CITY COUNCIL AGENDA REPORT

City of Anaheim
OFFICE OF THE CITY ATTORNEY

DATE: OCTOBER 25, 2022
FROM: OFFICE OF THE CITY ATTORNEY
SUBJECT: MAINTENANCE OBLIGATIONS OF ANGELS BASEBALL UNDER STADIUM LEASE

ATTACHMENT (Y/N): YES ITEM # 25

RECOMMENDATION:

Review and discuss the obligations of Angels Baseball for upkeep and maintenance of Angel Stadium under the 1996 Lease.

DISCUSSION:

At the Council meeting of October 4, 2022, Councilmember Moreno requested a review and discussion of Angels Baseball’s obligations under the existing lease for upkeep and maintenance of Angel Stadium.

In 1996, the City of Anaheim entered into an Amended and Restated Lease Agreement (“Lease”) with The California Angels L.P., which was partly owned at the time by the Walt Disney Company. In 2003, the team was purchased by Arte Moreno and the Lease was assumed by Angels Baseball, LP. (“Angels Baseball”). The term of the Lease currently runs to December 31, 2029, with Angels Baseball having three 3-year options to extend the lease. Were Angels Baseball to exercise all three options, the Lease would extend through 2038.

Section 10(a) of the Lease states as follows:

Standard: Tenant will maintain the Baseball Stadium in good condition and repair, subject to ordinary wear and tear, at its sole expense (subject to Section 10(b) relating to Landlord’s contribution to the Capital Reserve). The standard of maintenance to which Tenant will adhere in the maintenance of the Baseball Stadium will be at least equal to first class professional baseball stadiums, such as, on the date hereof, Kansas City and Dodger stadiums, taking into account the age and design of such stadiums; provided, however, that Tenant will not be required to upgrade equipment and systems (such as, scoreboard, public address system, telecommunications facilities, etc.) in order to remain state of the art with the other stadiums, but all such equipment and systems shall be maintained at least to the standard of the Benchmark described below.
Section 22(a) of the Lease states, in relevant part, as follows:

**General Quality Standards.** Tenant will operate the Baseball Stadium in a manner which is consistent with the first class professional baseball stadium operating practices used in Major League Baseball, such as, on the date hereof, Kansas City and Dodgers stadiums, (the “Benchmark Standard”); provided, however, that in the case of evaluating the physical condition of the Baseball Stadium, the Benchmark Standard shall take into account the age of the Baseball Stadium. For purposes of determining compliance by Landlord with Section 22(a), reference shall be made solely to the Benchmark Standard...

In addition, Section 10(b) establishes a formula for both the City and Angels Baseball to contribute to an annual “Capital Reserve Fund” for the purpose of “the making of capital repairs and improvements to the Baseball Stadium (including fixtures, furnishings and equipment) and the Parking Area as required to maintain the Baseball Stadium and the Parking Area to the standard set forth in Section 10(a).”

That same subsection defines “capital repairs and equipment” to be “expenditures for property, components, systems and structures with a useful life of not less than the five (5) years or which extend the life of the structure or improvement into which incorporated by not less than five (5) years and having a unit cost of not less than Five Thousand Dollars ($5,000), specifically excluding regular maintenance and repairs or replacement or repair of event-damaged property.”

Since 2002, and pursuant to the formula set forth in Section 10(b), the City has deposited approximately $12.3 million into the Capital Reserve Fund. During that same time period, Angels Baseball, at its discretion, has spent approximately $54.5 million in capital repairs and improvements, including the $12.3 million of City contributions. Angels Baseball has taken the position that it is entitled to the difference between the $54.5 million and the $12.3 million at the termination of the Lease. The City disagrees with that position and believes it is inconsistent with the plain language of the Lease.

In a 2013 City staff report in relation to an agenda item for a potential amended and restated stadium lease, it was stated that “[b]y considering a ground lease, the use of the site’s development rights would facilitate a pathway for Angels Baseball, and its owner, to develop a revenue source to assist in funding all on-going maintenance, repair and capital requirements for the 47 year old stadium, estimated to be between $130M and $150M, over the next twenty years.” Regardless of the accuracy of that 2013 estimate, any capital repairs and improvements needed to maintain Angel Stadium in good condition and repair equal to first class professional baseball stadiums, subject to ordinary wear and tear, is at the sole expense of Angels Baseball, pursuant to paragraph 10(a) of the Lease.
IMPACT ON BUDGET:

This discussion item, for information only, will have no impact on the budget.

Respectfully submitted,

Robert Fabela
City Attorney

Attachment:

1. 1996 Amended and Restated Lease Agreement