

IMPACT STATEMENT

Legislation title: *Approve agreements between the City and Peregrine Sports, LLC for the expansion and operation of Providence Park Stadium (Ordinance)
Contact name: Susan Hartnett or Karl Lisle
Contact phone: 503 823 6958 or 503 823 5876
Presenter name: Tom Rinehart, City CAO and Mike Golub, Peregrine Sports President

Purpose of proposed legislation and background information:

This ordinance approves formal legal agreements and amendments to existing agreements necessary to allow the expansion of Providence Park Stadium. Peregrine Sports, LLC operates the stadium in accordance with a number of agreements the City approved in 2010. Peregrine proposes to construct a 4,000-seat, \$50 million expansion to the stadium, which is anticipated to open in spring 2019.

On May 10, 2017, Council adopted Resolution No. 37286 which declared the City's support for Peregrine's proposal and directed appropriate bureaus to work on the proposed expansion with Peregrine Sports and their representatives cooperatively and consistent with City processes and procedures.

On June 21, 2017, Council adopted Resolution No. 37299 which approved the Proposed Transaction Terms for Expansion of Stadium and directed the Office of Management and Finance to work with Peregrine Sports to develop formal agreements and amendments to existing agreements as necessitated by the terms in Exhibit A of that Resolution.

On September 27, 2017, Council adopted Resolution No. 37319 allowing certain construction activities to begin prior to the approval of formal legal agreements.

The formal agreements and amendments to existing agreements to authorize the expansion project to proceed are attached to the Ordinance as Exhibits. The Ordinance includes an emergency clause to assure that construction work proceeds on schedule.

Financial and budgetary impacts:

The financial terms approved by Council under Resolution 37299 in June 2017 are reflected in the Exhibits attached to the Ordinance. A summary is provided below and full details of the financial impact of the approved transaction, are available in the Impact Statement filed with Resolution 37299.

In summary, Peregrine Sports, LLC is funding the full design and construction costs of the expansion, including any cost overruns. The project cost is currently estimated at \$50 million. The City's costs associated directly with construction of the expansion project are limited to contracting for outside legal counsel associated with negotiating and drafting legal documents and an owner's representative team to provide design and construction oversight. The combined

costs for these contracted services is anticipated to be approximately \$700,000 and is being funded by the Spectator Venues and Visitor Activities Fund.

Over the life of the Stadium Operating Agreement, the expansion project will increase the value of "Surplus Ticket Revenue" Peregrine is obligated to pay to the City, because the expansion will allow additional tickets to be sold for events. However, this financial benefit is partially offset because the City Council approved granting two, limited-term exemptions on Peregrine's obligation to pay Surplus Ticket Revenue. These exemptions are intended to help offset Peregrine's cost to design and construct the expansion. These exemptions are described in Section 11 of Exhibit B that includes a new Section 6.11 to the Stadium Operating Agreement. The two exemptions are summarized as:

1. An exemption on Surplus Ticket Revenue owed to the City from sales of tickets for existing seats in the stadium. This is an exemption from a payment obligation in the original Operating Agreement and is described in Section 3.3 of the Proposed Transaction Terms approved by Council Resolution No. 37299 in June 2017. This exemption begins in 2018, and continues through 2021, if the expansion opens in 2019, or through 2022 if the expansion opens in 2020.
2. An exemption on Surplus Ticket Revenue owed to the City from sales of tickets for the new seats added through the expansion project. This is an exemption from payment of revenue that would not be generated without construction of the project and is described in Section 3.2 of the Proposed Transaction Terms approved by Council Resolution No. 37299 in June 2017. This exemption begins on the date when the new seats open (anticipated to be in 2019) and continues until the end of calendar year 2025.

Regardless of whether the expansion opens in 2019 or 2020, these exemptions taken together result in a comparable estimated amount of total forgone revenue to the City during the period they are in effect. The actual value of the two exemptions on the City's share of ticket revenue will depend on market conditions, team performance, the number of additional events that are held in the stadium, and other factors, but it is estimated to be worth between \$3.7 and \$5.1 million between 2018 and 2025.

Factoring in increased City costs associated with owning a larger facility, and the estimated value of the additional revenue that will flow to the City after the Surplus Ticket Revenue exemption periods end, the net positive impact of this expansion on the Spectator Venues and Visitor Activities Fund is projected to be an increase of between \$2 and \$5 million over the life of the Stadium Operating Agreement (through 2038, including the allowed three-year extension). This range reflects the conservative approach used by the City for Fund projections, and the fact that the ultimate financial performance of the stadium is dependent on external factors including, but not limited to market conditions, team performance, labor relations, and the number of additional events that are held in the stadium. As with any financial projection, the farther the projection looks into the future, the less reliable the result becomes.

Spectator Venues and Visitor Activities Fund projections show sufficient resources through 2025 to accommodate the reduced revenue from the proposed exemptions on Surplus ticket revenue at

the stadium. The majority of the Fund's resources are, and will continue to be, generated by Rose Quarter operations.

Community impacts and community involvement:

No community involvement is required or was conducted for this specific action as it does not alter the deal terms approved by Council with Resolution 37299. Impacts and community involvement related to the broader stadium expansion project are described briefly below.

This expansion of Providence Park will provide additional capacity and help Peregrine Sports address a significant unmet demand for tickets to Portland Timbers games; the current waiting list for season tickets has approximately 13,000 people on it.

Providence Park is subject to Zoning Code requirements for a Good Neighbor Agreement (GNA) as defined in City Code 33.510.115. The current GNA, dated February 17, 2010, calls for review and update of the GNA if Additional Construction, as defined in the GNA, occurs that is in excess of \$500,000. The GNA Oversight Committee began meeting in March 2017 in anticipation of the expansion project, and has met regularly since. At the meeting on August 30, 2017, the committee approved the required construction mitigation plan and community outreach plan. Those plans have been provided to the Goose Hollow Foothills League and Northwest District Association for review. In the coming months, the Oversight Committee will finalize proposed revisions to the 2010 Good Neighbor Agreement and Comprehensive Transportation Management Plans to reflect the increased capacity of the stadium. These updated plans must be approved by Council prior to the opening of the expansion.

The stadium expansion is subject to several public review processes in addition to the financial terms and formal agreements for the project managed by OMF. The Portland Design Commission approved the proposed design of the expansion on August 3, 2017 and City Council approved a Major Encroachment for the proposed arcade over the public sidewalk on September 13, 2017.

Budgetary Impact Worksheet

Does this action change appropriations?

- YES:** Please complete the information below.
 NO: Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount