



MEMORANDUM

Council Agenda
Item No. XI. N
9/26/2023

The City of OKLAHOMA CITY

TO: Mayor and City Council

FROM: Craig Freeman, City Manager

Letter of Intent with PBC Sports and Entertainment, LLC, dba Oklahoma City Thunder, for the purpose of securing a long-term commitment from the team to play in Oklahoma City, and for The City of Oklahoma City to construct a new downtown arena.

Background:

Oklahoma City opened new publicly-owned arenas to improve and maintain the city's quality of life in 1937, 1972 and 2002. The most recent arena helped the city to secure major league professional sports for the first time. Beginning with the 2008-2009 NBA season, the Oklahoma City Thunder of the National Basketball Association has called Oklahoma City home, due to a use license agreement signed by both parties in 2008. In 2023, the initial term of the 2008 use license agreement expired. The Thunder exercised an option to extend the agreement for three years. Over the past 14 months, Oklahoma City and Thunder leadership have been engaged in discussions concerning the concepts that would allow for the Thunder and the City to agree to a new long-term use license agreement. Earlier this month, representatives of the parties preliminarily agreed to a letter of intent that establishes mutual agreement for a new use license agreement that will keep the Thunder in Oklahoma City beyond 2050. A new state-of-the-art arena is required to receive this long-term commitment from the Thunder.

Ordinance No. 27,420, as presented today, proposes to levy a temporary special sales tax of one percent (1%) for the special purpose of funding all expenses related in any manner to constructing, establishing, providing, or maintaining an arena facility to be owned by the City. Other items on today's Council agenda would call a special election for approval of the tax levy and set the election date for December 12, 2023. There is also this item, a letter of intent between the parties.

To evidence various commitments by both parties, The City of Oklahoma City and the Oklahoma City Thunder have set forth material terms and conditions in this Letter of Intent. The following material terms are included:

- *Term:* The Oklahoma City Thunder commit to play all of its home games in the New Arena for 25 years, commencing upon occupancy of the New Arena. The Oklahoma City Thunder further commit to continue playing all of its home games at the Paycom Center until the New Arena is completed and prepared for occupancy. It is the intent of the parties that the New Arena be prepared for occupancy no later than the commencement of the 2029-2030 National Basketball Association season.

- *Arena:* The City of Oklahoma City will construct a New Arena to be owned by the City, upon voter approval of continuing the one-percent (1%) sales tax, beginning April 1, 2028 (after the expiration of the tax currently collected to fund the MAPS 4 program). The New Arena will be designed and constructed as a first-class, state-of-the-art facility with at least 750,000 square feet.
- *Budget:* The budget and funds available for the New Arena are estimated to be a minimum of \$900,000,000.00. Said sum consists of projected revenue from the 72-month sales tax, \$70,000,000.00 of MAPS 4 funds already earmarked for the City's downtown arena, and a \$50,000,000.00 contribution from the Oklahoma City Thunder.
- *Agreements:* The parties agree to negotiate and execute as soon as practicable a Use License Agreement, Food and Beverage Agreement, and Development Agreement.
- *Other Terms:* The parties agree to address office space, license fees, maintenance terms, facility fees, parking, and other reasonable and necessary ancillary terms in the Agreements listed above.

Review:

Municipal Counselor's Office

Recommendation: Letter of Intent be approved.