

Without new revenue, County may face athletic facility maintenance shortfall

By William Tarter, Jr., Third Vice President, Cleveland NAACP

Introduction

While discussion continues on the pending authorization request for a lease extension on Quicken Loans Arena, I have (on my own time and as a private citizen) prepared this report to examine the state of the capital maintenance responsibilities of Cuyahoga County.

Three years ago, a majority of Cuyahoga County voters approved a renewal of the sin tax to maintain Progressive Field and Quicken Loans Arena. The sin tax is projected to generate approximately \$260 million (\$13M annually) from 2015 until 2035ⁱ. There is an agreement in place between the City and the County to split the revenue equally between Cleveland Browns Stadium, Quicken Loans Arena and Progressive Fieldⁱⁱ. That equates to about \$86.6 million apiece. That money is expected to last for each facility until 2035.

Quicken Loans Arena

According to the terms of the lease, Gateway Economic Development Corporation (i.e. a nonprofit with a board appointed by the city and county, which oversees repairs financed by taxpayers) is responsible for major capital maintenance costs over \$500,000. According to projections, Quicken Loans Arena will need \$55 to \$65 millionⁱⁱⁱ in lease-obligated capital projects capital repairs that will be paid for by taxpayers in the first 10 years (2015-2025).

Quicken Loans Arena 10 year Lease-Obligated Major Capital Repair, Replace & Update Preliminary Estimated Expense Range

Architectural/Structural Systems	Preliminary Estimated Expense Range:	
• Roof Replacement	\$5,500,000	\$6,250,000
• Exterior Precast Concrete Panel Sealing / Painting	\$4,950,000	\$5,600,000
• Window Replacement	\$1,250,000	\$1,450,000
• Sidewalks, Steps, and Railing Replacement	\$700,000	\$775,000
• Elevator and Escalator Refurbishment	\$700,000	\$850,000
• Multi-level Seating Space Replacements, Updates and Reconfigurations	\$4,900,000	\$5,900,000
Mechanical & Electrical Systems		
• Building Automation System Control Replacement & Commissioning	\$500,000	\$650,000
• Energy-efficient Chilled Water Pump Replacement	\$1,750,000	\$2,000,000
• Energy-efficient Condenser Water Pump Replacement	\$550,000	\$725,000
• Energy-efficient Water Cooled Centrifugal Chillers	\$2,700,000	\$3,500,000
• Energy-efficient Cooling Tower Replacement	\$750,000	\$900,000
• Air Handler Coil Replacement	\$2,250,000	\$2,750,000
• Reheat & Variable Air Volume box replacement	\$800,000	\$925,000
• High Volume Cooling/Heating Fan & Fan Coil Replacement	\$850,000	\$950,000
• Ventilation Management and Control System Replacement	\$500,000	\$700,000
• Energy-efficient Bi-Polar Filters for Seating Bowl Air Handler Units	\$800,000	\$900,000
• Energy-efficient Variable Speed Chiller Plant Replacement	\$500,000	\$600,000
• Pneumatic Control Systems Update to Digital	\$1,500,000	\$2,000,000
• Ice Floor and Chiller Plant Replacement	\$3,500,000	\$4,000,000
• Lighting Control System Replacement	\$925,000	\$1,150,000
• Arena Bowl Lighting System Replacement	\$2,000,000	\$2,250,000

Quicken Loans Arena 10 year Lease-Obligated Major Capital Repair, Replace & Update Preliminary Estimated Expense Range

Event Systems	<u>Preliminary Estimated Expense Range:</u>	
• Arena Bowl Curtain Replacement	\$750,000	\$950,000
• Video Control Room Update to HD	\$3,500,000	\$4,500,000
• Arena Bowl Sound System and Amplifier Replacement	\$1,400,000	\$1,800,000
• HD Scoreboard System	\$8,000,000	\$9,000,000
Safety & Security Systems		
• Fire Alarm System Update and Replacement	\$625,000	\$700,000
• Security Command Center Refurbishment and Camera Updates	\$2,850,000	\$3,225,000

**Preliminary Estimated Expense Range:
\$55 million to \$65 million over 10 years.**

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Source: Cleveland.com

According to the Gateway Economic Development Corporation, Quicken Loans Arena has already completed approximately \$23 million of county –approved projects from the \$86.6 million allocation, in just the first *two years*^{iv}. That means that, as of 2017, Quicken Loans Arena has approximately \$63 million left in maintenance money that is supposed to last from 2017 until 2035.¹

If Quicken Loans Arena needs between \$55 million to \$65 million in taxpayer-funded repairs in the first 10 years, that leaves between \$21 million to \$31 million to last for the second 10 years. This is highly unlikely, as the Arena will be significantly older and thus more expensive to maintain. If Quicken Loans Arena requires, on average about \$6 million a year in maintenance, this means that sin tax dollars will likely run out by 2029 at the latest. With the lease now being

¹ Additionally, according to Crain's Cleveland Business, there is still \$9 million in repairs that have been approved by Gateway Economic Development Corporation that have yet to be approved by the County.

extended to 2034,² that means that without new revenue, it is unclear how Cuyahoga County is going to be able to fulfill its maintenance obligations on Quicken Loans Arena until the end of the lease extension. This is important because, without new revenue, those repair costs would come from the general operating fund.

Progressive Field

According to the terms of the lease, Gateway Economic Development Corporation (i.e. again, taxpayers) are responsible for major capital maintenance costs over \$500,000. According to the projections, Progressive Field will need \$61 to \$69 million^v in lease-obligated capital projects capital repairs that will be paid for by taxpayers in the first 10 years (2015-2025).

Projected Preliminary Estimated Major Capital Repair List & Range of Costs

DRAFT AND SUBJECT TO CHANGE

10-Year Major Capital Repair,
Replace, & Restore (2014-
2023) projected preliminary
estimated range of costs:
\$60,000,000-\$70,000,000

Major Capital Repair, Replace, Restore	Estimated Cost Range	
Mechanical/HVAC:		
Replace Air Handling Units	\$5,500,000	- \$6,000,000
Replace Fan Coil Units	\$1,400,000	- \$1,500,000
Replace Concession & Toilet Exhaust Fans	\$3,500,000	- \$3,900,000
Replace Chilled Water Plant	\$2,600,000	- \$2,900,000
Subtotal Mechanical/HVAC:	\$13,000,000	- \$14,300,000
Plumbing:		
Replace Sanitary & Storm water Pumps	\$700,000	- \$800,000
Replace Plumbing Fixtures	\$2,400,000	- \$2,600,000
Replace Domestic Water Pumps	*	*
Replace Fire Pumps	*	*
Replace Domestic Water Heaters	*	*
Subtotal Plumbing:	\$3,100,000	- \$3,400,000
Mechanical		
Replace Building Automation System	\$1,700,000	- \$1,900,000
Subtotal Mechanical:	\$1,700,000	- \$1,900,000
Electrical:		
Replace obsolete sound system	\$3,400,000	- \$3,700,000
Replace obsolete scoreboard system including displays and control equipment	\$13,600,000	- \$14,900,000
Replace Emergency Power System	*	*
Replace obsolete and inefficient electrical lighting systems	*	*
Replace obsolete broadcasting infrastructure	*	*
Subtotal Electrical:	\$17,000,000	- \$18,600,000
Structural:		
Resurface concourse, ramp, & stair concrete	\$3,400,000	- \$3,700,000
Repair/replace metal sub-roof systems on Main, Mezzanine, and Upper concourses	\$3,800,000	- \$4,200,000
Replace seating standards, seats, and backs	\$7,700,000	- \$8,500,000
Resurface seating bowl concrete	\$1,400,000	- \$1,500,000
Replace vertical transportation system - elevators & escalators	\$7,300,000	- \$8,000,000
Replace food & beverage concessions areas	\$1,300,000	- \$1,400,000
Steel shoring and painting	\$1,500,000	- \$1,700,000
Subtotal Structural:	\$26,400,000	- \$29,000,000
GRAND TOTAL	\$61,200,000	\$67,200,000

* These projects were identified in our engineering reports as potential major capital repairs but either has fallen below the \$500,000 threshold or already has been performed by the Indians.



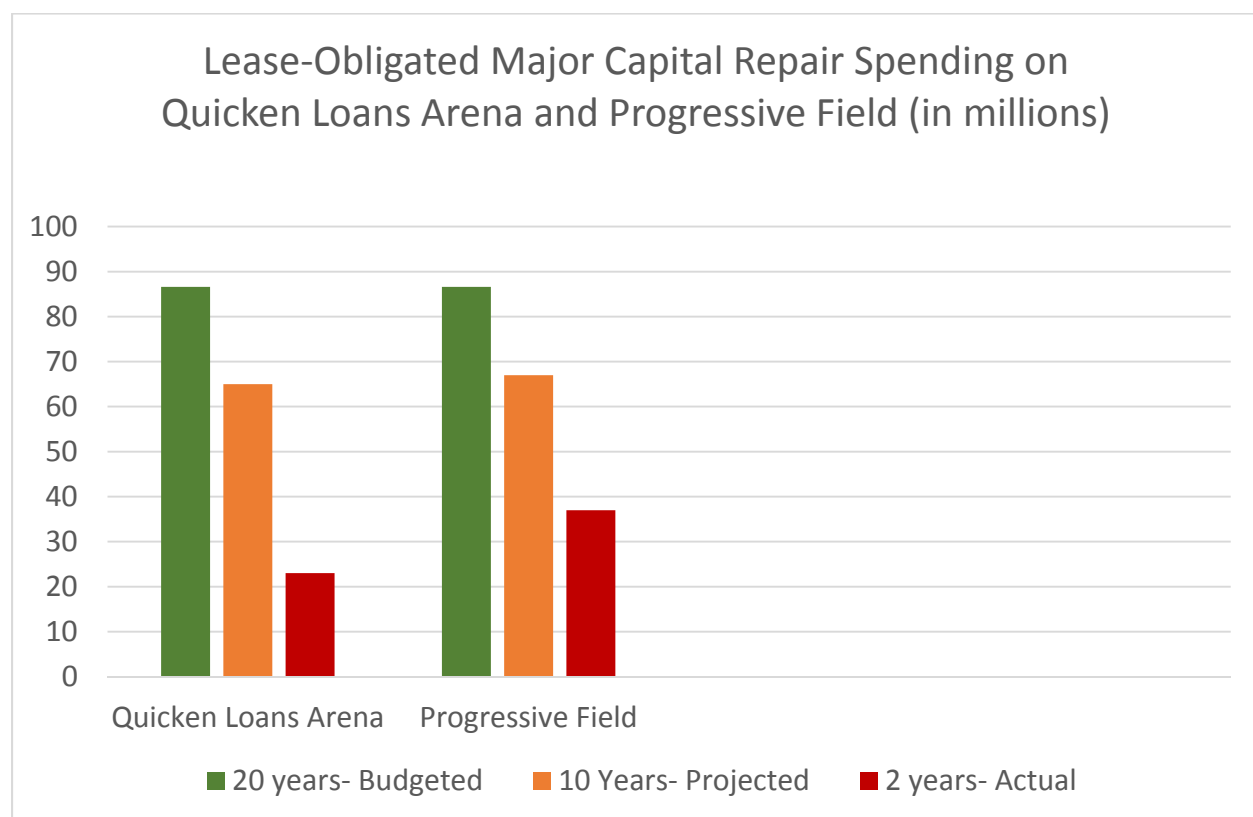
Source: Cleveland.com

² It is important to note that the money set aside for new construction projects paid for by the Q Transformation *cannot* be used for major capital repair projects, and thus does not delay the expected maintenance cost projections.

This means that, based on the projected number of capital improvements needed in the first 10 years (2015-2025), and based on the current allocation of sin tax dollars, the County will have only \$19-25 million dollars to last for the second 10 years (2025-2035). Without new revenue, it is unclear how Cuyahoga County will be able to fulfill its maintenance obligations on Progressive Field past 2029. Again, the field will be significantly older and thus more expensive to maintain.

It is important to note that approximately \$37 million^{vi} of that money has already been spent... in the *first two years (2015-2017)*.

Progressive Field has even less money remaining than Quicken Loans Arena, approximately \$49 million left in maintenance money that is supposed to last from 2017 until 2035.



Example Scenarios

To give an idea of how this could play out, the Progressive Field scoreboard was replaced back in 2016 at a cost of approximately \$14.9 million. The scoreboard was last replaced back in 2004^{vii}. If the scoreboard shelf life of this new scoreboard is also 12 years, then another scoreboard will be needed in 2028 (say that one also costs \$14.9 million). By that time, the amount of sin tax money available will barely be enough to cover that, let alone any other maintenance items that will need to be addressed in a ballpark that will be over 30 years old. According to a 2014 presentation to Cuyahoga County Council by the Greater Cleveland Partnership, the maintenance cost of the sports facilities has doubled since 1993.^{viii}

The Cavaliers paid privately to replace the Quicken Loans Arena scoreboard back in 2005. That scoreboard lasted 10 years until the new one was built in 2015 at a cost of \$9 million (which was paid for by taxpayers).^{ix} The County also paid for \$11 million in audio upgrades. If this new scoreboard has a shelf life of approximately 10 years, then Quicken Loans Arena will need another \$9 million scoreboard (and probably audio upgrades, too) in 2025. That means that there will be hardly any maintenance money for Quicken Loans Arena available after that, again, on a facility that will be over 30 years old. A central question then emerges: Will the annual maintenance costs exceed the cost of a new facility? And would taxpayers still be paying down the new construction bonds that are now currently being issued on this current facility?

Conclusion

The Indians have approximately six years left on their lease (2023)* and the Cavaliers have 10 years left on their lease (2027). If the lease extension is approved, the Cavaliers will have 17 years left on their lease (2034). It appears as if Progressive Field has less maintenance money available, and a shorter timeframe until the Indians' lease expires. Therefore, there needs to be priority on that facility's future.

Additionally, it would be beneficial to generate ideas and develop answers to the questions surrounding the long-term funding strategy for County maintenance of both sports complexes, for both now and in the future.

Thanks for reading.

ⁱ http://www.cleveland.com/cuyahoga-county/index.ssf/2016/11/what_is_the_sin_tax_and_how_is_the_money_distributed_xxx_things_to_know.html

ⁱⁱ http://www.cleveland.com/cuyahoga-county/index.ssf/2016/11/cuyahoga_countys_sing.html

ⁱⁱⁱ http://council.cuyahogacounty.us/pdf_council/en-US/Misc.%20Reports%20and%20Presentations/Sin%20Tax%20Presentations/20140121-GatewayExciseTax-Presentation.pdf

^{iv} http://www.cleveland.com/naymik/index.ssf/2015/10/cuyahoga_county_seeks_to_finan.html

^v http://council.cuyahogacounty.us/pdf_council/en-US/Misc.%20Reports%20and%20Presentations/Sin%20Tax%20Presentations/20140121-GatewayExciseTax-Presentation.pdf

^{vi} http://www.cleveland.com/metro/index.ssf/2016/11/progressive_field_gets_new_sod.html

^{vii} http://www.cleveland.com/tribe/index.ssf/2015/12/indians_getting_new_scoreboard.html

^{viii} <http://s3.documentcloud.org/documents/1008232/gcp-indians-council-presentation.pdf>

^{ix} http://www.cleveland.com/cuyahoga-county/index.ssf/2014/01/scoreboard_upgrades_for_cavs_indians_could_cost_taxpayers_24_million.html

^x <http://www.crainscleveland.com/article/20080806/FREE/767534704/cleveland-indians-to-remain-safe-at-home>