

STAFF REPORT
City of Lancaster

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MVB

Date: November 12, 2014

To: Mayor Parris and City Council Members

From: Mark V. Bozigian, City Manager
Allison E. Burns, City Attorney

Subject: **Revised Lease Agreement with Jethawks Baseball, LP, Prospective New Ownership Group of the Lancaster Jethawks, and Lease Termination Agreement and Release of Personal Guarantee with Hawks Nest, LLC**

Recommendations:

- a) Approve the Lease agreement between the City of Lancaster ("City") and Jethawks Baseball, LP ("Tenant"), prospective new ownership group of the Lancaster Jethawks, for Lancaster Municipal Stadium, and authorize the City Manager to execute the Lease upon: (i) payment of any past due rent or other amounts that may be owed to the City pursuant to the current lease agreement with Hawks Nest, LLC ("Hawks Nest"), (ii) the issuance of all baseball approvals as required by Section 16.1.2 of the Lease, (iii) satisfaction of all conditions precedent to closing of the Asset Purchase Agreement between Tenant and Hawks Nest; and (iv) issuance of all baseball approvals pertaining to the transfer of the Jethawks franchise from Hawks Nest to Tenant or its parent company (including, but not limited to, issuance of baseball approval of the Application for Control Interest Transfer).

- b) Approve the Lease Termination Agreement and Release of Personal Guarantee ("Lease Termination") between the City and Hawks Nest and authorize the City Manager to execute the Lease Termination upon: (i) payment of any past due rent or other amounts that may be owed to the City pursuant to the current lease agreement with Hawks Nest, (ii) the issuance of all baseball approvals as required by Section 16.1.2 of the Lease, (iii) satisfaction of all conditions precedent to closing of the Asset Purchase Agreement between Tenant and Hawks Nest; and (iv) issuance of all baseball approvals pertaining to the transfer of the Jethawks franchise from Hawks Nest to Tenant or its parent company (including, but not limited to, issuance of baseball approval of the Application for Control Interest Transfer).

Fiscal Impact:

Tenant will pay a minimum \$155,750 per year to the City for facility rent and routine facility maintenance, along with assuming stadium utility costs for baseball and Tenant events, providing the City with 2 luxury boxes for City and community benefit, providing revenue derived from stadium naming rights and exterior advertising on an equal basis, and executing a Community Event Agreement to host events that will benefit local charitable organizations, school districts, and youth sports groups.

Background:

As the only Minor League baseball team in Los Angeles County, the Lancaster Jethawks have been a regional asset and attraction for 19 years, playing their home games at Lancaster Municipal Stadium. They have had a profound and positive impact on thousands of fans, as well as the Antelope Valley as a whole, as they have played a very competitive brand of baseball, most recently winning their second California League Championship as the Class A affiliate of the Houston Astros. Over 100 current and former Major League Baseball players have played for the Jethawks in Lancaster, including Cy Young Award winner Brandon Webb and reigning American League Batting Champion Jose Altuve.

During the past two (2) decades, the team has been owned by various entities, most recently by Hawk's Nest, LLC and Mr. Peter Carfagna, the current owner. Hawks Nest, LLC has reached a tentative agreement with Jethawks Baseball, LP to sell and transfer ownership of the Jethawks, subject to the approval of Major League Baseball (MLB) and approval of the revised Lease Agreement between Tenant and the City now before Council. The Tenant is an experienced ownership group, which since 2007 has owned the Vancouver Canadians, a Class A affiliate of the Toronto Blue Jays. Since taking over the team, the Canadians have set three straight league attendance records, won the Northwest League Championship, and in 2013 received the prestigious John H. Johnson President's Trophy as Minor League Baseball's Most "Complete" Franchise. In large measure, the Canadians' success stems from a staunch focus on and partnership with the Vancouver community.

The term of the current lease between the City and Hawk's Nest, LLC runs through the 2015 baseball season. In discussions between City staff and representatives of the Tenant, it became clear that a primary requirement for both parties was long term security and stability as we collectively embark upon the newest chapter of Jethawks baseball. Tenant's desire for a long term commitment is fueled by their substantial investment in the initial purchase of the Jethawks and the proven operational standards they will maintain. First and foremost, the City benefits from a long term commitment by ensuring that the Jethawks will be in Lancaster for future generations of AV residents and also through an agreement that will result in significantly greater usage of the stadium through multiple community events.

Some key components of the revised lease agreement before Council are as follows (with greater detail provided in the attached agreement):

- **Term**: The term of the lease will be for 10 years from the date of execution of the revised agreement, with the Tenant having the option to renew for an additional 10 year period, subject to the Tenant assuming routine maintenance responsibilities (up to \$150,000) in lieu of reimbursement to the City for same.
- **Use of Stadium**: the Tenant shall have primary use of the Stadium for preseason, regular season, and postseason professional baseball games. Both parties can conduct events beyond professional baseball events exclusive to the parties or as joint events. When not used for professional baseball games or events, the Stadium parking lot will remain open as public parking.
- **Community Event**: Within 6 months, the parties will enter into a “Community Event Agreement” to host events involving charitable causes, school districts, and youth sports groups operating within the Antelope Valley.
- **Stadium Advertising**: The revenue derived from exterior stadium advertising will be divided equally between City and Tenant (this is a new source of revenue over current agreement).
- **Lodging**: Tenant and third parties visiting Lancaster (i.e. visiting minor league baseball teams and support staff) shall patronize hotels/motels in Lancaster subject to availability and flexibility of sponsorship opportunities.
- **Rent**: Rent shall be \$55,750 per year (current level) with an annual CPI adjustment after year 4 of the agreement.
- **Utility Charges**: Tenant shall assume utility services under Tenant’s name and pay all utility charges for services used by tenant. City will work with Tenant to join the Lancaster Community Choice Aggregate (CCA) when available.
- **Routine Maintenance**: City shall be responsible for routine maintenance (as defined) and Tenant will reimburse City up to \$100,000 per year (current level) with an annual CPI adjustment after year 4 of the agreement.
- **Naming Rights**: The revenue derived from stadium naming rights will be divided equally between City and Tenant.
- **Luxury Box Seats and Community Events**: Tenant will provide City with two Luxury Boxes and 300 tickets for each baseball season for City and community benefit. If the sale of one Luxury Box is required as a part of a Naming Rights agreement, revenue derived from sale will be divided equally between City and Tenant.

Attachments:

Revised Lease Agreement with Jethawks Baseball, LP

Lease Termination Agreement and Release of Personal Guarantee with Hawks Nest, LLC