



Protect the Public's Investment

Cuyahoga County Council

January 21, 2014

Presenters

Joe Roman

Greater Cleveland Partnership

Tim Offtermatt

Gateway Economic Development Corporation

Ken Silliman

City of Cleveland

Professional Sports Teams



HOME

GUEST


This is about so much more than
scoreboards!

Why We Are Here


- The public's investment in the long-term partnerships with Cleveland's three teams
- The community benefits we continue to enjoy from these investments
- Proposal to meet our needs and obligations to protect these investments

Why This is Important

- Our facilities are Downtown
- 1 of only 15 cities with MLB, NFL, and NBA teams
- No team is threatening to leave – they are making investments in their facilities / our community
- No additional tax – extending what has been in place for nearly 25 years



**Professional sports in the U.S.
is a partnership between
the teams on the fields and the
communities that support them.**





November 1928 Municipal Stadium Bond Levy

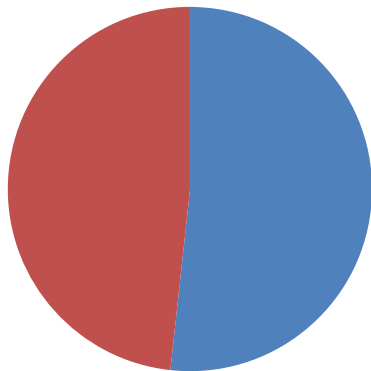
For
Against

112,448
76,975

59.36%
40.64%

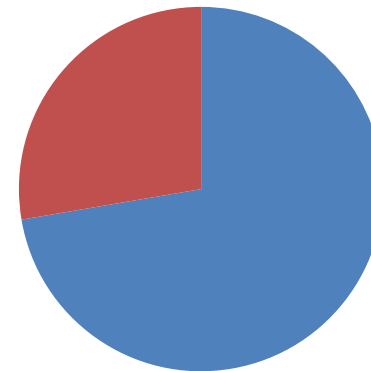
Renewed Commitment

May 8, 1990



■ For	■ Against
198,390	185,209
51.72%	48.28%

November 7, 1995



■ For	■ Against
256,278	98,113
72.31%	27.68%

Small Tax on Alcohol and Tobacco Products

1¢

Per
Glass of Wine

1 1/2¢

Per
Bottle of Beer

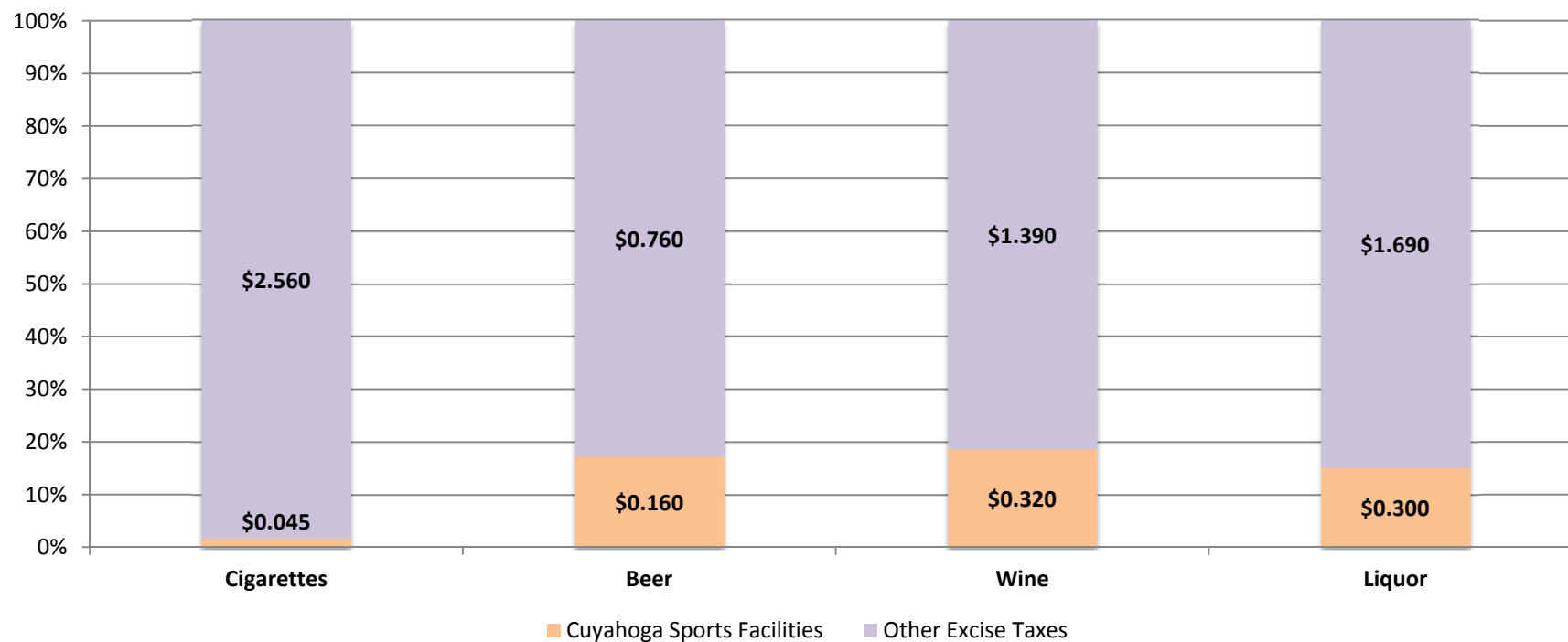
<5¢

Per
Pack of Cigarettes

Excise Taxes Paid in Cuyahoga County

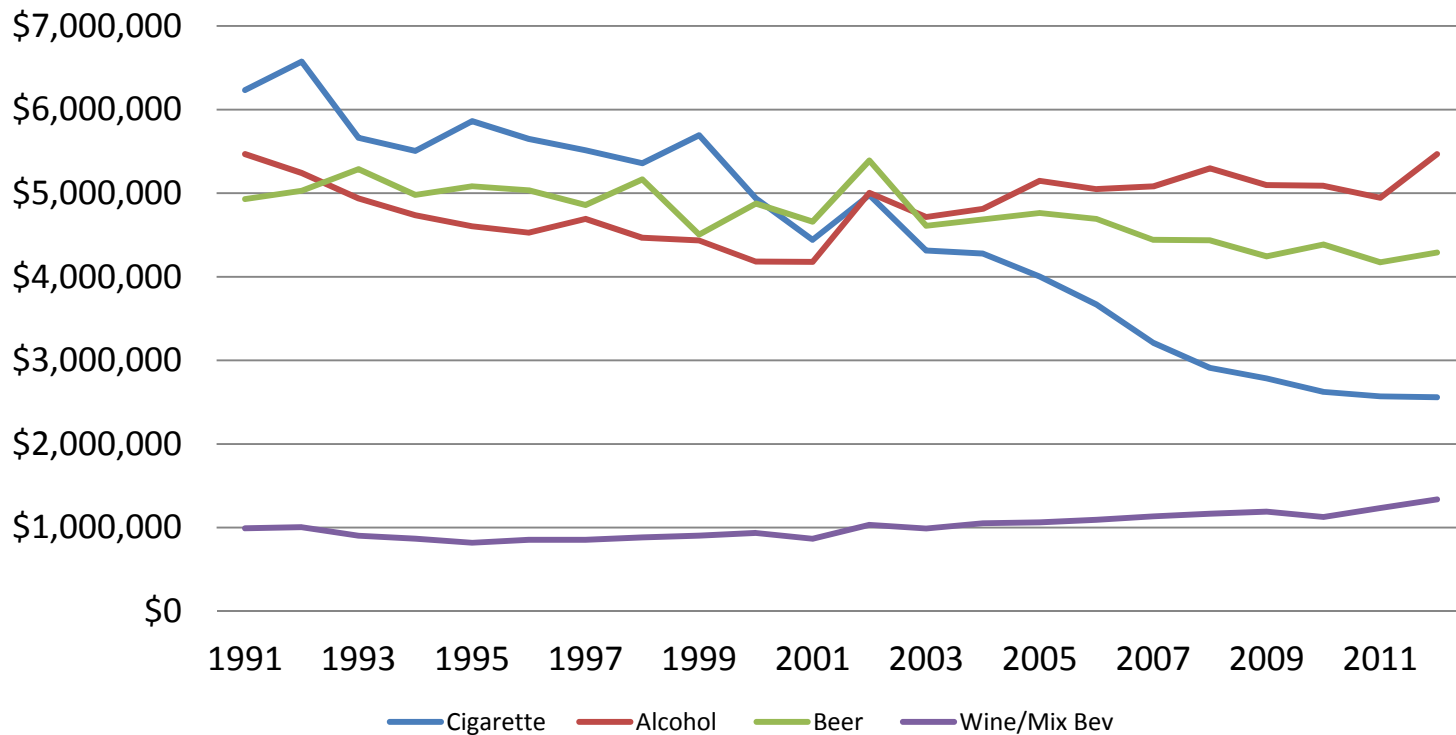
Sports Facilities v. Other Excise Taxes

Amounts* and Percentages



*P/ pack, gallon of beer or wine, 1/10 gallon of liquor.

Excise Tax Analysis



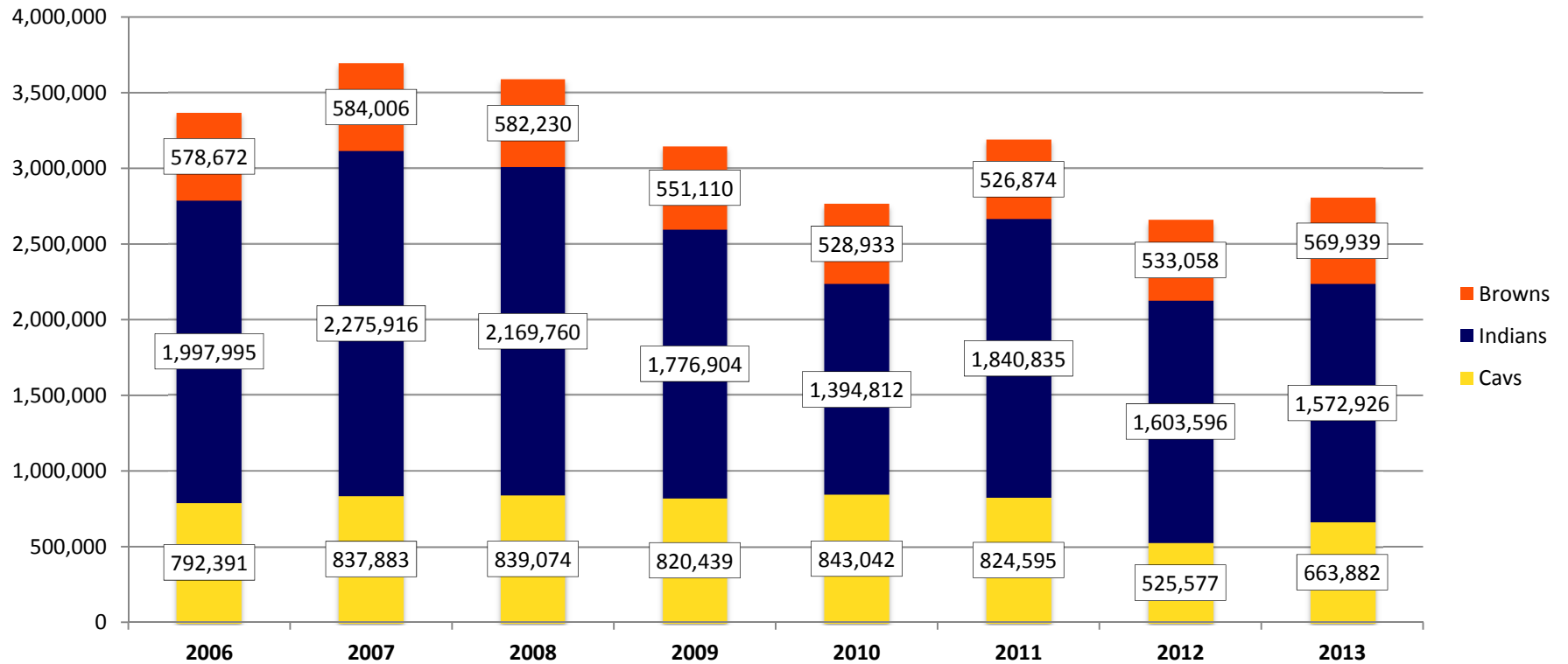
	Cigarette	Alcohol	Beer	Wine/Mix Bev	Total
<i>Total</i>	<i>\$103,952,679</i>	<i>\$113,491,077</i>	<i>\$109,056,681</i>	<i>\$23,593,125</i>	<i>\$350,093,557</i>

VIDEO SLIDE

Impact

Annual Ticketed Game Attendance

2006-2013



Return on the Public's Investment

Nearly two decades of benefits

Public Amenity

More than 300 events per year

Visitor Attraction

75+ million visitors since 1994
>4 million visitors per year, more than half
from outside Cuyahoga County

Economic Activity

\$4 billion in almost 20 years

Jobs

Thousands of jobs (full-time, part-time, construction)

Return on the Public's Investment

Nearly two decades of benefits

Government Revenue

\$900 million in local and state taxes

>\$1.6 million in property taxes in 2014

Development

In Gateway District alone, five hotels with nearly 1,000 rooms, four more hotels on the way, fifteen residential buildings and >60 restaurants/eateries

Regional Image

A major league city in a world-class region

United Hub

World Class Cultural Institutions



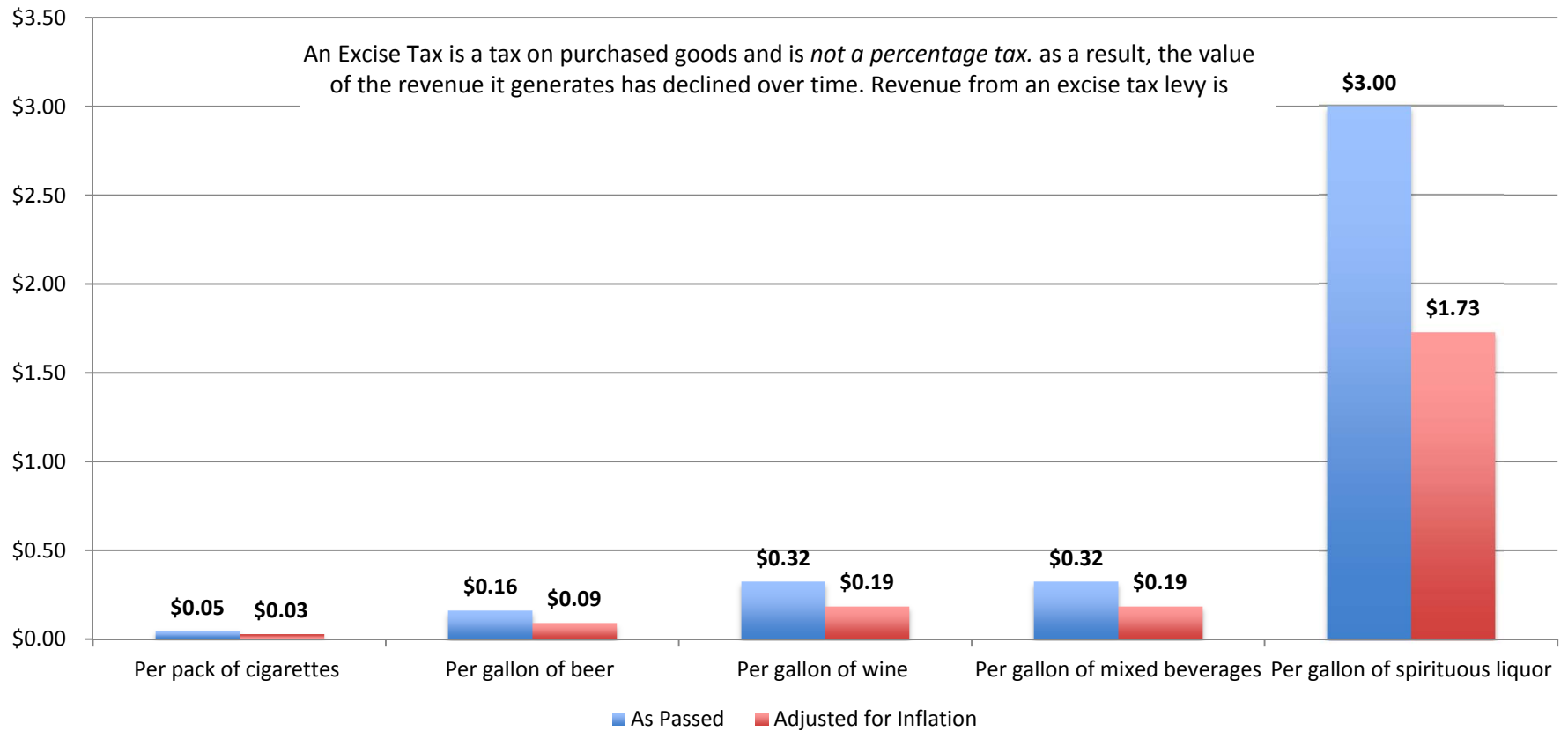
Protecting the Public's Investment

Tim Offtermatt, Gateway Economic Development Corporation

January 21, 2014



Cuyahoga County Excise Tax As Passed and Adjusted for Inflation



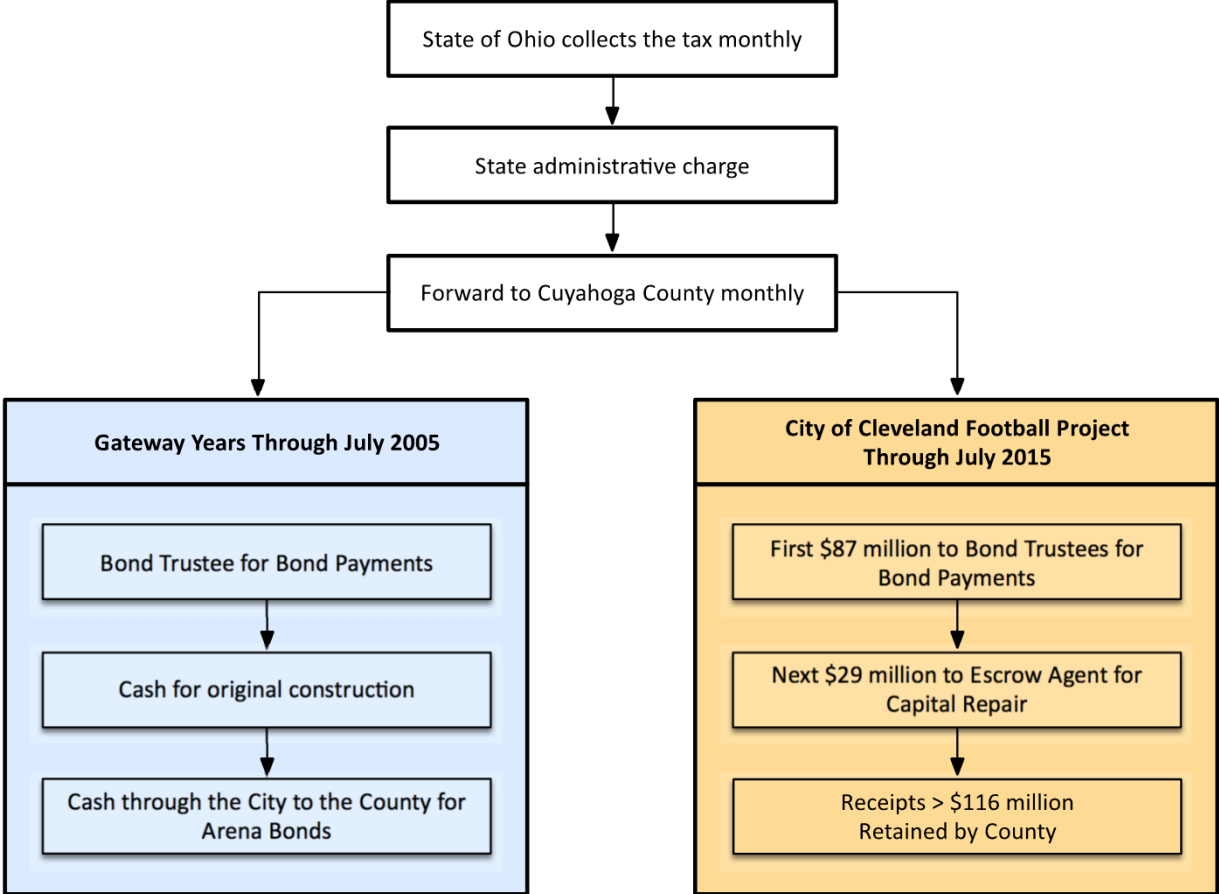
Uses of Excise Tax

▶ **Restricted to:**

- Original construction costs of the three facilities, their public plazas and their infrastructure
- \$29 million for City to meet capital repair needs under Browns lease
- Any amount beyond \$116 million that is collected on the 2005-2015 levy is available to the County for us for professional sports facilities

Cuyahoga County Excise Tax Flow of Funds

1990-2015



Gateway Economic Development Corporation

- ▶ Created by City, County and State 25 years ago
- ▶ Owns property and sports facilities on 28-acre site on behalf of City and County
- ▶ Five-member Board of Trustees
- ▶ Eight direct employees, plus contract employees
- ▶ Responsibilities:
 - Review tenants' obligations to maintain facilities
 - Provide financial accounting of Gateway activities

Leases with Indians and Cavaliers

- ▶ **Original lease agreements: 1991**
 - Made it difficult for Gateway to fund its operations
 - Teams opted to pay for Gateway operations; Gateway accumulated large payable amounts to teams

- ▶ **Leases Amended in 2004**
 - Fundamentally altered economics



**Gateway now has two of the
more public-sector friendly
lease agreements in
major league professional sports.**



Under the Current Lease Agreements

- ▶ **All Gateway costs related to property taxes, site maintenance and security are funded by team rental payments.**
 - 2014 budget: \$3,765,000

- ▶ **Teams are obligated to fund all operating costs of the two facilities**
 - Estimated cost: \$10-\$15 million annually

Original and Amended Lease Comparison

	Original Lease Agreements	Amended Lease Agreements
Revenue		
Rent	Per ticket value based on attendance and a percentage of premium seating sold	Pays for all Gateway obligations, including property taxes, primary capital, site maintenance, security
Naming	Value of outside the building name value only	Property of the teams for each facility; site remains with Gateway
Parking	Net revenue after City bonds were paid and Cavs credit covered	Same as original lease
Other	Miscellaneous other fees as a percentage of sponsorships	Common Area Sponsorships remain with Gateway
Original Lease Agreements		
Amended Lease Agreements		
Expenditures		
Facility Operations	Team Obligation	Team Obligation
Site Security and Operations	Gateway Obligation	Gateway Obligation
Property Taxes	Gateway Obligation	Gateway Obligation
Admissions Tax Credit to Cavs	Gateway Obligation	Cavs Pay to City
Parking Credit to Cavs	Gateway Obligation	No Longer Applicable
Part-Time Tenant Employee Parking	Gateway Obligation	Team Obligation
Primary Capital Repairs	Gateway Obligation	Team Obligation Paid with Rent
Major Capital Repairs	Gateway Obligation	Gateway Obligation
Facility Renovations and Alterations	Team Obligation	Team Obligation

Maintenance and Repair

- ▶ Gateway: the public's steward in maintaining the quality of the Gateway facilities
- ▶ Teams are responsible for any single individual capital repair costing <\$500,000/\$525,000
- ▶ Gateway is obligated to fund major capital repairs above \$500,000/\$525,00.
 - Repairs must be consistent with the scope of the original design, with some adjustment for modernization/competitiveness.



**No tax revenue has been used
to fund Gateway capital repairs
since initial construction.**





The Indians and Cavaliers have funded nearly \$50 million in capital repairs since 2004.



Need for Major Capital Repairs

- ▶ Facilities are 20-years old and have hosted 75 million visitors
- ▶ Anticipate requests for major capital repairs:

Air handling units	Steel shoring and painting
Sanitary and storm water facilities	Roof and sub-roof repair and replacement
Chilled water equipment	Sound system
Concrete repair, replacement, or sealing	Water pumps
Vertical transportation	Ice floor and chillers
Building security and automation systems	Energy management systems

Gateway Major Capital Repairs Process

Approved by Gateway's Board on June 13, 2012

Requests due on or before July 1 of the year prior to repair, unless emergency

Must submit an "Annual Team Report" that includes repair costs, maintenance records and a five-year plan of Major Capital Repairs.

Gateway must prepare analyses of the Annual Team Reports by August 31.

Gateway Board then makes recommendations to the County and the City by October 1



Construction costs of maintaining facilities has doubled since 1993





**Other than rent received from
teams to fund other activities,
Gateway has NO REVENUE to fund
major capital repairs**





**Excise Tax has worked effectively
for nearly 25 years to fund
construction. Now revenue is
needed to maintain integrity of the
public's investment**





Extending the Sin Tax

January 21, 2014

Overview

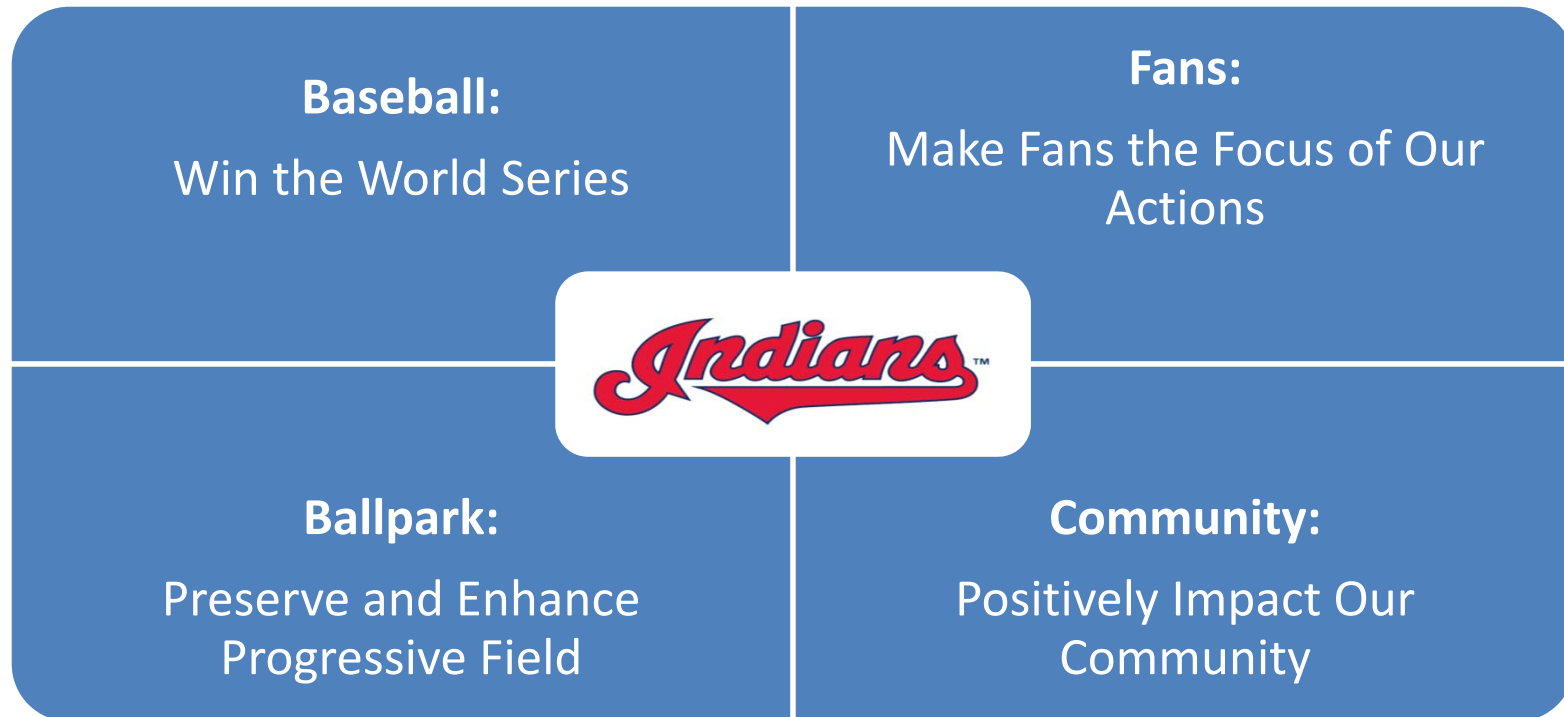
Established in 1901, the Indians organization has been a long-time contributor to the economy and community of NE Ohio. The Indians endorse the proposed extension of the Sin Tax based on the following:

- **Progressive Field has Created Significant Economic Impact for the City and County:**
 - 48 Million Fans
 - Nearly 1,700 events
- **Significant Investment by Indians Organization to Date:**
 - \$63 million in capital repairs and maintenance paid to Gateway
- **Aging Ballpark in Need of Infrastructure Repairs and Replacement:**
 - Repair and upgrade for the future
- **Landlord/Tenant Relationship**
 - Pays for Gateway, along with the Cavs
 - \$500,000 capital threshold
 - \$45 million in rent including \$8.3 million property taxes and \$16 million in Gateway repairs and expenses.



Indians Guiding Commitments

The Indians strategic planning process identified what we want to accomplish as an organization which are our four Guiding Commitments centered around baseball, community fans and ballpark



Economic Impact from Progressive Field

- An economic impact study was completed by Team NEO, Mohr Partners and Cypress Research Group covering the 19 year period from 1994-2012.
- “Economic Impact” is made up of three major components:
 - **Operations:** Measures impacts from all “inside the park” activities including fan spending and employee wages.
 - **Visiting Fans:** Measures impacts of spending “outside the park” for food, travel, accommodations, amusement and retail spending by fans.
 - **Taxes Generated:** both State and Local.

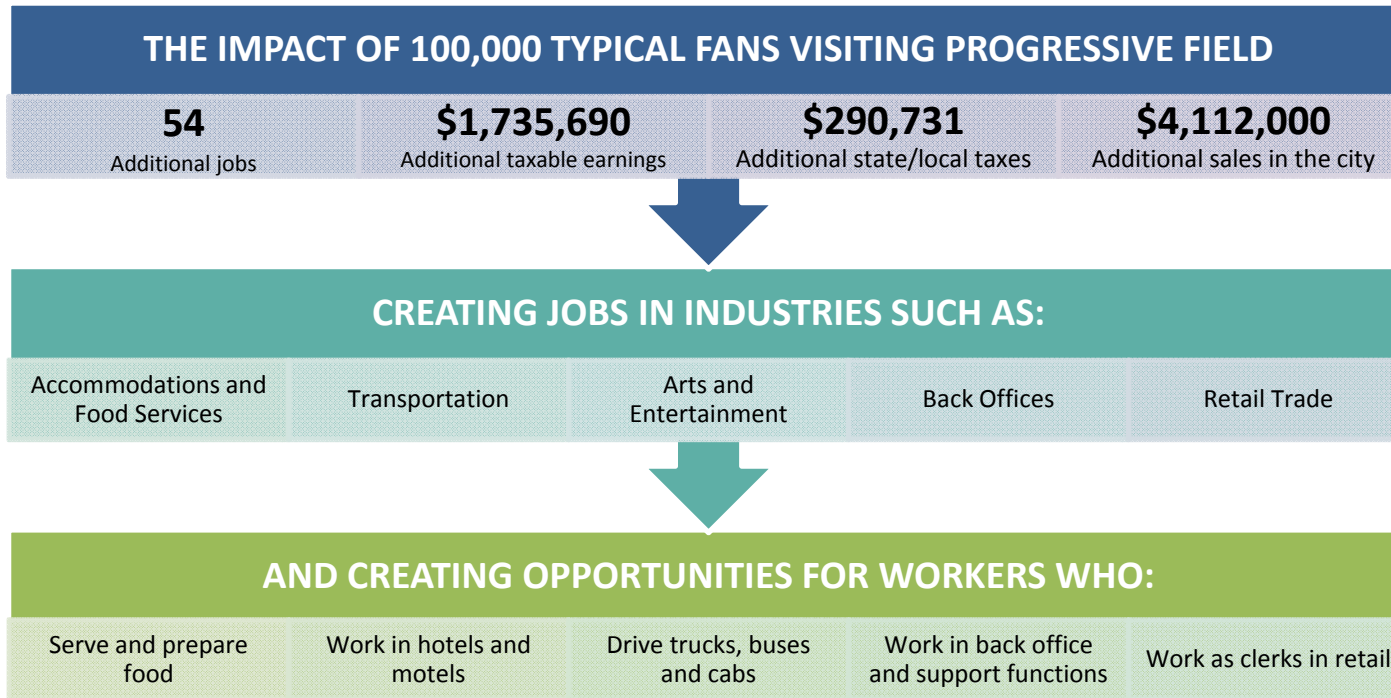
Economic Impact from Progressive Field

- **Results:**

- For the City of Cleveland, an **average** season produces the following results:
 - Average, annualized employment of approximately 2,500
 - \$92 million in earnings
 - Sales (or output) of \$221 million
 - State and Local taxes of nearly \$15 million
- For the City of Cleveland, **total** impact for the period 1994-2012:
 - \$1.75 billion in earnings
 - \$4.2 billion in sales/output
 - \$279 million in State and Local taxes
- Post Season **is not** included in above numbers, but those results are dramatic as well. (34 post season games have been played in Cleveland from 1995-2012 translating into roughly \$61 million in sales, \$5.6 million in taxes and \$26 million in new earnings for the City.)



Economic Activity from Progressive Field



The impacts above assume that 83% of the visiting fans are from outside of the City of Cleveland and 51% of visiting fans are from outside Cuyahoga County.



Other Impacts

- **Community:** \$40,000,000 contributed by the Indians to the community including:
 - Cleveland Public School support of 17 high school baseball and softball programs
 - Cleveland Indians Charities and Cleveland Baseball Federation impact of youth recreation opportunities such as Rookie League and RBI programs.
 - Boys & Girls Clubs of Cleveland – Donated \$1 million to their capital campaign and support their programs annually.
 - Volunteer food and beverage groups raising \$15 million for their causes from 1994-2013.
 - In 2013, 100% of our front office members each volunteered 4 hours of their time to charitable work.
- **City of Cleveland Taxes (1994-2013)**
 - \$77 million for admission taxes **directly** paid to City of Cleveland.
 - \$26 million generated from income taxes from our own employees and visiting teams.
- **Diversity/Inclusion**
 - Procurement and diverse business partner programs through MLB.
 - Workforce initiatives that promote and encourage diversity.
- **Jobs** – Cleveland Indians employ over 1,600 full and part-time employees during the height of a season (61% from Districts 1-11).



Our Investment at Progressive Field

- Since 1994, we have invested \$63 million towards ballpark repairs, maintenance and capital improvements, broken out as follows:
 - Indians expenses incurred to maintain and repair ballpark: \$24M
(These expenses will continue to be incurred by the Indians to preserve Progressive Field.)
 - Indians capital improvements for ballpark renovations \$23M
(Includes suite renovations, Collection Auto Club, Heritage Park)
 - Capital repairs and maintenance expenses paid to Gateway \$16M
 - TOTAL \$63M
- The obligations above will continue to be incurred in order to preserve Progressive Field.



Team/Gateway Partnership

- Under the terms of the lease agreed to in 2004, Gateway is responsible for major capital repairs in excess of \$500,000 (\$525,000 currently with CPI factor.)
- As Progressive Field continues to age, the Indians and Gateway, over last several years, have attempted to objectively assess future major capital repair needs.
- There will be a process that will be adhered to in authorizing team requests for major capital repairs.

Projected Preliminary Estimated Major Capital Repair List & Range of Costs

10-Year Major Capital Repair, Replace, & Restore (2014-2023) projected preliminary estimated range of costs: \$60,000,000-\$70,000,000

- Replace Air Handling Units
- Replace Fan Coil Units
- Replace Concession & Toilet Exhaust Fans
- Replace Sanitary & Storm water Pumps
- Replace Plumbing Fixtures
- Replace Domestic Water Pumps
- Replace Fire Pumps
- Replace Domestic Water Heaters
- Replace Chilled Water Plant
- Replace Building Automation System
- Replace Emergency Power System
- Replace obsolete and inefficient electrical lighting systems
- Replace obsolete sound system
- Resurface concourse, ramp, & stair concrete
- Repair/replace metal sub-roof systems on Main, Mezzanine, and Upper concourses
- Replace obsolete scoreboard system including displays and control equipment
- Replace food & beverage concessions areas
- Replace seating standards, seats, and backs
- Resurface seating bowl concrete
- Replace vertical transportation system elevators & escalators

Conclusion

Established in 1901, the Indians organization has been a long-time contributor to the economy and community of NE Ohio. The Indians endorse the proposed extension of the Sin Tax based on the following:

- **Progressive Field has Created Significant Economic Impact for the City and County**
 - 48 million fans
 - Nearly 1700 events
- **Significant Investment by Indians Organization to Date**
 - \$63 million capital repairs and maintenance paid to Gateway
- **Aging Ballpark in Need of Infrastructure Repairs and Replacement**
 - Repair and upgrade for the future.
- **Team Partnership with Gateway**
 - Work closely, day to day with Gateway as we work through all of our projected improvements.