

MEMORANDUM

GAMMAGE & BURNHAM, P.L.C.

May 2, 2018

TO: Maricopa Stadium District Board of Directors
FROM: Gammage & Burnham PLC
RE: Chase Field Settlement Proposal

Since at least 2015 disputes between the Maricopa County Stadium District (“the District”) and the Arizona Diamondbacks (“the Team”) about Chase Field have been escalating. In early January of 2017, the Team filed a lawsuit, alleging that a minimum of \$187 million needed to be spent on repairs and upgrades to Chase Field (“the Stadium”). The Team’s complaint sought the right to shop for an alternative venue, and if they found one, to leave the Stadium before 2027.

Last October, Judge Karen Mullins asked Arizona Court of Appeals Judge Peter Swann to act as a mediator in the dispute between the Team and the District. Initially, the mediation was to deal with how to structure an arbitration process. With the consent of both parties, Judge Swann suggested an effort to mediate the larger issues in dispute.

Attached is a document representing a potential settlement. This Memorandum of Understanding (“MOU”) is a binding agreement, but contemplates that longer and more detailed documents will subsequently be executed.

Some background is essential to understanding the proposal.

The Existing Agreements

The existing relationship between the Team and the District is quite complex. It is contained in nearly 500 pages of documents, the two most important of which are the “Facility Use Agreement” and the “Facility Management Agreement.” The relationship is far from that of a traditional landlord and tenant. The complexity of this relationship has been the source of much of the friction between the Team and the District.

Under the documents, the Team is the “facility manager” and has primary responsibility for maintaining and improving the Stadium. The Team currently pays the District about \$4.2 million/year for use of the facility. Except for District administrative costs, all of this money goes back into maintaining and improving the Stadium, through accounts maintained by the District. The District has responsibility for booking non-baseball events, with any revenue earned also going into Stadium maintenance. Neither the District nor the County earns any income from the Stadium, nor are any additional public funds (from tax revenues or the county general fund) used for Stadium expenses.

Under the original deal to build the Stadium, the taxpayers of Maricopa County invested about \$238 million in the facility. There is no debt on the building. The Team has invested well over \$100 million. The parties contemplated a 30 year relationship, ending with the 2027 baseball season. The current documents provide that the Team is permitted to begin exploring alternative locations starting after the end of the 2023 season. That timing may not give the Team sufficient time to explore, evaluate and negotiate potential alternatives.

The District’s Negotiating Principles

The District has had several negotiating principles driving discussion of possible settlement.

- The relationship between the parties should be simplified.
- It would be preferable to give the Team complete control over the facility, to clarify responsibility and align the Team’s interests in maintenance.
- No additional public money from Maricopa County or the District is, or will be, invested in the Stadium.
- It is in the District’s strongest interest to keep the Team at the Stadium, or at least in Maricopa County.

The Proposal

The attached MOU outlines a new proposed arrangement:

1. The litigation will be dismissed. The District will pay nothing additional –no new public money–toward maintenance, repair or Stadium upgrades. Existing reserves will continue to be dedicated toward maintaining the Stadium. Team payments and booking revenues will also be used for Stadium expenses.
2. The existing documents will be replaced with a simpler relationship. The Team will have all responsibility for management, maintenance, booking and upgrading the Stadium. The new contract will run through the 2027 season, the same as the current arrangement.

3. Upon execution of the MOU, the Team may begin to explore alternatives to rebuild the Stadium or to relocate.
4. Team will continue to play at the Stadium for at least five more seasons unless there is a new facility ready for play elsewhere in Maricopa County, which is unlikely. There are penalties if they choose to leave Maricopa County before 2027.