

Report of
Staff Evaluation

of

**Unsolicited Proposal
to
Clay County Development Authority
For
Planning, Design and Construction Phase Services
and Maintenance and Operation Services
of
Recreational Sports Park**

Submitted by: Big League Dreams Florida, LLC
(dated December 10, 2013)

Background, Relationship of Potential Project to Authority Mission; Purpose of Evaluation Report

The economic impacts of the development of a regional recreational sports park (“Sports Park”) in Clay County have been previously studied (Economic Impact Study prepared by Infinity Global Solutions/Hart Resources LLC, June 1, 2013; the “EIS”). The EIS concludes that there could be positive economic and social/civic benefits to the development of a Sports Park, similar to those operated by Big League Dreams USA and its affiliates.

The Authority has reviewed potential sites proposed by landowners and others for the location of a Sports Park, and has previously determined that a site within the lands owned by BFC Partnership, LLC (“BFC”), and located east of Brannan Field Chaffee Road and north of Old Jennings Road (“BFC Land”), is currently the most advantageous location for the Sports Park.

BFC has indicated its willingness to donate a 35-acre parcel within the BFC Land for the development of the Sports Park, which donation satisfies its park donation obligations under the development approvals for the BFC Land granted by Clay County.

The Board of County Commissioners has indicated its interest in the development of such a park, and asked the Authority to investigate the costs and benefits, and take other actions, in connection with the Sports Park.

The mission of the Authority, in accordance with its chartering Act, is the sound planning for and development of Clay County, by undertaking activities that will promote industry, commerce, agriculture, natural resources, and other development. Encouraging the development of the Sports Park will serve to further the Authority’s mission, if it can be undertaken in a fiscally responsible manner.

Big League Dreams Florida LLC, an affiliate of Big League Dreams USA, LLC, has submitted an unsolicited proposal (the “Proposal”) to the Authority for a public-private Sports Park, to be operated under the License between Big League Dreams USA and the Authority. After publication of notice and providing a period for the submission of alternative proposals, in accordance with Florida Statutes 287.05712, no other proposals were received.

The Authority directed staff to prepare an evaluation of the Proposal, and in order to do so, staff requested additional information from Big League Dreams, including sample contract forms and additional economic and other information from other sports parks operated by Big League Dreams. This Report contains the results of that evaluation.

Physical Plant and Operations of the Proposed Sports Park

- Facilities

Big League Dreams Clay County, LLC (“BLD Clay”), a to-be-formed affiliate of Big League Dreams USA, LLC (“BLD USA”), proposes to be the operator of the Sports Park, constructed and equipped by Clay County and owned by the Authority. The Sports Park would be comprised of: six adult and youth softball/baseball diamonds, with artificial turf infields and design elements reflective of certain Major League Baseball parks; one or more restaurants and concession stands; an indoor soccer pavilion adaptable for group events and functions; administration and maintenance facilities; a batting cage; a children's playground; parking and other amenities.

The Sports Park would be built as a turnkey facility, to include all furniture, fixtures and equipment necessary to operate the Sports Park and its elements, including trade fixtures, maintenance vehicles and equipment, cash registers, sports equipment, benches, uniforms, kitchen equipment, appliances, glassware, silverware, office equipment such as computers, printers, software, servers, networks and systems, copy machines, facsimile machines, and telephone systems, automated teller machines (ATMs), and signage.

BLD Clay and other affiliates of BLD USA propose to provide consulting services to the Authority in connection with the planning, design, constructing and equipping of the Sports Park. Summary information from the sample contracts is presented below.

- Market/Community Served

The Sports Park would serve baseball and softball league play and tournament play, including youth and adult leagues, for various fees such as gate admission, registration, field rental, and batting cage use. Soccer or other sports league play or tournament play would likewise be subject to fees. Fee-for-use play is expected to be the predominant use of the Sports Park; however, not all fee-for-use play is subject to all fees.

Free use for softball or other designed sports is generally accommodated during off-peak times for fee-for-play use, such as 10:00 am to 4:00 pm, weekdays. Additional free use time will occur where feasible for uses such as high school teams unless and until fee-for-play use demands force cutbacks in the additional free time.

Incidental uses of the Sports Park include both free and for-fee events, such as community celebrations (ex. Fourth of July) and corporate functions (company picnic or fundraiser events), respectively.

- Operator

BLD Clay is a to-be-formed Florida limited liability company, and will be an affiliate of BLD USA. BLD USA (and affiliates) has operated recreational sports facilities similar to the Sports Park since 1977, in California, Arizona, Texas and Nevada. BLD USA operates 11 facilities, all public-private partnerships, typically with city governments. BLD USA considers itself to be the premier operator of multi-sport recreational parks, continuously operating each park which it has opened, for a total of 81 cumulative years

of park operations. While BLD Clay has no operating history, BLD USA and its affiliates have paid out over \$23 Million in revenue-sharing payments to their host governments.

Economic and Civic Costs and Benefits

The following is generally based upon the work done in connection with the EIS.

- Cost to Complete
BLD USA believes that the recently-completed (January, 2012) six-diamond park in Perris, California, was constructed for approximately \$22 Million. It is not clear what infrastructure might have been included in that cost figure; however, Clay Electric and CCUA have committed to provide utility lines to the limits of the proposed location of the Sports Park on BFC Land, at no cost to the project other than hookup and capacity fees for the other utility users within the BFC Land. In addition, BLD USA believes that “prevailing wage” provisions and other aspects of construction in California are more expensive than would be the case in Clay County. Definitive cost estimates require significant, detailed work with substantially completed plans and specifications, and are typically only provided at a cost. Based upon the Perris estimate, a plausible range of costs to complete the Sports Park is \$18-22 Million, perhaps with some cost reductions by reducing amenities.
- Funding
Clay County would be the funding entity for the planning, design, construction and equipping of the Sports Park. A variety of sources have been discussed by County staff and in BCC board and committee meetings. The Authority has procured the license to operate the Sports Park as a Big League Dreams park. It is anticipated that the land for the Sports Park will be donated.
- Economic Benefits
In addition to the EIS commissioned by the Authority, EIS reports from League City, TX, Redding, CA, and West Covina, CA were provided by BLD Florida for review. Staff also reviewed letters of recommendation as well as development plans for ‘Manteca Family Entertainment Zone’. The Manteca Family Entertainment Zone is a proposed development to be built adjacent to the BLD facility on Manteca. The development is proposed to include a 500 room hotel, 85,000 sf indoor waterpark, 20,000 sf conference center and other amenities. The plan also includes adding to more ball fields in addition to 8-10 additional lighted grass sport fields.

All of the studies, letters of recommendation and planned development demonstrate planned and achieved economic growth. The EIS report for Clay County demonstrates that the population and per capita income of residents in Northeast Florida can support attendance at the proposed Sports Park, similar to successful attendance rates at other BLD facilities. Additionally, the population participating in baseball and softball in Clay County, as well as within the region, is more than sufficient to support both league play and tournament play at the Sports Park.

Construction of the proposed Sports Park and the development of property surrounding it would provide significant economic benefits to Clay County. First, the estimated total ad valorem tax revenue from mixed use development adjacent to the proposed Sports Park is approximately \$1.5 million annually in year one, \$3.5 million annually in year six, and \$7 million annually in year ten. The direct County share of ad valorem revenue is approximately 50%, with the remaining 50% benefitting Clay County Public Schools and other County services. Second, the estimated sales tax revenue from in-park spending is \$70,000 in year one, \$77,266 in year five, and \$87,420 in year ten, of which Clay County will receive approximately 25% in the form of local option discretionary taxes and state revenue sharing. Annual revenue sharing under the Operations and Maintenance Agreement with Big League Dreams is estimated to be from \$50,000 to \$100,000 over the ramp-up period for the Sports Park. The Sports Park will also generate sales tax revenue from out-of-park visitor spending. Finally, estimated tourist development tax revenue, assuming an increase in the local tax rate to 5% from the current rate of 3%, is approximately \$80,000 in year one (\$48,000 at current tax rate), expected to increase over time from increased park usage and room rate increases.

Finally, the proposed Sports Park and the development it induces will positively impact employment and personal income throughout Clay County. Over the next ten years, over 2,000 additional jobs are expected to be created by the Sports Park and its surrounding development.

Based upon the results of market analysis and the various components of positive economic impact, the proposed Sports Park is a worthwhile public infrastructure investment project that will provide both short-term and long-term economic social benefits to Clay County and its residents.

- Civic Benefits

Economic impact studies often overlook the intangible benefits of a new sports facility because they are extremely difficult to measure; however, these benefits are important to note. First, the proposed Sports Park will positively impact Clay County's quality of life by providing a state-of-the-art sports facility as a public park when the Sports Park is not hosting tournaments or league play. The proposed Sports Park will be a regional communal gathering place for all families to enjoy. As a regional attraction, the sports Park will provide a place for kids to play, will create many jobs not only within the park, but also at ensuing development, and will provide a civic venue for county-wide events. Second, as a nationally known sports destination, the proposed Sports Park will enhance Clay County's regional and national visibility. Finally, the proposed Sports Park offers communities often in the shadows of larger cities a sense of community pride separate and distinct from their perceived role as only support for the larger urban area.

Contractual Relationships

- BLD Clay

BLD Clay intends to enter into a **Consulting Services Agreement** under which it provide to the Authority the following services: master planning and conceptual design support; final design support; construction phase support. BLD Clay is not a licensed or credentialed architectural, engineering or construction firm; however, its affiliates have been engaged in the processes of planning, designing, and constructing eleven similar sports parks, and managing them. BLD Clay will provide a copy of the construction documents prepared for BLD USA from one of the recently completed Big League Dreams parks.

BLD Clay believes that it can provide valuable guidance to the Authority in each of these phases of project development, especially in the areas of minimizing maintenance costs and enhancing the esthetic and customer experience values of the Sports Park. BLD Clay will provide these services for a fee, paid over a 20-month period, of \$600,000, plus out-of-pocket expenses. BLD Clay will not enter into the maintenance and operations agreement unless the Authority also enters into the consulting services agreement. Termination of the consulting services agreement at any time within the first 90 days will require the Authority to pay the first 3 months of the monthly consulting fee amount (\$90,000). After that, the Authority may only terminate after paying another 7 months of consulting services fees (\$210,000), due to failure to enter into a construction contract. Once the construction contract is executed, the Authority is obligated to pay the balance of the consulting fees (\$300,000). In all cases, the Authority is obligated to pay BLD Clay's out-of-pocket expenses.

In no event will the Authority have recourse to any member, affiliate entity or person, or officer or agent or employee of BLD Clay with respect to the consulting services agreement.

BLD Clay intends to enter into a **Maintenance and Operating Agreement** with the Authority, under which it will operate and maintain the Sports Park for a term of forty years, at its expense, and collect all revenues from the operation of the park and park amenities. BLD Clay will pay for and maintain insurance (liability, property damage, etc.); set fees; hire, train and manage all staff; obtain and maintain all licenses and permits; and provide accounting and reporting. BLD Clay will pay over to the County and to the Authority a share (proposal is 5%) of gross revenues. An additional 1%-2% of gross revenues will be deposited into a capital reserve account, owned by and for the benefit of BLD Clay for the repair and replacement of capital items at the Sports Park. The County would receive the 5% revenue sharing on all revenues other than alcoholic beverage sales, and the Authority would receive the 5% revenue sharing on alcoholic beverage sales. No revenue sharing occurs until the beginning of the fourth year of operations at the Sports Park. Gross revenues include only a portion of the revenues received by certain affiliates of BLD USA as hotel commissions (50%) and commercial sponsorships (share varies depending on geographic scope of sponsorship).

Other terms and conditions include: BLD Clay will not enter into the maintenance and operating agreement unless the parties have entered into the consulting service agreement; BLD Clay has approval rights as to construction plans and specifications. BLD Clay has no operating history, may have no capital, and is the sole entity to which the Authority would have recourse for defaults under the contracts or any other claims with respect to the Sports Park. No performance bond (or similar instrument) will be provided for the benefit of the Authority.

BLD USA and the Authority have already entered into the **License Agreement**. Staff has identified certain terms in the license agreement which the Authority should negotiate in the form of an amendment, including expansion of the exclusivity provision, revision in termination rights of BLD USA, resolution of disagreements, and remedies for default, and making the license term match the term of the maintenance and operations agreement.

- BFC

If the Sports Park is to be constructed on the BFC Land, BFC and the Authority will enter into a land donation agreement. Typical “buyer” protections would be negotiated for the benefit of the Authority and the County under that agreement.

- BCC

Clay County and the Authority will enter into a development agreement, under which Clay County will fund the anticipated cost of the design, construction and equipping of the Sports Park. Such an agreement will not be entered until a number of conditions precedent are met, including (i) the execution of all of the other agreements necessary for the operation of the Sports Park, on terms acceptable to the County, (ii) the execution of construction documents, for not-to-exceed amounts and other terms acceptable to the County, and (iii) all due diligence in connection with the land on which the Sports Park is to be built has been completed and the results are acceptable to the County. All of such matters must also be acceptable to the other parties, of course, and it would be expected that each agreement will have a condition precedent to its effectiveness that all other agreements have been executed and delivery has been authorized.

Project Risks; Next Steps

Project Risks:

- Project risks are (i) those related to the condition of and access to the land, (ii) those related to the costs to construct and equip the Sports Park, (iii) those related to the direct economic performance of the Sports Park, and (iv) those that are related to the secondary development and economic impacts of the Sports Park. In addition, due to the fact that there are multiple stakeholders' interests to be addressed and managed in this project (BLD Florida/Clay, BCC, CCDA and BFC), the risk that any party could 'walk away' from future negotiations is a real concern. Because negotiations have not begun, the 'flexibility' of stakeholder requirements and concerns has not been assessed.
- Land Condition: Environmental and soils conditions can render a property either expensive or extraordinarily difficult to develop. This risk is mitigated by environmental, wetlands and soils surveys, all of which will need to be undertaken on whatever property is selected for the Sports Park. Although such surveys do not eliminate these risks, they do provide comfort concerning buildability and relative cost, and if issues are spotted, further inquiry can refine the scope of the risk. In addition, the proposed site is not presently served by a public accessway, and there has been no identification of a source of payment for the construction of an accessway.
- Costs to Construct and Equip: Professional estimators can review plans and specifications and produce estimates of costs to construct. While this does not eliminate the risk, it can mitigate the risk that substantial sums are spent before determining the financial viability of the project. Further, bidding construction plans provides a substantial degree of comfort in this area, and staff would urge that the effectiveness of any long-term contracts is subject to the Authority's satisfaction with the final construction/equipping cost, set out in a not-to-exceed construction contract. Even so, there are factors which can give the contractor the right to make a claim for increased costs, so this risk cannot be completely eliminated. Contingency funds built into construction contracts and financing will further mitigate this risk.
- Direct Revenue Performance: Actual paid attendance at the Sports Park, and the purchase of other goods and services which produce gross revenues and sales taxes on which there is revenue-sharing for the Authority and County, will vary from estimates and from the performance of other BLD USA parks. There is no assurance that the Sports Park will achieve even the gross revenues of the lower of those parks. BLD Clay advises that a five-field configuration generally produces several hundred thousand dollars less revenue each year than a six-field configuration.

Failure of the Sports Park to realize significant use would result in other, more problematic risks, including: induced development may not materialize at all or in a meaningful amount (see below); and the operator, BLD Clay, might not have sufficient revenues to continue operations. As noted above, there is no guaranteed financial support for this to-be-formed company. Once the Sports Park is built, it will

have to be maintained or it will begin to “waste.” BLD Clay estimates that maintenance costs for a typical government park with similar numbers of fields are in the hundreds of thousands per year, and one would expect that the Sports Park could cost more than that. This is not a cost that the Authority could bear, so this risk would have to be borne by some other party (County or BFC), until a new operator was found for the Sports Park.

However, it should be noted that Big League Dreams points out that in its 15 year operating history, it has (a) never missed making a revenue sharing payment to any public partner city or county; (b) never defaulted in any operational, maintenance or repair contractual obligation; and (c) never sued or been sued by or been involved in any arbitration or mediation proceedings with) any public partner city or county.

- Secondary Development: Estimates of the induced development from the development of the Sports Park are subject to wide variation. However, a benchmark might be to consider the requisite ad valorem tax increase necessary to cover debt service on bonds issued to pay the costs of the Sports Park, and translate that into induced development. If that level of induced development seems plausible, then in a fiscal sense, the Sports Park has carried its burden, or more. This analysis today suggests that if the Sports Park costs \$19 Million, annual debt service would be approximately \$1.3 Million, and assessed property values needed to cover the debt service from ad valorem revenues to the County would be approximately \$160 Million. In other words, if the Sports Park did not produce any direct revenue from revenue sharing or sales/hotel taxes, but did spur \$160 Million of development, (assessed value), the County would recover its investment over 30 years. This does not take into account any impacts from employment at the Sports Park or in connection with the induced development; adding these factors in would significantly reduce the threshold induced development amount needed.

Next Steps:

- **The Authority may determine to continue to pursue the Project, in which case additional due diligence funding will be needed.** The Authority may determine to fund such work from its own funds, or direct staff to work with Clay County, BLD and BFC to obtain funding support for the following tasks: preliminary site plan and drainage plan; cost estimates for construction and equipping of Sports Park, including accessways and infrastructure improvements; environmental and wetlands evaluation of the proposed site. In addition to these matters, staff would request a definitive marketing plan from BLD, and work with BLD to further refine the exclusivity and related provisions of the Licensing Agreement. Staff would also provide detailed comments on the operative agreements to BLD, and discuss those agreements with the County’s staff for their input. Staff would meet with the County’s staff to discuss total project funding amounts. Staff would then meet with BFC representatives to determine if the site can be developed within the County’s project funding limits. If due diligence funding is not available from other parties, staff will promptly report that to the Authority’s Board Chair.

- **The Authority may determine to discontinue pursuit of the Project, in which case formal notice should be given to the BCC, BLD Clay, and BFC.** The Authority would then either assign the license agreement to the County, if the County determined to continue to pursue the Project, or give notice of termination of the license agreement to recover \$400,000 from BLD USA.
- **The Authority may determine to continue pursuing the Project only on specified conditions, in which case formal notice of that decision should be given to all parties.** An extension of the termination date of the license agreement has been issued by BLD USA. Conditions may be the funding or undertaking by other parties of due diligence matters, threshold contract terms, license refund guarantees, exploration of assigning/selling the license, or other matters.
- **The Authority may determine to take no action today,** and request staff research and present other alternatives for consideration at a future meeting, but not later than the extended deadline for giving notice of termination under the License Agreement (June 29, 2014).