



Legislation Details (With Text)

File #: ID#15-281 **Version:** 1 **Name:**
Type: Action Item **Status:** Continued in Council
File created: 4/2/2015 **In control:** City Council
On agenda: 4/9/2015 **Final action:**
Title: Approve the First Amendment to Amended and Restated Stadium Sublease Agreement
Sponsors:
Indexes:
Code sections:
Attachments: 1. First Amendment to Stadium Sublease Agreement.pdf, 2. File ID#15-281 Side Letter.pdf

Date	Ver.	Action By	Action	Result
4/9/2015	1	City Council	continued	Pass

REPORT TO THE CITY COUNCIL

April 9, 2015

FROM: BRUCE A. RUDD, City Manager
Mayor & City Manager Department

BY: R. RENENA SMITH, Assistant City Manager
Mayor & City Manager Department

SUBJECT

Approve the First Amendment to Amended and Restated Stadium Sublease Agreement

RECOMMENDATION

The Administration recommends that the City Council approve the First Amendment to Amended and Restated Stadium Sublease Agreement ("Agreement").

EXECUTIVE SUMMARY

The Fresno Baseball Club, LLC ("Tenant") is currently attempting to sell the Franchise and has asked the City of Fresno ("City") to cooperate in the sale process by assisting in the marketing effort, by modifying the Agreement to provide more favorable lease terms to the purchaser of the Grizzlies and by providing financial relief to the Tenant during the transaction process.

The Administration believes that the sale of the Franchise is in the best interest of the City. As such, the Administration is recommending that the City Council accommodate the Tenant's requests by

approving the amendment to the Agreement to protect the City's investment in the Stadium and to preserve Minor League Baseball in Fresno.

BACKGROUND

The City executed a lease agreement with the Tenant in August 2005. The lease was amended in November 2008 and again in December 2009. The Tenant is currently attempting to sell the Franchise and is seeking more favorable lease terms to attract investors and to provide financial relief during the transaction process. The amended terms are highlighted as follows:

Potential Purchaser:

- Fixed Rent will be reduced from \$1,500,000 to \$750,000 annually to be paid \$150,000 per month from April - August each year. The provisions related to Reimbursable Expenses (up to \$500,000/year) and Capital Expenditures (\$100,000 less \$50,000 scoreboard loan) credits will be eliminated.
- APES fees will remain in place. APES fees for the new buyer will be applied to a Capital Repair fund to be overseen by both parties.
- Grizzlies will continue to receive parking credits.
- City will eliminate the revenue sharing provision (20% over \$7.25 million in revenues) and the per ticket fee (\$2.00 per paid ticket over 300,000 attendance).
- City will eliminate the 10% share of Net Surplus upon a sale of the team provision.
- City shall retain the right to host 5 events at no rental fee.
- City is willing to provide a new buyer with matching funds (up to \$1 million) for capital repairs/improvements at the Stadium.

Existing Owners:

- Existing lease terms remain intact, with the exception of; effective November 1, 2014 through March 31, 2016, the City shall accept \$40,000 per month towards payment of fixed rent and Tenant shall have the right to defer up to \$85,000 per month of fixed rent. The cumulative deferred amount of monthly fixed rent shall be paid on April 1, 2016 or at the closing of the sale of the Franchise, whichever occurs first.
- Tenant shall pay prior to or at the time of closing of a sale agreement all amounts owed by Tenant to the City and third parties in connection with the operation of the Franchise and performance of obligations as Tenant under the Agreement, including, but not limited to, scoreboard acquisition loan, utilities, league fees, fines and penalties, and deferred maintenance obligations.

The Agreement also includes a letter agreement between the City and Franchise owners which addresses items of limited applicability and duration (e.g. payment of City consultants and a potential finder's fee to Barrett Sports Group, LLC), the parties have elected to document separately, but which constitute a part of the Agreement.

ENVIRONMENTAL FINDINGS

Not Applicable.

LOCAL PREFERENCE

Not Applicable.

FISCAL IMPACT

The terms of the First Amendment to Amended and Restated Stadium Sublease Agreement provide financial relief for the existing owner without harm to the City of Fresno's long term lease revenue. While short term cash flow will be impacted, by the deferral of partial lease payment to April 1, 2016 or at the closing of the sale of the Grizzlies whichever occurs first, the City of Fresno's coffers will be made whole within a reasonable time frame.

The terms offered for a potential new owner provides approximately \$200,000 in net cash flow savings per year over the existing agreement to assist in the long term financial viability of the team in the market and provides a mechanism to contribute to funding ongoing capital repairs and maintenance (dedicated APES fees). Furthermore, preserving Minor League Baseball in Fresno is a positive amenity for our community in entertainment value and economic development opportunities. This approach should also provide for consistency in payment and an equitable approach to maintaining the value of the Stadium.

Attachments: First Amendment to Amended and Restated Stadium Sublease Agreement
Letter Agreement with Barrett Sports Group, LLC