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NBA labor dispute would hit arenas and workers hard

Situation at Staples Center is even more dire because of two teams playing there. Workers could even lose health insurance benefits.

By Jim Peltz

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The nation's 29 NBA arenas and their workers are bracing for a loss of revenue and wages totaling tens of millions of dollars if the labor dispute between NBA owners and players leads to most or all of the 2011-12 season being canceled.

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The situation is particularly acute at Staples Center in Los Angeles, because it's home to two NBA teams, the Lakers and Clippers. While the other NBA arenas each host 41 regular-season home games a year, Staples Center has 82.

"It's going to devastate these workers," said Mike Garcia, president of the SEIU-United Service Workers West union, with nearly 1,000 members working at the three NBA arenas in California: Staples Center, Oracle Arena in Oakland and Power Balance Pavilion in Sacramento. "They have become very dependent on these jobs," he said. The workers include janitors, ushers and ticket-takers who earn about \$11 an hour on average.

An additional 700 food-service workers at Staples Center would be idled if Lakers and Clippers games were scrapped, said Tom Walsh, president of Hotel Employees and Restaurant Employees Local 11, the workers' union.

A canceled NBA season also would be a huge financial hit to the food-service companies that employ them, such as Levy Restaurants, which operates in 17 NBA arenas, including the three in California. Levy declined to comment.

With players locked out by team owners amid the contract dispute, the NBA already has delayed the start of training camps and canceled 43 preseason games through Oct. 15. There are serious doubts whether the regular season will start as scheduled Nov. 1.

The 18,997-seat Staples Center is owned and managed by billionaire Philip Anschutz's Anschutz Entertainment Group, and Anschutz owns 30% of the Lakers. NBA owners are prohibited from speaking publicly about the labor dispute while the contract talks continue. AEG spokesman Michael Roth had no comment.

During the prolonged 1998-99 labor dispute, the NBA canceled chunks of the season every few weeks until a new contract was reached and a shortened regular season began in February 1999.

If the NBA cancels games this fall in dribs and drabs it will create a financial headache for many arenas. Only a limited number of entertainers, such as Lady Gaga, Taylor Swift and U2, can sell out NBA-sized arenas, and those shows are booked months in advance and can't be signed by arenas on short notice.

"There's really no way it could be made up," said Mark Kaufman, executive director of the Oakland Alameda County Coliseum Authority, a city-county entity that owns Oracle Arena, where the Golden State Warriors play.

The financial impact of canceled games on the 30 NBA teams and the arenas would vary widely because of vastly different lease agreements.

For example, the Lakers don't pay rent at Staples Center but pay an undisclosed percentage of their games' ticket sales to the arena, according to one source familiar with the arrangement who was not authorized to comment publicly.

However, both the Warriors and Phoenix Suns will owe their full rent to their government-owned arenas if the season is canceled.

The Warriors' rent obligation is \$1.5 million a year (about \$36,500 for each regular-season game), Kaufman said. If the entire NBA season were lost, the team would also be on the hook eventually for nearly \$6 million that normally would be paid to the county authority by the Warriors mainly from premium-seating revenue and concessions at Oracle Arena, he said.

In the meantime, "my biggest fear is we're going to lose so many season-ticket holders" who would not renew if this season is lost "and never get them back," Kaufman said.

Phoenix gets roughly \$1.6 million a year from the Suns for playing at the city-owned US Airways Center.

"We're not very heavily exposed" financially if there are no Suns games this season, because of the terms of the lease deal, said Jeff DeWitt, finance director for the city of Phoenix.

Phoenix gets a fixed lease payment of about \$850,000 from the Suns, and a 10% portion of the team's net revenue that has been totaling about \$750,000 a year, DeWitt said.

The \$850,000 must be paid by the Suns regardless of the labor dispute, but the city's \$750,000-or-so share of the team's revenue could be lost if there are no games, he said.

Plus, "the economy will take a hit, particularly downtown, from not having 41 NBA games because those sell very well in Phoenix," DeWitt said.

The NBA labor dispute already is being felt by some venues that host preseason games.

Citizens Business Bank Arena in Ontario, a 9,600-seat facility owned by the city, was scheduled to host an Oct. 12 exhibition between the Lakers and Atlanta Hawks that was expected to be sold out, but that game was canceled.

The Lakers do not owe the arena a cancellation fee or other compensation, Ontario arena General Manager Steve Eckerson said, adding that the arena booked the game knowing a lockout was a possibility.

"This is just a flat-out loss" and the "total impact is over \$1 million to the arena, to the city and to local businesses" such as restaurants that would have benefited from the game, he said.

The division of revenue from ticket sales, concessions and parking among the arena, its NBA team and its workers also varies widely depending on how their financial terms are structured.

In many cases, an NBA arena is run by a management firm on behalf of the owner. Oracle Arena, for instance, is managed by SMG, and that firm employs the ushers, janitors and ticket-takers at NBA games. The food-service workers typically are employed by the vendor that has an arena's food-service contract, such as Levy Restaurants.

Many of the arena workers in California not only fear the prospect of losing wages from canceled NBA games but also being unable to work the minimum number of hours required for them to obtain health insurance benefits under their union contracts, Garcia said.

At Staples Center, for instance, the SEIU members must work at least 1,300 hours a year (900 a year if they've worked there for more than 10 years) to qualify for health insurance, the union said. If they don't, they have to find the insurance on their own.

"We tell [members] it's out of our hands," Garcia said of the NBA's labor impasse. "They know that. It's a very scary situation for them. We just hope for the best."

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