

City of Sacramento

Legislation Text

File #: 2019-01585, **Version:** 1

Title:

Amendment to the Preliminary Term Sheet for the Development of a Major League Soccer Stadium for Sacramento Republic FC and Railyards Infrastructure and Budget for Professional and Technical Advisory Services for Project Implementation

File ID: 2019-01585

Location: Downtown Railyards, District 3

Recommendation:

1) Pass a Motion approving amendment to the Sacramento Major League Soccer (MLS) Stadium Preliminary Term Sheet (Term Sheet); and 2) adopt a Resolution transferring \$174,000 from available fund balance in the General Fund (Fund 1001) to the MLS Stadium Project MYOP (I80020500).

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Attachments:

- 1-Description/Analysis
- 2-Proposed Amendments (in redline) to the MLS Stadium Preliminary Term Sheet
- 3-Resolution

Description/Analysis

Issue Detail: On October 21, 2019, Major League Soccer (MLS) announced the award of an expansion team to Sac Soccer and Entertainment Holdings, LLC and its affiliates (SSEH), including Sacramento Republic FC (Team). As a part of its bid for an expansion team, SSEH and the City of Sacramento agreed to preliminary terms for the construction and operation of a new MLS-qualified stadium in the downtown Sacramento Railyards and investment in critical Railyards public infrastructure. The Preliminary Term Sheet, approved on April 9, 2019 (and dated March 21, 2019), provided for the City's formation of an Enhanced Infrastructure Financing District (EIFD). Revenues derived from the EIFD would be committed to paying for essential infrastructure in the Railyards to

support the stadium and surrounding development.

While the terms provide for the EIFD to fund the infrastructure, private financing for construction was contemplated which would then be reimbursed through EIFD revenues. This report recommends an amendment of the terms to provide for public financing of the infrastructure with repayment through the EIFD (see Attachment 1) and SSEH. The City's initial commitment for the infrastructure will be funded with a loan from the City's Risk Fund of up to \$27.2 million. Repayment of this loan will be made by SSEH and the EIFD. Infrastructure costs in excess of \$27.2 million would be privately financed and reimbursed through the EIFD. It is anticipated that the EIFD will be fully established and the Infrastructure Finance Plan will be fully adopted by the *Stadium Area EIFD Public Financing Authority* (PFA), on December 10, 2019.

This amendment will provide greater flexibility for infrastructure financing and assist in lowering the cost of borrowing in an environment of rapid construction-cost escalation. This action is for the purposes of policy direction and does not constitute the approval of a loan. With City Council's approval of the amended term sheet provisions, staff will proceed to develop definitive loan terms with SSEH and prepare the appropriate loan documents and security instruments. The final loan terms and documents will be presented for City Council consideration at a future date.

The PFA is a separate legal entity from the City and will need its own General Counsel to represent its interests in negotiating the anticipated three-party agreements between SSEH, the City, and the PFA for the infrastructure financing. The actual cost could vary depending on the complexity of the loan(s). In addition, the PFA will need Bond Counsel review of documents to ensure the tax-exempt status of the EIFD is protected. The PFA will also have annual expenses for administration and annual reporting. Since the PFA will not have sufficient revenue to pay for these services immediately after its formation, the City will need to provide funding to cover the costs. The estimated cost for these services is \$74,000, which includes \$40,000 for the PFA, \$4,000 for bond counsel, and \$30,000 for two years of administration and reporting.

Additionally, to implement the City commitments in the term sheet, it is important for the City to be well represented in the negotiations and preparation of agreements as well as project coordination and implementation. Professional and technical advisory services will support the City staff in the progression of this project. Services include financial advisory services, project implementation, and project management services. A budget appropriation of \$100,000 is recommended for these purposes.

Policy Considerations: The proposed amendment to the terms would provide flexibility for the City to finance, in whole or in part, Railyards public infrastructure in an amount up to \$27.2 million to support the redevelopment of the Downtown Railyards including a new MLS soccer stadium and other mixed-use development in the eastern quadrant of the Railyards. Providing an infrastructure loan does carry risk. However, that risk will be mitigated under a loan agreement with secured

collateral or other security instruments and EIFD revenue. Further, upon completion of the infrastructure the City will own, use, and have control of the completed infrastructure for the public's benefit.

Economic Impacts: Not applicable

Environmental Considerations:

California Environmental Quality Act (CEQA): The City certified a Supplemental EIR (SEIR) for the Railyards Specific Plan Update, KP Medical Center, MLS Stadium and Stormwater Outfall on November 10, 2016 (SCH No. 2006032058; Resolution No. 2016-0379). The SEIR evaluated the environmental effects of the Major League Soccer Stadium project and related public infrastructure. The physical changes that would be facilitated by the funding activities proposed have been evaluated in the SEIR.

Sustainability: Not applicable

Commission/Committee Action: None

Rationale for Recommendation: The City Council-approved Preliminary Term Sheet provided for the formation of an EIFD to reimburse SSEH for the cost of privately financed public infrastructure. Since the approval of that term sheet, the costs for the stadium project have increased due to construction cost escalation. Additionally, the MLS expansion fee for the team was substantially increased. The revision to the terms is recommended to help balance the overall economics for the stadium project in light of the increased costs and the economic and cultural benefits the project brings to the City.

The provision of City financing, that is secured and repaid with interest by the EIFD and SSEH, is a rational and low-risk method for the City to support the overall economics of the project. Proceeds of the financing will be used solely to design and construct public infrastructure that will support the stadium and surrounding development. The City will own and benefit from the completed infrastructure which supports further Railyard development and economic benefits to the City.

Financial Considerations: No funding authorization is requested in this report for the described infrastructure loan. Once terms and loan agreements are finalized, staff will return to the City Council for approval of the loan and funding source. The anticipated funding source is the City Risk Fund (Funds 6502/6504). There are adequate resources in the Risk Fund to cover the proposed loan. The infrastructure loan interest rate, term, security and other terms will be presented to the City Council for approval at a future date. The cost to secure professional and technical advisory services for the project is estimated at approximately \$174,000. Staff is recommending that the expenditure budget in the MLS Stadium Project MYOP (I80020500) be increased by \$174,000 with a transfer from available

fund balance in the General Fund.

Local Business Enterprise (LBE): Not applicable