

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Government Audit and Oversight Committee

FROM: Budget and Legislative Analyst 

SUBJECT: June 5, 2025 Government Audit and Oversight Committee Meeting

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Item 2
File 25-0520

Department:
Recreation and Park Department

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a permit between the Recreation and Park Department (RPD) and FIL Partners, LLC for the Golden City Football Club (GCFC) to use Kezar Stadium for their home games for an initial term of 15 years with three five-year options to extend. The resolution also finds that awarding the permit without a competitive solicitation will serve a public purpose by providing \$10 million in improvements to a public facility and providing access to professional soccer to City residents.

Key Points

- Kezar Stadium is in the southeastern corner of Golden Gate Park and is primarily used for games for school teams and track meets. FIL Partners approached RPD in late 2023 about the potential use of the stadium for a new professional team within the Major League Soccer Next Pro league to be called Golden City Football Club (GCFC). The league requires that new teams identify a stadium for home games. RPD negotiated the terms of the proposed permit without soliciting competitive bids because the league's eligibility requirements made it impractical or impossible to solicit competitive bids.

Fiscal Impact

- GCFC would pay at least \$10 million in tenant improvements within the first three years for use of Kezar Stadium. In addition, GCFC would pay \$1 million for capital maintenance prior to exercising each five-year extension option for a total of \$3 million if all options are exercised. The permit also establishes permit fees for every home game and shared ticket sales revenue starting in Year 11 but provides GCFC with a credit against these fees equal to the amount of tenant improvements. GCFC may pay additional fees to RPD if the amount of permit fees or ticket sales revenue owed exceeds the remaining credit. Based on a model provided by RPD, this may not occur within the first 20 to 25 years of the agreement.
- If GCFC does not pay any additional fees, the City benefit from the permit over the first 25 years would be \$12 million or \$480,000 annually (\$3.16 per square foot).

Policy Consideration

- The first two options to extend are solely at GCFC's discretion, and the third option is subject to agreement by both the City and GCFC. Effectively, the City is agreeing to a 25-year term with one five-year option to extend. According to RPD staff, the term was negotiated given GCFC's level of investment in the facility (\$10 million), which will benefit the public.

Recommendations

- Request that RPD clarify the term sheet to state RPD may terminate the agreement if the total cost of improvements is not at least \$10 million.
- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease, modification, amendment or termination of a lease that had an initial term of ten years or more, including options to extend, or that had anticipated revenues of \$1 million or more is subject to Board of Supervisors approval.

Administrative Code Section 23.30 states that the Board of Supervisors shall approve all leases on behalf of the City as landlord by resolution for which the term is longer than a year and costs over \$15,000 per month. Leases of City-owned property can be for less than market rent if the lease is for a proper public purpose with Board of Supervisors' approval.

Administrative Code Section 23.33 states that leases that are expected to produce more than \$2,500 per month in revenue are to be awarded through a competitive bidding process unless it is impractical or impossible. Leases awarded without a competitive process must be in an amount of at least the fair market value of the leased property unless the lease serves a public purpose.

BACKGROUND**Kezar Stadium**

Kezar Stadium is located in the southeastern corner of Golden Gate Park and is primarily used for games for school teams and track meets, but it has also been used by college and semi-professional and professional teams. The existing stadium was built in 1991 and has a capacity of 15,000.

In 2017, the Recreation and Park Commission approved a five-year permit to the San Francisco Deltas, a new professional soccer team (previously in the North American Soccer League), to use Kezar Stadium for their home games. However, after playing in Kezar Stadium for one season, the Deltas ceased operations. SF Gate reported that the average attendance for the season was 2,600 despite the team's good performance.¹

Proposed MLS Next Pro Soccer Team

The Recreation and Park Department (RPD) is proposing that a new professional soccer team use the Kezar Stadium for home games. According to the RPD memo on the proposed permit, FIL Partners² approached RPD in late 2023 about the potential use of the stadium for a new professional team within the Major League Soccer Next Pro³ league to be called Golden City Football Club (GCFC). The league requires that new teams identify a stadium for home games.

¹ <https://www.sfgate.com/sports/article/San-Francisco-Deltas-closure-NASL-championship-12327418.php>

² FIL Partners is a limited liability company that includes Geoff Oltmans and Marc Rohrer as shareholders and Paco Suro as chief executive officer.

³ According to the RPD memo, MLS Next Pro is a professional men's soccer league in the second tier of Major League Soccer. In 2022, the league was established with 21 teams in the US and Canada and will grow to 29 teams in 2026.

RPD negotiated the terms of the proposed permit without soliciting competitive bids because the league's eligibility criteria made it impractical or impossible to solicit competitive bids. Existing teams in the league already have a home stadium identified, and any new expansion team is required to demonstrate to the league that they have a stadium before being granted a franchise. There is not a pool of potential new teams seeking a home stadium.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a permit between the Recreation and Park Department and FIL Partners, LLC for the Golden City Football Club (GCFC) to use Kezar Stadium for their home games for an initial term of 15 years with three five-year options to extend. The permit would have to be consistent with the term sheet in the legislative file for this item. GCFC would fund an estimated \$10 million in capital improvements in the first three years, which would offset permit fees owed in the initial term. The resolution also finds that awarding the permit without a competitive solicitation will serve a public purpose, in accordance with Administrative Code 23.33, and that the permit fee is appropriate and does not require an appraisal. According to RPD staff, the public purpose is providing a soccer experience to San Francisco residents and providing funding of needed improvements to Kezar Stadium which would benefit San Francisco school groups that use it for games and track meets.

Key terms are shown in Exhibit 1 and discussed below.

Exhibit 1: Key Terms of Proposed License Term Sheet

Premises	Kezar Stadium (for home games) Kezar Triangle and Arguello Hub (for game-day events) Boxer Stadium and other RPD athletic fields (for practice)
Use	Permittee will use Kezar stadium for home games and non-league games for up to a total of 20 games per year (excluding playoff games). The number of home games is expected to be 15 per year.
Existing Uses	Permittee will coordinate with RPD to schedule games and accommodate existing uses including as high school and middle school games and track practices, RPD summer camps, high school football games, public access to run on the track. Permittee and RPD will coordinate to manage use of the stadium to prevent undue wear and team and ensure field maintenance.
	<u>Competing sports events</u> <ul style="list-style-type: none"> • Permittee must consent to use of Kezar as a home field (i.e., more than three games) for another professional non-soccer sport team • Permittee must consent to RPD permitting use for adult soccer teams beyond once per year • Permittee will have additional rights for any ticketed soccer matches of other teams, including the right to manage food concessions and split revenues with the user, the right to manage

stadium operations, the right to co-brand with RPD, and the right to share profits with RPD after payment of RPD's standard permit fee

Initial Term	15 years
Options to Extend	Three 5-year options to extend; first two options to renew solely at Permittee's discretion; third option to renew subject to agreement by both parties
Tenant Improvements	Permittee must complete improvements estimated to be \$10 million, including: <ul style="list-style-type: none"> • renovation of turf • seating and press box improvements • scoreboard and sound improvements • concession area improvements, and • required ADA improvements
Capital Maintenance Fund	Prior to exercise of each five year option, permittee will fund or will place into a dedicated maintenance fund \$1 million for capital maintenance, up to a total of \$3 million if all three options are exercised
Concessions	Permittee may have concessions offering food, alcohol, and merchandise. Permittee may also rent Kezar Triangle and the Arguello Hub on game days for concessions and festivities. RPD does not receive a share of concessions revenue.
Permit Fees	For each <u>home game</u> , permittee will pay the following, subject to annual CPI adjustments and the credit against certain fees : <ul style="list-style-type: none"> • Fixed Event Fee (\$1,500) • Hourly Event Fee (\$750) • Triangle Event Fee (\$750) For <u>practice fields</u> , permittee will pay fees in accordance with rates in the Park Code, subject to the credit against certain fees
Percentage of Ticket Sales	RPD will not receive any percentage of ticket sales in the first ten years. After year 10, RPD will receive the greater of: (a) permit fees specified above for each home game, or (b) 10% of ticket sales, subject to the credit against certain fees
Credit Against Certain Fees	Permittee will receive a credit against permit fees and percentage of ticket sales in an amount equal to approved costs of stadium improvements; The annual minimum permit revenue and city cost reimbursement are not subject to the credit
Annual Minimum Permit Revenue	Permittee will ensure that RPD's total permit fees received from all users of Kezar Stadium are at least \$55,000 annually, subject to CPI increases.
City Cost Reimbursement	Permittee will reimburse RPD for costs the department incurs for home games, such as the cost of Park Ranger security, grounds preparation, and facility operation and repairs. Permittee must also reimburse other City departments such as the Police, Fire, and parking/traffic control services.
Tickets	Permittee will provide 38 tickets to RPD for each home game. At least 30 will be distributed to the community and up to 8 may be used for "department-specific uses," including for City staff.

Source: Proposed term sheet

Term

The permit has an initial term of 15 years, with three five-year options to extend for a maximum term of 30 years. The first two terms to extend are solely at GCFC's discretion, and the third option is subject to agreement by both the City and GCFC.

Tenant Improvements, Fees, and Ticket Sales

Tenant Improvements

According to the proposed resolution, GCFC will provide stadium improvements of at least \$10 million. The identified tenant improvements include: (a) an estimated \$5.75 million to renovate and redo the turf, (b) an estimated \$2.5 million to improve seating, (c) an estimated \$0.5 million to install a new scoreboard and improve the sound, (d) \$0.25 million for improvements to the concession area, and (e) required ADA improvements associated with the above improvements in an amount to be determined. Although the proposed term sheet lists these improvements and estimates the total associated cost, the term sheet does not specify that GCFC must provide tenant improvements in a specific dollar amount (i.e., at least \$10 million). We recommend that RPD clarify the term sheet to state that RPD may terminate the agreement if the total cost of improvements is not at least \$10 million.

According to RPD staff, the scope of tenant improvements reflects what is needed to meet league standards and also improves the facility for the public. GCFC worked with an athletic field and stadium designer to determine the improvements and estimated costs. Tenant improvements must be approved in writing by RPD.

RPD may terminate the agreement if the first game is not played by the end of September 2027 with 50 percent of requirement improvements completed and if the remaining improvements are not completed within the next two years or September 1, 2029 (whichever is later).

Permit Fees and Ticket Sales

The proposed term sheet provides that GCFC will pay permit fees for each home game including fixed fees associated with each event (\$1,500 for the stadium and \$750 for the triangle) and \$750 per hour the stadium is used (including setting up and cleaning up after events). According to RPD, these reflect the standard Kezar fees plus a 50 percent surcharge. In addition, GCFC will pay standard permit fees to use RPD facilities for practice.

Starting in year 11, RPD will receive the greater of: (a) permit fees described above; or (b) 10 percent of revenue from ticket sales. According to RPD, 10 percent revenue share is comparable to what RPD uses for concerts and park events, and revenue share beginning in year 11, rather than earlier, was negotiated. According to RPD, ticket sale revenue sharing for other permittees ranges from 5 to 11 percent (for example, RPD receives 5 – 11 percent of Outside Lands ticket revenue; see File 23-0710). RPD will not receive a share of concessions revenue, which is consistent with existing practice at Kezar Stadium according to RPD staff.

Rent Credit and Annual Minimum Permit Revenue

GCFC will receive a credit against fees (i.e., permit fees and ticket sales revenue) equal to the actual amount of tenant improvements, i.e., at least \$10 million. However, GCFC must ensure that RPD's total permit fees received from all permittees is at least \$55,000 annually, subject to increases based on the Consumer Price Index. This reflects RPD's current permit revenue for Kezar Stadium and ensures that RPD will not experience a reduction in permit revenue during the term of the permit. According to RPD staff, if the approved tenant improvements exceed \$10 million, the credit will also exceed \$10 million.

City Cost Reimbursement

GCFC will reimburse the City for City costs associated with home games, such as facility operation and repairs and Park Ranger security.

Operations and Maintenance Cost

GCFC will be responsible for the cost of maintaining the tenant improvements. RPD will be responsible for all other operations and maintenance costs not directly associated with home games.

FISCAL IMPACT

Under the proposed permit, GCFC would pay at least \$10 million in tenant improvements within the first three years for use of Kezar Stadium for home games. In addition, GCFC would pay \$1 million for capital maintenance prior to exercising each five-year extension option for a total of \$3 million if all three options are exercised.

If GCFC does not pay any additional fees, GCFC's total cost for the permit over the first 25 years⁴ will be \$10 million for the initial term and \$1 million for each extension, for a total of \$12 million if GCFC exercises the first two extension options. This is equal to \$480,000 per year for the first 25 years or \$3.16 per square foot per year, which is less than the \$45 per square foot that would trigger an appraisal. RPD states that it cannot determine the market rate for the Kezar rental. For this reason, the proposed resolution invokes Administrative Code Sections 23.30 and 23.33, which states that rental of public property may be done without a competitive solicitation and be below market rate if that serves a public purpose.

The permit also establishes permit fees for every home game and shared ticket sales revenue starting in Year 11 but provides GCFC with a credit against these fees equal to the amount of tenant improvements. GCFC may pay additional fees to RPD if the amount of permit fees or ticket sales revenue owed exceeds the remaining credit against certain fees. Based on a model provided by RPD, this may not occur within the first 20 to 25 years of the agreement.

⁴ The term sheet provides for an initial term of 15 years plus three five year options to extend. Because the first two options are solely at the discretion of GCFC to exercise, the City is effectively agreeing to a 25 year term with one option to extend. Therefore, we calculate the revenues to the City over the first 25 years.

Attachment 1 provides the model and certain assumptions to illustrate the fee structure for the first 25 years. Assuming 20 games (the maximum under the permit), eight-hour use of the stadium during games, average ticket price of \$50 in Year 11 (or \$37.20 in Year 1 dollars), and average attendance of 5,000 in Years 11 through 25, GCFC would start paying fees to RPD in Year 24 and would pay a total of \$1.2 million to RPD for Years 24 and 25. If ticket prices or attendance exceed the values in the model, additional fees may be paid to RPD. Similarly if ticket prices, attendance, or number of games are less than the values in the model, no fees pay be paid to RPD.

RPD Kezar Stadium Permit Revenue

Although GCFC may not owe fees to RPD under the proposed fee structure, RPD's permit revenues for Kezar Stadium will not decline compared to current levels under the proposed permit. If RPD permit revenues from all permittees are less than \$55,000, adjusted annually by the Consumer Price Index, GCFC will pay RPD the difference between RPD permit revenue received and the \$55,000 minimum.

Appropriateness of Permit Fees

To assess the appropriateness of the proposed fees we considered the potential profits to GCFC and compared the proposed fees to other relevant agreements.

GCFC Revenues and Expenses

RPD staff report that they did not review GCFC's projected revenues and expenses directly and neither did our office. We modeled potential revenues and expenses for player salaries to assess the level of profits. GCFC will provide \$10 million in upfront costs for use of the stadium. We would expect attendance for a new team to be lower in Year 1, compared to what is assumed by RPD in Year 11 (5,000). Assuming average initial attendance of 2,500 and average ticket price of \$30, GCFC revenues for 20 games in the first year would be \$1.5 million. Assuming GCFC has 25 players and GCFC pays its players salaries of at least \$50,000 annually, GCFC would pay \$1.25 million in salaries, which would leave \$250,000 in revenues after salaries to pay for administrative costs, travel associated with away games, and other operating expenses. Our analysis suggests that the GCFC will need outside funding to remain viable unless it can increase attendance beyond the 2,500 per game that the Deltas achieved.

Comparison to Other Agreements

The proposed GCFC permit has a similar permit fee structure to the Deltas permit, with fixed and hourly fees and a credit against fees for tenant improvements. However, the Deltas permit: (a) required a minimum base payment of \$30,000 per year (which was not subject to the credit); (b) did not include a surcharge on top of existing rates (compared to a 50 percent surcharge for the GCFC permit); and (c) included only \$500,000 in tenant improvements (to be funded by the Deltas) and a shorter term (five years) compared to \$10 million in tenant improvements for the GCFC permit and a term of up to 30 years. GCFC is making a greater investment in the stadium relative to the Deltas with the expectation that they will use the stadium for a longer term. The Deltas permit, which was short term, did not provide RPD with a share of ticket revenues in later

years of the permit.⁵ The tenant improvements plus minimum base fees for the Delta permit was \$650,000, or \$130,000 annually. Adjusting for inflation that is approximately \$170,000 annually, or \$1.12 per square foot, which is less than \$3.16 per square foot for the first 25 years under the GCFC permit (including tenant improvements and capital maintenance funding provided at each extension option).

We also compared the GCFC permit to the Port's ground lease of the China Basin Ballpark where the San Francisco Giants play. The ground lease, which provides exclusive use to the tenant, currently has an annual rent of \$2.7 million, or \$4.93 per square foot, which is greater than the \$3.16 per square foot for the first 25 years under the GCFC permit. The China Basin ground lease, which has a 25-year term and eight options to extend for a maximum term of 66 years, requires that the minimum rent be adjusted annually by the Consumer Price Index and be adjusted based on the fair market value of the property at the first and fifth extension options. The ground lease does not provide shared ticket or concession revenues to the Port.

POLICY CONSIDERATION

Options to Extend

As mentioned above, the first two options to extend are solely at GCFC's discretion, and the third option is subject to agreement by both the City and GCFC. Effectively, the City is agreeing to a 25-year term with one five-year option to extend. GCFC is providing \$10 million in improvements to Kezar stadium, and this term was negotiated given the level of investment according to RPD staff to allow GCFC to amortize those costs over a longer term.

As noted above, RPD may terminate the agreement if the first game is not played by the end of September 2027 with 50 percent of requirement improvements completed and if the remaining improvements are not completed within the next two years or September 1, 2029 (whichever is later). We also recommend that the term sheet state that RPD may terminate the agreement if the tenant improvements are less than \$10 million.

RECOMMENDATIONS

1. Request that RPD clarify the term sheet to state RPD may terminate the agreement if the total cost of improvements is not at least \$10 million.
2. Approve the proposed resolution.

⁵ The Deltas permit required that the Deltas provide 250 tickets for the community and the Department for each game and required that at least 3,000 tickets per game would be sold for \$20 or less. In contract, the GCFC permit requires that GCFC provide 38 tickets for the community and the Department for each game with no constraint for ticket prices.

Appendix 1: Permit Fees, Revenue, and Rent Credit Model

The model below assumes the following:

Hours per game	8
Games per year	20
Permit revenue per game in Year 1	\$8,250
Average ticket price in Year 11	\$50 (\$37.20 in Y1 dollars)
Average tickets sold in Year 11	5,000
Total credit against certain fees	\$10,000,000
Annual CPI increase	3%

Year	Permit Fees	10% of Ticket Revenue	Total Fees Owed (Max of Fees & Ticket Rev)	Credit Against Fees Balance	Fees Paid to RPD (after credit)
Year 1	\$165,000		\$165,000	\$9,835,000	\$0
Year 2	169,950		169,950	9,665,050	0
Year 3	175,049		175,049	9,490,002	0
Year 4	180,300		180,300	9,309,702	0
Year 5	185,709		185,709	9,123,993	0
Year 6	191,280		191,280	8,932,712	0
Year 7	197,019		197,019	8,735,694	0
Year 8	202,929		202,929	8,532,765	0
Year 9	209,017		209,017	8,323,747	0
Year 10	215,288		215,288	8,108,460	0
Year 11	221,746	500,000	500,000	7,608,460	0
Year 12	228,399	515,000	515,000	7,093,460	0
Year 13	235,251	530,450	530,450	6,563,010	0
Year 14	242,308	546,364	546,364	6,016,646	0
Year 15	249,577	562,754	562,754	5,453,892	0
1st Extension					
Year 16	257,065	579,637	579,637	4,874,255	1,000,000
Year 17	264,777	597,026	597,026	4,277,229	0
Year 18	272,720	614,937	614,937	3,662,292	0
Year 19	280,901	633,385	633,385	3,028,907	0
Year 20	289,328	652,387	652,387	2,376,520	0
2nd Extension					
Year 21	298,008	671,958	671,958	1,704,562	1,000,000
Year 22	306,949	692,117	692,117	1,012,445	0
Year 23	316,157	712,880	712,880	299,565	0
Year 24	325,642	734,267	734,267	0	434,702
Year 25	335,411	756,295	756,295	0	756,295
Total			\$11,190,997		\$3,190,997

Source: RPD

Note: this table does not include any reimbursements for RPD costs to operate or maintain Kezar but does include the \$1 million for capital maintenance that is due at each extension.