



REPORT TO SUCCESSOR AGENCY

To: Honorable Chair and Members of the Agency

From: Grant Yates, Executive Director

Prepared By: Barbara Leibold, Successor Agency Counsel

Date: January 8, 2019

Subject: Sixth Amendment to Stadium Interim Management Agreement

Recommendation

Adopt A RESOLUTION OF THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF LAKE ELSINORE, CALIFORNIA, APPROVING A SIXTH AMENDMENT TO THE STADIUM INTERIM MANAGEMENT AGREEMENT BETWEEN THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF LAKE ELSINORE AND THE LAKE ELSINORE STORM LP

Background

The former Redevelopment Agency of the City of Lake Elsinore (the "RDA") acquired certain real property for redevelopment purposes and thereafter, in 1994, completed the Lake Elsinore Diamond Stadium ("Diamond Stadium") on property donated for purposes of developing a minor league professional baseball stadium. Pursuant to the Redevelopment Plan for the Rancho Laguna Redevelopment Project Area 3 and that certain First Amendment to Amended and Restated Option Agreement Under Threat of Condemnation and Irrevocable Offer To Donate Stadium Site and Stadium Access Parcel and Unconditional Acceptance Subject To Covenants, Conditions, Restrictions and Reservations dated August 5, 1993, the RDA operated, managed and maintained the Diamond Stadium pursuant to various agreements.

In 2001 and 2002, the RDA entered into certain agreements involving the operation and maintenance of the Lake Elsinore Diamond Stadium, including a License Agreement, a Stadium Field And Maintenance Agreement, and a Concession License Agreement (collectively, the "Stadium Operations Contracts"). Pursuant to the Stadium Operations Contracts, the Storm licensed and maintained the Stadium for baseball games and other Storm events. An affiliate of the Storm, Golden State Concessions and Catering, Inc. ("Golden State"), operated the concessions at the Stadium. Under the Stadium Operations Contracts, the RDA's management, operation and maintenance costs were significant and the Stadium operated at a loss.

In 2005, the RDA commenced negotiations with Diamond Stadium Group (DSG) to undertake all of the Stadium operations, maintenance and management responsibilities. Storm LP, Golden State and DSG share common controlling ownership. Negotiations between the RDA and DSG resulted in June 2007 amendments to the Stadium

Sixth Amendment to Interim Stadium Management Agreement
January 8, 2019

Operations Contracts and a new Stadium License, Lease and Management Agreement (the "2007 Management Agreement").

DSG fulfilled all aspects of the 2007 Management Agreement which reduced the RDA's Stadium-related costs. However, DSG reported annual losses under the 2007 Management Agreement and in June 2011 chose to exercise its right to terminate the 2007 Management Agreement effective December 31, 2012. Upon termination of the 2007 Management Agreement, the rights and responsibilities for Stadium management, operations and maintenance were again divided in accordance with the Stadium Operations Contracts; however, at that time, the Successor Agency did not have the resources to satisfactorily perform its obligations.

On December 11, 2012, the Successor Agency approved the Stadium Interim Management Agreement ("Interim Agreement") to provide for the efficient and cost effective management, maintenance and operation of the Stadium by the Storm through 2013. A First Amendment to the Interim Agreement was approved in September 2013. A Second Amendment to the Interim Agreement was approved in September 2014, a Third Amendment was approved in September 2015, a Fourth Amendment was approved in September 2016, and a Restated Fifth Amendment and Extension (collectively, "Fifth Amendment") was approved in May and June 2018. The State Department of Finance has approved the allocation of Real Property Tax Trust Funds for Stadium obligations in accordance with the Successor Agency Recognized Obligations Payment Schedules (ROPS). The Interim Agreement and the First, Second, Third, Fourth and Fifth Amendments have been successfully implemented to provide for efficient and cost effective management, maintenance and operation of the Diamond Stadium.

The Fifth Amendment expires on September 30, 2019 at which time the burden of maintaining, managing and operating Diamond Stadium under the Stadium Operations Contracts will fall onto the Successor Agency. The Successor Agency lacks the personnel and the expertise to fulfil these contractual obligations and has proposed a Sixth Amendment with the Storm for a one-year term commencing October 1, 2019 and expiring September 30, 2020.

The proposed Sixth Amendment is reasonable and necessary to satisfy the Successor Agency's contractual obligations under the Stadium Operations Contracts and to protect and maintain the assets of the former RDA. The Storm possesses the experience, capabilities and qualifications to best carry out these obligations. The proposed Sixth Amendment is in the best interests of the taxing entities because the Storm's skills, knowledge and resources will provide continued, efficient and cost effective management, maintenance and operation of the Diamond Stadium which will protect the public's investment in the Stadium, minimize costs and mitigate against potential breach of contract and related damages.

Interim Management Agreement - The Interim Stadium Management Agreement as amended by the proposed Sixth Amendment incorporates the obligations under the Stadium Operations Contracts and provides for a Capital Improvement Schedule.

Sixth Amendment to Interim Stadium Management Agreement
January 8, 2019

During the 2019-2020 term of the Sixth Amendment, compensation to the Storm for the performance of the maintenance, management and operations services shall be as follows:

(a) **Assignment of GRCS Concession Fee.** Successor Agency assigns Successor Agency's right to payment of the GRCS Concession Fee under the Concession Agreement to the Storm during the 2018-2019 term, estimated at \$34,000 annually; and

(b) **Waiver of License Fee.** Successor Agency waives Successor Agency's right to payment of the License Fee in the amount of \$535,534 for the period October 1, 2019 through September 30, 2020 under the License Agreement as an offset against the payments due by the Successor Agency to the Storm; and

(c) **Payment of Maintenance Fee.** Successor Agency shall pay the Annual Maintenance Fee in the amount of \$250,010 for the period October 1, 2019 through September 30, 2020; and.

(d) **Payment of Additional Interim Management Fee.** Successor Agency shall pay to Storm \$479,851 for the period October 1, 2019 through September 30, 2020, payable in equal monthly installments ("Additional Interim Management Fee").

The Maintenance Fee along with the Additional Interim Management Fee will result total cash payment from the Successor Agency to the Storm of \$729,861 for the period October 1, 2019 through September 30, 2020 as consideration for services provided under the Stadium Operations Contracts and the Interim Agreement, which aggregate amount shall be payable in equal monthly installments of \$60,821.75 for the period October 1, 2019 through September 30, 2020.

The Successor Agency continues to be responsible for all Capital Repairs and alterations consistent with the Stadium Operations Contracts, which are expected to be significant over the next few years. The Sixth Amendment includes a proposed Capital Repair Schedule for the 2019-2020 term of approximately \$1,660,000.

The Sixth Amendment is subject to the approval of the Riverside Countywide Oversight Board and the Department of Finance (DOF).

Fiscal Impact

The proposed Sixth Amendment provides a high level of certainty relating to the costs of Stadium operations and maintenance under the Stadium Operations Contracts. The Successor Agency ROPS 19-20 includes a request for Real Property Tax Trust Funds to cover the Successor Agency obligations for the period of July 1, 2019 through June 30, 2020.

Attachments: Resolution Approving the Sixth Amendment to Stadium Interim Management Agreement
Sixth Amendment to Stadium Interim Management Agreement