



MEMORANDUM

Date: April 1, 2014

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to be "CHH", is written over the printed name "C.H. Huckelberry".

Re: **Kino Sports Complex Subsidy**

Enclosed are two articles that recently appeared in the Arizona Republic regarding baseball spring training and the significant capital debts of cities in Maricopa County related to construction of Major League Baseball Spring Training facilities in the Phoenix metropolitan area.

The articles highlight the financial burden placed on Glendale and Goodyear for building spring training facilities. The Glendale facility, which cost \$152 million and for which \$200 million of debt was issued, and the Goodyear facility with a \$113 million cost, is three to five times the amount spent by Pima County to develop the Kino Sports Complex.

The article discusses the difficulty these communities are having for debt service payments on these facilities. It also highlights a number of potential legislative strategies to bolster sports facility financing in Maricopa County, particularly as it relates to the promised financial commitments and support from the Arizona Sports and Tourism Authority, which cannot meet the payments to a number of communities in Maricopa County for new construction or renovation of existing baseball facilities. We will closely monitor any legislative actions to bail out these facilities.

Also enclosed is an article that indicates the City of Peoria is diversifying their uses by adding soccer to reduce their anticipated spring training deficit. This is not unlike what we have already done; making our facilities multiple sports use with the primary difference that our soccer facilities were financed by the Chicago White Sox contract termination fee of \$5 million.

As I have indicated previously, there is growing, diverse community amateur sport utilization of all of our facilities at the Kino Sports Complex, making necessary a permanent General Fund allocation for the cost of operating and maintaining the Kino Sports Complex.

CHH/anc

Attachments

The Honorable Chair and Members, Pima County Board of Supervisors
Re: Kino Sports Complex Subsidy
April 1, 2014
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c: Martin Willett, Chief Deputy County Administrator
Hank Atha, Deputy County Administrator for Community and Economic Development
Chris Bartos, Director, Stadium District
Robert Johnson, Budget Manager, Finance and Risk Management

Glendale and Goodyear pay spring-training ballpark debt

Glendale and Goodyear ballpark debt

Now that development plans have slowed, Glendale and Goodyear are left with multimillion dollar hangovers with no guaranteed turn around.

Sponsored by



Caitlin McGlade, David Madrid and Lesley Wright, The Republic | azcentral.com 12:12 p.m. MST March 25, 2014

Now that the swell of development plans surrounding the baseball stadiums has deflated, cities face multimillion dollar hangovers with no guaranteed turnaround.



(Photo: Nick Oza/The Republic)

Story Highlights

- Glendale built Camelback Ranch for \$152.6 million, Goodyear built Goodyear Ballpark for \$113 million
- Despite ballpark debt, Cactus League Association statistics show attendance for West Valley stadiums has increased

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With the giddy swell of development plans surrounding two baseball stadiums now deflated, Goodyear and Glendale now face multimillion dollar hangovers with no guaranteed turnaround.

Both cities counted on uncertain sources — including tax revenue from pending development and support from the Arizona Sports and Tourism Authority — to help fund the spring-training facilities they built just before the recession.

Related: [Fast facts about the West Valley's ballparks](#)

Glendale built Camelback Ranch for \$152.6 million, and Goodyear built Goodyear Ballpark for \$113 million in 2009.

The Chicago White Sox and the Los Angeles Dodgers call Glendale their spring-training home. While the Cleveland Indians and the Cincinnati Reds prepare for the upcoming season while based in Goodyear.

But investors never came knocking in Goodyear and development plans fell through in Glendale, leaving the areas relatively devoid of development.

Meager tourism dollars also stripped the sports authority's budget.

The sports authority operates the football stadium in Glendale and pays off its construction debt. Remaining funding flows to statewide tourism bureaus, spring-training stadiums and youth sports programs. The agency's main source of income is a tax on hotel rooms and car rentals in Maricopa County.

In 2010, Glendale officials had expected to receive \$123 million from the sports authority, starting with payments in 2017.

Arizona Sports and Tourism Authority Director Director Tom Sadler said the recession will cause the agency to delay and possibly reduce the payments.

When the cities built the facilities, the sports authority agreed to reimburse them two-thirds of the original construction costs, plus interest for each year the agency didn't pay. But the authority is not on the hook if the money isn't there.

And Glendale and Goodyear must wait for the authority to finish paying debt on the Surprise stadium and reimburse Tempe and Scottsdale for renovating theirs. Sadler said he hopes to start paying Glendale and Goodyear after 2025, in the worst-case scenario.

"What we're actually going to pay out, only God knows," Sadler said.

However, he said revenue is climbing closer to 2007 levels, when the authority collected an all-time high of \$24.3 million.

David Evertsen, principal and CEO of Goodyear-based Municipal Solutions, said he believes the two cities face a dire financial situation unless the authority comes through with funding.

Municipal Solutions is an international consulting company that has hundreds of municipalities around the world as clients.

"I don't think the economy is going to recover fast enough for them to repay their bonds," Evertsen said. "And I think ... Glendale may be the first city in Arizona to file for bankruptcy. I say that simply because all of the signs leading to it are there."



Although the crowd was sparse at Goodyear Ballpark one day last week, overall Cactus League attendance has been up this spring. (Photo: Pat Shannahan/The Republic)

Attendance increasing

Despite crippling ballpark debt, spring training fans are fulfilling part of the vision that inspired the projects.

Cactus League Association statistics show attendance for all West Valley stadiums has increased over the last few years.

Two 2012 Cactus League-commissioned studies indicated the league's spring training indirectly generated more than \$420 million, with residents and visitors spending money on such things as hotels, rental cars and restaurants. Add other non-spring training functions such as concerts and events held at the ballparks and the estimated annual economic impact grows to \$632 million.

Overall, the Cactus League reported a record 1.73 million visitors last year.

Glendale's ballpark put up the league's second-highest attendance numbers in 2013, just behind Salt River Fields near Scottsdale, where the Arizona Diamondbacks and Colorado Rockies play.

The league will release 2014 figures when the season ends later this month.

"The numbers look good, promising," said Mark Coronado, Cactus League Association president.



The Cactus League is good for the Valley, but its benefits are not distributed evenly. Goodyear has struggled to finance its ballpark for the Cleveland Indians and Cincinnati Reds, in part because the games haven't transformed the area. (Photo: Nick Oza/The Republic)

Other funding options

But Coronado said promising attendance isn't enough to help Glendale's and Goodyear's financial obligations.

Coronado said it's time to get creative to help fund the authority's obligations. Fixing Cactus League funding should concern of the Legislature, governor. Arizona Commerce Authority and Arizona Office of Tourism, Coronado said. Just as the state invests to attract industries and events such as the Super Bowl, it should do the same to protect an almost three-quarters of a billion dollar a year industry, he said.

Coronado said he has met with legislators and each of the prospective gubernatorial candidates to bring attention to the financial plight of the spring-training cities.

"The reality is that this is a business, and you can't cultivate growth and stability without investing in this business with continuous investment," Coronado said.

He added that perhaps officials could create a funding mechanism separate from the authority to help the Cactus League cities with their financial needs.

"We need to look at all opportunities," Coronado said. "We're not adversarial to (the authority). If (the authority) is the mechanism that gets this done at the end of the day, great. But maybe there needs to be some separation so it becomes the Cactus League fund, like the Maricopa County Stadium District was back in the old days."

Camelback Ranch

This is the first year Glendale's general fund felt the blow of the project's costs, and the first year the city started making principle payments.

Although it cost the city about \$142 million to build Camelback Ranch, it borrowed \$200 million and spent the past five years paying off interest alone from a now-drained escrow account.

Tom Duensing, Glendale's financial services director, said Glendale would have saved money had it started paying immediately. But a robust economy had Glendale administrators convinced that revenue from future development would kick in by the time the city tapped its escrow account, and the revenue would help pay off Camelback Ranch debt.

Rightpath Limited Development Group planned to develop retail, resort and restaurant amenities at Camelback Ranch, and shops, offices, restaurants, hotel space and housing at nearby "Main Street." In return for Glendale selling them land, the firm agreed to share 6 percent of its gross profits for both segments, as well as 3 percent of profits from its flight supplies business at the Glendale Airport.

But Rightpath defaulted on its property taxes. The land went into foreclosure.

"There's no part of the agreement that makes sense," Councilman Gary Sherwood said, largely because it left Glendale with sparse revenue.

Glendale also doesn't collect a lot of sales tax directly from the ballpark because the city built it on Phoenix land, and collects about \$65,000 a year based on a sales-tax agreement.

Although funding from the sports authority remains unpredictable, Glendale officials have revised their expectations and now expect to receive about \$74 million from 2026 through 2038, nine years behind the original schedule.

But there is a hitch: The sports authority expires in 2031, and neither Duensing nor Sadler know for sure what will happen if outstanding obligations are left.

Glendale plans on the Maricopa County Stadium District to pick up the tab, Duensing said. However, there's no guarantee that will happen.

"We know that the Maricopa County Stadium District continues on," Sadler said.

"There's not been any point of discussion for how that works beyond that point in time. I don't want to create a false expectation, but I don't want the city to panic. I think anything can happen in the next 17 years."

For now, the city expects to pull about \$63 million over the next five years from the general fund to pay debt service.

"We're (financially) at the bottom," Sherwood said. "There's a lot of places that money would be better or well spent."

Goodyear Ballpark

Since 2007, Goodyear has paid only the interest on the \$103 million debt it issued, and it will continue to pay that interest until 2019, when the principle kicks in, said Larry Lange, Goodyear finance director.

"The reason we did interest only is when all of this was structured, there was discussion of reimbursement from the Arizona Sports and Tourism Authority," Lange said. "The way we've structured it today, not for any other reason but financial planning, we're assuming we aren't getting the Arizona Sports and Tourism Authority money."

But Lange said that Goodyear believes it will get some of its costs reimbursed by the authority despite planning otherwise.

Goodyear leaders had grand dreams of a stadium that would anchor a 200-acre, master-planned City Center that would include upscale retail and housing, city administrative offices, an amphitheater, a hotel and restaurants.

None of the development has happened.

Goodyear voters approved \$10 million in general obligation bonds — even before it landed its spring training teams — in an unsuccessful effort to lure the Anaheim Angels to Goodyear. The Angels stayed in Tempe though, and Goodyear eventually landed the Cleveland Indians and then the Cincinnati Reds. The city is using property taxes to pay the \$10 million debt, Lange said.

The city is using the general fund to pay for the remaining \$103 million. The city pays about \$5.3 million a year in interest payments, and will pay an additional \$4.5 million when the principle payments begin in 2019, bringing its annual payments to about \$10 million.

"Over time, the principal payment will increase, but the interest will decrease," Lange said.

Maryvale Baseball Park

Team: Milwaukee Brewers

Year built: 1998

Cost: \$33 million

How funded: John F. Long donated \$10 million in land. Maricopa County Stadium District financed \$17 million. Flood Control District financed \$3 million. Phoenix financed \$3 million.

When debt was paid off: Unavailable.

Milwaukee Brewers attendance, 2011-13: 238,876

Peoria Sports Complex

Teams: San Diego Padres and Seattle Mariners

Year built: 1994

Cost: \$32 million for complex, \$7.7 million for the stadium

How funded: Peoria and Maricopa County

When debt was paid off: Debt excised about four years ago

San Diego Padres attendance, 2011-13: 253,422

Seattle Mariners attendance, 2011-13: 327,212

Surprise Stadium

Teams: Kansas City Royals and Texas Rangers

Year built: 2003

Cost: \$48.3 million; \$42 for construction costs

How funded: Surprise paid \$16.3 million. Arizona Sports and Tourism Authority, or authorization of Proposition 302, paid \$32 million.

When debt will be paid off: 2020

Texas Rangers attendance, 2011-13: 319,678

Kansas City Royals attendance, 2011-13: 235,167

Peoria hopes adding soccer at complex will cut spring-training deficit

Jackee Coe, The Republic | azcentral.com 7:55 a.m. MST March 7, 2014

Most cities that host Major League Baseball teams for spring training lose millions in operating the stadiums



(Photo: Republic file photo)

Story Highlights

- Peoria will soon become the only Cactus League city to host a non-baseball franchise at its spring-training complex
- In Peoria, city leaders expect to spend \$1.8 million more than they take in at the ballpark this year
- Peoria's arrangement could be a model for other Cactus League cities

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Peoria will soon become the only Cactus League city to host a non-baseball franchise at its spring-training complex, a move that should cut down on the city's annual losses to operate the ballpark.

Shortly after the Seattle Mariners and the San Diego Padres return to their respective cities at the end of March, the Phoenix FC Wolves will lay sod on the infield for soccer games that begin a few weeks later.

The Phoenix FC Wolves, which is one of the United Soccer Leagues' professional franchises, got its start last year playing at Arizona State University in Tempe.

As soccer has grown among youths, bringing a professional soccer team to Peoria "can only be a plus," Mayor Bob Barrett said.

This is the city's second stint hosting a professional soccer team. Another USL pro team, the Arizona Sahuaros, played at the Peoria Sports Complex for a short time in the late 1990s.

"It's another way to use the stadium for a professional sport in between baseball and everything else that goes on there," Barrett said.

Cactus League officials estimate that spring training, which attracts tens of thousands of out-of-state visitors, carries about a \$650 million annual impact for the state.

However, most cities that host Major League Baseball teams for spring training lose millions in operating the stadiums.

In Peoria, city leaders expect to spend \$1.8 million more than they take in at the ballpark this year.

Five months of soccer games should chip away at the operating loss. Peoria expects to add \$60,000 directly to city coffers from rent, concessions and ticket surcharges. The city will carry no costs in the one-year agreement that has three one-year renewal options.

The city has not completed an economic-impact study to calculate the impact of visitor spending at nearby shops and restaurants.

Peoria Sports Complex Operations Coordinator Mike Hyland said the city never expected to fully recoup the annual operating costs when it built the West Valley's first ballpark 20 years ago. Instead, Peoria intended for the facility to offer residents a mix of sports and entertainment options.

Adding another professional sports team provides one more option, Hyland said.

"The spring training is really the highlight of the year as far as professional sporting events in Peoria, so I think more than anything it's an addition to that," Hyland said.

The Wolves are part of the USL, which is a mix of professional, amateur and youth soccer leagues across the country. Team officials did not return multiple calls requesting comment.

The season runs from late March through early September. The first game in Peoria is set for April 12, with the last on Aug. 22. Most games will be on Saturday nights, with a handful on Friday and Thursday nights.

Barrett said he expects it will take time for the fledgling franchise to develop a following. Although the economic impact is unclear, Barrett hopes it will be significant.

"It'll bring people into Peoria," he said. "Just like any other new venture, they're going to have to build a following, and I think over time it could become very good in terms of economy impact."

Peoria already has a fairly busy ballpark, hosting annual holiday events, youth and adult baseball leagues, tournaments and regular auto and recreational-vehicle shows. USA Baseball has a regional office at the stadium, and the complex also is the sight of college baseball series and scouting events.

A professional South Korean baseball team and the Chinese national baseball team have used the complex for pre-season training in the past few years, Hyland said.

Cactus League Association President Mark Coronado said Peoria is the only ballpark to host a soccer team, or any other professional sporting franchise, beyond baseball.

Peoria's arrangement could be a model for other Cactus League cities, he said.

"We'll all be carefully watching to evaluate the success of this new venture," Coronado said.

"My hat's off to them (Peoria). I think it's creative. It's a good thing for the West Valley and for all of our facilities."