

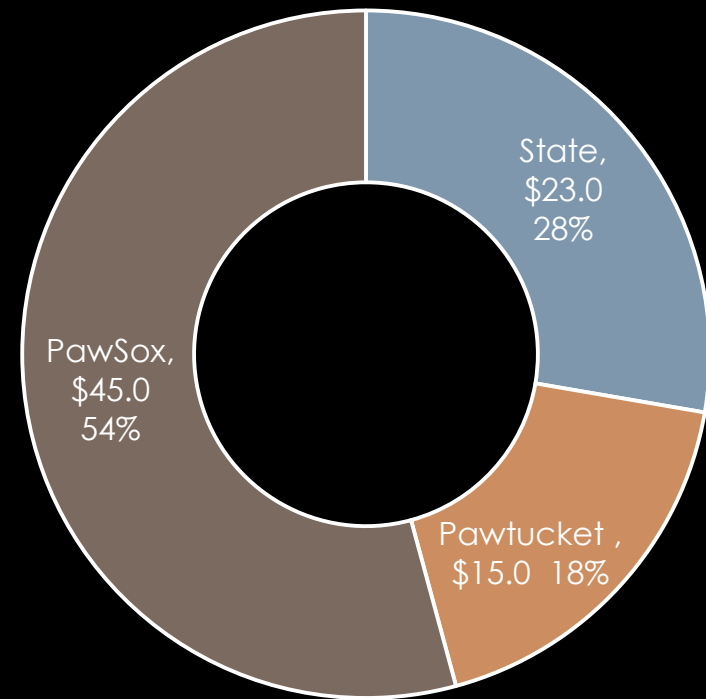
Pawtucket Red Sox New Stadium Proposal 2018 - H 7290 and 7291

Staff Presentation to the House Finance
Committee
May 31, 2018

Summary

- Proposed legislation to finance a new \$83.0 million stadium for the Pawtucket Red Sox: *The Ball Park at Slater Mill* with costs shared by City, State & Team
 - \$71.0 million bonds – all parties
 - \$12.0 million equity from PawSox

New Stadium Costs
\$ in millions



Summary

- Recent Travel
- Alternate Option
 - Other Changes
 - Further Potential Changes
- Next Steps

Recent Travel

- Bills introduced in 2017 Assembly session
 - 2017 - H 6366 & 2017 - H 6367
 - 2017- S 989 & 2017 - S 990
 - Senate had extensive hearing process over several weeks in the fall
 - House also had fall hearings on proposal
 - Member inquiry
 - Public comment

No action taken on those bills

Recent Travel

- 2018 - S 2001 & 2018 - S 2002
 - Amended versions of the 2017 bills
 - Reflect response to feedback and issues raised in the review
 - Memorialized pledges and agreements
 - Ticket price freeze
 - Ancillary development
 - Shifts resources to City
 - Maintenance plan
 - Passed Senate January 16
 - **Duplicate versions: H 7290 and H 7291**

Financing: 2017 - H 6366

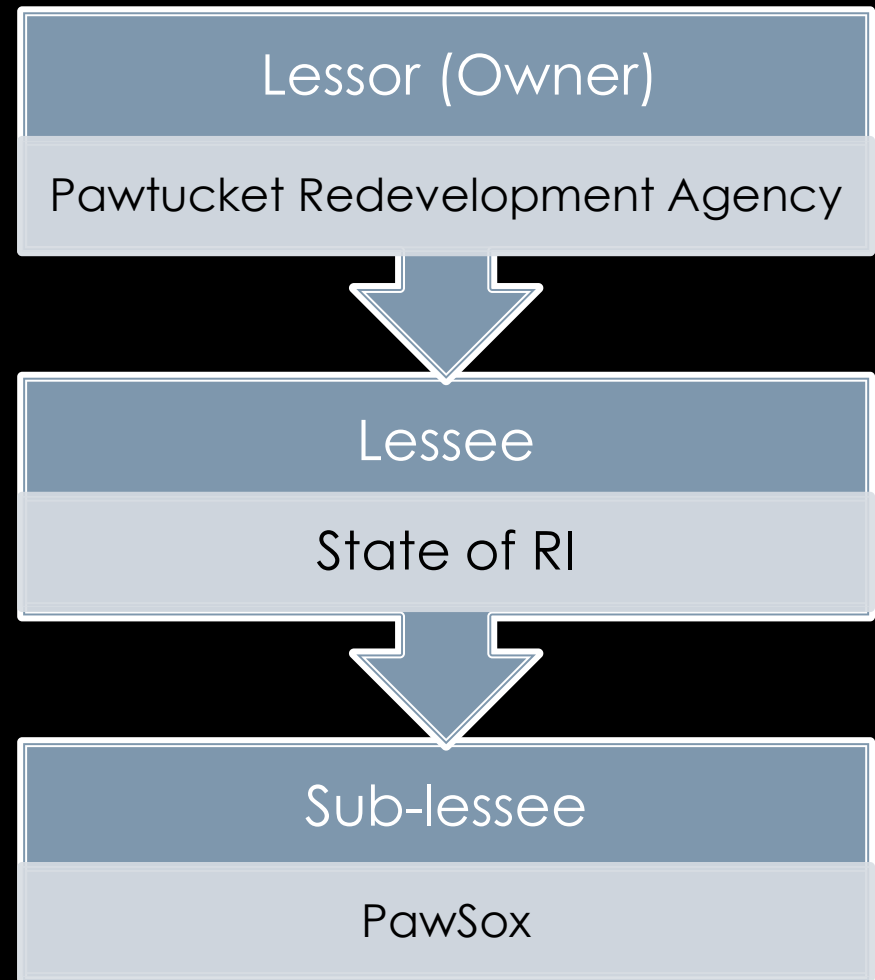
	Series A	Series B	Series C
Payer	PawSox	State	City
Principal	n/a		
Net Proceeds (millions)	\$33.0	\$23.0	\$15.0
Max Interest Rate	5.0%	4.0%	4.0%
Capitalized Int., Debt Service Reserves, Issuance Costs	Noted as excluded from net proceeds but not limited		
Max total cost	Not addressed		
Term	Not to exceed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

Financing: 2018 - H 7290

	Series A	Series B	Series C
Payer	PawSox	State	City
Principal	\$33.0	\$23.0	\$15.0
Max Interest Rate	Not Specified – but capped total cost to impose limit – assumes 4.0% & 5.0% like prior		
Capitalized Int., Debt Service Reserves, Issuance Costs			
Max total cost	\$41.0	\$26.0	\$18.0
Term	Not to exceed 30 years		
Type	Taxable or Tax Exempt		
Est. Annual Debt Service (millions)	\$2.8	\$1.8	\$1.4

Financing: 2017- H 6366 & 2018 - H 7290

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



Financing: 2018 - H 7290

State of RI
Series B

\$23.0 million

Debt Service:

Up to \$1.8M

Payable from:

State revenues
generated by
ballpark users, visitors,
the team & ancillary
development

Source	PIT	Sales	Total
Pawsox	\$1.2	\$0.3	\$1.5
Visiting	\$0.4	\$0.4	\$0.8
Total	\$1.6	\$0.7	\$2.3

Financing: 2018 - H 7290

- 2018 version retains the same basic structure and strategy
 - Use power of the state's good credit to reduce the cost of the borrowing for all parties
 - The price for that low cost debt is the potential that state taxpayers would be called upon to cover unmet obligations
- Is an alternate approach workable?
 - Goal of the *draft Sub A*

2018 - H 7290 *draft Sub A*

- Framework for a different financing
 - Not a resolution for debt approval
 - No debt service limits identified
 - More extensive underwriting process needed
- Merged language from H 7291 /S 2002 empowering redevelopment agencies
 - Allows PRA to issue bonds for this project
- New language
 - Clarifying land acquisition
 - Enabling language on PRA property tax

2018 - H 7290 *draft Sub A*

- Framework for a different direction addresses the key issue that emerged
 - Reluctance to allow the state to be the ultimate recourse for bondholders on the \$71 million of debt proposed
 - Existing plan relies on that to keep interest costs low
 - Any plan that moves off that concept will be more expensive if comparing best case scenarios

2018 - H 7290 *draft Sub A*

- Tax increment financing or TIF
 - Pledge of new revenues – often property taxes to finance a new project
 - Create TIF district in which revenues will be pledged
 - There can be different types but these are very common in municipal projects with property tax revenue
 - Easily measured
- Newer concept includes more tax types

2018 - H 7290 *draft Sub A*

- Special revenue bonds
 - Secured only by the identified revenue stream
 - Usually revenues of project being financed
 - Non-Recourse
 - If the revenues are inadequate to pay the revenue bonds, the issuer has no further obligation to pay the bonds
 - Subject to extensive underwriting process to determine creditworthiness
 - Priced accordingly

2018 - H 7290 *draft Sub A*

- Coverage is key factor
 - Evaluation to see if income exceeds debt
 - Higher coverage on projects like these
 - Interest rate depends on coverage level
 - The more money you can demonstrate above the cost the lower the rate will be
 - Additional work will have to be done to determine likely revenue stream and necessary coverage rates --- and ultimately the cost of the debt

2018 - H 7290 *draft Sub A*

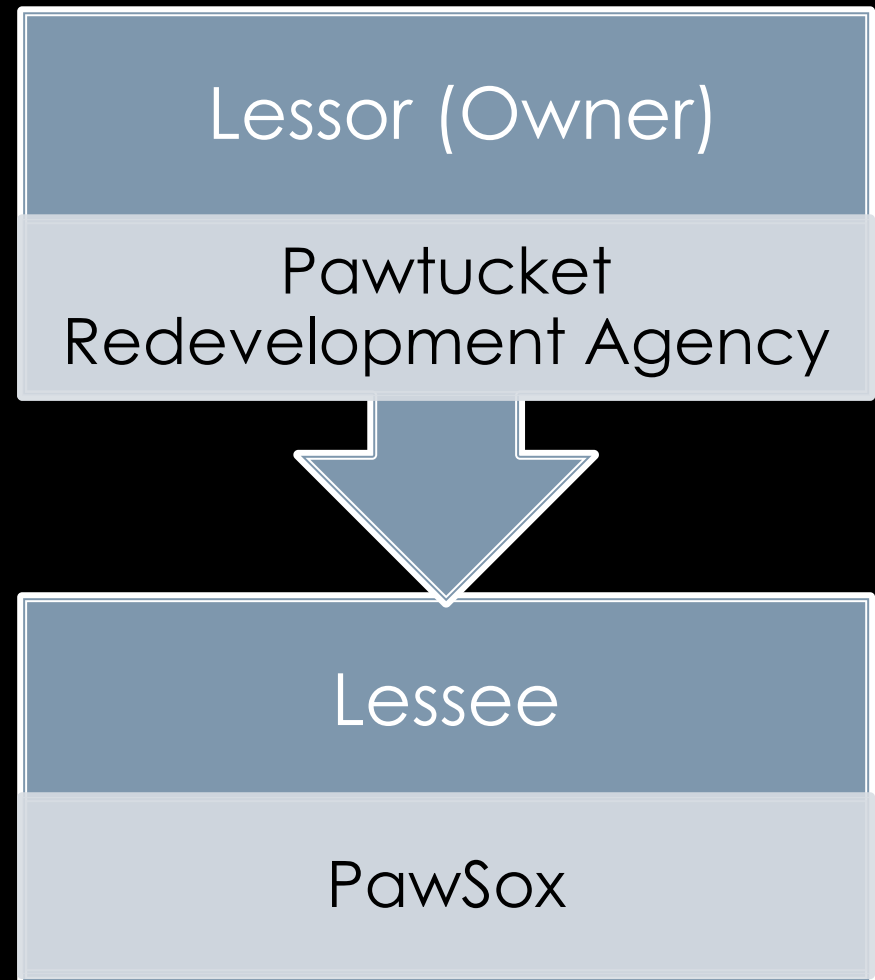
- Framework
 - Defines project cost and team expectations
 - Consistent with prior versions
 - Defines revenue sources that will support the bonds
 - Different from prior versions because these are no longer suggestions as the source
 - These revenues must be segregated and deposited in a fund to support the debt

2018 - H 7290 *draft Sub A*

- Framework
 - Retains much of the language added in the Senate adopted version
 - Green Building Standards
 - Fair Labor Standards Compliance
 - Public Park Facilities
 - Commitment to 50,000 sq. ft.

2018 - H 7290 draft Sub A

- State is no longer a lessee
 - Payments no longer pass through the state
 - Removes state obligation with it
- PRA long term lease
 - Payments support debt issued for Team's obligation



Other Changes

- New section 4 similar to the “quick-take” provisions from existing Commerce Corporation statute
 - Makes land acquisition process more practical
 - Eliminates ambiguity under current law that the owner may have to be paid 150% instead of 100%

Other Changes

- New Section 5 allows the Pawtucket City Council to waive the PRA from paying property taxes
 - This is something Providence Redevelopment has had since the late 1990s
 - Project becomes more expensive without this provision

Further Potential Changes

- The plan to identify the state revenue stream needs further refinement
 - Right now it identifies sources via General Laws reference to personal income and sales tax in the Ball Park District
 - This includes the ball park and adjoining parcels
 - Empowers Governor and Department of Revenue to work out the details
 - Additional guidance should be added on how this is determined

Further Potential Changes

- Additional provision for redeeming bonds early to reduce cost and coverage could be included
- Other elements are expected to be spelled out in the lease agreement and bond documents
 - What should be included in legislation
 - Any limits or other guidance?

Further Potential Changes

- H 7290 Sub A is enabling
- Further work would be required after adoption
 - Extensive underwriting process
 - Study of coverage
 - Identification of funding amounts

Next Steps

- This hearing is beginning of a vetting process for this concept
- Next steps include:
 - Review of testimony
 - Further discussions with city and team

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