

Answers to  
Frequently Asked Questions

“FAQs”

**Proposal to Bring Major League Soccer to Portland, Oregon**

Prepared by the Office of Mayor Sam Adams, the Office of Commissioner Randy Leonard,  
Office of Management and Finance, Office of the City Attorney  
Updated March 10, 2009

**1) *Why bring major league soccer to Portland?***

Mayor Sam Adams: *“Sports have the power to bring people together diverse groups...to inspire...to promote in the community healthy lifestyles and family-friendly opportunities...to raise a city’s profile nationally and even internationally...all the more so with a sport like soccer, the most played sport on earth...as we aspire to build the most sustainable economy in the world, we will add a community point of pride that resonates with the world in a language so much of the world speaks – the language of “futbol.”*

Link to full statement by Mayor Sam Adams:

<http://www.portlandonline.com/mayor/index.cfm?c=49519&a=234419&direct>

**2) *Given the economic uncertainties and pending cuts to City government services why spend the time and money now to bring major league soccer to Portland?***

To help answer this question and others, on November 26, 2008, the City Council created the Task Force to evaluate the possibility of bringing major league soccer to Portland. The Task Force meetings were public and broadcast on television.

Major league soccer is making its decision now for selecting new cities for new teams. MLS would like teams to be fielded concurrently in Vancouver, BC, Seattle and Portland.

The City Council also provided the Task Force a set of Guiding Principles: <http://www.portlandonline.com/omf/index.cfm?c=49495&a=227942> to shape their evaluation.

The Task Force members were nominated by each City Council office and included a diversity of outlooks. For example, some members were selected for service on the Task Force because initially they adamantly opposed the concept of professional soccer in Portland; some because they supported the concept; and others because they were neutral.

MLS Task Force Roster:

<http://www.portlandonline.com/shared/cfm/image.cfm?id=234416>

On March 3, 2009, the Task Force issued a unanimous recommendation: “The Task Force recommends that the City Council support a proposal by Shortstop LLC to bring Major League Soccer to Portland, with the City refurbishing PGE Park and developing an alternative site for AAA Baseball, under the conditions outlined.” Major League Soccer/Triple-A Baseball Task Force, Report and Recommendations, March 2009.

The full report approved by the MLS Task Force can be downloaded here:

<http://www.portlandonline.com/omf/index.cfm?c=49495&a=233846>).

**3) *What are the conditions outlined by the MLS Task Force?***

The full text of the conditions outlined by the MLS Task Force, which are found starting on Page 10 of the MLS Task Force report, can be downloaded here:

<http://www.portlandonline.com/omf/index.cfm?c=49495&a=233846>).

Key among the conditions offered by the Task force:

- “...no risk to the basic services of the City...”
- “...no reductions in basic city services to fund the MLS/AAA Baseball facilities.”
- “...The baseball stadium should be located in an area of the City easily reached by light rail, bus and other alternative modes...”
- “If the project involves Memorial Coliseum, the City will continue to memorialize veterans...”

**4) *Is what the City Council is being asked to approve consistent with the conditions proposed by the MLS Task Force?***

Yes. During negotiations with Peregrine LLC, Mayor Sam Adams and Commissioner Randy Leonard used as their guide the conditions of approval set forth by the MLS Task Force.

**5) *How much will it cost to bring MLS soccer to Portland, renovate PGE Park and build a new AAA baseball stadium in the Rose Quarter?***

\$129 million. This is a “low confidence” cost estimate for buying a MLS soccer team for Portland, renovating PGE Park for soccer and PSU football and building a new baseball stadium in the Rose Quarter. Under city policy, the cost estimate is considered “low confidence” until stadium designs and engineering plans are

completed. Preliminary stadium designs and engineering plans are scheduled to be completed by August 1, 2009.

6) ***What is a summary of the uses and sources of funds needed to purchase an MLS franchise, renovate PGE Park and build a new AAA baseball stadium?***

The funding uses and sources for this project are as follows:

<u>Uses</u>	<u>Amount</u>
MLS Franchise Fee	\$40,000,000
PGE Park/MLS Stadium	\$33,690,000
Memorial Coliseum Baseball Stadium	<u>\$55,095,000</u>
<b>Total of Uses</b>	\$128,785,000

<u>Sources</u>	<u>Amount</u>
Peregrine LLC	\$40,000,000
Peregrine LLC	\$12,500,000
TIF Bonds for PGE Park	\$15,000,000 <sup>1</sup>
TIF Bonds for Baseball Stadium	\$18,500,000 <sup>2</sup>
Spectator Facilities Fund Bonds	\$31,000,000 <sup>3</sup>
Other Funds	<u>\$11,785,000<sup>4</sup></u>
<b>Total of Sources</b>	\$128,785,000

<sup>1</sup> Conditioned upon the successful creation of a new downtown urban renewal area.

<sup>2</sup> Conditioned upon the successful placement of these bonds by the Paulson family.

<sup>3</sup> The Paulson family has agreed to personally guarantee payments made into the Spectator Facilities Fund by the Beavers and the new MLS franchise.

<sup>4</sup> These other funds include the following potential funding sources: pending state legislation to allocate income taxes on MLS and AAA personnel (both resident and non-resident) to the Spectator Facilities Fund, thereby increasing the amount of these bonds; the use of a tax-exempt bond structure for the Spectator Facilities Fund bond, thereby increasing the amount of these bonds, a refinancing of existing PGE Park bonds, thereby increasing funds available for debt service for the Spectator Facilities Fund bonds and increasing the amount of these bonds; and/or additional private equity contributions from Peregrine or Paulson family funds. None of these "Other Funds" will come from the city's general funds or other city funds, except additional bond principal from the Spectator Facilities Fund as noted above.

7) ***So, how much money has the city been asked to contribute to this project?***

\$64.5 million with liability for construction-related cost overruns capped at the current amount of funds in the Capital Reserve Account of the Spectator Facilities Fund (~\$2.5 million).

8) ***How does this deal compare to other MLS soccer deals?***

Stadium	Location	Public/Private Ratio	Year Opened	Cost (millions)
Columbus	Columbus, OH	100% private	1999	\$34

Crew Stadium				
The Home Depot Center	Carson, CA	100% private	2003	\$150
Pizza Hut Park	Frisco, TX	52:48	2005	\$107
Toyota Park	Bridgeview, IL	100% public	2006	\$98
Dick's Sporting Goods Park	Commerce City, CO	89:11	2007	\$181
BMO Field	Toronto, ON	71:29	2007	C\$62.8
Rio Tinto Stadium	Sandy, UT	40:60	2008	\$110
Red Bull Arena	Harrison, NJ		2009	\$280
Chester Stadium	Chester, PA	65:35	2010	\$115*
Kansas City Wizards Stadium	Kansas City, MO	Not yet finalized	2011	Not yet finalized

All of the MLS stadiums built in the past five years received public subsidies ranging from 38% (Rio Tinto Stadium) to 100% (Toyota Park). The ratio of public to private investment for this deal is approximately 49:51 (49 percent public and 51 percent private), excluding the Paulson family's private guarantees. These numbers include renovating PGE Park to bring it up to MLS standards *and* building a brand new AAA baseball stadium. When you include the Paulson family's guarantees, the ratio of public to private investment is potentially as high as 20:80. To view more economic data on MLS, please see <http://www.portlandonline.com/omf/index.cfm?c=49495&a=227938> and <http://www.portlandonline.com/omf/index.cfm?c=49495&a=231170>.

9) *How does this proposed deal compare to the earlier PGE Park deal with Portland Family Entertainment?*

Deal Element	PFE	Peregrine LLC
Project Capital Cost	\$40 million	\$89 million
Private Capital	\$5 million	\$12.5 million
Public Capital	\$35 million Spectator Fund-backed bonds; 2/3 debt service from VDI revenues	\$64.5 million \$33.5m tax increment \$31m Spectator Fund bonds
Private Guaranty	None	All payments to City Spectator Fund from MLS and AAA baseball facilities guaranteed for life of City bonds; Private placement of \$18.5 million in bonds from Oregon Convention Center Urban Renewal Area.

Operating Agreement Structure	Annual License Fee 10% Ticket Tax Capital Payment Share of Gross Revenue Share of Net Profits Profit on Team Sale	Annual License Fees (2) 7% Ticket Tax
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In the earlier PFE deal, the city chose to assume far greater risk in the short term in exchange for a share in the potential upside. In contrast, in this deal, the city has negotiated a deal where it gets comparatively little upside return in exchange for minimal risk.

**10) *The largest source of city funding will come from the sale of bonds backed by the city's Spectator Facilities Fund. What are the sources of revenue for this fund?***

In order to finance renovations to PGE Park and build a new AAA baseball stadium, the city will bond against the Spectator Facilities Fund. The SFF is funded by payments made under operating agreements with the city, including rents, ticket tax revenue, parking garage revenue, etc. The Paulson family has agreed to personally guarantee these payments with respect to a new MLS franchise and the Beavers. This means that if the new MLS franchise and/or the Beavers fail to perform according to projections, then the Paulson family will make up the difference.

As part of its due diligence, the city also hired financial consultants, HVS, to analyze the financial projections of the Beavers and a new MLS franchise. The presentations that HVS made to the MLS Task Force are available here:

MLS Franchise:

<http://www.portlandonline.com/omf/index.cfm?c=49495&a=231170>

Beavers:

<http://www.portlandonline.com/omf/index.cfm?c=49495&a=231169>

The final report prepared by HVS is available by contacting the Office of Management and Finance: 503.823.5288.

**11) *How will the City's requirements be fulfilled for 30% of all Tax Increment Financing dollars be set aside for affordable housing projects?***

The estimated \$4.8 million affordable housing set aside will fulfilled as part of the creation of a new Urban Renewal District on the Westside of Central Portland.

**12) *What action will the City Council take at the 9:30 am, Wednesday, March 6, 2009 meeting?***

The City Council will hear recommendation from the citizen MLS Task Force and take public testimony before deciding whether or not to approve a non-binding agreement called a “term sheet” proposed by Mayor Sam Adams and Commissioner Randy Leonard along with Peregrine LLC.

The City Council will vote on the proposal 9:30 am, Wednesday, March 18, 2009.

The full report of the MLS Task Force can be downloaded here:  
<http://www.portlandonline.com/omf/index.cfm?c=49495&a=233846>).

The proposed term sheet outlines actions and investments to be made by both the City of Portland and Peregrine LLC to bring Major League Soccer (MLS) to Portland at a renovated PGE Park and keep AAA minor league baseball playing in Portland at a new baseball stadium to be constructed in the Rose Quarter district.

If approved, the term sheet will provide direction to city staff to negotiate definitive agreements with comprehensive terms and binding conditions. City staff will return with proposed definitive agreements by September 1, 2009 to City Council for their consideration. If either Peregrine LLC or the city fails to meet the conditions set forth in the term sheet, the proposed deal will terminate.

**13) *If Council votes to support Merritt Paulson’s application to bring an MLS franchise to Portland, will the city owe any obligations to MLS?***

No. Merritt Paulson has agreed to purchase the soccer franchise from MLS, and he alone is responsible for meeting obligations defined in his agreement with MLS.

**14) *If PGE Park renovations must be completed by the spring of 2011, will the city and Peregrine LLC incur certain construction-related expenses before a definitive agreement can be reached?***

Yes. Under the term sheet, if the City Council votes to approve the term sheet, then the city and Peregrine LLC agree to enter into a pre-development agreement by April 15, 2009. The city and Peregrine LLC also agree to share costs 50/50 if the project collapses before a definitive agreement can be reached, with the city’s share capped at the amount of the current balance in the Capital Reserve Sub-Account of the Spectator Facilities Fund (approximately \$2.5 million).

**15) *Are there price controls in place to avoid construction-related cost overruns beyond the pre-development phase?***

Yes. The city and Peregrine LLC have agreed upon a maximum contribution from the city. This amount is \$2.5 million, which is already in the Capital Reserve Sub-Account of the Spectator Facilities Fund. Peregrine LLC is responsible for costs incurred above this amount.

16) ***The Paulson's already have a lot of money. Why should the city contribute any money to this project?***

The city will own the assets in which it is investing. More specifically, the city will own both PGE Park and the new AAA baseball stadium, and the Beavers and the new MLS franchise will lease the stadiums from the city. These rent payments will help to finance the city's debt obligations.

PGE Park, in its present form, is not suited for AAA baseball. The stadium is far too large, and the fan experience is lacking. With this deal, the City will have an improved PGE Park and a second stadium that is an appropriate venue for AAA baseball for an amount of public money that in the vast majority of cases is less than or equal to what was spent elsewhere in the country to build one new soccer stadium. In other words, by reusing a substantial portion of PGE Park, Portland is getting two new stadiums for the price of one. Furthermore, PSU and local high school football programs will potentially benefit from the PGE Park renovation because the reconfigured stadium will also accommodate a football field.

The MLS Task Force provided a thoughtful summary of the tangible economic and community benefits likely to flow to Portland from this project on pages 3 and 4 of its Report:

<http://www.portlandonline.com/omf/index.cfm?c=49495&a=233846>.

17) ***How long will it take for the city to recoup its investment?***

The TIF bonds will be paid back in at least 20 years and in approximately 25 years in the case of the Spectator Facilities Fund bonds.

18) ***Can Peregrine LLC move the new MLS franchise and/or the Beavers to a different city?***

No. The teams are obligated to play in Portland for the life of the bonds that will be issued by the city (at least 25 years).

19) ***Why was the Rose Quarter selected as the site for a new AAA baseball stadium instead of Lents?***

The Rose Quarter site was more attractive to Merritt Paulson from a business standpoint. It is close to downtown and the Oregon Convention Center. It is easily accessible via multiple modes of public transportation and is equidistant

from Portland's suburbs (on average, approximately 80% of Beaver fans come from areas outside of Portland).

Alternative uses for the stadium (concerts, for example) are not likely to have as great an impact on the surrounding neighborhood (in Lents, the surrounding neighborhood is mostly residential). City-owned public parking facilities already exist in the Rose Quarter. From the city's standpoint, Merritt Paulson's desire to locate the baseball stadium in the Rose Quarter district coincided with an ambitious development effort, led by the Blazers, to redevelop the Rose Quarter into a world-class entertainment district featuring, among other things, an interactive sports museum to be built by Nike. With the addition of a new AAA baseball stadium, this new entertainment district will be anchored by the Blazers and the Beavers, thereby creating a year-round draw to the shops, concerts, restaurants, etc. in the new district. The central location of this district, combined with easy access to public transportation, will draw people from all over the region and help to spur additional development in the Rose Quarter and surrounding neighborhoods.

**20) *Will the use of \$18.5 million in TIF funds from the Oregon Convention Center Urban Renewal Area impact the viability of other developments in and around the Rose Quarter and Oregon Convention Center?***

No. Even if the city wanted to use the \$18.5 million in TIF funds for another project in the district, given the current condition of the bond market, it would be nearly impossible for the city to market these bonds. Therefore, the only way that the city can tap this resource before the district expires (in 2013) is through a private placement of bonds. The Paulson family has agreed to step in and find a buyer for these bonds. Furthermore, in the unlikely event the bond market does turnaround in the near future, the city has not allocated the full amount of TIF financing available in the OCC to this project, which means there are potentially TIF funds remaining to accommodate existing projects in that district (assuming there is a market for those bonds).

**21) *What about the TIF funds that will be available as a result of the new downtown urban renewal area—will there be money to help fund our schools and other projects in the new area?***

In its report, the MLS Task Force recommends that “requests for TIF be reviewed and approval made subject to the recommendation of urban renewal advisory bodies to the Portland Development Commission for each URA, with representation from public and private property owners, neighborhood associations, and for the downtown district, Portland State University.”

The city will bring together all of the people and organizations potentially affected by the creation of a new downtown URA, as well as complying with all requirements for public process. In order for an urban renewal area and urban

renewal plan to be established, PDC must consult and confer with other jurisdictions which receive property taxes within Multnomah County. After this stage the PDC Board initiates the approval process through a resolution, it is then formally reviewed by the Planning Commission and final approval occurs through a non-emergency ordinance passed by City Council.

**22) *Has Peregrine LLC agreed to contribute anything to the community, such as access to PGE Park for youth soccer or the new baseball stadium for youth baseball or softball, or general financial support for youth programs?***

Yes. Peregrine LLC has agreed to make a yearly financial contribution of at least \$100,000 to qualified youth-focused charitable organizations (at least 30% will be dedicated to constructing and maintaining youth athletic fields). Peregrine LLC also has agreed to consult with the Portland Parks Foundation regarding the proposed use of its annual contribution directed to youth athletic fields.

Additional commitments include:

- Undertaking activities to foster local soccer talent and create opportunities for local soccer players to make the MLS team;
- Allow, as the schedule permits, local high school team practices to take place at the MLS and/or AAA stadium for Portland at no cost;
- Allow the annual Special Olympics event to take place at the MLS or AAA stadium at no cost; and
- Allow, at the city's choosing, six additional community events to take place each year, three at the MLS stadium and three at the AAA stadium, at a charge that covers only the direct expenses of the events.

**23) *How do we know that Peregrine LLC will work with the neighborhoods surrounding PGE Park and the new AAA baseball stadium?***

Peregrine LLC will have to enter into what are known as "good neighbor" agreements with the city before it can begin construction on either of the two stadiums. These "good neighbor" agreements are a standard part of all operating agreements that the city maintains with operators of city-owned sports facilities.

**24) *Is any natural open space land or public park slated to be used in either stadium project?***

No.

**25) *How many jobs will likely be created by this project?***

The renovation of PGE Park and the construction of a new baseball stadium are likely to generate 600 construction-related jobs, as well as 300 permanent jobs relating to the operation of the two facilities.

***26) What is the proposed timeline for this project?***

March 11, 2009 – Council to decide whether to support MLS application

March 16, 2009 – Application due to MLS

April 15, 2009 – Pre-development documents approved and signed

April 16, 2009 – Design phase to begin

August 1, 2009 – Definitive documents approved and signed

September 1, 2009 – Due date to satisfy any conditions regarding funding

January 2010 – Construction to begin

April 2011 – MLS stadium scheduled to open