



## LETTER OF INTENT

The Honorable David Holt  
Mayor  
The City of Oklahoma City  
200 North Walker Avenue  
Oklahoma City, OK 73102

Mr. Clayton I. Bennett  
Chairman  
PBC Sports and Entertainment, LLC  
208 Thunder Drive  
Oklahoma City, OK 73102

September 26, 2023

This Letter of Intent (“Letter of Intent” or “LOI”) is intended to summarize and set forth in principle the material terms and conditions on which PBC Sports and Entertainment, LLC, an Oklahoma limited liability company (“Team”), will enter into a long-term Use License Agreement (“ULA”) with the City of Oklahoma City (“City”). Since 2008, the Team has called the City home. In the 15-year history of the partnership between the City and the Team, it is undisputed that both the City and the Team have enjoyed mutual success, stability, and growth. The relationship between the City and the Team has promoted economic growth, tourism, and expansion of business in the City. The development of a new arena in downtown Oklahoma City (“New Arena”) is anticipated to build on this momentum to ensure that the City is regionally competitive and a premier destination for sports and entertainment, to further business development and to improve quality of life.

The parties hereto acknowledge that through the course of this relationship, the Team has utilized Paycom Center by way of the current ULA. The initial term of this ULA was for 15 years and was set to expire in June 2023. In June 2022, the Team exercised its right to a 3-year extension (effective until June 2026) in order to provide the City time to develop a plan for the New Arena, toward the ultimate purpose of securing a new long-term ULA. In consideration for a new ULA with the City and its Public Property Authority (“Authority”), the City intends to present to its citizens the proposition of passing a 1% (\$0.01) sales tax that would not take effect until after the expiration of the MAPS 4 sales tax, with this temporary sales tax providing funding to construct and maintain a New Arena for both the Team and City’s use. The proposed temporary sales tax will not increase the current rate of taxation and will last for 72 months. Said proposal will be introduced to the Oklahoma City Council on September 26, 2023, and upon final passage will send the proposed tax extension to the voters at an election to be held on December 12, 2023.

Based on the foregoing, the City and the Team agree to proceed in good faith in the negotiation of definitive agreements relating to the Team and the City continuing its partnership for another generation, securing for the City the economic impact, national and international identity, community unity, and philanthropy that the City has enjoyed since 2008. Such definitive agreements will follow substantially the terms set forth in this Letter of Intent. The agreements between the City and the Team will be set forth in three basic agreements, as follows: (a) a Team Arena Use License Agreement (“ULA”), setting forth the terms of the Team’s use and occupancy of the New Arena, and further, committing the Team to play its home games at the New Arena; (b) a Food and Beverage Agreement (“F & B Agreement”) , setting forth the terms on which food and beverage services will be provided at the New Arena, and (c) a Development Agreement (“Development Agreement”) for the development and construction of the New Arena. These Agreements may be referred to herein collectively as “New Arena Agreements.” The New Arena Agreements will contain the terms outlined in the remainder of this Letter of Intent. Except with respect to the terms described below, the terms of the ULA for the New Arena will generally be consistent with the terms of the existing ULA with respect to Paycom Center.

**I. Key Terms of ULA and Development Agreement**

- A. Term; Renewal: The ULA will include a commitment by the Team to play its home games in the New Arena for 25 years, plus a commitment to play home games in Paycom Center for an as yet undetermined number of years, while the New Arena is designed and constructed. This means that the Team agrees to play all of its home games in Paycom Center until the New Arena is ready for occupancy, and then also agrees to play all of its home games in the New Arena for 25 years. The 25-year commitment to play home games in the New Arena commences upon occupancy of the New Arena. In addition to the years at Paycom Center and the 25 years in New Arena, there will be the opportunity for two three-year extensions on the same terms and conditions exercisable at the option of the Team. The collective time period that the Team is agreeing to play its games either at Paycom Center or the New Arena is referred herein as the “Term.” Both parties agree that this agreement to play home games at Paycom Center or the New Arena excludes games that are required by the National Basketball Association to be played at locations other than Oklahoma City even if such game is technically designated as a “home game.” For the remaining years at Paycom Center, the parties will continue to perform under the terms and conditions of the now existing current Use License Agreement.
- B. Arena: The Development Agreement will set forth the terms and conditions pursuant to which the City and the Team will work together in a collaborative and cooperative manner to develop and construct the New Arena. It is anticipated that the New Arena will be designed and constructed as a new first-class, state-of-the-art facility, with at least 750,000 square feet and with the ability to host National Basketball Association home games, as well as other major sports and entertainment events, and related project elements. Each party’s approval rights, as well as building policies and standards,

requirements, and timing related to design, development, and construction of the project will be established in the Development Agreement. The quality standards for the New Arena will be first class and state-of-the-art, comparable to recently constructed National Basketball Association and other major league venues to be mutually agreed upon in the New Arena Agreements. The quality standards also include the standards set forth in any applicable National Basketball Association rules and requirements, including the National Basketball Association Arena Standards Manual and other rules related to technology and guest experience.

- C. Budget and Construction and Sources of Funds: The budget and the funds available for the New Arena are initially estimated to be a minimum of \$900,000,000. The parties agree that continued joint development of the budget and its revenue sources may increase the budget before construction commences, but the budget and the funds available will not diminish below \$900,000,000. The minimum budget and funds available of \$900,000,000 are dedicated to the project costs itself, excluding any financing costs. This budget amount for the New Arena does not include the additional value of any publicly-owned land that may ultimately be utilized as the site for the New Arena. The funds for this budget will be supplied from the proceeds of the temporary 72-month sales tax to be considered by the voters of Oklahoma City before the end of 2023, as well as a minimum of \$70,000,000 of MAPS 4 funds already earmarked for the City's downtown arena, and a \$50,000,000 contribution from the Team toward the project. The final budget and funds available for the New Arena - an amount no less than \$900,000,000 - will be jointly agreed upon by the parties as they jointly work through financial estimates, financing approvals, and other factors that are set forth in the Development Agreement. The parties agree that all reasonable efforts will be made to maximize resources. Any surplus revenues ultimately collected from the temporary sales tax that come in above project costs and any related financing costs will be utilized either to complete the New Arena and/or placed in a capital improvement fund for future capital maintenance of and improvements to the New Arena. The parties agree to work together in good faith to build to the final budget ultimately agreed upon by the parties, and both parties acknowledge there is no major public source of project funding beyond that which is provided for here for the New Arena, though the parties agree to work diligently and creatively to maximize available resources within the sources identified here. The Team shall not be responsible for any cost overruns with respect to the budget except to the extent that such cost overrun is a result of modifications to the project requested by the Team after the design is finalized, and such request increases the budget for the New Arena. In such instance, the Team is only responsible for the increase above the previously agreed-upon budget that is attributable to their request.
- D. Schedule: The Development Agreement will establish the process by which the City and the Team will develop a schedule for completion of the New Arena construction. The parties will proceed expeditiously and make every effort to complete construction

as soon as practicable. At this time, both parties acknowledge a mutual desire for occupancy of the New Arena by no later than the commencement of the 2029-2030 National Basketball Association season.

- E. Arena Ownership and Management: The New Arena will be owned by City, subleased to the Authority, and managed by the current arena operator or another professional arena management entity that is acceptable to both the City and the Team, and accordingly, the ULA will set forth performance standards, opportunities for the Team to request corrections of deficiencies and procedures whereby management may be replaced by a new operator if such deficiencies are not corrected.
- F. Name: The Team will continue to use the geographic moniker “Oklahoma City” or “OKC” for the length of the Term.
- G. Arena Office Space: The ULA will provide the Team the right to use designated office space located in the New Arena of a sufficient size to accommodate the Team’s corporate operations.
- H. Team Space: The ULA will identify certain Team spaces of which the Team will have exclusive use and control, including the office space described in Section G above, locker rooms, a Team store and storage facilities, other spaces required under applicable National Basketball Association rules and regulations and other spaces agreed to by the City and the Team.
- I. Use License Fee: The parties will proceed in good faith to establish the fee the Team will pay to City, whether on a per game basis or other mutually acceptable basis and may include other reasonable factors agreeable to the City and Team generally consistent with the terms of the existing ULA.
- J. Operations and Maintenance: The City will be responsible for paying for operating costs, general maintenance and repair costs and capital improvements reasonably necessary in order to ensure the New Arena continues to be operated and maintained as a first-class arena throughout the term of the ULA. The ULA will provide for a capital improvement fund for the New Arena.
- K. Facility Fee: The parties will establish appropriate facility fees based on a per ticket basis generally consistent with the terms of the existing ULA.
- L. F & B Agreement: The parties, concurrently with the negotiations of the ULA, will establish the F & B Agreement, which will be generally consistent with the terms of the existing F& B Agreement.

M. Remedies: The New Arena Agreements will provide for mutually acceptable remedies in the event of default by any party.

N. Parking: The parties will agree to parking arrangements that are generally consistent with the current ULA.

## II. Miscellaneous

A. Expenses: Except as specified in other provisions of this Letter of Intent, each of the parties will be responsible for its own costs and expenses incurred at any time in connection with pursuing or consummating the transactions described herein, including expenses of its advisors, legal counsel, agents and other representatives.

B. Parties: While this Letter of Intent describes various rights and obligations as those of the City, the parties understand that certain of such rights and obligations will inure to or be performed by the Authority or the Operator, and the New Arena Agreements will more specifically describe the respective rights and obligations of the City, the Authority, the Operator, and the Team.

C. Definitive Agreements: Upon execution of this Letter of Intent by both parties, the parties will promptly proceed to negotiate the New Arena Agreements, which will incorporate the terms and conditions set forth in this Letter of Intent together with all other terms and conditions as the parties or their legal advisors consider necessary or desirable, including representations, warranties, covenants, and indemnities.

D. Legal Effect: The parties will only be obligated to these terms upon 1) passage of the vote for the temporary sales tax by the people of Oklahoma City before the end of 2023, and 2) execution of New Arena Agreements, which will require approval of the National Basketball Association. No subsequent negotiations, discussions or drafts shall imply or create any obligations between the parties, it being the understanding of both parties they are not bound until passage of the temporary sales tax and until New Arena Agreements have been properly executed by both parties.

The parties agree to proceed promptly and in good faith to negotiate the New Arena Agreements on the terms set forth above. In witness to the concurrence with and desire to continue the mutually beneficial, long-term relationship, the parties hereby execute this Letter of Intent.

**The City of Oklahoma City,**  
an Oklahoma municipal corporation

**PBC Sports and Entertainment, LLC**  
an Oklahoma limited liability company

By: David Holt  
David Holt, Mayor

By: Clayton I. Bennett  
Clayton I. Bennett, Chairman

Date: 9/26/2023

Date: 9/20/2023

Attest:

Amy K Simpson  
Amy Simpson, City Clerk



Reviewed for form and legality.

By: Wendy Jones  
Municipal Counselor



# 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.