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Memorandum

To: Las Vegas Stadium Authority Board of Directors
From: Jeremy Aguero, Applied Analysis
Date: January 28, 2017
Subject: Raiders Draft Lease Agreement
CC: Brian Haynes, Applied Analysis

During the January 26, 2017, Las Vegas Stadium Authority ("LVSA") board meeting, board members were provided with a preliminary Stadium Use Agreement submitted by The Oakland Raiders ("Raiders"). While the board did not discuss the details of the agreement during its meeting, it has become the focus of some media reports, with particular attention given to a rent payment provision. More specifically, section 4.2 of the draft submission states that the Raiders would pay an annual rent of $1 for the team's use of the proposed stadium.

I believe it is important to point out that any rent paid by the Raiders, or any other stadium lessee, would not be paid to the LVSA. Rather, rent paid by the Raiders would be paid to the company operating the stadium – the Stadium Events Company. Public financing is supported by the room tax increment, not rental income or, for that matter, any revenues from stadium operations. The legislation passed in October, Senate Bill 1, the Southern Nevada Tourism Infrastructure Act, does not contemplate stadium operating revenues inuring to the benefit of the LVSA because to do so would potentially jeopardize the tax status of the stadium bonds.

The amount of rent is a topic for negotiation between the Raiders and the Stadium Events Company, respecting the very real possibility that the Stadium Events Company may be directly affiliated with the Raiders organization, and potentially, its partners in the development of the stadium itself.

As you independently review the Stadium Use Agreement, some additional background information may be helpful. First, Section 29 of Senate Bill 1 contemplates that the LVSA will enter into two agreements: (1) a development agreement; and (2) a stadium operating agreement.

The development agreement defines where the stadium will be located, how the stadium will be constructed, what infrastructure improvements will be needed and various other development-related considerations. It also requires that any and all development cost overruns be borne solely by the developer. The development agreement will be between the LVSA and the "Development Partners." While those Development Partners are yet to be defined, it was originally anticipated that this would be some type of joint venture between the Adelson family and the Raiders.

The second agreement is a stadium operating agreement, or lease agreement, outlining several issues, including the day-to-day operations of the stadium, appropriate access for UNLV and ongoing facility maintenance. That agreement is between the LVSA and a Stadium Events Company. The Stadium Events Company could be owned by the Development Partners; it could also be a related third party. Notably, the Southern Nevada Tourism Improvement Act specifically requires that any and all stadium operating cost overruns be borne solely by the Stadium Events Company. Section 29(3) of the Act also requires the agreement include that "the term of any lease or sublease entered into by the Stadium Events Company with the National Football League team must be at least 30 years" and "provide for the accommodation of a sufficient number of dates to host at the project the regular and postseason home games of (UNLV) football."

I believe it is worth reiterating that because the LVSA will not receive any rental revenue and because the Development Partners and the Stadium Events Company are solely responsible for all development and operating cost overruns, the rental rate provided in the draft Stadium Use Agreement and highlighted in media accounts is not a meaningful consideration.

The structure of the Las Vegas stadium deal is relatively straightforward. The Development Partners will contribute approximately $1.15 billion toward the development of a NFL-caliber stadium and practice facility. Their return on that investment is sourced to net revenue generated by the stadium itself, and they will accept all of the responsibility and risk associated with operating the stadium. The LVSA will contribute $750 million toward the development of the stadium, funded solely by hotel room taxes. The public's return on its investment is provided in form of: (1) increased economic activity, creating jobs, increasing local wages and salaries, adding visitor trips and associated visitor spending and increasing business output; (2) a new home field for UNLV football, mitigating the need to build a collegiate stadium; (3) increased tax payments that would not exist but for the stadium, including those generated directly by stadium operations (e.g., live entertainment tax) and those generated by incremental visitation (e.g., room tax, gaming tax and sales and use tax); and (4) having a large entertainment venue that can house events today not present in southern Nevada, including NFL football.

The board will undoubtedly continue this discussion at its February 9, 2017, meeting. Until then, I would encourage you to review the provided materials and submit any feedback you may have. Please remain mindful of the Open Meeting Law and do not "respond to all" to this email or discuss this matter with one another outside of the board's public meetings. Should you have any questions or concerns, please never hesitate to contact me directly at (702) 967-3333.