



Office of the
**INDIAN RIVER COUNTY
ADMINISTRATOR**

Jason E. Brown, County Administrator
Michael C. Zito, Assistant County Administrator

MEMORANDUM

TO: Members of the Board of County Commissioners

FROM: Jason E. Brown
County Administrator

DATE: December 10, 2018

SUBJECT: Historic Dodgertown Facility Lease Agreement

In 1948, the Dodgers set up their Spring Training headquarters in Vero Beach for 26 minor league teams and more than 600 players, and played their first major league exhibition game on March 31st 1948. During more than 50 years of Dodger ownership by the O'Malley family, Dodgertown became synonymous with Major League Baseball's best Spring Training base. Walter O'Malley built the Stadium which opened in 1953 and was dedicated "to Honor Bud L. Holman of the Friendly City of Vero Beach." The history of Dodgertown is notable as the first integrated Spring Training Facility, providing a place for Jackie Robinson to train during his historic color barrier breaking run. Numerous Dodger Hall of Famers have contributed to the distinguished history of these hallowed grounds including Jackie Robinson, Pee Wee Reese, Duke Snider, Roy Campanella, Sandy Koufax, Don Drysdale, Don Sutton, Walter Alston, Tommy Lasorda, Branch Rickey, Walter O'Malley, Vin Scully, Red Barber and Jaime Jarrin. In addition, countless Hall of Famers from other Major League teams played Spring Training games at Holman Stadium. The Dodgers and the New York Mets played the first nationally-televised Spring Training game here on March 20, 1988. Historic Dodgertown was the home of Dodger Spring Training for 60 years from 1948 to 2008, and was the starting place for six World Championships and 14 National League Pennant winning teams.

In 2012, Peter O'Malley started the next chapter in Historic Dodgertown history, when he formed a partnership and took over management of the property as a multi-sport complex. Today, the facility has never been more active year-round. The all-inclusive facility gives teams of all ages the unique opportunity to train, play, dine, and stay together.

Two years ago, Peter O'Malley began laying the groundwork for an agreement between Major League Baseball (MLB) and Indian River County (County) with the goal of developing a

partnership that will preserve Historic Dodgertown. MLB has the vision and the resources to make great things happen, and they recognize the rich tradition and history of the facility, and what it has meant to the game of baseball. Their plans will honor, respect, and elevate the history of Dodgertown. Staff believes that MLB is the best partner to ensure that the next chapter of Historic Dodgertown is a success.

The existing Facility Lease Agreement between Verotown, LLC (Verotown) and Indian River County will expire on April 30, 2019. County staff, along with our outside counsel, has worked with MLB to reach terms of an Amended and Restated Facility Lease Agreement between the two parties wherein MLB is purchasing the ownership interest in Verotown. The proposed initial term of this agreement is ten years and eight months with three successive renewal options of five years each. I am comfortable recommending that the Board approve the amended lease agreement based on these terms as being in the best interest of the residents of Indian River County. The agreement represents a partnership where the County and MLB, operating as Verotown, share in the cost of facility improvements.

In broad summary, the County will be responsible for initial repairs on items consisting mostly of roof replacements and concession stand replacements/repairs where maintenance had been deferred during the economic downturn. Verotown will be responsible to make some initial facility improvements such as an indoor training facility. Additionally, Verotown will make some facility repairs such as replacing the entire Holman Stadium seating bowl. The County will reimburse Verotown for 50% of these costs within the limits of the Capital Reserve Account as set forth in the lease agreement. Other than the County-funded initial improvements, the County's annual contribution will be its only obligation for facility improvements and maintenance. Verotown will be responsible for all other capital improvements and maintenance for the duration of the initial term and any renewal term. The agreement will essentially transition from the County funding the initial deferred maintenance items, to Verotown and the County sharing Verotown's initial improvement costs on a 50%/50% basis, to Verotown fully funding any facility costs beyond the amount approved in the Capital Reserve Fund.

Per the term sheet, the County will be responsible to fund the deferred maintenance items mentioned above (as detailed in the funding section below) over the first (3) three years. The estimated cost of these repairs and/or replacements is \$4.9 million. It is important to note that these repairs would be necessary for any tenant to continue operating Historic Dodgertown. Staff believes it is highly unlikely that any party interested in operating the facility would not require these improvements to be completed by the County. Simultaneously, Verotown will make initial improvements mentioned above (as detailed in the funding section below) during the first three (3) years. County staff has estimated the cost of these improvements at approximately \$10 million. Verotown will be eligible to receive reimbursement for 50% of these costs during the term of the lease. Based upon these cost estimates, this will exhaust the Capital Reserve Account dollars for most of the initial 11-year term. The Capital Reserve Account will be funded by the County in the amount of \$800,000 for the first five years, then \$400,000 beginning in Year 6 for the remainder of the lease (adjusted for inflation beginning in Year 7). Once those funds are exhausted, any future facility improvements, repairs, and maintenance will be solely the responsibility of Verotown. Staff anticipates that during the initial 11-year lease term, Verotown's facility expenses will exceed the County's contribution.

In order to expedite the roofing repairs mentioned above, Verotown will manage these projects (subject to oversight by the County), with funding provided by the County. County staff requests that the Board of County Commissioners waive the requirements for bids in order to allow for this procedurally, per the County Purchasing Code.

Please note, the agreement does require the County to provide parking for large events. The documents recognize the County's Parking License Agreement with the City, and it is included as an Exhibit (Exhibit "B") to the Lease Agreement. The lease requires the County to provide 2,000 parking spaces in the event that the Parking License Agreement is terminated during the lease. This amount does not include the cost of acquiring the City golf course property. As you know, the County has offered to purchase the Golf Course Property from the City for \$2.4 million, which has not been accepted by the City. In the event that the County purchases this parcel in the future, the County's total expenditure related to the facility would increase.

County staff has also been working with the developers of Star Suites, which is the hotel that is currently under construction adjacent to Historic Dodgertown, to secure access to the property through Flight Safety Drive. We anticipate entering into an agreement to acquire ownership of Flight Safety Drive and the parcel to the South of the Star Suites, which has been utilized for many years to access Practice Fields 5 & 6. While the County has recently secured an access easement over Flight Safety Drive, the planned purchase will ensure final proper access/control of the facility entrance and the practice fields.

Funding:

As stated above, the County will be responsible for certain initial repairs or replacements to address some of the deferred maintenance items at the facility (County Improvements), as detailed below. As noted above, Verotown will manage the roofing projects, with County oversight, in an effort to expedite their completion. The estimated cost of these roof repairs and replacements is \$2,225,000. It should be noted that last year's Capital Improvements Program included \$1,050,000 in funding for roofing replacements spread across FY 17/18, FY 18/19, and FY 19/20. The other County Improvements, as detailed below, are projected to cost \$2.7 million and are to be completed within 3 years. This results in a total cost of County Improvements at \$4.9 million.

Verotown will be responsible to construct various initial improvements (Verotown Improvements) as detailed below. County Staff estimates the cost of these improvements at \$10 million. Verotown will be eligible for reimbursement of 50% of these costs from the Capital Reserve Account. The County will contribute \$800,000 per year to the Capital Reserve Account for the first five (5) years of the lease. In Year 6, the County contribution decreases to \$400,000 per year thereafter (adjusted for inflation beginning in Year 7). Based upon these cost estimates, the Verotown Improvements will exhaust the Capital Reserve Account dollars for most of the initial 11-year term.

County Improvements

- Roof repairs or replacements at Vero Beach Dodger Office, Executive Building, Conference Center, Alston, Koufax and Campanella Buildings, Sleeping Rooms, and Spring Training Building
- Removal and replacement of 1st and 3rd Base Concession Stands
- Removal and replacement of Press Box (2nd Floor) at Main Concession Stand with a like facility
- To the extent jointly identified by the parties, any mold remediation needed in the existing facility
- Remove and replace TV Platforms at Holman Stadium (County may provide camera lifts as needed for Holman Stadium events)

Verotown Improvements

- A new indoor training facility, which will include;
 - Indoor turf infield
 - Multiple batting cages/tunnels
 - Classrooms
 - Office space
 - Any demolition need to make room for facility
- Initial WiFi upgrades
- Initial security upgrades including security cameras and keycard entry to buildings
- Fire safety upgrades
- Replace entire seating bowl at Holman Stadium
- Upgrade covered dugout areas at Holman Stadium
- New Scoreboard at Holman Stadium
- Padded outfield fences at Holman Stadium
- NCAA-approved standard turf baseball field
- Initial hotel room upgrades including carpet and bed replacement
- Kitchen replacement including reconstructed/renovated dining and preparation areas and new kitchen equipment
- Initial signage installation throughout facility

Staff's financing plan is summarized below:

- Partial payoff of 2001 Spring Training Bonds with 4th Cent Tourist Tax Reserves (~\$1,125,000). This will leave only the State payments of \$500,000/ remaining for debt service.
- Utilize Debt Service Reserves from Half-Cent Sales Tax for a portion of County Improvement expenses (~\$1,700,000).
- Utilize funds budgeted for Dodgertown Roofs in FY 17/18 (\$450,000), FY 18/19 (\$300,000), and FY 19/20 (\$300,000) for a portion (\$1,050,000 total) of County Improvement expenses.
- Allocate One Cent Sales Tax reserves for remainder of County Improvement expenses in FY 19/20 and FY 20/21 (~\$2,175,000 total).

- The Board approved FY 18/19 Capital Improvements Element fully funds the \$4,925,000 deferred maintenance items.
- Capital Reserve Fund – Years 1-5 = \$800,000/year, Years 6-11 = \$400,000/year (as adjusted for inflation).
 - Years 1-3 utilize 4th Cent of Tourist Tax (~\$650,000/year) with remainder from One Cent Sales Tax (\$150,000)
 - Years 4-11 utilize ½ of 4th Cent Tourist Tax (\$325,000/year) with remainder from One Cent Sales Tax (\$475,000/year in Years 4-5 and \$75,000/ year in Years 6-11)
- Requires change to County Code to allow 4th Cent of Tourist Tax (“The Professional Sports Facility Franchise Tax”) to be expended to, “promote and advertise tourism in the State of Florida and nationally and internationally. However, if the tax revenues are expended for an activity, service, venue, or event, the activity, service, venue, or event must have as one of its main purposes the attraction of tourists as evidence by the promotion of the activity, service, venue, or event to tourists.” in accordance with Section 125.0104, Florida Statutes. The 4th Cent would then be used to fund traditional tourism promotion activities and one of the first 2 cents would be used to fund Dodgertown facility needs (essentially swapping the 4th Cent for the 1st Cent).
- In summary this:
 - Commits a total of \$3,225,000 in One Cent Sales Tax for initial County Improvement expenses needed to correct some deferred maintenance issues currently at Dodgertown.
 - Provides \$1.85 million in One Cent Sales Tax over 11-year lease for Capital Reserve Fund, compared to \$1.375 million in current lease.
 - Makes \$75,000/year in Tourist Tax available for tourism promotion immediately upon lease signing due to elimination of this payment from current lease.
 - Makes ½ of the 4th Cent of Tourist Tax available (~\$325,000) for other uses beginning in 2022.
 - Makes \$125,000/year funding from Half-Cent Sales Tax available to be released to the General Fund to provide for other County services.
 - Limits the County’s commitments to the facility to the above referenced items and requires MLB to fund any other facility needs during the initial 11-year term essentially transitioning facility responsibilities to MLB going forward.
 - Verotown will provide insurance for the facility, which will provide an annual premium savings of \$70,000

Staff Recommendation:

1. Staff Recommends the Board of County Commissioners approve the attached Amended and Restated Facility Lease Agreement for Historic Dodgertown.
2. Staff requests that the Board of County Commissioners waive the requirement for bids in order to allow Verotown to manage roof replacements, with County oversight, for facilities contemplated in Section 8.04(b) of the agreement and detailed above.

3. Staff recommends the Board of County Commissioners approve a change to the County's Code to allow for the use of the County's 4th Cent Tourist Tax (the Professional Sports Franchise Facility Tax), "To promote and advertise tourism in Florida, nationally and internationally..." in accordance with Section 125.0104, Florida Statutes, and authorize staff to advertise for a public hearing to adopt the ordinance on January 15, 2019.
4. Staff recommends that the Board of County Commissioners approve the Financing Plan detailed above to fund the County's responsibilities under the agreement.

Attachment: Amended and Restated Facility Lease Agreement