

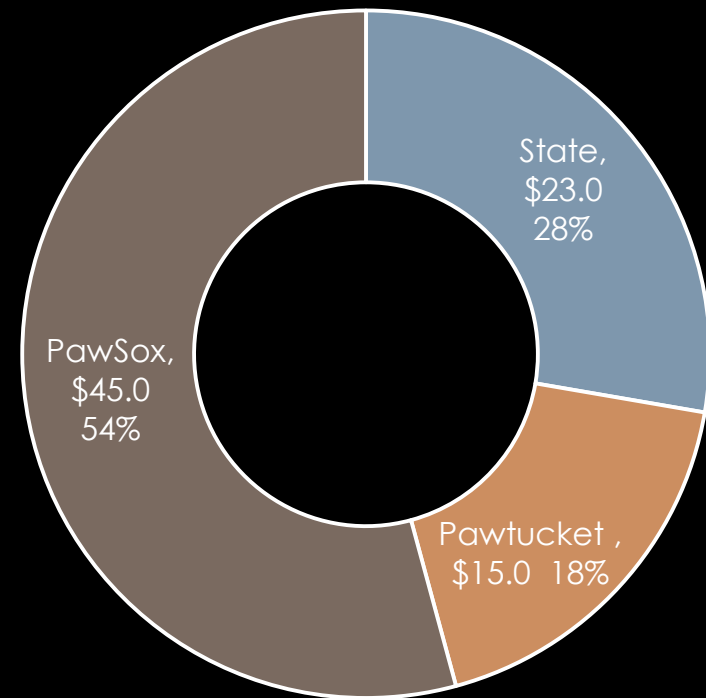
Pawtucket Red Sox New Stadium Proposal *2017-H 6366 and 6367*

Staff Presentation to the House Finance
Committee
October 10, 2017

Summary

- Proposed legislation to finance a new, \$83 million stadium for the Pawtucket Red Sox: *The Ball Park at Slater Mill* with costs shared by City, State & Team
 - \$71 million bonds – all parties
 - \$12 million equity from PawSox

New Stadium Costs
\$ in millions



Summary

- **Background**
- Cost Projections
- Financing Structure
 - 2017-H 6366
 - 2017-H 6367
- Other Considerations

Background

- August 1996 Governor Almond asked the Assembly for approval to borrow \$12 million through EDC to finance major improvements to McCoy
 - Then-current law deemed approval was granted unless the General Assembly passes a concurrent resolution of disapproval within 60 days
 - *Law changed in 2000 to require active Assembly approval*

Background

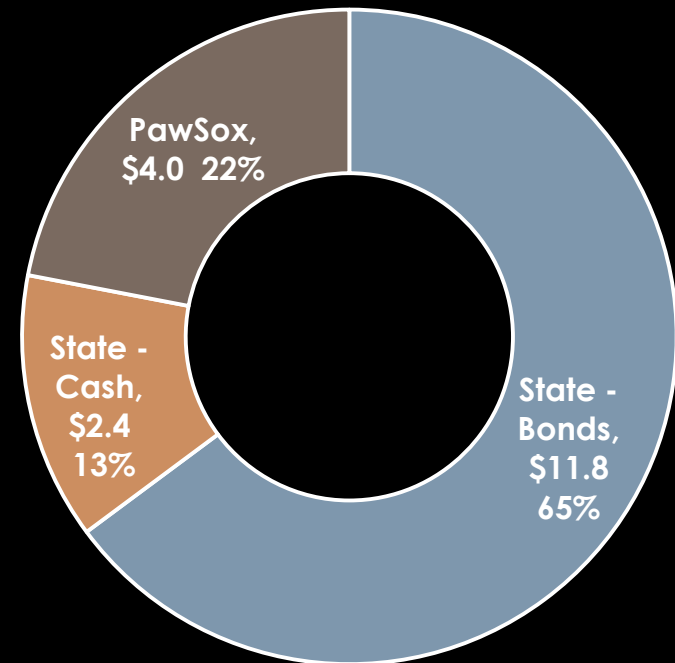
- Increased seating capacity (7k to 10k)
- Meet newer standards
- Improvements to:
 - Concourse
 - Public and Team Facilities
 - Field, Parking and other
- Original projected cost \$16 million
 - Cost over \$18 million excluding interest
 - Approx. \$27 million in 2017 dollars

Background

- PawSox paid for estimated \$4.0 million in team-related upgrades
- State paid the rest including \$2.4 million in cost overruns
- Debt service about \$1.1 million annually
 - 13-yr. variable rate debt paid off in FY 2011

1998 Upgrade

\$ in millions



Background

- Lease extension signed Jan. 1998
 - Would expire Dec 31, 2010
- Extended 5 more years in Nov. 2005
 - State commitment for asset protection
 - \$1.5 million in FY 2006 (RICAP)
 - \$2.8 million state spending through FY 2014
 - Would expire Jan 31, 2016
- Extended 5 more years in 2014
 - Would expire Jan 31, 2021

Background

- Rental payments for McCoy Stadium are deposited as general revenues
- Began with \$9,000
 - Increases \$500 every 6 months
 - Now over \$30,000 annually

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Cost Projections


- **2015:** Providence stadium proposal considered but did not advance
- **2017:** Several Pawtucket options considered & priced

Option	Cost (millions)
Extend McCoy life 20 yrs.	\$35.6
Renovate McCoy to AAA standards	\$68.0
Tear down & rebuild on McCoy Site	\$78.0
Build on new site	\$83.0

Cost Projections

- New site option serves as basis for proposed financing
 - PawSox to pay any construction cost overruns
 - City appears responsible for land and site costs that exceed estimate

Item	Cost	Party
Land & Site improvements	\$10.0	City
Ball Park	\$73.0	Shared
Total	\$83.0	\$in millions



Ball Park Cost	
City	\$5.0
State of RI	\$23.0
PawSox	\$45.0
Total	\$73.0

Cost Projections

- Issues to consider:
 - Are there infrastructure costs assumed to be borne by City or State that are critical to Ball Park completion?
 - Land acquisition & site improvement costs & legal issues have been raised in other forums
 - How will long term costs for major capital repairs and asset protection work?
 - Deposits into a renewal and replacement fund?
 - Who will be responsible for costs?

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Financing Structure –2017-H 6366

- 2017- H 6366 contains the resolution of debt approval that would be required under current state law
 - Identifies findings
 - Includes \$12 million upfront PawSox equity
 - Includes breakdown of debt terms
 - Suggests sources for the repayment

Public Corporation Debt Management Act

- Enacted in 1994
- Subsequently amended to increase Assembly's approval role
- Ensures that debt with a state tie was not issued without legislative review
- Result of Commission chaired by Rep. Linda Kushner

Public Corporation Debt Management Act

- Act requires all new non-general obligation debt authorizations be approved by the Assembly except in certain circumstances
 - Unless Governor certifies that federal funds will be available to make all payments
 - If after Assembly has adjourned, Governor certifies an action is necessary to protect the physical integrity of an essential public facility

Public Corporation Debt Management Act

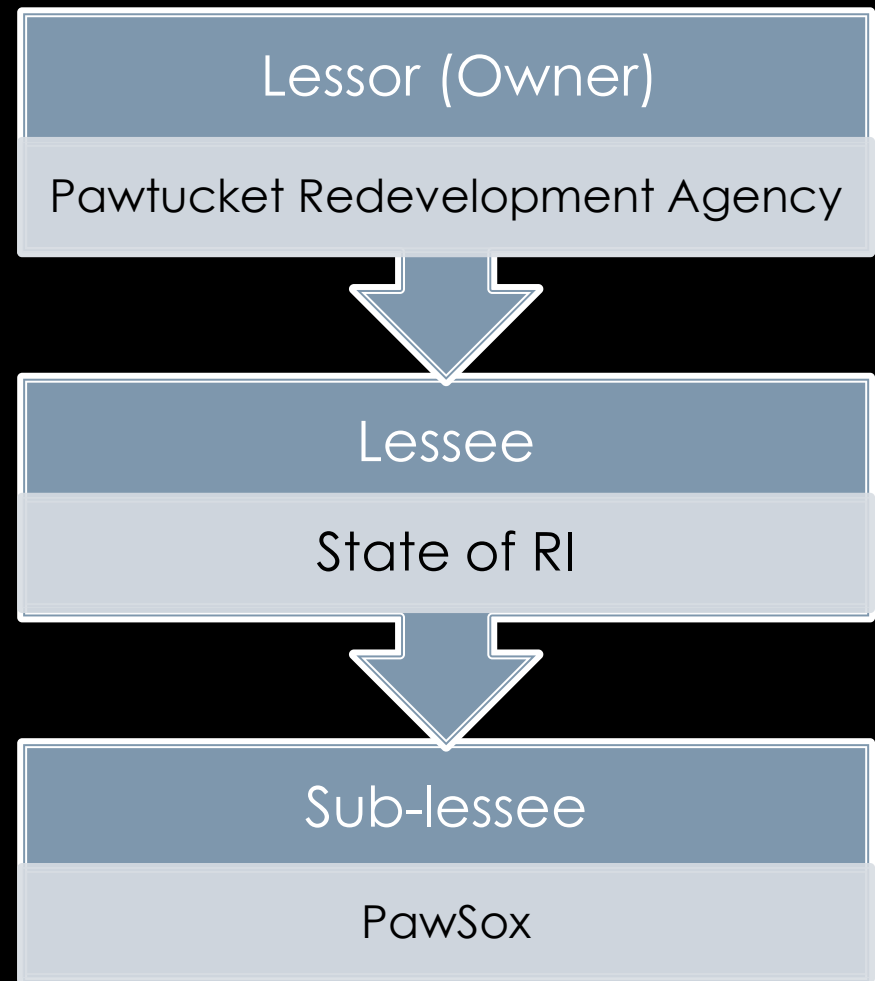
- Certain quasi-public agencies are exempt:
 - Infrastructure Bank
 - Housing & Mortgage Finance Corporation
 - Health & Educational Building Corporation
- Typically done as article in State Budget
 - Some have direct state general revenue impact

Public Corporation Debt Management Act

Projects Approved FY 2013- FY 2018 (<i>\$ in millions</i>)	Amount	Budget
Information Technology Improvements	\$45.3	FY 2013
T.F. Green Airport Improvements/Runway Extension	\$174.0	
Central Landfill Leachate Runway Extension	\$40.0	
Quonset Piers and Dredging	\$7.5	
T.F. Green Airport Improvements/Runway Ext. - Revised	\$60.0	FY 2015
Joint Nursing Facility – Equipment/Fixtures	\$15.0	
Garrahy Courthouse Parking	\$45.0	
URI's Fraternity Circle Infrastructure	\$5.1	FY 2016
Turnpike & Bridge Authority Bridge Repairs	\$65.0	
Quonset Piers	\$25.0	FY 2017
Confined Aquatic Disposal Cells	\$10.5	FY 2018
URI Energy Performance Phase III	\$11.6	
URI White Horn Brook Apartments	\$88.8	

Financing: 2017- H 6366

- Similar owner - lease arrangement to McCoy
 - PRA substituted for City of Pawtucket
 - Long term lease covers all aspects
 - Payments
 - Facility Use
 - Operation & Maintenance



Financing: 2017- H 6366

PawSox
Series A

\$33.0 million

Payable from: Lease rentals, sublease payments from team rentals & annual naming rights

- Authorizes RI to enter into a financing lease to secure the bonds
- Lease payment will equal debt service
 - Estimated \$2.1 million annual cost
 - Naming rights called out as potential source for PawSox lease payment

Financing: 2017- H 6366

State of RI
Series B

\$23.0 million

Payable from:
State revenues
generated by
ballpark users, visitors,
the team, & ancillary
development, &
premium ticket
surcharge

- Authorizes payment agreement with Pawt. Redevelopment Agency to secure the bonds
- Payment will come from state general revenues
 - Est. \$1.4 million annually
 - Suggests underlying source is ballpark-related
 - Premium ticket surcharge not defined

Financing: 2017- H 6366

Pawtucket
Series C

\$15.0 million

Payable from:

Incremental real estate property, hotel, & tangible asset taxes, food & bev. tax, assessments in/around project, donations, & city revenues including state aid

- Authorizes payment agreement with City & Pawt. Redevelopment Agency to secure the bonds
 - Includes authorization and requirement to pledge state aid to debt repayment
 - Est. \$0.9 million annually

Financing: 2017- H 6366

Pledged Pawtucket State Aid		
Distressed Community	§45-13-12	\$1,539,903
Payment in Lieu of Taxes	§45-13-5.1	554,958
FY 2018 MV Excise Phase Out	§44-34	3,231,534
Public Service Corporation Tax*	§44-13	891,950
Total		\$ 6,218,345

- Resolution authorizes pledge of non education state aid
- *Includes pass-through revenues from public service corporation tax

Financing: 2017- H 6366

	Series A	Series B	Series C
Payer	PawSox	State	City
Principal	n/a		
Net Proceeds (millions)	\$33.0	\$23.0	\$15.0
Max Interest Rate	5.0%	4.0%	4.0%
Capitalized Int., Debt Service Reserves, Issuance Costs	Noted as excluded from net proceeds but not limited		
Max total cost	Not addressed		
Term	Not to exceed 30 years		
Type	Taxable	Tax Exempt	
Est. Annual Debt Service (millions)	\$2.1	\$1.4	\$0.9

Financing: 2017- H 6366

- Issues to Consider
 - Should language include limits on total cost of debt for any or all of the series?
 - Should any other cost sharing issues be included in resolution?
 - Timing?
 - What costs will also impact debt service?
 - Capitalized interest and debt service reserve
 - Debt Structure
 - Debt Affordability

Debt Affordability Study

- Public Finance Management Board released a debt affordability study in May 2017
 - Based on FY 2015 data
- Examines levels of indebtedness
 - State
 - Quasi-public agencies
 - Municipalities
- Makes recommendations of debt affordability limits for each issuer

Debt Affordability Study

Ratios	Target	Pawtucket
Net Direct Debt to Full Property Value	< 3%	1.8%
Overall Net Debt to Full Property Value	< 4%	1.8%
Overall Debt + Net Pension Liability to Full Value	<6.3%	14.9%
Overall Debt + Net Pension Liability to Personal Income	< 20%	20.1%

Debt Affordability Study

- Debt affordability = issuer's ability to repay all of its obligations based on:
 - Strength of its revenue streams
 - Capacity of population to afford cost of borrowing

Current GO Ratings			
	S&P	Fitch	Moody's
Pawtucket	A	A+	A3
RI State	AA	AA	Aa2

Rating Scales

S&P/Fitch	Moody's	Grade
AAA	Aaa	Investment
AA+, AA, AA-, A+, A, A-	Aa1, Aa2, Aa3	
BBB+, BBB, BBB-	Baa1, Baa2, Baa3	
BB+, BB, BB-	Ba1, Ba2, Ba3	Speculative
CCC+, CCC, CCC-	B1, B2, B3	
CC	Caa1, Caa2, Caa3	
C	Ca	
D	C	

Financing: 2017- H 6367

- Title 45 has several chapters related to local redevelopment powers
 - § 45-31-7
 - *Purpose of chapters 31 – 33 ...are the elimination and prevention of blighted and substandard areas... through redevelopment by well-planned, integrated, stable, safe, and healthful neighborhoods... by the means provided in these chapters, thereby carrying out the policy of this state, as declared in § 45-31-6”*

Financing: 2017- H 6367

- Title 45 has several chapters related to local redevelopment powers
 - § 45-31-6
 - *“to protect and promote the health, safety, morals, and general welfare of the people of the state...powers conferred by chapters 31 – 33... are necessary to effectuate the purposes of these chapters and are for public uses and purposes for which the power of eminent domain may be exercised, tax moneys and other public funds expended, and public credit pledged”*

Financing: 2017- H 6367

- H 6367 amends chapters authorizing and empowering redevelopment agencies
 - Expands scope of redevelopment
 - to include construction, furnishing & equipping as well as improvements that are not necessarily addressing blight as long as they are in a redevelopment area
 - Specifically authorizes agencies to construct new buildings including recreational
 - Changes allow new ballpark to be owned by Pawtucket Redevelopment Agency

Financing: 2017- H 6367

- H 6367 amends chapter authorizing and empowering redevelopment agencies
 - Allows project revenues or debt to be granted to other public or private parties for authorized projects
 - These changes allow PRA to issue bonds authorized in 2017- H 6366
 - Changes also align with City's overall redevelopment strategy for area around Ballpark
 - Ancillary development noted in 2017- H 6366

Financing: 2017- H 6367

- City of Pawtucket has identified revenues from long term redevelopment plans in conjunction with the new ballpark as the expected source of the bond payback
- Site selected was one that economic impact study concluded as preferable

Financing: 2017- H 6367

- Issues to consider:
 - Changes apply statewide, not just Pawtucket
 - How much is needed because PRA is vehicle for this debt?
 - How much relates to the ancillary development plans?

Summary

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- **Other Considerations**

Other Considerations

- Items of interest not in legislation
 - Pledge of owners
 - Donating profits
 - Retail development
 - Brailsford and Dunlavey (B&D) study on current and future economic impact
 - State and local ball park and ancillary development

Other Considerations

- B&D study current and future economic impact
 - Suggests positive state revenue impact
 - Assumes strong attendance at home games
 - Includes assumptions on additional activities from non baseball uses of stadium
 - Review of impact should consider
 - What activity would occur otherwise?
 - Any opportunity costs?

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