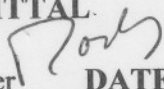


COUNCIL TRANSMITTAL



TO: Rocky Fluhart, Chief Administrative Officer **DATE:** January 26, 2005

FROM: Alison McFarlane

RE: Proposed Block 22 soccer stadium and South Main Street Small Area Master Plan.

STAFF CONTACT: Alison McFarlane

RECOMMENDATION: That the City Council provide indication of support for Administration to continue to pursue the project.

DOCUMENT TYPE: Written Briefing

BUDGET IMPACT: The associated project costs are outlined below.

DISCUSSION: The Administration has prepared responses to the City Council's questions regarding the proposed soccer stadium on Block 22. Also attached is a draft proposal for a small area master plan for the South Main Street Area.

Financial/Deal Details

1. *How would the over-all project be financed?*

Construction of the structure - The team and /or lenders will provide funding in the approximate amount of \$30 million. It is anticipated that the County would consider a bond issue for an additional \$30 million for the structure. If bonding for \$30 million dollars is not accomplished, Real officials have indicated other financing will be arranged.

Land Acquisition / TRAX Station

RDA funding - The RDA proposes to purchase the land and enter into a long-term lease with Real Salt Lake. Early estimates of the cost of land are approximately \$12.5 million, not including buildings or relocation costs. The Agency will also be responsible for the completion of a TRAX station adjacent to the proposed site. The estimated cost of the station is \$1,200,000.

In order to finance the cost of acquisition and the TRAX stop, the RDA will contribute funds from three primary sources:

- 1) Annual tax increment revenues that are currently being generated from the West Temple Gateway area which are approximately \$525,000 per year;
- 2) Program Income fund revenues in the approximate amount of \$1,000,000 per year; and
- 3) Future increment generated from the stadium in the approximate amount of \$579,000 (the City would also receive a small portion from the property taxes which would provide some funding).

Only points # 1 and # 2 detailed above can be used to secure a bond issuance. If used to bond, these revenue streams would yield proceeds of approximately \$15,000,000. If the final cost of acquisition exceeds \$15,000,000, the Redevelopment Agency would require a loan from the City.

City funding (if needed) - The City could realize approximately \$6.5 million by replacing cash bond reserve accounts with surety bonds. If this amount is applied to the purchase of the land, the bonded debt load to the RDA could be reduced by \$500,000 to \$600,000 per year. The RDA would agree to reimburse the \$6.5 million, to the extent possible, from the stadium's portion of the district increment (#3 above).

Bonds based strictly on the RDA revenue sources would not be investment grade bonds. In order to attain an investment grade, an enhancement must be associated with the bonds, i.e., the purchase of an insurance policy.

An alternative financing plan is the issuance of City bonds. This can be done under the City's current sales tax bond cap and the bonds would receive an AA rating. The source of repayment would be the three sources of RDA revenue shown above. In the event that the RDA funds were insufficient to service the debt, the City's sales tax revenues would pay for any debt service not covered by the RDA.

This was the model used for the financing of Franklin Covey Field.

2. What are the major deal points that Real is expecting of Salt Lake City?

Real Salt Lake has requested the RDA to contribute 10 acres of land. Additionally, the City/RDA proposes to complete the "wowed" TRAX station on Main Street. Parking for the facility will be shared parking with surrounding lots and garages within 4 blocks of the facility. Approximately 4,571 parking spaces are available.

3. How will the proposed parking structure or lot be paid for?

A dedicated garage for the facility is not planned at this time. Over 4,500 parking spaces within several blocks of the stadium have been identified. The facility site will have an additional estimated 200 stalls for tenant and special needs parking. Shared parking with Grand and Little America, the Salt Lake City Public Library, Wells Fargo, Block 21 and Block 40 will be used.

4. As currently contemplated, what is the RDA contribution and how does that contribution impact the potential for the RDA to participate in other projects in that district in the future years (for example 5, 10, 15, 20 years)?

The RDA will continue aggressive activity in the West Temple Gateway. RDA and City staff view the stadium proposal as a unique opportunity to jump start development in the area.

In a larger context, City Administration and RDA staff are working on a redevelopment plan for Block 22 (facility site) and the surrounding blocks which, over 10-15 years time, will create an exciting mixed use district with hotel accommodations, open space, mixed income housing, the multi-use facility/stadium, destination museum, retail and commercial development. This allows the use of a multi-use stadium to be a component of a larger redevelopment effort.

While all of the tax increment that is currently being generated from the district would be pledged for the stadium, the RDA will remain engaged in the area to create more incentives for additional development. As development in the district occurs, there will be more tax increment available for redevelopment.

Estimates: 5 years – \$ 0 project funds
 5 - 10 years - \$200,000 - \$1,000,000 per year

The district will sunset in 14 years.

5. Should any monetary shortfall exist between debt service and tax increment, how would this be paid for?

The sources of repayment would be:
 Existing tax increment from West Temple Gateway;
 RDA program income;
 Future increment from the stadium;

and if a funding gap still exists, debt service would be covered by a loan from the general fund to the RDA.

6. *How would County ownership of the building itself (through the County bonding process) affect the ability for the City to collect property taxes?*

State law provides payment of a privilege tax equal to a property tax on property that is publicly owned and used by a private entity. Staff has spoken with the team regarding payment of privilege tax and the pro forma that has been used does include the payment of the tax. To the extent that the facility is deemed to be tax exempt, we would have the team pay additional lease payment in lieu of property taxes.

7. *Is the property potential collateral for the bond?*

The property would not be used for collateral for either the City or County bonds. If the bond is passed, the County would own the facility and the City would own the land.

Property Issues

8. *Is the property going to be acquired by the City prior to the passage of a county bond or other deal points are in place?*

No. The land will be purchased after the authorization of county bonds or arrangement of alternative financing unless the RDA chooses to purchase property even without certainty that a stadium will be constructed.

9. *Is it possible to lease some or all of the land?*

At this time, present owners have indicated a willingness to sell the land. RDA staff is continuing to work with the property owners to see if leasing land is an option.

Contingency

10. *What happens to the deal as a whole if the county bond does not pass?*

Real Salt Lake will seek other sources of funding.

11. How is the City protected if the stadium is not built and the City has already expended capital, the bond does not pass, or other deal points are not met?

RDA/City will not purchase property until after authorization of county bonds or alternative financing. Cost of appraisals and due diligence work may not be recovered.

12. What protections are there to SLC if the team were to elect to leave in the future?

The City/RDA will ask for personal guarantees (or other adequate security) from the owners of the team. The model for negotiation in many cities is to ask for a minimum commitment from a team between 20 and 30 years.

General Questions/Other

13. What have other cities done with respect to public financing of major league soccer stadiums?

All stadiums are a result of public / private partnerships with significant public contributions. Multi-use facilities around the country (baseball, hockey, basketball stadiums, arenas and other public structures) have been constructed. Within the last 10 years, 70 new or renovated multi-use facilities have been completed with a partnership of private and public financing.

- Columbus (OH) Crew Stadium
 - Private - \$30 M Public –Land donation

- Home Depot Center – Carson City, CA
 - Private - \$150 M Public – Cal-State land donation

- Frisco Sports/Entertainment Center (Frisco, TX for FC Dallas)
 - Private - \$30 M Public - \$60 M

- Chicago (IL) Fire
 - Private - \$25 M Public –Land donation; \$20M Infrastructure

- Colorado Rapids (Denver)
 - Private - \$64 M Public - \$64 M land donation and infrastructure

- MetroStars (New Jersey)
 - Private - \$30 M Public – Land donation \$70 M infrastructure

- DC United Stadium (Washington, DC)
 - Private - \$30 M Public – donation of land, \$50 M redevelopment of
RFK stadium

14. Is there economic justification for approximately 70 percent of this project being publicly funded?

At present, all attention is focused on the north and western boundaries of Downtown --- the redevelopment of the Main Street malls and the Gateway project area. The proposal provides an opportunity for much needed attention on the southern boundary of downtown. Opportunity for redevelopment on a large scale has not been available in that area for a long period of time. With dense housing, commercial development, the an interactive museum, and associated lifestyle and entertainment development, a desirable destination can be created. Within three blocks of the stadium site there are over 4,000 hotel rooms, making the area ripe for attractions and destination visits. Access to the interstate and TRAX make it desirable for housing, business, retail and commercial development.

Also, new direct job and indirect job creation, \$95 million dollars a year in media exposure, and influx of visitors to the area are other impacts from the project.

The EDCU ran an economic impact model of REAL Salt Lake. The model predicts the team operations will yield \$180 million of new economic circulation in the state's economy.

Real Salt Lake's employees and indirect job creation will lead to the construction of 140 new housing units in the Salt Lake area.

Property values near a new facility will increase, bringing more tax dollars and increasing economic value of the area.

The EDCU estimates that the new team and stadium will generate at least \$29 million in tax revenues for state and local government over the next 10 years.

15. What is the projected financial future of Major League Soccer and Real Salt Lake?

MLS is ten years old. The league is owned by its team owners including Phil Anschutz (AEG Entertainment Group) and Lamar Hunt (Columbus Crew and FC Dallas). The team has controlled salary caps and a very strong marketing component called Soccer United Marketing.

Real Salt Lake's management is committed to fielding a competitive and exciting team. There is no other major league sport in the summer; Utah has the highest youth participation in soccer per capita; Utah's Latin American community as well as residents who have traveled or lived abroad and have learned to love the game provide a knowledgeable and passionate fan base, and early-season ticket sales have been brisk.

43% of Salt Lake County residents reported they would be somewhat or very likely to attend a MLS game. Also, the team has had active discussions for partnerships with Real Madrid, the world's most popular franchise, for cooperative agreement.

16. Would the soccer stadium be considered competition for the Delta Center or other facilities?

The stadium is an outdoor venue (which may have a retractable roof) which dictates the kind of uses available. Its focus is on soccer and field sports, while the Delta Center's major tenant is basketball. Competition for the entertainment dollar will always be fierce. There is market competition with many venues in the area - the Delta Center, E-Center, Rice Eccles, Kingsbury Hall, Usana Amphitheater, Red Butte Garden. The stadium will compete for events no matter its location in the valley; better Salt Lake City than Murray.

17. Has an independent analyst conducted a feasibility/impact study for the proposal?

EDC Utah has conducted an economic analysis for Real Salt Lake. Their analysis is reported in answer #14 above.

18. What is the evidence that Major League Soccer stadiums generate additional economic development and revitalize blighted areas?

Much like the Delta Center was a catalyst for development toward Salt Lake City's west side of the business district, a multi-use facility at the southern anchor of downtown will enhance new growth and development. The Salt Lake City Public Library is another example. Since the construction of the library, three housing projects on adjacent blocks are underway, completed or in the planning stages, and new retail growth has occurred.

Case Studies from other cities:

Frisco, Texas

20 miles north of Dallas, Texas

Population 70,000

The City of Frisco, Texas created a sports investment strategy for growth in 1997. At the same time, they implemented a county TIF zone. Since 1997, the following facilities have been constructed or are under construction. All of the facilities are in the core of the downtown area, with the farthest one being 2 miles from downtown.

- Frisco Superdome (bicycling venue)
- Frisco Sports complex
- Dr. Pepper 7 Up Baseball Park
- Dr. Pepper StarCenter (ice arena and gymnastics)
- Embassy Hotel
- Frisco Conference Center
- Frisco Soccer and Entertainment Center (home of FC Dallas, formerly Dallas Burn)
- Arts of Collin County (performing art center)
- 145-acr mixed use town center with town homes, apartments, retail, commercial and office space

The soccer and entertainment center has a 20-year agreement with FC Dallas to lease the stadium. The center will host regional, state, national and international events, as well as high school games and tournaments, and the land adjacent to the soccer site has doubled in price since construction began. The stadium is being financed with \$20M from the City, \$20M from the County TIF, and \$20M from the school district who will use the facility for high school play.

The nine projects in Frisco, Texas were the result of a public / private partnership with \$100 M in private funding, and \$171 M in public funding.

WASHINGTON NATIONALS BASEBALL

- 41,000 seats /1,100 on-site parking stalls
- 30-year lease with team with five 2-year options
- \$300 million dollar total budget
- Private financing – 50%
- 21 acres, 63 parcels, 27 property owners/eminent domain
- \$1 Billion dollars impact over 30 years
- \$24 - \$20 million annual tax income
- Part of a much larger Anacostia Development Project with housing, commercial and open space/waterway development

Case Study: Kansas City Live

- Redevelopment of 14 downtown blocks
- 425,000 s/f of entertainment
- 200 market rate condos
- Renovation of historic theater
- 500,000 s/f H&R Block headquarters
- 18,500-20,000 seat arena (no major tenant or team yet)
- Renovation of 200-room luxury historic hotel
- Opening summer 2006

The Kansas City Live project is funded through tax increment financing, a hotel tax and car rental fee. Total cost of the project is \$700 Million dollars. Phase One is under construction at a cost of \$322 million dollars; 196M in public dollars, 126M in developer costs.

If not this project to generate redevelopment in the southern end of downtown, then what? This is an opportunity to use sports as a component of revitalization. It requires a planned and coordinated development approach and several partners. It requires vision and the methodical implementation of a plan over many years. Given that the West Temple Gateway district sunsets in 14 years, the stadium may be the anchor and spark plug for a larger, comprehensive, interesting new piece of the downtown plan.

The Real Salt Lake stadium plan also incorporates the home offices of Sports West Broadcasting which will create a fully functional media partner and business in the southern end of downtown.

Economic impact in other cities has been significant in jobs, tax revenue, civic pride, and generation of surrounding development. Economic impact can come outside the stadium, inside the stadium, and from the team.

19. Chronologically, what is the land purchase and development process, point by point, and what types of approvals would be needed from the City Council/RDA (zoning changes, conditional use, etc.)?

Action	Date	Action required by Council	Time required to complete
Negotiate land purchases	No later than August 2005	Approve acquisition amounts	to be completed by August 2005
County bond approval or alternative financing	November 2005	N/A	
Execute purchase of land	December 2005		90 days
Begin zoning process	December 2005	N/A	4 to 6 months
Bonds for property purchase to begin	December 2005	Approve bonds	3 or 4 months
Relocation of tenants	Start after closing on the land	N/A	6 months
Delivery of land lease to Real / start of construction	August 2005	N/A	30 Days

20. And finally, some interesting words from the area Community Councils:

Rio Grande/Downtown Community Council – Bill Davis

Highlights
“If You Build It - Will They Come”
Conference

*International Economic
Development Council*

January 2005

Perspective of the last 10 years

- New or expanded / renovated sports venues
 - Major league baseball: 15 of 30 facilities
 - NFL: 20 of 31 facilities
 - NBA: 18 of 29 facilities
 - NHL: 14 additional including 9 at NBA facilities
 - MLS: 3 new facilities

Youth sports grow – and absorb more and more family time with new sports arriving, especially lacrosse

Colleges – Evolving Gems

- These are the truly huge players in all communities
- Incredible growth with facilities following
- Working with community colleges for small and medium sized cities is a win/win
- Rise of state universities and college branch campuses have brought opportunities for events/uses/programming not previously anticipated
- Flexible meetings/sports/performance halls are the gems

Multi-use Facilities

- Trend is to less single purpose and more multi-use stadiums and arenas
- Sports is part of a comprehensive redevelopment strategy. Sports is one component that invites lofts/condos/townhouses as well as commercial space, and lifestyle and entertainment venues
- Small to mid-size arenas (5-15,000) don't need massive parking. Parking is absorbed in urban area by the ½ mile surrounding
- Comprehensive redevelopment transforms a downtown from a “collection” of destinations to ONE unique downtown.

Multi-use Facilities

- Soccer
- Lacrosse
- Equestrian
- Rodeos
- Concerts
- Family shows
- Thrill shows
- Festivals
- Cultural events

Downtown master plans with integration of sports

- Montgomery, Alabama
- Memphis, Tennessee
- Nashville, Tennessee
- Jacksonville, Florida
- Manchester, New Hampshire
- Denver, Colorado
- Tucson, Arizona
- Omaha, Nebraska
- Indianapolis, Indiana and Akron, Ohio were the first cities to use sports to revitalize downtown

Stadium/arena financing

- Since 1991, there have been 17 new baseball parks. Only 2 had more private than public funding.
- Public financing usually covers land acquisition, parking, road/transit improvement or development, utilities and infrastructure, debt financing mechanism, financial guarantee, assistance with retail and commercial development.

Tom Hocking (municipal finance consultant)

- “Revenue from stadium is not the issue, economic development is the issue.”
- Sports facility can be a driving force in a blighted area, but it is a long term process and requires plan management.
- New tax dollars and revenue sources
- Provide public event and meeting venue
- Long term community asset for many events
- Stimulus for economic development
- Job creation

Why Public Money?

- Economic Development
- Identity
- Stimulate surrounding public investment
- Attract tourism and suburban dollars
- Entertainment and civic pride for residents
- Avoid relocation of teams
- Financing for parking / transportation and utilities benefits everyone, not just the stadium or arena.
- Most new arenas make operating profit, but not debt service. Public sector makes up the difference

Sources of Funding

- Property taxes
- Tickets/concessions
- Tax Increment Financing
- Rent/lease income
- General retail sales tax
- Hotel/motel, auto tax
- Parking fees and taxes
- Ticket surcharge/admission tax
- Sin tax (liquor/cigarettes)
- Dedicated lottery game
- Brick paver naming
- Business improvement district
- Grants / loans

Other Potential Sources of Revenue

- Naming rights
- Advertising rights
- Concession rights
- Broadcast rights
- Signage rights
- Luxury suite sales
- Private seat licenses

Economic Impact

- Out of Stadium
- Inside Stadium
- By Team
- New spending, income, jobs
- Related land development and new businesses
- Generate new taxes

Case Study: Frisco, Texas

- 20 miles north of Dallas
- Population 70,000 ; General Fund \$50m

- Sports Investment Strategy developed in 1997
- Implemented TIF zone
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Frisco Projects Summary

Project	Private \$	Public \$
Superdrome	\$2M	\$2.2m
Baseball Park	\$6M	\$22M
StarCenter	\$7M	\$20M
Embassy Hotel	\$40M	\$0
Conf. Center	\$13M	\$15M
Soccer Center	\$21M	\$55M
Arts Center	\$10M	\$57M
Total	\$100M	\$171.2M

Frisco Soccer Stadium

• Land	\$18.6M
• Road/infrastructure	\$3.4M
• Parking	\$3M
• Tournament Field	\$5M
• Main Stadium	\$35M
• TOTAL	\$55M
• City	\$20M
• County TIF	\$20M
• School District	\$15M
• TOTAL	\$55M

FC Dallas and Frisco

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Kansas City Live

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Financing Kansas City Live

- TIF
- Hotel Tax
- Car Rental Fee

- \$700 Million Dollar Project
- Phase One --- \$322 Million
- Phase One --- \$196 Million Public Dollars
- Phase One --- \$126 Million Developer Costs

Kansas City Arena Funding

- Total budget - \$250 Million
- 57% public funding
- 42% private funding (AEG)

- Hotel and car rental tax passed by Kansas City voters by nearly 60% and there is no team yet for the arena.

#