



National Football League Atlanta Discussion Document

April 2009



NATIONAL FOOTBALL LEAGUE

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- **NFL strengths and challenges**
- **NFL stadium development**
- **Falcons' situation**



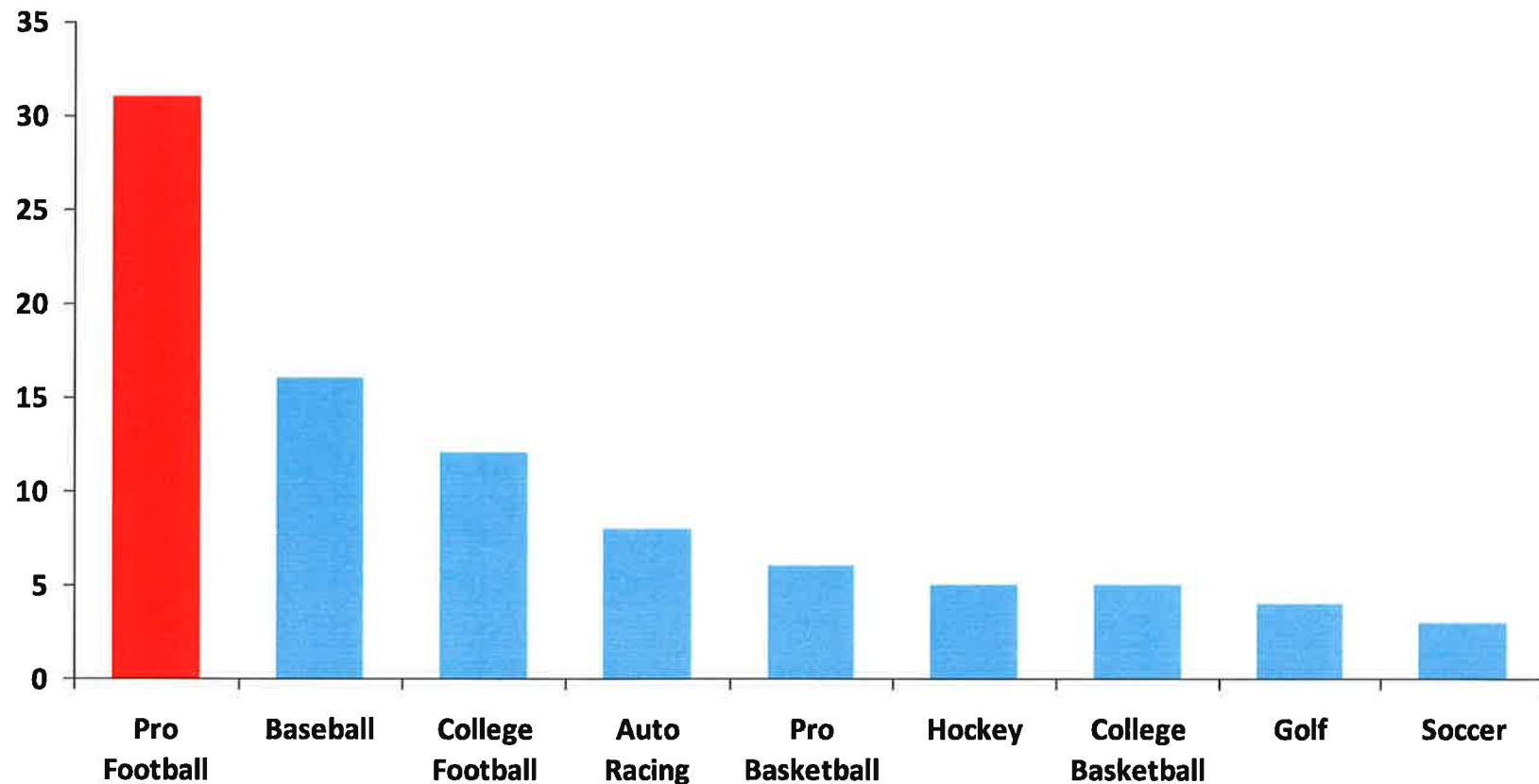
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NFL Is the Premier Sports Property

- 71% of U.S. population are NFL fans
- 2008 Harris Interactive poll shows that 31% of U.S. population considers the NFL to be their favorite sport



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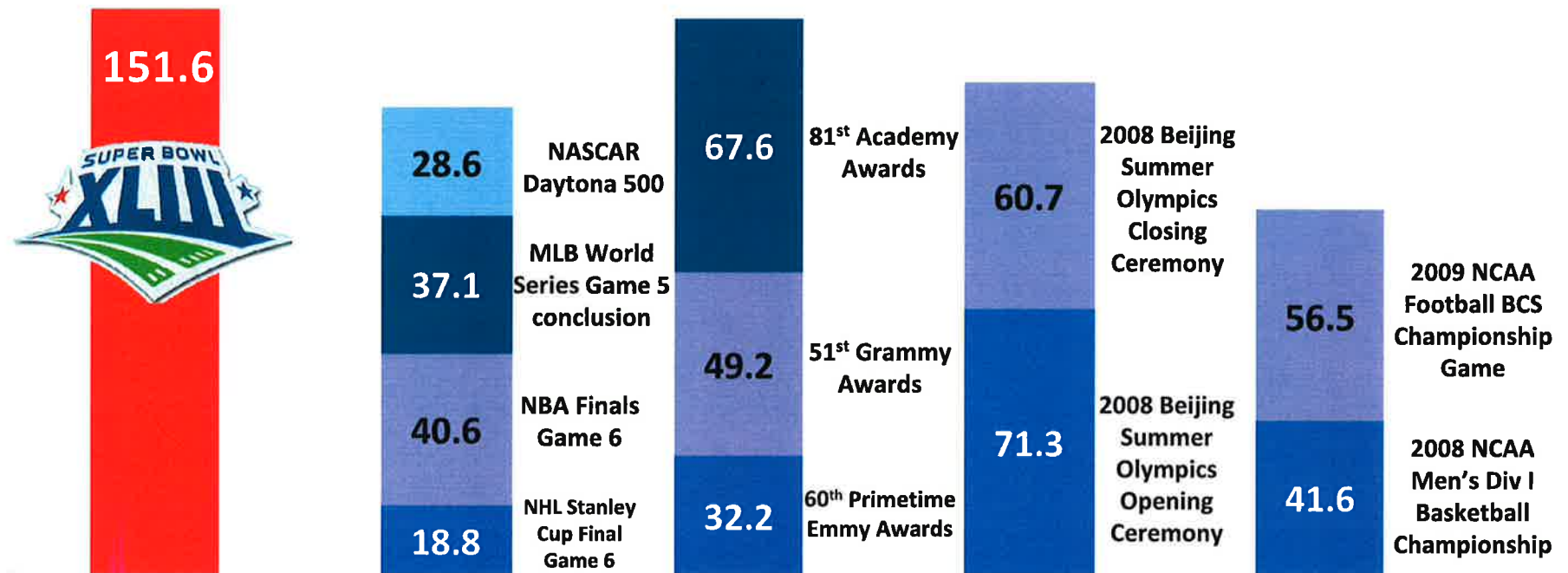
Source: The Harris Poll, January 2008, Base = Adults 18+; ESPN Sports Poll 2008, Base = Persons 12+

Super Bowl Viewership

- The Super Bowl is the most-watched television program each year
- Super Bowl XLIII was the most-watched television program in U.S. history, with a total audience of 151.6 million viewers

Super Bowl viewership exceeds the combined totals of major sports championships, award shows, Olympics, NCAA title games

Total Audience in Millions



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Source: Nielsen, N*Power (based on total audience P2+, 6 minute); Super Bowl XLIII (NBC, Feb'09); NHL Stanley Cup Finals (NBC, June'08); NBA Finals (ABC, June'08); MLB World Series (FOX, Oct'08, conclusion of Game 5); Daytona 500 (FOX, Feb'09); Academy Awards (ABC, Feb'09); Grammy Awards (CBS, Feb'09); Primetime Emmys (ABC, Sept'08); 2008 Beijing Summer Olympics (NBC, Aug'08); NCAA Men's Basketball Championship (CBS, April'08); and BCS Title Game (FOX, Jan'09)

NFL Business Partners



Corporate
Sponsors



Licensees*



Media Partners



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* Sample list of NFL licensees

League Revenue Sharing

- Clubs in the NFL share revenues to a larger extent than in any other major professional sports league; unique attribute of the NFL
 - 82% of all League revenues are shared*
- Clubs share revenue equally from national television, national radio, and NFL Business Ventures (e.g., national sponsorships, licensing); teams also share a portion (34%) of ticket and club seat sales
- Clubs **do not share other stadium revenues (e.g., concessions, parking, luxury suites, naming rights, advertising) and local television and radio**



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* Includes gate, which is shared 66%-34%, and revenue sharing payments

Labor

- CBA runs through the 2010 NFL season; NFL will have had uninterrupted labor peace for 23 years
- CBA was initially negotiated in the early 1990s after Court in the McNeil antitrust case imposed player free agency on the NFL; CBA still under jurisdiction and approval authority of federal courts
- CBA provides for a Salary Cap system, which was agreed to in order to avoid player costs from spiraling out of control
- The Salary Cap is set each year based on a percentage of total revenue (approximately 57-60% during the term); thus, lower-than-average revenue Clubs spend a higher-than-average percentage of revenues on player costs, putting them at financial risk



Challenges

- Clubs in larger markets effectively subsidize Clubs in smaller markets because Clubs share revenues from national television, among other sources
- A Club's stadium situation (more so than market size) determines whether it is a higher-than-average revenue Club because Clubs do not share most stadium revenues
- **A Club cannot be a significantly lower-than-average revenue Club over the long-term and compete economically and on-the-field, because player costs and the Salary Cap are based on the average Club's revenues**



Value of an NFL Team and New Stadium to Community

- Primary economic impact
 - Construction; team operations and games
 - Direct spending
 - Indirect spending due to multiplier effect
 - Jobs and earnings
 - Tax revenues
- Secondary economic impact
 - Tourism
 - Relocations of businesses due to “major league” status
 - Other events (e.g., Final Fours, concerts, conventions, and meetings)



Value of an NFL Team and New Stadium to Community (cont.)

- Consumption value – amenities that enhance the quality of life; citizens want new stadiums like they want schools, parks, museums, theaters, libraries, low crime rates, etc.
- National and international exposure for cities
- Prestige for cities
- Community excitement around team
- Community pride
- Community unity and cohesiveness
- Enhancement of fan experience (e.g., sightlines, concessions, seating)
- Charitable activities
 - By team
 - By players



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NFL Stadium Development

- Since the Georgia Dome opened in 1992, 25 additional stadiums will have been built or substantially renovated, which has dramatically changed League-wide economics
- Approximately \$11 billion in stadium-related construction costs
- Each stadium project has been unique; each community assessed its own stadium needs (no “one size fits all” solution)
- Each stadium project was the result of a successful public-private partnership
- Stadium construction typically exhibits long-term cyclical; to compete economically, teams need to be opportunistic and must ensure that they do not remain out of synch with cyclical trends for extended periods



25 Stadium Projects Built or Substantially Renovated Since Georgia Dome Opened

	NFL Season															
	Opened														On-line	
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
																
																
																
																
Cum. Total	2	4	5	7	9	10	12	16	19	19	19	20	20	22	23	25



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Recent Stadium Deals - Smaller Markets

- Arizona Cardinals (2006)
 - \$455 MM new stadium; \$310 MM public and other (68%), \$145 MM team (32%)
 - 63,400 capacity; 7,500 club seats; 88 luxury suites; retractable roof
 - Market size (U.S. rank): 1.7 MM TV HHs (#13)
- Indianapolis Colts (2008)
 - \$650+ MM new stadium; \$550+ MM public and other (85%), \$100 MM team (15%)
 - 64,000 capacity; 7,100 club seats; 142 luxury suites; retractable roof
 - Market size (U.S. rank): 1.1 MM TV HHs (#25)
- Kansas City Chiefs (2010)
 - \$388 MM stadium renovation; \$263 MM public (68%), \$125 MM team (32%)
 - 78,775 capacity; 7,637 club seats; 152 luxury suites; open-air
 - Market size (U.S. rank): 913.3K TV HHs (#31)



Recent Stadium Deals - Larger Markets

- Dallas Cowboys (2009)
 - \$1,300 MM new stadium; \$465 MM public and other (36%), \$835 MM team (64%)*
 - 80,000 capacity (expandable for Super Bowl); 15,593 club seats; 205 luxury suites (expandable); retractable roof
 - Market size (U.S. rank): 2.4 MM TV HHs (#6)
- New York Giants/Jets (2010)
 - \$1,300+ MM new stadium from team/League sources; \$200+ MM from State for land and infrastructure*
 - 81,906 capacity; 9,404 club seats; 222 luxury suites
 - Market size (U.S. rank): 7.4 MM TV HHs (#1)



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* Note: projected stadium costs based on public sources and recent news

Stadium Trends

- Stadium construction costs have escalated dramatically, driven largely by labor costs and raw materials (e.g., steel, concrete), among other things
- Most teams and communities have opted for new stadiums versus renovated stadiums, particularly those in domed stadiums (Detroit, Houston, Indianapolis, and Seattle)
 - Renovated stadiums often are architectural “compromises” due to limitations of existing structures
 - New stadiums provide more revenue-generating opportunities and fan amenities (e.g., sightlines, points of sale, more/higher quality premium seating, naming rights)
 - New stadiums provide an opportunity to reset fan expectations and potentially to re-price amenities at market prices
 - Cost estimates for renovated stadiums may be less reliable
 - Often need temporary stadium during renovation; this adds greatly to the costs of the project



Stadium Trends (cont.)

- Teams have gone from being tenants to being stadium investors and operators, thereby taking on significantly more business risk
 - Teams often control day-to-day stadium operations
- Naming rights deals continue to generate significant revenue and provide an important source of stadium financing
 - Average current NFL deals: \$5+MM annually; 15-20 years
 - Deals include stadium naming rights and significant Club inventory (e.g., use of marks, sponsorships, media, luxury suites, access to players/coaches)
 - Sponsor categories span a broad range of industries, including auto, building materials, communications, computer software, consumer electronics, delivery service, education, energy, financial services, food and beverage, oil, retail, and telecom



G-3 Program

- League has directly financially supported stadium construction since the mid-1980s
- League increased its financial support in 1999 by approving Resolution G-3; the program was extended in March 2003; the program was exhausted in December 2006 after League commitments to New York Giants / Jets, and Kansas City Chiefs
- Under Resolution G-3, Clubs in non-top 6 markets were eligible for League loans up to 34% of the private contribution towards a stadium project (capped at \$102 MM)
- Stadium projects needed to be public-private partnerships
- G-3 loans were approved for twelve stadium projects; more than \$1.1 B committed by League
 - Loans to be repaid by Clubs from new stadium revenue
- Commissioner has indicated that League likely to continue financially supporting stadium development in the future, on a basis to be determined



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Falcons' Situation

- The Falcons are approaching their next generational stadium opportunity
- Atlanta-Fulton County Stadium (1966 – 1991) 26 seasons
- Georgia Dome (1992 – 2015) 24 seasons
- The Georgia Dome will be 25 years old after the 2016 season
- The bonds supporting the Dome are projected to paid off in this time frame
- Team MUST make the right stadium decision for the next 25 years to stay competitive
 - By far the most critical component is to provide the foundation for a healthy NFL franchise in the Atlanta community



Atlanta Professional Sports Venue Landscape

Atlanta Sports Venues - Team Lease Summaries
(\$ in Millions)

Venue	Georgia Dome	Turner Field	Philips Arena
Team(s)	Atlanta Falcons	Atlanta Braves	Hawks/Thrashers
Opening Year	1992	1997	1999
Project Cost	\$214	\$260	\$230
Public/Third Party \$	\$214	\$209*	\$210
Private \$	\$0	\$51	\$20
Public/Third Party %	100%	80%	91%
Private %	0%	20%	9%
Controls Development	Authority	Team	Team
Controls Revenues	Authority	Team	Team
Operating Expenses	Authority	Team	Team
CapEx Responsibility	Authority	Team	Team
Rent / Revenue / Surcharges:	Team pays 10% of net ticket receipts to Authority (approximately \$4M)	Team pays \$500k/yr to Atlanta / Fulton Rec Authority; Naming rights >\$1.5M to Authority, max of \$250k; Team pays Authority 8.25% of parking revenues (approximately \$400k)	

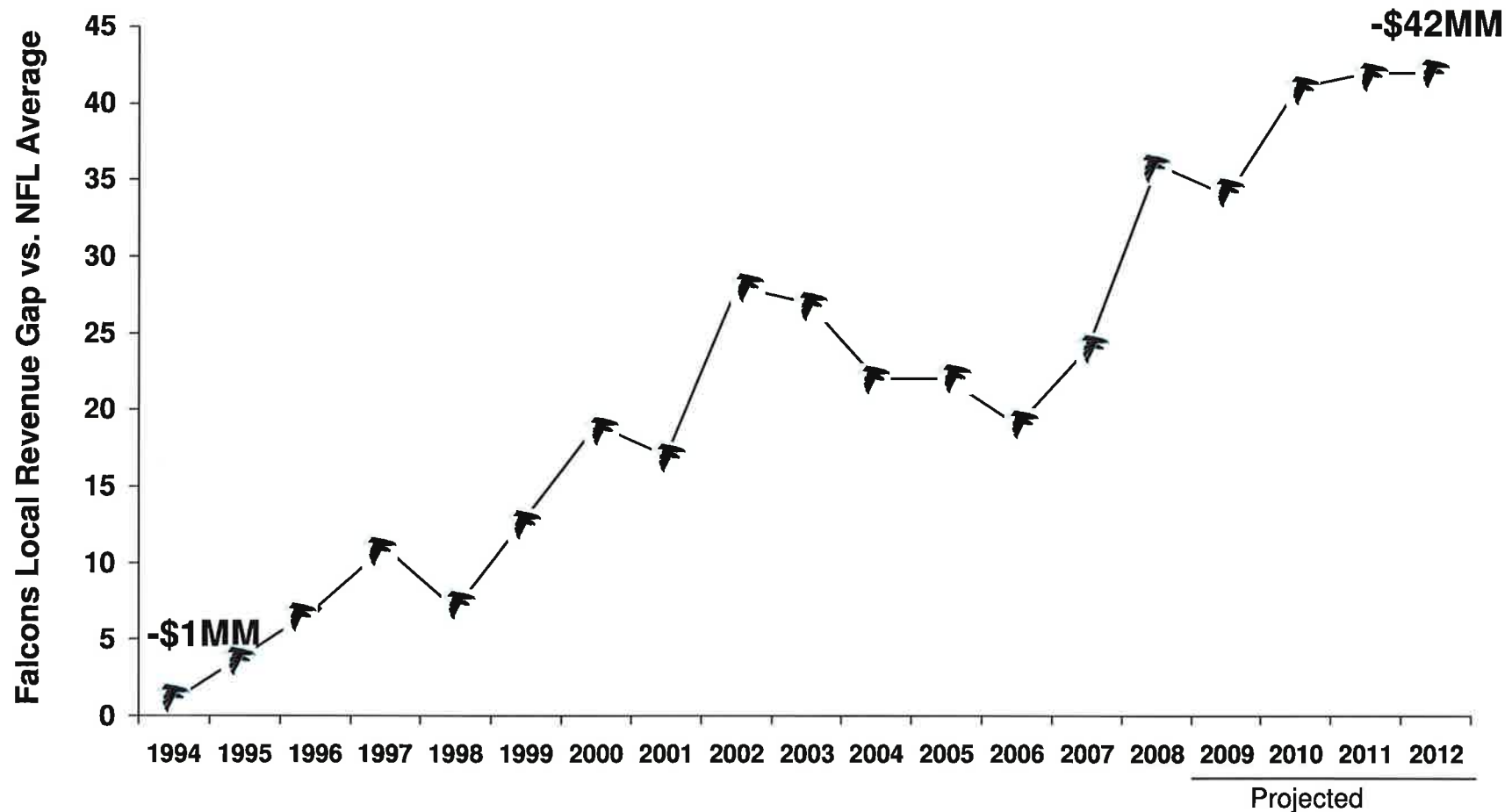


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* Third party funding for Turner Field was provided by Atlanta Committee for the Olympic Games

Falcons' Local Revenue Gap vs. NFL Average

(\$ millions)



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Stadium Structure Comparison

Structure	Stadiums	Avg. # years since opening or major renovation	# Clubs in Top 10 Markets* (DMA)	# Clubs in Top Two Quartiles ('07 Revenue)
Open-air	23	10	8	15
Dome	6	15	1	0
Retractable	2	4	1	1
League Total	31	11	10	16

- There are a relatively small number of dome stadiums, the majority of which are in small markets
- On average, the condition of open-air stadiums is slightly better than that of dome stadiums, as they have been built or renovated more recently
- There are no dome stadiums that rank in the top two quartiles for total revenue



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*Source: Nielsen Rankings of Local Television Market Universe Estimates 2007-08

Stadium Structure Revenue Effect

Revenue variance by stadium structure

	GATE	CLUB SEATS	SUITES
	GA Gate Revenue (\$MM)	CSP Revenue (\$MM)	Suite Revenue (\$MM)
Open-air vs. Dome	+13.3%	+246.7%	+71.3%
Dome vs. League average	-8.4%	-69.6%	-39.1%

On average, open-air stadiums generate higher revenue for premium seats, but this may also be partially attributable to market size and stadium conditions

Additionally, open-air stadiums have greater average numbers of both club seats and suites, further exacerbating the disparity in revenue



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Note: Retractable roof stadiums not shown due to small sample size, but included in calculation of League averages

Falcons vs. NFC South Division Teams

<u>Team</u>	<u>Venue</u>	<u>Market Size Rank</u>	<u>Stadium Capacity</u>	<u>Number of Club Seats</u>	<u>Club Seat Premiums</u>	CSP (Discount) / Premium to League Avg.
Atlanta	Dome	8	71,228	4,604	Low	(86%)
Carolina	Open Air	24	73,298	11,295	High	51%
New Orleans	Dome	53	69,703	4,978	Low	(67%)
Tampa Bay	Open Air	13	65,857	12,105	High	94%



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Plan for the Falcons

- Falcons must start exploring creative stadium solutions sooner rather than later; successful public-private partnerships often take years to put together
- Typical key stadium development decisions that need to be made;
 - Site location
 - New vs. renovated stadium
 - Stadium structure (open air, dome, retractable roof)
 - Stadium construction budget
 - Sources of funds
 - Key deal terms
 - Ancillary development and other economic activities





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