



December 13, 2013

Mr. Ronald M. Ferris, City Manager  
City of Palm Beach Gardens  
10500 North Military Trail  
Palm Beach Gardens, Florida, U.S.A.  
33410

Jim Crane  
Houston Astros, LLC  
Minute Maid Park  
P.O. Box 288  
Houston, Texas, U.S.A.  
77001-0288

Dear Messrs. Ferris and Crane:

**Re: Proposed Spring Training Facility in Palm Beach Gardens**

We acknowledge receipt of Mr. Ferris' November 20, 2013 letter. The letter contained a five point proposal for the financing of construction of a possible two-team spring training facility in the City of Palm Beach Gardens, Florida. Mr. Ferris requested that we consider the proposal and respond to same by December 16, 2013.

As you are both aware, the *Toronto Blue Jays* (the "Blue Jays") did not approach the City of Palm Beach Gardens (the "City") or the Houston Astros ("Astros") regarding the proposed project that is currently under discussion. Our organization presently conducts its spring training operations in Dunedin, Florida, and it has been widely reported that we are party to an agreement with the City of Dunedin that calls for us to continue to do so through at least the end of 2017. In 2012, Jim Crane approached Paul Beeston and asked if we would be open to considering a change of location for our spring training operations at the end of our current arrangement in Dunedin. Paul indicated that we would consider such a change, contingent of course on the particulars of what was being proposed.

A number of meetings and conversations resulted and a framework for a City proposal on construction and financing began to take shape. The nub of that proposal was as follows: the City of Palm Beach Gardens would construct a first-class, state-of-the-art two-team spring training facility for use by the Toronto Blue Jays and the Houston Astros and would do so at no cost to either team. The City and the Astros were both of the view that it would cost approximately \$100 million to construct a first-class, state-of-the-art two-team facility (including a stadium, two training complexes, two sets of practice fields, two sets of offices, parking facilities, etc.).

There were also some very preliminary conversations on what a future facility use agreement might look like. All of those conversations were predicated on the understanding that (i) the eventual agreement would be structured so as to permit each of the Astros and Blue Jays to generate at least as much in operating profit from spring training operations in Palm Beach Gardens as they do under their respective current arrangements, and (ii) there would be ample time to work through the various specifics of the future facility use agreement.

It was on the basis of the above framework that our organization expressed an interest in continuing to explore this opportunity.

Since August of this year, we at the Blue Jays have endeavoured to gather and share as much information as possible that we consider relevant to the present conversation. Our goal throughout has been the same: to allow the City, the Astros and the Blue Jays to accurately and honestly assess each anticipated component of the proposed two-team facility opportunity, from estimated construction costs, to financing possibilities, to the eventual structure of a long-term license and operating arrangement.

It is with all of the foregoing in mind that we now assess the financial proposal outlined in Mr. Ferris' November 20, 2013 letter. It is our view that, while the proposal is clearly based on much study and research by the City, it ultimately does not encapsulate the central elements of the arrangement that were presented to our organization in order to secure and maintain our interest in this project. Thus, for the Blue Jays, the proposal, as stated, could not constitute a foundation for a memorandum of understanding between the parties. In our view, the proposal differs from the arrangement presented to us in three key respects:

*1. The Bond Issue Proposed Would Be Insufficient to Cover Actual Construction Costs*

Our conversations regarding this project have always been based on the City constructing a "first-class, state-of-the-art" two-team facility in Palm Beach Gardens.<sup>1</sup> As you are aware, we have obtained from industry professionals independent estimates of anticipated actual construction costs for a facility containing those key elements and amenities as are necessary for the Astros and Blue Jays spring training, minor league and other Florida operations. We have confirmed that those elements and amenities are reasonable having regard to other Major League Baseball spring training facilities constructed over the last number of years. We shared the construction cost estimates with the City in early October of this year. The estimates obtained and shared indicated that construction costs could be expected to exceed \$114 million (assuming a 2017 opening date) and, therefore, some higher amount based on a 2018 or later opening date. Thus, in order to be able to construct a two-team facility of the type that was proposed to the Astros and Blue Jays, the financing plan proposed by the City would need to be designed to secure \$114 million or some higher amount, and not \$100 million.

While it is true that, at various points, the City and/or the Astros have suggested that a first-class, state-of-the-art facility could be constructed for \$100 million, that was merely an assumption. Now that we are all aware that the assumption was incorrect, it appears to make little sense to continue using it as the basis for the financing plan. We would have expected that the financing plan proposed on November 20<sup>th</sup> would be designed to cover some amount exceeding \$114 million.

*2. The Proposed Construction Financing Plan Is Not "At No Cost to the Teams"*

Put most simply, the City is proposing that the costs of construction (i.e. the debt service payments on the bond procurement) and a capital repair and replacement reserve be funded from three sources. First, from a matching grant of \$50 million from the State of Florida's Department of Economic Opportunity. Second, from one-half of the 4<sup>th</sup> cent of Palm Beach County's Tourist Development Tax.

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<sup>1</sup> The term "state-of-the-art" is utilized on Page 1 of the October 23, 2013 Financial Projections document prepared by *Convention Sports & Leisure* on behalf of the City.

Third, from the “operating revenues of the facility”. The City is not proposing to utilize any City funds for the construction or maintenance of this facility.

Upon closer inspection of the “Proposed Stadium Revenue and Expenditures” attachment to Mr. Ferris’ letter it is clear that the third funding source (“operating revenues of the facility”) is in fact referring to the operating income generated from the Blue Jays and Astros spring training games played at the facility (i.e. the net amounts generated from the team’s spring training games, after the payment of operating expenses for the facility). In other words, the third proposed funding source is more accurately stated as being the Blue Jays and the Astros. Clearly this is not in line with a commitment to construct a facility “at no cost to the teams.”

*3. The Proposed Financing Plan Prevents the Blue Jays from Negotiating a Facility Use Agreement That is at Least Equivalent to Their Existing Arrangements*

As indicated above, it has always been the understanding of the Blue Jays that, regardless of the eventual structure of a future facility use agreement, the financial components of that agreement would permit the Blue Jays to generate at least as much in income from spring training operations in Palm Beach Gardens as they do under their current arrangements.

We had anticipated that the City would be preparing a financing plan that did not depend in any material way on future operating income from the proposed spring training facility and that, therefore, there would be ample time for the City, the Astros and the Blue Jays to fully consider and discuss the myriad of different elements that would ultimately be covered in a future facility use agreement.

The November 20, 2013 financing plan is instead predicated on a guarantee that essentially all of the operating income from the Astros and Blue Jays spring training operations in Palm Beach Gardens will be used to fund debt service payments and capital replacement reserve. Again, the financing plan does not call for the City to contribute any City funds for those purposes.

Clearly, by formulating a financing plan that depends on the teams’ contributing all or most of the operating income from their spring training games,<sup>2</sup> it is a practical impossibility for the Blue Jays to negotiate a facility use agreement that puts the team on a financial footing that is the same or better than its respective current spring training arrangements. Further, by requiring the teams to make a commitment now as to such a key component of their future facility use agreement, the timeline for negotiating the other elements of that agreement are accelerated unnecessarily, to the probable detriment of all involved.

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<sup>2</sup> According to the “Proposed Stadium Revenues and Expenditures” attachment, 33% of the annual debt service payments and deposit to the repair and replacement account would be funded by the teams from their spring training operating income.


We very much appreciate the time and effort that has been expended by everyone on this current proposed project. It has been our pleasure to participate in the conversation and to assist in the analysis and understanding of what would be required for it to be a success. Ultimately, for the reasons stated above, it is our view that the November 20, 2013 proposal (i) is not consistent with the framework that piqued our initial interest in pursuing this project, and (ii) would not be sufficient to justify our moving our Florida operations out of a community in which we have maintained such operations on an uninterrupted basis since 1977.

We have endeavoured to clearly reflect our organization's position with respect to the November 20, 2013 proposal and we thank you for the opportunity to provide you with our thoughts. Please know that we completely understand that one or both of the City and the Astros may, at this point, have different priorities, concerns and/or timelines than the Blue Jays with respect to this proposed project. At the same time, if you have one or more alternative suggestions as to how this project might be approached in a manner that addresses the principal needs and timelines of all involved, we remain open to considering same.

Sincerely,

**ROGERS BLUE JAYS BASEBALL PARTNERSHIP**

By:   
Name: Paul Beeston  
Title: President and CEO

By:   
Name: Matthew Shuber  
Title: Vice President, Business Affairs

c.c.

Alex Anthopoulos  
Sr. VP, Baseball Operations and General Manager  
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Giles Kibbe  
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