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Sale of baseball franchise moves forward

BY DAVID SINGLETON (STAFF WRITER)

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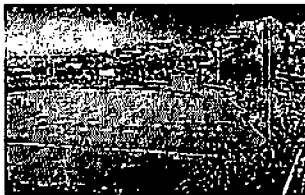


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Lackawanna County will sell Northeast Pennsylvania's Triple-A baseball franchise to SWB Yankees for \$14.6 million as part of a sweeping proposal that ensures the sport's presence here for at least 30 more years and includes a \$40 million overhaul of the stadium.

The county commissioners and Multi-Purpose Stadium Authority outlined a new memorandum of understanding with SWB Yankees, owned by Mandalay Baseball Properties and the New York Yankees, at a 2½-hour public hearing Monday evening at West Scranton High School.



The proposed deal, the product of months of what was described as arduous and sometimes acrimonious negotiations, includes far better terms than the county would have received under the original 2007 agreement with SWB Yankees, majority Commissioners Mike Washo and Corey O'Brien said.

Mr. O'Brien told about 50 people who attended the hearing the "difficult decision" to move ahead with the franchise sale will make possible the stadium renovations necessary to keep baseball in the region. It is neither the easy nor politically expedient thing to do, he said, but it is the right thing.

"That is the hand we have been dealt, and we need to play it in a responsible way," he said.

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The county's chief baseball negotiator, attorney Steven J. Labovitz of Atlanta-based McKenna Long & Aldridge LLP, called the proposal a "very good and sound deal" for the people of Lackawanna County.

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"I do think we were able to accomplish all the goals we wanted to accomplish," Mr. Labovitz said.

Under the agreement, SWB Yankees will exercise its option to buy the franchise for \$14.6 million but will extend its lease with the authority from 20 years to no fewer than 30 seasons, with renewal options that could extend it for up to 50 years.

SWB Yankees' annual rental payment, now a minimum of \$125,000 annually, will increase to a flat \$750,000 a year.

Between the purchase price and the annual rentals, the deal represents a \$37 million commitment on the part of Yankees officials to baseball in the region, the commissioners said.

The agreement also gives the authority the right to repurchase the franchise - either on its own or through a third-party assignee - if SWB Yankees were to decide to relocate the team or end the Triple-A affiliation with the Yankees.

The repurchase would be based on fair market value as determined by the average of three appraisals - one appraiser retained by the authority, one by SWB Yankees and a third agreed upon by both parties.

The original agreement, which was negotiated by former Commissioner Robert C. Cordaro, called only for one appraisal by SWB Yankees.

A key component of the package was the commitment of Gov. Ed Rendell to provide up to \$25 million in state aid for a major renovation of PNC Field in Moosic.

Jacqueline Z. Parker, deputy secretary for community affairs and development for the state Department of Community and Economic Development, told the hearing the governor is supportive of minor league construction projects, viewing the stadiums as catalysts for economic development in their communities.

"It becomes a destination. It becomes a place for families to go," Ms. Parker said.

The county and the stadium authority will match the state funding with \$20 million to finance the project, which will essentially rebuild the aging ballpark from the ground up.

Based on design concepts unveiled at the public hearing, the majority of the stadium, including the upper deck, would be demolished, and lower concourse would be extended around the entire perimeter of the field, providing a more intimate fan experience.

Money for the county's match of the stadium project will include \$4.3 million from the franchise sale. The balance would come from \$4 million in existing authority funds, \$8.7 million in new authority financing and a \$3 million state reimbursement to the county for the courthouse renovation project.

The memorandum of understanding for the franchise sale now goes to the stadium authority with a recommendation for approval. The authority will consider the agreement during a meeting today at 5 p.m. at the county Administration Building.

If the authority gives its OK, the final documents necessary to execute the agreement will be drawn by counsel for the county - not counsel for SWB Yankees as outlined in the original agreement.

Authority members who spoke at the hearing appeared to be leaning toward approval. Member J. Christopher Munley described the franchise sale as "a lousy sandwich we have to take a bite of and swallow," but indicated there are no other options.

"It's not a good agreement, but it's the best under the circumstances," he said.

Mr. Washo said county officials see the renegotiated terms of the franchise sale, together with the state's financial commitment for the stadium project, as their best opportunity to secure the future of Triple-A baseball in Northeast Pennsylvania.

Addressing concerns that the sale of the franchise will mean the end of minor league baseball, Mr. Washo said the reality was actually the opposite.

"The failure to sell the franchise will result in the loss of baseball," he said.

State officials made it clear, he said, they were not willing to wait around while the county resolved its differences with SWB Yankees. The only way the county could take advantage of the opportunity "was to craft an agreement that went well beyond, in terms of protection, what

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we had before."

"This a very good deal for Lackawanna County, for Northeast Pennsylvania, for baseball," Mr. Washo said.

Minority Commissioner A.J. Munchak, who was in the majority when the initial agreement was signed with SWB Yankees, said the new proposal was a definite improvement over the original and is the only way to preserve Triple-A baseball locally.

"If we don't get this new stadium, we are not going to have baseball. ... This really is do or die," Mr. Munchak said.

Public sentiment at the hearing generally favored the sale, although there were notable exceptions.

Former commissioner Joseph Corcoran, whose administration helped secure the franchise and shepherded the construction of the existing stadium, said the public was told at that time Triple-A baseball would never leave Northeast Pennsylvania.

"I have yet to talk to anybody who thinks it's a good idea for us to lose this franchise," he said.

Attorney John McGee, former stadium authority solicitor and board chairman, quizzed the commissioners about several points in the memorandum of understanding.

Afterward, he pointed out the memorandum is neither legally binding nor enforceable, meaning the protections touted by the commissioners and the county negotiating team do not yet exist.

"The franchise shouldn't be sold - period," Mr. McGee said.

Still unresolved is a lawsuit filed in August by Luzerne County, which joined Lackawanna County in putting up \$1 million each in 1986 to buy the franchise. Luzerne County contends it is entitled to half of the proceeds from a sale.

Mr. Washo and Mr. O'Brien would not comment on the litigation. However, the commissioners indicated \$7.3 million, representing half of the franchise sale proceeds, will be set aside for an unspecified purpose.

Luzerne County Commissioners Maryanne Petrilla, Stephen A. Urban and Thomas P. Cooney said Monday evening they had no knowledge of the negotiations or the sale other than what had been reported in the local media.

"I had no idea," Ms. Petrilla said. "I had no idea that Lackawanna County, the stadium authority, Mandalay and the governor's office had been in negotiations. No one told us about it. ... It's just indicative of what's been going on all these years: Luzerne County has never been a part of it."

Ms. Petrilla said she would meet today with county solicitor Vito DeLuca to discuss whether Luzerne County could block the sale.

"If they want to settle the lawsuit by giving Luzerne County a check for \$7.3 million, that is certainly something we would entertain, but we don't know if the taxpayers of Luzerne County even want to sell the franchise," Ms. Petrilla said.

She said the \$14.6 million selling price "undervalued" the franchise. The San Diego Padres agreed last week to purchase their Triple-A affiliate, the Portland Beavers, for between \$16 million and \$20 million.

An affiliate of the New York Yankees, the richest, most celebrated franchise in sports, should command a sale price of \$25 million or more, she said.

I don't understand why Lackawanna County is selling the taxpayers short here," Ms. Petrilla said.

Michael R. Sisak, staff writer, contributed to this story.

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