



Date: June 27, 2012

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

RECOMMENDATION

- A. THAT subject to the Board direction the terms of the current agreement with Vancouver Professional Baseball LLP is modified as identified in this report.*
- B. THAT all legal documentation is to be in a form which is satisfactory to the Director of Legal Services for the City of Vancouver and the General Manager of the Park Board.*
- C. THAT the General Manager be authorized to execute and deliver such documentation on behalf of the Park Board.*
- D. THAT no legal rights or obligations will be created by the Board's adoption of the Recommendation A above unless and until any related legal agreements are executed by the General Manager.*

POLICY

The Board approves leases and licenses on parkland

BACKGROUND

Nat Bailey Stadium was leased to the National Sport Organization and Fred Herrmann from 2000-2006. Fred Herrmann was the franchise rights holder to provide Single A Minor League Baseball (the Vancouver Canadians) and held a lease to use Nat Bailey Stadium up until December 31, 2006.

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 consists of Jake Kerr and Jeff Mooney who formed the Vancouver Professional Baseball Partnership (VPBP).

The Kerr Group had an offer to purchase the franchise rights from Fred Herman that was subject to, among other conditions, 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.

In September 2006 the Park Board received a full formal response to the previous offer. 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.

The Board approved the terms of a long-term lease with Vancouver Professional Baseball LLP (VPB) at the January 29, 2007 meeting and an agreement was executed with an initial term from September 30, 2007 – April 30, 2012. On April 30, 2012 the VPB exercised their option to extend the agreement for the second five year term from May 1, 2012 – April 30, 2017.

The key terms of the agreement include:

- An initial term of five years plus four five year renewals at the option of the VPB.
- Capital contributions by both parties of up to \$2.5 million each, to improve and upgrade the stadium and field and to improve the safety of the facility.
- A rent free period for the initial five year term and in following terms an annual minimum rent of \$100,000 plus 4% of gross revenues beyond \$2.5 million.

DISCUSSION

There is significant public interest in professional baseball and a value in having a long term stable partner who is willing to invest in the capital development of an aging facility.

The VPB supports the Strategic Framework Directions of Engaging People in both the Community and Partners areas and Parks and Recreation for All through a broad range of activities and partnerships. In addition the VPB strongly supports the Vancouver Sports for Life model approved by the Board with a particular emphasis on the Enhanced Excellence goal. These include:

- Providing a home field for the University of British Columbia amateur baseball team who have been highly successful in the NAIA West division
- The VPB hosts 5-10 Premier League baseball games annually. This is an amateur league with 30 teams of high school age players from throughout the province.
- Beginning July 5, 2012 the Vancouver Canadians Baseball Foundation will launch a baseball program to 340 underprivileged youth to provide playing skills, enhanced self-confidence and improved health.
- Provide the facility annually for 25-50 community based events and groups. These include groups such as the Little Mountain baseball team and various other community sports and non-profit groups.
- There is an existing partnership with the Park Board where both the Canadians and visiting team players utilize the facilities at the Hillcrest Community Centre and the VPD provides marketing and advertising exposure to our Recreation programs through on site video, signage and program ads during their games

The (VPB) has invested an additional \$698,290 over the initial five year term for repairs and maintenance to the structure, grounds and playing surface. This investment was in addition to the \$2.5 million identified in the agreement to be provided by both parties.

In order to recognize the additional investment of \$698,000 the VPB has requested an amendment to the current agreement that would adjust the annual minimum rent from \$100,000 to the following level for the second five year term:

- Year 1 \$25,000
- Year 2 \$50,000
- Year 3 \$75,000
- Year 4&5 \$100,000

In reviewing the current agreement staff has identified an inconsistency in regards to the requirement for the “payment of property taxes where lands are exempt”. As Nat Bailey Stadium occupies Park land the value of the stadium and field are not assessed by the British Columbia Assessment Authority and are considered exempt. The current language calls for a determination of Additional Rent to be paid should the Lands be exempt. In reviewing other Park Board agreements with facilities occupied or operated by sports groups there is not a requirement for the tenant to make a payment of property tax where lands are exempt. Examples of this include the Vancouver Racquets Club, Jericho Sailing Centre and Brockton Pavilion. In reviewing the property tax requirements in agreements with other professional teams in the lower mainland it has been determined that the Vancouver Giants WHL team, British Columbia Junior Hockey League teams and the Vancouver Whitecaps at Swanguard Stadium in Burnaby do not have a requirement to make a payment of property tax when the land or building they occupied was exempt. Staff recommends that the current agreement be modified to remove the sections that refer to the payment of property taxes where lands are exempt.

SUMMARY

The Vancouver Canadians Baseball provides significant value to the Vancouver sports community and supports the Park Board Strategies Framework and the Vancouver Sports for Life Strategy in a number of areas.

In recognition of the additional capital investment made by Vancouver Professional Baseball LLP the current minimum rent be amended as per this report.

In order to be consistent with other like facilities the requirement for Additional Rent where the payment of property taxes where lands are exempt be removed from the current agreement.

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