LEASE SUMMARY

BASICS

TEAM: Pittsburgh PIRATES
Team Owner: Robert Nutting

Team Website: http://pittsburgh.pirates.mlb.com/

FACILITY: PNC Park

Facility Website: http://mlb.com/pit/ballpark/

Year Built: 2001

Ownership: Sports & Exhibition Authority of Pittsburgh and County of Allegheny

TYPE OF FINANCING:

The Pirates contributed \$40 million to the project. The remaining amount came from the state, county, and city as part of an \$809 million sports facilities/convention center financing proposal that included Heinz Field for the Steelers (NFL). *Appendix 1*, Sports Facility Reports, Vol. 12, https://law.marquette.edu/assets/sports-law/pdf/sports-facility-reports/v12-mlb-2011.pdf.

TITLE OF AGREEMENT:

Lease Agreement by and between Sports & Exhibition Authority of Pittsburgh and Allegheny County and Pittsburgh Associates.

TERM OF AGREEMENT: The term begins on "the later of (a) February 15, 2001, or (b) a date that is ten (10) days following the delivery of written notice delivered by the Authority to the Team that Substantial Completion of the Project has occurred, but in no event will the Commencement Date be prior to December 1, 2000." The term runs through October 31, 2030. The Agreement also contains an option for one extension period of five years at the election of the Team. —Article 3, pg. 13

PAYMENTS/EXPENSES

RENT:

Section 4.2 – **Rent Formula**

"Rent shall consist of the aggregate of the following:

- (a) Base Rent. \$100,000 per year; and
- (b) Excess Gate.
 - (i) 5% of all Ticket Revenues in excess of the sum of \$44,500,000 up to an including \$52,500.00 and
 - (ii) 10% of all Ticket Revenues in excess of the sum of \$52,500,000....
- (c) Excess Concession Revenue. The sum of:
 - (i) if the Team's arrangement with the concessionaire or concessionaires selected by Team entitles Team to receive more than 42% of the aggregate Gross Concession Revenue for sales at all Home Season

- Games, Team shall pay to Authority 5% of the excess over 42% and 10% of the excess over 45% of Gross Concession Revenues, and
- (ii) "5% of Team's receipts from Gross Food and Beverage Revenues . . . within the Ballpark from Home Season Games in excess of nine dollars (\$9.00) per game per person actually in attendance. . . .
- (d) Ticket Surcharge. "The Team shall receive and retain the first \$1,500,000 of Ticket Surcharge in each Lease Year. The next \$375,000 of Ticket Surcharge in each Lease Year, as such sum is adjusted annually by CPI increases, shall be paid to the Authority and shall be immediately deposited by the Authority into the Capital Reserve Fund. . . . The next \$250,000 of Ticket Surcharge in each Lease Year shall be paid to the Authority as Additional Rent and may be used by the Authority in such manner as it deems appropriate. . . . All proceeds of the Ticket Surcharge exceeding the sum of \$2,125,000 per Lease Year . . . shall be paid to and retained by Team." —pgs. 14-15

Section 4.4 – **Statutory Rent**

"The team covenants and agrees to make three payments of Statutory Rent to the Authority of \$25,000,000.00 each, reduced by available credits under [the Sections below]. Said additional rental payments shall be due in the Lease Year immediately following the expiration of the first ten-year period of the Initial Term, at the expiration of the next ten-year period thereafter and at the expiration of the Initial Term." –pg. 17

OPERATING EXPENSES:

Section 4.2.2 – **Additional Rent**

"The Authority and the Team intend that all costs, charges, and expenses relating to the use, occupancy, repair and maintenance of the Leased Premises, including but not limited to, assessments for improvements, utility charges, insurance, operation, maintenance and repairs . . . , which may arise or become due during the Lease Term shall be paid by the Team, and the Team hereby agrees to indemnify, defend and hold harmless the Authority from and against the same." –pg. 16

CAPITAL IMPROVEMENTS

Section 10.3 – Capital Reserve Fund: Payment of Capital Repairs

Section 10.3.1 – Establishment of Fund

"The Authority shall establish a Capital Reserve Fund as a segregated fund of the Authority, separate and apart from other funds of the Authority. Prior to the end of the first Lease Year, the Authority will deposit \$3,000,000 into the Capital Reserve Fund. Thereafter, during each lease year, the Authority shall deposit not less than \$650,000 into the Capital Reserve Fund." –pg. 37

MAINTENANCE

Section 7.1.1 – **Management**

"Team shall manage and operate all aspects of the Ballpark, subject to Authority's and the Commonwealth's right to use the Ballpark for Community Events and Commonwealth Events." –pg. 30

Section 10.1 – **Team Covenants**

"[The] Team shall at its sole cost and expense:

- (a) keep and maintain the Premises and all equipment, machinery and fixtures located thereon, including any facilities developed on or along the Allegheny River pursuant to the Docking Rights, in compliance with all Applicable Laws and MLB requirements, and in good, clean, safe and sanitary condition and repair, as a first-class sports facility, and make all ordinary and necessary repairs and replacements required for the day to day operation of the Ballpark;
- (b) maintain or cause to be maintained all necessary licenses, permits, approvals and authorizations for the operation of the Premises;
- (c) maintain the playing field and all landscaping on the Premises;
- (d) perform ordinary maintenance required to keep that parcel of real property . . . located between the Site and the Allegheny River (the 'Riverfront Park'), in a neat and orderly condition, free of liter and debris, with grass and shrubbery in trim with snow and ice removed from walking paths;
- (e) maintain all portions of the Premises outside the Ballpark in good condition, free of litter and debris, and with all grass and shrubbery in trim. . . .; and
- (f) not commit waste or destroy, demolish, vacate, or abandon any part of the Premises." –pgs. 36-37

RETENTION

NON-RELOCATON/RETENTION CLAUSE:

Section 7.1.5 – **Maintenance of Franchise**

"At all times during the Lease Term, the Team shall (i) maintain its membership and Franchise in the MLB in good standing, (ii) hold, maintain and defend its rights and franchise to play baseball as a member of MLB in the City, and (iii) use reasonable efforts to oppose the adoption of any MLB rules or procedures that would limit its ability to comply with any of the terms of this Lease." –pg. 31

Section 8.2 – Covenant Not to Relocate

"[T]he team affirmatively covenants, during the Lease Term, (i) not to relocate or attempt to relocate the Franchise outside the City during the Initial Term, and (ii) not to initiate or participate in discussions that would be intended to result in the relocation of the Franchise during the Initial Term. In accordance with such covenant, the Team further agrees not to make an application to MLB to sell, pledge, encumber, assign, transfer or otherwise dispose of the Franchise without providing thirty (30) days' prior written notice

of such intended application to the Authority and to the Commonwealth. These covenants shall expire only upon the expiration of the Initial Term." –pg. 35