

A home run for a small city

A FLEET OF BACKHOES moving dirt near the Fredericksburg Expo Center on a sweltering July day in 2019 would not have typically drawn much interest. But for the City of Fredericksburg, those backhoes and that dirt represented the culmination of nearly a decade of effort to land a minor league baseball team and stadium. For the Silber family, owners of a baseball franchise previously known as the Potomac Nationals, the field being cleared by those backhoes would be their team's new home after a long journey to find one. And for the Silber Companies, a regional real estate investment and development firm, they were part of a vision to turn the Fredericksburg-based Celebrate Virginia South economic development association corridor into a tourism campus.

Under the surface, deeper than any single locality, sports franchise, or economic development project, the earth being moved also represented something with implications for any locality hoping to invest in sports facilities: How to build a professional sports stadium using innovative and collaborative public-private partnerships.

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Rounding First: How initial attempts failed but city leaders kept going

The pursuit of professional baseball has been a topic of interest among City of Fredericksburg leaders since the early 2010s, when a series of editorials in *The Free Lance-Star* newspaper made the case for minor league baseball as a worthwhile pursuit for the community. The editorials caught the attention of people with Maryland's Hagerstown Suns, whose ownership contacted Fredericksburg officials about moving the Low Single-A affiliate of the Washington Nationals to Fredericksburg.

A years-long negotiation ensued between the Suns and the city. In keeping with most minor league baseball stadium projects, the Suns proposed that the municipality build the stadium and the team pay rent. While city officials were eager to see baseball in Fredericksburg, they made it clear that a publicly financed stadium was not something a small city of 29,000 residents could take on. Conversations then turned to a privately financed stadium, but ultimately the two sides couldn't come to terms.

Undeterred, Fredericksburg's city leaders didn't give up on the possibility of a hometown team. "We knew that minor league baseball would be well-received in Fredericksburg, and that it would add a lot for our community, visitors and residents," said Fredericksburg Mayor Mary Katherine Greenlaw. "We therefore decided to make the recruitment of a team and the development of a privately financed stadium one of our top priorities. But we made clear that it would have to be on financially prudent terms."

Safe at Second: A necessary pause to gather financial backing

Around the time the Suns were working with the City of Fredericksburg, the Silber family was talking to Prince William County about a new stadium for the High Class-A affiliate of the Washington Nationals. The P-Nats, as they were then known, had long been playing in the outdated Pfitzner Stadium in Woodbridge. For a variety of reasons, those talks broke down as well.

Fredericksburg city officials had developed a relationship with the Silber family during the Suns conversation and decided to reach out to team owner Art Silber.

"At the time we had no idea whether the Silbers would be interested in Fredericksburg or whether we could put together a deal if so," said Fredericksburg City Manager Tim Baroody.



"But our Council had made clear that they wanted us to pursue minor league baseball, so we called Art and his family."

As it turned out, the Silbers were interested in Fredericksburg. A month later, the Silber family made an under-the-radar visit to Fredericksburg to see the city and meet with local officials.

City leaders made clear from the beginning that they did not want to own a stadium. For their part, the Silbers made it clear that they were willing to own and finance the \$35 million, 5,000-seat stadium, but they would need significant help from city: specifically, \$1.05 million a year for 30 years. That would represent about 40 percent of the debt service on a stadium loan, which the Silbers were willing to carry with the city's pledge.

"As a longtime banker, I knew that we couldn't get this financed without the city's support," Art Silber said. "It also couldn't be performance-based, but rather had to be an ironclad annual pledge for 30 years as long as we were playing minor league baseball in the stadium and providing the city with the promised benefits."

Those benefits to the city included use of the stadium for a variety of community events, extensive marketing throughout the facility, a suite, and the intangible benefits that come from having a minor league baseball stadium and team.

City officials were enthusiastic about a privately financed stadium, but the \$1.05 million annual commitment for 30 years was no small matter for a city with a \$90 million-\$100 million annual budget. Further, all the city's private-sector incentives prior to this time had been performance-based – meaning the city returns all or a portion of the tax revenue generated by the business.

City staff were faced with the challenge of crafting a deal that city council could support while adhering to the team's stipulation that it not be performance-based. Their focus turned to ensuring the stadium would generate the \$1.05 million – thereby making the project budget-neutral.

Projections developed by the Silbers and an independent consultant indicated that the stadium would produce about \$700,000-\$750,000 in tax revenue for the city annually – including sales, meals, admissions and real estate taxes. How to bridge the gap?

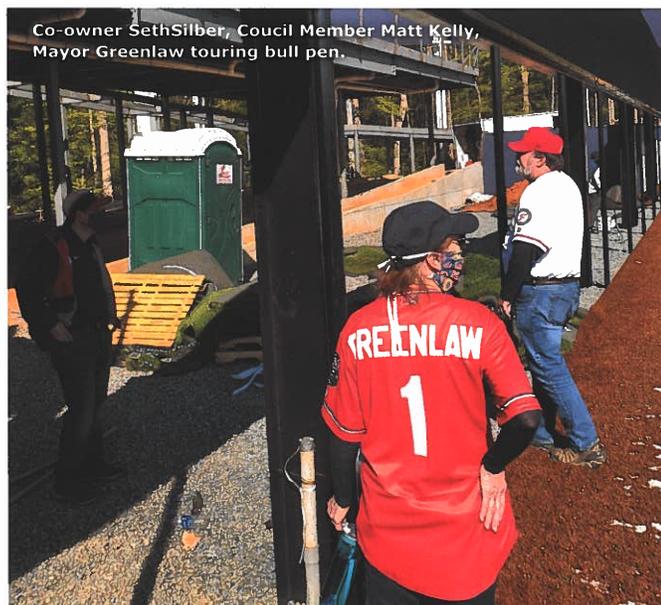
Sprinting to Third: Bonds close the finance gap

The solution lay in two additional sources of revenue. First, the Celebrate Virginia South Owners Association pledged \$100,000 a year to the city for the benefits that the stadium would provide to the development. Second, city staff identified the potential to generate \$200,000-\$250,000 by holding events at the stadium, including the summer concert series that had been running nearby.

The city ultimately signed a side agreement with the Silbers that would give the team the right to run all revenue-generating events at the stadium for 10 years. In exchange, the team would pay the city \$100,000 a year, plus up to \$150,000 a year in additional revenue based on the success of paid events.

Those three sources of income – tax revenue, the Celebrate Virginia South pledge, and the paid events agreement – ultimately convinced city council members that \$1.05 million a year was a reasonable amount.

"We felt confident that the stadium would generate enough money to cover the annual commitment, not even factoring in the indirect



Co-owner Seth Silber, Council Member Matt Kelly, Mayor Greenlaw touring bull pen.



Fred Nats fun facts

Mascot. The team's mascot is Gus, rumored to be George Washington's boyhood imaginary friend. According to Paige Honaker, the FredNats' marketing coordinator, Gus has been around Fredericksburg for centuries.

Logos. Branding for Fredericksburg Nationals has inspired many

interesting logos, including one depicting George Washington swinging at a cherry tree, the Fredericksburg skyline and various versions of the "F" for "FredNats." A Mary Washington logo was unveiled in November 2019 at an event celebrating her 311th birthday at her former home in downtown Fredericksburg. Mary Washington is the first female logo in baseball history to be a part of a team's permanent and original branding.



Beer! The FredNats already have a signature beer called "Sluggin' Gus" from Fredericksburg's 6 Bears and a Goat Brewery. Sluggin' Gus will be served in the ballpark and is now available for pickup from 6B&G: www.6gbrewingco.com.

Opening Day. Originally scheduled for April 23, 2020, the coronavirus pandemic didn't stop the creative marketing team and fans from celebrating the FredNats as they held a virtual opening day, complete with the national anthem, a 7th inning stretch with Mary, George and Gus, nine virtual innings, games, giveaways and virtual stadium tours.

Team Store. The FredNats team store, located at 610 Caroline Street, is currently closed to the public. But fans can purchase hats, t-shirts and other novelties from the team's online store: www.milb.com/fredericksburg/ballpark/team-store



Trivia. What Baseball Hall of Famer threw a silver dollar across the Rappahannock River during a George Washington birthday celebration in 1936? Answer: Walter "Big Train" Johnson.



Stay Connected. The team's official website is www.milb.com/fredericksburg where you can view the schedule, find out about planned promotions and giveaways, and purchase tickets.

tax revenue that could be produced from things like additional hotel stays and complementary new development," Greenlaw said.

"Even if there were a shortfall, we felt it wouldn't be a particularly large one. That seemed worth the risk, and inflation is also our friend with a 30-year fixed commitment."

Heading for Home: Bonds show the way

In the spring of 2019, the city and team finalized the 30-year agreement, and the team turned its attention to getting the stadium planned, permitted and financed.

The Silbers spoke with numerous commercial banks about the loan for the project without success. Further, most commercial loans must be refinanced after 10 years, and the Silbers preferred to have a locked-in interest rate for 30 years. That meant going to Wall Street.

Art Silber had contacts with the large investment banking firm UBS from his banking career. Extensive dialogue occurred between UBS and the team, and the banking giant was selected as the underwriter.

UBS consulted on the bond sale with some of the country's largest rating agencies as well as its customers. A recommendation was made to split the package into two series of bonds – one whose debt service would be paid by the city's \$1.05 million commitment ("Series A bonds") and the other that would be repaid from operating revenue at the stadium ("Series B bonds"). Both bonds would be issued through Fredericksburg's economic development authority (the EDA).

The Silbers would be solely responsible for the debt service, but the EDA would receive a new income stream for being the issuer – about \$39,000 a year at first and gradually declining over the 30-year term.

After months of work and reams of documentation, UBS called the Silbers on July 11 with the good news – the bonds had been sold! The bond sales closed the following week, and construction began.

City officials were pleased with the bond sale. "The bond sale was very difficult for the team but not impossible," Baroody said. "We think that shows we negotiated a good deal – not paying so much as to make it easy to finance but paying enough to make it viable and financeable."

"We think this could be a model for how to get professional sports stadiums financed," Baroody continued. "And we are so proud that we got this done in Fredericksburg. We look forward to Opening Day."

Home Run! (coming soon)

Fredericksburg's new minor league baseball team is called the Fredericksburg Nationals or "FredNats."

Due to the COVID-19 outbreak, it remains uncertain when that Opening Day will be. City and team officials are hopeful Opening Day will be this summer. Regardless what happens with the season, the city and team are already planning numerous non-baseball events for the stadium. 

About the author: Bill Freehling is the Director of the Fredericksburg Department of Economic Development and Tourism.