

Meeting Date: 12/1/2015

Report Type: Staff/Discussion

Report ID: 2015-01082

Title: Preliminary Term Sheet for the Development of a Major League Soccer Stadium for Sacramento Republic FC and Funding for Advisory Services

Location: Downtown Railyards, District 3

Recommendation: Pass a Resolution 1) approving the Sacramento Major League Soccer Stadium Preliminary Term Sheet; 2) establishing a multi-year operating project (MYOP) for the MLS Stadium Project (I80020500); 3) increasing the General Fund transient occupancy tax budget by \$100,000; and 4) establishing a \$100,000 General Fund (Fund 1001) expenditure budget in I80020500.

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Department: City Manager

Division: Executive Office

Dept ID: 02001011

Attachments:

1-Description/Analysis

2-Background

3-Resolution

4-MLS Preliminary Term Sheet

City Attorney Review

Approved as to Form

Matthew Ruyak

11/20/2015 11:30:29 AM

Approvals/Acknowledgements

Department Director or Designee: Howard Chan - 11/19/2015 4:27:32 PM

Description/Analysis

Issue Detail: Major League Soccer (MLS) is evaluating options for the award of expansion teams to competing cities in the United States. Sac Soccer and Entertainment Holdings, LLC (SSEH) and its affiliates, including Sacramento Republic FC, are seeking an award of an expansion team in Sacramento. To be awarded an expansion team, a MLS-qualified stadium must exist or be constructed to host the team. There is no existing stadium in the City of Sacramento that meets MLS standards. Thus, a viable plan for construction of a new stadium must be in place in order to secure an expansion team.

If approved by the City Council, the attached Sacramento Major League Soccer Stadium Preliminary Term Sheet between the City and SSEH would be submitted to MLS to assist in its evaluation process. While the term sheet is preliminary and non-binding, it would serve as a good faith agreement and guideline for the preparation of definitive agreements between the City and SSEH for the development of a new multi-purpose stadium, subject to all environmental considerations. The Preliminary Term Sheet would only be effective if MLS awards an expansion team and SSEH consummates the acquisition of the team.

The Preliminary Term Sheet sets forth the key terms, process, and framework by which the parties agree to negotiate definitive documents and potential approvals to be considered by the City regarding the potential location, financing, ownership, design, development, construction, operation, use, and occupancy of a new, first-class, state-of-the art, multi-purpose stadium. The stadium would serve as the home of Sacramento Republic FC (Team) and would also host concerts, sporting events, community-oriented events, and numerous other events. The parties would agree to prepare definitive legal documents that contain the basic terms set forth in the Preliminary Term Sheet, as well as other terms that are customary or standard for a project of this nature. The definitive legal documents may contain additional terms that are mutually agreed to by the parties and that the City determines to be feasible.

The stadium is proposed to be located at the Downtown Railyards on property currently owned or controlled by Downtown Railyard Venture, LLC and to be acquired or leased by SSEH. As proposed, the stadium would be privately owned and financed by SSEH, with an estimated total development cost of approximately \$180 million. The stadium predevelopment and development process would be led by SSEH but the entire process would be a cooperative, mutual endeavor in which the parties actively participate and work together in good faith and with due diligence. SSEH would be responsible for all aspects of the stadium design, construction, operations, maintenance, capital repairs, and improvements.

The City and SSEH would work cooperatively to be in a position to open the stadium by March 2018 based on a schedule of milestones regarding public participation, environmental review (CEQA), permits, and other important events to meet that timetable.

The City would agree to assign the appropriate planning, engineering, building, safety, and other staff to enable the parties to meet that timeline and SSEH would pay all standard entitlement, planning, permit, and impact fees.

The City would provide customary police, traffic control, and similar municipal services for stadium events. SSEH would be responsible for reimbursing the City for its costs of providing these event-related municipal services.

In pursuing this opportunity it is important for the City to be well represented in the negotiations and preparation of definitive documents. Staff will need advisory consultant services to support the City in the progression of this effort.

Policy Considerations: Successfully securing a new major league sports team and the development of a new MLS-caliber multi-purpose outdoor stadium in the Downtown Railyards is expected to contribute to the cultural and economic development of Sacramento and the region. A downtown stadium would further anchor downtown as the region's center of entertainment and cultural activity and also provide Sacramento with a first-class outdoor venue for sports, entertainment and cultural events. Both the MLS franchise and the construction of the stadium would provide direct and indirect jobs as outlined in the economic impact section below. In addition, the stadium and event activity may spur other investment and development in the Railyards and River District.

A MLS team, a multi-purpose stadium, and the variety of stadium events would support the City's General Plan vision of creating the most livable city in America. As demonstrated by the community's overwhelming support of the Sacramento Republic FC team, professional soccer is a highly treasured amenity in Sacramento and contributes to the quality of life and vibrancy of the City and region. A new outdoor stadium will provide a venue for other entertainment, cultural, and sporting events that complement Sacramento's Golden 1 Center, the nation's newest and most advanced arena opening in 2016.

As proposed, the City is not directly participating in financing the stadium development. However, the City has made significant infrastructure investments in the Railyards that would serve and support the proposed stadium as it would other development in the Railyards. The Railyards contains approximately 94 developable acres over which the public infrastructure investment benefit is spread. That amounts to approximately \$2.9 million per acre or \$46 million for the proposed 16-acre stadium site. Future impact fees, tax revenue and benefits from this project, and other potential development stimulated by the stadium, would begin to provide the City with a return on its public infrastructure investment.

Economic Impacts: The MLS stadium project will create between 936 and 2,628 jobs based on two generally accepted economic impact analysis models typically used by the City. The lower job estimate is based on local job estimates while the higher figure

represents primarily regional and statewide job growth. The total economic output of the stadium construction project is estimated at between \$153 million locally and \$341 million regionally/statewide over the construction period. Total economic output includes direct and indirect output as well as induced activities. This includes such items as construction and consumer spending, transfers, wages, tax revenues, and transactions, among others. This does not include the benefits associated with any ancillary development spurred within the immediate area nor does it reflect spending benefits associated with ongoing stadium operations. A typical MLS franchise and stadium operation provides between 75 and 120 direct jobs.

The local economic benefits are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilizes the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. These are standard estimators used by the City. These estimates are preliminary and these models provide relative estimates of jobs and outputs. A more comprehensive economic impact analysis and actual economic results could differ significantly from these estimates. Neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

Environmental Considerations:

California Environmental Quality Act: The actions in this report are exempt from the California Environmental Quality Act (CEQA) under CEQA Guidelines (14 Cal. Code Reg. Section 15000 et seq.) as they concern proposed business terms for future agreements. If the Council approves the Preliminary Term Sheet, the stadium project itself would be subject to CEQA analysis.

Sustainability: The proposed site is well suited for a sustainable development. Regional Transit's light rail system runs along the western boundary of the proposed site and a station is proposed at the stadium. SSEH seeks to achieve LEED-equivalent energy and environmental design to the extent feasible.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: Approval of the term sheet would allow SSEH to present a competitive proposal to MLS for the acquisition of an expansion professional soccer team and provide for a new state of the art outdoor stadium in the downtown. The stadium development and events would serve as an economic catalyst for, and contribute to the continued revitalization of, the Downtown Railyards, the River District, the greater downtown, and the region. It would ensure that the City has a suitable outdoor entertainment and sports venue and enhance the entertainment and cultural opportunities in downtown and the region. The proposed terms provide for the private financing of the

stadium development while providing economic benefits to the City including sales taxes, property taxes, parking revenue, and jobs.

Sports facility development in partnership with sports teams is a specialized and complex undertaking. It is essential that the City have the appropriate technical advisory services from an experienced sports facility development specialist.

Financial Considerations: SSEH would privately finance the stadium project and pay all standard entitlement, planning and development fees. If the stadium is developed, the City will benefit from increased transient occupancy tax (TOT), sales tax and parking revenue generated by the project. Staff is recommending a multi-year operating project (MYOP) be established for the MLS Stadium Project (I80020500). The cost to secure technical advisory services for the project is estimated at approximately \$100,000. Based on the General Fund TOT revenues received to date, staff is recommending that the General Fund TOT revenue budget be increased by \$100,000 and an expenditure budget of the same amount be established in I80020500.

Local Business Enterprise (LBE): None at this time.

Background:

Sacramento Republic FC is a minor league professional soccer team currently playing in the United Soccer League (USL). Republic FC was co-founded by President and part-owner Warren Smith and was granted a USL league expansion franchise on December 2, 2012. Republic FC played its first USL game on March 29, 2014. In its inaugural season, Republic FC demonstrated significant success both on and off the pitch. On the business side, Republic FC set new league records in several categories, including most notably overall attendance, season ticket sales, merchandise sales, and corporate sponsorship revenues. On the pitch, Republic FC placed second in the league during the regular season and went on to win the 2014 USL Pro Championship.

In September 2014, Republic FC reached an agreement with Kevin Nagle to become Republic FC Owner and Managing Partner and assume a lead role in the effort to bring MLS to Sacramento. Mr. Nagle previously served as founder and former CEO of Envision Pharmaceutical Holdings and is currently the largest local shareholder of the Sacramento Kings.

Concurrently with its participation at the USL level, Republic FC has made efforts to secure expansion rights for a Major League Soccer (MLS) franchise. Led by Commissioner Don Garber, MLS is a professional soccer league founded in 1993 and widely considered to represent the sport's highest level of play in both the United States and Canada.

Matriculation from the USL level to MLS level has been a common occurrence in recent years, with several cities – including Portland, Seattle, Vancouver, Montreal, and Orlando – successfully transitioning from USL to MLS after demonstrating viability and strength as markets for professional soccer. Republic FC has modeled its activities after these previous success stories in the hopes of following their pathway into MLS.

Republic FC's success during its inaugural 2014 season attracted significant local and national attention, enabling Mr. Nagle and Mr. Smith to insert Sacramento into consideration by MLS as a potential location for future expansion. At the time, MLS was evaluating potential expansion opportunities to reach a total of 24 teams. Receiving consideration alongside Sacramento were cities that included Minneapolis and Miami, the latter having previously been awarded the league's 23rd franchise but which has yet to deliver a concrete plan to MLS for a new stadium.

To maximize Sacramento's attractiveness to MLS, Mr. Nagle and Mr. Smith led a community-wide effort throughout the fall of 2014 with Sacramento Mayor Kevin

Johnson and members of the City Council, City staff, Republic FC fans, sponsors, and the general public to deliver on several key components required to present a compelling expansion proposal. The proposal included a viable plan for a new MLS-caliber multi-purpose stadium at the downtown Sacramento Railyards. It also included a capable ownership group with professional sports experience including the San Francisco Forty-Niners, the Sacramento Kings, and several prominent local business executives under Sac Soccer and Entertainment Holdings, LLC (SSEH).

While Sacramento's bid for MLS was well-received by league officials, MLS ultimately decided in March 2015 to award its 24th franchise to a Minnesota-based investor group led by Dr. Bill McGwire. MLS also acknowledged that it would begin analysis of expansion beyond 24 teams, with Sacramento a top candidate for consideration.

In May 2015, SSEH initiated "Operation Turnkey," to continue work on strengthening Sacramento's bid for a team. Operation Turnkey was structured as a five-point plan to be completed by December 31, 2015 centered around advancing progress specifically on the new soccer stadium proposal. The five components and status are as follows:

1. **Feasibility Studies:** SSEH to produce an economic impact analysis and a market analysis to assess Sacramento's viability and competitive advantages as an MLS market.
 - *Economic impact analysis completed by Capitol Public Finance Group (October 5, 2015)*
 - Full Report: <http://www.sacrepublicfc.com/wp-content/uploads/2015/10/The-Critical-Mass-Report-FINAL.pdf>
 - Summary: <http://www.sacrepublicfc.com/news/2015/10/05/mls-stadium-impact-report#.VkzJI66rRPM>
 - *Sacramento Market Analysis completed by Conventions, Sports and Leisure (November 4, 2015)*
 - Full Report: <http://www.sacrepublicfc.com/wp-content/uploads/2015/11/SacramentoMarketAnalysis1.pdf>
 - Summary: <http://www.sacrepublicfc.com/news/2015/11/04/sacramento-market-analysis#.VkJu66rRPM>
2. **Pre-Development Team:** SSEH to hire a team of consultants to lead key predevelopment activities including project management, design, planning, engineering, and pre-construction.
 - *Legends hired as stadium project manager (July 13, 2015)*

- *HNTB hired as stadium architect (August 19, 2015)*
3. **Site Control:** Secure control of the land required to build the stadium at the proposed Railyards site.
 - *Sacramento Railyards acquired by Downtown Railyards Venture (September 30, 2015).*
 - *SSEH site control (Expected: December 2015)*
 4. **Concept Design and Cost Estimation:** Complete conceptual renderings and cost estimates for the new stadium informed by input from ownership, staff, fans, partners, elected officials, and the general public.
 - *Cost Estimate prepared by Legends (Expected: December 2015)*
 - *Concept Design completed by HNTB (Expected: December 2015)*
 5. **Preliminary Term Sheet:** Establish a preliminary framework with the City of Sacramento that sets forth key terms with respect to location, financing, ownership, design, development, construction, and operation of a new MLS stadium.
 - *Council consideration of the proposed Preliminary Term Sheet (December 1, 2015)*

At this time, MLS continues to deliberate on its plans for league expansion beyond 24 teams. Ownership groups for the proposed Minnesota and Miami franchises continue to advance stadium plans in their respective markets, but neither has yet finalized terms with all relevant parties.

SSEH plans to continue to make progress on the proposed stadium plan as part of its broader efforts to maintain and strengthen its proposal to MLS for a franchise.

RESOLUTION NO. 2015-

Adopted by the Sacramento City Council

APPROVING THE PRELIMINARY TERM SHEET FOR THE DEVELOPMENT OF A MAJOR LEAGUE SOCCER STADIUM FOR SACRAMENTO REPUBLIC FC AND FUNDING FOR ADVISORY SERVICES

BACKGROUND

- A. Major League Soccer (MLS) is evaluating options for the award of expansion team opportunities to competing cities throughout the United States.
- B. Sac Soccer and Entertainment Holdings, LLC (SSEH) seeks an award of an expansion team in Sacramento.
- C. To be awarded an expansion team, a MLS-caliber stadium must exist or be constructed to host the team.
- D. There is no existing stadium in the City of Sacramento that meets MLS standards and a new stadium must be constructed in order to secure an expansion team.
- E. A preliminary term sheet is desired by MLS to provide evidence that there is cooperation between the expansion team applicant and the host city.
- F. The attached Preliminary Term Sheet for the Development of a Major League Soccer Stadium is a non-binding agreement that demonstrates cooperation between the City and the MLS applicant. It serves as a good faith agreement for further preparation of definitive agreements, and future actions by and between the City and SSEH for the development of a new multi-purpose stadium, subject to all environmental considerations.
- G. The Preliminary Term Sheet would only be effective if MLS awards an expansion team and SSEH consummates the acquisition of the team.
- H. Advisory consultant services are needed to support the City in the implementation of the Preliminary Term Sheet.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The Sacramento Major League Soccer Stadium Preliminary Term Sheet between the City of Sacramento and Sac Soccer and Entertainment Holdings (attached as Exhibit A) is approved.

Section 2. A multi-year operating project (MYOP) for the MLS Stadium Project (I80020500) is established.

Section 3. The General Fund transient occupancy tax revenue budget shall be increased by \$100,000.

Section 4. A \$100,000 General Fund (Fund 1001) expenditure budget shall be established in I80020500.

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Exhibit A - Sacramento Major League Soccer Stadium Preliminary Term Sheet

**SACRAMENTO MAJOR LEAGUE SOCCER STADIUM
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The City of Sacramento (City), in recognition of the substantial public benefits to be derived by attracting a Major League Soccer (MLS) franchise to Sacramento and having a downtown stadium, and an investor group led by Kevin Nagle and Warren Smith (Sac Soccer and Entertainment Holdings, LLC or “SSEH”) have developed preliminary terms that would result in the potential development of a new multi-purpose outdoor stadium (the “Project” or “Stadium”) that is intended to contribute to the ongoing redevelopment of downtown Sacramento and the region. SSEH has formally notified representatives of Major League Soccer (MLS) of its interest in acquiring a MLS expansion team (Team). MLS is evaluating options regarding expansion opportunities. This Term Sheet, if approved by the City Council, will be submitted to MLS to assist it in its due diligence process and will only be effective if MLS awards SSEH the Team. If MLS approves SSEH as the new owners of the Team and SSEH consummates the acquisition of the Team, SSEH would use an affiliated entity to develop, construct, and operate the Stadium (StadiumCo); an affiliated entity to operate the Team (TeamCo); and possibly other related entities. The definitive documents will specify the legal entities participating in the proposed transaction.

This Preliminary Term Sheet sets forth the key terms, process, and framework by which the parties agree to negotiate definitive documents and potential approvals to be considered by the City regarding the potential location, financing, ownership, design, development, construction, operation, use, and occupancy of a new, first-class, state-of-the art, multi-purpose stadium that will serve as the home of the Team and will also host concerts, sporting events, community-oriented events, and numerous other events. The parties agree to prepare definitive legal documents that contain the basic terms set forth herein with other agreed terms consistent with this Preliminary Term Sheet that are customarily included in similar agreements for the location, financing, ownership, design, development, construction, operation, use, and occupancy of comparable facilities. The parties intend that the planning, design, development, and construction of the Stadium along with associated off-site infrastructure will be led by SSEH, which will have final decision-making authority for that process, subject to City review and the provisions included herein, but that the entire process be a cooperative, mutual endeavor in which the parties actively participate and work together in good faith and with due diligence.

Although this Preliminary Term Sheet contains the proposed, non-binding framework of a potential transaction that the City has agreed to process, the parties agree that no obligation to enter into definitive transaction documents, or any transaction, shall exist and no project or definitive transaction documents shall be deemed to be approved until after (i) the proposed Project is reviewed in accordance with the requirements of the California Environmental Quality Act (CEQA), (ii) any additional conditions or changes to the Project based on the CEQA review have been resolved in a manner acceptable to the City and SSEH, and (iii) all required permits for the Project have been obtained by the parties in accordance with applicable laws and regulations.

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Parties	<p>City of Sacramento (City)</p> <p>Sac Soccer and Entertainment Holdings, LLC (SSEH) – Parent company that owns and controls affiliates described herein (and possibly others).</p> <p>StadiumCo – SSEH affiliate responsible for developing, constructing, and operating the Stadium.</p> <p>TeamCo – SSEH affiliate responsible for owning and operating the Team.</p> <p>Note: The definitive legal documents will identify the legal entities formed by the SSEH to acquire the Team and to develop the Stadium.</p>
Ownership	<p>The Stadium and the land on which the Stadium will be developed shall be owned by SSEH or an affiliated entity. The ownership structure shall be detailed in the definitive legal documents, which may include appropriate refinements to the terms in this Term Sheet.</p>
Location	<p>SSEH is responsible for assembling a development site sufficient to build the Stadium and event parking. The Stadium is proposed to be located at the Railyards on property currently owned or controlled by Downtown Railyard Venture, LLC, and on other parcels to be acquired or leased by SSEH, as necessary. See Exhibit 1 for a map that illustrates the Railyards location. The exact location of the Stadium shall be determined by SSEH, following additional design and planning. The parties may consider other locations by agreement.</p>
Description	<p>The Stadium shall be a new, first-class, state-of-the art, multi-purpose stadium that will serve as the home of the MLS Team, and will also host concerts, sporting events, community-oriented events, and numerous other events. SSEH seeks to achieve LEED-equivalent energy and environmental design to the extent feasible.</p> <p>See Exhibit 2 for a summary description of the Stadium’s preliminary program elements. The definitive agreements will contain a more detailed description of program elements.</p>
Sources and Uses of Funds	<p>Except as otherwise specified herein, SSEH shall be responsible for securing its financing and other funding sources required for the planning, construction, and development of the Stadium.</p> <p>See Exhibit 3 for a preliminary list of sources and uses of funds to develop the Stadium.</p>
Stadium Development	<p>The City and SSEH intend to work together in a collaborative and cooperative manner to develop the Stadium in a fiscally responsible manner. SSEH shall be</p>

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	<p>responsible for, and shall lead all phases of the planning, design, land acquisition, development, and construction of the Stadium and related infrastructure. The City is committed to processing all planning and construction entitlements in a timely and efficient manner given the significance of the Project and its benefit to the City and region.</p> <p>The Stadium preliminary program is contained in Exhibit 2, which sets forth the intended size and components to be implemented through the design and construction of the Project. The Stadium shall be constructed in accordance with the program elements and the Quality Standard (as defined below), subject to recognition of the overall size of the Stadium. The “Quality Standard” for the Stadium shall be first-class and state-of-the-art, comparable to other MLS facilities, including Sporting Park (Kansas City, Kansas), BBVA Compass Stadium (Houston, Texas), Rio Tinto Stadium (Sandy, Utah) and Orlando MLS Stadium (Orlando, Florida). The standard of quality and design of the Project shall be comparable, taken as a whole, to the standard of quality used in the design and construction of the facilities named above, or a new or different list of facilities to which the Parties agree after the date of this Preliminary Term Sheet.</p> <p>Notwithstanding the foregoing, the City shall retain its full discretion regarding the granting of any and all necessary approvals required under the law.</p>
Schedule	<p>The City and SSEH shall work cooperatively and make all commercially reasonable efforts to open the Stadium by March 2018, or such other later date as dictated by the MLS Team decision, and shall promptly after the date hereof agree upon a schedule of milestones regarding CEQA, permits, and other important events to meet such timetable.</p> <p>The City agrees to assign the appropriate planning, engineering, building, safety, and other staff to enable the parties to achieve such timeline.</p>
Pre-Development Expenses	<p>SSEH shall be responsible for all predevelopment expenses associated with pre-development, including but not limited to all architectural, geotech, engineering, environmental, market studies, and other costs related to stadium development. SSEH shall pay all fees and costs normally paid by a developer for the processing of a private project of this type. City shall be responsible for all other City staff time expended for pre-development and development of the stadium (for example, executive-level management and general in-house legal support). Each party shall be responsible for paying for its third-party consultant costs following execution of this Agreement, unless the scope of the City’s participation or obligations changes such that the City requires consultant services beyond those normally required for a project of this type, in which case the Parties shall execute a pre-development expenses reimbursement agreement.</p>
Completion	<p>SSEH shall use reasonable best efforts to cause the general contractor responsible</p>

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Guarantee and Cost Overruns	for the Stadium to provide a separate, written project completion guarantee(s) consistent with the schedule referred to above, and SSEH shall provide cost-overrun protection covering all elements of the development, construction, and delivery of the Stadium, consistent with all applicable MLS and financial industry standards. Such guarantees will be consistent with industry standards and may be in the form of a guarantee, bond, or other similar instrument.
CEQA	As required by law, the City retains the sole and independent discretion as the lead agency to, among other things, balance the benefits of the Stadium project against any significant environmental impacts prior to taking final action if such significant impacts cannot otherwise be avoided, and determines not to proceed with the Stadium project. No legal obligations to approve the Project, the permits for the Project, or the transaction will exist unless and until the parties have negotiated, executed, and delivered definitive agreements based upon information produced during the CEQA environmental review process and on other public review and hearing processes, subject to all applicable governmental approvals, including CEQA.
Stadium Management	StadiumCo shall manage and operate the Stadium. StadiumCo may elect to hire a private management company experienced in the management of comparable facilities to manage the Stadium. The Stadium shall be operated in a first-class manner, similar to and consistent with that of other comparable facilities that serve as the homes of MLS teams. StadiumCo shall be solely responsible for all aspects of the Stadium operation, including the booking of non-Team events.
Capital Contribution – SSEH	SSEH shall be responsible for all costs associated with the development of the Project, currently estimated at approximately \$180,000,000. SSEH shall have the right, but not the obligation, to obtain private financing for its capital contribution.
Use and Occupancy	<p>The Stadium shall serve as the home of the Team and will also host concerts, sporting events, community-oriented events, and numerous other events. The parties shall use commercially reasonable efforts to market the Stadium aggressively to promote activity and economic development in the area.</p> <p>The City shall be permitted to use the Stadium to host up to 4 civic-oriented events per year that do not conflict with other previously scheduled events (City Events). The City shall not contract this right to third parties that would customarily contract directly with the venue operator in publicly owned facilities. The City shall have the right to schedule City Events in advance based on Stadium availability.</p>
Naming Rights	Any name proposed to be associated with the Stadium shall be tasteful and not be a cause for embarrassment to the City and shall not include any companies

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	<p>primarily known for tobacco products, guns, adult entertainment, marijuana, other non-pharmaceutical drugs, etc.</p>
Stadium Parking	<p>The City shall work with SSEH to identify City-controlled parcels that are not currently City parking facilities (City-owned or controlled parking facilities that currently generate parking revenues shall not be included) within a ¼ mile of the final Stadium site that could be utilized for vehicle parking during Stadium events. If suitable parcels are identified, SSEH shall be responsible for all improvement and operation costs, and City shall receive 50% of net revenues. The City shall retain parking revenues from all other City-owned or controlled parking facilities. No less than 6,500 parking spaces will be provided, or arranged, by SSEH in parking garage structures that are conveniently located and available to serve other development surrounding the Stadium. Temporary surface parking may be approved for a period after stadium opening.</p>
Property Taxes	<p>SSEH and related entities shall pay any and all property taxes (including taxes on possessory interests) associated with all real property interests in the Stadium. SSEH and related entities shall be responsible for its own personal property and any other taxes related to its operations and income.</p>
Targeted Taxes	<p>The City shall not impose, and shall cooperate with any efforts of SSEH to prevent any other public entities from imposing, on all or any portion of the Stadium or the Team any targeted or special taxes, assessments, or surcharges, including special district taxes, assessments or surcharges (except for those already in place or supported by SSEH). SSEH, StadiumCo, TeamCo, and its users shall be subject to all City taxes or assessments of general applicability.</p>
Annual Operating Expenses	<p>StadiumCo shall be responsible for all annual operating expenses and routine maintenance and repairs (Annual Operating Expenses) of the Stadium. By way of illustration and not limitation, Annual Operating Expenses include:</p> <ul style="list-style-type: none"> • Salaries, wages, and benefits • Routine maintenance • Routine repairs • Insurance • Utilities • Supplies and equipment • Human resources • Training • Contract labor • Setup/tear down • Stadium marketing/promotion • Premium seating marketing/promotion • Non-event security

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	<ul style="list-style-type: none"> • Non-event cleaning • Telephone • Professional services (e.g., legal, accounting, etc.) • Travel/lodging • Equipment rental • Taxes/permits/fees/licenses • Dues and subscriptions • Public relations • Common area maintenance/landscaping • Unreimbursed event expenses • Unfunded pre-opening expenses (Year 1) • Others <p>The City shall have no responsibility for any operating expenses of the Stadium (except for incremental, out-of-pocket expenses associated with City Events).</p>
Capital Repairs	<p>StadiumCo shall be responsible for all Stadium capital repairs, replacements, and improvements (Capital Repairs). Identification of Stadium capital repairs, replacements, and improvements shall be determined by StadiumCo. However, StadiumCo shall maintain the Stadium in a first class manner so as to cause it to remain in a condition comparable to that of other MLS facilities of similar size, design, and age, ordinary wear and tear excepted.</p>
Municipal Services	<p>Customary police, traffic control, and other similar City-based services (Municipal Services) for Stadium events shall be provided by the City at a general level and manner appropriate for Stadium events and, with respect to Team Events, in compliance with MLS rules and standards. TeamCo shall be responsible for any and all costs incurred by the City for Municipal Services provided for all Team Events on terms to be set forth in the definitive legal documents. TeamCo and the City shall cooperatively evaluate appropriate public and private staffing levels for police/security, traffic control, fire prevention, emergency medical, street cleaning/trash removal, and other similar services based upon anticipated attendance for Stadium Events; however, the City shall have final approval over appropriate staffing and service levels. The City shall use a "reasonableness standard" in determining appropriate staffing and service levels. In the event that the parties cannot agree on appropriate staffing and service levels, TeamCo shall have the right to submit such dispute to a mutually agreed upon mediator or to arbitration for accelerated dispute resolution. Notwithstanding the foregoing, if the City determines that an emergency public safety issue exists with respect to a particular Stadium Event, the City shall have the right to determine and impose the staffing level for that event. StadiumCo shall insure that events other than Team Events shall be responsible for any and all costs incurred by the City for Municipal Services provided. StadiumCo shall be granted similar rights as TeamCo as outlined above with respect to events</p>

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	other than Team Events. The terms and costs of these Municipal Services for events other than Team Events shall be provided on terms that are no less favorable than those provided for Team Events, taking into consideration the expected attendance and nature of the event.
Team Name	The Team shall include “Sacramento” as the first part of the Team’s name. For example, the Team must be named the “Sacramento ____.” The Team may not include any other geographic, city, county, or state reference in the Team name. The Team shall reasonably reference Sacramento in public statements (whether marketing, advertising, or otherwise).
Corporate Headquarters	SSEH, StadiumCo, and TeamCo shall maintain their corporate headquarters within city limits during the non-relocation term (and any extensions).
Team Transfer	Before the execution of any definitive legal documents for the sale or other transfer of all or substantially all of the assets or equity of the Team (including the Team MLS membership – for which the City shall not have any consent right with respect to such transfer), the new owner must assume any and all obligations of this Term Sheet. Except as provided above, any assignment of any party’s rights under this Term Sheet is subject to the other party’s consent in its sole discretion.
Affordable Programs	The Team shall make reasonable efforts to provide attractive and meaningful programs to keep the MLS affordable for families in the Sacramento region.
MLS All Star Game	The Team shall request that the MLS host the MLS All-Star Game at the Stadium within three years after opening. The roles and responsibilities of the City and SSEH shall be determined in the definitive legal documents.
Internet	StadiumCo shall provide the City with a banner on the Stadium website. The banner shall serve as a link to the City’s internet home page. TeamCo shall provide the Stadium with a banner on the Team’s website. The banner shall serve as a link to the Stadium’s internet home page.
Non-Discrimination	SSEH agrees to comply with the City’s non-discrimination code requirements.
Confidentiality	The City agrees not to disclose, and to cause its affiliates and representatives not to disclose, to any third party any financial information or other confidential information provided to it pursuant to this Preliminary Term Sheet or the definitive legal documents, to the extent permitted by law.
MLS Approvals	The parties acknowledge that the definitive transaction documents will be subject to the approval of the MLS.

**SACRAMENTO MAJOR LEAGUE SOCCER STADIUM
PRELIMINARY TERM SHEET
December 1, 2015**

**EXHIBIT 1
STADIUM LOCATION**



Illustrative Location Plan
1" = 300'-0"

**SACRAMENTO MAJOR LEAGUE SOCCER STADIUM
PRELIMINARY TERM SHEET
December 1, 2015**

**EXHIBIT 1
STADIUM LOCATION (CONT'D)**



Alternative Site Plan
7/1/2015



**SACRAMENTO MAJOR LEAGUE SOCCER STADIUM
PRELIMINARY TERM SHEET
December 1, 2015**

**EXHIBIT 2
PRELIMINARY PROGRAM DESCRIPTION**

Soccer Capacity	25,000
Suites	36
Party Suites	3
Owners Suite	1
General Admission Seats (includes Supporter Section seating)	21,400
Premium Seats (Suites, Club seats, Loge seating)	3,100
SRO	500
Space Type	<u>Gross Square Feet</u>
Classification 1: Spectator & Stadium Bowl Facilities	146,000
Classification 2: Premium Facilities	66,500
Classification 3: Circulation	139,000
Classification 4: Food, Retail, & Spectator Facilities	32,000
Classification 5: Team Facilities & Practice Facility	13,500
Classification 6: Media Facilities	9,000
Classification 7: Event Facilitates & Operations Support	30,000
Classification 8: Standing Room Only decks	<u>14,000</u>
Estimate of Gross Building Square Footage (G.S.F.)	450,000

Source: Sac Soccer & Entertainment Holdings (SSEH).

**SACRAMENTO MAJOR LEAGUE SOCCER STADIUM
PRELIMINARY TERM SHEET
December 1, 2015**

**EXHIBIT 3
PRELIMINARY SOURCES AND USES OF FUNDS**

Sources of Funds	
<i>Private</i>	
Capital Contribution – Sac Soccer (SSEH)	\$180,000,000
<i>Public</i>	
Capital Contribution – City/Other*	<u>\$46,000,000</u>
Source of Funds – Total	\$226,000,000
Uses of Funds	
<i>Private</i>	
Stadium Project	\$180,000,000
<i>Public</i>	
Infrastructure*	<u>\$46,000,000</u>
Uses of Funds – Total	\$226,000,000
Surplus/(Deficit)	\$0

* Represents estimated apportionment to proposed Stadium site, based on acreage, of in-place Railyards infrastructure investment by the City of Sacramento and other public agencies. (See December 1, 2015 staff report for more detail.)