



COUNCIL MINUTES

September 22, 2011

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on September 22, 2011 at 7:30 a.m.

COUNCIL PRESENT

Scott Smith
Alex Finter
Christopher Glover
Dina Higgins*
Dennis Kavanaugh
Scott Somers

COUNCIL ABSENT

Dave Richins

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

Mayor Smith excused Councilmember Richins from the entire meeting.

*Councilwoman Higgins participated in the entire meeting through the use of teleconferencing equipment.

1. Review items on the agenda for the September 26, 2011 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflicts of interest: None

Items removed from the consent agenda: None

Items deleted from the agenda: 6a (continued to October 3, 2011, Regular Council Meeting)

2-a. Hear a presentation, discuss, and provide direction on the renewal of property, excess liability, and aviation insurance coverage.

City Attorney Debbie Spinner introduced Risk Management Claims Analyst Barry Hengrenes who, along with the City's insurance broker, was present to answer any questions. She stated that staff was seeking direction relative to the upcoming renewal of excess liability, property and aviation insurance coverage. She explained that excess liability insurance covers personal injury claims made against the City of Mesa.

Ms. Spinner referred the Council to a chart that outlined insurance premium costs from previous years. **(See Attachment 1)** She advised that the City has maintained a self-insured retention (SIR) of \$3 million per occurrence and excess liability insurance coverage in the amount of \$38 million. Ms. Spinner stated that the City has never received a claim that exceeded \$38 million however, in the event a claim was received the City would be responsible for anything over that amount. **(See Attachment 2)**

Ms. Spinner stated that the insurance broker recommends that the City seek bids for a SIR of \$3 million with policy limits of \$35 million and \$45 million. She said that the bids would be brought back for the Council to determine which policy would be best for the City.

Ms. Spinner reported that the City insures an estimated \$900 million in assets and that the current insurance policy has a \$50,000 deductible with a limit of \$300 million per occurrence. She referred to a chart that illustrated the SIR, property insurance limits and premiums from past years. **(See Attachment 3)** Ms. Spinner advised that the City's broker recommends seeking bids with policy limits of \$300 million per occurrence as well as deductibles of \$50,000 and \$100,000. She stated that a cost benefit analysis would be conducted to assist the Council in determining which option would best suit the City.

Ms. Spinner advised that separate airport liability insurance for Falcon Field airport is necessary as the airport is specifically excluded from the City's excess liability coverage. She explained that the airport liability insurance has a zero deductible and policy limits of \$50 million per occurrence. She said the cost to be self-insured at the airport is negligible and provides no cost savings benefit. Ms. Spinner stated that the deductible for police aircraft is \$25,000 if the aircraft is "in motion" and \$1,000 if it is "not in motion." **(See Attachment 4)** She added that staff's recommendation is to maintain the current policy limits as they have worked well for the City in the past.

Ms. Spinner commented that quotes for the renewal of property, excess liability and aviation insurance coverage will be presented to the Council in November.

Councilmember Finter requested that the insurance broker, who will be negotiating bids on behalf of the City, provide the Council with brief background information relative to her work experience.

Joy Boswell, Insurance Broker for Wilson Insurance, addressed the Council and advised that she has been working with Wilson Insurance for over 20 years. She reported that Wilson Insurance has been associated with the City of Mesa for the last year and has brought new insight into the City's insurance program. She described how premiums are based on losses and said that currently the insurance marketplace is fairly stable.

In response to a question from Mayor Smith, Ms. Boswell explained that losses impact insurance rates and that the natural disasters that have occurred this past year will affect next year's premiums.

Mayor Smith commented that most people believe their insurance rates are determined by individual history and are unaware that a hurricane on the east coast will affect the insurance rates across the country.

Mayor Smith thanked staff for the presentation.

2-b. Hear a presentation and discuss the proposed agreements for the Chicago Cubs Spring Training Facility.

City Manager Chris Brady introduced Economic Development Project Manager Scot Rigby who displayed a PowerPoint presentation (**See Attachment 5**) highlighting the details of the agreements made with the Chicago Cubs in relation to the Spring Training Complex. He said it was anticipated that all agreements related to the development of the stadium would be available for public review within the next week and would be presented to the Council on October 3, 2011.

Mayor Smith commented that some agreements may need to wait until after October 3, 2011.

Mr. Rigby stated that the presentation would provide an overview of the Facilities Use Agreement (FUA) and the Option Agreement. He displayed an aerial view of the project site (See Page 2 of Attachment 5) which is currently the Riverview Golf Course, park and softball fields. He explained that the FUA will cover most of the existing golf course and the area just east of Riverview Drive. He also displayed a conceptual site plan (See Page 3 of Attachment 5) of the different components surrounding the City-owned constructed facility.

Mr. Rigby briefly highlighted the FUA (See Page 4 of Attachment 5) that will govern the day-to-day operations of the Spring Training facility including:

- Terms/duration of the lease
- Use and scheduling of the stadium, team facilities and City fields
- Operation and maintenance of facilities
- Revenues, fees, utilities
- Future capital improvements
- Signage and naming rights

Mr. Rigby explained that under the Lease and Grant of Rights the Cubs will have the exclusive right to occupy, use, manage and operate the stadium, the team facilities and the City-owned fields. He outlined some of the terms of the FUA (See Page 5 of Attachment 5) as follows:

- Use of stadium, team facilities and parking spaces during the term of the lease
- Use of City fields during Spring Training season (February 1 through April 30)
- Use of City fields at other times would be upon request of the Cubs for the purpose of player development and upon approval by the City
- Use of 2,500 public parking spaces west of Riverview Drive for Cubs home Spring Training games absent a City calendared event

Mr. Rigby explained that during the term of the agreement the Cubs will have exclusive control of scheduling and use of the stadium and team facilities subject only to the City's right to have up to 10 stadium events per year. He advised that the Cubs will have exclusive rights to collect and retain all revenues generated from ticket sales and concessions. In addition, he said that the Cubs will also have the right to collect and retain revenue for Cubs sponsored events on the City fields and the City will have the right to collect and retain revenue for any City sponsored events. Mr. Rigby stated that the Cubs will also have the right to collect all revenue generated from the 2,500 public parking spaces for stadium events within the Spring Training facility site.

He added that if additional parking is provided the City and the Cubs will share the net revenue. (See Page 6 of Attachment 5)

Mr. Rigby advised that the City will not allow another Major League Baseball (MLB) team to use the City fields. He also advised that the City will be responsible for maintenance and repair of the City fields.

In response to a question from Mayor Smith, Mr. Rigby explained that the operation and maintenance of the stadium and team facilities will be the responsibility of the Cubs.

Mayor Smith commented that the public has questioned why the Cubs would be allowed to keep the revenues. He said that the "trade-off" is that the Cubs will be responsible for the costs associated with maintaining and operating the stadium. He explained that since the City would not have the responsibility of maintaining operations year-round the City was willing to "give up" the revenue potential.

Mr. Rigby continued with the presentation and advised that the Cubs have exclusive rights to sell or grant naming rights for the stadium and team facilities subject to the approval of the City. He explained that the Cubs would not be allowed to use another city name on the facility and that the name on the facility must include "Mesa." He stated that there will likely be a licensing agreement that will allow the Cubs to utilize the head-gate or a large plaza area for events and activities such as a "fan-fest." He noted that if the Cubs do not wish to license the head-gate area then someone else would have the ability to license it from the City. (See Page 8 of Attachment 5)

Mr. Rigby reported that the FUA is for a term of 50 years and rent is based on the current Fair Market Value (FMV) of the stadium site. He said the parties have agreed that annual rent payments will be due on February 1st of each calendar year. He noted that the FMV was set at \$9.00 per square foot (psf) based on appraisals completed by both the Cubs and the City.

Mayor Smith commented that the \$9.00 psf was determined to be a fair market price based on the appraisals that were contracted by the Cubs and the City. He said originally it was anticipated that the Cubs would purchase the land however, since the land is City-owned it was determined that the City would be compensated by renting the land to the Cubs for \$9.00 psf.

Councilmember Finter clarified that the rent the City will receive from the Cubs will be \$9.00 psf.

Mr. Rigby stated that the purpose of the agreements is to have the Cubs use the facilities as their west coast headquarters. He briefly outlined some of the additional benefits provided for the City in the FUA (See Pages 10 and 11 of Attachment 5) as follows:

- City suite
- City signs
- Group area
- City stadium events
- Reserved stadium parking
- Public service announcements
- Stadium event programs
- Use of City's name and logo

Mr. Rigby explained that the Option Agreement relates to the commercial development around the stadium and has stipulations relating to the license, leasing, or sale of City-owned property. He advised that currently two areas have been identified and are open for development. He said the first area, known as the West Option property, consists of three acres located west of Riverview Drive. He stated that this area is limited to three acres due to the City's commitment to provide 2,500 parking spaces for the stadium. Mr. Rigby said that the second area, known as the East Option property, consists of three acres east of Riverview Drive and adjacent to the lake renovation. He noted that the East Option property will not be available until the Federal encumbrance is lifted. (See Page 12 of Attachment 5)

Responding to a question from Mayor Smith, Mr. Rigby explained that several years ago the City received some Federal grants to develop the park in the Riverview area. He said that the grants restrict the property to certain uses and in order to have commercial uses on the property the Federal encumbrance will need to be removed and placed on a public park elsewhere in the City. He noted that the City Manager's office is exploring locations in the City where that encumbrance could be moved to.

Mayor Smith commented that several sites have been identified and it is not anticipated that moving the Federal encumbrance will be a problem.

Mr. Rigby presented an illustration of the West Option and East Option properties (See Page 13 of Attachment 5) and said that the intention is for the properties to have an urban density that will connect the park to the stadium. He noted that it is anticipated there will be the potential for lakefront restaurants as well as other activities.

Mr. Rigby displayed a conceptual build-out illustration of the possible development of food and beverage amenities, hospitality facilities and restaurants along the lake boardwalks. He pointed out that the area just south of the stadium could be used for pop-up tents and could extend towards the park where restaurants could provide outdoor seating areas. (See Page 14 of Attachment 5)

Mr. Rigby presented an artist's rendition of the lake demonstrating how commercial development could be tied into the park. He stated that in the coming weeks the City will process a zoning application that will remove the old Waveyard stipulation and allow commercial development. He noted that the City will be encouraging urban densities and concentrated uses for the area. (See Page 15 of Attachment 5)

Mr. Rigby explained that the West Option term will commence on the effective date of the agreement and will expire 18 months after the opening of the stadium unless the term is extended. In addition, he advised that the East Option term will commence on the effective date of the agreement and will expire 18 months after Mesa Development Holdings, LLC (MDH) is notified that the Federal encumbrance has been lifted. (See Page 16 of Attachment 5)

Mr. Rigby stated that before exercising the option MDH must obtain a site plan approval for the entire area and prepare Covenants, Conditions and Restrictions (CC&Rs). He advised that the price for the West and East Options will be \$25,000 each and that if MDH purchases all of the property the \$50,000 will be credited against the price for the last parcel purchased. He further advised that the City will be selling the property "as-is" for \$9.00 psf with no obligation to the City to remediate any of the site conditions. (See Page 17 of Attachment 5)

Mr. Rigby advised that MDH has a requirement to complete 10,000 square feet of improvements. He explained that construction of a restaurant that is attached to or within the stadium and can be utilized on both on and off game days would satisfy the requirement. He said that the restaurant must be open for business upon the opening of the stadium and would be comparable to the existing Captain Morgan Restaurant at Wrigleyville in Chicago. Mr. Rigby stated that the restaurant shell could be built into the stadium and included in the \$84 million construction costs. He noted that if MDH fails to meet this initial construction requirement the Option Agreement will terminate unless MDH pays a penalty of \$250,000 to the City. He added that if MDH pays the penalty the option will remain in effect for an additional 18 months. He noted that the goal is to have some type of establishment in place when the stadium opens. (See Page 18 of Attachment 5)

Mr. Rigby explained that the second tier of construction requirements states that if MDH is successful with the initial requirements they could further develop the area. He said that MDH would have an additional 18 months to purchase and commence construction of an additional 10,000 sq. ft. of commercial improvements. Mr. Rigby stated that if MDH meets the obligations the option will continue to be extended for an additional 18 months however, if they should not meet the obligations both the East and West Options will terminate. (See Page 19 of Attachment 5)

Responding to a question from Vice Mayor Somers, Mr. Rigby explained that if MDH fails to perform and the options terminate other developers could be solicited.

Mayor Smith clarified that the City would have the option to buy back the property at the same purchase price that was offered to the Cubs. He said if the Cubs fail to keep the option active they will not have the benefit of the \$9.00 psf purchase price. He added that once the option terminates then the price will reset to the current FMV.

Mr. Brady explained that the \$9.00 psf is based on the FMV as the property sits without any development or infrastructure in place. He said that going forward the \$9.00 psf will continue to be the price available to the Cubs and would serve as an incentive for them to continue the development of the property. He stated that if the Cubs fail to perform over the previously stated periods of time the option would terminate and the City would be under no obligation to sell the land to the Cubs in the future. In addition, he said a new fair market price would be established and would include the infrastructure and any improvements made to the property.

Mayor Smith remarked that if the option should terminate the Cubs would then have to compete with any other developers interested in the property. He added that the City could be less inclined to work with the Cubs if they failed to complete development the first time.

Discussion ensued regarding the City maintaining control of the land and the options the City would have should the Cubs not develop the land.

Mr. Rigby advised that the agreements should be finalized within the next couple of days and will be brought back for the Council's consideration at a future date.

Mayor Smith thanked staff for the presentation.

3. Hear reports on meetings and/or conferences attended.

Councilmember Glover: Mesa Community Action Network Board Retreat
Arizona Museum for Youth Board Meeting

Councilmember Kavanaugh: Valley METRO Board Meeting

Councilmember Finter: "Building Strong Neighborhoods" kick-off event

Vice Mayor Somers: "Building Strong Neighborhoods" luncheon
Gilbert Constitution Week Celebration

4. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the meeting schedule is as follows:

Thursday, September 26, 2011, 12:00 p.m. – Mayor Smith's Twitter Town Hall

Saturday, September 24, 2011, 8:00 a.m. – District 4 Pancake Breakfast

Monday, September 26, 2011, 3:30 p.m. – Economic Development Committee Meeting

Monday, September 26, 2011, 5:15 p.m. – Study Session

Monday, September 26, 2011, 5:45 p.m. – Regular Council Meeting

5. Items from citizens present.

There were no items from citizens present.

6. Convene an Executive Session.

It was moved by Vice Mayor Somers, seconded by Councilmember Kavanaugh, that the Council adjourn the Study Session at 8:10 a.m. and enter into Executive Session.

Carried unanimously.

- a. Discussion or consultation with the designated representatives of the City in order to consider the City's position and instruct the City's representative regarding negotiations with employee organizations regarding salaries, salary schedules or compensation paid in the form of fringe benefits of employees of the City. (A.R.S. §38-431.03A(5)) Discussion or consultation with the City Attorney in order to consider the City's position and instruct the City Attorney regarding the City's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. §38-431.03A(4))
 1. Meet and Confer – United Mesa Firefighters
 2. Chicago Cubs Spring Training

8. Adjournment.

Without objection, the Executive Session adjourned at 9:19 a.m.

SCOTT SMITH, MAYOR

ATTEST:

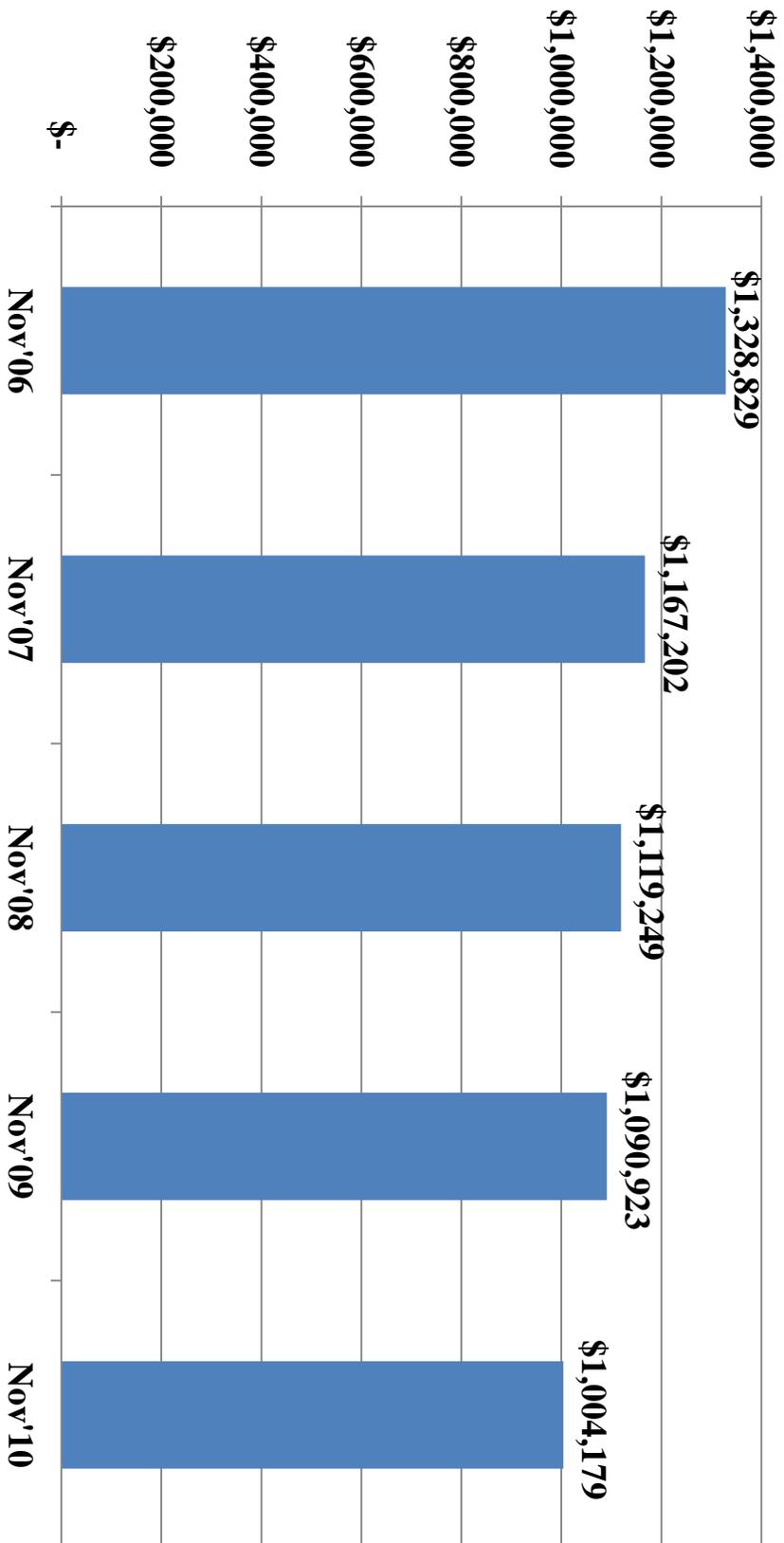
LINDA CROCKER, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 22nd day of September, 2011. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

bdw
(attachments – 5)

Insurance Premium Costs



Attachment 1

**CITY OF MESA
 EXCESS LIABILITY INSURANCE HISTORY
 2006 - 2011**

Coverage Period	Coverage Limits (Including SIR)	SIR	Premiums
FY 06/07	\$27M	\$2M	\$755,750
FY 07/08	\$37M	\$2M	\$734,463
FY 08/09	\$37M	\$2M	\$666,363
FY09/10*	\$38M	\$3M	\$612,340
FY10/11	\$38M	\$3M	\$543,000

* Includes \$17,670 for a Special Facility policy purchased mid-year

**CITY OF MESA
 PROPERTY AND BOILER/MACHINERY INSURANCE HISTORY
 2006-2011**

Coverage Period	Policy Limits (including SIR)	Self-Insured Retention	Premiums
FY 06/07 Property Boiler	\$200M \$50M	\$50,000 \$10,000	\$ 254,870 \$ 11,824
FY 07/08 Property (including boiler/machinery)	\$200M	\$50K	\$ 200,000
FY 08/09 Property (including boiler/machinery)	\$200M	\$50K	\$ 251,949
FY09/10 Property (including boiler/machinery)	\$300M	\$50K	\$ 273,707
FY10/11 Property (including boiler/machinery)	\$300M	\$50K	\$ 277,384

**CITY OF MESA
AIRPORT LIABILITY INSURANCE HISTORY
2006-2011**

Coverage Period	Coverage Limits	Deductible	Premiums
FY 06/07			
Airport Liability	\$50M	\$0	\$33,204
Aircraft Liability	\$50M	\$0	\$193,921
Aircraft Hull (property)	Stated Value	\$25,000 "In motion" \$1,000 "Not in motion"	
FY 07/08			
Airport Liability	\$50M	\$0	\$23,802
Aircraft Liability	\$50M	\$0	\$130,675
Aircraft Hull (property)	Stated Value	\$25,000 "In motion" \$1,000 "Not in motion"	
FY 08/09			
Airport Liability	\$50M	\$0	\$15,758
Aircraft Liability	\$50M	\$0	\$107,464
Aircraft Hull (property)	Stated Value	\$25,000 "In motion" \$1,000 "Not in motion"	
FY 09/10			
Airport Liability	\$50M	\$0	\$15,443
Aircraft Liability	\$50M	\$0	\$109,256
Aircraft Hull (property)	Stated Value	\$25,000 "In motion" \$1,000 "Not in motion"	
FY 10/11			
Airport Liability	\$50M	\$0	\$14,740
Aircraft Liability	\$50M	\$0	\$116,645
Aircraft Hull (property)	Stated Value	\$25,000 "In motion" \$1,000 "Not in motion"	

City of Mesa/Chicago Cubs Spring Training Complex

September 22, 2011



Project Site

The existing Riverview Golf Course was selected as the site for new complex.



Conceptual Site Plan (Draft)

EXHIBIT C

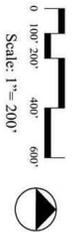
September 8, 2011

Legend

- City Fields Parcel
- Team Facility Parcel
- Stadium Site Parcel
- Option Parcels
- Public Parking



CUBS SPRING TRAINING MESA, ARIZONA



Agreements

Facilities Use Agreement: Stipulates the terms and conditions upon which Mesa will lease the Spring Training Facilities. Still being negotiated

FUA items include,

- Terms/duration of the Lease
- Use and scheduling of Stadium, Team Facilities and City Fields
- Operation and Maintenance (O&M) of facilities
- Revenues (i.e., tickets, concessions, parking), Fees, Utilities
- Future Capital Improvements
- Signage and Naming Rights

Option Agreement: Stipulates the terms, conditions, and development performance required for the sale, lease and or license of City real estate in order to enable the commercial development often referred to as “Wrigleyville.” Still being negotiated

Facilities Use Agreement (FUA)

Lease and Grant of Rights: The City leases to Cubs exclusive rights to occupy, use, manage and operate:

1. Stadium and Team Facilities, including the parking spaces for Stadium and parking spaces for Team Facilities, at all times during the term;
2. City Fields during spring training season (February 1 through April 30.);
3. City Fields at all other times, upon written request of Cubs and approval of the City, for player development;
4. 2500 public parking spaces for all Cubs home spring training games and, absent a City Calendared Event, all stadium events during the year.

Facilities Use Agreement-Continued

Stadium and Team Facilities: At all times during the term:

1. **Use and Scheduling:** Cubs have exclusive control of scheduling and use of stadium and team facilities, subject only to City's right to have up to 10 City Stadium Events.

2. **Revenues:**

A. Stadium and Team Facilities: Cubs have exclusive right to collect and retain all revenues generated by any means.

B. City Fields: Cubs have right to collect and retain revenue for Cubs sponsored events. City has right to collect and retain revenue for City sponsored events.

C. Parking: Cubs have right to collect all revenue for 2500 public parking spaces for all stadium events within Spring Training Facilities Site. If Additional Parking is provided, City and Cubs will share the net revenue.

Facilities Use Agreement-Continued

City Fields:

Spring Training Season: Cubs have exclusive use, but use must be related to Spring Training or MLB.

Other times: Cubs can request to use city fields and city shall grant request unless there is a city calendared event. The parties will establish a calendar for use during the year.

Mesa cannot allow use of the City Fields by any other MLB team.

Mesa responsible for all maintenance and repair of City Fields



Facility Use Agreement -Continued

Public Parking: Cubs will have exclusive use of the Public Parking for all Cubs home spring training games and, absent a City Calendarred Event, for all other Stadium Events.

Naming Rights: Cubs have exclusive right to sell or grant naming rights for Stadium and Team Facilities subject to City approval.

Stadium Apron: The project will include a pedestrian gathering area immediately outside the Stadium. If requested, the City will give Cubs a license for this area for all Stadium Events. It is anticipated that this area will be used for tents and other activities.



Facilities Use Agreement-Continued

Term: 50 years

Rent, Fees, and Other Benefits to the City:

Rent: Rent will be determined based on the fair market value of the Stadium Site as agreed by the parties following an Appraisal. Annual Rent payments will be due Feb 1 of each calendar year. Cubs may prepay rent, discounted to present value, using a discount rate of 5%.

- FMV has been set at \$9 psf based on Cubs and City appraisals

Spring Training Activities: Cubs will use this facility as its exclusive spring training headquarters and a site for Cubs' player development. Cubs will play a minimum of 12 home spring training games

Facilities Use Agreement-Continued

City Suite: The City is entitled to one suite within the stadium suitable for 30 persons for all stadium events at no rental to City. The City shall receive, at no cost, admission tickets, parking passes and printed programs.

City Signs: Cubs will place and maintain 2 City of Mesa logos one each side of home plate; at least one sign in the outfield for use by City of Mesa CVB; and one sign on the outside of the Stadium for use by Mesa.

Group Area: City will have the right, during 2 weekday spring training games, to use a covered patio area within the stadium to accommodate at least 50 persons.

City Stadium Events: City will have the right to use the stadium for at least 5 events per year, and up to an additional 5 events if dates are available. Stadium not available during Spring Training Season. City will be responsible for the cost of maintenance and repair for its City Stadium Events. City to operate Public Parking during City Stadium Events.

Facilities Use Agreement-Continued

Reserved Stadium Parking: City will have 5 reserved parking spaces at the stadium for the full term of the agreement.

Public Service Announcement: During every year of the agreement, Cubs shall provide players or staff to appear in 2 public service announcements in video format directed at youth crime prevention, youth educational development and youth sports and recreational participation. The PSA's shall feature players of the Cubs or other recognizable personnel of the Cubs. City shall pay all costs for the PSA's.

Stadium Event Programs: Within each printed program, Cubs shall provide (at no cost to City), 2 interior one-half pages for use by the City or the CVB to promote tourism within the City and 1 page for a welcome to the facility by the Mayor, City Council or other representative of the City.

Use of City's Name and Logo: Cubs may use City's name, trademark, trade, name and logo at no cost to Cubs in Spring Training related materials and merchandise.

Option Agreement-Commercial Development

Stipulates the terms, conditions, and development performance required for the sale, lease and or license of City real estate in order to enable the commercial development often referred to as “Wrigleyville.”

- City and Cubs have identified two option properties that will be available for development
 - West Option Property: consisting of 3 acres West of Riverview Drive and within Public Parking area for the Stadium.
 - A. Limited to 3 acres due to City commitment to provide 2500 parking spaces for the Stadium
 - East Option Property: Approximately 3 acres East of Riverview and adjacent to property lake renovation.
 - A. East Option is not available until Federal Encumbrance is removed

Option Agreement-Commercial Development

Conceptual build out



Option Agreement-Commercial Development

Conceptual build out



Option Agreement-Commercial Development

Option Terms:

The West Option Term will commence on effective date of agreement and will expire 18 months after the Opening of the Stadium, unless extended as described below.

The East Option Term will commence on the effective date of agreement and will expire 18 months after the City delivers notice to MDH that the federal encumbrance has been lifted, unless extended as described below.

Establishment of Option Parcels

- A. Before exercising the Option, MDH must deliver to Mesa a Site Plan for the entire Option Property, showing both the development parcels and the Common Areas.
- B. City shall review and approve site plan
- C. MDH shall prepare CC&R's for the Site. City shall remain the "Declarant" until the last Option Parcel is sold. All changes to the site plan and the CC&R's must be approved by City. All tenants shall have access in their pro-rata share to signs and common areas.

Option Agreement-Commercial Development

Option Price: \$25,000 for West and \$25,000 for East options

If MDH takes all of the option property, the \$50,000 will be credited against the price for the last parcel purchased.

Purchase Price: \$9 per square foot.

City is selling the land as-is and has no obligation to remediate any site conditions.



Option Agreement-Commercial Development

Initial Construction Requirements:

Opening Restaurant: When the Stadium opens for spring training baseball, MDH must have completed 10,000 sq ft of improvements, which can be satisfied by the construction of a Captain Morgan's (or similar) Restaurant equivalent in size (+/- 10%) to the existing Captain Morgan's Restaurant in Chicago.

The restaurant may be built in the stadium and the shell cost may be included in the \$84M. The restaurant must be open for business daily and on a year-round basis.

If MDH fails to meet the initial construction requirement, the option agreement will terminate unless MDH pays City \$250,000. If MDH pays Mesa, the option will remain in effect for an additional 18 months.



Option Agreement-Commercial Development

Second Tier Construction Requirements:

If MDH satisfies the initial construction requirements or pays Mesa \$250,000, MDH will have an additional 18 months to purchase and commence construction of 10,000 usable sq ft of commercial (i.e. retail, restaurant or hospitality) improvements on the Option Property.

MDH must diligently pursue the Completion of Construction of each improvement, but completion cannot extend beyond 24 months.

If MDH meets this obligation, the Option shall be extended for an additional 18 months.

If MDH does not meet this obligation, both the East and West Options will terminate.

•3rd & 4th tiers similar



Option Agreement-Commercial Development

Failure to Satisfy Construction Deadlines:

The Cubs and City agree that the OA is intended to promote commercial development around the Stadium.

This is not a land-banking agreement where MDH can purchase the land and hold it as vacant land.

The parties agree that if MDH (i) has not caused commencement of construction within 18 months of purchasing the land; or (ii) fails to diligently pursue the completion of construction:

- A. Option will terminate
- B. City will have the right, but not obligation to, re-acquire or repurchase all of any portion of uncompleted parcels.

Next Steps

- City Staff will continue to meet with Cubs to complete all three agreements
- Staff will return to City Council for consideration and action on all three agreements, as well as the Construction Manager At Risk Agreement (CM@Risk)
- Questions