

CITY OF OAKLAND

AGENDA REPORT

OFFICE OF THE CITY CLERK

2007 MAY 24 PM 4: 20

TO: Office of the City Administrator
ATTN: Deborah A. Edgerly
FROM: Finance and Management Agency
DATE: June 5, 2007

RE: **Supplemental Report--A Resolution Approving Approval by the Oakland-Alameda County Coliseum Authority of the Executed Agreement Between The Golden State Warriors, LLC and Oracle Corporation for the Arena Naming Rights and the Golden State Warriors Sponsorship Rights and Agreement**

SUMMARY

As of November 1, 2006, the Warriors and Oracle Corporation entered into an agreement that amends the terms and conditions of the License Agreement Naming Rights Revenue Sharing Agreement between the Authority and the Warriors. The terms and conditions of the agreement were approved by the Authority on March 23, 2007 and are detailed in Attachment A in the original report.

The agreement between the Warriors and Oracle Corporation results in Amendment No. 3 to the License Agreement and is included as Attachment B in the original report. The Master Agreement between the City of Oakland (City), the County of Alameda (County) and the Authority, requires approval by the City and County of any amendment to the License Agreement. To that end, the Authority requests and recommends that the City Council approve the Authority's approval of the agreement.

At the May 15, 2007 City Council meeting the Council directed staff to provide further information regarding industry standards for using a broker for naming rights negotiations of public facilities. The Oakland-Alameda County Coliseum Authority has used brokers in the past with the Stadium. The second amendment in the licensing agreement with the Golden State Warriors provides for the use of a broker.

During the meeting, the Council specifically asked:

1. Do other cities pay broker commissions?
2. What is the broker rate, and is it over life of the contract?
3. What was the case for Monster Park, San Francisco?

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FISCAL IMPACT

The report to City Council dated May 15, 2007 details the fiscal impact of the agreement.

BACKGROUND

According to the 2003 Amendment to the License Agreement between the Oakland Alameda County Coliseum, Inc., Authority and the Warriors, the Warriors have the right to contract with a third party for the sale of the arena naming rights with approval from the Authority. Additionally, the Master Agreement among the City of Oakland, County of Alameda and the Authority requires that agreements be formally approved by the City and the County.

KEY ISSUES AND IMPACTS

Do other cities pay broker commissions?

Industry practice is for a City to authorize its sports team to execute a naming rights agreement between the sports team and the company seeking naming rights. Brokers are regularly used by the sports teams to find parties interested in naming rights of public facilities and negotiate naming the rights agreements. Therefore, normally cities do not directly contract with brokers for naming rights agreements.

What is the broker rate, and is it over the life of the contract?

The Bonham Group was utilized in the subject agreement. The Bonham Group, the industry leader, states that they have charged 5% broker's commission in all of their naming rights agreements. The Bonham Group's biggest competitor was contacted, The Premier Partnerships, who confirmed that a 5% commission is the industry's average rate for arena naming rights agreements.

Brokers are an industry standard with professional sports teams naming rights agreements. *Broker commissions are normally part of the agreement. Broker commissions can be paid either in one lump sum at the beginning of the agreement or in annual installments over the life of the agreement. More commonly, the broker's commission is paid over the life of the agreement as the payments are received. The financial evaluation of annual installments over the life of the agreement results in savings when compared to an upfront lump sum outlay of \$1.5M.* Furthermore, should Oracle default under the agreement, no additional commission payments would be due to the broker.

What was the case for Monster Park, San Francisco?

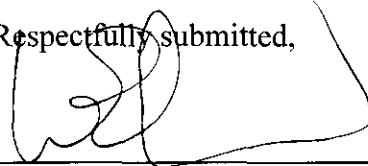
The City of San Francisco has a sole source contract with the San Francisco 49ers for naming rights at Candlestick. It is the stature of the team that gives value to association with the stadium. The 49ers conducted the marketing for the naming rights for Candlestick and secured a four-year agreement with Monster Cable for \$1.5M per year for a total of \$6M.

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ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council adopt a resolution to approve the Oakland-Alameda County Authority's approval of the Executed Agreement between the Golden State Warriors, LLC and Oracle Corporation for the Arena Naming Rights and the Golden State Warriors Sponsorship Rights and Agreement.

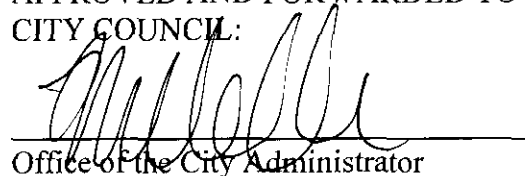
Respectfully submitted,



William E. Noland, Agency Director
Finance and Management Agency

Prepared by:
Myrna Lopez, Principal Financial Analyst
Administration Division

APPROVED AND FORWARDED TO THE
CITY COUNCIL:


Office of the City Administrator

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