

MEMORANDUM

Agenda Item No. 8(F)(1)

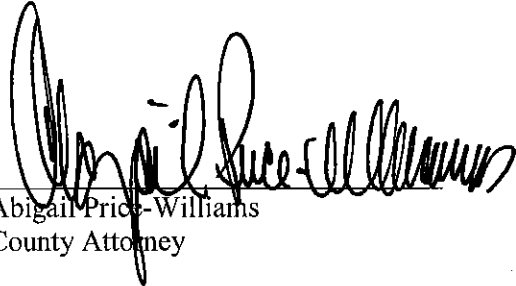
TO: Honorable Chairman Esteban L. Bovo, Jr.
and Members, Board of County Commissioners

DATE: October 23, 2018

FROM: Abigail Price-Williams
County Attorney

SUBJECT: Resolution exercising the County's option to sell, license, or otherwise grant the naming rights to the professional sports franchise facility located at 601 Biscayne Boulevard, Miami, Florida, which currently serves as home of the Miami Heat, part of the National Basketball Association; authorizing the County Mayor to take all actions necessary to effectuate the County's option and to obtain a naming rights' sponsor, including but not limited to, notifying the Arena Manager of the County's election to exercise its option, retaining the necessary consultants to pursue a new naming rights sponsor, negotiating with one or more potential naming rights sponsors, and executing any documents necessary to effectuate the same; and directing County Mayor to present the naming rights sponsorship agreement to this Board for approval

The accompanying resolution was prepared by the Internal Services Department and placed on the agenda at the request of Prime Sponsor Vice Chairwoman Audrey M. Edmonson.

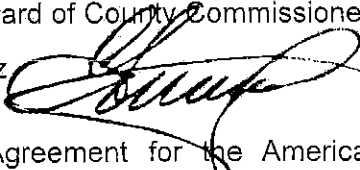


Abigail Price-Williams
County Attorney

APW/uw

Date: October 23, 2018

To: Honorable Chairman Esteban L. Bovo, Jr.
and Members, Board of County Commissioners

From: Carlos A. Gimenez 
Mayor

Subject: Naming Rights Agreement for the American Airlines Arena located at 601 Biscayne Boulevard, Miami, Florida

Recommendation

It is recommended that the Board of County Commissioners (Board) exercise the County's option to sell, license, or otherwise grant the naming rights to the professional sports franchise facility located at 601 Biscayne Boulevard, Miami, Florida (Arena), which currently serves as the home of the Miami Heat of the National Basketball Association, and direct the County Mayor or Mayor's designee to take all actions necessary to effectuate said election and to obtain a naming rights' sponsor. If this recommendation is approved, the County will sell the naming rights to the Arena, for a term commencing on January 1, 2020 and ending any time on or before June 30, 2040. Once naming rights negotiations are finalized for the Arena, an agreement will be presented for Board approval.

The initial term of the current naming rights agreement between Basketball Properties, Ltd. (Arena Manager) and American Airlines Inc. will expire on December 31, 2019 (AA Naming Rights Agreement). Pursuant to the Amended and Restated Management Agreement (Agreement) between Miami-Dade County and the Arena Manager, approved through Resolution R-499-14 on June 3, 2014, the County may elect to sell the naming rights to the Arena, which irrevocable right must be exercised by December 31, 2018.

If the Board approves the County's right to sell the Arena naming rights, the Arena Manager has an obligation to assist the County in packaging, marketing, and selling the naming rights to the Arena, and to provide a naming rights package, which includes, without limitation, and at no cost to the County, several amenities such as advertising and various promotional services. After conducting market research on the value of naming rights, **the County has determined that a new naming rights agreement for the Arena is estimated to be, at a minimum, \$6 million annually.** Using the County's Marketing Partnership Program, managed by the Office of Management and Budget, the County has the ability to obtain the services of a consulting company to negotiate and secure a naming rights deal which will yield the most revenue to the County.

Background

On April 29, 1997, Miami-Dade County and the Arena Manager entered into a series of agreements for the development, improvement, operation and management of the Arena (Arena Agreements). Pursuant to the Arena Agreements, the County transferred the right to sell the naming rights to the Arena Manager, which right was subsequently sold to American Airlines, Inc, and resulted in naming the facility American Airlines Arena.

Market Research

In consideration of the County's December 31, 2018 deadline, market research was conducted to identify other comparable arena naming rights agreements. These agreements have become valuable revenue sources in recent years due to the popularity of basketball teams, arena locations, and amenities packages offered by owners. A summary of other arena naming rights deals is contained in the following table.

City (Franchise)	Sponsor	Year	Estimated Total Value	Average Annual Revenue*	Length of Contact
Miami (Heat)	American Airlines	1997	\$42 million	\$2.1 million	20 years
Dallas (Mavericks)	American Airlines	2001	\$195 million	\$6.5 million	30 years
Brooklyn (Nets)	Barclays	2007	\$200 million	\$10 million	20 years
Sacramento (Kings)	Golden 1 Center	2015	\$120 million	\$6 million	20 years
Oakland (Golden State Warriors)	JPMorgan Chase	2016	\$300 million	\$15 million	20 years
Atlanta (Hawks)	State Farm	2018	\$175 million	\$8.75 million	20 years

* It is important to note that each transaction is unique, and the components included in a naming rights package can vary greatly.

Upon completion of the AmericanAirlines Arena in 1999, the naming rights package was sold for \$42 million (\$2.1 million annually) for 20 years. According to Pollstar, an entertainment publication that collects box office reports, in 2017, the AmericanAirlines Arena was the top-ranked arena in Florida, sixth in the United States, and number 18 in the world. The Arena earned its ranking by selling over 625,000 tickets during the 2017 calendar year. As a result, it is estimated that the value of the Arena's naming rights has increased significantly over 20 years.

Naming Rights Scenarios

The County has considered the three available scenarios detailed in the Agreement, during its evaluation of selling the naming rights to the Arena.

Scenario 1 – County Elects to Sell Naming Rights to Any Entity

The Agreement grants the County the option to have the exclusive right to sell the naming rights to the Arena for a term commencing on January 1, 2020 through June 30, 2030. Pursuant to the Agreement, this election must be made by December 31, 2018. Additionally, the County has the exclusive contractual right to sell the naming rights for the term commencing July 1, 2030 and ending on June 30, 2040. If the County sells the Arena naming rights, the County will make an annual payment of \$2 million to the Arena Manager, while any remaining balance is retained by the County.

Scenario 2 – Arena Manager Extends Agreement with American Airlines, Inc.

If the County does not exercise its option to sell the naming rights at this time, American Airlines, Inc. may elect to extend the AA Naming Rights Agreement through June 30, 2030, subject to approval by the Board. If the AA Naming Rights Agreement is extended for such term, the Arena Manager and the County will equally share annual revenues over \$2 million, which shall be provided to the County via an equivalent reduction in the \$6.4 million annual payment made by the County to the Arena Manager as the "Building Owner's Contribution." Additionally, the County will not be responsible for the annual payment of \$2 million to the Arena Manager that would be required if the County exercises its option to sell the naming rights.

Scenario 3 – Arena Manager Negotiates a New Agreement with a Third Party

If American Airlines, Inc. does not exercise its option to renew the AA Naming Rights Agreement with the Arena Manager, or if the two entities cannot agree on a new agreement, the Board can authorize the Arena Manager to sell the Naming Rights. In this scenario, the Arena Manager would sell the Naming Rights to another entity for a negotiated amount, subject to approval by the Board, will retain the first \$2 million of the annual naming rights payment, and will negotiate with the County to determine how to equitably share amounts in excess of \$2 million, which equitable share shall be provided to the County via an equivalent reduction in the \$6.4 million Building Owner's Contribution. If the parties cannot agree on a shared amount, the decision will be made through mediation, or ultimately, binding arbitration.

It is anticipated that Scenario 1 will yield the most revenue to the County. Therefore, it is recommended that the Board authorize the County Mayor to exercise the County's option to sell, license, or otherwise grant the naming rights to the Arena commencing on January 1, 2020.

Scope

The Arena is located in District 3, which is represented by Commissioner Audrey M. Edmonson, but is a facility that serves the entire County. The overall impact is countywide in nature.

Fiscal Impact

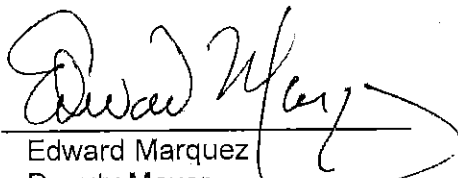
The fiscal impact of approving this item is a \$2 million annual payment to the Arena Manager for the period of January 1, 2020 through June 30, 2030, totaling approximately \$21 million. The funding source of this obligation is anticipated to be the naming rights payment received by the County from the naming rights' sponsor. If the naming rights payment received by the County exceeds \$2 million, as is anticipated, then this item will result in a positive fiscal impact to the County as the County is entitled to retain all excess revenues above \$2 million and such funds can be used for any lawful purpose.

Track Record/Monitoring

Dan Wall, Assistant Director, Office of Management and Budget, will manage the consultants who will assist the County with contract negotiations for the naming rights to the Arena. Veronica Brown, Real Estate Development Division Director, Internal Services Department, will monitor the naming rights agreement for the Arena.

Delegation of Authority

This item delegates the authority to the County Mayor or County Mayor's designee to take all actions necessary to effectuate the County's exercise of its option to sell, license, or otherwise grant the naming rights to the Arena, including but not limited to, notifying the Arena Manager of the County's election, retaining the necessary consultants to pursue a naming rights' sponsor, and to execute any documents necessary to effectuate the same, provided, however, that any naming rights agreement will be subject to Board approval.

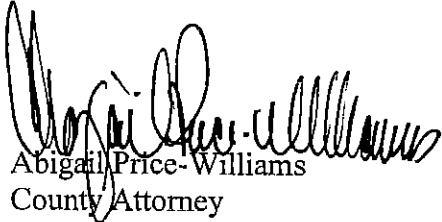

Edward Marquez
Deputy Mayor



MEMORANDUM
(Revised)

TO: Honorable Chairman Esteban L. Bovo, Jr.
and Members, Board of County Commissioners

DATE: October 23, 2018

FROM: 
Abigail Price-Williams
County Attorney

SUBJECT: Agenda Item No. 8(F)(1)

Please note any items checked.

- "3-Day Rule" for committees applicable if raised
- 6 weeks required between first reading and public hearing
- 4 weeks notification to municipal officials required prior to public hearing
- Decreases revenues or increases expenditures without balancing budget
- Budget required
- Statement of fiscal impact required
- Statement of social equity required
- Ordinance creating a new board requires detailed County Mayor's report for public hearing
- No committee review
- Applicable legislation requires more than a majority vote (i.e., 2/3's ____, 3/5's ____, unanimous ____) to approve
- Current information regarding funding source, index code and available balance, and available capacity (if debt is contemplated) required

Approved _____ Mayor
Veto _____
Override _____

Agenda Item No. 8(F)(1)
10-23-18

RESOLUTION NO. _____

RESOLUTION EXERCISING THE COUNTY'S OPTION TO SELL, LICENSE, OR OTHERWISE GRANT THE NAMING RIGHTS TO THE PROFESSIONAL SPORTS FRANCHISE FACILITY LOCATED AT 601 BISCAYNE BOULEVARD, MIAMI, FLORIDA, WHICH CURRENTLY SERVES AS HOME OF THE MIAMI HEAT, PART OF THE NATIONAL BASKETBALL ASSOCIATION; AUTHORIZING THE COUNTY MAYOR OR COUNTY MAYOR'S DESIGNEE TO TAKE ALL ACTIONS NECESSARY TO EFFECTUATE THE COUNTY'S OPTION AND TO OBTAIN A NAMING RIGHTS' SPONSOR, INCLUDING BUT NOT LIMITED TO, NOTIFYING THE ARENA MANAGER OF THE COUNTY'S ELECTION TO EXERCISE ITS OPTION, RETAINING THE NECESSARY CONSULTANTS TO PURSUE A NEW NAMING RIGHTS SPONSOR, NEGOTIATING WITH ONE OR MORE POTENTIAL NAMING RIGHTS SPONSORS, AND EXECUTING ANY DOCUMENTS NECESSARY TO EFFECTUATE THE SAME; AND DIRECTING COUNTY MAYOR OR COUNTY MAYOR'S DESIGNEE TO PRESENT THE NAMING RIGHTS SPONSORSHIP AGREEMENT TO THIS BOARD FOR APPROVAL

WHEREAS, this Board desires to accomplish the purposes outlined in the accompanying memorandum, a copy of which is incorporated herein by reference,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that:

Section 1. The foregoing recitals are incorporated in this resolution and are approved.

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Section 2. This Board finds that it is in the best interest of Miami-Dade County to, and does hereby, exercise its option to sell, license, or grant the naming rights to the professional sports franchise facility located at 601 Biscayne Boulevard, Miami, Florida, which currently serves as the home of the Miami Heat of the National Basketball Association (“Arena”) for the period commencing January 1, 2020.

Section 3. The Board hereby authorizes the County Mayor or County Mayor’s designee to take all actions necessary to effectuate the County’s option to sell the naming rights to the Arena and to obtain a naming rights sponsor, including but not limited to, notifying the Arena Manager of the County’s election to exercise its option, retaining the necessary consultants to pursue a naming rights sponsor, negotiating with potential naming rights sponsors for the period commencing on January 1, 2020 and ending on or before June 30, 2040, and executing any documents necessary to effectuate same.

Section 4. The Board directs the County Mayor or County Mayor’s designee to present the finalized naming rights sponsorship agreement to the Board for its approval.

The foregoing resolution was offered by Commissioner
who moved its adoption. The motion was seconded by Commissioner
and upon being put to a vote, the vote was as follows:

Esteban L. Bovo, Jr., Chairman	
Audrey M. Edmonson, Vice Chairwoman	
Daniella Levine Cava	Jose "Pepe" Diaz
Sally A. Heyman	Eileen Higgins
Barbara J. Jordan	Joe A. Martinez
Jean Monestime	Dennis C. Moss
Rebeca Sosa	Sen. Javier D. Souto
Xavier L. Suarez	

The Chairperson thereupon declared the resolution duly passed and adopted this 23rd day of October, 2018. This resolution shall become effective upon the earlier of (1) 10 days after the date of its adoption unless vetoed by the County Mayor, and if vetoed, shall become effective only upon an override by this Board, or (2) approval by the County Mayor of this Resolution and the filing of this approval with the Clerk of the Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF
COUNTY COMMISSIONERS

HARVEY RUVIN, CLERK

By: _____
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency.

MRP

Monica Rizo Perez