

3. OTTAWA STADIUM LEASE – 300 COVENTRY ROAD LOCATION DU STADE D'OTTAWA – 300, CHEMIN COVENTRY
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COMMITTEE RECOMMENDATIONS

That Council:

- 1. Receive the findings from the proposals submitted to lease the Ottawa Stadium as outlined in this report.**
- 2. Approve the selection of the offer from the Katz/OSeg Partnership to lease the Ottawa Stadium, as per the Memorandum of Understanding in Document 1.**
- 3. Delegate authority to the General Manager, Planning, Infrastructure and Economic Development to finalize and execute a lease agreement with the Katz/OSeg Partnership for the Ottawa Stadium in accordance with the terms and conditions detailed in this report.**

RECOMMANDATIONS DU COMITÉ

Que le Conseil :

- 1. Prenne connaissance des conclusions tirées des propositions de location du Stade d'Ottawa, décrites dans le présent rapport.**
- 2. Approuve la sélection de l'offre de location du Stade d'Ottawa faite par Katz/OSeg Partnership, conformément au protocole d'entente présenté dans le document 1.**
- 3. Délègue au directeur général de Planification, Infrastructure et Développement économique le pouvoir de conclure et de signer un contrat de location du Stade d'Ottawa avec Katz/OSeg Partnership, conformément aux modalités décrites dans le présent rapport.**

DOCUMENTATION/DOCUMENTATION

1. Acting Director's report, Corporate Real Estate Office, Planning, Infrastructure and Economic, dated 22 November 2019 (ACS2019-PIE-CRO-0013).

Rapport du Directeur (par intérim), Bureau des biens immobiliers municipal, Services de la planification, de l'infrastructure et du développement économique, daté le 22 novembre 2019 (ACS2019-PIE-CRO-0013).

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
3 December 2019 / 3 décembre 2019**

**and Council
et au Conseil
11 December 2019 / 11 décembre 2019**

**Submitted on November 22, 2019
Soumis le 22 novembre 2019**

**Submitted by
Soumis par:
Robin Souchen**

**Director (Acting) / Directeur (par intérim)
Corporate Real Estate Office / Bureau des biens immobiliers municipal, Planning,
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Ward: RIDEAU-ROCKCLIFFE (13)

File Number: ACS2019-PIE-CRO-0013

SUBJECT: Ottawa Stadium Lease – 300 Coventry Road

OBJET: Location du Stade d'Ottawa – 300, chemin Coventry

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend Council:

- 1. Receive the findings from the proposals submitted to lease the Ottawa Stadium as outlined in this report.**
- 2. Approve the selection of the offer from the Katz/OSEG Partnership to lease the Ottawa Stadium, as per the Memorandum of Understanding in Document 1.**
- 3. Delegate authority to the General Manager, Planning, Infrastructure and Economic Development to finalize and execute a lease agreement with the Katz/OSEG Partnership for the Ottawa Stadium in accordance with the terms and conditions detailed in this report.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande ce qui suit au Conseil :

- 1. Prendre connaissance des conclusions tirées des propositions de location du Stade d'Ottawa, décrites dans le présent rapport.**
- 2. Approuver la sélection de l'offre de location du Stade d'Ottawa faite par Katz/OSEG Partnership, conformément au protocole d'entente présenté dans le document 1.**
- 3. Déléguer au directeur général de Planification, Infrastructure et Développement économique le pouvoir de conclure et de signer un contrat de location du Stade d'Ottawa avec Katz/OSEG Partnership, conformément aux modalités décrites dans le présent rapport.**

BACKGROUND

On October 9, 2013, Council approved a recommendation in report [ACS2013-PAI-REP-0024](#) which approved the selection of the preferred professional baseball proponent to lease the Ottawa Baseball Stadium. A 10-year lease was signed between the City of Ottawa and Inside the Park, LLC. (entity name later changed to the Independent Baseball of Ottawa Inc.). The leasee was represented by the owner of the independent

Canadian American Association of Professional Baseball (Can-Am League), Miles Wolff, who created the Ottawa Champions baseball club.

Miles Wolff's intention was to find a local owner to acquire the Ottawa Champions but after four years of operations, local team ownership was not realized. The revenue projections presented by the Champions' business case fell short, which in turn caused the Champions to fall into arrears on their lease payments. Several key factors impacted their operations, including the inability to secure experienced local ownership and insufficient financial resources to gain a foothold in Ottawa's sports and entertainment market.

On June 20, 2019, the lease agreement between the City and Independent Baseball of Ottawa Inc. was terminated due to the accumulated arrears. In its place, the City offered Independent Baseball of Ottawa Inc. a Facility Use Agreement, which was officially signed by Miles Wolff on July 8, 2019. Prior to considering the new arrangement, the City executed under delegated authority a legal repayment agreement with the Ottawa Champions for repayment of the existing rental arrears.

On September 25, 2019, [Council approved Motion 20/8](#) directing staff to meet with prospective purchasers of the team to lease the stadium on the basis of evaluating the long-term financial viability of the proposals, to minimize costs to taxpayers, the group's capacity to cover existing arrears, the preservation of certain community uses and the ability to continue baseball into the 2020 season.

DISCUSSION

Staff received two proposal submissions and have evaluated each in accordance with the criteria adopted under Council Motion 20/8. The first proposal was received from a partnership between Sam and Regan Katz of Field of Dreams Enterprises Ltd. and Roger Greenburg, John Ruddy and William Shenkman of Ottawa Sports and Entertainment Group (OSEG), hereinafter referred to as the "Partnership". The second proposal was received from a group of local business individuals including Fred Saghbini, Rob Abboud, and Rob Lavoie, hereinafter referred to as the "Consortium". Interest was received from a third group, but that group was unable to meet the timelines for submitting a proposal.

In addition to the criteria in Council Motion 20/8, staff developed basic business principles of a potential new lease which were communicated to each proponent prior to their respective submissions.

The submission requirements include a business case, experience operating a sports franchise, financial resources and capacity to operate a franchise and the ability to provide the City a letter of credit in the amount of the proposed annual base rent.

The general business principles proposed included:

- Base rent of \$125,000 per annum (plus HST) which would include: exclusive use of designated areas of the facility for baseball activities, grounds and base-building maintenance costs and utility costs;
- The City could reserve sections of the stadium for potential sponsorship or advertising to achieve the goal of \$100,000 in additional revenue (or other considerations to achieve the same revenue goal);
- New ownership group would be responsible for paying all direct costs associated with the operation of the franchise;
- Non-baseball events would be considered on a case-by-case basis at the agreed upon City facility commercial rental rates. Such events would be revenue positive to the City with the objective to reduce the tax payer costs of running the stadium (to be negotiated);
- New ownership group would receive all parking revenue on game days and the City would receive 20 per cent of all net parking revenue on non-game day use. All parking costs would be borne by the tenant;
- Community use would be allocated between November 1 and November 30 exclusively;
- City would reserve the right to rezone the parking areas of the property to permit public parking use;
- City would consider a lease term of seven to 10 years with the possibility of two five-year extensions; and

- New ownership group would cover any and all prior arrears from the previous tenant of the stadium.

The evaluations of the proposals were conducted by staff and were graded against the requirements of Council Motion 20/8 and the general business principles above. The qualifications and experience of each proponent, the financial feasibility and capacity, and league viability were heavily weighted in the evaluation criteria.

Recommended Proponent

After completing an evaluation of both proposals, the Partnership received the highest score. The Partnership was successful for several key reasons including: their financial resources, including a proposed initial \$500,000 capital injection into the franchise; their sports and entertainment industry experience and resulting economies of scale; the viability of the proposed league; and the Partnership's concurrence to settle outstanding arrears from the previous owner.

Sam Katz is the owner, president and CEO of the Winnipeg Goldeyes baseball franchise and Regan Katz is the Vice-President and Chief Operating Officer. The Goldeyes had their inaugural season in 1994 and are considered the fourth longest tenured franchise in independent baseball. After playing their first five seasons at a local Winnipeg football stadium, the Goldeyes moved into a new purpose-built 7,461 seat capacity baseball stadium in 1999. Since their inaugural season, the Goldeyes have ranked either first or second in their league's attendance rankings every year. The new stadium construction was mostly privately-financed by Sam Katz who lead the investment and construction of the facility. The City of Winnipeg offered a nominal long-term land lease and tax incentives, expiring in 2023.

On the field, the Goldeyes have finished with a winning record 22 times in their first 26 seasons including 19 postseason berths and four league championships. The Goldeyes play in the American Association of Independent Professional Baseball which they joined in 2011. The American Association is not affiliated with Major League Baseball. Previously, the Goldeyes were members of the Northern League from 1994 until 2010. One of the primary functions of independent baseball is to provide players opportunities at higher levels. The Goldeyes have sold the contracts of 78 players to the Major League Organizations. Additionally, Katz and the Goldeyes have actively supported the growth and betterment of the Winnipeg community and have contributed more than \$2.2

million to Manitoba children's charities. As part of his overall business model operating the Winnipeg stadium, Sam Katz also founded and owns Showtime Productions Inc. which promotes and produces quality events, concerts, musicals and consumer shows in Winnipeg.

The Ottawa Sports and Entertainment Group (OSEG) partnership adds well known local business individuals and sports and entertainment experience to the proposal. Roger Greenberg, John Ruddy and William Shenkman have partnered with Sam and Regan Katz to create a proposal that leverages their respective sports and entertainment experience and resources. As the co-owners of the Ottawa Redblacks and 67's, the proposal enables economies of scale by allowing the baseball club to incorporate OSEG's proprietary ticketing system, ticketing support, box office support, corporate sales group and game day ticketing services, which includes a ticket sales and service team more than 20 employees. OSEG also has in-house brand development, content development, event management (full-service game production team), communications systems (a database of over 50,000 Ottawa sports fans), community relations and social and digital marketing expertise.

The Partnership has the resources, experience and economies of scale to provide the best opportunity of sustainable professional baseball in Ottawa. For the above noted reasons, staff is recommending the Katz/OSEG Partnership as the preferred proponent.

After discussions with each proponent and other Independent League team owners, it has become clear that the only way of protecting the financial viability of baseball in Ottawa is to permit other profit-driven ventures at the stadium to support the overall cash flow of the franchise and to offset the expenses of operating the stadium. In the past, the City had insufficient public transportation to the facility. Now that the Confederation Line and pedestrian bridge linking the stadium to the LRT are operational, utilizing the full capacity of the stadium to allow for other revenue generating events to occur is more of a reality.

Professional Baseball Leagues

In North America, minor professional baseball leagues can be classified under two categories.

The first is an umbrella organization known as Minor League Baseball (MiLB) which operates under the Commissioner of Baseball within the scope of organized baseball.

In this league, affiliations with Major League Baseball (MLB) teams are created under Player Development Contracts (PDC), which are sometimes referred to as the “farm teams” for the MLB. Within the MiLB, there are a number of tiers, including Triple, Double and Single-A levels. Franchise fees are comparatively high and baseball markets are limited.

The second category is known as the Independent Baseball Leagues, which do not have any official affiliations to the MLB. Being independent allows teams to be located close to major league teams without following the strict rules adopted by the MiLB. Franchise fees are typically much lower than within the MiLB. While not directly affiliated with the MLB, there are still many opportunities for players to secure contracts with MLB. Currently, under the banner of Independent League Baseball, there are seven leagues that cover various geographic areas of the US and Canada. Independent Leagues that operate in the north-east include the Atlantic League, the Empire League and the Frontier League. The Frontier League is currently the only north-east league that includes Canadian teams: the Quebec City Capitales and the Trois-Rivieres Aigles.

On October 16, 2019, reports were published announcing that the Can-Am League had merged with the Frontier League and that the Ottawa Champions were not included in its roster for the 2020 season, effectively leaving the Champions with no franchise to sell. The new amalgamated league excluded Ottawa for the 2020 season for two reasons. First, the Ottawa Champions did not have an active lease in place in time to create the 2020 schedule, and second, due to scheduling conflicts, the league can only operate with an even number of teams and currently the league has 14 teams on its roster.

Proposed League

The Partnership submitted two expression of interest letters from leagues offering franchises in Ottawa for the 2021 baseball season. The first option is the Atlantic League which currently includes eight American based teams from the US north-east coast and Texas. Notably, the Atlantic League has had more marquee players than any other independent league. The second option is the Frontier League which is currently composed of 14 teams in two divisions and includes two Canadian teams from the former Can-Am league. The Frontier League, which is the oldest and largest league in terms of the number of teams, sets strict entry requirements, such as the financial

strength of group needing to be in excess of \$10 million dollars. Both leagues are planning expansions for the 2021 season.

Memorandum of Understanding

In preparation for this report, staff have entered into a non-binding Memorandum of Understanding (MOU) with the Partnership to facilitate the negotiations of a formal lease agreement, subject to Council approval (refer to Document 1). The basic terms of the MOU follow suit with the basic business principles outlined earlier in the discussion. Highlights of the attached MOU are as follows:

- Base rent of \$125,000 per annum (plus HST). Beginning in year three, the base rent will escalate according the Ontario Consumer Price Index. In return for the lease payment, the City will cover all operating, utility and maintenance expenses associated with the Partnership's scheduled baseball use of the Stadium. The Partnership will be responsible to pay all direct costs of maintaining and operating the exclusive areas noted below as well as all costs associated with the scoreboard, parking lot and clean-up activities after each of its events;
- Under the lease, the Partnership will have exclusive use of the administrative, concession, suite, restaurant and change room areas of the stadium;
- The Partnership will retain all parking revenue on game days and the City is to receive 20 per cent of all net parking revenue on non-game day use. All community rentals and programs allocated by the City will have access to the parking lot and be exempt from parking fees;
- The City intends to reserve sections of stadium for potential sponsorship/advertising to achieve \$100,000 goal in additional revenue or other considerations to achieve the same revenue goal;
- The proposed lease will be for a term of ten years with two 5-year extensions (not automatic);
- The Partnership agrees to settle the outstanding arrears as part of the agreement to enter into a new lease;

- By November 1 of each year of the term, the Partnership is responsible to submit selected dates and times for the following years home games, practices and post-season play. Following the Franchisee's submission of its game and practice dates, the City will have until November 30 of each year of the term to book community events at the stadium;
- As the primary tenant of the stadium, from December 1 until March 30 of each year of the term, the Partnership will have exclusive opportunity to submit dates and times for other special events/uses of the stadium. The rental of the facility for non-baseball events may be booked at City facility rental rate(s), in addition all cost incurred by the City must be recovered from the Partnership, under the principle that the events will be revenue positive to the City. The said rental rate will be incremental depending in the level and intensity of the special event;
- The stadium is provided in "As-is" condition, that any material changes to the stadium will be at approval of the City and at the expense of the proponent;
- Recognition that the City will be undertaking a long-term development strategy which may impact parking spaces at the stadium for a period. The City reserves the right to rezone any part of the stadium lands.

Estimated Annual Operating and Capital Costs of Operating the Stadium

The City is committed to maintaining the stadium field at a level that is consistent with all municipal sports field maintenance practices. On average, the stadium costs the City approximately \$750,000 per year in total to operate. This includes the base operating cost of \$600,000, which provides an estimate annual average of 7,000 part-time and full-time labour hours performing grounds maintenance and general base- building operations and maintenance. An additional \$150,000 is required for utilities; purchased services such as security, building repair and system maintenance/monitoring; and various materials and supplies for operating the building and grounds.

Under the MOU as outlined above, the Recreation, Cultural and Facility Services (RCFS) Department is expecting to generate approximately \$265,000 in revenue, which produces a net the cost to the City in the order of \$485,000.

The Partnership will guarantee annual rents of \$125,000, with escalations after the third year according the Ontario Consumer Price Index, for a minimum of 10 years. The

Partnership is also expected to bring some much-needed attention to the facility and attract large scale events. This increased interest and attendance is anticipated to increase both the value of the sponsorship and advertising space located on and within the stadium and parking revenues. As such and with the alternative option within the MOU, the City has the potential to generate approximately \$100,000 in sponsorship revenues and \$20,000 in parking revenues. The remaining \$20,000 is to be generated through community use and is consistent with past usage rates.

To ensure accurate budget projections, RCFS will make a net zero budget adjustment to the stadium's cost centre in January of 2021. Specifically, an increase of \$63,500 is required to bring operating cost up to the required amount of \$750,000 which will be offset by an additional \$63,500 in revenue expectations.

With Council's approval of the selection of the Partnership, considerations will be needed for the 2020 budget year as the revenues, outlined above, from the lease agreement will not be realized until 2021. RCFS is still required to maintain the facility and provide access for community use and other possible baseball use, such as University rentals and other baseball league rentals. RCFS anticipates the stadium will be able to generate approximately \$30,000 in revenues from these local uses during the 2020 transition year. With the local uses, operational costs are not expected to decrease, although RCFS staff will explore cost saving opportunities where ever possible. RCFS is therefore requesting that considerations be made for the \$171,500 in unattainable revenue expectations during the 2020 budget year.

Community Use of the Stadium

With the adjusted maintenance schedule, the City was able to free up 19 additional days in 2019 season that the stadium was made available for community bookings, tournaments and University rentals. The stadium had 176 days of operation during the 2019 season, of these, 61 days were allocated for the Ottawa Champions for home games, practices and post-season play, 76 days or 372 hours were allocated for community play, university baseball, other baseball leagues such as Little League or NCOBA, or travel teams. This represents an increase of 38 per cent in use by non-tenanted groups over the 2018 season and that increased use generated an additional \$10,000 in revenue for the City.

After review of the different business models, benchmarking, and identifying best practices for municipally owned stadiums, non-baseball entertainment events should be expected as part of the stadium's core programming. To ensure that inclusion of entertainment events is beneficial to both parties, the City must be aware of the Partnership's need for flexibility and prioritized access to the stadium and its amenities. For this agreement to be successful, a balance between community use, baseball club use and entertainment type events must be established to provide an opportunity to derive additional revenues, offset the operating costs of the stadium, and minimize the impact on field quality. With Council approval, the RCFS Department will work with the Partnership to ensure that a balance is attained that will be beneficial to both parties. RCFS staff will develop commercial rental rates for the stadium that are incremental, reflecting both the level and intensity of the entertainment event.

Conclusion

Upon approval of this report, staff will negotiate and execute a lease agreement with the Katz/OSEG Partnership for the Ottawa Stadium in accordance with the terms and conditions detailed in this report. In the event that an agreement can not be reached with the Katz/OSEG Partnership, the General Manager of Planning, Infrastructure and Economic development will inform council and begin negotiations of a MOU with the second proponent, The Consortium of Fred Saghbini, Rob Abboud, and Rob Lavoie, and bring the results of that negotiation back to Council for consideration.

RURAL IMPLICATIONS

There are no rural implications associated with the recommendations.

CONSULTATION

Staff from the Planning, Infrastructure and Economic Development department; from the Recreation, Cultural and Facilities Services Department; as well as from the Corporate Services Department and Legal Services were consulted in the drafting of this report.

COMMENTS BY THE WARD COUNCILLORS

The Ward Councillor is supportive.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations contained in this report.

RISK MANAGEMENT IMPLICATIONS

The Partnership will provide a Letter of Credit in the amount of one year of the guaranteed rent payment to be renewed annually. Should the Partnership not complete its lease term and choose to cease operations at the stadium, the full cost of the maintenance of the facility would be borne by the City.

ASSET MANAGEMENT IMPLICATIONS

The recommendations documented in this report are consistent with the City's [Comprehensive Asset Management \(CAM\) Program](#) objectives.

The City is committed to maintaining the stadium and field at levels that are consistent with the intended use. The stadium and field are in a state of good repair. Over the past five years, the Ottawa Stadium has undergone renewal projects to support the required standard of use, \$4.5 million value.

As part of the regular review of City infrastructure assets, staff have identified future lifecycle works for the stadium. These works will be prioritized using a risk-based approach. Any proposed work will be based on approvals including budget and overall coordination.

The many asset management implications on this site are considered in such a way so that the City will be able to deliver on services in a timely and economic fashion. All which exemplifies the goals of the CAM Policy.

FINANCIAL IMPLICATIONS

As a result of the recommendations in the report, RCFS will require a budget increase of \$63,500 for both revenues and expenditures, resulting in a net zero impact to the overall budget for the operations of the Ottawa Stadium.

ACCESSIBILITY IMPACTS

There are no accessibility implications to implementing the recommendations set out in this report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with this report.

TERM OF COUNCIL PRIORITIES

The recommendations of this report support City Council's strategic priorities of Healthy and Caring Communities through providing a venue to support community sport and activities, Financial Sustainability by reducing the cost of ownership of the facility and Economic Prosperity by continuing professional baseball and allowing other profitable events to take place.

SUPPORTING DOCUMENTATION

Document 1- Memorandum of Understanding (*Held on file with the City Clerk*)

DISPOSITION

Subject to Committee and Council approval, staff will implement the recommendations outlined in this report.