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Major League Soccer Stadium: Proposed Lease between City of Austin and PSV

*City Council Special Called Meeting
August 1, 2018*

City Council Policy Direction

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November 2017 – August 2018

Resolution 20171109-046

"Identify City owned sites in the full purpose jurisdiction ... that might be appropriate for a soccer stadium"



- Staff Issued Report on December 14th, 2017
- McKalla Place one of eight potential sites identified for a soccer stadium

Resolution 20180322-099

"The City Manager is directed to provide a detailed analysis of 10414 McKalla Place as a potential site for a major league soccer stadium."



- City held 11 Information Sessions for Citizens as part of process
- Staff issued report on June 1st, 2018

Resolution 201800628-130

"The City Manager is directed to begin negotiations with PSV regarding a Major League Soccer stadium to be located at 10414 McKalla Place ..."



- August 9th Action Item on City Council Agenda to Consider Lease with PSV
- Entire Term Sheet posted on July 27th

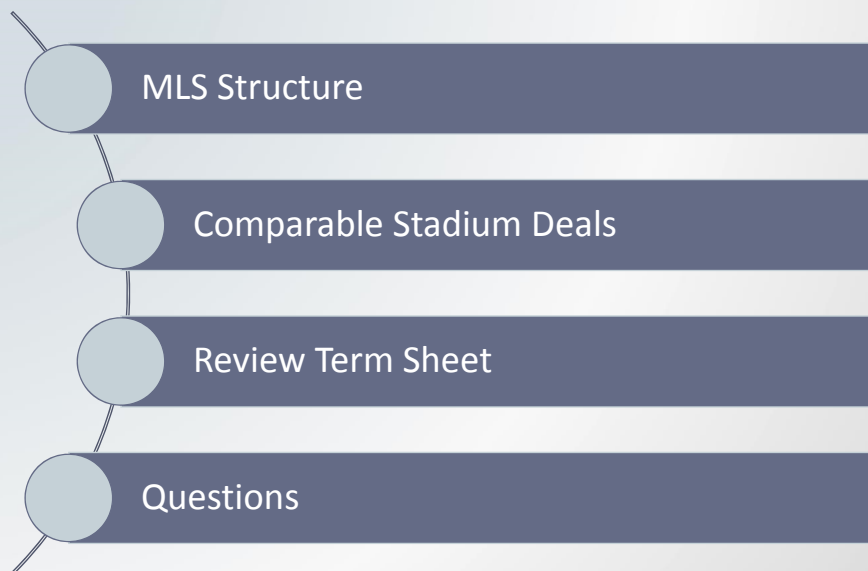
Outcome of Negotiations

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	PSV Original	Negotiated Terms
<i>Non-Economic</i>		
Lease	20 YR; with three 20 YR options (80 YRS)	20 YR; with three 10 YR options (50 YRS)
Non-Relocation Clause	No	Yes
City Approval Rights(Stadium)	No	Yes
Affordable Housing	\$4 m + No On Site	\$4 m + 1 acre for 130 units
City Policy Objectives	Yes	Yes +++
Ancillary Development	Yes – No City Review	Yes – City Approval
<i>Economic</i>		
Stadium Costs (Construction & Operations)	100% Team	100% Team
Site Prep Costs	100% City	100% Team
Permit Fee Waivers	Yes	No
Utilities	Discounted	No Discount
Cap Ex Fund Requirement	No	Yes
Rent (20 Years)	No	\$8.25 M Total

Today's Discussion

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Major League Soccer: *Structure*

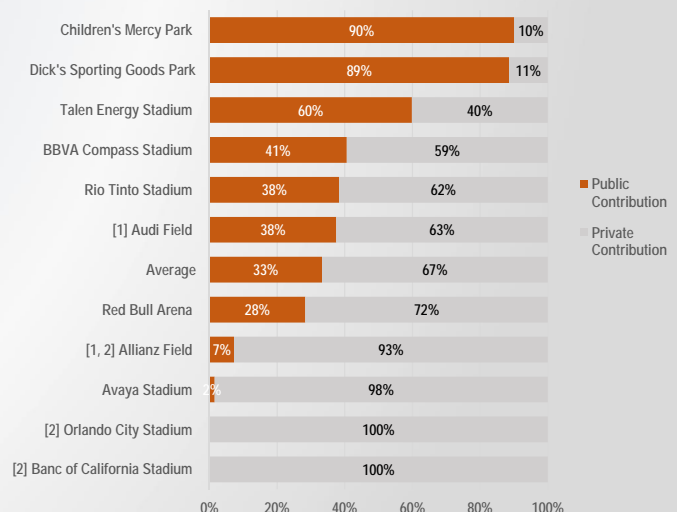
- Major League Soccer is a single-entity ownership structure
- MLS owns member clubs; investors (“investor-operators”) purchase stakes in the league for operating rights to a market
- MLS currently has 23 member clubs, with expansion plans for up to 28
- MLS allocates players to teams and pays for salaries (aside from designated players); the franchise in turn shares 33% of gate receipts with the league
- The league negotiates national-level media and sponsorship agreements; teams are responsible for local agreements
- Typically each member club creates a separate StadiumCo separate from the team
 - City/PSV Term Sheet requires PSV to guarantee StadiumCo

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MLS Stadia: *Public and Private Funding*

- Contemporary MLS stadia have an average reported project cost of \$208 million
- Public entities contributed an average of \$69 million (33%)
- Teams contributed an average of \$139 million (67%)
- The five most recent MLS stadia have an average project cost of \$251 million
 - \$34 million in public contributions (14%)
 - \$217 million in private contributions (86%)

Public and Private Sector Contributions for U.S. MLS Stadia (2007 to 2018)



[1] Under construction; final budget TBD

[2] Final cost does not include land and infrastructure contributions from public agencies

MLS Stadia: *Private Contribution Levels*

- The proposed private contribution by PSV is **considerably** larger than private contributions in similarly-sized markets (Orlando, San Jose, Denver, Kansas City)

#	Stadium	Market (MSA)	Est. 2017 MSA Population	Year Built	Stadium Cost	Public Contribution
1	Banc of California Stadium	Los Angeles	13.4M	2018	\$350.0	\$0.0
2	Audi Field	Washington, DC	6.2M	2018	\$400.0	\$150.0
3	Allianz Field	Minneapolis	3.6M	2019	\$250.0	\$18.0
4	Red Bull Arena	New York	20.3M	2010	\$300.0	\$85.0
5	Proposed Austin MLS Stadium	Austin	2.1M	-	\$200.0	\$0.0
6	Orlando City Stadium	Orlando	2.5M	2017	\$156.0	\$0.0
7	Avaya Stadium	San Jose	2M	2015	\$99.7	\$1.5
8	Rio Tinto Stadium	Salt Lake City	1.2M	2008	\$117.5	\$45.0
9	BBVA Compass Stadium	Houston	6.9M	2012	\$101.0	\$41.0
10	Talen Energy Stadium	Philadelphia	6.1M	2010	\$122.0	\$73.0
11	Dick's Sporting Goods Park	Denver	2.9M	2007	\$183.0	\$162.0
12	Children's Mercy Park	Kansas City	2.1M	2011	\$203.2	\$183.0

Source: Internet research; B&D database; US Census Bureau

MLS Stadia: *Peer Stadia*

- The proposed deal terms most closely resemble Allianz Field / Minnesota United, but with a shorter term and lower public contributions

Stadium:	BBVA Compass Stadium	Allianz Field	Orlando City Stadium	<i>Austin MLS Stadium</i>
Team:	Houston Dynamo	Minnesota United FC	Orlando City FC	<i>TBD</i>
MSA Size / Rank:	6.9 M / 5th	3.6 M / 16th	2.5 M / 23rd	<i>2.1 M / 31st</i>
Year-Built:	2012	2019	2015	<i>2021</i>
Project Cost (\$M):	\$101	[1] \$250	\$156	<i>\$200 +</i>
Public Contribution (\$M):	\$41	\$18	\$0	<i>\$0</i>
Private Contribution (\$M):	\$60	[1] \$232	\$156	<i>\$200</i>
Lease Term (Years):	30	50	-	<i>20</i>
Property Taxes Due?	No	No	[3] Yes	<i>No</i>
Annualized Payment:	\$65,000	\$557,000	-	<i>\$550,000</i>
MLS Gameday Revenue Sharing:	No	No	No	<i>No</i>
Capital Expenditure Responsibility:	Shared	Team	Team	<i>Team</i>
Annualized Capital Ex. Contribution:	\$240,000	[2] TBD	-	<i>[4] \$212,500</i>

Source: Internet research; Telephone Interviews

[1] Project costs have reportedly risen to approximately \$250 million

[2] The Team is required to develop a long-term capital improvement plan

[3] Rent payment adjusted to \$0 in recognition of Property Tax Assessment

[4] City contribution comes from Team rent payment plus additional Team match

MLS Stadia: *Lease Review*

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- The vast majority of MLS lease agreements allow the team to retain control of MLS-related revenues; teams are also responsible for maintenance and operations
- Teams are generally responsible for capital expenditures, though select instances have shared contributions between the City and Team (Portland and Houston)
- Lease payments range from \$1 to \$557,000 and terms range from 20 to 50 years
- PSV's proposed annualized lease payment is \$412,500; placing it second among contemporary MLS stadia
- Lease payment amounts and structures are dictated by local market conditions, initial contributions, property tax exemptions, and timing

Term Sheet: *Review of Major Points*

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STADIUM CONSTRUCTION

- PSV responsible for funding, including development, construction, and cost overruns
- Completion guaranty
- City approval rights and monitoring rights
- Eight acres of public green space, open space, and performance areas
- Ancillary development on-site (commercial, retail, residential) must be approved by City
- Adhere to the City's M/WBE Ordinance
- LEED Silver or Austin Energy Green Building 2-star
- Workers Defense Project -- Better Builder standards

Term Sheet: *Review of Major Points*

CITY LEASE TO PSV

- City owns the stadium and land
- Lease to PSV for 20 years, plus three 10-year renewal options
- Starting in year six, annual rent of \$550,000, (\$8.25 million over the initial 20-year term)
- City assumes no property tax responsibilities or liabilities
- Non-relocation agreement for entire lease
- City responsible for existing environmental conditions
- Five civic-oriented events for City at no fee; City keeps revenues generated
- Minimum of one acre for 130 affordable housing units

Term Sheet: *Review of Major Points*

STADIUM OPERATIONS

- PSV responsible for operating and maintenance costs, capital repairs, and improvements
- All obligations guaranteed by PSV
- Capital repairs reserve fund
- PSV responsible for all on-site expenses associated with soccer games and other PSV events
- City responsible for certain off-site municipal services associated with soccer games
- City property insurance
- PSV liability insurance

Term Sheet: *Review of Major Points*

ADDITIONAL TERMS

- Minimize waste, energy, and water
- Adhere to City's wage and benefit requirements; labor peace agreement; Community Workforce Master Plan
- Transportation and parking plan (including a traffic impact analysis) and a directional signage plan
- Transit-ready site; parties to explore funding sources for construction of a new MetroRail Station
- Minimize the impact of project on neighboring communities
- Locate PSV's headquarters in Austin and discuss MLS training complex that includes youth soccer

Questions