

City Council – Action Request Form

Date: January 11, 2021

To: Mayor, Mayor Pro Tempore, and Members of the City Council

From: Ben Rowe, Assistant City Manager
Lisa Saunders, Chief Financial Officer

Council Action Requested:

1. Public Hearing
2. Resolution Authorizing the Execution of a Lease of City-Owned Property to WS Dash, LLC (f/k/a Sports Menagerie, LLC) and its Affiliates and an Amendment to the Companion Amended and Restated Incentives Agreement (Northwest Ward)

Strategic Focus Area: Economic Vitality and Diversity
Strategic Objective: Promote Travel and Tourism
Strategic Plan Action Item: No
Key Work Item: Yes



Summary of Information:

In 2014, a new ownership group of the Winston-Salem Dash minor league baseball team, led by the Chicago White Sox, approached the City about a potential restructuring of the lease agreements for Truist Stadium, as well as the incentives agreement for the Brookstown Development Project. In April 2014, the Mayor and City Council approved a restructuring of the stadium lease agreements with WS Dash, LLC that extended the term, simplified the financial structure, and stabilized the debt expense while ensuring the cost of the stadium continued to be paid from team revenues. As a result of these modifications, the City became the sole owner of the stadium. In addition, the incentives agreement provided for a payment in lieu of taxes, reduced the ticket surcharge, and required a letter of credit from the team to ensure payment of the lease payments.

During FY 2020, the Mayor and City Council approved a refinancing of the City’s outstanding debt on the stadium (\$20 million) that eliminated balloon payments and issued new Limited Obligation Bonds (LOBS) at fixed rates, replacing the previous variable rate debt. Going into 2020, the team was scheduled to make a lease payment of \$1,545,000 and a ticket surcharge of \$175,000 for a total payment of \$1,720,000.

Committee Action:

Committee	Finance 1/11/2021	Action	Approval
For	Unanimous	Against	

Remarks:

This past spring, the novel coronavirus pandemic forced Minor League Baseball (MiLB) to cancel the 2020 season. As a result, the Winston-Salem Dash was unable to make their lease payment, as well as the ticket surcharge. Beyond the impact of the pandemic, the future of MiLB is uncertain since the expiration of the Professional Baseball Agreement between Major League Baseball (MLB) and MiLB on September 30, 2020. According to media reports, MLB is looking to reduce the number of affiliated minor league teams from 160 to 120, known as “contraction.” The owner of the Winston-Salem Dash has approached City management requesting the City restructure the current lease agreement for Truist Stadium to bolster the team’s chances of being retained as one of the 120 remaining minor league teams. Recently, MiLB presented the team with a proposal to continue as one of the remaining teams.

In response to the Winston-Salem Dash owner’s request, City management has developed a restructured lease schedule that would create a new 25-year lease, reduce the lease payments, and consolidate, if possible, the two lease agreements into one agreement. In addition, City management has prepared amendments to the Amended and Restated Incentives Agreement to eliminate the ticket surcharge and change the due date of the payment in lieu of taxes to coincide with the due date of the new annual lease payment. These measures are recommended to ensure the viability of the Winston-Salem Dash as part of the MiLB system (please see charts below).

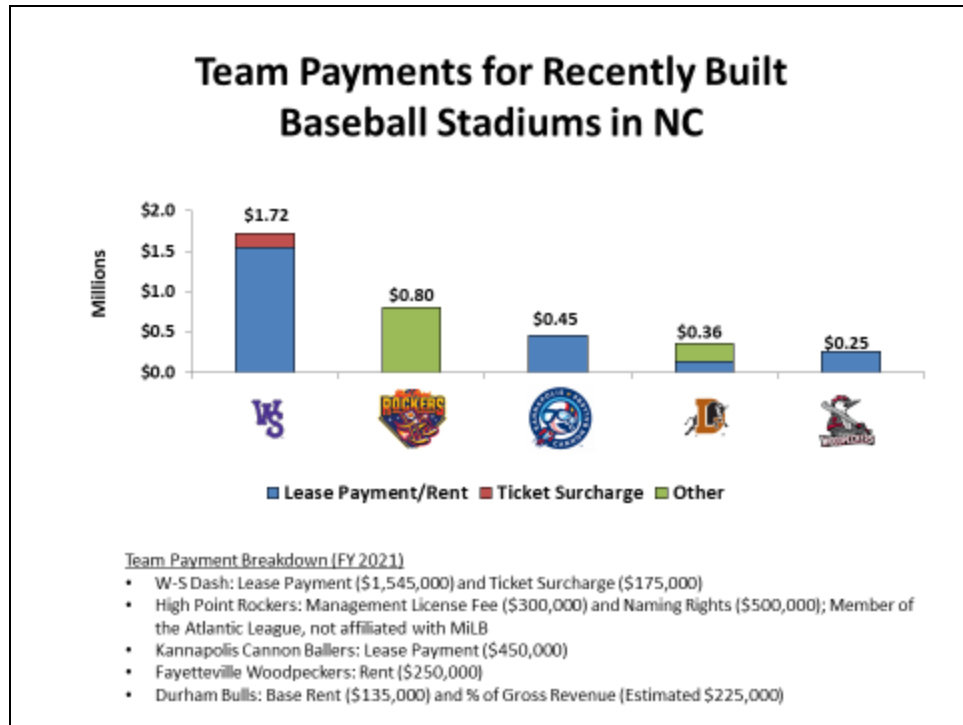
Highlights of the new lease agreement include:

- The new agreement would provide a 25-year lease starting in 2021 and ending in 2045.
- The new agreement would consolidate, if possible, the stadium land and improvements lease and the stadium lease into one lease agreement.
- New lease payments would start in FY 2021 at \$750,000 and increase 1.99% annually. Exhibit A provides the lease payment schedule that would be approved as part of the new lease agreement.
- The Amended and Restated Incentives Agreement approved in 2014 would be modified to eliminate the ticket surcharge of \$175,000. The payment in lieu of taxes (PILOT) established as part of the 2014 modification would continue.
- The new lease payment and PILOT would be due on June 1 each year.
- All other provisions, including responsibilities for stadium maintenance and improvements, would remain the same.

The new lease payment schedule would require a City contribution ranging from \$178,000 to \$633,000 annually until the debt is paid off in FY 2039. This contribution can be funded from the debt service fund. Under the current lease agreement, if the team owner defaults on the lease payments, the City would have to cover an annual debt payment between \$1.4 million and \$1.6 million, compared to the contributions that would be required under the new lease agreement. Covering the full debt payment would limit the City’s ability to issue new debt without a new revenue source.

Pursuant to General Statute 160A-457 and 160A-458.3, the attached resolution authorizes the City to enter into a new lease agreement with WS Dash, LLC that provides for a new 25-year lease, establishes a new lease payment schedule as described above, consolidates, if possible, the two leases into one lease, and maintains all other provisions of the current lease agreements. Pursuant to General Statute 158-7.1, the attached resolution also authorizes amendments to the Amended and Restated Incentives Agreement to eliminate the ticket surcharge of \$175,000 change the due date of the PILOT to coincide with the due date of the new annual lease payment.

The following chart compares the payments made by the Dash to the payments made by minor league teams in Durham, Fayetteville, High Point (not affiliated with MiLB), and Kannapolis.



The following chart compares how much of these teams' annual payments cover the debt service on the stadiums financed by the cities. The amounts are the scheduled payments for FY 2021.

