

REVISED

Date: January 26, 2007



TO: Board Members – Vancouver Park Board
FROM: General Manager – Parks and Recreation
SUBJECT: Nat Bailey Stadium – Long Term Lease

RECOMMENDATIONS

- A. THAT pursuant to Board direction, the terms identified in this report are recommended to form the basis for a long term lease with the Vancouver Professional Baseball Partnership for Nat Bailey Stadium;*
- B. THAT, subject to the form of the agreement being to the satisfaction of the Director of Legal Services, the General Manager be authorized to execute the document.*
- C. THAT no legal rights or obligations will be created by the Board's adoption of Recommendations A and B above unless and until the lease and any related legal agreements are executed by the General Manager.*

POLICY

The Board approves leases and licenses on parkland.

BACKGROUND

Nat Bailey Stadium has been leased to the National Sport Organization and Fred Herrmann since 2000. Fred Herrmann currently has the franchise rights to provide Single A Minor League Baseball (the Vancouver Canadians) and a lease to use Nat Bailey Stadium that was recently renewed for 2007.

In July 2005, the Park Board issued an expression of interest for potential tenants of the Nat Bailey Stadium. Two expressions were received; one from Fred Herrmann and one from the Kerr Group.

The Kerr Group has an offer to purchase the franchise rights from Fred Herrmann. The offer is for around US \$7.0 million, and it is subject, among other conditions, to a long term lease for Nat Bailey Stadium.

Exploratory discussions with the Kerr Group began in the summer of 2005 and it soon became apparent that both parties shared a mutual interest in the continuation of professional baseball in Vancouver and the preservation of Nat Bailey Stadium. In January 2006, the Park Board formulated and submitted a draft Memorandum of Understanding (MOU) to the Kerr Group.

The offer was formally discussed in March 2006. Simultaneously the design of the Hillcrest complex and related parking began to crystallize and the parties met on a number of occasions to explain, discuss and modify aspects of the Hillcrest Complex design during the spring and summer of 2006.

Previously the Kerr Group, Jake Kerr and Jeff Mooney have now formed the Vancouver Professional Baseball Partnership (VPBP) .

In September 2006 the Park Board received a full formal response to the previous offer. The positions on a number of substantive issues were far apart. At that time staff sought the Board's directions to proceed further with the negotiations in regard to term, capital investment, rent, maintenance and parking. Maintaining positions and pursuing Board directions in a complex negotiation is challenging. However, the negotiations based on the Board's direction have now been concluded.

DISCUSSION

As a private/public partnership, the management and operation of Nat Bailey Stadium can be a successful endeavour. There is public interest in baseball continuing and in having a long term stable partner who is willing to invest in the capital development of this aging facility.

As the business operation at Nat Bailey Stadium will be compromised over the next few years, (due to construction of the Hillcrest Complex and the CanadaLine), the strategy is to continue meeting public interest and maintaining the aging facility. The Vancouver Professional Baseball Partnership will ensure that the service continues and the Stadium is upgraded. As a partnership of local business interests, VPBP has a keen interest in professional baseball in Vancouver, retaining and upgrading a local landmark, and expanding the promotion of amateur baseball in the community.

The Board's agreeing to share in Capital funding is a significant public contribution to the ongoing business operations of the Stadium and will assist the proponent with financing and business operations. In exchange, the VPBP will be responsible for all maintenance of the facility. As the business grows, the return to the Park Board will be at a base amount of \$100,000 in year six or higher as revenues increase. This base amount is also subject to rent review in year eleven.

Parking will be allocated to VPBP on game days for paid parking during and post construction, but 128 spaces will be reserved for the use of patrons of the recreation facilities once the Hillcrest Complex and Pool are available to the public. A portion of the roadway in Queen Elizabeth Park will also be used during game days for paid parking. VPBP is committed to working with the Park Board on traffic management and alternate transportation strategies to ensure the site functions well at all times.

Nat Bailey Stadium will also continue to be used for amateur baseball and other activities outside of the baseball season. Any proposed events that generate significant parking requirements will be forwarded to the Board for their approval.

The following are the key terms that will be formed into the long term lease for Nat Bailey Stadium.

Term

- Five years plus four 5 year renewals

Capital Contribution

- VPBP will invest \$500,000 during the first term
- Park Board will contribute \$500,000 in the first term and submit a request for an additional \$2 million in 2008 to be included in the next Capital Plan
- VPBP will match the Park Board's contributions above the initial \$500,000 up to an additional \$2 million
- If VPBP decides to invest at a faster rate than the Park Board contribution, VPBP will be given credit for any such amounts towards the Park Board's next contributions
- VPBP may use sponsorship funding toward their portion of the capital contribution

Capital Works Program

- Parties will jointly decide on the stadium improvements before June 2007 based primarily on the Francl /360 Architect studies but may include other program items by mutual agreement. The following guidelines will be used in determining the priorities on stadium improvements.
 - Enhancements required by Major League Baseball
 - Improved experience for fans
 - Safety of the facility

Both parties understand that the level of capital expenditures will trigger code upgrades.

In the event that there is not an agreement on the work to be done the lease will include clauses related to staged mediation and arbitration.

VPBP confirmed that if they relocated the team within the first ten years they would compensate the Park Board for their capital contribution on a prorated basis. A seven year proration schedule is to be included.

Rent

- First five years at zero rent

Second Term –

- Greater of \$100,000 base rent or 4% of audited gross revenues from ticket sales, merchandise, souvenirs, food and beverage sales and parking

Third, Fourth and Fifth Term

- Rent reviews on base rent only
- Greater of the base rent or 4% of audited gross revenues from ticket sales, merchandise, souvenirs, food and beverage sales and parking

Rent review of all rent terms would occur if the franchise became Triple A.

Parking

- 500 on site temporary parking (including 40 spaces identified for Millennium) on game days during construction plus an additional 100 spaces along the roadway in Queen Elizabeth Park
- 750 post construction spaces plus 100 in Queen Elizabeth Park
- 128 spaces reserved for Riley/Hillcrest recreation facility users post construction
- VPBP to have exclusive use of parking spaces during game days
- Share costs of traffic management plan
- Parties will work together to support alternative transportation initiatives

Maintenance

- VPBP will be responsible for all maintenance of the facility during the term
- Parking lot maintenance will be cost shared based on use

Naming Rights

- The “Nat Bailey” name will be kept
- VPBP has the right to market and receive revenues from other naming rights, opportunities and sponsorships subject to the City’s naming rights regulations

Cancellation

- VPBP must give one year notification of cancellation during the term of the lease

Game Days/Special Events

- Number of game days as determined by Minor League Baseball
- Stadium can be used for other events without Park Board approval if the parking required is below a maximum number (yet to be determined). If the parking required for the event exceeds that maximum number, then it is understood that VPBP can only use the stadium if the Park Board grants approval
- VPBP has the ability to charge parking on game days only
- Events to meet requirements of all City bylaws

Other Terms

- Insurance and indemnity, Olympic clauses to be included in the final lease
- Outfield fence and lights are to be relocated as soon as possible, the extent of the work and timing to be confirmed through the Park Board’s architects, one section adjacent to the Millennium facility will be difficult
- Existing agreement and revenue with Telus for cell communication facility at Nat Bailey will remain with the Park Board with the intention of relocation to the new recreation facility
- Support for minor and community baseball to use Nat Bailey Stadium will continue

SUMMARY:

A 25 year lease of Nat Bailey Stadium to the Vancouver Professional Baseball Partnership with terms based on directions from the Board is being presented for approval. The key terms are identified in the body of this report and have been agreed to by the parties.

With the conclusion of these negotiations, the long term future of an improved and well-managed Nat Bailey Stadium will join the construction of the major recreation and aquatic facilities for the Olympics and beyond to meet our vision for Riley/Hillcrest as the major leisure campus in the City of Vancouver.

Prepared by:

Vancouver East District
Vancouver Board of Parks and Recreation
Vancouver, BC
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