

# RESPONSE TO RAMS' APPLICATION TO RELOCATE TO LOS ANGELES

Delivered By:  
St. Louis Regional Convention and Sports Complex Authority  
St. Louis NFL Stadium Task Force

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One of the most important decisions the National Football League may ever make will come next week. The decision will have a significant and everlasting impact on the St. Louis community, whose reputation this week was unfairly attacked by Stan Kroenke in his appeal to the League to relocate the St. Louis Rams franchise to Los Angeles.

Below is our summary response. It is detailed, accurate and completely necessary in light of the Rams' characterization on what has been and will continue to be a solid NFL market.

We respectfully request that you spend a few minutes to thoroughly review our response, as we feel it is extremely important to know the facts and correct the many misrepresentations found throughout the team's Statement of Reasons for relocation, and which we expect are contained throughout the full relocation application (the balance of which we have not received after request).

We are available at all times for questions or comments. Thank you for your time and consideration.

## **I. ST. LOUIS' NEW STADIUM PROPOSAL IS VIABLE AND FINANCIALLY ATTRACTIVE FOR THE RAMS AND THE NFL**

- The Rams' Statement of Reasons provides that the Rams' comments on the economics of the new stadium proposal are found in more detail in an appendix that neither the Rams nor the League have provided after request, instead refusing to allow proper inquiry into the foundations of the Rams' claims. However, based on the misstatements and incongruities in the Statement of Facts, we expect that the Rams' supporting documentation is also incorrect and therefore dispute the conclusions provided in the Statement of Reasons.
- It is our understanding that the Rams currently generate positive operating cash flow, and we believe the team would continue to generate an operating profit in the new stadium under the proposed terms.
- The Rams claim the rent and operating structure are 20 times what they pay now. It is not clear what figures they are comparing and what they mean by "operating structure." Current direct rent is \$250,000 (not including certain revenue sharing items) – 20 times current rent would be \$5.0 million. **The current rent proposal is \$1.5 million in year one, and is less than the most recent deals for both the Falcons and Vikings.**
- Contrary to the Rams' claims of no new local revenue sources to offset the increased costs of the proposed stadium, the Rams will be receiving incremental revenues from a state-of-the-art stadium designed to increase revenue (e.g. naming rights – already secured, sponsorship, premium seating, etc.), as well as retain all revenues from other non-team events (concerts, dirt shows, soccer, etc.). Further, the Rams will control their destiny in the new stadium because they will control the building and be able to program it as they desire.
- Highlighting one element of a deal structure, such as rent, can be misleading. Overall stadium occupancy costs (taking into consideration private investment, rent, revenue sharing, operating expense responsibility, capital expense responsibility, etc.) for the Rams are comparable to the Vikings and significantly less than other most recent new stadiums (Falcons, 49ers, Cowboys, Giants/Jets).

- We have no idea how the Rams estimated a negative cash flow of \$7.5 million. Using conservative revenue, expense, and debt service assumptions based upon input from a variety of sources, including the team, League, and industry experts, we calculate strong profitability in every year at the new stadium. We can only assume that the Rams are vastly haircutting revenue projections in St. Louis to make a case for relocation to the League, but this is misleading and unfair to St. Louis. We are happy to go through our analysis line by line and look forward to an opportunity to do so with the team. We firmly believe that a strong NFL owner could far exceed the revenues we estimate could be generated in the new stadium.
- The Rams' revenue rank is estimated to increase from 28<sup>th</sup> currently to near the top half of the League in the new stadium, consistent with the overall market ranking.
- It is unclear how the Rams calculated the public sector investment at \$355 million. The public sector will be investing \$400 million toward the project. The estimated present value of the amusement tax rebate is approximately \$65 million. The Rams have paid the amusement tax since 1995 (with no rebate) – credit should be provided to the public sector contribution for providing the rebate. Even taking into consideration rent to be paid by the Rams (estimated present value of approximately \$32.5 million) as an offset to the rebated amusement tax, the public investment would be in excess of \$400 million. In fact, by the Rams' own calculation, the public contribution must be \$400 million, since they indicated that the private investment would be \$710 million.
- The State of Missouri and City of St. Louis, through the RSA, will contribute \$400 million of traditional public funding sources toward the project without a public vote. **The proposed \$400 million of public funding would represent the 5<sup>th</sup> highest public contribution in the history of the NFL.** In addition, as mentioned above, the City of St. Louis amusement tax (5%) will be rebated to the Rams to help offset rent, and reduce operating and capital expenses.
- The City of St. Louis and State of Missouri will have contributed over \$800 million over the past 20 years in attracting and retaining an NFL team including the proposed stadium deal – the highest amount of any NFL community during that time.

**II. THE RAMS' STATEMENT OF REASONS INCLUDES FALSEHOODS ABOUT THE LEASE, THE ARBITRATION AND THEIR EFFECT ON RELOCATION**

- From the beginning of 2011, throughout the arbitration process and through today, **the Rams have never engaged in any meaningful dialogue** about their future in St. Louis beyond the initial term of the Rams' Lease, whether in the Edward Jones Dome or otherwise. The only matter that the Rams would discuss during this time was whether contemplated improvements to the Edward Jones Dome were sufficient to satisfy the First Tier clause in the Rams' Lease. Those discussions with one party (CVC) over one lease issue do not satisfy the Rams' obligation to work diligently and in good faith to maintain a suitable stadium. That process and the arbitration it led to did not involve the RSA, St. Louis City, St. Louis County, the State of Missouri, the Task Force, or others. The Rams consistently expressed their intent to convert the term to year-to-year at the earliest opportunity, and never engaged in discussions otherwise.
- The Statement of Reasons incorrectly accuses the RSA and "St. Louis" of being in default under the Rams' Lease. **There was never such a default.** The Rams' Lease remains in full force and effect, as admitted by the Rams when they converted to a year-to-year term pursuant to the terms of the Rams' Lease. St. Louis is not a party to the lease and cannot have breached the lease and was not involved in the lease arbitration. The RSA has never been alleged to have breached the lease and was dismissed from the arbitration immediately **by the Rams themselves** because the RSA had nothing to do with proposals concerning the First Tier issue or the arbitration. The Rams have never alleged a lease default by any party at any time, including in the arbitration, because there is none.
- The decision not to implement the Edward Jones Dome improvements suggested in the Arbitration Award was **not a default** under the Rams' Lease. Rather, this decision was permitted under the Rams' Lease and gave the Rams the option to convert the term to year-to-year. The prudent decision not to incur the \$700

million public investment required by the Arbitration Award in order to keep the Rams for only another 10 years was permitted by the Rams' Lease. The Rams refused to consider any other future in St. Louis.

- **The current stadium proposal is not a breach of the lease nor is it unfair for St. Louis and others to work to retain an NFL franchise by making a stadium proposal.** Absolutely nothing in any lease document precludes the RSA, the City of St. Louis, or any other entity from proposing a stadium, nor do the lease documents excuse the Rams from having to meet the relocation guidelines set out by the NFL. The NFL has known about this lease language since 1995, and if the lease somehow precluded the RSA from making a stadium proposal, the NFL and its various officers and committees would not have continuously and repeatedly contacted, worked with, and encouraged home market representatives about a stadium proposal.
- **Even if the Rams had been truthful about the lease and arbitration, whether the Rams are party to an enforceable lease is a distraction and an entirely separate issue from whether the Rams qualify for relocation.** Section D of the NFL's Policies and Procedures states that "*No request to relocate shall be unconditionally approved, nor shall a relocation be allowed to take effect, if it would result in a breach of the club's current stadium lease.*" Making sure there is no outstanding lease issue is only the first step; a franchise still has to follow all of the remaining policies and procedures for relocation set out by the NFL. **The lease discussion attempts to hide the fact that the Rams' Statement of Reasons is silent as to many of those factors despite a requirement that the Rams address "each" relocation factor.** Specifically (among other reasons):
  - The Rams have received substantial public financial support in the construction and ongoing maintenance of the Edward Jones Dome, as well as the proposed financial commitment of \$400 million and the amusement tax rebate for the new stadium;
  - The Rams have not incurred net operating losses that threaten the continued financial viability of the team;
  - The Rams have not engaged in good faith negotiations for the development of a new stadium; and
  - The Rams have contributed to current circumstances and resulting attendance and revenue levels by failing to put a competitive team on the field since 2003 and by not communicating and engaging the community.
- Perhaps most importantly, the local community has presented a viable proposal with certainty, and according to the League's relocation guidelines, a team is not "entitled" to move because of an opportunity for enhanced revenues in another market.

### **III. ST. LOUIS IS A STRONG NFL MARKET AND SUCCESSFULLY SUPPORTS THREE MAJOR PROFESSIONAL TEAMS**

- Contrary to what the Rams' Statement of Reasons implies, St. Louis is not an inadequate NFL market, but it generally ranks as an upper third quartile market in key demographic and corporate measures. St. Louis ranks 18<sup>th</sup> in population, 16<sup>th</sup> in the number of Fortune 500 companies, 14<sup>th</sup> in the number of Fortune 1000 companies, and 14<sup>th</sup> in the number of companies with over \$50 million in sales. St. Louis ranks 11<sup>th</sup> in terms of suites per the number of companies over \$50 million in sales, 14<sup>th</sup> in population per stadium/arena seat, and 18<sup>th</sup> in high income households per club seat – all important ratios in assessing potential demand for a professional sports team.
- To demonstrate the business and economic strength of the St. Louis market, the Task Force obtained a naming rights commitment from Enterprise Holdings, Inc. (#16 on Forbes' list of America's largest privately held companies). The naming rights agreement ranks as the 8<sup>th</sup> highest in the NFL in terms of average annual value (\$158 million over 20 years), and the 2<sup>nd</sup> highest amount for any team outside of the top 10 markets.

- In their Statement of Reasons, the Rams seem befuddled by low attendance despite all of their claimed “investments and engagements,” perhaps overlooking the chronic lack of on-field success over the past decade. Combined with the disengagement of franchise ownership with the fan base, business community and news media, the poor team performance has undoubtedly had a more pronounced negative effect on attendance than the Rams would like. Examples of team performance that are likely playing a contributing role in attendance would include:
  - The Rams franchise has produced only four winning seasons since coming to St. Louis in 1995, the most recent of which was in 2003 (four winning campaigns in 21 NFL seasons).
  - The Rams have had a .313 winning percentage over the last 10 years (50-109-1), a period that included 2007 to 2011, the worst 5-year stretch in NFL history, during which the Rams went 15-65.
  - During the last decade, the Rams were collectively outscored by their opponents by 1,081. The Rams have scored more points than their opponents throughout the course of a single season only four times since arriving in St. Louis, and again most recently in 2003.
  - The Rams have not made the playoffs since 2004. Since coming to St. Louis, the Rams have won their division only three times, again most recently in 2003.
  - With the conclusion of the 2015 season, the Rams have now posted nine consecutive losing seasons, the longest streak in the NFL. Its current string of 12 consecutive non-winning seasons is second in the League.
- Nonetheless, St. Louisans have continued to support the Rams. **During the years 2007, 2008 and 2009, the Rams compiled six total wins.** Yet, on average, 59,837 fans (equivalent to 89% capacity) attended the Edward Jones Dome each game during that span. In 2007, the Rams still filled the Dome to over 95% capacity, despite the team only winning three games.
- St. Louis fans will continue to support the Rams given the right opportunity. Legends/CSL (the NFL-retained consultant and the firm hired by the Rams to lead their sales effort in Los Angeles) indicates St. Louis residents support the Rams and a potential new stadium. Comments from the Legends/CSL report include:
  - “Approximately 77% of email respondents and 63% of telephone respondents of lapsed season ticket holders would consider purchasing season tickets in a new stadium.”
  - “The most common reasons for considering purchasing season tickets again would be an improvement in team performance and *long-term commitment* by the Rams to remain in St. Louis.”
  - “... common reasons for not intending to renew include *uncertainty about the team’s future* in St. Louis, a lack of communication from the team, quality of opponents, and team performance.”
  - “...78% of email survey respondents have a positive attitude towards a new stadium.”
  - “Approximately 89% of email survey respondents and 85% of telephone survey respondents indicated some level of interest in purchasing tickets in a new open-air stadium in St. Louis.”
  - “Current support of the (MLB) Cardinals and past support of the Rams (1995 to 2005) indicated that the St. Louis market can and will commit to a successful team playing in a venue that offers quality fan amenities.” (Note: *From 1995 to 2005, the Rams performed at or above market in terms of NFL team revenue.*)
- St. Louis will continue to support the Rams regardless of the team’s on-field performance, but is likely to provide even more support if the Rams are winning based on the market’s support of the St. Louis

Cardinals and the St. Louis Blues. Since 2013, St. Louis Cardinals fans have finished second only to Los Angeles Dodgers fans in MLB gross attendance figures. Since 2005, St. Louis Cardinals fans have finished no worse than the top 6, and since 2000, no worse than the top 8 in MLB. From 2007-2011, St. Louis Blues fans were at or near the top 10 in NHL-wide gross attendance. After the lockout in 2012, and through last year, Blues fans have attended games at or near the NHL average.

- The St. Louis Rams have won only 50 games in the last 10 years, with zero winning seasons. The Los Angeles Rams won 71 games during their final 10 seasons in Los Angeles, with four winning seasons. Yet, **football fans in St. Louis attended games in greater numbers than Los Angeles fans** during those respective time periods, despite St. Louis having a smaller economic market and a much smaller population (metro, city, county, or otherwise).

#### IV. CONCLUSION

We have painstakingly followed protocol while assembling a stadium plan that would be well-received by the Rams and NFL. In particular, we have strived to be respectful of all stakeholders throughout all phases of this endeavor, above all the St. Louis Rams organization.

On December 30, the proposal for National Car Rental Field was delivered to the NFL, Rams and team owners. It details the funding, planning and overall certainty the League has requested. While we are very proud of our proposal, we fully expected the Rams to file for relocation.

We were not prepared, however, for the cruel attack and false claims made by our local team owner, to his League peers, in an attempt to punish and embarrass St. Louis – a city whose residents and businesses have loyally supported the Rams for more than two decades. No matter the justification for relocation – and the falsehoods in the Statement of Reasons strongly suggest the Rams have no justification to vacate St. Louis – the style in which their point was made was unprecedented, personal, groundless and unbecoming of a steward representing what we feel is the greatest professional sports league in the world.

But, we want to assure the NFL of this: **St. Louis can, and will, work with Stan Kroenke. No irreparable harm has been done to our relationship or the potential to forge a true partnership that will serve the NFL, the Rams and St. Louis for decades to come.** St. Louis is an NFL town. It is home to the St. Louis Rams and our team owner is Mr. Kroenke. We look forward to the next chapter and sincerely appreciate you taking the time to consider our response.