

## The Lansing Lugnuts Outfield Redevelopment Project

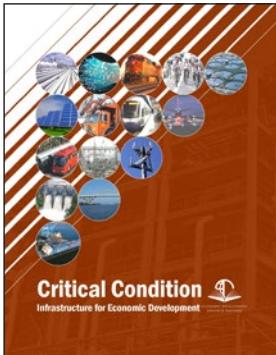
By Karl Dorshimer

### LEVERAGING A PUBLIC ASSET TO CREATE PRIVATE DEVELOPMENT

Publicly owned sports stadiums provide great public benefits but often don't generate enough revenue to be financially self-sustaining. As a result, communities can be faced with the challenge of having to permanently subsidize stadium operations, maintenance, and improvements. The city of Lansing, Michigan met this challenge by combining necessary public stadium improvements with a private mixed-use development. The Outfield project, an IEDC Gold and Silver Excellence Award winner, has increased city revenues, boosted economic activity, attracted more people downtown, and turned the stadium area into a year-round hub of activity.

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# the lansing lugnuts

## OUTFIELD REDEVELOPMENT PROJECT

By Karl Dorshimer

### INTRODUCTION

In 1994, Lansing, the capital city of Michigan, with the help of the Lansing Economic Development Corporation (LEDC), purchased property, cleared a blighted downtown red-light district, borrowed \$12 million, and built Oldsmobile Stadium. The stadium was leased to the Lansing Lugnuts, a private minor league professional baseball team (Team). The lease provided for a revenue sharing arrangement that was mutually beneficial to both the city and the Team. The stadium, managed by the Lansing Entertainment & Public Facilities Authority (LEPFA), was an instant success, attracting millions of people to downtown in its first few years of operation. The stadium provided hope and signaled the beginning of the reversal of many years of decline in downtown Lansing. It was built on a tight budget and functioned very well for the first 10 to 15 years of its operation.



Stadium site on right, prior to redevelopment.



Michigan Governor John Engler, Lansing Mayor David Hollister & others at the original groundbreaking.

matically since 1994, creating a constant need to "up your game" to "get butts in the seats."

With stadiums becoming harder to fill on game day, teams are continually challenged to enhance the in-stadium game day experience to encourage fan attendance and engagement. No longer are light beer, soda pop, and hotdogs good enough. To compete, minor league baseball stadiums must now offer: great food and drink; good, affordable seating options; multiple venues for private and corporate parties; executive suites to rent; additional add-on entertainment; and great customer service, all on a nightly basis.

The look and feel of the stadium, and surrounding skyline as seen from inside the stadium, should

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### LANSING NEEDS TO UP ITS GAME

After over 1,000 home games and years of constant exposure to Michigan's harsh climate, the stadium began to show signs of wear and tear. Moreover, in minor league baseball, the overall entertainment experience is what draws in the fans and generates the revenue that pays the bills. Competition from other entertainment options has changed dra-

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provide great views and sightlines for that urban experience. Additionally, the latest technology, including Wi-Fi, big screens, and scoreboards, needs to inform and entertain while also providing additional advertising and promotional options. With the honeymoon period long over, the ballpark becoming dated, and the team's 20-year lease nearing its end, the Team's owner asked the city to make improvements to the stadium. With other communities in the Midwest potentially looking to attract a minor league baseball team to their cities, Lansing needed to "up its game" to keep the team.

## MAKING THE BALLPARK COMPETITIVE

In August of 2013, the city and Tom Dickson of Take Me Out to the Ball Game, LLC (TMO), the Team's owner, jointly funded a comprehensive facilities audit by Jones Petrie Rafinski, a Midwest-based architecture firm with extensive stadium design and engineering experience. The intent of the study was to evaluate the status of the stadium and recommend the repairs and upgrades necessary to modernize the ballpark and make it competitive. The results of the study (when prioritized to critically necessary items only) indicated that the city was facing a potential cost of \$10.5 million for improvements to the ballpark. (see Table 1)



Nearing 20 years old the ballpark needed an upgrade.

In 2013, Lansing's economy (and Michigan as a whole) was still recovering from the "Great Recession," making it very difficult politically and financially to add more city debt payments for stadium improvements, instead of using that revenue for vital community services such as fire and police. In response to this dilemma, the LEDC, and the city administration, led by Mayor Virg Bernero, explored various options to finance the ballpark improvements. These options included local sales taxes on hotels and lodging, restaurants, rental cars and taxis, and grants from the state or federal governments. None of these choices turned out to be financially or politically feasible as funding sources.

However, Bob Trezise, CEO of the Lansing Economic Area Partnership (LEAP), proposed one idea familiar to economic developers that made enough good sense to explore further. The LEDC operates the Lansing Brownfield Redevelopment Authority (LBRA). The LBRA has

TABLE 1

Final List of Facilities Audit Recommended Stadium Renovations		
Lower Level (building)	\$	395,200
Concourse Level (building)	\$	1,248,500
Concourse & Seating Bowl	\$	1,238,000
Tailgate Terrace / Right Field	\$	1,105,000
Bullpen Bar & Grille	\$	565,000
Left Field / Gasoline Alley	\$	1,625,000
Playing Field / Maintenance Area	\$	1,358,500
Suite Level / Roof	\$	1,021,000
Scoreboard / Communication Systems	\$	963,500
Stadium Exterior & Surrounding Site	\$	278,000
Estimate for Soft Costs (7-10%)	\$	740,000
<b>TOTAL STADIUM RENOVATION COSTS</b>		<b>\$ 10,537,700</b>

*The estimated cost of needed improvements was almost as much as the original cost of the stadium*

tax increment financing abilities and a local brownfield revolving loan fund to provide funding for environmental testing and brownfield eligible activities.

The LEAP idea was to leverage the assets of the stadium and related activities to attract private development adjacent to or inside the stadium. By doing so, the LBRA and the city could use the new property taxes generated by the private investment to help pay the debt service on the necessary ballpark improvements. Even more appealing was the potential for the new private development to be a catalyst for additional economic activity and to extend and encourage year-round use of the stadium. The new development and the stadium would together create a public-private development that would mutually benefit the city, the Team, and the developer.

## THE POTENTIAL OF A JOINT PUBLIC – PRIVATE DEVELOPMENT

The LEDC contacted several local developers to conceptually propose a large mixed-use development that would take advantage of the location and activities of the ballpark. Each developer looked at the stadium and its surrounding plazas and brainstormed with the LEDC, city, and Team. Several locations were ruled out because of the need to have spaces outside the ballpark for fans to gather both before and after baseball games. All developers except one concluded that due to the physical and operational restrictions of the location, they were not interested. However, one developer, Pat Gillespie of the Gillespie Group, had experience developing mixed-use buildings near the stadium location and was willing to think outside of the box when evaluating the opportunity as presented.

The Gillespie Group focused on the outfield portion inside of the ballpark. This area was currently underutilized and offered the potential of dramatic views inside the park and skyline vistas of the downtown outside the stadium. The developer hired a design and architect firm



Original rendering of the Outfield development.

The basic concept was that there would be two parts to the project: one, the city's necessary improvements to the entire public stadium and two, the private mixed-use development inside the park.

to put together initial renderings and preliminary numbers, which were enough to get all parties very excited about the potential of a joint public-private project. To make it work, the city, Team, and LEPFA would need to design and build their improvements to the ballpark such that it also facilitated the private development. Likewise, the private mixed-used development could not hinder the baseball operations. The basic concept was that there would be two parts to the project: one, the city's necessary improvements to the entire public stadium and two, the private mixed-use development inside the park.

The city would build the necessary baseball supporting facilities underground and the first story in the park's outfield. This public outfield portion would include stadium access for maintenance vehicles and grounds keeping services, an underground batting cage, a restaurant/public space, beverage and food concessions, private party facilities, and a picnic area.

The private mixed-used facility now named the "Outfield" would be built upon the reinforced platform created by the roof of the first floor of the city's portion of the stadium. The space above the city-owned portion of the stadium would be condominiumized and sold to the developer. The developer would then build the three-story Outfield development on top of the platform. The Team committed to purchasing a new scoreboard that featured a large video screen and many other options to inform and advertise to fans and others.

Additionally, immediately north of the stadium was a city-owned parcel of land with an old maintenance garage and refueling station to service city fire trucks, police cars, and maintenance vehicles. The development plan proposed that this parcel become a surface parking lot to provide parking for the Outfield development tenants and visitors. The parcel would remain property of the city and leased to the developer.



Location of proposed Outfield project (red) & parking (City Garage - yellow).

## OVERCOMING CHALLENGES – THE DEVIL IS IN THE DETAILS

As with most economic development projects, the devil is in the details. Detailed design and engineering took months to complete and indicated the complexity and extra cost of the proposed joint endeavor. For example, the supporting foundation for the Outfield building needed to come down through the publicly owned portion of the stadium. Additionally, what functioned as the ceiling for the first-floor public stadium also acted as the floor of the Outfield building above. Carving out the legal description of what property was going to be sold to the developer turned out to be much more complicated than just selling the air rights above the stadium's outfield.



City Garage brownfield site to be remediated and demolished.



City Garage site being demolished.

As the design of the Outfield and stadium improvements started to take shape, the Team and the developer encountered potential residential vs. baseball conflicts. With residents living right above and inside the ongoing operations of a professional baseball stadium, it became clear that the potential for conflict among users was high. For example, baseballs could strike the apartments causing damage to the units or even injuring the residents. Residents could act inappropriately on their balconies and disrupt baseball games. Residents would also need to have access to and from their apartments during ballgames.

Other challenges involved fire protection and access by the fire department. The city fire marshall insisted that each apartment unit be accessible by ladder truck in the event a fire trapped residents inside. Driving heavy fire trucks down and out onto the ballfield could get them mired in a wet or soft field. Creating access to and making the field strong enough to support the trucks would be costly and make the surface unsuitable to play baseball on.



*Ballpark outfield area being demolished to make way for redevelopment.*

Additional new challenges continued to pop up again and again. The city-owned vehicle maintenance garage parcel had to be redeveloped into a parking lot to serve the development. However, this involved demolition of a large building; the removal of fuel tanks; environmental cleanup; site preparation; installation of drains, curbs, cut-outs, gates, plus painting and striping for parking. Complicating matters was that the city had signed a previous development agreement with another party who was attempting to locate a casino nearby that gave them the option to purchase the vehicle maintenance garage parcel. If the casino developers were to exercise their option, alternative parking arrangements needed to be available to serve the residents and tenants of the Outfield development. The Gillespie Group did not want to risk building the mixed-use facility and wind up not having the ability to provide convenient parking for their tenants.

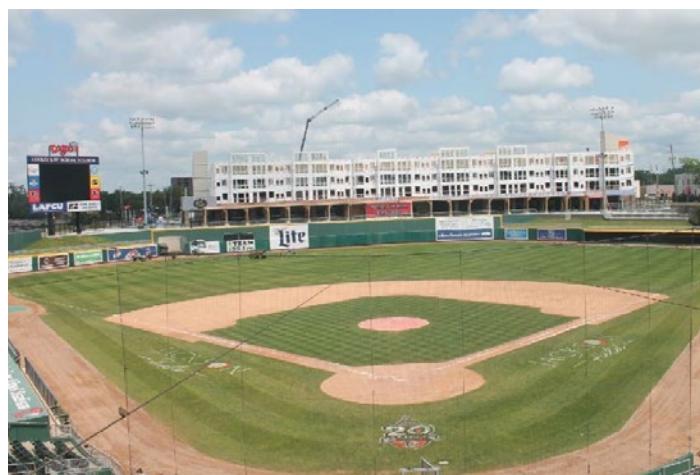
Finally, there was a very complicated lease agreement that needed to be hammered out between the Team and the city. This would be a 20-year lease with base pay-

ments to the city and revenue sharing on top of that. The improvements to the stadium would offer multiple ways to generate revenue for the Team including food, drink, private party rentals, luxury suites, advertising, souvenir sales and other fees and services. The result was a complex formula for calculating the amount of revenue shared by the Team with the city each year.

## A COMPREHENSIVE DEVELOPMENT AGREEMENT PROVIDES A PATHWAY

With these challenges to overcome, the city staff, LEAP, LEPFA, developer, and the Team began negotiating a Comprehensive Development Agreement (CDA) as a master agreement containing a collection of agreements and commitments and included the Team's new lease of the stadium. Negotiations were long, hard and frustrating, lasting a year and often causing the parties to walk away from the table and cool down. But a draft CDA was eventually crafted, addressing all the issues and providing a pathway to proceed forward. For example, the CDA provided clarity on the design, construction, and maintenance for the interfaced portions of the Outfield development and public stadium improvements. This included the one-story platform and foundation column supports upon which the mixed-use building would be constructed.

The fire access issue and access to the first floor of the public portion of the outfield structure was solved by a reinforced and widened pedestrian concourse that would extend around the inside of the stadium between the playing field and the new Outfield development. This would also allow people inside the park to walk all the way around the ballfield, providing new sightlines and access to all the many concessions offered inside the stadium. The concourse would also be strong and wide enough along the foul ball lines to allow the city's fire trucks to access the entire Outfield development with their ladder truck. The legal description of the property, including the air rights that were to be sold to the developer, was finished and incorporated into a purchase agreement conveying these rights.



*Private Outfield development being built upon the public first floor platform.*



Fans and residents have great views of the action from the Outfield.

The parties also overcame the redevelopment problem of the city's vehicle maintenance garage property. The city was in the process of moving these operations from the site to a different and more central location. However, there were two major items that needed to be addressed. The first was that the property was a contaminated brownfield site that included an old garage structure and underground fuel tanks. There would be demolition, remediation, site preparation, and redevelopment costs associated with turning this site into a parking lot able to service the Outfield development. The solution was to use the LBRA to help finance the costs associated with redeveloping this brownfield site. The LBRA was able to loan the city \$600,000, and the developer pledged to cover the rest of the redevelopment costs. The completed parking lot would then be leased to the developer. The city dealt with the issue of the potential sale of the parking lot to the developers of a new casino by committing contractually to find suitable alternative parking for the Outfield tenants, should this occur.

The issue of potential use conflicts was handled by limiting access to the inside of the ballpark to non-ticket holders including Outfield tenants and their guests. Tenants and their guests would be free to view the games from their apartments and from private common areas, but they could not gain access to the public areas inside of the park without a ticket. Additionally, the Outfield was built with shatter proof glass and other materials that were resistant to damage from flying baseballs.

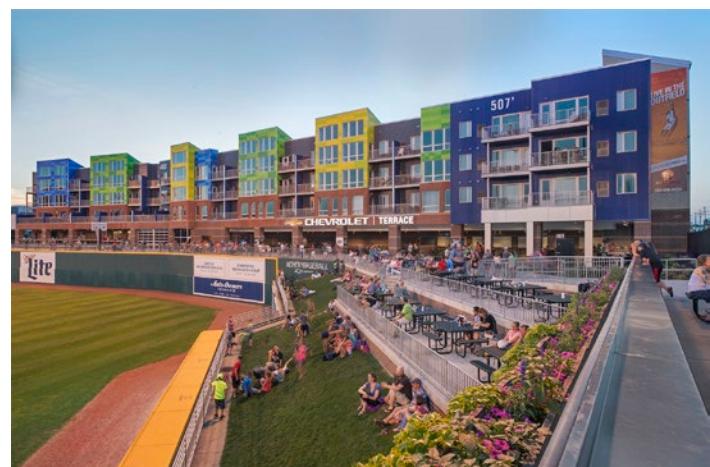
The issues of personal injury and misbehavior by tenants was to be addressed within the lease agreement between the Outfield tenants and the developer. Enforcement of the lease would be the responsibility of the developer. Complaints by either the city (LEPFA), the Team or the Outfield owners and their tenants were to be handled by the Team stadium staff if possible, or if necessary, by a dispute resolution board that included representation from all the parties. Enforcement action per the agreements and/or legal action would be the method of last resort.

The next major issue was the preliminary financial structuring of both the public and private portions of the development. Then came the arduous task of gaining approval of the CDA by the Lansing City Council. The Michigan Economic Development Corporation (MEDC) also agreed to use their Community Revitalization Program (CRP) to finance a portion of the Outfield mixed-used development.

Finally, a master schedule of construction for all the intertwined public and private improvements was developed by the Christman Company, a Lansing-based construction management firm. Christman Company had the extra challenge of scheduling around the 2014 and 2015 baseball seasons that would take place while the multi-year project was under construction.

## ONE LAST BARRIER

Just as everything looked like the project was ready to begin, the city ran into another major challenge. When the initial bids for the stadium improvements came in they were much higher than expected – nearly \$5 million above pre-bid cost estimates! Not to be defeated after coming so far, the project partners, designers, and contractors worked intensely to value-engineer, and reduce the scope of improvements.



Completed private Outfield development on top of the newly improved public portion of the stadium.

Ultimately, the city and Team concluded that the most essential improvements to the ballpark would still cost as much as \$3 million more than originally anticipated. Thus, the improvement costs facing the city rose from \$10.8 million to \$13.8 million. This cost increase required the Lansing City Council to authorize additional financing to complete the renovations and improvements. Additionally, the Team committed to making extra lease payments to the city equal to half of the increase in debt service resulting from the increased financing. Also, the developer pledged to contribute additional funds toward the construction of public infrastructure in the ballpark's outfield and toward the new city parking lot. Lastly the

MEDC committed to a \$2.5 million Loan/Grant incentive package. (see Table 2)

Finally, with this last barrier out of the way, and after nearly two years of designing, planning, negotiating, finance structuring, and overcoming many deal-killing obstacles, construction began in early 2014 on the public improvements. These activities were slowed to allow the spring baseball season to take place and then continued full speed in the fall and winter. In early spring of 2015 the private portion of the project began and was partly completed when the 2015 baseball season took place. Immediately after the end of the 2015 season, the construction of the private portion went into high gear and the project was completed just before the start of the 2016 baseball season.

## THE RESULTS

The results have been spectacular! The three-story \$13.4 million Outfield development overlooks the currently named Cooley Law School Stadium, providing dramatic views, spectacular apartments, public spaces for events, room for concessions, and field maintenance facilities. It also generated jobs and tax revenues to finance \$13.8 million of additional improvements to the public ballpark. The \$28 million project is a creative and complex economic development joint venture that used private investment to create economic development, public improvements, and downtown revitalization. The community impact of the project has exceeded all expectations. The buzz and national attention this project attracted has been amazing. The project has been highlighted in many national publications including Sports Illustrated. It also won both Gold and Silver 2016 Excellence in Economic Development Awards from the International Economic Development Council (IEDC).

Over 50 jobs were created, \$20 million of additional private investment was attracted, and 200 new residents and thousands of visitors have discovered downtown Lansing. The ballpark stands next to the Lansing Convention Center, which now benefits from the proximity of all this economic activity. Bookings are up and a long-awaited casino still appears to be a possibility. Finally, community pride has surged and rising optimism is sure to attract additional private investment.

Now that the Outfield project is completed and has over one full year of operation, the financial impacts to the city can be quantified. Table 3 gives the estimated final annual costs and revenues from the stadium. The city ended up borrowing \$13.8 million at a three percent interest rate to finance the public improvements to the stadium. Yearly debt service and additional annual utili-

TABLE 2

Stadium Redevelopment - Project Numbers		
Project Sources and Uses of Funds:	Cost	Percent
General Public Improvements to Ballpark	\$ 12,350,000	44.2%
Public Infrastr./Site Prep for Private Development	\$ 1,450,000	5.2%
<b>Total City of Lansing Cost</b>	<b>\$ 13,800,000</b>	<b>49.4%</b>
Developer Contribution	\$ 9,395,000	33.6%
New Scoreboard Funded by Team	\$ 1,500,000	5.4%
MEDC Loan/Grant to Developer	\$ 2,455,000	8.8%
<b>Total Outfield Private Development Cost</b>	<b>\$ 13,350,000</b>	<b>47.8%</b>
LBRA Brownfield Investment in City Garage Site	\$ 600,000	2.1%
Developer Investment in Parking Lot	\$ 200,000	0.7%
<b>Total Central Garage Redevelopment Costs</b>	<b>\$ 800,000</b>	<b>2.9%</b>
<b>Total Project Cost</b>	<b>\$ 27,950,000</b>	<b>100.0%</b>

Combined budgets of public & private portions of project.

TABLE 3

Annual City Costs and Revenues for Stadium	Before Improvements	After Improvements	Change
<b>Annual City Ballpark Costs</b>			
City Debt Service	\$ 900,000	\$ 1,150,000	\$ 250,000
Utilities Cost Share	\$ 125,000	\$ 125,000	\$ -
Capital Improvements Commitment	\$ 115,000	\$ 70,000	\$ (45,000)
<b>Total Cost to City</b>	<b>\$ 1,140,000</b>	<b>\$ 1,345,000</b>	<b>\$ 205,000</b>
<b>Annual City Ballpark Revenues</b>			
Revenue Sharing Lease Payment - Baseball Operations	\$ 240,000	\$ 365,000	\$ 125,000
Revenue Sharing Lease Payment - Naming Rights	\$ 120,000	\$ 120,000	\$ -
Payment from Team for City Debt Service	\$ -	\$ 125,000	\$ 125,000
<b>Total Lease Revenue from Lugnuts</b>	<b>\$ 360,000</b>	<b>\$ 610,000</b>	<b>\$ 250,000</b>
<b>New Sources of City Revenue</b>			
New City Income Taxes from Jobs & Tenants	\$ -	\$ 50,000	\$ 50,000
Brownfield Tax Capture on Private Development	\$ -	\$ 200,000	\$ 200,000
Lease Payment for New Parking	\$ -	\$ 15,000	\$ 15,000
<b>Total New Revenue Sources</b>	<b>\$ -</b>	<b>\$ 265,000</b>	<b>\$ 265,000</b>
<b>Total Net Annual City Cost</b>	<b>\$ 1,140,000</b>	<b>\$ 1,345,000</b>	<b>\$ 205,000</b>
<b>Total Annual City Revenue</b>	<b>\$ 360,000</b>	<b>\$ 875,000</b>	<b>\$ 515,000</b>
<b>Total Annual Net Cost to City for Ballpark</b>	<b>\$ 780,000</b>	<b>\$ 470,000</b>	<b>\$ (310,000)</b>
<b>Estimated Net Cost Reduction to City over 15 Years</b>			<b>\$ 4,650,000</b>

The city was successful in financing the needed public improvements by attracting private development.



The new first floor public portion of the Outfield has spaces to offer a variety of amenities to fans and residents.

The project has been a great boost to economic activity in the surrounding downtown Stadium District. A new brewery/restaurant has sprung up just north of the ballpark. Of the 85 apartments in the Outfield, all but a handful were leased by opening day of 2016. A nearby 80-unit apartment complex has leased up and there is another adjacent mixed-use project under construction. Nearby restaurants are reporting increased sales and property values are rising.

ties and capital improvement commitments pushed the city's annual stadium expenses to \$1,345,000. However, because of the public-private partnership to redevelop the ballpark, the city now has several new and increased sources of annual revenue to meet this obligation.

Table 3 also depicts the change in the city's costs and revenues associated with the stadium. The city's annual cost obligation for the ballpark has now risen by approximately \$205,000 per year. However, because the Team signed a new 20-year stadium lease agreement with the city, the city can expect to receive annual revenue sharing and fixed payments from the Team totaling \$610,000, which is an increase of \$250,000 per year.

Finally, because of the private Outfield development, the city has additional new sources of revenue including new city income taxes, property tax capture (tax increments) from the LBRA, and lease payments for the city-owned parking lot. These new sources of revenue amount to a total of \$265,000 per year. Thus, the total annual revenue available to the city to make the \$1,345,000 annual payments is \$875,000, which is \$515,000 more in revenue than before the improvements were made to the stadium. This results in a net savings of \$310,000 per year for the city's general fund when compared to the pre-redevelopment years of the stadium.

The city accomplished its original goal of helping to finance the necessary improvements to the ballpark by leveraging the assets of the stadium to attract private development. Additionally, the Lugnuts have committed to another 20 years in Lansing, and the Outfield development stands as a great example of the power of using public-private partnerships to achieve economic development, talent attraction, and placemaking. Communities all over the country and world that own public sports stadiums can benefit from studying the Lansing Lugnuts Outfield Development example. The idea of incorporat-

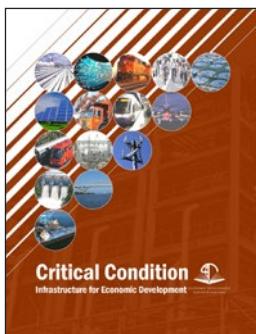


*The Outfield development – a great example of a public-private partnership for economic development.*

ing private development into publicly-owned sports stadiums is not easy, but offers exciting potential results.

The journey of this site from a seedy red-light district in a rust belt city, to a pioneering public redevelopment success story in 1997, and now into a nationally heralded example of public-private economic development, is nothing less than amazing. Many people helped this process along the way and a project this complicated cannot possibly be fully described in this limited summary. Seldom in economic development do projects live up to the hype generated by the initial proposals and color renderings offered to sell the idea to decision makers. However, in this case the results speak clear and loud for themselves. The Lansing Lugnuts Outfield Redevelopment Project has truly hit an economic development grand slam for the city, the Team, the Gillespie Group, and most importantly the citizens of Lansing. ☺

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