



MEMORANDUM

TO: MRA Board of Commissioners

FROM: Ellen Buchanan, Director

DATE: May 9, 2018

SUBJECT: Civic Stadium Refinance Proposal

Mountain Baseball and the City entered into the current lease agreement for occupancy and operation of the Civic Stadium in February, 2012 when the City assumed ownership of the improvements. After six years of operating under that lease, it is evident that the terms of the lease are unrealistic. Mountain Baseball's lease requires an annual payment of \$120,000 made in four equal installments on the last day of June, July, August and September. This is the amount needed to service the debt on the stadium. I believe that everyone involved understood that baseball alone would not be able to support a lease payment of this magnitude and that the stadium would have to generate revenue from other activities such as concerts, fireworks shows and other special events for which the stadium was rented out, with the major revenue generator being outdoor music concerts. One major challenge in that market is that the inventory of concert venues has greatly changed since 2012. Big Sky Brewing has made significant improvements to their venue, attracting more large shows, and Logjam Productions has built the KettleHouse Amphitheater which is designed specifically for concert events and will accommodate 4,000 people, a prime target size for the stadium. Because the changes at Big Sky and the design of the amphitheater are specifically for concerts and the stadium has to be adapted for that use, they are generally the preferred venues for promoters. The other major impediment at the stadium is that minor league baseball always has scheduling priority. The Missoula market is driven by the routing of bands, so the dates that are available are not flexible; consequently, Mountain Baseball has had to pass up some large acts due to conflicts with the Osprey's schedule.

Traditionally, the most popular baseball games are the ones that are concluded with a fireworks display. This has caused conflict with some of the neighborhood residents and they would like for the lease to limit the number of fireworks shows to a finite number of times during the season. The current lease simply permits fireworks without limit. This is not unusual for baseball stadiums resulting in many franchises that conclude every game with a display. Reducing the number of fireworks shows to appease the neighborhood would further reduce the revenue generation for baseball games.

Mayor Engen and I have been working with Mountain Baseball for some time to find a way to increase the stadium's revenue generation capacity. We are investigating ways that the stadium could be used for a larger part of the year, ideally even year around. Those

possibilities are long term and cannot solve the immediate issue of cash flow. The root issue is their expenditure burden due to the lease amount. We have looked at other franchises in the league and none of them come anywhere close to a \$120,000 annual lease payment. The range is from \$0, in the case of a franchise that put money into the construction of that stadium, to a maximum of \$60,000. The amounts vary widely with the average for this league being \$36,000/year.

URD II has not been in a position to contribute financially to a potential solution because of the amount of debt that was incurred at the Old Sawmill District. This year we have begun to see a return on that investment and our TIF revenue is much improved. Consequently, I made a proposal to the administration that we consider restructuring the financing on the stadium and reduce the debt service. There are two outstanding debt instruments today. The larger one is with Missoula Federal Credit Union in an original amount of \$1,290,000. MoFi, formerly Montana & Idaho CDC, is carrying a loan of \$265,000. I have looked at revenues and needs in URD II and believe that we can pay off the MoFi debt and pay down the Credit Union debt and get us to a place where the lease payment is reasonable and structure it in a way that the City can begin to build up a maintenance reserve that is reasonable. That was one of the issues that City Council was most concerned about when we took ownership of the stadium. The Board might recall that there was a group called Friends of the Civic Stadium who tried to establish a fund through fundraising events and just were not able to be successful. There is a very small reserve today, but nothing that could address a major expenditure. This proposal would require an expenditure of \$758,590.37 from unobligated cash in URD II. The lease payment could be reduced to \$60,000 annually with \$50,000 being used to service debt and \$10,000 going into the reserve fund for repairs and replacement of major systems at the facility.

The FY18 Budget Status Report for URD II which is included in your agenda packet shows that currently there is over \$1,900,000 in unobligated cash in the district. In February, you approved \$1,000,000 to help the City pay the debt for the Police Evidence Facility on Catlin with the understanding that this could be financed over a number of years or paid in one or a few lump sums. Staff has been evaluating how best to disburse the funds and, because of the health of the district, was considering simply paying the \$1,000,000 out of FY18 cash. If the proposal to restructure the financing for the stadium is approved by the MRA Board and the City Council, we will propose to pay the City \$500,000 in FY18 and \$500,000 in FY19 for the Police building. The \$1,900,000 cash balance referenced above already assumes the \$500,000 payment to the City in FY18. With the restructuring of the stadium financing, the URD II cash available for projects would still be in excess of \$1,180,000 and we expect to see another significant increase in TIF revenue in FY19.

The Civic Stadium is an important asset for the community in many ways and it is owned by the City of Missoula. It is important to protect the health of the stadium and this proposal clearly addresses the financial challenges. In order to accomplish this restructuring, the City will need to revise the lease which will provide the opportunity to limit the number of fireworks displays. Discussions with both the concerned neighbors and Mountain Baseball have resulted in an informal agreement that three per year is an acceptable compromise. The City has received a number of requests to remove the gate that was required in the current lease on Hickory Street. After Wyoming Street was completed, the need to cut through the neighborhood on Hickory diminished considerably. There are residents who are inconvenienced when the gate is closed and they are prevented from accessing Wyoming

Street. There may be other aspects of the original lease that are no longer relevant or should be reevaluated, but that is a function of the City Council, not MRA.

Recommendation: Staff recommends that the MRA Board approve a request to pay off the Civic Stadium debt held by MoFi and pay down the debt held by the Missoula Federal Credit Union to a level that will reduce the debt service to \$50,000 annually through the expenditure of \$758,590.37 in URD II funds and recommend to the City Council that the lease with Mountain Baseball be amended to reduce the lease payment to \$60,000 annually with \$10,000 of the lease payment being deposited into a maintenance fund for the stadium.