

# Soccer stadium deal between Metro and LCFC

Labor and Economic Development Committee

Jeff Mosley, general counsel  
Daniel Frockt, chief financial officer  
October 3, 2017



# What is the project?

- A \$200 million economic development project in the Butchertown neighborhood that will build a soccer stadium, along with hotel, offices and retail space.



# This development will ...

- Create significant economic impact and catalyze further economic impact in contiguous areas;
- Expected to create more than 1,400 construction jobs and more than 1,700 jobs after its completion, along with eliminating a blighted brownfield area in an important part of the CBD;
- Leverage Metro funds to bring in significant private funds;
- Increase hotel/restaurant amenities in the City;
- Continue to add to amenities that the City can offer to attract and retain young people;
- Grow soccer in Louisville and grow our economy to reap the economic development benefits therefrom;



# This development will ...

- Allow Louisville to compete for a MLS franchise, boosting the potential for an amenity – pro soccer – that helps attract and retain young talent;
- Create a “stadium district” where the Soccer stadium, Louisville Slugger Field, and the Yum Center are all within 7-8 blocks and along the same line of sight;
- Draw more people to Butchertown, the Big Four Bridge, and Botanical Gardens.



# Details of the deal

- Total project expected to be between \$190M and \$200M depending on private investment. Project will include Stadium on approximately 15 acres and retail, hotel, office and enhanced public infrastructure on remaining acreage. The minimum spend on stadium will be \$45M. Expected to cost \$50M.
- There is no City money in the stadium construction – just land. The City's portion is \$30M to be proffered by a general obligation bond. \$25M (\$24.2M purchase price of the parcels and \$800K to prep the land) to purchase land \$5M as a contribution to public infrastructure. These are sum certain and the LCFC group is responsible for all overruns.



# Details of the deal

- LCFC will build the stadium and be responsible for 100% of the costs associated therewith. LCFC will also develop the remaining parcels with its funds or funds from other private sources. LCFC parties will guarantee completion of the stadium construction once commenced.
- LCFC will pay back to City \$14.5M in cash over 20 years consisting of payments from sales of land, rent from leases of land, and stadium rent. The \$14.5M is a sum certain and any unpaid balance will be due and owing on the 20<sup>th</sup> anniversary of the commencement of construction of the Stadium.



# Details of the deal

- LCFC and the City will apply to Kentucky Economic Development Finance Authority (“KEDFA”) for a Mixed Use TIF. LCFC will be responsible for preparing the application which the City will sign off on. This process will begin immediately after Metro Council approval, if obtained. The City will not pledge its ad valorem real property tax to the TIF resulting in approximately \$12M in increased tax receipts for the City over 20 years.
- To be eligible for state participation in a TIF, the local applicant must have some financial participation in the project or the state will not participate. The City’s participation will be the upfront money spent on the land acquisition, land prep, and debt service of the bonds.



# Details of the deal

- After any preliminary approvals are completed, and if LCFC does not/cannot commence constructing stadium, LCFC will have the opportunity to purchase the land in its entirety for all of City's out of pocket costs including interest. If LCFC chooses not to purchase the land, then the City will own land and seek other development opportunities. After any necessary preliminary approvals are completed, and LCFC starts construction of the stadium, City has a completion guarantee. The City will have approval of all tenants/sales of land that occur prior to commencement of construction of the stadium.
- Construction of the project will comply with Metro Ordinance 37.75 with respect to minority, women and local participation goals which are 20% minority participation, 5% women participation, 75% of work goes to residents of the entire county of all counties with the MSA.
- Next option due 11/10/17—need to be able to exercise option by then and close very soon after.





# How this project differs from the Yum! Center financing structure

- The city will not build the soccer stadium or own it. The city contributes the land and eventually will be reimbursed for at least half that contribution.
- In the approximately \$190M development, the City's contribution to project's cost is less than 16%.



# How this project differs from the Yum! Center financing structure

- Exit opportunities are built into the development agreement. For example, the city controls this valuable property until the deal proceeds. So the worst case scenario is that the city owns a valuable real estate asset. ☐
- The City's participation to the project's cost is capped at \$30 million. All other expenses will be the responsibility of the LCFC development team.



# Bonding details

- The bond will go toward the land purchase – an investment that could either be sold or developed, similar to the forethought that went into downtown parcel assemblage for the Omni project.



# Bonding details

- Approved funding for this bond will not affect existing FY18 capital projects in any manner.
- This bond will likely be issued as a Bond Anticipation Note – it will be structured such that it will NOT increase debt service in FY18.
- If a soccer TIF is approved, it will bring state funds back into our community.
- The soccer ownership is committed to paying back \$14.5M of this issue.



# Bonding details

- If soccer does not move forward, the land will be prime real estate for further economic development and/or could be sold.
- Outstanding debt as a percentage of general fund revenue continues to be manageable wherein debt/revenue remains below the FY10 level in percentage terms.



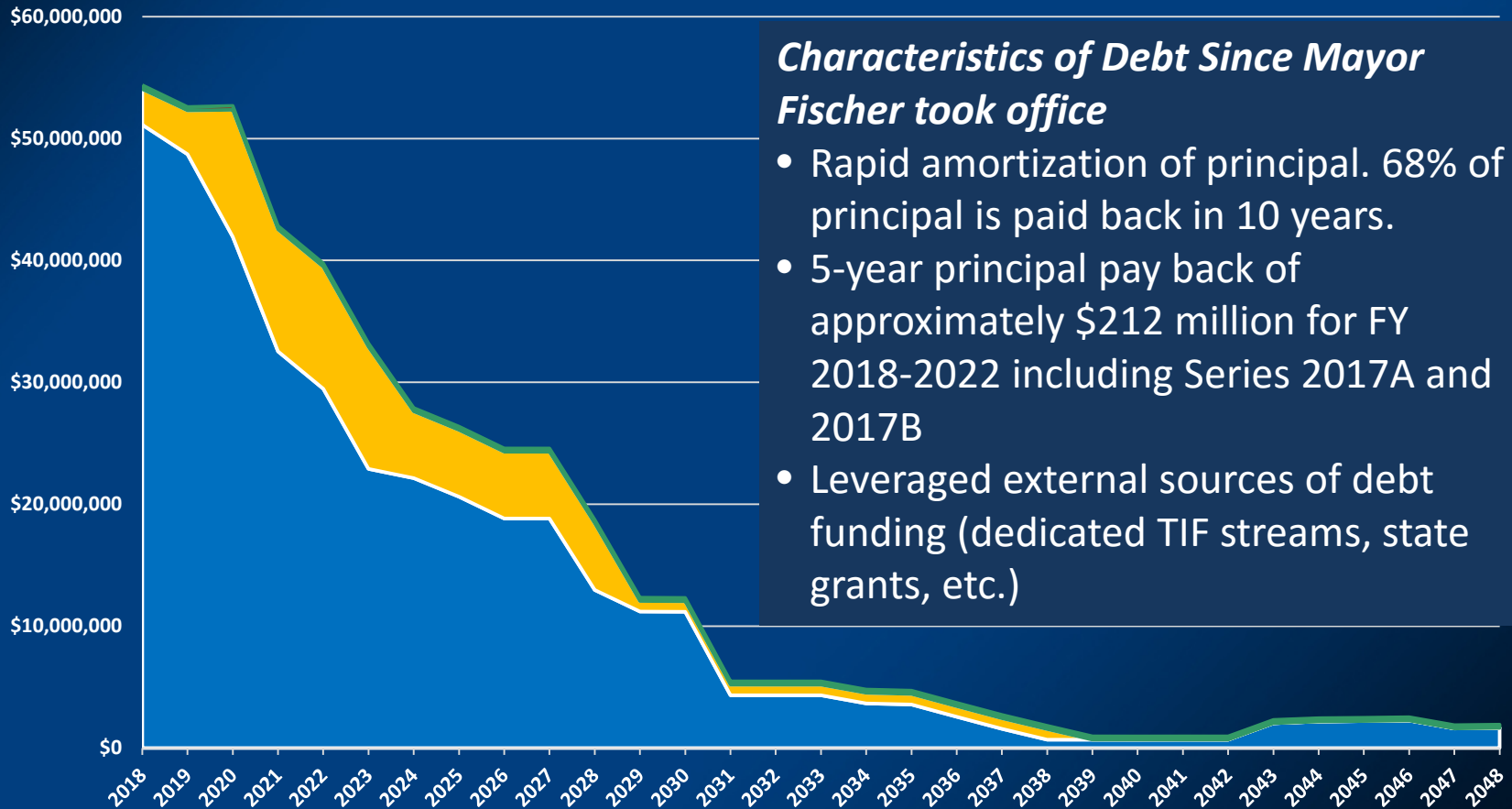
# Outstanding debt level

	Totals in Millions									
	FY10	FY11	FY12	FY13	FY14	FY15	FY16	Est. FY17	Est FY18	*Est FY18
Outstanding Debt (CAFR)	\$450	\$428	\$393	\$371	\$340	\$331	\$468	\$489	\$517	\$419
General Fund Table (Budget)	\$488	\$496	\$499	\$526	\$527	\$557	\$579	\$585	\$603	\$603
Debt as a % of General Fund:	92%	86%	79%	71%	65%	59%	81%	84%	86%	69%

\*Outstanding estimated debt with 17% of the Center City project displayed to be consistent with anticipated local debt service obligation.



# Debt & pensions



# Summary of annual impacts

LCFC Stadium District Development Project						
20-Year Total						
Estimates of Total Annual Economic and Fiscal Impact						
	Retail	Restaurant	Stadium	Office	Hotels	20-Year Total
<b>Economic Impact (Multiplier Effects)</b>						
Direct	\$63,003,743	\$431,857,294	\$160,745,324	\$1,256,437,635	\$223,758,608	\$2,135,802,604
Indirect	\$21,923,539	\$133,437,426	\$63,103,149	\$258,047,161	\$68,551,582	\$545,062,857
Induced	\$24,822,908	\$182,142,723	\$67,034,337	\$768,056,557	\$64,685,705	\$1,106,742,229
Total Output	\$109,750,190	\$747,437,443	\$290,882,810	\$2,282,541,353	\$356,995,894	\$3,787,607,690
Direct Labor Income	\$25,347,540	\$191,155,937	\$72,587,408	\$1,062,157,780	\$65,587,360	\$1,416,836,026
Direct Employment	44	395	126	1,094	109	1,768
Labor Income	\$40,549,461	\$297,351,453	\$109,140,771	\$1,254,086,840	\$105,517,175	\$1,806,645,700
Total Employment	60	485	195	1,572	160	2,472
<b>Fiscal Impact (Tax Revenues)</b>						
<b>State Tax Revenues</b>						
State Property Tax	\$66,412	\$198,531	\$1,019,983	\$1,136,688	\$835,006	\$3,256,619
State Sales and Use Tax	\$8,253,766	\$25,911,438	\$9,644,719	\$0	\$14,835,196	\$58,645,118
Induced Spending	\$744,687	\$5,464,282	\$2,011,030	\$23,041,697	\$1,940,571	\$33,202,267
State Transient Room Tax	\$0	\$0	\$0	\$0	\$2,237,586	\$2,237,586
State Individual Income Tax	\$1,703,077	\$12,488,761	\$4,583,912	\$52,671,647	\$4,431,721	\$75,879,119
State Corporate Income and LLE Tax	\$103,172	\$297,920	\$0	\$942,328	\$167,819	\$1,511,240
Total State Tax Revenues	\$10,871,114	\$44,360,932	\$17,259,645	\$77,792,360	\$24,447,900	\$174,731,950
<b>Local Tax Revenues</b>						
Local Property Tax	\$645,771	\$1,930,469	\$9,918,077	\$11,052,891	\$8,119,410	\$31,666,618
Local Transient Room Tax	\$0	\$0	\$0	\$0	\$21,257,068	\$21,257,068
Local Occupational License Fee	\$860,284	\$5,079,331	\$1,596,923	\$26,131,634	\$1,935,191	\$35,603,362
Total Local Tax Revenues	\$1,506,055	\$7,009,800	\$11,515,000	\$37,184,525	\$31,311,668	\$88,527,048
Total Tax Revenues	\$12,377,168	\$51,370,731	\$28,774,644	\$114,976,885	\$55,759,568	\$263,258,997







LOUISVILLE CITY

TICKETS



OHK