

November 27, 1997

SUBJECT: NAT BAILEY STADIUM - LEASE RENEWAL FOR THE
VANCOUVER CANADIANS

RECOMMENDATIONS:

- A. THAT the Board approve a three year renewal (January 1, 1998 - December 31, 2000) with a two year option to JSS Sports Inc., operator of the Vancouver Canadians Baseball Club, for the lease of Nat Bailey Stadium**
- B. THAT the existing rent structure remain at \$100,000 per year or 15% of gross admission sales, whichever is greater.**
- C. THAT other modifications to the lease be made, subject to the approval of the General Manager and the General Manager of the Vancouver Canadians.**
- D. THAT no legal rights shall arise hereby and none shall arise thereafter until the execution the contemplated documents**

BACKGROUND

Nat Bailey Stadium was built on its current site in the early 1950's and has had a number of tenants operating professional baseball teams. At times the stadium has reverted back to the city or Park Board and operated for amateur use.

In 1977 the stadium was leased to the Vancouver Canadians for a five year period with an option for a five year renewal. A further five year lease was approved in 1987 with an option for another five year renewal.

In 1993, when JSS Sports (the owner of the Vancouver Canadians) exercised their option, the Board increased the rent from a base of \$50,000 per year or 15% of gross admission sales, whichever is greater, to \$100,000 per year or 15% of gross admission sales, whichever is greater. The Canadians had been very successful in increasing attendance and the base rent had been surpassed during all five years leading up to the rent review.

DISCUSSION

A letter has been received from the Vancouver Canadians requesting a lease renewal of three years with a further two year option at the election of the baseball club.

JSS Sports does not wish to enter into a longer agreement at this time for two reasons. Firstly, the league has just approved a major realignment for 1998 to expand from the present 10 team format to 16 teams. The new teams coming to Vancouver will be Oklahoma City, Memphis, Omaha, New Orleans, Iowa (Des Moines), and Nashville. Whereby this expansion will provide new interest

for baseball fans in Vancouver the club will face increased travel expenses with the new alignment.

Secondly, several significant changes have been made in the new agreement between the National Association of Professional Baseball Leagues (the umbrella association for all of minor league professional baseball) and Major League Baseball (the American League and National League). The new player development contract calls for greater operating costs to be born by Triple A clubs and in the case of the Canadians, their team expenses are projected to increase significantly in 1998.

Negotiations have taken place over the past few months with representatives of JSS Sports (Japan Sports Systems Inc.) Concerning a lease renewal for Nat Bailey Stadium. The following issues have been discussed and are summarized for the Board's information as follows:

1. RENT

The rental formula, which requires a base rate or a percentage rate, whichever is greater, has been very satisfactory as it offers the security of minimum rent and also allows the Board to share in increased revenues of the club. The rent during the current five year term has been as follows:

	Base Rent	OR	15% Admissions
1993	\$100,000		\$110,432
1994	100,000		112,373
1995	100,000		97,796
1996	100,000		115,655
1997(est)	100,000		96,488

In order to propose a rental rate for the next five years, a comparison with seven other Pacific Coast League Triple A stadium agreements has been conducted. (Albuquerque Dukes, Calgary Cannons, Edmonton Trappers, Las Vegas Stars, Phoenix Firebirds, Salt Lake Buzz, Tucson Toros)

As in other reviews of this nature, there are a variety of factors which have an effect on the "bottom line" return to the landlord and, therefore, a direct comparison of rental rates can be misleading. The factors considered include capital improvements, either by the baseball club or the landlord, the sharing of building and grounds maintenance, sharing of revenue from various revenue centres and the provision of staff.

The rent paid by the Canadians is within the medium to high range of the other clubs that were surveyed and it is not recommended to change the rent formula at this time. As mentioned above, if the Canadians do well in their attendance revenue then the Board benefits accordingly.

2. EARLY TERMINATION

The Canadians have requested some consideration from the Board regarding Nat Bailey Stadium not meeting all the compliance standards set by the National Association of Professional Baseball Leagues. Although most standards concerning the team facilities and playing field have been addressed by the Canadians there is still an ongoing concern about the size of the stadium being too small.

The Canadians would like an early termination clause should their major league parent club, the Anaheim Angels, or any successor, refuse to grant waiver conditions on non-compliance areas which are beyond the Canadians control.

3.OUTFIELD FENCE SIGNAGE

The clause in the lease concerning signage on the outfield fence requires clarification so that both parties agree on an acceptable limit to display advertising at the stadium.

JUSTIFICATION

The Vancouver Canadians are paying a rent that is comparable to or higher than most other Pacific Coast Baseball teams. The Board has benefitted from a consistent high attendance level over the past five years and the club has been well managed during that time.

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