

**Staff Response to City Council Questions
from June 12th City Council Workession on McKalla Place**

June 11, 2018 Council Member Written Questions

1. What are the opportunity costs related to accepting Precourt Sports Ventures (PSV)'s stadium proposal?

Response: As described on page 19 of the Staff response report, staff developed a generalized mixed use scenario. From this scenario, staff utilized the methodology Brailsford & Dunlavey (B&D) Venues employed for estimating the construction period impacts of the stadium and employed other industry standard rules-of-thumb to estimate ongoing economic and fiscal impacts. The generalized mixed-use scenario does not specify the type of tenant. Therefore no reoccurring mixed-beverage tax is assumed. Additionally, the scenario does not contemplate a hotel, thereby eliminating hotel occupancy tax as an estimated fiscal impact. As previously stated in the report, the brevity of response time precluded conducting a market analysis. Therefore staff is not able to estimate recurring economic impacts other than full time job creation.

Construction Period Economic Impact:

Net Direct Labor Spending	\$52,000,000
Net Direct Jobs:	900
Net Direct Material Spending	\$47,000,000
Net Direct Soft Cost Service Spending	\$13,000,000

Recurring Economic Impacts:

No Net New Jobs (100% displacement) ¹	
No Net New Retail Sales (100% displacement) ²	
Annual City Property Tax Value	\$1,000,000

2. Why did B&D Venues not analyze the opportunity costs related to PSV's proposal?

Response: The City Council resolution asked staff to identify opportunity benefits and costs arising from the use of the property for a particular use. Using the site for a soccer stadium could yield certain benefits to the community. Alternatively the property could be used for affordable housing or a combination of other land uses. Staff has therefore analyzed this opportunity through two points of

¹ Estimated new employment opportunities are approximately 1,200 on the site, all of which are assumed to be filled by individuals leaving existing employment opportunities. Therefore no net new jobs are being created.

² Estimated City 1% sales tax revenue is estimated to be approximately \$160,000 annually from the site. Because the amount of disposable income is assumed fixed, the same amount of consumer dollars are spread over the additional retail offerings added on the site. Therefore all of the sales tax revenue from the site displaces retail sales transactions off of the site. Therefore no new net retail sales tax revenue is generated.

view:

- The broad assessment of the economic impacts that the community receives from the use of the property as a soccer stadium site as illustrated through PSV's site plan released on May 15; and,
- A property-specific assessment of uses that could occur on the site as alternatives to a soccer stadium.

For the former, the City has commissioned an economic impact analysis performed by B&D. Staff provided a general analysis of opportunity costs related to the site given its in-house expertise and amount of resources and time constraints to sufficiently respond. The methodology staff employed for the opportunity cost analysis is found on page 10 of the report.

INFRASTRUCTURE COSTS

3. Do the infrastructure costs included in the staff memo on page 13 completely estimate, in their entirety, the "off-site infrastructure" costs the city would have to cover under the PSV proposal?

Response: With the exception of the transit infrastructure, the infrastructure listed in the chart is on-site. It is not clear to staff what PSV considers "off-site" infrastructure. B & D Venues recommended seeking further clarification if Council chooses to move forward.

4. Why does the staff memo indicate on page 13 that roads and sidewalks improvements would not need to be provided if the site were to be developed as a stadium?

Response: The report assumes a stadium would be developed under the current Light Industrial-Neighborhood Plan (LI-NP) zoning, with minor modifications with the inclusion of Planned Development Area (PDA). There are no on-site street and sidewalk requirements under this zoning category. However, PSV's site plan depicts driveways, parking lots and pedestrian promenades on site. Further, the assumption is that General Mixed-Use Redevelopment would need to be done under North Burnet Gateway – Transit Oriented Development (NBG-TOD) zoning, which would require a 'Pedestrian Priority Collector Street' and limits the size of blocks such that the large site would require subdivision of the parcel and a network of local streets. The infrastructure cost table reflects the difference in zoning requirements.

5. What are the city's infrastructure costs over the lifetime of the PSV proposal?

Response: Under the PSV Proposal, all on-site infrastructure is to be maintained by the Club for the duration of the lease. The Stadium impact on surrounding infrastructure would be *de minimis* compared to existing uses in the area. For instance, the number of trips within a 1 mile radius of the site generated by a stadium use is estimated to be 7% of the traffic passing by the site on Burnet Road on an annual basis³.

³ Stadium use is projected to generate 18,400 trips within 1 mile radius of the site, 33 days per year. Daily traffic counts on Burnet Road between MOPAC and 183 were 23,000 in 2011, according to the North Lamar / Burnet Corridor Study.

6. Would the city need to cover the electrical infrastructure improvement costs referenced on page 14? And, if so, how much would those improvements cost?

Response: Page 14 notes that Austin Energy expressed an interest in pursuing opportunities for integrated solar for any development on the site. Austin Energy has an existing Commercial Solar Performance-Based Incentive program available to any qualifying commercial customer⁴. The value of any available incentives cannot be determined at this time. Page 9 notes that Austin Energy has not identified any geographically specific limitations or opportunities with the site (ie. off-site upgrades such as a new substation or transmission lines are not anticipated).

7. Would the city be required to cover Transportation Impact Analysis (TIA)-identified improvement costs in their entirety under the PSV proposal? And can staff estimate the magnitude of these costs?

Response: Cannot be determined at this time. A complete TIA would be required to determine what, if any, mitigation would be required. Normally, mitigation would be the responsibility of the applicant.

OTHER COSTS

8. What would it cost the city to provide the following (per PSV's proposal):

- "Pay for...all site preparation, remediation;"

Response: Site preparation costs (removal of building foundations) is estimated at \$1,105,000.

- "Waive and/or discount the imposition of all construction-related taxes, fees, and charges customarily imposed on private developers, to the fullest extent permitted by law;"

Response: Permit and Inspection Fees are estimated to be ~\$300,000.

- "Maintain any and all insurance policies, warranties, and other similar policies as may be appropriate for the Stadium and its components, including casualty insurance;"

Response: The City of Austin is self-insured. According to the City of Austin Risk Management Division, the City typically purchases property insurance for owned buildings. The cost is estimated to be \$3 million over 20 years for a \$200 million stadium. This particular element would be negotiable. (Q&A Updated, 6/26/18)

- Provide "customary police, traffic control, fire prevention, emergency medical, street cleaning/street trash removal, and other similar City-based services, outside of the Stadium, for all

⁴ <https://austinenergy.com/ae/green-power/solar-solutions/participating-solar-contractors/current-solar-incentive-levels>

Stadium events;" and

Response: Cannot be determined at this time. All special events have the potential to increase the costs of customary City services, but they are hard to quantify and recover, and are typically de minimus compared to the economic benefit of the event.

- Lost parking revenue due to PSV having "exclusive right to market, sell, and retain all parking revenue from the Stadium Site."

Response: There is no 'lost parking revenue' since there is no parking existing on the site at this time. However, if a MetroRail station is built adjacent to the site, Capital Metro would be interested in utilizing the parking as a park and ride, and thus there could be potential for resource sharing

9. What are the risks and associated costs of the Columbus Crew leaving Austin prior to the end of their lease?

Response: To mitigate risks to the City, B&D recommends that language be included in the term sheet that calls for either: A) PSV to reimburse the City of Austin the cost to prepare the site; or, B) demolish the stadium if the team relocates prior to the end of the initial 20-year term.

ECONOMIC IMPACT ANALYSIS

10. Did B&D Venues commit prior to providing their analysis that they would not participate in any activities related to an Austin soccer stadium if this proposal moves forward?

Response: B&D has not made such a commitment, nor has it been asked to do so. B&D is representing the City of Austin, and will continue to do so if the project moves forward. B&D typically represents municipal clients and has represented 70 other municipalities. The economic and fiscal impact analysis conducted by B&D is a relatively straightforward mathematical exercise, conducted (in this case) in conformance with procedures proscribed by the U.S. Department of Commerce Bureau of Economic Analysis. Such an analysis is one of many activities typically undertaken as a standard industry practice in a public assembly venue planning process, often by an industry specialist who also adds value in other parts of the project.

11. How did B&D Venues arrive at its estimate that 10 percent of stadium patrons will be overnight visitors who have traveled to Austin for a soccer game? How many overnight patrons does the Columbus Crew currently host per game, on average?

Response: B&D made this assumption with knowledge that a limited number of patrons will incur a hotel night stay in association with attendance at stadium events. These may include: fans who frequently travel to follow the visiting team; other single-game ticket buyers who include the event as part of an out-of-town visit (which may include other activities); and regular (or semi-regular) patrons whose residence is far enough from the stadium for an overnight stay to be at least occasionally desirable. Although there is no current MLS attendance data in Austin to define this number specifically, B&D has

assumed 10% based on its professional experience in other stadium projects. We would also note that the outputs of the Economic and Fiscal Impact analysis are not particularly sensitive to this input. For example, if overnight patrons are reduced to 5% (reduced to half of B&D's assumption of 10%), the number of jobs shown by the analysis to be supported in the City decreases from 342 to 318 (a reduction of less than 10%). B&D made an inquiry to the Columbus Crew regarding this matter and the team indicated that they do not track this data for their current location.

12. What multiplier did B&D Venues use for wages and employment?

Response: B&D utilized the multipliers outlined in the text and adheres to the methodology specifically outlined by the U.S. Department of Commerce Bureau of Economic Analysis. The wage and job multipliers appear larger because purchases of goods and services also creates indirect wages and jobs. Those wages and jobs supported by those purchases are in addition to the indirect wages and jobs created by the direct jobs and wages paid to franchise and stadium employees. Thus, the multiplier appears artificially larger.

13. How did B&D Venues estimate (on page 6) that 30 percent of materials-related construction costs would constitute local spending? Is this consistent with the experience of other developments in Austin?

Response: B&D developed this estimate based upon its knowledge of the regional marketplace and its professional experience in the sports facility industry. B&D asserts this is a conservative assumption.

14. Why did B&D Venues not adjust for any spending displacement among local residents in Williamson, Hays, Caldwell, and Bastrop Counties?

Response: B&D acknowledges that some spending from non-local patrons may occur within the market without the presence of the project. However, B&D asserts that the vast majority of discretionary expenditures made by consumers are made with an emphasis on convenience and that the vast majority would therefore occur within the non-local (home) jurisdiction of those patrons. However, as a counter balance, B&D has assumed that any local market patron spending is entirely displacement of existing spending patterns. This assumption is almost certainly under-stating direct spending generated by local patrons. There would likely be some spending displacement of City of Austin residents no longer travelling to Round Rock for Express games or Cedar Park for Stars games.

15. How did B&D Venues choose a 20 percent leakage rate for patron spending on page 8?

Response: The majority of patron spending will occur within the immediate proximity of the stadium grounds. The 20% leakage rate is an estimate based on this premise and B&D's professional experience in the sports facility industry.

16. How many of the 200 FTEs identified on page 8 for office, operations, and game-day labor will provide stable job opportunities (ie. 40-hour workweek) as opposed to more limited work (ie. game-day labor)?

Response: There are 130 full-time positions. The remaining 70 are game-day and part-time labor positions.

17. When considering all personnel directly related to stadium operations (including team ownership, players, operations and maintenance, game-day labor, etc.), how many individuals are projected to earn income in the following brackets annually?

- Up to \$24,999 per year: 9
- \$25,000 to \$44,999 per year: 58
- \$45,000 to \$74,999 per year: 14
- \$75,000 to \$119,999 per year: 77
- Over \$120,000 per year: 39

Questions Raised in the Work Session 06/12

18. Why does PSV expect the City to make utility payments?

Response: Page 158 of PSV's proposal states: "The *Club* shall pay for all utilities associated with the operation of the Stadium Site."

19. Why should PSV be exempt from sales tax on the site? Is this not unfair competition with local businesses?

Response: Sales tax would not be exempt on the site.

20. When do these conversations go into executive session?

Response: No legal requirement but can choose if those conversations are to the detriment of the City.

Environmental

21. Has there been any exploration of wetlands on the site?

Response: Watershed Protection Department (WPD) staff inspected the site comprehensively during the review of the 2001 site plan permit application and no Critical Environmental Features (CEFs) were observed during that review. By request, the site was re-inspected on June 11, 2018 by WPD staff and a similar conclusion was reached. The Hydrogeologist determined that there were no springs or significant potential for springs based on observations and the underlying geology. The Wetland Biologist noted the presence of wetland plants within a pond in the footprint of the old detention pond (unfinished construction from SP-01-0118C), however Environmental Criteria Manual 1.10.3 exempts this area from wetland CEF status because it is artificial hydrology within a permitted pond. Some wetland plants were also observed in the channel to the south, however these areas did not appear to meet the criteria of a wetland CEF similar to the findings of the 2001 review. Any future development would also require an Environmental Resource Inventory Report which requires another comprehensive review for CEFs.

22. The City completed environmental remediation on the site after construction of the foundations. The Texas Commission on Environmental Quality (TCEQ) has certified clean to residential standard. How can these statements be reconciled?

Response: The site has been fully remediated and received “residential standard” clearance from TCEQ. There is no expectation that contamination exists underneath the foundations. However, if the foundations are removed, then, given the history of the site, complete soil removal in the same manner as remediation is recommended out of an abundance of caution.

Opportunity Costs

23. What are the opportunity costs of the other two developer proposals?

Response: Staff has not examined those proposals. As was indicated in the executive summary of the Staff Report released on June 1st, if a Major League Soccer stadium was not sited at McKalla Place, the parcel could be redeveloped via a Request for Proposal process (as was outlined at a March 6th staff presentation on Redevelopment of City Land); any such RFP process would include conducting a detailed market analysis.

24. Who else is paying for the rest of the site outside of the stadium itself?

Response: PSV will develop the entirety of the site.

25. Is it correct that the stadium will be privately funded?

Response: Yes

26. What portion of the stadium will be funded through New Market Tax Credit?

Response: Not known at this time. PSV states that is committed to fully funding the stadium.

27. Do you believe that you have the full picture of the costs and opportunity costs of PSV’s proposal?

Response: PSV has provided a detailed set of terms. The City’s consultants have provided feedback on those terms during the June 12 City Council Work Session. If Council chooses to pursue the proposal for a professional soccer stadium on the McKalla Place site, staff would do additional due diligence on the project financials as with any other potential real estate partnership opportunities.