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Stadium DDA and Preliminary Finance Plan

December 6, 2011

Committee of the Whole Study Session
Staff Presentation

Stadium Authority Study Session

- ▶ December 6 and 8th – Study sessions, no actions will be taken
- ▶ December 13th – Public hearing to consider approval of the DDA and the preliminary financing plan

Prior Stadium Related Actions

- ▶ June 2, 2009 – City and Redevelopment Agency approve Term Sheet providing general outline of deal structure
- ▶ March 9, 2010 – City adopted findings, mitigations measures and statement of overriding considerations related to the Environmental Impact Report for the Stadium
- ▶ May 11, 2010 – Council approved formation of a Community Facilities District (CFD) as part of the proposed stadium project

3

Prior Stadium Related Actions

- ▶ June 8, 2010 – voters approve Measure J authorizing the City to lease land for the purposes of a Stadium
- ▶ November 2, 2010 – City Council approves rezoning, architectural design and tentative map for the Stadium
- ▶ February 15, 2011 – Stadium Authority created as a joint powers authority between the City and the Redevelopment Agency

4

Prior Stadium Related Actions

- ▶ February 28, 2011 – Agency and Stadium Authority approve a cooperation agreement providing the Agency's \$40 million investment in the Stadium to the Stadium Authority
- ▶ March 31, 2011 – Stadium Authority and 49ers approve a naming rights marketing agreement
- ▶ June 28, 2011 – Stadium Authority approves agreement with Legends Premium Sales to market stadium builders licenses.

5

Prior Stadium Related Actions

- ▶ June 28, 2011 – Stadium Authority approves a pre-opening concessionaire agreement with Volume Services, Inc.
- ▶ June 28, 2011 – Stadium Authority approves a subcontractor selection and procurement plan in compliance with SB 43
- ▶ November 15, 2011 – Stadium Authority authorizes executive director so circulate requests for bids and select contractor for Stadium Site Preparation Project (Make-Ready Work)

6



Public Safety Plan

Protections Mitigating Risks of Stadium Financing Plan

- ▶ 49ers responsible for any construction costs that exceed the final development budget
- ▶ 49ers to pay increased facility rent to cover Stadium Authority operating costs and debt service
- ▶ 49ers Management Co. to provide Stadium Authority with \$25 million line of credit
- ▶ Put rights in lease give Stadium Authority opportunity to convert lease to 12-month triple net lease and be relieved of debt to 49ers and line of credit debt

9

DDA Overview

- ▶ Parties: Stadium Authority and 49ers Stadium LLC (StadCo)
- ▶ Covers the financing and construction of the stadium.
- ▶ No City General Funds or enterprise funds will be used to pay construction costs of the stadium.
- ▶ A number of conditions must be met before the Stadium Lease is executed and construction commences.

10

DDA Overview

- ▶ Prior to entering into Stadium Lease and commencing construction Parties have to agree on the terms of :
 - The final terms of the Stadium Lease
 - Non-relocation agreement requiring the Team to play home games in Stadium for the life of the lease
 - Public safety agreement
 - Parking plan

11

Construction

- ▶ Design Build Contract
 - Will have a fixed guaranteed maximum price
 - Will include incentives for early completion and damages for late completion
- ▶ Construction Agency Agreement
 - StadCo will act as the Stadium Authority's construction agent overseeing construction of the Stadium

12

Preliminary Development Budget

- ▶ Current estimated cost of the Stadium (excluding financing costs)
 - \$1.02 Billion
 - Includes approximately \$150 million in tenant improvements to be paid directly by StadCo
- ▶ Final Development Budget based on contractor guaranteed maximum price will be approved by the Parties prior to commencement of construction.

13

Financing Plan

- ▶ Preliminary Financing Plan describes current financing proposal
- ▶ Prior to commencement of construction the Final Financing Plan identifying all sources of funds necessary to pay development costs will be approved by Stadium Authority.

14

Stadium Authority Construction Financing

- ▶ Stadium Authority Sources of Financing
 - RDA contribution during construction
 - StadCo advances against RDA and CFD contributions
 - Naming rights proceeds
 - Stadium Builders Licenses proceeds
 - Loan from construction lenders (Goldman et. al)
 - Subordinated Loan from StadCo

15

Stadium Authority Loans

- ▶ Development costs of \$1.02 billion
- ▶ Approximately \$150 million from StadCo for tenant improvements
- ▶ Remaining \$850 million in the form of loans to the Stadium Authority from:
 - Construction lenders (approximately \$450 million)
 - StadCo (approximately \$400 million)

16

Stadium Authority Loans

- ▶ Actual amount Stadium Authority borrows for construction is expected to be less than \$850 million as other sources of revenue including Stadium Builders Licenses and naming rights become available during construction

17

Stadium Authority Loans

- ▶ No City General Funds or enterprise funds will be pledged to the repayment of the Stadium Authority loans
- ▶ The City's interest in the Land will not be at risk
- ▶ StadCo will be responsible for any construction costs that exceed the amount of final development budget

18

Long Term Financing

- ▶ A portion of the Stadium Authority construction loans will be repaid with naming rights and SBL proceeds
- ▶ The remaining balance of Stadium Authority construction loans will be replaced with long term financing
- ▶ Any remaining StadCo loan will have a repayment term of at least 20 years

19

Repayment of Long Term Financing

- ▶ Long Term Financing will be repaid from Stadium Operating revenue including
 - Naming rights
 - Stadium builders licenses
 - 50% of net non-NFL event revenue
 - Ticket surcharge
 - StadCo Facility rent

20

Repayment of Long Term Financing

- ▶ StadCo Facility Rent will be a significant source of repayment for the long term financing. StadCo Facility rent is currently estimated to be in the range of \$30 million annually rather than the original \$5 million proposed in the Term Sheet

21

Long Term Financing

- ▶ StadCo has committed to buy the construction loan from the construction lenders if the Stadium Authority is not able to obtain long term financing prior to maturity.
- ▶ If StadCo buys the construction loan from the construction lenders, the maturity date of the construction loan will be extended by 3 years.

22

Stadium Lease

- ▶ Lease Term
 - 40 year initial term
 - Option to renew for additional 20 years

23

Stadium Lease

- ▶ Lease Year will be divided into two seasons
 - NFL Season (August 1 to January 31)
 - Off Season (February 1 to July 1)
- ▶ StadCo responsible for operating costs of the Stadium during NFL Season
- ▶ Stadium Authority responsible for operating costs of the Stadium during off season

24

Stadium Lease

- ▶ StadCo will pay a Facility Rent
- ▶ Facility rent will be set to ensure that Stadium Revenues, including the Facility Rent are sufficient to pay Stadium operating expenses, the City's ground rent and debt service on the long term financing
- ▶ Facility Rent is currently projected to be in the range of \$30 million annually

25

ManagementCo Line of Credit

- ▶ A 49ers affiliate ("ManagementCo") will manage the stadium year round
- ▶ ManagementCo will provide the Stadium Authority with a line of credit of up to \$25 million to cover revenue shortfalls
- ▶ Payment of the line of credit will be from excess revenue.

26

Stadium Lease– Put Rights

- ▶ Stadium Authority will have several opportunities to convert the lease to a 12 month triple net lease (“Put Rights”)
- ▶ After conversion StadCo will be responsible for all operating expenses of the Stadium
- ▶ At conversion, all reserves will be applied to outstanding debt. Any remaining debt will be assumed by StadCo or repaid by StadCo