

Cuyahoga County to exhaust stadium maintenance funding before leases expire

Quicken Loans Arena may need over \$100 million in maintenance costs, costs the County does not have allocated; Progressive Field plans unclear

By William Tarter, Jr., Resident, County Council District 6

Key Findings:

- Quicken Loans Arena will run out of maintenance money by 2024, 10 years before the new lease expires (2034).
- Progressive Field will exhaust its maintenance money by 2023, 12 years before the sin tax bonds are paid off, with need for new money to be earmarked for stadium maintenance with a lease extension.

Three years ago, voters in Cuyahoga County and the City of Cleveland renewed the sin tax, for the purposes of maintaining the stadiums. Two-and-a-half years later, the City and County agreed to split the revenue raised from those taxes on alcohol and cigarettes. The City and County have agreed to split revenue equally among the three facilities at \$86.6 million each. The money is supposed to last from 2015-2035. For more information on that report, please click [here](#).

As a reminder, the County is responsible for any capital maintenance expense over \$500,000 on Quicken Loans Arena and Progressive Field. The Q Transformation Plan is a separate project, and the construction work done on the façade does not affect the expected costs in maintenance items that the teams submitted to the County.

For the past 3 years, I have attended the vast majority of meetings of the Gateway Economic Development Corporation. Documents distributed at a meeting earlier this summer show that Gateway approved several more projects that need to be approved by the County for reimbursement by taxpayers. What follows is an update to my previous paper, which outlines how quickly the County is running out of money to maintain the facilities. This report was written as a private citizen, without compensation, on my own time.

Quicken Loans Arena

During the first two years, Quicken Loans Arena had \$23 million in capital projects that were paid for by taxpayers. Additionally, Gateway Economic Development Corporation, the nonprofit entity that oversees the facilities, voted to approve an additional \$11 million in projects. That means that, total, Quicken Loans Arena used \$34 million of their \$86 million total maintenance money in the first *two years*.

Major Capital Summary Cleveland Cavaliers

The below projects were recommended for approval and forwarded to the County by the Gateway Board. Each project was funded and is either finished or in progress.

ITEM	Board Approved Budget	Reallocate	Comment
Flat and Curved Roof Replacement	4,174,050.00		
Safety and Security System	3,090,000.00	\$518,253.16	Reallocate to Roof Costs
Scoreboard and Digital Display	9,357,611.00	\$18,861.00	Reallocate to Roof Costs
Video Production Control Room	4,645,828.00	\$269,283.40	Reallocate to Roof Costs
Arena Bowl Sound System	1,800,000.00	\$136,270.87	Reallocate to Roof Costs
	23,067,489.000	\$942,688.43	

Pending Gateway/County Approval

ITEM	Pending Approval	Comment
Lower Roof	\$2,117,711.57	First proposal (\$3,060,400.00) Less Savings (\$942,688.43)
Scoreboard Hoist	\$571,500.00	Cavs Advanced Payments
Telescopic Seating Platform	\$3,521,500.00	Cavs Advanced Payments
HVAC Replacement	\$5,000,000.00	This request was to be used for design and high priority projects.

Total \$11,210,711.57 (Added by WT)

The Cavaliers also submitted estimates to Gateway that they will use \$32 million in the next 5 years towards capital expenses, which will be paid for by taxpayers. Combined with the \$34 million that has already been spent, this means that the Cavaliers will have used \$66.98 million in the first 7 years. They only had \$86 million to last for 20 years. That means that, assuming a conservative estimate of \$10 million per year in maintenance items, the facility will run out of maintenance money in 2024 and 2025-2034 may need more than **\$100 million** in capital maintenance money until the least expiration in 2034, money that the County currently has not allocated.

5-Year Major Capital Plan Submitted by the Cleveland Cavaliers (June 30, 2016-January 1, 2017)

Category	Capital Description	Estimate
Vertical Transportation	Refurbishing	\$672,027.00
Miscellaneous Electric	Lighting Controls	\$983,454.00
Miscellaneous Electric	Sport Lighting	\$1,957,160.00
Life Safety	Fire alarm System	\$597,026.00
General Trades	Precast Sealing/Painting	\$4,502,035.00
General Trades	Arena Curtain System	\$854,900.00
Window Glazing System	Replacement of Window Glazing	\$1,038,175.00
Concrete	Sidewalks, Stone Steps and Railings	\$597,026.00
Mechanical Plumbing	Replacement of Ice Floor and Plant	\$3,095,149.00
HVAC Replacement	Replacement of HVAC Systems	\$17,778,063.00
Domestic Hot Water Tank	Domestic Hot Water Tank Replacement	\$627,029.00
		\$32,702,044.00

Progressive Field

The situation with the home of the Cleveland Indians, Progressive Field, is even worse.

Progressive Field currently has \$37,415,629 in capital projects that have been approved by the County, with \$1.1 million that has been approved by Gateway and now pending to County Council for approval.

That means that the Indians have used \$38.5 million in maintenance costs in just the first two years.

Major Capital Summary Cleveland Indians

The below projects were recommended for approval and forwarded to the County by the Gateway Board. Each project was funded and is either finished or in progress. Approved and funded by county

ITEM	Board Approved Budget	Reallocate	Comment
Sound System	\$4,760,000.00	\$1,300,000.00	Reallocated Savings to LED Field Lights
Scoreboard System	\$16,083,560.00	\$500,000.00	Reallocated savings to LED Field Lights
High Steel Painting	\$2,184,230.00		
Concrete Resurfacing	\$3,000,000.00	\$1,500,000.00	Reallocated funds to the elevator project at (750,000) and LED Project for shortfall (300,000) the (450,000 *) is pending reallocation for Phase #3 Suite Renovations. Approved by County
Replacement of Food Service Equipment	\$1,426,757.00		
HVAC System	\$5,201,340.00		
Suite and Press Box Fire Suppression System	\$83,992.00		
Suite and Press Box Glazing	\$1,760,168.00		
Suite & Balcony Flooring	\$59,582.00		
Access Controls & Surveillance System	\$2,856,000.00		
	\$37,415,629.00	\$3,300,000.00	

New Ask-Pending Gateway/County Approval

ITEM	Pending Approval	Comment
Phase #3 Suite Renovations	\$1,184,055.00	Per December 1, 2016 Letter. This will be covered by the 2016 Excise tax reserve fund.

Detail of Reimbursable Sin Tax Costs: Suite Renovations	Budget	Forecast	+/-
Glazing	\$389,747.00	\$446,060.00	\$56,313.00
Resinous Flooring	\$149,935.00	\$154,265.00	\$4,330.00
Fire Suppression	\$60,202.00	\$61,500.00	\$1,298.00
Electrical, Plumbing, & HVAC	\$405,000.00	\$403,730.00	(\$1,270.00)
Whirlpool Refrigerators/Induction Burners	\$102,333.00	\$102,500.00	\$167.00
Spray On Fireproof Patching	\$27,000.00	\$16,000.00	(\$11,000.00)
Total	\$1,134,217.00	\$1,184,055.00	\$49,838.00

The Indians have \$86.6 million that is supposed to last from 2015-2035. The Indians estimate that they will have \$47,371,000 million in capital repairs that are to be reimbursed by

taxpayers, in the next five years (2018-2023). That means, essentially, that the Indians will have used almost all their money (\$85 million out of \$86 million), in the first 8 years, money that was supposed to last from 2015-2035. *If the Indians extend their lease past 2023, there is currently*

<u>5-Year Major Capital Plan Submitted by the Cleveland Indians (August 5, 2016)</u>		
Category	Capital Description	Estimate
Cast-In-Place Concrete	Upper Deck Concrete	\$2,700,000.00
Cast-In-Place Concrete	Metal Sub-Roofing System	\$2,000,000.00
Precast Concrete	Seating Bowl Concrete Coating System	\$3,900,000.00
Seating	Seating Bowl Replacement	\$8,500,000.00
Mechanical & Plumbing	Air Handling Units	\$6,150,000.00
Mechanical & Plumbing	Fan Coil Units	\$1,420,000.00
Mechanical & Plumbing	Concession/Toiler Room Exhaust Fans	\$3,526,000.00
Mechanical & Plumbing	Sanitary & Storm Water Pumps	\$725,000.00
Mechanical & Plumbing	Plumbing Fixtures	\$2,400,000.00
Mechanical & Plumbing	Fire Suppression-Suite & Press Box	\$750,000.00
Miscellaneous Metals Ballpark General Trades	Railing Replacement/Main Concourse	\$550,000.00
Ballpark General Trades	Suite Glass/Glazing	\$1,500,000.00
Ballpark General Trades	Balcony/Corridor Flooring	\$1,250,000.00
Food Service Equipment	Food Service Equipment	\$12,000,000.00
		\$47,371,000.00
<u>* Note that all projects need to be vetted and soft costs added.</u>		

no money allocated for the maintenance costs of the facility.

Conclusion

The maintenance forecast on the current state of the stadiums is highly uncertain. The County has major capital decisions that it must make, unrelated to sports. It is difficult to identify funding options for the County to fulfill its current obligations, especially now that revenue options such as the city admission tax has been tied up in the Q Transformation Project. I highly recommend that community engagement commences immediately on ways to maintain

the facilities, so that citizens are educated about what options are on the table, and they can be discussed accordingly.