Evaluation of Alternative Financing Plans for the Baseball Stadium
March 2005

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

EXECUTIVE SUMMARY

Alternative Stadium Financing Plans

In October 2004, the Mayor, representatives of the District of Columbia Sports and Entertainment Commission, and Major League Baseball signed the Baseball Stadium Agreement (BSA). Major League Baseball agreed to move a baseball team to Washington, DC. In return, the 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, the Council passed the Ballpark Omnibus Financing and Revenue Act of 2004, which authorized the District of Columbia (District) to issue up to $534 million in bonds to pay for the RFK renovation and the new ballpark. The Council imposed a new Ballpark Fee, a utility tax on non-residential customers, and increases in sales taxes at the stadium to repay these bonds.

The Council also requested a review of alternative ways to finance the new ballpark. Thus, it passed the Private or Alternative Stadium Financing and Cost Trigger Emergency Act of 2004, which required the Chief Financial Officer (CFO) to request and review supplemental or alternative stadium financing plans and proposals that would substantially reduce the annual amount of the Ballpark Fee required to repay bonds issued to construct the baseball stadium. The CFO must deliver a report to the Mayor and the Council describing and evaluating all alternative financing plans that were submitted. If the CFO finds and certifies at least one plan that meets the financing criteria established in the Act, and certifies that at least 50 percent of the ballpark construction cost (approximately $140 million) can be financed privately, the Mayor shall submit legislation to the Council to replace part or all of the public financing that would otherwise be required to build the stadium.

The request for supplemental plans was issued on December 23, 2004. Eight plans were received by January 18, 2005, the closing date for providing submissions. The alternative financing plans can be divided into three distinct categories. Two of the alternatives will monetize various future revenue streams; five plans will pay the District for the right to develop the area around the stadium; and one submission offers to pay for the stadium in part by attracting equity investors through the availability of substantial Federal tax benefits. Except for the two monetization plans, each proposer would build the baseball stadium for the District.

The Office of the Chief Financial Officer (OCFO) and its consultants evaluated the eight alternative stadium financing submissions in terms of their financial benefits and costs, including their reliance on the Ballpark Fee and proposed bond financing. The evaluation team examined the:

- Financial feasibility of each financing plan,
- Financial capability of individual(s) and/or firm(s) involved,
- Past related experience of individual(s) and/or firm(s) involved,
- Benefits and costs to the District,

- Degree to which each plan would reduce the annual amount of the Ballpark Fee required to be collected by the District and the principal amount of bonds that the District would otherwise need to issue.

Typically, the least costly way to finance any public sector construction project is to issue tax-exempt general obligation bonds. If, for various reasons, a jurisdiction does not want to issue general obligation debt, issuing tax-exempt revenue bonds is the next least costly financing mechanism. However, since both mechanisms are subject to the low risk tolerance of the bond market, the issuer is often forced to borrow fewer funds than repayment streams can support. Alternative financing has the flexibility to be more risk tolerant, but inherently suggests higher borrowing rates. Therefore, it was not expected that the requested alternative financing plans would provide funds at a lower total cost to the District. Rather, it was expected that the plans would provide other financial benefits such as reductions in the Ballpark Fee and/or reductions in the amount of revenue bonds required for construction of the new ballpark.

For a plan to be financially certified, it must:

1. Reduce the total amount of bonds the District would need to issue,
2. Reduce the Ballpark Fee needed to support debt service, and
3. Provide additional financial benefits with minimal additional risk.

A number of the plans may provide economic development benefits to the District; however, they either increase the total amount of bonds the District would need to issue, increase the Ballpark Fee needed to support debt service, or increase the District's risk, and therefore, did not meet the certification criteria established in the legislation. The collateral benefits of these plans were identified, but were not explicitly included as a part of this financial evaluation.

The CFO finds that the plans submitted by Deutsche Bank and The Gates Group can be certified as alternative vehicles for financing the construction of the new baseball stadium. Both reduce the amount of bonds the District must issue to finance the construction of the new stadium, and, as a result, reduce the amount of the Ballpark Fee required to support the debt service on the stadium bonds. Both plans also provide additional financial benefits with minimal additional financial risk. Although the OCFO cannot certify any of the five development plans as alternative financing mechanisms, the Mayor and the Council may want to consider the economic development potential of some of these plans as the process moves forward.

Detailed evaluations of each submission follow.

Deutsche Bank

Overview

Deutsche Bank (DB) proposes to purchase various revenue streams from the District over a thirty-three (33) year period. The plan provides a number of financing options. Under the first option (Tranches A and B), DB would buy the annual stadium rent and tax revenue streams, amounting to approximately $15 million, in exchange for an upfront payment of $225 million, at an interest rate of 6.556%, and the District's utility tax revenue stream of approximately $12 million per year, in exchange for an $180 million upfront payment, at an interest rate of 4.886%. The District would guarantee any shortfalls to the revenue streams in Tranche A. DB would also buy $88 million in franchise fees, to be paid to the District by Clear Channel Communications for the right to advertise on Metro Bus Shelters, at an interest rate of 6.6% (Tranche C).[1] In total, DB has offered to buy revenue streams from the District in the amount of $493 million. The District would not have to issue any bonds if it decides to sell all of the revenue streams proposed by DB.

Tranche	Upfront Payment	Revenue Stream	Guarantee
A	$225 million	Stadium Taxes and Rent	Springing Ballpark Fee or other District revenues
B	$180 million	Utility Taxes	Depends on bond market
C	$88 million[1]	Clear Channel Franchise Fee	Clear Channel Communications, Inc
Total	*$493 million*	*All Named Revenue Streams*	

Financial Benefits of the Plan

- The plan could eliminate the need for the District to issue bonds, which would save approximately $48 million in issuance costs.
- The Ballpark Fee could be levied for only the first three years in order to establish a reserve and could then be eliminated.
- The plan would allow the District to sell stadium rents and taxes, which would be difficult and expensive for the District to sell in the bond market.
- Tranche C may not be considered net tax supported debt.
- The amount of any reserve fund is optional.

Financial Costs of the Plan

- The structuring fee is approximately $2 million more than a typical bond underwriting fee.

[1] Please note that the City Administrator has had separate discussions with Deutsche Bank and Clear Channel Communications, Inc., and may have other uses for these funds.

Legal Issues

- No legal obstacles have been identified with this plan.

Non-Financial Benefits and Costs of the Plan

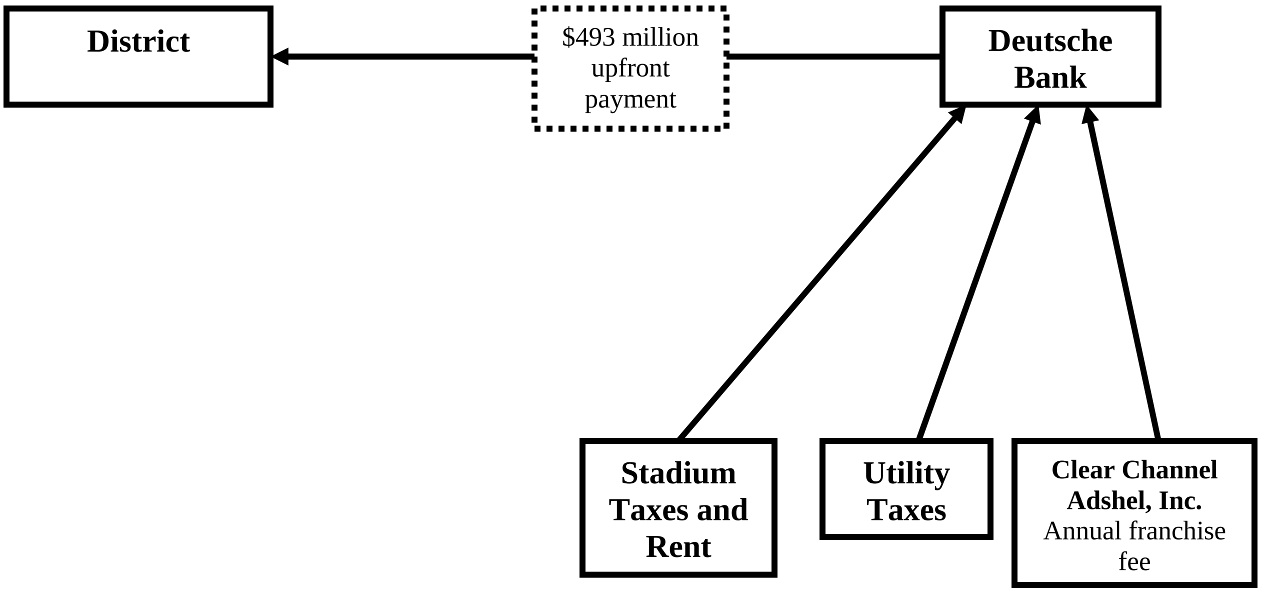
- The plan allows the District to use it in conjunction with another alternative financing submission.

Recommendation

The CFO certifies this plan as a sound financial transaction that will substantially reduce the need for the District to issue bonds and decrease the amount of the Ballpark Fee required to meet annual debt service payments.

Flow of Funds

$493 Million Financing



The Gates Group, LLC

Overview

The Gates Group, LLC (Gates) proposes to provide the District with an upfront payment ranging from $26 to $175 million, which the District would repay as lease payments with interest over a thirty year period. Gates suggests that the District create a geographically defined "parking district" surrounding the baseball stadium and dedicate any parking related revenues received in that "district" from street parking, surface parking and parking lots to the lease payments. The interest rate required by Gates is 7.23% and the transaction is structured so that lease payments would increase over the life of the loan. As security, Gates requests a District guarantee of payment through annual appropriation and a 99-year lease on the land under the baseball stadium. The District would be able to terminate the lease after thirty years for one dollar.

Community Parking Services, a joint venture between Macquarie Bank and shareholders of Reino Parking Systems, Inc, would provide the District with a $40 million upfront payment in exchange for a 30-year concession to manage the parking system. The District could use the $40 million to serve as the guarantee on the lease payment to Gates. The District could share in any increase in the value of the paid parking system via a profit sharing mechanism. In addition, Community Parking Services would provide all equipment and services required to operate the parking system.

Upfront Payment	**Revenue Stream**	**Average Annual Rent**	**Guarantee**
$26 million	Parking District Revenues	$2.8 million	Annual appropriation
$50 million	Parking District Revenues	$5.3 million	Annual appropriation
$75 million	Parking District Revenues	$7.9 million	Annual appropriation
$100 million	Parking District Revenues	$10.6 million	Annual appropriation
$125 million	Parking District Revenues	$13.2 million	Annual appropriation
$150 million	Parking District Revenues	$15.8 million	Annual appropriation
$175 million	Parking District Revenues	$18.5 million	Annual appropriation

Financial Benefits of the Plan

- The plan could reduce the amount of the District's bond issuance by between $25.8 million and $194.8 million.
- The plan would reduce the amount of the Ballpark Fee to approximately $6.9 million annually on average for 24 years and eliminate the Ballpark Fee for the remaining six years, assuming an upfront payment to the District of $100 million.
- The plan would allow the District to sell new "parking district" revenues, which would be difficult and expensive to sell in the bond market.
- Community Parking Services would provide the District with an additional $40 million in upfront funds, which are not restricted in use.

Financial Costs of the Plan

- The District must create a "parking district" and dedicate revenues and taxes to repay the loan.
- Revenues from the "parking district" may not materialize until after the stadium is built; however, the District could reduce its risk by reducing the amount of the upfront payment.

Legal Issues

- No legal obstacles have been identified with this plan.

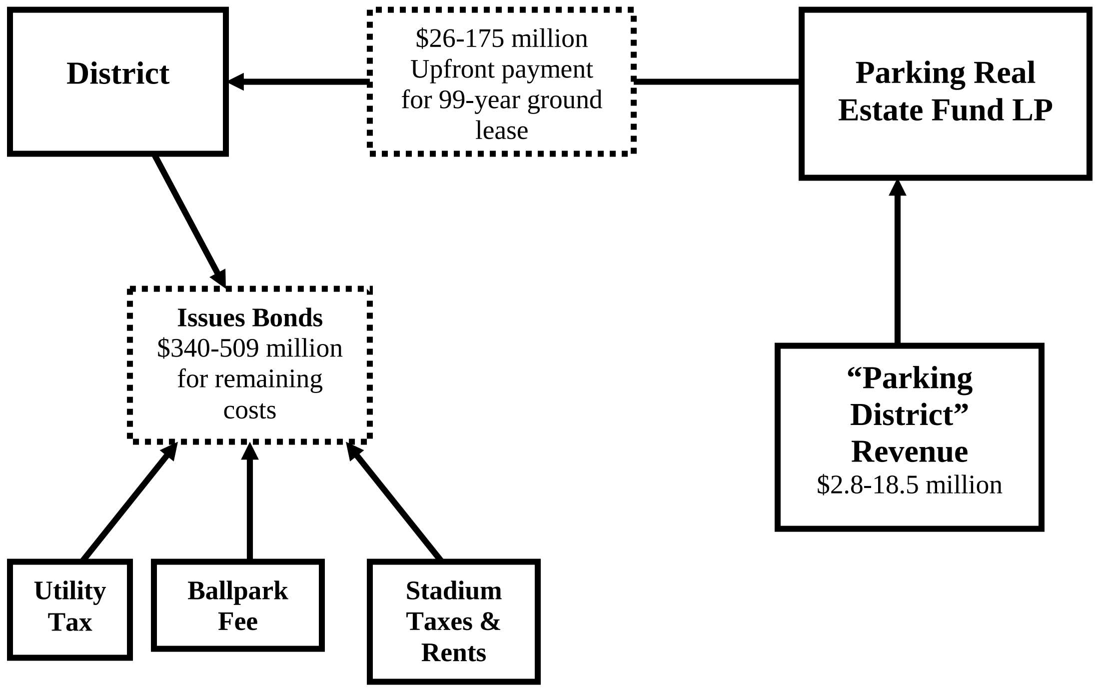
Non-Financial Benefits and Costs of the Plan

- Since payments are made from a revenue source unidentified by other submissions, the plan allows the District to use it in conjunction with other alternative financing submissions.
- The District would have to grant operational control of the "parking district" to Community Parking Services.
- The District would give up the development rights to the land leased to Gates.

Recommendation

The CFO certifies this plan as a sound financial transaction that will substantially reduce the need for the District to issue bonds and decrease the amount of the Ballpark Fee required to meet annual debt service payments.

Flow of Funds



Baseball Village Associates

Overview

Baseball Village Associates (BVA) proposes to design and construct the baseball stadium for a guaranteed maximum price, as well as build a 5,000-car parking garage and develop additional land within the footprint of the stadium site. (This evaluation only analyzes Zones 1 and 2A of the BVA submission. The remainder of the BVA submission discusses development north of the stadium site.)

The District would issue $845.4 million in revenue bonds supported by the Ballpark Fee, utility tax, rent payments, stadium taxes, event revenue, excess parking revenue, and incremental retail sales and real estate taxes from the new development surrounding the stadium.

District Bonds	Revenue Stream	Guarantee
$200 million	Utility Taxes	Depends on Bond Market
$240 million	Stadium Taxes, Rent, Event and Parking Revenue	Same
$255 million	TIF	Same
$62 million	Sublien	Same
$88.4 million	Ballpark Fee	Same

Financial Benefits of the Plan

- BVA provides $35 million in equity in exchange for development rights to property acquired by the District but not needed for the stadium.
- After the first three years, the Ballpark Fee could be reduced to approximately $7.5 million annually on average.
- As manager of the architect and construction team, BVA would assume cost overruns not initiated by the District or MLB change orders.

Financial Costs of the Plan

- The plan proposes total project costs of $765.1 million, $278.9 million above the District's estimates.
- The District would have to issue $845.4 million in debt, exceeding the current legislative authority of $534 million. The majority of this increase is related to the construction of a 5,000-car parking garage and ancillary development surrounding the stadium, which is a necessary financial component of the plan.
- The Ballpark Fee would have to increase to an average of $34.9 million for the first three years, until the TIF revenues materialize.
- Without additional backing, the TIF bonds, a key element to the financing, may be difficult to sell.
- The TIF bond issue cannot be separated from the bond issues necessary for the construction of the stadium. The risks associated with the TIF bonds are substantially higher than those associated with the stadium bonds. This plan could jeopardize the

development of the stadium because the success of the stadium is dependent upon the economic health of the area surrounding the stadium site area.

Legal Issues

- It may not be legal for the District to acquire land through eminent domain/condemnation and transfer it to a private entity without a redevelopment plan or a competitive disposition process.

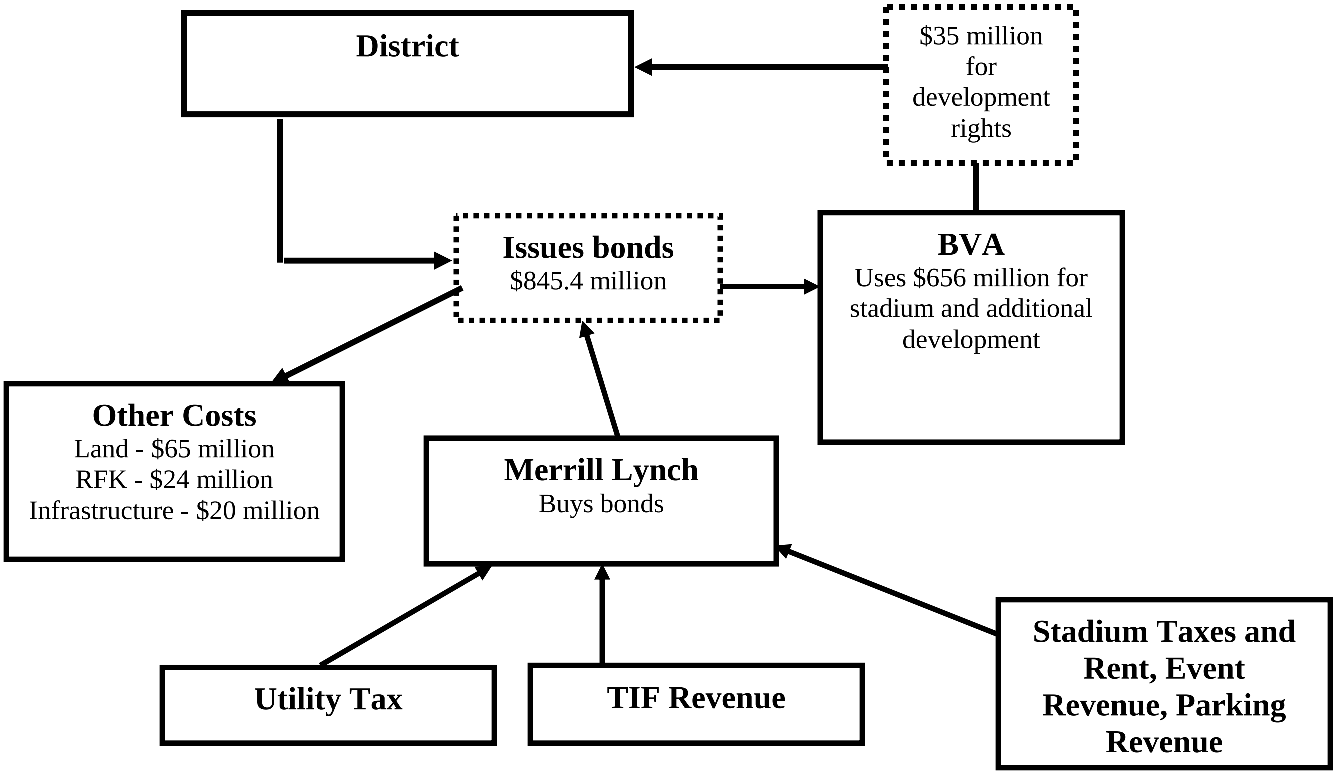
Non-Financial Benefits and Costs of the Plan

- The plan has the potential to accelerate economic development in the area surrounding the stadium.
- The plan could potentially help to fund the Community Benefits Fund.
- The plan requires the creation of a TIF district and negotiation of a development agreement.

Recommendation

Due to the need for the District to issue more debt at higher rates and the potential risks associated with the TIF, the CFO cannot certify the BVA plan as an alternative financing source for the baseball stadium. However, the Council and the Mayor may want to consider the accelerated economic development potential of this plan as the development process moves forward.

Flow of Funds



DC Baseball Stadium Associates

Overview

DC Baseball Stadium Associates (BSA) proposes to design and construct the baseball stadium and a 7,000-space garage from total financing funds of $729.9 million. BSA would own the baseball stadium and lease it to the baseball team. The team would make the lease payments from stadium rent, stadium taxes, payroll taxes, and excess parking revenues given to them by the District. BSA would issue corporate bonds for $383 million at an interest rate of 5.73%, with imbedded issuance costs of approximately $93.4 million. BSA expects to raise equity of $101 million, which would yield a return of approximately 1%, and to utilize $22 million of investment interest earned at a 3.7% rate. The bonds and return on equity would be repaid from the lease payments by the team and guaranteed, in part, by the District with a GO or moral obligation pledge. The District would issue $223.9 million of debt secured by the utility tax and the Ballpark Fee.

BSA would lease land under the footprint of the stadium from the District through a ground lease for a term of not less than 65 years. The ground lease rent would be $8.4 million per year, which would be paid during the three-year construction period, but would be required to be placed in a rent reserve fund. All rent payment obligations after the third year would be deferred until year 25. The ground lease rent payment to the District would accrue at 6.3%. At the end of year 25, the District would either receive $494 million or ownership of the stadium.

The District would be required to create a rent reserve fund to cover shortfalls in the team's rent payments. During the term of the lease, the District would receive an annual rent reserve fee of $1.5 million from the team; however, this fee would be payable only from revenues in excess of the team's payment to BSA. To the extent amounts were withdrawn from the rent reserve fund to make lease payments, those amounts would be repaid with interest accrued at an annual compounded interest of 3%. At the end of the stadium lease, the District would receive any amounts remaining in the rent reserve fund. However, the amount received by the District at the end of 25 years could not exceed 15% of the net proceeds from the sale of the team or refinancing of its assets.

Tranche	**Who Provides**	**Revenue Source**	**Guarantee**
$223.9 million	District	Utility Tax and Ballpark Fee	
$383 million	BSA	Stadium Rent, Stadium Taxes, Payroll Taxes, Excess Parking Revenues	District general obligation guarantee
$101 million	BSA	Stadium Rent, Stadium Taxes, Payroll Taxes, Excess Parking Revenues	District general obligation guarantee
$22 million	BSA	Investment Interest	

Financial Benefits of the Plan

- The plan would provide $101 million in equity.

- The Ballpark Fee could be reduced to an average of $6.6 million annually for 30 years
- As manager of the architect and construction team, BSA would assume cost overruns not initiated by the District or MLB change orders.

Financial Costs of the Plan

- The plan proposes total project costs of $601.6 million, $115.4 million above the District's estimates.
- Total project funds repaid from District revenues would increase to $606.98 million in bonds, with an additional 1% return on $101 million in equity.
- The overall costs of the plan are higher than the plan contemplated by the District because BSA's plan includes a much larger parking facility than that proposed by the District. The plan could not be accomplished without the revenues generated from this larger parking facility.
- BSA requests a GO guarantee on the rent reserve fund that secures the bonds that they issue. They are willing to discuss a moral obligation; however, this would increase the cost for the District.
- Whether the District provides a GO or a moral obligation guarantee, the District could be responsible for over $30 million annually if revenues fail to materialize.
- According to the BSA plan, all excess revenue from all of the sources pledged, above what is needed to service the debt, would be shared by BSA and Major League Baseball. The District would not share in any of the potential upside.
- The BSA plan assumes a 1.0 percent return on equity, which is substantially below market rates. If investors insist on a higher return, the cost to the District may increase. BSA did not provide a letter from any equity investors stating a commitment to provide equity.
- The plan assumes that a revenue stream from payroll taxes could be used to help service the debt. Such a payment could only come from the taxes of District resident. It is not clear from the proposal how such a revenue stream would be administered.
- The District must deposit the first three years of ground lease payments into the rent reserve fund, and then must allow BSA to defer payment of the ground lease until year 25.

Legal Issues

- If Federal laws change regarding the use of leveraged lease accounting before the deal is closed, the District faces substantial risk.
- Risk to investors that the IRA may contend that tax benefits should be reduced or recovered over a longer period of time.

Non-Financial Benefits and Costs of the Plan

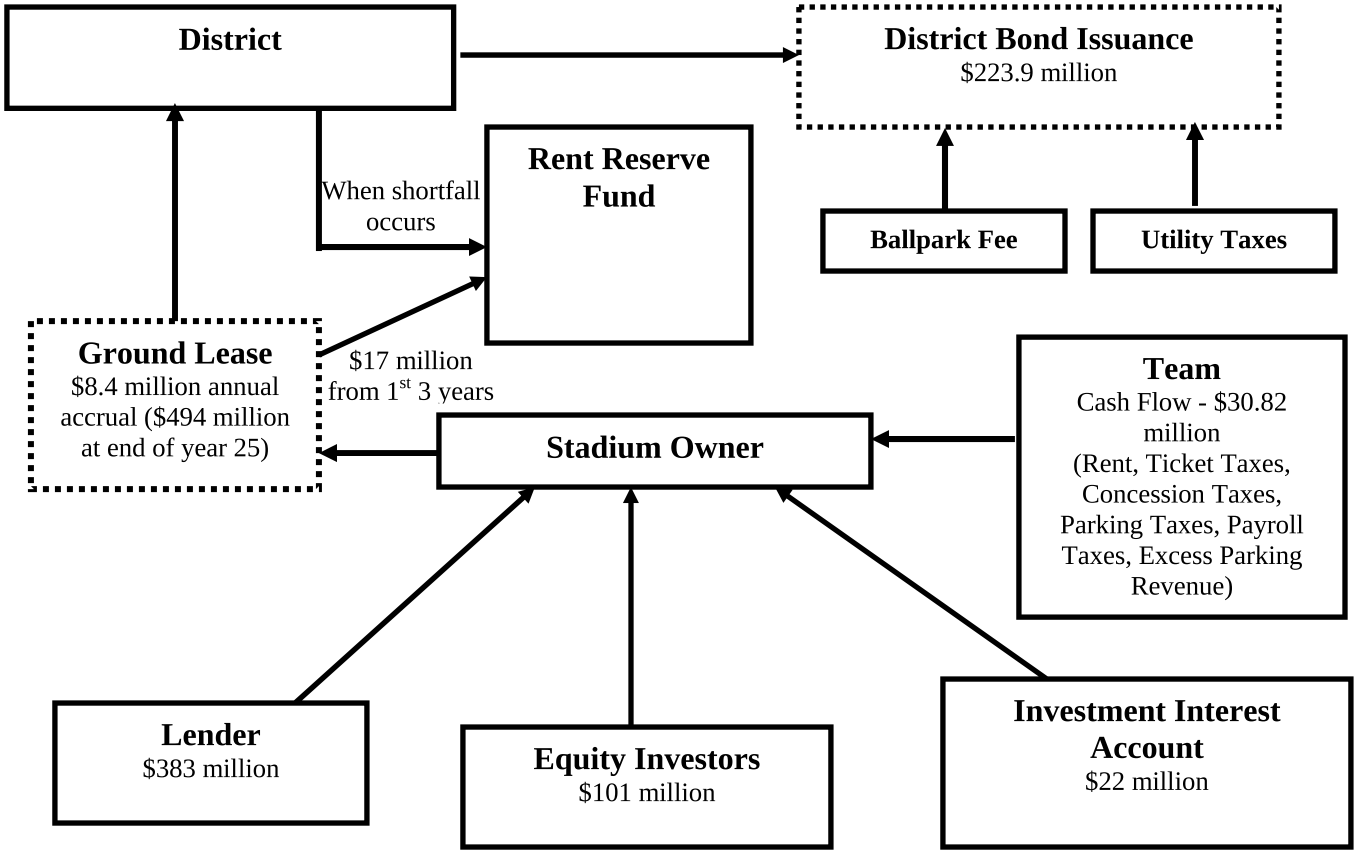
- The Council would need to change legislation to allow for the assignment of taxes from the stadium to the team.

- In order for BSA's plan to be acceptable, the District would need to renegotiate the Baseball Agreement with Major League Baseball.
- The District faces significant risks related to delays due to the complexity of this deal.

Recommendation

As a result of the significant risks and higher costs that the District would face as a result of BSA's plan, the CFO cannot certify the submission.

Flow of Funds



DSG Capital Group

Overview

DSG Capital Group (DSG) proposes to build the baseball stadium at a total project cost of $607.7 million (net of issuance costs). DSG would issue bonds for $135.5 million at an interest rate of approximately 10.95%. The bonds would be repaid from stadium rent and stadium taxes. The District would provide a moral obligation for 80% of the debt service. The District would issue the remaining $506.8 million of debt secured by the utility tax and the Ballpark Fee.

In addition, DSG would receive development rights to the land within the footprint that is not used for the stadium and related parking, a developer's fee of $35.1 million or 10 percent of hard and soft costs, and tax abatements for all private development within the footprint.

The District would bear the risk of cost overruns and delays related to inclement weather and other factors beyond DSG's control.

Bonds	Who Issues	Revenue Source	Guarantee
$506.8 million	District	Utility Tax and Ballpark Fee	Depends on Bond Market
$135.5 million	DSG	Stadium Taxes and Rent	District guarantee for 80% of Debt Service

Financial Benefits of the Plan

- DSG would provide the District with $135.5 million using stadium taxes and rent to sell the bonds, revenue streams that may be difficult and expensive for the District to sell on its own. (However, the rate is approximately 600 basis points above the District's cost of borrowing.)

Financial Costs of the Plan

- The total proposed project cost is $607.7 million, $121.5 million above the District's estimates.
- The plan would require a Ballpark Fee of approximately $30.5 million annually.
- If stadium taxes and rent were insufficient to cover debt service, the District would have to guarantee 80 percent of the debt service on the bonds issued by DSG.
- The District must pay a 10 percent developer fee of $35.1 million to DSG; yet, the District would retain responsibility for the design and construction of the stadium.
- The District would bear all costs related to delays caused by inclement weather and factors beyond the DSG's control.
- The District must compensate DSG if the team moves before 30 years. The District would have to cover all debt service payments plus future interest, as well as provide DSG with any equity rewards received by the District.

Legal Issues

- It may not be legal for the District to acquire land through eminent domain/condemnation and transfer it to a private entity without a redevelopment plan or a competitive disposition process.

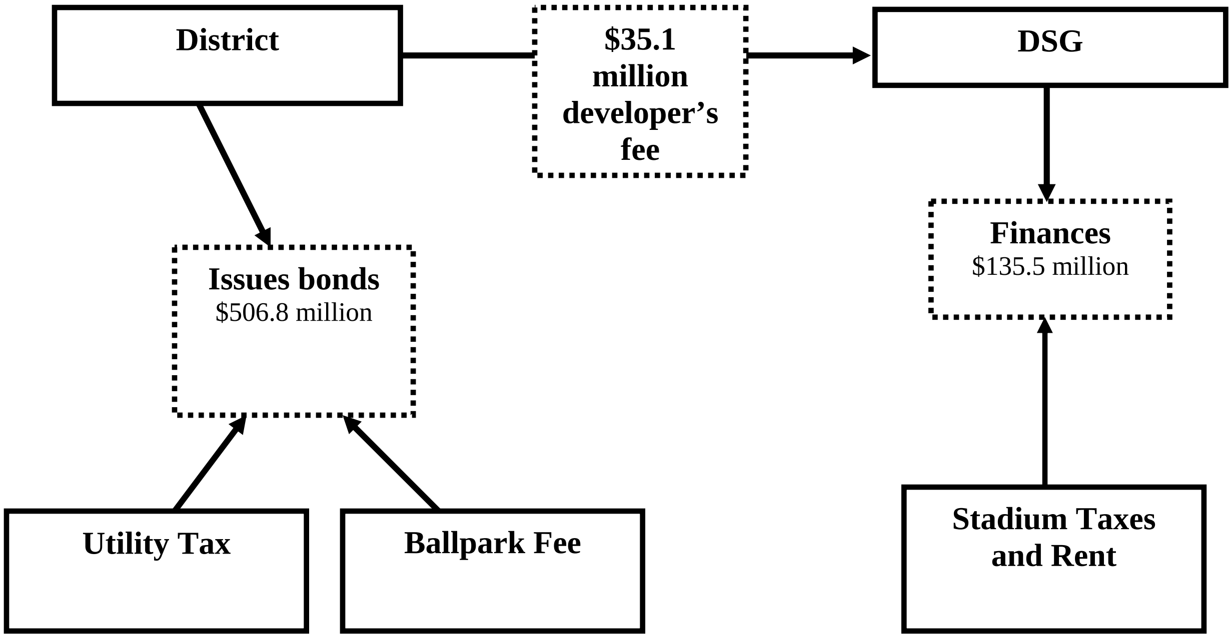
Non-Financial Benefits and Costs of the Plan

- DSG requires the use of one private suite for all events at the stadium, plus five field box seat tickets for all baseball games.

Recommendation

The CFO cannot certify this plan due to the substantial costs and risks involved, including an annual increase to the Ballpark Fee.

Flow of Funds



The Dubois Group

Overview

The Dubois Group (DG) proposes a two-phase mixed-use development on 52-acres of land in Southeast DC. Phase I would consist of master planning for the entire area and construction of the ballpark on 13-acres of land. The remaining 39 acres, including parking, would be developed in Phase II. (This evaluation only analyzes Phase I of the DG submission.)

DG would form a joint venture with the Sports Commission to build and own the stadium and the land under the stadium footprint. The total project costs of the plan equal $578.4 million. DG would provide the joint venture with upfront funds of $100 million for land acquisition and predevelopment costs. Using the District's power of eminent domain, the $100 million would be used to acquire the 13-acres of land required by the ballpark footprint and additional land for public amenities to be owned by the joint venture (i.e. public park, boat basin, marina, boardwalk, sewer and water lines, and public parking). All DC government-owned land within the 52-acre area, including streets and alleys would be transferred to and solely owned by DG.

After completing a master planning exercise, the joint venture would select a site for the ballpark within the 52-acres, and design and build the stadium using an additional $100 million of funds from DG. The remaining costs of the ballpark project would be funded through $409.8 District bond issuance. DG would pay for the acquisition and development of the remaining 39-acres as part of Phase II.

Bonds	Who Issues	Revenue Source	Guarantee
$409.8 million	District	Utility Tax, Ballpark Fee, Stadium Taxes and Rent	Depends on Bond Market

Financial Benefits of the Plan

- DG would provide an upfront payment of $200 million.
- The upfront payment would allow the District to reduce the amount of its bond issuance to approximately $409.8 million (including issuance costs).
- The plan would reduce the Ballpark Fee to approximately $9.9 million annually.
- As manager of the architect and construction team, DG would assume cost overruns not initiated by the District or MLB change orders.

Financial Costs of the Plan

- The plan proposes total project costs of $578.4 million, $92.2 million above the District's estimates.
- The District must pay for all project costs not covered by DSG's contribution of $200 million for an enlarged project scope.
- The Joint Venture would own the stadium and the land under the stadium (until debt is retired).

- The District must give DG all government owned land, including streets and alleyways, within 52-acre site (cost not estimated by DG).
- The District must grant DG exclusive development rights on 52-acres of land (cost not estimated by DG).
- The District must buy land for DG for public amenities (cost not estimated by DG).
- The District must pay $11.1 million developer fee.
- The District must rebate sales and parking taxes generated in area to DG (cost not estimated by DG).

Legal Issues

- It may not be legal for the District to acquire land through eminent domain/condemnation and transfer it to a private entity without a redevelopment plan or a competitive disposition process.
- The District would have to extend the 10% tax on concessions to the entire 52-acre site and rebate taxes to DG to pay for environmental clean up.
- A public/private partnership between Sports Commission and Dubois Group would have to be created and the District's bonding and eminent domain authority would have to be extended to the public/private partnership.
- The entire 52-acre area would have to be rezoned as Planned Unit Development (PUD).
- Council would have to pass legislation to overlay the PUD as a Foreign Trade Zone.

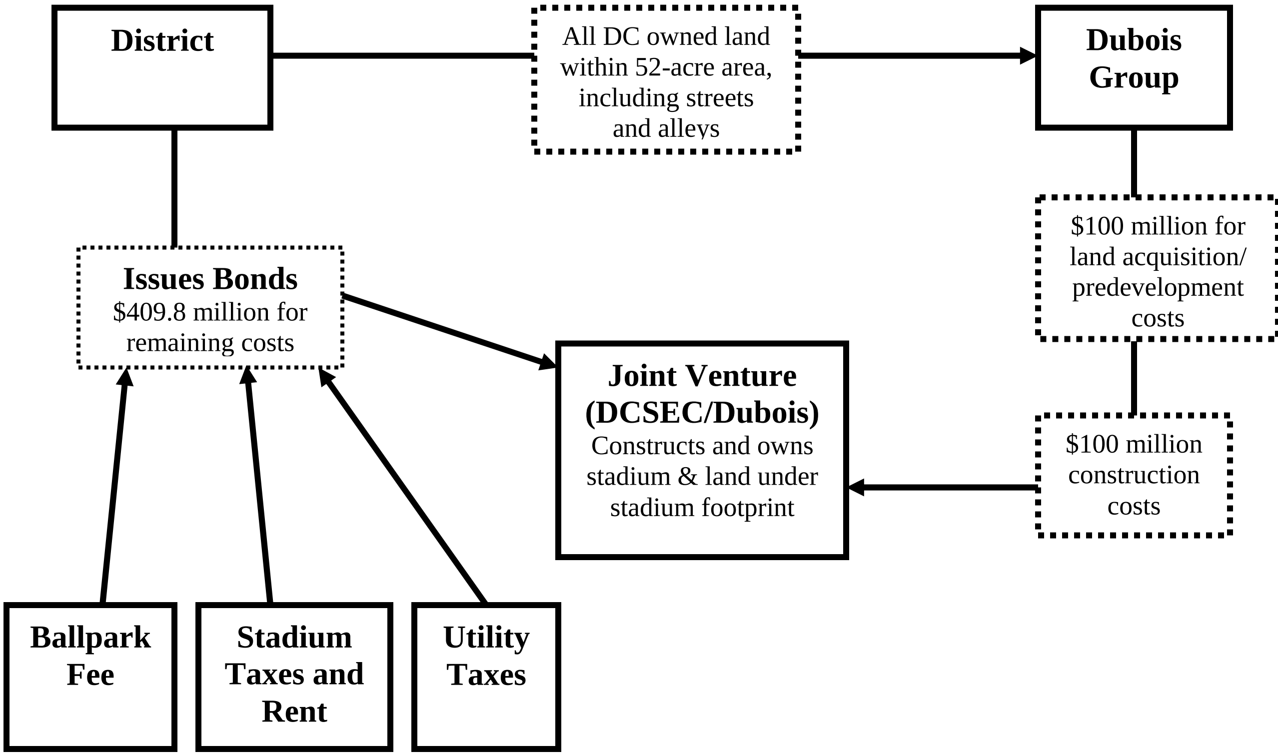
Non-Financial Benefits and Costs of the Plan

- The DG plan has the potential to accelerate economic development in the area surrounding the stadium.
- The plan does not provide for parking until Phase II.
- The plan does not identify a construction partner.
- Based on preliminary due diligence, the OCFO is unable to verify the financial capacity of DG's capital partner, Revolutionary Capital.

Recommendation

The CFO cannot certify this plan due to the substantial risks and undetermined costs involved.

Flow of Funds



Global Development Partners

Overview

Global Development Partners (GDP) proposes to design and construct the stadium as well as develop additional land within the footprint of the stadium site. The total cost of the project is $543.5 million (net of issuance costs). The $543.5 million estimate includes $20 million for GDP's developer fee and $38 million for interest on construction debt. GDP would pay the District $28.7 million for exclusive development rights on the stadium site. In addition, GDP would issue $267.9 million in revenue bonds supported by the utility tax, rent payments, and stadium taxes. The District would guarantee the debt service payments on these bonds for the first three years following construction completion. The District also would be required to issue $62.8 million in TIF bonds, which would be secured by the incremental retail sales and real estate taxes from the new development surrounding the stadium. The District would guarantee these revenue streams for three years immediately following construction completion. The District would be required to issue an additional $254.9 million in bonds to pay the remaining costs of the project, including infrastructure improvements and environmental remediation.

Bonds	Who Issues	Revenue Stream	Guarantee
$267.9 million	GDP	Utility Tax, Stadium Taxes and Rents	Ballpark Fee for years 3-6
$62.8 million	District	TIF Revenues	Ballpark Fee for years 3-6
$254.9 million	District	Ballpark Fee	Depends on bond market

Financial Benefits of the Plan

- GDP would pay the District $28.7 million in exchange for development rights.
- GDP would not require District guarantee on the bonds issued by GDP after the sixth year.
- As manager of the architect and construction team, GDP would assume cost overruns not initiated by the District or MLB change orders.

Financial Costs of the Plan

- The plan proposes total project costs of $543.5 million, $57.3 million above the District's estimates.
- The plan would require an average annual Ballpark Fee of approximately $22.6 million.
- GDP would retain all excess tax revenues generated by the new development. These revenues could not be used as a substitute for the Ballpark Fee.
- The District would pay GDP a $20 million development fee.
- The District would be required to pay GDP a $5 million break-up fee if the plan is selected by Council and then does not go forward.

- The District would be required to reimburse GDP for all expenses and overhead at a rate of 7.5% if the project is terminated or GDP is replaced as the developer.

Legal Issues

- It may not be legal for the District to acquire land through eminent domain/condemnation and transfer it to a private entity without a redevelopment plan or a competitive disposition process.

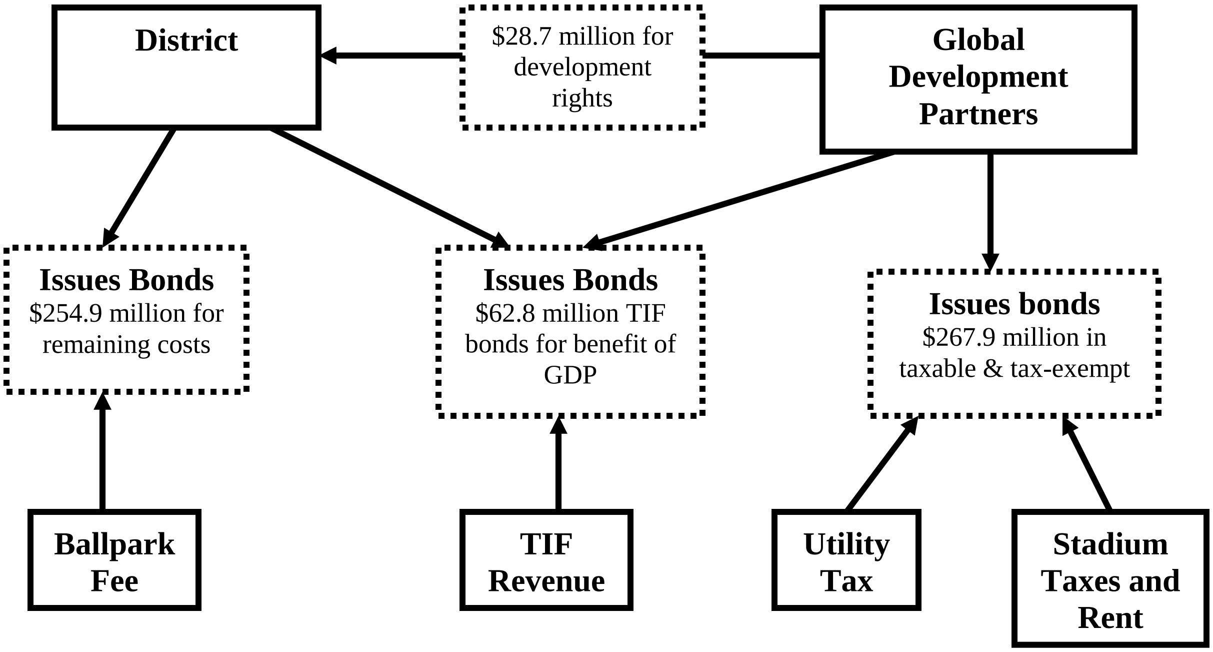
Non-Financial Benefits and Costs of the Plan

- The GDP plan has the potential to accelerate economic development in the area surrounding the stadium.
- GDP would create a LSDBE program for the project to promote involvement of small and minority-owned consultants, vendors and contractors with a goal of 35% participation.
- GDP would create a BID that matches the boundaries of the TIF district, which would provide cleaning and security services.
- The plan requires the creation of a TIF district and negotiation of a development agreement.
- GDP seeks TIF bonds to assist in developing surrounding land, and proposes that 50% of incremental taxes be used to pay debt service on the TIF bonds.

Recommendation

The CFO cannot certify this plan due to the substantial costs and risks involved, including an annual increase in the amount of the Ballpark Fee required to support the debt. The Council and the Mayor may want to consider the economic development potential of this plan as the development process moves forward.

Flow of Funds



HooverMilstein

Overview

HooverMilstein (HM) proposes to design and construct the baseball stadium, including on-site infrastructure and parking facilities, for a guaranteed price. HM would cover cost overruns that are not caused by the District. The District would be responsible for land acquisition costs and off-site infrastructure. In the event that HM completes the construction at a cost less than the guaranteed price, the savings would be split evenly between HM and the District. HM would use its share of the savings to acquire and develop additional land in the District, and the District would be required to contribute its share of the savings toward land acquisition for HM. At least one-fifth of the development on the additional land would consist of moderate-income housing.

In addition, HM proposes to lease the portion of the baseball stadium site that is not required for the stadium and related facilities (approximately 7 acres). Rent payments from HM would be approximately $1.4 million annually for a long-term ground lease.

HM would also purchase or place $10-$15 million of revenue bonds secured by taxes from tickets, concessions, and parking at a rate of approximately 9%, and $25-$30 million of revenue bonds secured by stadium rent at a rate of approximately 7.2%. The District would guarantee the debt service for both of these placements. Given the higher rate that HM requires to place the revenue bonds, the District would issue $538.1 million of bonds.

District Bonds	Revenue Stream	Guarantee
$493.1-503.1 million	Utility Taxes and Ballpark Fee	Depends on bond market
$10-15 million	Stadium Taxes	Perfected Pledge
$25-30 million	Rent	Perfected Pledge

Financial Benefits of the Plan

- The District would receive approximately $1.4 million annually as a lease payment.
- The plan would reduce the annual Ballpark Fee to $6.8 million on average for years sixteen through thirty.
- As manager of the architect and construction team, HM would assume cost overruns not initiated by the District or MLB change orders.

Financial Costs of the Plan

- The plan would require an annual Ballpark Fee of approximately $22.8 million on average for the first fifteen years.
- The District must use any excess revenues from stadium taxes and team rent payments to pay down the debt held by HM. Revenues could not be used to decrease the Ballpark Fee until the HM debt is paid down.
- HM requires a 5 percent placement fee for the bonds backed by in-stadium revenues and a 3 percent placement fee for the bonds backed by team rent payments.

Legal Issues

- It may not be legal for the District to acquire land through eminent domain/condemnation and transfer it to a private entity without a redevelopment plan or a competitive disposition process.

Non-Financial Benefits and Costs of the Plan

- The HM plan has the potential to accelerate economic development in the area surrounding the stadium.
- HM's plan provides for moderate-income housing.

Recommendation

The HM plan does not reduce the amount of bonds that the District needs to issue, and increases the amount of the Ballpark Fee for the first 15 years. The CFO cannot certify the HM plan as an alternative financing source for the baseball stadium. However, the Council and the Mayor may want to consider the economic development potential of HM's plan to develop areas around the stadium as the development process moves forward.

Flow of Funds