



**MINUTES OF THE
GLENDALE CITY COUNCIL
WORKSHOP SESSION
Council Chambers – Room B3
5850 West Glendale Avenue
February 18, 2014
1:30 p.m.**

PRESENT: Mayor Jerry P. Weiers, Vice Mayor Yvonne J. Knaack and Councilmembers Norma S. Alvarez, Ian Hugh, Manuel D. Martinez, Gary D. Sherwood, and Samuel U. Chavira

ALSO PRESENT: Brenda Fischer, City Manager; Sam McAllen, Interim Assistant City Manager; Michael Bailey, City Attorney; and Pamela Hanna, City Clerk

CALL TO ORDER

WORKSHOP SESSION

1. **COUNCIL ITEM OF SPECIAL INTEREST: CAMELBACK RANCH SPRING TRAINING FACILITY**
PRESENTED BY: Brian Friedman, Executive Director, Community and Economic Development, Michael Bailey, City Attorney, Brian Friedman, Community and Economic Executive Director and Jean Moreno, Innovate Administrator.

The purpose of this report is to provide historical information for the City Council regarding the development project that resulted in the construction of Camelback Ranch Spring Training Facility; and, to provide preliminary information to City Council regarding a deferred purchase and deferred reimbursement obligation payable to the City of Phoenix in the amount of \$3,722,075 before October 9, 2014.

Mr. Friedman explained that the presentation would include an overview of the project partners, Phoenix land and contingencies, a five year forecast, construction costs, and funding/debt service. He said Camelback Ranch is a multi-partner venture covered by numerous agreements. He said there are six partners, which include the cities of Phoenix and Glendale, the Chicago Cubs and Los Angeles Dodgers, Arizona Sports and Tourism Authority (AZSTA) and Rightpath Limited. He said the facility is owned by the City of

Glendale, but is physically located in the City of Phoenix and is managed by the two baseball teams.

Mr. Bailey said the Councilmembers needed to understand the Camelback Ranch agreements so they can make some decisions as it relates to next year's budget. He said the city entered into an intergovernmental agreement with AZSTA for a funding commitment of 66.7 percent of \$90, million which is \$60 million. He said the funding priority that was set at the time of the agreement. Funding priorities for other baseball facilities were ahead of Glendale, so Glendale is the last in line to receive facilities from AZSTA funding. Mr. Bailey explained there is an interest accrual on outstanding receivable of 4 to 5 percent. When the deal was entered into, the city and AZSTA projected payments to begin in 2017. He said the current projection now is that the city will begin receiving payments in 2026 to pay off the debt service. He said the current value of the receivable as of July 2013 is \$74 million, which is the \$60 million principal balance plus \$14 million in interest. He said no funds have been received to date; however, there was no expectation to have received anything until at least 2017. Mr. Bailey also said that AZSTA is willing to come and speak to the council if that is something the Councilmembers would like.

Councilmember Alvarez asked about the funding commitment Mr. Bailey spoke about and said it was her understanding there was no commitment. She said they had a meeting in the past and one of the members of AZSTA was at the meeting. He said AZSTA talked to the Council and he said there were no promises on money. She said according to what AZSTA told the Council previously was there was no commitment for funding. She said one of the members told her they would vote for this deal, but they wanted her to know that the city would not get any money.

Mr. Bailey said when he spoke about commitment he speaks from the city's perspective on how the deal was structured. He said if the money is not available, AZSTA does not have to find new money. He explained when he said commitment, he meant they are contractually obligated if the money is available. If the money is not available, then they don't have to pay any money.

Mr. Bailey explained the second agreement on this is an intergovernmental agreement with the City of Phoenix. He said the main issues deal with a tax pledge. He said Phoenix has agreed that 80 percent of their general fund transaction privilege tax will be shared with Glendale. He said any revenue from TPT derived from the facility is Phoenix TPT, but they have been willing to share 80 percent. He said that figure is capped at \$37 million and it is on a term of 40 years. He said within the deal is captured what was proposed on retail and residential development and also captured in the IGA are zoning approvals, expedited zoning and the recognition of what this deal was supposed to be at some point in time. He said Phoenix has recognized that this was to be a sports and entertainment destination. There was supposed to be something more than just a facility. He said that is recognized in the IGA. The obligations of the city of Glendale are contingent obligations that Glendale must perform in order to keep the IGA in effect. He said the contingent obligations include the acquisition of certain parcels of property and the repayment of certain funds. He said the repayment of funds is related to the park that was originally supposed to be built by

Phoenix in the area and Glendale has already reimbursed Phoenix for that. He said what remains are parcels of property amounting to 14.25 acres. He said the city has a contractual obligation to purchase the parcels of property or find a willing buyer no later than October 9, 2014. The city of Glendale needs to perform regarding these contingencies in order for Phoenix's obligations outlined in the agreement to remain in effect.

Councilmember Alvarez referenced the parcel of property Mr. Bailey was talking about; she asked who owns the property. Mr. Bailey said that parcel was currently owned by Phoenix. Councilmember Alvarez said she was talking about the parcel of land where the park was going to be built on 107th Avenue. She said the leagues or Mr. Reinsdorf has an RFP for this property.

Mr. Bailey said parcel number 1 was the property that was to be developed by Rightpath. He said that is currently held by a trustee for Mortgages Limited, because Mortgages Limited was the financial backer. He said that is currently held by that entity. He said parcel 2 was the actual stadium and parking areas. Parcel 3 is a vacant lot and parcel 5 is part of the parking lot. He said the city was obligated to acquire that in the IGA with Phoenix. Mr. Bailey said parcel 6 is the parcel that is a contingent purchase that is owned by Phoenix and Glendale needs to purchase that as a contingency. Parcel 7 is a Phoenix parcel of property. He said because of its location near the riverbed, that was part of the planned park. He said parcel 4 is some of the packaged property that was going to be developed by Rightpath.

Councilmember Hugh asked how much land Glendale still owns at Camelback Ranch.

Mr. Bailey said Glendale owns parcels 2, 3 and 5.

Councilmember Hugh asked if there were specific plans for those parcels.

Mr. Bailey provided a poster board showing how the land had been developed. He said parcel 2 is all the parking on the north and south side. He said parcel 3 remains vacant and parcel 5 is part of that parking lot. He said everything else remains vacant.

Councilmember Hugh asked if the city has any plans for the vacant land.

Mr. Bailey said his understanding was there were no plans for development on that vacant land as of today's date.

Councilmember Alvarez asked out of parcels 2, 3 and 5, which property is owned by one of the leagues and not Glendale. She said it was given to the league for incentive. She said there were two parcels, one in Camelback Ranch and one by Zanjero that were given to the same owner.

Mr. Bailey said he is unaware of a document where the city has granted it to teams.

Councilmember Alvarez said it was granted to Mr. Reinsdorf.

Mr. Bailey said there was discussion at one point about construction of a hotel, but he didn't believe that ever came to fruition. He said they would look into this.

Councilmember Hugh said maybe what Councilmember Alvarez is referring to is the parking lot that is at Kellis that the teams have a right to purchase and the other is the land owned by the Tohono O'Odham.

Mr. Friedman said he did recall that Mr. McCourt had an option at Camelback and 107th at one time for a hotel, but he was unaware of the status. He also said the developer had an opportunity for the 11 acre parcel south of Northern Avenue, but he said he didn't believe those opportunities were exercised. He said they will do some research on this to see if anything transpired with those two parcels.

Councilmember Hugh said they owned the 18.4 acres as the parking lot. He thought it was the parcel on Northern Avenue.

Mr. Bailey said he had seen that document, but had not seen anything where that had actually been exercised.

Councilmember Alvarez said if you look in detail in the contract, she said it was the 11 acres, eighteen and the 107th Avenue north of Camelback. She said it is an agreement and it might be with the teams.

Mr. Bailey said he will look into this. He said with the City of Phoenix, in terms of the tax pledge, the sum of \$200,000 has been received to date.

Mr. Bailey went on to discuss the baseball teams. He briefly discussed the facility use agreement. He said facility use is free of charge, but teams are responsible for maintenance and operations of that facility. He said all revenues on site are retained by the teams and that includes sales, advertising, naming and parking. He said the city maintains responsibility for capital maintenance and improvements. He said the teams can leave the facility in 2028, and one of the challenges will be to maintain the facility to team standards.

Councilmember Alvarez asked Mr. Bailey if he was saying that the teams are maintaining the facility.

Mr. Bailey said the teams do maintain the facilities.

Councilmember Alvarez said at one point there was a transfer of funds and that was turned in by the audit where funds were transferred for the upkeep of the facility.

Mr. Bailey said they would take a look at that point. He said he did not audit any of the financial aspects of the contract.

Councilmember Alvarez said right after the team came in; the White Sox owner immediately sold his share to another owner. She said in the contract, the old owner of the team is listed. She asked if that would be considered breaking the contract if nothing was done about that.

Mr. Bailey said he did not know the answer to Councilmember Alvarez's specific question, but he said most of the agreements had language for affiliate entities to the extent that one party sold their entire holdings to a different holding company or ownership that the deals would transfer.

Councilmember Alvarez said the city is responsible for making payments and asked Mr. Bailey to double check this. She said she did not want to lie to the constituents that the teams are keeping up their end of the bargain and they are not. She said it would make sense to challenge this because the entity signing the contract is not the same person that owns the team now.

Mr. Bailey said the teams have contributed \$10.9 million to aspects of the contract.

Mr. Bailey next explained the agreements with Rightpath Limited, which entailed the proposed surrounding development. He said Rightpath was to acquire and develop land on Main Street, develop Camelback Ranch parcels and lease and operate the airport as the fixed base operator. He said there were revenue sharing agreements with 6 percent on Main Street development activity, 6 percent on Camelback Ranch development activity and 3 percent on airport development activity. He said to date, the city has received nothing and the expectation is that the city will receive nothing. He said Council should keep in mind for the IGA with Phoenix that this is to be a destination retail location and if they want the opportunity to come in that they recognize these Rightpath obligations.

Ms. Moreno began with a review of the financial forecast information that was previously provided by Mr. Duensing. For FY14, the total impact to the general fund is approximately \$11.6 million. She said as far as the five year forecast impact to the general fund is about \$63 million.

Ms. Moreno went on to discuss the construction costs. She said these figures include everything from the land to furniture, fixtures and equipment. The facility itself cost approximately \$121.4 million. The offsite infrastructures, including streets is about \$31 million, and the total cost is about \$152 million.

Mr. Bailey said one of the unique aspects of this deal is that with the IGAs, Phoenix had no objection to building this so long as services were already either to the location or the city would build the services. He said one of the city's challenges is they have built a lot of infrastructure which cannot utilize bonding or secondary property taxes because the facility is not in the city.

Ms. Moreno said the teams did make a one-time capital contribution and she provided a breakout of that contribution, which totaled \$10.9 million. She said the total amount

financed by the city was \$141.6 million. She said the Council authorized the bond sale of \$199.7 million. Of that, the remaining balance was used to pay the debt service for the first several years of the project. Ms. Moreno said in 2012, PFC bonds were refunded and converted to MPC bonds. Those MPC bonds were sold at a premium and the city made about \$10 million on the new issuance of the bond sale. She said the \$10 million was put toward the principal balance and an additional \$10 million was financed interest. She said the current MPC outstanding debt for this project was \$200 million.

Ms. Moreno said the term of the MPC debt is 25 years. She said if you add interest to the principal balance of \$200 million over the next 25 years, the total cost for this project is \$373 million. She next discussed the funding sources that could reasonably be anticipated. She said if AZSTA has the funding to apply to the project, the city anticipates when its MPC debt is ready to be paid off in 2038, the city may receive about \$70 million from the AZSTA to apply towards this project. She said with the Phoenix IGA, if there is no change in the revenue stream the city is receiving which is about \$65,000 per year; the city could anticipate receiving about \$1.8 million from the Phoenix tax pledge sharing. She said the total funding sources for the project at the conclusion of the MPC debt in 2038 is about \$71 million. This would make the total cost to the city for the debt service and the construction \$301 million. She said this assumes no change in the revenue streams and it also assumes payment from the AZSTA.

Mr. Bailey said an executive session has been scheduled to provide council some additional information and get their direction.

CITY MANAGER'S REPORT

The City Manager had nothing to report.

COUNCIL ITEMS OF SPECIAL INTEREST

Councilmember Alvarez said she gets questions from constituents about rumors they hear. She asked where she would go to report these concerns. She said she did not want to have to think about making any report and being investigated afterwards. She asked who she reports her concerns to. She also wanted to know if these concerns would be kept private. She asked what the policy was. Mr. Bailey said he and Ms. Fischer would respond to that. Ms. Fischer said she believed the charter said administrative matters go through the City Manager.

ADJOURNMENT

There being no further business, the meeting was adjourned at 2:08 p.m.