

INDIAN WELLS CITY COUNCIL

February 16, 2023



To: City Council
From: City Manager Department
Prepared by: Peter Castro, Deputy City Manager
Subject: **Resident Benefit Opportunity – Annual Tennis Ticket Allotment**

RECOMMENDED ACTIONS:

Council **APPROVES** the proposal from Desert Champions; and

AUTHORIZES the City Manager to execute an amendment to the Host Sponsorship Agreement for the 2023 BNP Paribas Open.

BACKGROUND:

In 2006, the City of Indian Wells and Indian Wells Tennis Garden (Desert Champions) entered a Host Sponsorship Agreement for the annual BNP Paribas Open. The agreement grants the City certain rights in connection with the tennis tournament, including rights to two stadium suites (Suite 302 and 216), additional tickets for each tournament session, parking passes, food and beverage credit, and sponsor credentials.

As the host sponsor, the City also receives extensive signage, recognition, and promotional opportunities for the City during the tournament, including branding around the stadium and Indian Wells on the tennis court playing surface. This agreement has been amended on four occasions, with the most recent amendment to extend the partnership through the conclusion of the 2043 tournament. The Host Sponsorship agreement and four extensions are attached to this report.

Currently, as part of the sponsorship, the City receives the following in Stadium 1:

- Suite 216 (44 tickets per session)
- Suite 302 (32 tickets per session)
- 48 tickets for each session dispersed in the box, prime loge, and loge sections.
- 2,500 tickets for Residents' Day (Schedule for Thursday, March 9, 2023)

DISCUSSION:

On January 17, 2023, Desert Champions (DC) contacted the City of Indian Wells, expressing an interest in negotiating a revision to the current allotment of tickets between the City and DC for the BNP Paribas Open. Specifically, DC is collaborating with a major corporate sponsor for the 2023 BNP Paribas Open, which is interested in acquiring the City's Suite 216.

DC's initial proposal was discussed at the 2023 Council Strategic Planning Session. The Council provided input on the importance of having the same or a greater number of suite tickets available to residents. There was also an expressed interest in having a full suite exchange for Suite 216 and not tickets for a partially different suite. DC stated they would work with Staff to provide a proposal to meet the Council's request. DC's revised proposal with the valuation attached.

Desert Champions Proposal

For the City to entertain any proposal, the staff made it clear to DC that the valuation of their proposal must exceed the current value of the City's Suite 216. In addition, the City shared with DC that the City views these tickets as a premier Resident Benefit and that any proposal must be of not only a monetary value more significant than the valuation of Suite 216 but must be an enhancement to the current tennis benefit residents receive.

In response, DC's new proposal to exchange Suite 216 is summarized below. As the 2023 tournament is so close to the beginning and many suites/tickets are already sold, DC provided a two-step approach to the exchange, with the 2024 proposal being offered annually through the conclusion of the 2043 tournament.

2023 BNP Paribas Open Deal Points:

DC Champions receives in 2023:

- Suite 216 (10 sessions with 44 tickets per session)

City receives in 2023:

- Suite 216 – City to retain use of Suite 216 for twelve of the twenty-two sessions (44 tickets per session). Sessions will be Wednesday, March 8 through Friday, March 10, and Monday, March 13 through Wednesday, March 15.
- 19 box seats for Stadium 1
- Fifteen Suite seats for all twenty-two sessions in Suite 201.
- Ten Suite tickets for all twenty-two sessions in Suite 209.
 - These two suites are fully catered to all guests with free food and beverages. Suite 216 has food and non-alcoholic beverages supplied at a cost to the City. Guests pay for alcoholic beverages.

DC's monetary valuation for 2023 is as follows:

- Suite 216 is valued at \$250,000 for 968 total Suite seats (all sessions).
- DC's proposal has an overall value of \$482,363.64.

Net Benefit:

- Increased value to the City of \$232,363.64 and 110 additional Suite seats and 19 box seats for the 2023 tournament.

2024-2043 BNP Paribas Open Deal Points:

DC Champions receives in 2024:

- Suite 216 (22 sessions with 44 tickets per session)

City receives in 2024:

- Suite 324, all twenty-two sessions (23 tickets per session)
- Suite 327, all twenty-two sessions (28 tickets per session)
- Ten Suite tickets for all twenty-two sessions in Suite 201 and 209.
 - These two suites are fully catered to all guests with free food and beverages. Suite 324 and 327 has food and non-alcoholic beverages supplied at a cost to the City. Guests pay for alcoholic beverages.

DC's monetary valuation for 2024, and every year following, is as follows:

- Suite 216 is valued at \$250,000 for 968 total seats (all sessions)
- DC's proposal has an overall value of \$507,932

Net Benefit:

- Increased value to the City of \$257,932 and 594 additional Suite seats.

It is also important to note that Suite 324 and 327 will be for the City's exclusive use throughout the tournament each year.

Staff performed the attached valuation of DC's proposal that included the monetary value of Suite 216 being proposed for exchange compared to the value of DC's offer, including the potential loss of admission tax. The City collects a 10% City Admission Tax from each tennis ticket sold. However, the admission tax does not apply to suites that are part of a sponsorship package.

The calculation includes the maximum "potential" loss of \$50,789 in admission tax revenue from the reduction in suite seats offered for sale to the public. This calculation assumes that the seats in Suites 324, 327, 201, and 209 were available through the box office and not part of a sponsorship.

Staff's monetary valuation of the proposal is as follows:

- City's Suite 216 is valued at \$340,000 for 968 total seats (all sessions, including the cost of food).
- DC's proposal has an overall value of \$507,932 for 1,562 total Suite seats (all sessions).
- The maximum "potential" loss in admission tax revenue is \$50,789.

Net Benefit:

- Increase value of \$117,103 (including the maximum potential loss in admissions tax) and 594 additional new Suite seats.

ATTACHMENTS:

1. Proposal
2. Suite Valuation