

Office of the Chief Financial Officer
Government of the District of Columbia

Alternative Financing Plans for Baseball Stadium
Evaluation

- In October 2004, the Mayor, DC Sports and Entertainment Commission and Major League Baseball signed the Baseball Stadium Agreement.
 - Major League Baseball agreed to move a baseball team to Washington, DC.
 - Mayor and the Sports and Entertainment Commission agreed to renovate RFK stadium for the new team and to build a new ballpark for the 2008 season.
- In December 2004, the Council passed the Ballpark Omnibus Financing and Revenue Act of 2004.
 - Authorized the District to issue up to \$534 million in bonds to pay for the RFK renovation and the new ballpark.
 - New Ballpark Fee, a utility tax on non-residential customers, and increases in sales taxes at the stadium were imposed to repay these bonds.
- Council passed the Private or Alternative Stadium Financing and Cost Trigger Emergency Act of 2004.
 - Required the Chief Financial Officer (CFO) to request and review supplemental or alternative stadium financing plans and proposals.
 - Plans must substantially reduce the annual amount of the Ballpark Fee required to repay bonds issued to construct the baseball stadium.

District's Public Financing Plan

- Total Amount of Revenue Bonds Authorized to be Issued
 - \$534.8 million
- Debt Service on Bonds
 - \$32 million annually with bond insurance
- Sources of Repayment
 - \$14 million annually from Ballpark Fee – considered very stable
 - \$12 million annually from Utility Tax on Non-Residential Users – considered very stable
 - Remainder from Stadium Taxes and Team Rent – considered less stable

Note: At least 80% of sources of repayment must be from highly reliable sources in order to obtain bond insurance and market acceptance.

Alternative Financing Plans Received

- The request for supplemental plans was issued on December 23, 2004.
- Eight plans were received by January 18, 2005
 - Two of the alternatives will convert future revenue streams into upfront payments (monetize)
 - Deutsche Bank
 - The Gates Group
 - Five plans will pay the District for the right to develop the area around the stadium
 - Baseball Village Associates
 - DSG Capital Group
 - The Dubois Group
 - Global Development Partners
 - HooverMilstein
 - One submission offers to pay for the stadium in part by attracting equity investors through the availability of substantial Federal tax benefits
 - DC Baseball Stadium Associates

Criteria for Financial Certification

- In order to be certified as a financing alternative, the plans must:
 - Reduce the total amount of bonds the District would need to issue
 - Reduce the Ballpark Fee needed to support debt service
 - Provide additional financial benefits with minimal additional risk

- Certified Plans
 - Deutsche Bank
 - The Gates Group

- Not Certified Plans
 - Baseball Village Associates
 - DC Baseball Stadium Associates
 - DSG Capital Group
 - The Dubois Group
 - Global Development Partners
 - HooverMilstein

DESCRIPTION

- Provides District with \$405-\$493 million in an upfront payment
- For a \$493 million upfront payment, District will repay Deutsche Bank \$37 million annually from
 - Stadium Rents and Taxes (\$18 million average annual payment)
 - Utility Tax (\$12 million average annual payment)
 - Bus Shelter Advertising Revenues (\$7.6 million average annual payment) (Note that the City Administrator has had separate discussions with Deutsche Bank and may have other uses for these funds.)

REASONS CERTIFIED

- Eliminates need for District to issue bonds
- Eliminates need for Ballpark Fee after 3 years
- Monetizes revenue streams that would be very difficult to sell in the bond market
- Reduces the upfront financing costs
- Allows District to retain the development rights to land not used for the stadium and to the land in the surrounding area for future sale

DESCRIPTION

- Provides District with \$26-175 million in an upfront payment
- For a \$100 million upfront payment, District would pay approximately \$10.6 million annually from “parking district” fees
- District will issue bonds for remaining project costs

REASONS CERTIFIED

- Reduces amount of bonds District must issue
- Reduces Ballpark Fee to \$6.9 million for the first 24 years, for an upfront payment of \$100 million
- Monetizes revenue streams that would be very difficult to sell in the bond market
- Reduces the upfront financing costs
- Provides District with \$40 million that could be used as a reserve against future repayment
- Allows District to retain the development rights to land not used for the stadium and to the land in the surrounding area for future sale

Baseball Village Associates

Not Certified

DESCRIPTION

- Design and construct baseball stadium for a guaranteed maximum price
- Build a 5,000-car parking garage and develop additional land within the footprint of the stadium site
- District would issue \$845.4 million in revenue bonds supported by:
 - Ballpark Fee
 - Utility tax
 - Rent payments and stadium taxes
 - Event revenue
 - Excess parking revenue
 - Incremental retail sales and real estate taxes from the new development surrounding the stadium

REASONS NOT CERTIFIED

- Increases amount of debt supported by District resources to \$845 million
- Increases required Ballpark Fee to \$35 million for first 3 years
- Requires transfer of land to private developer
- Requires negotiation between District, Sports and Entertainment Commission, Major League Baseball, and private entity to build stadium
- Requires TIF financing
 - Could jeopardize completion of stadium construction by the deadline because success of stadium is dependent upon economic health of area surrounding the stadium

DC Baseball Stadium Associates

Not Certified

DESCRIPTION

- Design and construct baseball stadium and 7,000-space garage
- Team makes lease payments from money provided by District:
 - Rent payments and stadium taxes
 - Payroll taxes
 - Excess parking revenues
- BSA issues corporate bonds for \$383 million and raises equity of \$101 million
- District provides GO or moral obligation pledge backing corporate bonds
- District issues \$223.9 million of debt supported by:
 - Utility tax
 - Ballpark Fee
- BSA would lease land from the District. All lease payments would be deferred until year 25

REASONS NOT CERTIFIED

- Increases amount of debt supported by District resources to \$607 million
- Requires negotiation between District, Sports and Entertainment Commission, Major League Baseball, and private entity to build stadium
- Requires renegotiation of Baseball Stadium Agreement with Major League Baseball
- Requires a GO guarantee
- Risk to investors that IRS may contend that tax benefits should be reduced or recovered over a longer period of time
- BSA and Major League Baseball share all increases in revenue, above what is needed to service the debt.
- Council must assign taxes and parking revenues from the stadium to the team.

DSG Capital Group

Not Certified

DESCRIPTION

- Build baseball stadium at a total project cost of \$607.7 million
- DSG issues bonds for \$135.5 million to be repaid from:
 - Rent payments and stadium taxes
- District would provide a moral obligation for 80% of the debt service.
- District issues remaining \$506.8 million of debt secured by:
 - Utility tax
 - Ballpark Fee
- DSG receives development rights to the land within the footprint that is not used for the stadium and related parking

REASONS NOT CERTIFIED

- Increases amount of debt supported by District resources to \$642 million
- Increases required Ballpark Fee to \$31 million
- Requires transfer of land to private developer
- Requires negotiation between District, Sports and Entertainment Commission, Major League Baseball, and private entity to build stadium
- District must compensate DSG if the team moves before 30 years

The Dubois Group

Not Certified

DESCRIPTION

- Total project costs of the plan-\$578.4M
- Two-phase mixed-use development on 52-acres of land in Southeast DC
- Phase I – construction of ballpark on 13-acres (remaining 39 acres, including parking, would be developed in Phase II)
- All DC government-owned land within 52-acre area, including streets and alleys, would be transferred to DG
- DB would select site for the ballpark within the 52-acres
- DG would provide upfront funds of \$100 million
- DG would design and build the stadium using an additional \$100 million of funds from DG
- District issues \$409.8 million of debt secured by:
 - Rent payments and stadium taxes
 - Utility tax
 - Ballpark Fee

REASONS NOT CERTIFIED

- Requires transfer of land to private developer
- Requires negotiation between District, Sports and Entertainment Commission, Major League Baseball, and private entity to build stadium
- District must provide Dubois with all government owned land including streets and alleyways and development rights within 52-acre site
- District must rebate sales and parking taxes generated in area to Dubois
- Must extend the 10% tax on concessions to the entire 52-acre site

Global Development Partners

Not Certified

DESCRIPTION

- Design and construct stadium
- Develop additional land within the footprint of the stadium site
- Total cost of the project is \$543.5 million
- GDP pays District \$28.7 million for exclusive development rights on the stadium site
- GDP issues \$267.9 million in revenue bonds supported by:
 - Rent payments and stadium taxes
 - Utility tax
- District issues \$62.8 million in TIF bonds secured by:
 - Incremental retail sales and real estate taxes from the new development surrounding the stadium
- District issues \$254.9 million in bonds secured by:
 - Ballpark Fee

REASONS NOT CERTIFIED

- Increases amount of debt supported by District resources to \$586 million
- Increases required Ballpark Fee to \$23 million
- Requires transfer of land to private developer
- Requires negotiation between District, Sports and Entertainment Commission, Major League Baseball, and private entity to build stadium
- Requires TIF financing
 - Could jeopardize completion of stadium construction by the deadline because success of stadium is dependent upon economic health of area surrounding the stadium
- GDP would retain all tax revenues generated by the new development not required to pay debt service

DESCRIPTION

- Design and construct baseball stadium for guaranteed price
- If HM completes construction for less than guaranteed price, savings used to acquire & develop land in District
- Lease portion of the baseball stadium site that is not required for the stadium and related facilities for approximately \$1.4 million annually
- District issues \$538.1 million of bonds secured by:
 - Rent payments and stadium taxes
 - Utility tax
 - Ballpark Fee
- HM purchases or places \$35-\$45 million of revenue bonds secured by rent payments and stadium taxes
- District guarantees debt service on bond issuance

REASONS NOT CERTIFIED

- Increases amount of debt supported by District resources to \$538 million
- Increases required Ballpark Fee to \$29 million for first 15 years
- Requires transfer of land to private developer
- Requires negotiation between District, Sports and Entertainment Commission, Major League Baseball, and private entity to build stadium
- District must use any excess revenues from stadium rents and taxes to pay down the debt held by HM rather than reducing the Ballpark Fee

General Concerns with Economic Development Plans

- Risks associated with some types of economic development financing could jeopardize the financing and completion of the stadium. For example:
 - The Supreme Court is currently reviewing the use of eminent domain, which may affect the legality of the development submissions.
 - It will be difficult and time consuming to negotiate the necessary agreements that would be required before stadium construction can be turned over to the private sector.
 - All but one of the plans requires the District to increase its outstanding debt by more than the amount required for the District to build the ballpark. Any increase in District debt can put negative pressure on the District's current bond rating.

Economic Development Opportunities

- The stadium can provide an excellent economic development opportunity in the near Southeast neighborhood.
- Some of the plans could provide a vehicle for the District to accelerate the economic development of the area surrounding the stadium.
- I cannot certify any of the development plans as alternative financing mechanisms because they either increase the debt or the financial risk of the District.
- With defined economic development criteria, the Mayor and the Council may choose to consider some of these plans as the process moves forward.