



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Welsh

SUBJECT: LEASE EXTENSION AND
NAMING RIGHTS FOR THE
SAN JOSE MUNICIPAL STADIUM

DATE: April 25, 2019

Approved

D. D. S. L.

Date

4/26/19

COUNCIL DISTRICT: 7

REPLACEMENT

REASON FOR REPLACEMENT

This memorandum provides updated information with respect to Policy 7-5, Naming of City-Owned Land and Facilities, and eliminates appropriation adjustments as the naming rights revenue is not anticipated to be allocated until 2019-2020.

RECOMMENDATION

- (a) Conduct a public hearing in accordance with City Council Policy 7-5 on the renaming of the San Jose Municipal Stadium in exchange for a three-year sponsorship and naming rights agreement with Excite Credit Union in the amount of \$275,000 to the City of San José.
- (b) Adopt a resolution to doing the following:
 - (1) Authorize the City Manager to negotiate and execute an amendment to the Amended and Restated Lease between the City of San José and the San Jose Giants, dba., Baseball Acquisition Company, Inc., regarding the San Jose Municipal Stadium located at 588 E. Alma Avenue, in order extend the existing lease for three years, with a new expiration date of December 31, 2021, update parking use and management, and include the terms of the agreement with Excite Credit Union and Baseball Acquisition, Inc., for the sponsorship and naming rights at the San Jose Municipal Stadium, for a period of three years resulting in a contribution of \$275,000 with these funds specifically dedicated to the San Jose Municipal Stadium for capital needs to support the activation and long-term use of the facility; and
 - (2) Approve the renaming of the San Jose Municipal Stadium to Excite Ballpark Home of the San Jose Giants.

OUTCOME

Approval of the lease extension and parking agreement with the Baseball Acquisition Company, Inc. (BAC) will accomplish several goals that will benefit the City and community. First, it extends the lease for three years. The lease expired on December 31, 2018. Secondly, it supports the continuation of minor league baseball in San José. It also includes a three-year naming rights agreement with Excite Ballpark in which the funds will be used to support stadium capital needs.

BACKGROUND

San Jose Municipal Stadium was opened to the public in 1942. The stadium is 77 years old. The site consists of approximately 21 acres, which is shared by the San Jose Giants (BAC) and Sharks Ice. Existing improvements consist of a baseball facility with seating capacity for 4,200, which occupies approximately 12.6 acres of the underlying site, and the Sharks Ice Center structure containing 179,687 square feet of building area on the balance of the site of approximately 8.4 acres.

Since 1988, the stadium has been operated and managed by the BAC as the home to the San Jose Giants, a venue for San José State University home baseball games, and as host site for other sports and special event uses. The San Jose Giants are a Class "A" advanced minor league affiliate of the major league San Francisco Giants and play in the North Division of the California League. The Giants state that the stadium usage is approximately 300,000 attendees annually.

The San Jose Sharks Ice Center, which shares the site, has become one of the most utilized public ice facilities in the United States and welcomes over 1,000,000 visitors annually. Originally constructed in 1994 with two sheets of ice, a third rink was built with the addition of the Sharks training facility in 1999 and a fourth rink was added in 2005. Additional expansion of the Sharks Ice facility is being reviewed by staff.

ANALYSIS

On December 17, 2013, a lease agreement with The San Jose Giants (BAC) was executed with an expiration date of December 31, 2018. The BAC has requested an extension of three years.

Existing Lease Terms:

Term: The existing lease expired on December 31, 2018.

Rent: A minimum of \$12,000 annually in rent or 1.1% of the annual gross receipts, whichever is higher. Recent rent payments have recently averaged \$35,000 to \$40,000 annually.

Stadium Capital Reserve Fund: All payments made by the BAC are deposited into the Stadium Capital Reserve Fund, which are used solely for City-approved maintenance, repair, and improvements to the stadium.

Day-to-Day Maintenance and Operations: The responsibility of the SJ Giants.

Structural Repair and Maintenance: The responsibility of the City.

Termination Language: A “cancellation without cause” provision that requires a one year notice for termination. If notice is provided during the baseball season, Giants are allowed to complete both the current season and the following season.

New Lease Terms:

The new lease amendment will extend the agreement for three years. The proposed lease expires on December 31, 2021. The bulk of the terms listed above under the existing lease will remain in effect for the term of the new three-year term. The lease will also include the terms of the naming rights agreements which will provide a total of \$275,000 over three-year period of the lease, paid by BAC to the City, which will be deposited into the Stadium Capital Reserve Fund for City-approved maintenance, repair, and improvements to the stadium.

Naming Rights Agreement

As part of the City’s Lease with BCA, BCA has the ability to solicit and market naming rights opportunities for the stadium. The San Jose Giants and Excite Credit Union have entered into an agreement to re-name Municipal Stadium, Excite Ballpark Home of the San Jose Giants. Excite Credit Union, formerly known as Alliance Credit Union was created by a small group of visionary General Electric employees based on the idea of 'people helping people'. Excite Credit Union, a member-owned financial cooperative, has been a strategic partner of the San Jose Giants for 10 years and has been in business in San José for over 67 years. Both companies have a long history in San José that includes a focus on community outreach, outstanding customer service and supporting the families that are the backbone of south bay. This naming rights agreement will deliver over \$275,000 in much needed capital improvements for the ballpark over the next three years.

City Council Policies: Council Policy 7-5 sets forth the policy on the naming or renaming of City land and facilities including opportunities for the City to attract sponsors who contribute significant funds to assist the City in construction, maintenance, or operations of City lands and facilities, in exchange for naming rights. Consistent with the policy in maintaining the existing name, San José will remain a prominent element of the stadium’s name. The naming rights agreement is limited to three years and will provide \$275,000 in capital improvements for the stadium. The naming rights package also provides marketing and branding activity, including media and signage, valued at \$300,000 to expand awareness of San José and the San Jose Giants. City Council Policy 1-17 encourages sponsorships to aid in revenue generation for the benefit of

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the City, consistent with existing City policies, procedures, and applicable laws. Staff believes the proposed sponsorship and naming rights with Excite Credit Union, as explained above, generally meets the criteria set forth in both City Council policies. However, staff did not follow Council Policy 7-5, in that Policy 7-5 requires a public hearing by the appropriate Commission or Council Committee to develop a recommendation to the City Council. Staff is bringing the recommendation for renaming the Ballpark directly to City Council because the baseball season has recently begun and Excite would like to optimize the new naming rights for as much of the baseball season as possible.

The largest prior sponsorships for the San Jose Municipal Stadium have included: Alliance Credit Union for \$60,000 for a single year; City National Bank for \$56,000 for a single year; Pepsi \$34,570/year for five years or at total of \$172,850. The average annual capital improvements for the stadium, including direct City support and lease revenues, has been roughly \$140,000 annually over the past few years. The \$275,000 spread over the three years is an increase over previous years and will substantially support the annual capital improvements necessary for the Stadium. Needed improvements include asphalt repairs, repainting portions of the stadium, and roof repairs.

Parking Lot Use and Management

Under the terms of the previous Lease Agreement, BCA and Shark's Ice share the available on-site parking spaces. The shared system is possible because the seasons of the Giants and Shark's Ice is complementary. Shark's Ice is most active in the winter months and the Giants have the most demand in late Spring and Summer. Staff presented to City Council on April 16, 2019, a proposal to expand Shark's Ice by two rinks. In order for the two new rinks to proceed, Shark's Ice is working to secure additional parking from San Jose State University as the University proceeds with a 1,500 space parking garage. The construction of two new rinks at Shark's Ice will reduce the number of parking spaces available to the Giants from 564 spaces to 146 on-site spaces on a year-round basis. BCA is currently working with San Jose State University to provide parking in exchange for San Jose State University's use of the Stadium for University practice games. It will be incumbent upon the BCA to continue to work with San Jose State University to secure additional parking resources to serve baseball and Stadium activities. The proposed Lease Amendment provides that the current parking memorandum of understanding will remain in place until such time that the Shark's Ice provides a 30-day notice of construction initiation. Upon termination of the parking memorandum of understanding, BCA will be solely responsible for securing additional parking to satisfy its parking demands for events at the stadium.

EVALUATION AND FOLLOW-UP

No additional follow-up is anticipated.

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PUBLIC OUTREACH

This memorandum will be posted on the City's website for the April 30, 2019, City Council meeting agenda.

COORDINATION

This memorandum has been coordinated with the Public Works Department, the Planning Building and Code Enforcement Department, the City Attorney's Office, and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

Approval of the proposed Lease Extension and Naming Rights Agreement does not require Commission review.

COST SUMMARY/IMPLICATIONS

The lease structure directs all revenues generated from the BAC lease (1.1% of annual gross receipts) into the Stadium Capital Reserve Fund, which are reinvested in maintenance and repair of the facility. The lease extension will retain the revenue reporting requirements from BAC, requiring proof and description of revenues that are received pursuant to the agreement, and includes the additional naming rights money of \$275,000 paid over a three-year period.

Currently, BAC coordinates with the Public Works Department and the Arena Authority to recommend a capital improvement plan for use of lease payments deposited into the Stadium Capital Reserve Fund, which is then incorporated into the City's Adopted Budget. The authorized capital improvement work for 2018-2019 includes replacing the right field foul line fence separating the bleachers from the field, and installation of exterior stadium security cameras for an estimated cost of \$39,000. The work is typically performed by BAC under supervision of Public Works. Invoices are then reviewed by the Arena Authority before submitting to the City for reimbursement.

Use of the naming rights funding will be incorporated into the existing process. It is important to note that structural repairs remain the obligation of the City. Over the last three years, the General Fund has contributed \$320,000 for necessary structural rehabilitation and repairs, including replacement of sanitary sewer lines, perimeter fencing repairs, and light pole refurbishment. Allocation for the naming rights funding will be brought forward as part of a future budget process as projects are identified.

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CEQA

Not a Project, File No. PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

/s/

KIM WALESH

Deputy City Manager

Director of Economic Development

For questions, please contact Nanci Klein, Assistant Director, at (408) 535-8184.