and execute:
  - (1) A First Amendment to the Second Amended and Restated Ice Centre Lease and Management Agreement between the City of San José and Sharks Ice, LLC, for the property commonly known as Sharks Ice at San Jose and Tech CU Arena located at 1500 S. 10<sup>th</sup> Street, in San José, California, the term of which extends through June 30, 2051 consistent with terms discussed in this Memorandum; and

August 8, 2025

**Subject: Actions Related to the Agreement with San Jose Arena Management, LLC for SAP Center at San Jose, Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena, and Memorandum of Understanding with Sharks Sports and Entertainment and Associated Agreements**

Page 2

- (2) A property use agreement between the City and San Jose Arena Management, LLC for employee parking and storage on property located along Sharks Way (formerly W Saint John Street) between N Autumn Street and N Montgomery Street, consisting of Assessor's Parcel Numbers (APNs) 259-29-091, 259-29-001, 259-29-002, 259-29-003, and pending the City's acquisition, APNs 259-29-004, and 259-29-005; and
- (3) A five-year option agreement to acquire APN 259-29-004 for a price of \$1,226,030, subject to annual consumer price index inflation; and
- (4) All other ancillary documents, exhibits, and technical revisions as may be necessary to fulfill the terms of the Third Amended and Restated Arena Management Agreement, the First Amendment to the Second Amended and Restated Ice Centre Lease and Management Agreement, and the Arena District Memorandum of Understanding.

## **SUMMARY AND OUTCOME**

For the purposes of this memorandum, it is noted that Sharks Sports & Entertainment, LLC operates as the parent company to:

- (a) San Jose Arena Management, LLC, which operates the SAP Center;
- (b) San Jose Sharks, LLC, which owns the San Jose Sharks National Hockey League (NHL) franchise, as well as San Jose Minor Holdings, LLC, which owns the San Jose Barracuda American Hockey League (AHL) franchise and related assets; and
- (c) Sharks Ice, LLC, which operates Sharks Ice and the Tech CU Arena, known as the Ice Centre.

Except where specifically clarified, these entities are hereinafter collectively referred to as the "Sharks."

Approval of the recommendations in this memorandum directs the City Clerk to execute the Third Amended and Restated Arena Management Agreement (AMA) between the City of San José and San Jose Arena Management, LLC and the Arena District Memorandum of Understanding (MOU) between the City and San Jose Arena Management, LLC. The City Manager, or her designee, will negotiate and execute a property use agreement with San Jose Arena Management, LLC for parking and storage on property located along Sharks Way between N Autumn Street and N Montgomery Street, the First Amendment to the Second Amended and Restated Ice Centre Lease and Management Agreement between the City of San José and Sharks Ice, LLC, an option agreement for the acquisition of 160 N Montgomery Street for

August 8, 2025

**Subject: Actions Related to the Agreement with San Jose Arena Management, LLC for SAP Center at San Jose, Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena, and Memorandum of Understanding with Sharks Sports and Entertainment and Associated Agreements**

Page 3

parking and storage, and all other ancillary documents, exhibits, and technical revisions as may be necessary to fulfill the terms of the above documents.

Under the Third Amended AMA, the Sharks will guarantee that they will keep hockey operations in San José through June 30, 2051. The hockey use agreement between San Jose Arena Management, LLC and San Jose Sharks LLC, which requires hockey operations to be conducted in San José, will be extended through June 30, 2051. If the hockey use agreement is modified to allow operations outside of San José, the Sharks will be subject to a financial penalty substantially equal to the outstanding principal and interest on the City's debt service. This amount fluctuates over the term of the agreement according to the payment schedule.

The SAP Center at San Jose (SAP Center, or Arena) will undergo a \$425 million renovation necessary to extend the useful life of the City-owned facility to 2051. The City will fund a net amount of \$325 million of the renovation, and the Sharks will fund \$100 million, in addition to any cost overruns in the project. The City anticipates issuing a financing framework for \$350 million, and of the Sharks' \$100 million contribution, \$25 million will be given directly to the City to offset debt service payments.

The Sharks will manage the \$425 million renovation project to improve and modernize the SAP Center. Over the course of seven years, the Arena renovations will take place in the summer during the hockey offseason. The renovations will create a better and safer fan experience, improve operations, and bring the Arena into greater compliance with current NHL and building code standards. The primary purpose of the renovations is to address significant structural needs in the building (which is more than 30 years old and has never undergone a major remodel), including an improved operational layout and modernization of the plumbing, electrical, HVAC, and audiovisual/broadcasting infrastructure. The renovations will also improve operations and the fan experience by providing new ways to experience an event and expanding the concourse and concession areas. These renovations will enhance the Arena's competitiveness in attracting premier talent—both for headline touring acts and elite athletes—by upgrading the “VIP” back-of-house facilities and hockey clubhouses to align with contemporary industry standards.

The lease between the City and Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena will continue to support the Sharks' residency in San Jose, as this facility continues to host Sharks and Barracuda hockey team practice and public events, and San Jose Barracuda AHL home games. The First Amendment to the Ice Centre Lease will provide for the Sharks to add a more robust guarantee (equivalent to the guarantee under the Amended AMA) in lieu of carrying a letter of credit to secure rental payments.

The City and Sharks will enter into an MOU outlining a process of collaboration to determine the feasibility of a new future arena location, to be surrounded by a

August 8, 2025

**Subject: Actions Related to the Agreement with San Jose Arena Management, LLC for SAP Center at San Jose, Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena, and Memorandum of Understanding with Sharks Sports and Entertainment and Associated Agreements**

Page 4

downtown sports and entertainment district (Arena District). The future arena footprint will provide certainty to the Sharks that there is a location for their future home in San José beyond 2051. It is the intent of the City and Sharks that this initial dialogue will lead to a plan for a new Arena District by September 1, 2027.

## **BACKGROUND**

### ***SAP Center***

The City-owned SAP Center opened to the public in 1993 as the home of the San Jose Sharks. The Sharks franchise was established in 1991 and quickly became a defining cultural asset of the City. The Sharks have played in the SAP Center since the 1993-1994 season.

The SAP Center contains approximately 460,000 square feet of interior space on four levels and has an attendance capacity of approximately 17,500 for hockey games and 18,500 for concerts. In addition to hosting home games for the Sharks, the Arena hosts roughly 100 concerts and other events each year. Over the years, the Arena has been the home to numerous professional sports teams, including the San Jose Grizzlies indoor soccer team, the San Jose Rhinos inline hockey team, the San Jose Saber Cats arena football team, the Golden State Warriors, the San Jose Lasers women's basketball team, the San Jose Stealth lacrosse team, the San Jose Barracuda ice hockey team, and it is currently home to the Bay Area Panthers Indoor Football League team. The SAP Center has hosted prominent sporting events, including being home to the SAP Open tennis competition, the NHL All-Star game, Strike Force and Ultimate Fighting Championship mixed martial arts competitions, and national championships for gymnastics and figure skating. In addition, the SAP Center regularly hosts national touring musical and comedy acts and World Wrestling Entertainment events.

The SAP Center is the oldest active Arena of a team in the NHL that hasn't undergone a major renovation. However, the Sharks have historically maintained and operated the facility to a high standard. The Arena is well-liked and respected by the fan base, despite its age, which is a testament to the Sharks' professional approach to maintaining the building.

There are limits to what the Sharks' maintenance and management can do, however. The layout of the Arena is not compliant with current NHL standards, and as such, the player facilities cannot be renovated or upgraded until modifications are made. In particular, the visiting team's clubhouse is on the opposite side of the ice from the visiting bench, requiring the coaching staff to walk across the ice at the beginning and end of each period of play. Curing this problem requires a total reorganization of the ground floor of the Arena, which has subsequent effects on the layout for other floors of the Arena. This means that the back-of-house area cannot be upgraded without a

August 8, 2025

**Subject: Actions Related to the Agreement with San Jose Arena Management, LLC for SAP Center at San Jose, Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena, and Memorandum of Understanding with Sharks Sports and Entertainment and Associated Agreements**

Page 5

substantive renovation of the full Arena, and over the years, it has become substandard and dated. This impacts the ability to attract top talent to perform at the Arena, a challenge that has become more pronounced since the Chase Center opened in San Francisco.

Bringing the SAP Center's back-of-house facilities in line with market standards is also important for player attraction and retention, which is a particular focus of the Sharks' franchise as they are currently assembling a new core group of players that will be the face of the team's next generation. Just as important, given the age of the building, rehabilitation of basic mechanical, plumbing, electrical, technology, and parking systems is needed to consistently ensure a safe and enjoyable fan experience.

As San José looks to the future, reinvesting in the SAP Center is about more than bricks and mortar—it's about honoring a civic legacy, supporting the next generation of athletes and artists, and reaffirming our place as a destination for world-class entertainment. By modernizing this beloved venue, we strengthen our community identity and ensure that the Arena continues to serve as a vibrant cultural anchor for decades to come.

### ***Arena Management Agreement***

Use of the SAP Center is currently governed by the Second Amended and Restated Arena Management Agreement, dated August 15, 2018, between the City and San Jose Arena Management, LLC, as amended by the First Amendment, dated December 4, 2018 and the Second Amendment, dated June 8, 2021 (collectively, "current AMA"). The First Amendment incorporates terms of the settlement agreement between the City, the Sharks, and Trammell Crow, dated December 1, 2016, for the provision of public parking to serve arena events and a parking lease between the Sharks and Google LLC dated December 19, 2018. The Second Amendment incorporates the terms of the settlement agreement between the City, the Sharks, and Google, dated May 25, 2021, and provides for the City's payment of certain event traffic and parking management costs.

On July 1, 2025, the annual contribution to the Capital Reserve Fund from the Sharks under the current AMA was scheduled to increase from \$1.4 million to \$4.0 million. The Sharks have historically operated at a loss, and in 2023, they notified the City that they would not agree to remain subject to the rent increase without a plan to address the facility's condition. The current AMA allows the Sharks to vacate the Arena and relocate for any reason.

### ***Sharks Ice at San Jose and Tech CU Arena***

At approximately 385,000 square feet, Sharks Ice at San Jose is the largest ice-skating facility in California and is the official training facility of the Sharks and the Barracuda. Tech CU Arena, a component of Sharks Ice, is a 185,000 square foot arena that hosts

August 8, 2025

**Subject: Actions Related to the Agreement with San Jose Arena Management, LLC for SAP Center at San Jose, Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena, and Memorandum of Understanding with Sharks Sports and Entertainment and Associated Agreements**

Page 6

the Barracuda's home games. The City-owned facility hosts hundreds of events and programs annually, including national championship hockey tournaments and figure skating competitions. It offers daily lessons to the public in a diverse range of ice-skating disciplines, and it is available to rent for hosted parties and events.

## **ANALYSIS**

In order to preserve the SAP Center as an attractive venue for the San Jose Sharks and to keep the Arena competitive with other sports and entertainment venues in Northern California, the City and Sharks have agreed to undertake a necessary renovation of the Arena's interior. This renovation project will modernize the Arena, enhance operating and environmental efficiencies, and preserve the economic and community benefits enjoyed by San José residents, businesses, and visitors through the successful operation of the Arena. The restated lease creates a new term of 26 years and will expire on June 30, 2051. Any terms not changed from the current AMA will not be highlighted in the analysis below.

### ***Economic Impact Analysis***

Beyond its cultural significance and deep ties to San José's identity, the Sharks organization delivers substantial and measurable economic value to the City. In 2023, the Sharks commissioned SportsEconomics, LLC to assess the economic impact of SAP Center and Sharks Ice. The analysis—based on over 3 million annual attendees—found that Sharks-related activities generate \$235 million in annual visitor spending and support 2,740 local jobs. Of that, \$113 million flows directly into the pockets of San José residents and workers. The study identified \$163 million in direct impact and an additional \$72 million in indirect economic activity. Based on this data, City staff estimate annual tax revenues to San José of approximately \$4 million—underscoring the importance of the Sharks as a year-round economic engine and a vital contributor to the City's fiscal health and activator of Downtown San Jose. This financial impact is especially important to the downtown small business community.

### ***Renovations***

The \$425 million renovation will bring the SAP Center into compliance with NHL standards and with building and life-safety code requirements. Once the Amended AMA is approved, the Sharks will prepare, for City's review, design development documents, construction budgets, and a phasing plan intended to complete most of the construction work over a 7-year period. The renovation project is proposed to be completed in phases over not more than 10 years, with most of the work completed by the end of Fiscal Year 2032-2033. The Sharks are obligated to perform structural improvements to certain building and life-safety elements of the facility.

August 8, 2025

**Subject: Actions Related to the Agreement with San Jose Arena Management, LLC for SAP Center at San Jose, Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena, and Memorandum of Understanding with Sharks Sports and Entertainment and Associated Agreements**

Page 7

The proposed renovation work includes:

- Facility Deferred Maintenance: Improvements to building systems (including mechanical, plumbing, electrical, and technology), refreshing finishes, repairing Lots ABC, and updating other items that have outlived their intended lifespan.
- NHL Requirements: Renovations and improvements required to comply with NHL facility and operating requirements.
- Code Upgrades: Retrofits and other improvements to meet updated building and fire/life safety codes, fire insurance underwriting standards, and other applicable requirements.
- Architectural Enhancements: Renovations to enhance the building, including layout reconfiguration, addition of new finished spaces, and large-scale changes to the building.
- Enhanced/New Premium Products: New revenue-generating enhancements and the addition of new premium seating and other premium products.
- Food Service/Merchandise Revisions: Renovation of existing spaces and creation of new food service and merchandise spaces.
- Entertainment Enhancements: Program space and other features, including green rooms and other amenities expected by contemporary acts, will be added to attract top entertainment acts.
- Other Modernizing Improvements: Upgrades related to environmental sustainability, technology, lighting, audio/video, sponsorship assets, and activation.

The renovation work will be subject to applicable laws, codes, regulations, and policies, including all applicable procurement standards and prevailing wage requirements. A Citywide Project Labor Agreement will be required. Permit fees shall not exceed 1.3% of the total construction costs, provided the Sharks meet certain timing and quality control requirements.

### ***Financial Contributions***

According to the payment schedule, the City will fund a net amount of \$325 million of the renovation, and the Sharks will fund \$100 million. The City will issue a financing framework for \$350 million, and of the Sharks' \$100 million contribution, \$25 million will be given directly to the City to offset debt service payments, payable in three installments between 2028 and 2030. The City's payments will be made in five installments of \$70 million between 2027 and 2031. The Sharks will be responsible for any cost overruns in the project.

The City retains flexibility for how its contributions to the renovation project will be financed, which could include a combination of short-term commercial paper notes and long-term lease revenue bonds paid by the General Fund – with the expectation of significant support from a new revenue stream, such as an increased Transient

August 8, 2025

**Subject: Actions Related to the Agreement with San Jose Arena Management, LLC for SAP Center at San Jose, Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena, and Memorandum of Understanding with Sharks Sports and Entertainment and Associated Agreements**

Page 8

Occupancy Tax as well as a general obligation bond measure. The City may not raise funds through the imposition of ticket taxes or parking taxes aimed primarily at SAP events.

Including the Sharks' prior capital investments, over and above the required contributions under the AMA by over \$84 million, the funding split for building renovation through 2050 is roughly 70% City and 30% Sharks, which is in line with market standards for similar arena renovations. This contribution has continued through the summer of 2025 as the Sharks have continued to make improvements to the Arena.

After the major renovations and improvements described above are completed, the City and the Sharks will each contribute roughly \$32 million towards ongoing capital repairs and replacements. Current payments into the fund will pause beginning in 2026-2027. Sharks' payments will resume upon completion of work, and City's payments will be delayed for five years and weighted to the back end of the term. This helps offset impacts to the City's General Fund.

The Sharks will continue to contribute \$475,000 annually and \$12,350,000 in total for community benefits throughout the new term. Of these payments, \$100,000 annually is paid to a Community and City Events Fund held by the Sharks, and \$375,000 annually is paid to the Sharks Community Fund held by the City, of which \$250,000 is distributed equally among all City Council District Offices for educational, recreational and cultural purposes, and \$125,000 is paid to the City and is available for use for any public purpose as determined by the City Council (historically used for constituent outreach).

The Sharks will also continue to partially support the Arena Authority, which provides management oversight for SAP Center, Sharks Ice, Tech CU Arena, and Excite Ballpark. This payment is roughly \$120,000 in Fiscal Year 2025-2026, and increases annually by the consumer price index (CPI).

Under the current AMA, the Sharks are responsible for funding traffic and parking management costs at a rate consistent with the average costs for Fiscal Years 2017 through 2019, adjusted annually by the CPI. The City is responsible for paying for "incremental" costs over the base costs paid by the Sharks, to account for the impact that development in the Diridon area would have on the cost to operate the Arena. The Sharks' responsibility for base costs was approximately \$517,000 in 2024-2025, and total actual expenditures were roughly \$477,000. Staff do not anticipate that the City will incur incremental parking and management costs in the near term.



August 8, 2025

**Subject: Actions Related to the Agreement with San Jose Arena Management, LLC for SAP Center at San Jose, Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena, and Memorandum of Understanding with Sharks Sports and Entertainment and Associated Agreements**

Page 9

The City will contribute \$150,000 in the first year, and \$100,000 ongoing, to an arena safety program. This program will be used to enforce the peddler ordinance and pay for event security coverage in the event of a staffing shortfall through the Police Department secondary enforcement program. As the 2025-2026 Adopted Operating Budget currently includes an ongoing budget of \$100,000 for these purposes, this funding will need to be increased by \$50,000 in 2025-2026 on a one-time basis as part of a future budget process.

### ***Penalties for Default***

The current AMA allows the Sharks to unilaterally terminate the lease at any time "for any cause and no cause." The Sharks will not have this right under the revised AMA. If the Sharks seek to relocate, they will owe a termination fee approximately equal to the City's outstanding debt plus interest. The recovery of these funds is protected by a stipulated judgment held in escrow, which allows the City to move immediately to collections with minimal legal action, should the Sharks default, and block a sale or relocation of the team if the termination fee is not paid. The Sharks will be allowed to relocate within the City of San José without penalty. Staff investigation concludes that no other NHL city has as strong a guarantee from their team to remain in their home market.

The revised AMA also includes financial penalties for a City default. The primary issues on which the City risks default are: (a) in the timely payment of its \$70 million annual renovation obligation in Fiscal Years 2026-2027 through 2030-2031, and (b) in its provision of available off-site parking within an immediate radius of the Arena. Failure to make a timely payment shall result in an immediate liquidated damages payment as described in the payment schedule. This payment is set at \$200 million in 2026-2027 and decreases to \$70 million in 2030-2031. As regards the City's obligation to provide a minimum level of parking, the City must demonstrate the availability of 3,175 available parking spaces on the street and in parking lots within a 1/3 mile of the SAP Center, and 6,350 available parking spaces within a 1/2 mile of the SAP Center. Should the City fail to provide these minimum levels of street and lot parking, the City must pay to secure the requisite number of additional parking spaces or must make a liquidated damages payment of \$450/space per month that the parking supply is short. This payment is intended to allow the Sharks to secure the necessary parking spaces, although they are not obligated to apply these funds to this purpose.

### ***Future Arena and Arena District Memorandum of Understanding***

The City and the Sharks have agreed that it will be impractical to extend the Arena's use past the year 2051. In order to retain the Sharks as a cultural and economic asset and a source of civic pride and identity within San José, the City will work with the Sharks to

August 8, 2025

**Subject: Actions Related to the Agreement with San Jose Arena Management, LLC for SAP Center at San Jose, Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena, and Memorandum of Understanding with Sharks Sports and Entertainment and Associated Agreements**

Page 10

identify and reserve an appropriate site for the construction of a future arena and associated site improvements.

The Memorandum of Understanding for the proposed arena district will bind the City and Sharks to negotiations through March 31, 2027, with the intent of defining a new arena location and district plan by September 1, 2027. The arena district will include both the designation of a potential future arena location and a surrounding entertainment district that includes other uses such as retail, restaurants, hotels, arts and cultural venues, and other gathering spaces. The arena footprint must cover approximately 12 acres of land and remain under City ownership or control without encumbrance. This plan may include a description of district objectives, including terms of revenue for each party, patron experience, economic development benefits, and a capital strategy. The plan may include a roadmap for securing legal approvals for the execution of these objectives, with specific timelines and milestones for decision points.

### ***Sharks Ice and Tech CU Arena***

The City Manager, or her designee, shall negotiate and execute a First Amendment to the Second Amended and Restated Ice Centre Lease and Management Agreement between the City of San José and Sharks Ice, LLC. The Ice Centre Lease currently has a remaining term of 26 years and will also expire on June 30, 2051 and effectively supports the Sharks' continuing residency in San Jose through the practice facility and other operations at Sharks Ice and Tech CU Arena. The Ice Centre Lease includes many of the same general terms and conditions as the AMA.

The rent shall remain unchanged from the prior 2020 Ice Centre Lease, which is applied to the debt service for the lease revenue bonds that support the facility's recent expansion and renovation, and to fund a capital rehabilitation reserve. The rent will be approximately \$8.6 million for 2025-2026. Thereafter, it will be roughly \$8.8 million per fiscal year through June 30, 2051.

Other provisions of the amendment to the Ice Centre Lease include:

- The City and Sharks will cooperate to reduce energy costs, and the City will receive financial compensation from the Sharks, if any cost reductions are realized.
- The public artwork on the exterior of the building may be relocated to the interior of the building, consistent with all standard City public art requirements.
- There will be amendments to the signage and advertising provisions similar to the SAP Center's restated AMA.
- City will cooperate with Sharks regarding possessory interest taxes.

August 8, 2025

**Subject: Actions Related to the Agreement with San Jose Arena Management, LLC for SAP Center at San Jose, Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena, and Memorandum of Understanding with Sharks Sports and Entertainment and Associated Agreements**

Page 11

- The Sharks must pay the City for the cost to secure “all risk” property insurance and support the Arena Authority.
- The Sharks will no longer carry a letter of credit to secure rental payments and shall instead agree to more robust guarantees from Sharks Sports & Entertainment LLC and San Jose Sharks LLC, similar to the updated guarantee in the revised AMA.

### ***Acquisition of Lot E Parcels and Property Use Agreement***

The City Manager, or her designee, shall negotiate and execute a property use agreement with the Sharks for property located at 517-525 Sharks Way and 150 N Montgomery Street, identified as APNs 259-29-091, 259-29-001, 259-29-002, 259-29-003, and pending the City’s acquisition, APNs 259-29-004 and 259-29-005. The property was acquired for arena parking, as obligated by the current AMA. The 51,282 square foot property is primarily a vacant lot, and it is improved with a 10,020 square foot industrial building currently used for storage. The Sharks will use this property for employee parking and arena-related activity.

The current AMA obligates the City to acquire two additional parcels for public parking, 160 N Montgomery Street (APN 259-29-004) and 170 N Montgomery Street (APN 259-29-005). After the City’s acquisition of these parcels, they will be incorporated into the property use agreement for management by the Sharks. The City Manager, or her designee, will negotiate and execute an option to purchase APN 259-29-004 with the then-current owner of the parcel. The option will provide a term of five years for the City to purchase the property for no more than \$1,226,030, subject to CPI inflation. The parking lot located at 160 N Montgomery Street is a 5,840 square foot parcel with a vacant, 2,155 square foot duplex. Staff are negotiating terms with the owners of 170 N Montgomery Street and will return to the City Council for authorization to acquire the parcel at a later time.

### **EVALUATION AND FOLLOW-UP**

At City Council’s direction, the City Clerk will execute the Third Amended and Restated Arena Management Agreement, between the City of San José and San Jose Arena Management, extending the term of the lease for SAP Center through June 30, 2051, subject to all terms contained therein.

Finally, the City Clerk will execute the Memorandum of Understanding related to the Arena District Agreement, which will open a negotiation period that shall continue through March 31, 2027, with the goal of identifying a future arena location and executing an Arena District Agreement between the City and the Sharks no later than September 1, 2027.

August 8, 2025

**Subject: Actions Related to the Agreement with San Jose Arena Management, LLC for SAP Center at San Jose, Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena, and Memorandum of Understanding with Sharks Sports and Entertainment and Associated Agreements**

Page 12

The City Manager, or her designee, will negotiate and execute the First Amendment of the Second Amended and Restated Ice Centre Lease and Management Agreement as well as any ancillary documents, exhibits, and technical revisions as may be necessary to fulfill the terms of all of the above agreements, including a Property Use Agreement for APNs 259-29-091, 259-29-001, 259-29-002, 259-29-003, and pending the City's acquisition, APNs 259-29-004 and 259-29-005, and an option agreement to acquire 160 N Montgomery Street. Staff will return to the City Council for authorization to acquire the parcel known as 170 N Montgomery Street, as required under the current AMA.

In 2026-2027, staff will return to the City Council for authorization to access the City's commercial paper program for the first renovation project payment due March 1, 2027. Prior to, or shortly subsequent to, this authorization, staff will recommend a long-term financing strategy based on the potential for a general obligation bond to fund all or a portion of the project costs, based on current market conditions for a General Fund-backed lease revenue bond, and the potential support from other revenue measures.

### **COST SUMMARY/IMPLICATIONS**

The major financial components of the revised AMA discussed above are summarized in the table below. Similar to other City-owned facilities that are operated by others, such as the Convention Center, the Hammer Theatre, and The Tech Interactive, while the operating costs are borne by the operator of the facility, the City is the primary party responsible for major capital improvements and renovations.

While the renovation and long-term debt service costs to the City to ensure the continuation of a major sports and cultural events facility for the next 26 years are substantial, Sharks Sports and Entertainment LLC will: bear a portion of the renovation project costs, contribute funds to partially offset the City's debt service payments for the project, pay a substantial early termination fee to ensure that the City is financially made whole in the event that the Sharks leave San José before the end of the term, equally share the costs for capital improvements after the renovation's completion, bear all of the operating costs and risks, and continue to provide direct community benefits payments in addition to the broader economic and cultural benefits of a major professional sports franchise and events arena.

August 8, 2025

**Subject: Actions Related to the Agreement with San Jose Arena Management, LLC for SAP Center at San Jose, Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena, and Memorandum of Understanding with Sharks Sports and Entertainment and Associated Agreements**

Page 13

<b>Major Financial Component</b>	<b>City Obligation</b>	<b>Sharks Sports and Entertainment Obligation</b>
Renovation Project	<p>\$350 million</p> <p>\$70 million annually beginning in 2026-2027 through 2030-2031.</p>	<p>\$75 million</p> <p>Annual spending will vary over the course of the project. Sharks to solely pay for any cost overruns.</p>
Renovation Debt Service	<p>\$350 million <i>(principal amount only)</i></p> <p>City retains flexibility for how its contributions to the project will be financed. Staff anticipates a mix of short-term commercial paper notes, combined with long-term lease revenue bonds paid by the General Fund and/or general obligation bonds issued over a multi-year period. Preliminarily, staff anticipates debt service payments beginning in 2027-2028 at approximately \$3 million, increasing to \$11 million in 2028-2029, \$14 million in 2029-2030, and \$27 million annually beginning in 2030-2031 through 2049-2050. Actual debt service amounts will vary based on the timing, type of debt issuance, and interest rates.</p>	<p>\$25 million</p> <p>Sharks will contribute \$25 million to offset the impacts of the City's debt service obligations, payable in three equal annual installments beginning in 2027-2028. The City retains discretion over when this funding will be used. For example, if the City were to issue general obligation bonds, the amount issued could be reduced from \$350 million to \$325 million. If the City were to issue lease revenue bonds, the \$25 million could be spent down over the multi-year period between 2027-2028 and 2030-2031 to allow for a more gradual transition into higher debt service payments.</p>
Operating and Maintenance Costs	No obligation	<p>Sole obligation</p> <p>Sharks will continue to bear the full responsibility and risk for the day-to-day operations and maintenance of the SAP Center.</p>

August 8, 2025

**Subject: Actions Related to the Agreement with San Jose Arena Management, LLC for SAP Center at San Jose, Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena, and Memorandum of Understanding with Sharks Sports and Entertainment and Associated Agreements**

Page 14

<b>Major Financial Component</b>	<b>City Obligation</b>	<b>Sharks Sports and Entertainment Obligation</b>
Liquidated Damages/Early Termination Fee	<p>\$200 million (maximum)</p> <p>Triggered only if the City does not make its annual Renovation payment.</p> <p>Ranges from \$200 million in 2026-2027 to \$70 million in 2030-2031, and \$0 thereafter.</p>	<p>\$549 million (maximum)</p> <p>Triggered only if Sharks no longer play hockey in San José; designed to make the City whole for its project contributions, inclusive of estimated principal and interest debt service payments.</p> <p>Ranges from \$100 million in 2025-2026, increases to \$549 million in 2030-2031, and steadily decreases to \$10 million by 2047-2048.</p>
Capital Reserve Fund Contribution	<p>\$32 million</p> <p>Contributions begin in 2038-2039 at \$500,000 annually and steadily increase to \$3.5 million by 2049-2050.</p>	<p>\$32 million</p> <p>Contributions begin in 2033-2034 at \$500,000 annually and steadily increase to \$2.0 million in 2036-2037; held constant at \$2.0 million thereafter.</p>
Community Benefits Payments		<p>\$12 million</p> <p>Includes \$475,000 annually. Of this amount, \$100,000 is paid to a Community and City Events Fund held by the Sharks. The remaining amount of \$375,000 is paid to the Sharks Community Fund held by the City, of which \$250,000 is allocated equally to each City Council District Office to support community and cultural events and \$125,000 is allocated to support the Mayor's Office (\$25,000) and City Council Offices (\$10,000 each).</p>

HONORABLE MAYOR AND CITY COUNCIL

August 8, 2025

**Subject: Actions Related to the Agreement with San Jose Arena Management, LLC for SAP Center at San Jose, Sharks Ice, LLC for Sharks Ice at San Jose and Tech CU Arena, and Memorandum of Understanding with Sharks Sports and Entertainment and Associated Agreements**  
Page 15

### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Budget Office, and the departments of Finance, Planning, Building, and Code Enforcement, Police, Public Works, and Transportation.

### **PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the August 26, 2025 City Council meeting.

### **COMMISSION RECOMMENDATION AND INPUT**

No commission recommendation or input is associated with this action.

### **CEQA**

Categorically Exempt, File No. ER25-143, CEQA Guidelines Section 15301 - Existing Facilities.

Not a Project, File No. PP17-001, Statutory Exemption for feasibility and planning studies with no commitment to future actions.

### **PUBLIC SUBSIDY REPORTING**

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.



Lee Wilcox  
Assistant City Manager  
Acting Director, City Manager's  
Office of Economic Development  
and Cultural Affairs

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Page 16

For questions, please contact Kevin Ice, Assistant to the City Manager, Director of Real Estate, City Manager's Office of Economic Development and Cultural Affairs at [kevin.ice@sanjoseca.gov](mailto:kevin.ice@sanjoseca.gov).