



MEMORANDUM

Willie G. Frabky

TO: Timothy J. Baroody, City Manager
FROM: Bill Freehling, Director, Economic Development and Tourism
RE: Multi-Purpose Stadium Letter of Intent
DATE: July 3, 2018 (For July 10 City Council meeting)

ISSUE

Should City Council approve a Letter of Intent (LOI) with Potomac Baseball, LLC, for the development of a multi-purpose outdoor recreational facility in Celebrate Virginia South?

RECOMMENDATION

Yes, City Council should approve the LOI.

BACKGROUND

For about a year, the City of Fredericksburg has been in talks with the owners of the Potomac Nationals about relocating the Club to Fredericksburg. The Club, which is the Class A-Advanced Minor League Baseball franchise of the Washington Nationals in the Carolina League, currently plays in a stadium in Prince William County that no longer meets the minimum requirements of Minor League Baseball. The Silber family for almost 30 years has owned the Club, whose business name is Potomac Baseball, LLC.

The Club is interested in exploring privately designing, financing, and constructing a state-of-the-art, multi-purpose, 5,000-seat Minor League Baseball stadium in the City to serve as its new home. The proposed location for the stadium is a site in Celebrate Virginia South, which was designed to handle the type of traffic flow anticipated at the stadium. After many months of conversations and negotiations, the City of Fredericksburg and Potomac Baseball, LLC, have settled on a proposed LOI that follows this memo. City Council at its July 10 meeting will be asked to approve the LOI, which would then kick off a 120-day study period that could culminate in definitive agreements between the two sides.

The multi-purpose stadium, which is expected to cost about \$35 million to build, would be privately financed, maintained and operated, but the City of Fredericksburg would be required to pay \$1.05 million annually to the Club for 30 years (which is the minimum amount of time that the Club must remain in Fredericksburg). The payment would help facilitate private financing for the stadium, though the family would still be responsible for the remaining debt service (about 60 percent) as well as all operational costs. The City believes that it can generate sufficient revenue at the stadium to fully offset the required payment, as further detailed below. The payment would be subject to appropriation, but should a future Council fail to appropriate the money, the City would be required to make a termination payment to the Club equal to the present value of the tax receipts that the City would be expected to receive during the balance of the 30-year term.

The remainder of this memo will cover the following three questions for the City:

- Will the stadium generate sufficient revenue to cover the \$1.05 million?
- Why should the City pursue this project?
- What comes next if the LOI is approved?

1. Will the project cover the City's costs?

The construction and operation of the multi-purpose outdoor recreational venue would generate substantial new local tax revenues. The City expects that the stadium will pay for itself based on projections that have been done. This analysis does not take into consideration the various potential fiscal benefits associated with a stadium (additional development on Celebrate Virginia South's roughly 150 acres of remaining land, hotel tax revenue from stadium users, etc.), though it's reasonable to believe these benefits will also accrue to the City. Below is a breakdown of where the City believes the \$1.05 million will come from at the stadium:

A. Tax revenue: \$700,000 estimated

The City and its Economic Development Authority in 2013 hired well-known baseball consulting firm Brailsford & Dunlavey (B&D) to perform two studies of the prospects for a team (then the Hagerstown Suns, also a Class A affiliate of the Washington Nationals) relocating to Fredericksburg. The studies (which are available at FredericksburgBaseball.com) determined that Fredericksburg was a good market for Minor League Baseball. The analysis made the following estimates on annual revenue (note that sales tax revenue has been lowered to reflect only the 1 percentage point the City will collect from this tax, as there will be no "clawback" possible for a privately financed stadium):

Baseball Revenue:

Admissions Tax: \$192,000
Sales Tax (Adjusted): \$33,000
Meals Tax: \$166,000

Non-Baseball Revenue

Admissions Tax: \$32,000
Sales Tax (Adjusted): \$3,000
Meals Tax: \$14,000

BPOL Tax: \$28,000

Total: \$468,000

The B&D analysis was based on what was at the time a proposal for a publicly owned stadium that would have been exempt from real estate taxes. Conversely, a privately held stadium would be fully taxable. Assuming a \$35 million valuation and not even including personal property taxes, the stadium property would generate about **\$280,000 a year in incremental real estate tax revenue** at current

tax rates. It's worth noting that while tax rates and valuations may well rise over the 30-year period, and inflation may kick in, the City's payment would remain constant at \$1.05 million (See Section "D" below).

Factoring in the \$280,000, the total amount of annual tax revenue projected from the stadium is **\$748,000**. The City is rounding down to \$700,000 to create some margin of safety.

The B&D projections are based on actual per-game average attendance of 3,440. The Potomac Nationals have averaged paid attendance of 3,556 over the past five full seasons, according to the Carolina League website. While Prince William County is a larger market population-wise, the P-Nats play in a substandard stadium that has few of the amenities planned for the Fredericksburg project. At this new venue, the P-Nats are projecting paid attendance of 4,100 people (a number validated by B&D as a conservative estimate).

B. Use revenue: \$250,000 estimated

Under the LOI, the City would have access to the stadium up to 183 days of the year. The City could run an array of events at the stadium or contract with a third-party management company to do so. This could include the Celebrate VA After Hours concerts, high school and college games, youth and travel baseball, Parks & Recreation leagues, food and music festivals, various sports tournaments, birthday parties, car shows, races, a holiday lights show, ice skating, fireworks, Scout campouts, movie nights and more. The City would also have access to a suite at the stadium from which it could entertain and meet with economic development prospects and visiting groups.

Alternatively, a promising structure that would be investigated during the study period is a revenue-share model in which the Club and City would work together to bring activity to the ballpark on non-game days, with the City receiving a percentage of the profits. This model is in place at the Jeff Rouse Swim and Sport Center in Stafford County. With either model, the City believes the \$250,000 estimate is achievable, even without considering the effects of inflation (See Section "D" below). (It is worth noting that the Celebrate VA After Hours concert series by itself currently produces about \$100,000 in annual lease revenue).

C. Silver Companies commitment

The Silver Companies, which is the developer of Celebrate Virginia South and will lease the property for the stadium complex to the Club, has pledged \$100,000 a year toward the project. Details of this commitment will be formalized during the study period. It's possible that the \$100,000 (fixed) payment could go directly from Silver to the Club, which would reduce the City's commitment to \$950,000 a year.

D. Impact of inflation

Renaissance Planning Group ran an analysis of the effect inflation could have on the City's expected revenue and expenses. The analysis follows this memo and uses an assumed annual inflation rate of 1.5 percent on the use and tax revenue. Making that assumption, revenue would be expected to slightly outpace expenses (which would remain fixed for 30 years) by the second year of the agreement. By Year 30, using that growth rate, revenues would surpass expenses by more than \$500,000. Over a 30

year period, revenue of \$38.7 million and expenses of \$31.5 million would be expected. That results in a \$7.2 million surplus to the City from the stadium over 30 years.

The City would not be required to issue any debt for this project. The City's financial advisor has reviewed the deal structure.

2. Why should the City pursue this agreement?

In addition to the aforementioned tax revenue and use benefits, the stadium would provide seasonal (about 200) and full-time (about 20) employment opportunities for the people of Fredericksburg and the region. For many local youth, the stadium could provide a first job opportunity. The Club has committed to working with Fredericksburg City Schools and the University of Mary Washington to recruit its seasonal workforce.

The multi-purpose outdoor recreational venue would also generate additional intangible benefits to the community, including the sense of community that identification with a Minor League Baseball team generates, the promotion of the City through the team's activities, and the team's contributions to City residents through community-involvement activities. The Partnership Agreement that follows this memo lays out the marketing value that the City would get from this venue – which includes the team name, promotional displays and banner ads, and video ads at the ballpark.

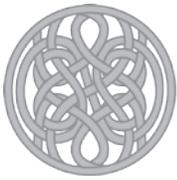
The private development of an outdoor multi-use Minor League Baseball stadium and additional ball fields is envisioned for the Celebrate Virginia South area of the City in its 2015 Comprehensive Plan (Land Use Planning Area 1: Celebrate Virginia/Central Park). The development of a multi-purpose outdoor recreational venue is a City Council Priority for the 2018 – 2020 time period. The Joint City and EDA Economic Strategic Plan -- in particular Goals 4, 7, and 8 -- support this development.

3. What are the next steps?

If City Council approves the LOI, a 120-day study period would ensue in which the Club would plan the stadium, receive all approvals from Minor League Baseball and the Carolina League, secure financing, obtain legislative approvals from City Council regarding land-use, and more. That time period would include a special-purpose City Council public meeting to hear input on the proposal, as well as drafting and negotiating a definitive agreement with the Club. The Club would then go through the permitting process, construct the stadium and open it for play – ideally in time for Opening Day in April 2020.

ATTACHMENTS

Renaissance Planning analysis
Resolution
Letter of Intent
Partnership Benefits



Fredericksburg Ballpark Net Present Value

Renaissance Planning prepared an assessment of the Net Present Value (NPV) to the city of the proposed elements of the Multi-Purpose Stadium Letter of Intent described in the memorandum from Bill Freehling to Timothy J. Baroody for the July 10, 2018 City Council Meeting. That memorandum describes the key elements of the proposal over the proposed 30-year term, summarized below as follows:

- Annual City tax revenue of \$700,000
- Annual City user fee revenue of \$250,000
- Annual contribution to the City from the Silver Companies of \$100,000
- Annual payment from the City to Potomac Baseball, LLC, of \$1,050,000

During the first year of the agreement, the three sources of revenue are equal to the one expense in the list above. For each subsequent year, the first two sources of revenue are subject to inflation whereas the third source of revenue and the annual payment are fixed, so the cash flow to the city will be positive.

Figure 1 below shows the annual revenues and expenses in current dollars presuming a discount rate of 5.0% and an annual inflation value of 1.5%. By the end of the contract term, the annual revenue of \$1,562,960 will be \$512,960 higher than the annual cost of \$1,050,000. Beyond the contract term when the City's payments are completed, additional revenues would still be expected to accrue to the City. The elements of Figure 1 are detailed in the accompanying table.

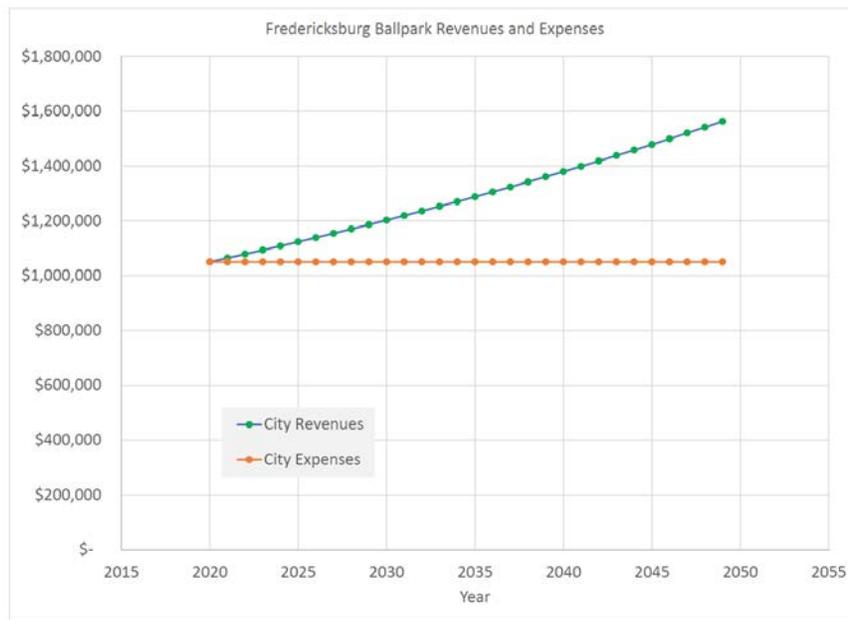


Figure 1. Annual City Revenues and Expenses

Fredericksburg Baseball
City Investment NPV Assessment
7/5/2018

Discount Rate 5.0%
Inflation Rate 1.5%

	City Revenues				TOTAL	City Expenses		Benefits - Expenses
	Taxes	User Fees	Silver Cos.	TOTAL		TOTAL		
NPV:	\$ 12,766,737	\$ 4,559,508	\$ 1,537,245	\$ 18,863,491		\$ 16,141,074		\$ 2,722,417

Year						NPV for each year		NPV for each year	
1	2020	\$ 700,000	\$ 250,000	\$ 100,000	\$ 1,050,000	\$ 1,000,000	\$ 1,050,000	\$ (1,000,000)	\$ -
2	2021	\$ 710,500	\$ 253,750	\$ 100,000	\$ 1,064,250	\$ 965,306	\$ 1,050,000	\$ (1,000,000)	\$ 14,250
3	2022	\$ 721,160	\$ 257,560	\$ 100,000	\$ 1,078,720	\$ 931,839	\$ 1,050,000	\$ (1,000,000)	\$ 28,720
4	2023	\$ 731,980	\$ 261,420	\$ 100,000	\$ 1,093,400	\$ 899,543	\$ 1,050,000	\$ (1,000,000)	\$ 43,400
5	2024	\$ 742,960	\$ 265,340	\$ 100,000	\$ 1,108,300	\$ 868,382	\$ 1,050,000	\$ (1,000,000)	\$ 58,300
6	2025	\$ 754,100	\$ 269,320	\$ 100,000	\$ 1,123,420	\$ 838,313	\$ 1,050,000	\$ (1,000,000)	\$ 73,420
7	2026	\$ 765,410	\$ 273,360	\$ 100,000	\$ 1,138,770	\$ 809,303	\$ 1,050,000	\$ (1,000,000)	\$ 88,770
8	2027	\$ 776,890	\$ 277,460	\$ 100,000	\$ 1,154,350	\$ 781,310	\$ 1,050,000	\$ (1,000,000)	\$ 104,350
9	2028	\$ 788,540	\$ 281,620	\$ 100,000	\$ 1,170,160	\$ 754,296	\$ 1,050,000	\$ (1,000,000)	\$ 120,160
10	2029	\$ 800,370	\$ 285,840	\$ 100,000	\$ 1,186,210	\$ 728,230	\$ 1,050,000	\$ (1,000,000)	\$ 136,210
11	2030	\$ 812,380	\$ 290,130	\$ 100,000	\$ 1,202,510	\$ 703,083	\$ 1,050,000	\$ (1,000,000)	\$ 152,510
12	2031	\$ 824,570	\$ 294,480	\$ 100,000	\$ 1,219,050	\$ 678,813	\$ 1,050,000	\$ (1,000,000)	\$ 169,050
13	2032	\$ 836,940	\$ 298,900	\$ 100,000	\$ 1,235,840	\$ 655,392	\$ 1,050,000	\$ (1,000,000)	\$ 185,840
14	2033	\$ 849,490	\$ 303,380	\$ 100,000	\$ 1,252,870	\$ 632,784	\$ 1,050,000	\$ (1,000,000)	\$ 202,870
15	2034	\$ 862,230	\$ 307,930	\$ 100,000	\$ 1,270,160	\$ 610,969	\$ 1,050,000	\$ (1,000,000)	\$ 220,160
16	2035	\$ 875,160	\$ 312,550	\$ 100,000	\$ 1,287,710	\$ 589,915	\$ 1,050,000	\$ (1,000,000)	\$ 237,710
17	2036	\$ 888,290	\$ 317,240	\$ 100,000	\$ 1,305,530	\$ 569,598	\$ 1,050,000	\$ (1,000,000)	\$ 255,530
18	2037	\$ 901,610	\$ 322,000	\$ 100,000	\$ 1,323,610	\$ 549,987	\$ 1,050,000	\$ (1,000,000)	\$ 273,610
19	2038	\$ 915,130	\$ 326,830	\$ 100,000	\$ 1,341,960	\$ 531,059	\$ 1,050,000	\$ (1,000,000)	\$ 291,960
20	2039	\$ 928,860	\$ 331,730	\$ 100,000	\$ 1,360,590	\$ 512,792	\$ 1,050,000	\$ (1,000,000)	\$ 310,590
21	2040	\$ 942,790	\$ 336,710	\$ 100,000	\$ 1,379,500	\$ 495,161	\$ 1,050,000	\$ (1,000,000)	\$ 329,500
22	2041	\$ 956,930	\$ 341,760	\$ 100,000	\$ 1,398,690	\$ 478,142	\$ 1,050,000	\$ (1,000,000)	\$ 348,690
23	2042	\$ 971,280	\$ 346,890	\$ 100,000	\$ 1,418,170	\$ 461,715	\$ 1,050,000	\$ (1,000,000)	\$ 368,170
24	2043	\$ 985,850	\$ 352,090	\$ 100,000	\$ 1,437,940	\$ 445,859	\$ 1,050,000	\$ (1,000,000)	\$ 387,940
25	2044	\$ 1,000,640	\$ 357,370	\$ 100,000	\$ 1,458,010	\$ 430,554	\$ 1,050,000	\$ (1,000,000)	\$ 408,010
26	2045	\$ 1,015,650	\$ 362,730	\$ 100,000	\$ 1,478,380	\$ 415,781	\$ 1,050,000	\$ (1,000,000)	\$ 428,380
27	2046	\$ 1,030,880	\$ 368,170	\$ 100,000	\$ 1,499,050	\$ 401,518	\$ 1,050,000	\$ (1,000,000)	\$ 449,050
28	2047	\$ 1,046,340	\$ 373,690	\$ 100,000	\$ 1,520,030	\$ 387,750	\$ 1,050,000	\$ (1,000,000)	\$ 470,030
29	2048	\$ 1,062,040	\$ 379,300	\$ 100,000	\$ 1,541,340	\$ 374,463	\$ 1,050,000	\$ (1,000,000)	\$ 491,340
30	2049	\$ 1,077,970	\$ 384,990	\$ 100,000	\$ 1,562,960	\$ 361,634	\$ 1,050,000	\$ (1,000,000)	\$ 512,960
TOTALS		\$ 26,276,940	\$ 9,384,540	\$ 3,000,000	\$ 38,661,480	\$ 18,863,491	\$ 31,500,000	\$ (30,000,000)	\$ 7,161,480

MOTION:

SECOND:



July 10, 2018
Regular Meeting
Resolution 18-__

RE: Approving a Letter of Intent with Potomac Baseball, LLC for the Development of a Multi-Purpose Outdoor Recreational Facility in Celebrate Virginia South

ACTION: APPROVED: Ayes: 0; Nays: 0

Potomac Baseball, LLC is the owner of a Class A-Advanced Minor League Baseball franchise in the Carolina League; the Carolina League is a member of The National Association of Baseball Leagues, Inc. The team is an affiliate of the Washington Nationals Major League Baseball Club. The team currently plays in a stadium in Prince William County, Virginia, which no longer meets the minimum requirements of Major League and Minor League Baseball.

The Club is interested in exploring privately designing, financing, and constructing a state-of-the-art multi-purpose Minor League Baseball stadium in the City to serve as the home of the team. The proposed location for the stadium is a site in Celebrate Virginia South.

The construction and operation of the multi-purpose outdoor recreational venue would generate substantial new local tax revenues and provide short-term and long-term employment opportunities for the people of Fredericksburg and the Greater Fredericksburg Region.

The multi-purpose outdoor recreational venue would also generate additional intangible benefits to the community, including the sense of community that identification with a Minor League Baseball team generates, the promotion of the City through the team's activities, and the team's contributions to City residents through community-involvement activities. In addition, the Club has proposed that the City may use the multi-purpose outdoor recreational venue throughout the year for Parks & Recreation and other public programming and events.

The private development of an outdoor multi-use Minor League Baseball stadium and additional ball fields is envisioned for the Celebrate Virginia South area of the City in its 2015 Comprehensive Plan (Land Use Planning Area 1: Celebrate Virginia/Central Park). The development of a multi-purpose outdoor recreational venue is a City Council Priority for the 2018 – 2020 time period. The Joint City

and EDA Economic Strategic Plan, in particular Goals 4, 7, and 8 support this development.

The Club proposed the terms of a potential partnership with the City and the Fredericksburg EDA in a document entitled, “Proposed Partnership – Potomac Baseball, LLC and Fredericksburg Economic Development Authority,” dated June 8, 2018. This proposal states the Club’s offer to develop, finance and build a privately-owned multi-purpose outdoor recreational venue in the City, together with the commitment to locate in the City a Minor League baseball team owned by the Club, from which City will derive a variety of tangible, financial and intangible benefits. The City Benefits are organized into the following categories: Multi-purpose outdoor recreational venue, Team, Community, Marketing, and Multi-purpose outdoor recreational venue Use and are further described in the Development Proposal.

The Club and City have reached a preliminary or conceptual agreement for the development of the multi-purpose stadium and the relocation of the team to Fredericksburg. The letter of intent establishes the steps each party must take in order to reach a final agreement. The letter of intent is an indication of seriousness of purpose on both sides, but it does not guarantee that the parties will reach a final agreement.

Therefore, the City Council hereby resolves that:

- The City Manager is authorized to execute, deliver, and carry out the letter of intent with Potomac Baseball, LLC substantially the form in which submitted for approval;
- The City Manager will schedule a special-purpose City Council public meeting for the purpose of hearing input from the public on the proposal.

Votes:

Ayes:

Nays:

Absent from Vote:

Absent from Meeting:

Clerk's Certificate

I certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Resolution No. 18-__, adopted at a meeting of the City Council held Date, 2018, at which a quorum was present and voted.

Tonya B. Lacey, CMC
Clerk of Council

Letter of Intent

Between

**City of Fredericksburg
and Potomac Baseball, LLC**

This is a letter of intent between the City of Fredericksburg, a Virginia municipal corporation (City); and Potomac Baseball, LLC, a Virginia limited liability company (Club).

Recitals

Club is the owner of a Class A-Advanced Minor League Baseball franchise in the Carolina League; the Carolina League is a member of The National Association of Baseball Leagues, Inc. (also known as “Minor League Baseball” or “MiLB”). The Team is an affiliate of the Washington Nationals Major League Baseball Club. The Team currently plays in a stadium in Prince William County, Virginia, which no longer meets the minimum requirements of Major League and Minor League Baseball.

The Club is interested in exploring privately designing, financing, and constructing a state-of-the-art multi-purpose Minor League Baseball stadium in the City to serve as the home of the Team. The proposed location for the stadium is a site in Celebrate Virginia South (the Site).

The construction and operation of the multi-purpose outdoor recreational venue on the Site would generate substantial new local tax revenues and provide short-term and long-term employment opportunities for the people of Fredericksburg and the Greater Fredericksburg Region.

The multi-purpose outdoor recreational venue would also generate additional intangible benefits to the community, including the sense of community that identification with a Minor League Baseball team generates, the promotion of the City through the Team’s activities, and the Team’s contributions to City residents through community-involvement activities. In addition, the Club has proposed that the City may use the multi-purpose outdoor recreational venue throughout the year for Parks & Recreation and other public programming and events.

The private development of an outdoor multi-use Minor League Baseball stadium and additional ball fields is envisioned for the Celebrate Virginia South area of the City in its 2015 Comprehensive Plan (Land Use Planning Area 1: Celebrate Virginia/Central Park). The development of a multi-purpose outdoor recreational venue is a City Council Priority for the 2018 – 2020 time

period. The Joint City and EDA Economic Strategic Plan, in particular Goals 4, 7, and 8 support this development.

The City is authorized by Code of Virginia §15.2-1806 to establish parks, recreation facilities and playgrounds, and to set apart for such uses any land or buildings owned or leased by it; and to acquire land, buildings and other facilities for these purposes.

The Club proposed the terms of a potential partnership with the City in a document entitled, “Proposed Partnership – Potomac Baseball, LLC and City of Fredericksburg,” dated June 28, 2018 (the “Development Proposal”). This proposal states the Club’s offer to develop, finance and build a privately-owned multi-purpose outdoor recreational venue in the City, together with the commitment to locate in the City a Minor League baseball team owned by the Club, from which City will derive a variety of tangible, financial and intangible benefits (collectively, “City Benefits”). The City Benefits are organized into the following categories: Multi-purpose outdoor recreational venue, Team, Community, Marketing, and Multi-purpose outdoor recreational venue Use and are further described in the Development Proposal.

By letter dated April 26, 2018, the Silver Companies have committed annual support for the Multi-purpose outdoor recreational venue in the form of a \$100,000 cash contribution and the relocation of the Celebrate Virginia After Hours concert series, with its associated lease revenue, to the multi-purpose outdoor recreational venue (the “Silver Contribution”). City acknowledges and agrees that Club is not a party to the Silver Contribution, will not be reimbursing Silver Companies or any other entity for any portion thereof, and that the receipt or non-receipt of any proceeds shall not alter or effect the payment by City and/or EDA to Club of the funds described in section 3.7 below during the term of the Development Agreement.

The Club and City propose to prepare, negotiate and enter into a Development Agreement under which the Club would acquire the Site by lease or purchase, and design, build and operate the multi-purpose outdoor recreational venue. The Club would be contractually committed to its undertakings, obligations and commitments that are set forth in the Development Agreement, such that the City will derive some or all of the City Benefits during the term thereof.

Agreement.

The parties therefore agree as follows:

1. Definitions.

- 1.1. C-PACE: financing available for clean energy improvements to existing properties and new construction, authorized by Code of Virginia §15.2-958.3.
- 1.2. City Funding Commitment: the annual payment by the EDA to the Club, as described in sections 2 and 3, especially section 3.7.
- 1.3. Definitive Agreements: This term refers collectively to the Development Agreement between the EDA and the Club, and any other agreements that are deemed necessary to accomplish the proposed transaction outcomes described in section 2.
- 1.4. Development Proposal: the document entitled, “Proposed Partnership – Potomac Nationals and City of Fredericksburg,” dated June 28, 2018.
- 1.5. EDA: the Economic Development Authority of Fredericksburg, Virginia.
- 1.6. League: the National Association of Baseball Leagues, Inc. (also known as “Minor League Baseball” or “MiLB”).
- 1.7. Legislative approvals: the adoption of ordinances, resolutions, and motions by the Fredericksburg City Council, approving or adopting any Comprehensive Plan amendments, zoning (special use permit) approvals, right of way vacations, Tourism Gap Financing plans, C-PACE ordinances, Definitive Agreements, and any other legislative matters that are required to authorize the construction of the Multi-purpose outdoor recreational venue under state or local laws.
- 1.8. Multi-purpose outdoor recreational venue : a state-of-the-art multi-purpose Minor League Baseball stadium, with a seating capacity of approximately 5,000, and associated surface parking, which is designed to be suitable for multiple uses, including outdoor concerts; other sporting events (such as high school and college baseball tournaments); festivals; community events (such as community walks and runs and Memorial Day or Veterans Day celebrations or commemorations); and family-friendly events, in addition to Minor League Baseball. The Multi-purpose outdoor recreational venue is located at the Site.
- 1.9. Silver Companies’ Commitment: the commitment of support for the Multi-purpose outdoor recreational venue by the Silver Companies, as outlined in their letter of April 26, 2018 to Timothy J. Baroody, City Manager.

- 1.10. Site: the proposed location of the Multi-purpose outdoor recreational venue. Unless otherwise agreed by the Club and City, the Site shall be located within the Celebrate Virginia/Central Park Tourism Zone.
- 1.11. Tax Receipts: the tangible personal property, admissions, meals, business license and incremental real property taxes; and the non-designated local portion of the sales tax, excluding penalties and interest) levied and collected by or on behalf of the City within the Multi-purpose outdoor recreational venue during the Term. The baseline for calculating incremental real estate taxes is proposed to be the assessment of the Site effective July 1, 2018.
- 1.12. Team: a Minor League baseball team owned by the Club, presently known as the Potomac Nationals or P-Nats, the Class A (Advanced) affiliate of the Washington Nationals Major League Baseball Club.
- 1.13. Term: the 30-year period commencing on the first day of the month during which the Multi-purpose outdoor recreational venue is substantially complete, has received all necessary use and occupancy permits to open to the public for Minor League Baseball games by the Team, and has in fact opened to the public for this purpose.
- 1.14. Termination Payment: a payment equal to the present value of the Tax Receipts that the City is expected to receive during the remaining balance of the Term. The Termination Payment is calculated based on the average of annual Tax Receipts received by the City during the prior three fiscal years, discounted at an annual rate of 4%. The aggregate amount of the Termination Payment shall not exceed the aggregate sum of the remaining City Funding Commitments discounted at an annual rate of 4%.
- 1.15. Tourism Development Financing Program: an economic development program of the Commonwealth of Virginia, established under Code of Virginia §58-3851.1, under which a tourism project which has been certified by the State Comptroller qualifies for a state grant in an amount equal to the revenues generated by a one percent state sales and use tax on transactions taking place on the premises of the authorized tourism project. The state revenues are matched by the owner of the project and by local funding equal to the revenues generated by at least a one percent local sales and use tax. This is also known as Tourism Gap Financing. It is understood and agreed by Club that unless otherwise agreed by City in writing, the utilization of this program shall not result in City incurring additional costs or obligations or in receiving less revenue.

2. Proposed transaction outcomes. The proposed outcomes of this letter of intent (the “Proposed Transactions”) are:

- 2.1. The development of the Multi-purpose outdoor recreational venue, which will serve as the home of the Minor League baseball team owned by the Club, (which is presently known as the “Potomac Nationals” or “P-Nats”), the Class A (Advanced) affiliate of the Washington Nationals Major League Baseball Club. The Multi-purpose outdoor recreational venue will be owned, designed, financed, constructed, operated, and maintained by the Club at its sole cost and expense.
- 2.2. The Development Agreement will reference, specify or further describe the City Benefits in the areas of Multi-purpose outdoor recreational venue, Team, Community, Marketing, and Multi-purpose outdoor recreational venue Use.
- 2.3. The Club and the City will explore the feasibility and availability of other incentives for the Multi-purpose outdoor recreational venue, including C-PACE financing, Tourism Development Financing Program, and other potential sources of grant funding or Multi-purpose outdoor recreational venue financing. Unless otherwise agreed by City in writing, the utilization of the Tourism Development Financing Program shall not result in the City incurring additional costs or obligations or in receiving less revenue.
- 2.4. A commitment by the City to provide the City Funding Commitment in the amount of \$1.05M per year for 30 years, subject to appropriation by City Council.

3. Definitive Agreements. Upon execution of this letter of intent, the parties will enter into negotiations to attempt to produce one or more mutually acceptable binding agreements to effectuate the Proposed Transactions. The Development Agreement is the primary Definitive Agreement. It is proposed to reference, describe or specify the City Benefits, details of the City Funding Commitment and the mutual undertakings of the Parties as follows.

- 3.1. The Club will be responsible for site acquisition, design, financing, construction, operation, and maintenance of the Multi-purpose outdoor recreational venue on the Site at its sole expense. It is the intention of the parties that the Multi-purpose outdoor recreational venue be completed prior to the 2020 Carolina League Minor League Baseball season, beginning in April, 2020. The total investment by the Club in the various capital costs of the Multi-purpose outdoor recreational venue is anticipated to be approximately \$35 million.
- 3.2. The Team name shall begin with “Fredericksburg,” or such other name as the parties shall mutually agree upon. The Club shall not permit the relocation of the Team, nor permit the

Team's home games under the Club's control to be played in any location other than the Multi-purpose outdoor recreational venue, for at least 30 years following its opening. The Team may temporarily relocate games of the Team in the event the Multi-purpose outdoor recreational venue is damaged or unusable. The Club shall take all necessary and appropriate action to maintain the franchise of the Team with the League in good standing.

- 3.3. The Club shall undertake the activities listed in the Development Proposal under the "Community" category.
- 3.4. The Club shall provide the City the services, products, and opportunities listed in the Development Proposal under the "Marketing" category.
- 3.5. The Club will grant City the right to exclusive use of the Multi-purpose outdoor recreational venue and appurtenant facilities for 183 days each calendar year, and use on additional days if it does not interfere with Team activities. The City will have use of the Multi-purpose outdoor recreational venue for community activities, concerts, high school, college and amateur athletics, major events, tours, meetings with economic development prospects, and other uses, consistent with the sound operation of a professional Minor League venue. The Development Agreement will include a booking policy providing for fair allocation of dates between the City and Club. More details of the use-related City Benefits are included in the Development Proposal under the Multi-purpose outdoor recreational venue Use category.
- 3.6. In the alternative, the Club and the City may agree to cooperatively hire a single suitable and experienced firm or individual (which may be the Club or an employee of the Club) to promote and manage the use of the Multi-purpose outdoor recreational venue on days when it is not in use by the Team. Under this alternative, the Development Agreement would include an agreed division between the Club and the City of revenues realized through these marketing and management efforts.
- 3.7. In recognition of the City Benefits derived by the City from the location of the Multi-purpose outdoor recreational venue and the Team in the City, the City Funding Commitment will be an annual amount of \$1.05M for 30 years, subject to annual appropriation by the City Council, due and payable by the City through the EDA to the Club.
 - 3.7.1. Any or all of such payments may be assigned by Club to Club's lender.
 - 3.7.2. The Definitive Agreements will include provisions including, without limitation, (a) a requirement that the City Manager include a request to appropriate the City Funding Commitment in each annual recommended budget, and (b) should the City Council fail

to make an annual appropriation, (i) Club shall have the right to terminate the Definitive Agreements following notice to City and a reasonable cure period, (ii) upon termination City shall assign the Silver Commitment to Club, and (iii) upon termination, the Club shall receive the Termination Payment.

3.8. The Development Agreement will establish reporting protocols for the Club of reasonable categories of information so as to enable the City to ascertain City Benefits, including as to the amount of capital investment by the Club within the City.

3.9. The Definitive Agreements will include provisions to protect the City in the event of material default by Club, including, without limitation, all remedies available to City in law or in equity, right to obtain injunctive and/or temporary restraining order relief, specific performance, refund, and certain rights to terminate the Definitive Agreements.

4. **Term of the letter of intent; exclusivity.** If the Definitive Agreements are not entered into by the parties within 120 days following execution of this letter of intent, then the letter of intent shall terminate, unless the term is extended by written agreement of the parties. The Club shall negotiate exclusively with the EDA and City, and the EDA and City shall negotiate exclusively with the Club for the duration of the term of this letter of intent, with respect to the construction of the Multi-purpose outdoor recreational venue and the relocation of the Team.

5. **Club responsibilities.** The Club shall proceed to:

5.1. Apply for and obtain, if feasible, satisfactory evidence (including title commitments) that the Club has secured the rights to control the Site for the duration of the Term, through purchase agreements, ground leases, leases, the assignment of leases, right of way vacation, or otherwise, to effectuate the Proposed Transactions.

5.2. Apply for and obtain all approvals required by the Carolina League, Minor League Baseball, and Major League Baseball necessary to effectuate the Proposed Transactions.

5.3. Select suitable and experienced design and/or construction professionals (the "Design Team") to provide a preliminary design for the Multi-purpose outdoor recreational venue. The Club will keep the City informed as to the identity of the members of the Design Team.

5.4. Cause the Design Team to prepare preliminary plans and specifications for the Multi-purpose outdoor recreational venue for review by the parties. The Club agrees to use commercially reasonable efforts to cooperate with the City to maximize the use of the Multi-purpose

outdoor recreational venue to accomplish the City's public purposes in entering into this letter of intent and the Definitive Agreements.

- 5.5. Prepare a preliminary budget and schedule for the construction of the Multi-purpose outdoor recreational venue and provide it to the EDA and City for review.
- 5.6. Seek to obtain a binding loan commitment letter from an institutional lender in an amount and on terms satisfactory to the Club and the City;
- 5.7. Seek to obtain a Phase I environmental assessment and such other testing and reports as may be reasonably required by the City during the permit review process to assess the physical and financial feasibility of the Multi-purpose outdoor recreational venue, or recommended in the Phase I report;
- 5.8. Seek to obtain evidence of the suitability of the Site for the Club's intended use, through satisfactory geotechnical and site studies;
- 5.9. Seek to obtain a survey and subdivision plat of the Site;
- 5.10. Seek to obtain evidence satisfactory to the Club and City that the Site is properly zoned for the Club's intended use and that any and all required variances or special use permits have been or can be obtained.

6. City and EDA responsibilities. The City shall proceed to:

- 6.1. Initiate a Comprehensive Plan amendment authorizing the establishment of a new public recreational facility at the Site, and any necessary amendments to the Capital Improvements Plan or FY2019 City budget.
- 6.2. Review any required zoning approvals or right of way vacation through the appropriate statutory procedure;
- 6.3. Consider any other Legislative Approval required for the development of the Definitive Agreements;
- 6.4. Promptly review and comment on the documents produced by the Club in the course of its due diligence responsibilities;
- 6.5. Work with the EDA to develop its role and obtain EDA approval as may be necessary for the Definitive Agreements.

- 6.6. Secure the Silver Companies' Commitment;
- 6.7. Explore the feasibility of C-Pace and Tourism Development Financing Program incentives;
- 6.8. Engage the public and solicit public comment through such meetings, hearings, presentations, surveys, and comment forums as it may determine to be reasonable and necessary to determine the level of public support for the City Funding Commitment.
- 6.9. To the greatest extent permitted by law, City shall expedite required Stadium construction permits.

7. Mutual responsibilities and representations.

- 7.1. The parties will cooperate and negotiate in good faith with each other to develop the Definitive Agreements on terms acceptable to all parties. The letter of intent does not bind the parties to signing the Definitive Agreements unless all factors, including public support, are satisfactory to each party.
- 7.2. Each party shall bear and pay all costs and expenses (such as fees and expenses of consultants, legal advisors, brokers and investment bankers) incurred by it in connection with this letter of intent regardless of whether the Definitive Agreements are executed or the Proposed Transactions are consummated.
- 7.3. Each party represents, as to itself, that this letter of intent (i) has been validly executed and delivered, (ii) has been duly authorized by all municipal, agency, corporate, company, partnership, or other action, as applicable, and (iii) constitutes a valid agreement of that party, enforceable in accordance with its terms.
- 7.4. This letter of intent constitutes the entire agreement of the parties relating to the transactions addressed by it, and supersedes all prior contracts, agreements or understandings with respect to those matters, whether oral or written.
- 7.5. No party shall directly or indirectly assign all or any part of this letter of intent, or any of its rights, interests, or obligations without first obtaining the prior written consent of every other party.
- 7.6. This letter of intent shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Virginia. The sole venue for any judicial proceeding arising out of this letter of intent shall be the Fredericksburg General District or Circuit Court.

7.7. The parties may execute this letter of intent in multiple counterparts, each of which is deemed an original and all of which constitute only one letter of intent.

8. Notices. All notices required to be given under this letter of intent shall be given in writing and shall be effective when actually delivered if hand delivered or when deposited with a nationally recognized overnight courier or deposited as certified or registered mail in the United States mail, first class, postage prepaid, addressed to the party to whom the notice is to be given at the address shown below. Any party may change its address for notices under this agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address.

City:

Timothy Barood, City Manager
City of Fredericksburg
715 Princess Anne Street
Fredericksburg, Virginia 22401

Club:

Lani Weiss, President
Potomac Baseball, LLC
7 County Complex Ct.
Woodbridge, VA 22192

[SIGNATURES APPEAR ON FOLLOWING PAGE]

Each party is signing this agreement on the date stated opposite that party's signature.

CITY OF FREDERICKSBURG

By: _____ date
Timothy J. Barody, City Manager
As authorized by City Council Resolution 18-___, [date]

POTOMAC BASEBALL, LLC

By: _____ date
Lani Silber Weiss, President

**Proposed Partnership – Potomac Nationals and Fredericksburg
Economic Development Authority June 8, 2018**

The following outlines Benefits proposed to City/EDA by Club in addition to Tax Revenues, and other indirect benefits as set forth in separate studies and reports. Club and City/EDA will work together each season to keep the programs fresh and relevant to the community.

BENEFIT	DESCRIPTION	ESTIMATED ANNUAL VALUE
<i>Multi-purpose Outdoor Recreational Venue (Stadium)</i>		
Stadium	Club to privately design, finance, construct, own, and maintain a state-of-the-art multi-purpose Minor League Baseball stadium, with a seating capacity of approximately 5,000, and associated surface parking, which is designed to be suitable for multiple uses, including outdoor concerts; other sporting events (such as high school and college baseball tournaments); festivals; community events (such as community walks and runs and Memorial Day or Veterans Day celebrations or commemorations); and family-friendly events, in addition to Minor League Baseball.	\$35 million private investment
<i>Stadium Use</i>		
City Use	The Club will grant City the right to exclusive use of the Multi-purpose outdoor recreational venue and appurtenant facilities for up to 183 days each calendar year, and use on additional days if it does not interfere with Team activities. The City will have use of the Multi-purpose outdoor recreational venue for community activities, concerts, high school, college and amateur athletics, major events, tours, meetings with economic development prospects, and other uses, consistent with the sound operation of a professional Minor League venue. The Development Agreement will include a booking policy providing for fair allocation of dates between the City and Club. 3.6. In the alternative, the Club and the City may agree that the Development Agreement may specify cooperatively hiring a single suitable and experienced firm or individual (which may be the Club or an employee of the Club) to promote and manage the use of the Multi-purpose outdoor recreational venue on days when it is not in use by the Team. Under this alternative, the Development Agreement would include an agreed division between the Club and the City of revenues realized through these marketing and management efforts.	\$250,000
Economic Development Stadium Use	Use of Stadium facilities for conferences, meetings, job fairs, encouraging business relocations, guest tours, and similar.	\$25,000

EDA Suite	Use of a Stadium Suite for all Team home games to entertain businesses considering relocating to Fredericksburg, and rewarding those who have relocated	\$40,000
Team		
Team Name	" FREDERICKSBURG " to be included in the name of the Minor League Team. Team will wear "Fredericksburg" jerseys when visiting other communities	\$250,000
Non-relocation	Team must remain in Fredericksburg for a minimum of 30 years	\$50,000
Community		
Fredericksburg Displays	Club will work with City, EDA, and community organizations to create promotional displays in the Stadium at all Team games	\$10,000
Non-Profit Organizations	Club will develop fundraising programs in conjunction with non-profit and charitable organizations to use the Stadium and Team for fundraising.	\$100,000
Fredericksburg Food Stands	Create opportunities to highlight local foods and craft beers at the Stadium through programs such as "Fredericksburg Eats" stand	\$25,000
EDA Business Leader of the Week	EDA will have the opportunity to select weekly key business leaders to be recognized at the Stadium before and during a game	\$5,000
City/EDA Game Presenting Sponsor	Celebration of Fredericksburg at the Stadium during one game each season. Special promotional activities, media, pre-game recognitions, special commemorative tickets	\$25,000
Regional Ball & Bat Tournaments	Team and City/EDA to collaborate to bring regional youth tournaments to the Stadium such as American Legion World Series, College Tournaments, Etc, to encourage tourism. Free and/or discounted game tickets made available to youth participants	\$20,000
Special Advance Tickets	Develop programs to allow Fredericksburg residents to have advance purchase opportunities for non-baseball events	n/c
School Initiatives	Team to use best efforts to create year-round programs with Fredericksburg Public Schools such as: Teacher Hall of Fame, "Friday Night Lights" HS baseball games (ticket proceeds to schools), Fundraising programs such as beneficiary of Hot Stove Banquet, jersey auctions, and similar, Reading Programs, Teacher Appreciation Nights, Special Day Game learning programs with free or discounted tickets	\$90,000
Marketing		
Team controlled media	Fredericksburg mentions in all media controlled by Team (radio, tv, press, social media). Team will also use best efforts to have Fredericksburg mentions on Washington Nationals radio and tv broadcasts	\$300,000
Outfield Billboard	Fredericksburg 8' x 16' outfield banner at no charge (City responsible for production cost of future replacements)	\$20,000

Program Ad	City/EDA to have a full page program ad each season	\$15,000
Website Banner	ROS rotational banner made available to Fredericksburg on Team website	\$10,000
Press Releases, Digital Media	Fredericksburg referenced as originating source on all releases and game wraps	\$35,000
Press Box Logo	Fredericksburg Logo on Pressbox - referenced every game broadcast	\$50,000
Custom Video Message	60 second spot made available to City/EDA on HD Video Board each game	\$10,000