



Madison Parks Division

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November 16, 2020

TO: All Alders

FR: Eric Knepp, Parks Superintendent

RE: Legistar File #61885 – Mallards Second Amendment to Use Agreement

The Mallards brought summer collegiate baseball to Madison and Warner Park in 2001. The arrival of the Mallards at Warner was after numerous other endeavors with minor league baseball at the facility. The last before the Mallards being the ill-fated five year run of the Madison Black Wolf of the Northern League who relocated to Lincoln, Nebraska and subsequently ceased operations in 2005. The Black Wolf played in the Northern League, which also subsequently ceased operations in 2010. To my knowledge there was not an RFP process conducted to select the Mallards and it is my understanding that the Northwoods League approached the City in the Fall of 2000 to see if there was interest in a summer collegiate team. The initial agreement was for five years with a second agreement being approved in 2006 for another five years.

In 2010, the Mallards and Northwoods League entered into two agreements with the City of Madison. The first agreement was intended to cover the construction project that was jointly funded to upgrade the failing bleachers/grandstand at the Stadium. This agreement also required additional investment of \$500,000 at the facility by the Mallards. The second agreement entered into is the currently active agreement with the Mallards for stadium use. These two agreements changed significantly from the first 10 years of operation. The major changes included:

- Increasing base rental payments from \$17,500 to \$50,000 in 2011.
- Shifting the costs for maintenance of the field from the City to the Mallards, including for non-Mallards games. This is worth between an estimated \$125,000 and \$170,000 based on current labor, equipment, and materials cost.
- Established a significant shift in utility reimbursement obligations from a baseline of around \$1,000 to more than \$22,000.
- Required \$1M in capital investment over the term of the agreement, which was up from \$50K in the prior agreement.
- Recognized the success of the first 10 years by creating a 10 plus up to three more year agreement instead of five year agreements.

In 2017, the Mallards constructed the Duck Blind facility addition to the Stadium. This facility addition was paid for by the Mallards at their own expense, but the City owns it. The facility has been a valuable addition to the Parks system, as it has hosted multiple Parks Division volunteer recognition dinners, Parks Foundation fundraisers, and most recently is serving as a primary location for the Parks Division's work to provide programming to stay connected to youth on the Northside during the pandemic. The construction of the facility brought the Mallards capital improvements during the agreement to more than the required \$1M under the agreement.

After the Duck Blind project was completed the Mallards approached Parks to discuss the future of the Stadium and to establish a process for longer term planning and a potential new agreement. One of the reasons for the request was the desire from the Mallards to be able to better manage the debt burden from the Duck Blind. It is challenging for them to manage this type of debt where the asset itself is not something that can be the collateral

(as the City owns it, not the Mallards). I expressed a willingness to work out a process to provide longer term certainty for both parties in 2019, but we both realized that extending the existing agreement by a 4 more years would allow more time to figure out the plan. During this timeframe staff spent time researching other agreements and reviewing potential structures of these type of contracts. One of the things that was very clear is that many of the minor league baseball agreements fall into one of two categories. One is a higher rental payment and/or revenue sharing that comes after large scale City investment. The other is a lower rental payment and is normally associated with shifting capital, maintenance, and other costs to the operating team. Madison, and a number of other Wisconsin communities lean towards the latter from my research (Ashwaubenon is a notable exception).

In March 2020, COVID arrived, and it was apparent early on it would have a major impact on the Mallards and other businesses rooted in large scale gatherings. Though I have not inspected their financials (the agreement does not require access to them), it is apparent to me that they have been significantly negatively impacted as nearly all of the revenue streams for the team are gone. They rely on large social gatherings for revenue, which despite their creative attempts, there was no possible way to get close to the normal visitor levels in 2020. Soon after the pandemic set in, it became apparent that the Mallards would not have a normal season. By early July, it was clear there would not be a season in Madison at all. During the summer, I negotiated with the Mallards to reconfigure an agreement that would provide stability for both parties through the pandemic and into a period of facility planning in the future. Given that the City currently has nothing budgeted towards improvements at the facility or for future planning, I felt moving the goal posts past 2027 was important to provide time to appropriately budget for and develop plans that could lead to a successor agreement.

The result of that negotiation, which was admittedly less well-resourced than I would like given staffing vacancies within the Parks Division, is the Second Amendment to the existing agreement. This includes a number of updates from the existing agreement, including:

1. Replaces the outdated and no longer relevant Improvements Agreement from 2011.
2. Sustains the positive financial gains from the existing agreement vs the prior agreement, with the exception of rental payments in 2020 and 2021.
3. Aligns roles/rights for the parties to the agreement.
4. Extends the one year optional renewals to 8 years from 3 years.
5. Reduces needs for City investment over the next few years.
6. Adds additional focus to the neighborhood engagement processes and parking requirements.
7. Brings the agreement up to standard on all the agreement legal terms for the City of Madison.

I think this amendment that provides rental reduction to the Mallards and potentially extends the terms of the agreement is imperfect, but there are significant benefits to the City with continuation of the relationship. There is the potential for some rental income in 2021, though even assuming it is \$1, the average over the next 8 years would be \$62,500. This revenue is recognized in the Parks Division budget and offsets other parks costs from the levy. In addition sustaining the utility reimbursement for the facility is a significant cost reduction. Though utilities are generally variable in rate, the meter charges for a facility of this size are significant even with limited usage. Additionally, my expectation is that the Mallards will continue to maintain the day to day issues that come up with a facility that has aging infrastructure. This is a significant savings in staff time, as we spend far less time there than they would without an operator. Finally, the Mallards continuance of their field maintenance responsibilities allows for the continued utilization of staff that used to be assigned there to be deployed within the parks system to meet the needs of the community and a growing parks system.

It is my hope that this extension of options for up to 8 years provides the Mallards with the flexibility and stability to remain steadfastly committed to providing great fan experiences and entry level employment opportunities on the Northside. I am also hopeful that this new agreement will allow the time for recovery from the pandemic and budgetary impacts of it. I do not believe the current stadium can continue much past 2028 without reinvestment. It is my hope that over the coming 3-4 years, the Mallards and City can work together on a vision for Warner and a plan to fund it that provides a sustainable future for the Mallards and a good investment for the City.