

# **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"*

### Exploration of City of Austin Owned Property for Major League Soccer Directed by Council Resolution 20171109-046

#### Executive Summary

The Austin City Council passed Resolution 20171109-046 which directs the City Manager to identify City owned sites in the full purpose jurisdiction (including the Travis County Expo Center), as well as potentially including undeveloped parcels that might be appropriate for a soccer stadium. Additionally, the resolution directed consideration of sites outside the urban core where practice fields and ancillary uses could serve a Major League Soccer (MLS) team and the surrounding community. The resolution outlines the analysis to include traffic and other potential impacts, displacement of city programs and services, new programs and community benefits, direct and indirect economic benefits of having an MLS Team in Austin, and processes for engaging the public.

As a part of the analysis, although not included as a resolution directive, the Major League Soccer Organization was engaged to clearly explain the opportunities associated with Major League Soccer to establish a team in Austin. The Office of the Major League Soccer Commissioner has communicated to the City of Austin that the circumstances surrounding the opportunity for Major League Soccer to move to Austin is unique to ProSoccer Sports Ventures (PSV) and the new Columbus Crew Soccer Club from Columbus, Ohio, to Austin, Texas. While Major League Soccer intends to expand from the existing 22 teams and has announced 12 cities competing for expansion rights via an established expansion application process, Austin, Texas, is not under consideration for an expansion team. Major League Soccer has indicated to the City that as long as ProSoccer Sports Ventures is exploring moving its franchise (Columbus Crew), the league will not be facilitating or authorizing any other meeting or prospective ownership groups to locate an MLS team in Austin.

Based upon a very simple stakeholder engagement (both specific to the named resolution stakeholders and anecdotal informal conversations) and a preliminary review of potential properties that seemingly meet the basic criteria for either a stadium or practice field complex, the following properties have been identified as appropriate for additional exploration, analysis, and engagement:

- St. John's Home Depot/Crocker 7221 N 44th, Austin 78752
- McKalla Property 10414 McKalla Place, Austin, TX 78754
- Toomey Ballfield 1521 Toomey Rd, Austin, TX 78704
- Travis County Exposition Center 7111 Decker Ln, Austin, TX 78724
- Ray G. Guerrero Colorado River Metro Park 400 Grove Blvd, Austin, TX 78742
- Walnut Creek Sports Complex 7820 Adams Morris Rd, Austin, TX 78724
- Balm Road District Park 4700 Balm Rd, Austin, TX 78723
- Tony Burger Activity Center and Stadium 3200 Jones Rd, Austin, TX 78743

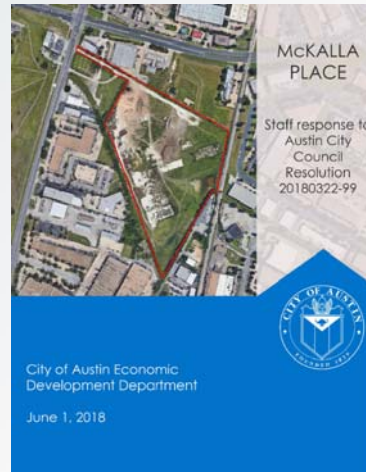
The full report serves as a preliminary examination of the opportunities and challenges associated with each property to include general economic benefits, community benefits, community engagement process and specific basic information with regards to community stakeholders, program displacement, and traffic analysis.

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- Staff Issued Report on December 14<sup>th</sup>, 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 1<sup>st</sup>, 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 ..."*

### CITY OF AUSTIN MAJOR LEAGUE SOCCER STADIUM PROJECT TERM SHEET

August 9, 2018

This Term Sheet sets forth the principal terms and provisions necessary for the financing, development, construction, operation, use and occupancy of a multi-purpose public sports, entertainment and cultural facility that will house a Major League Soccer ("MLS") team, as well as other sporting, entertainment and other events, and associated project improvements and elements on a site in Austin, Texas, as detailed herein. The facility will be used for public purposes. The facility will be owned by the City and used for public purposes. It will be constructed, managed, operated, and used for the health, comfort, and welfare of the public. Furthermore, any leasehold or other proprietary interest in the facility, including those interests disclosed in this Term Sheet, will serve a governmental, municipal, or public purpose or function when the facility is open to the public, regardless of whether a fee is charged for admission.

GENERAL	
Parties	<ul style="list-style-type: none"> <li>• City of Austin (the "City")</li> <li>• ProSoccer Sports Ventures, LLC ("PSV")</li> </ul>
	<ul style="list-style-type: none"> <li>• One or more to-be-located entities under common control with PSV ("Third Parties") will be a party to this Stadium Agreement, but is not a party to this Term Sheet.</li> <li>• MLS franchise managed and operated by PSV (or other PSV-controlled entity) (the "Club")</li> </ul>
New Stadium Project	<ul style="list-style-type: none"> <li>• Construction of a public sports, entertainment, and cultural multi-purpose facility that will include a new, first class, state-of-the-art, natural grass, open-air stadium, parking area, performance area, surface parking and related facilities (the "Stadium" or "Stadium Project") that will serve as home of the Club and will host numerous other sporting, entertainment and civic events. The scope of the Stadium Project is outlined in Exhibit A.</li> <li>• It is the goal of the parties to have the Stadium Project completed for the 2021 MLS season.</li> </ul>
Site	<ul style="list-style-type: none"> <li>• The Stadium Project will be situated on Grounds land located at the 10414 McKalla Place, Austin, Texas site (the "Site"). The Site, which has been conditioned by the City as being suitable for the construction and development of the Stadium Project, consists of approximately 24 acres, and is generally bounded by Bammel Road on the west, Bammel Lane on</li> </ul>

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

# Outcome of Negotiations

	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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MLS Structure

Comparable Stadium Deals

Review Term Sheet

Questions

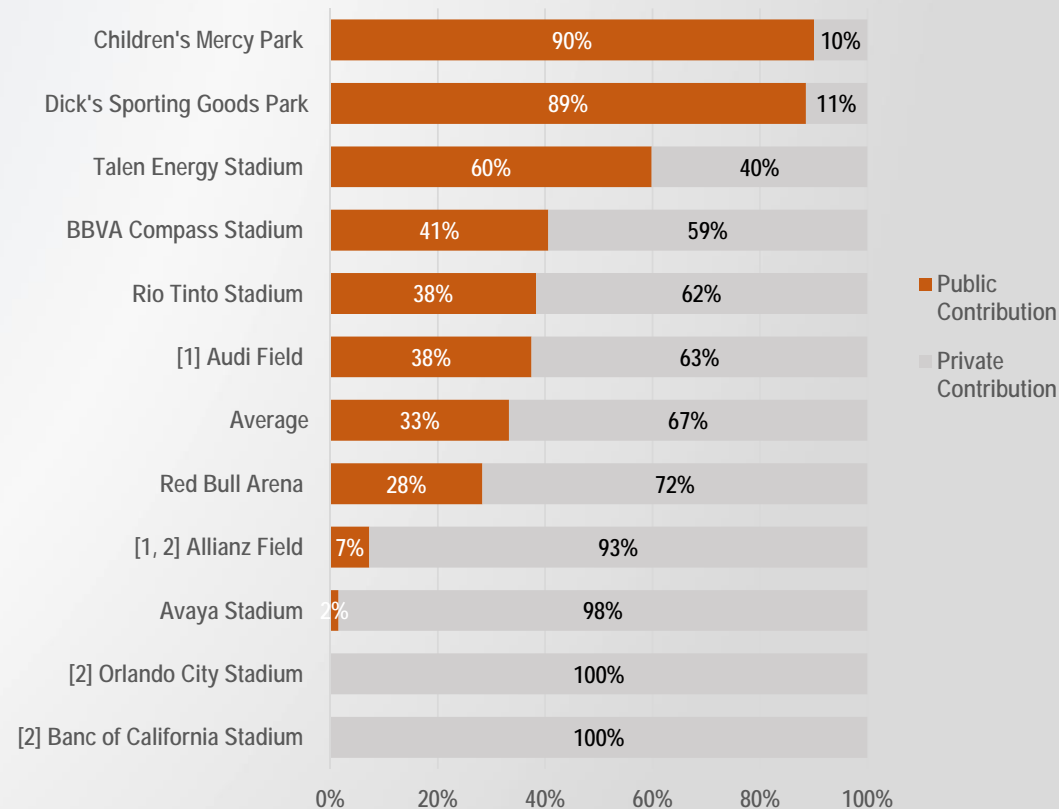
# Major League Soccer: *Structure*

- 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

# 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	Pubilc 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	<b>Proposed Austin MLS Stadium</b>	<b>Austin</b>	<b>2.1M</b>	<b>-</b>	<b>\$200.0</b>	<b>\$0.0</b>
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*

- 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*

## 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***