



**CITY OF ELK GROVE  
CITY COUNCIL STAFF REPORT**

**AGENDA TITLE:** Professional Soccer Feasibility Study

**MEETING DATE:** March 13, 2013

**PREPARED BY:** Laura Gill, City Manager

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**RECOMMENDED ACTION:**

Receive the consultant's report regarding the viability and potential economic impacts of professional soccer in Elk Grove, discuss opportunities, and provide direction concerning potential land acquisition and negotiations.

**BACKGROUND INFORMATION:**

The City Council entered into a four-year Exclusive Negotiating Agreement ("Agreement") with Northern California Soccer, LLC, (NCS) in December 2011. The Agreement provided for cooperative siting and funding of a Major League Soccer stadium and amenities within the City of Elk Grove.

The City hired Conventions, Sports & Leisure International (CSLI) to study construction of a professional soccer stadium in Elk Grove. CSLI analyzed the facility, franchise and operating requirements of both Major League Soccer (MLS) and the North American Soccer League (NASL). Further, CSLI evaluated the capacity of Elk Grove and the immediate region to support a professional soccer team and the impacts therein.

**ANALYSIS:**

Northern California has more youth soccer athletes per capita than any other region in the country. Both MLS and NASL are gaining teams and fans as soccer gains popularity in the United States. Both leagues are similar in that they use local owners to manage daily operations, employ professional soccer players and play games nationwide over an extended season. The leagues vary in structure, investment and promotion.

The study indicates that the Elk Grove region can support either league's annual operations assuming that the City bears the capital costs related to the stadium; however, the MLS is a higher-risk model and the NASL is a lower-risk model. The franchise fee and stadium costs for MLS are four to five times more costly than NASL.

If a soccer franchise is secured, a large stadium would be needed. The team could play at an interim location during the two to three year development phase. If public funding for stadium construction is included, the facility should be built in phases to expand its capacity as the team's fan base increases.

The majority of recent soccer stadiums have been constructed as the championship field component of larger complexes. The larger complexes include multiple soccer fields for amateur practices and games. Other activities and sports, such as concerts, baseball, and lacrosse, have also been included in some complexes. Parking, infrastructure and other amenities are then shared by all operations. In its March 2010 market analysis prepared for the Civic Center, AECOM noted that the City does not have a facility to host high-end sports tournaments; this type of complex would help to fill that gap.

**RECOMMENDATION:**

- Direct staff to identify up to 120 contiguous acres to consider purchasing for an Elk Grove Sports Complex ("Complex"). The Complex could include privately and/or publicly-financed fields, facilities and amenities for a variety of professional and amateur sports. Once a potential site has been identified, negotiations with land owners would return for Council's consideration in a closed session meeting.
- Direct staff to continue supporting NCS in procuring a professional soccer franchise and discuss interim facility options with the Elk Grove Unified School District and Cosumnes River College.
- Direct staff to assess the community's interest in developing the Complex, including any public financing of an 8,000-18,000 seat soccer stadium, parking and other facilities. The Cosumnes Community Services District will be consulted.

## **FISCAL IMPACT:**

**Project Costs/Funding.** Staff has identified the following costs associated with a professional soccer team and complex:

*Land:* The City would use its Real Estate consultant to identify and negotiate land acquisition for the sports complex. As land would cost up to \$80,000 per acre, the cost of acquiring 120 acres is estimated at \$9.6 million.

*Stadium:* As shown in the CSLI Study, recent soccer stadium project costs range from \$40 million (for an 8,000-seat NASL team) to \$100 million (for an 18,000-seat MLS team).

*Soccer Complex:* The scope of the CSLI study did not include the analysis of a soccer complex that includes multiple fields for amateur sports, including tournaments. City staff has identified two models for cost analysis purposes:

- The City of Overland Park, Kansas owns and operates a 12-field soccer complex. All of the fields have synthetic turf. The complex was completed in 2009 at a cost of approximately \$9 million.
- The City of Frisco, Texas entered into a private-public partnership with Hunt Sports Group to construct 17 tournament-grade fields adjacent to the professional soccer stadium for FC Dallas. While all of the fields have natural turf, eight of them are constructed to drain very quickly after heavy rains. Complex staff estimated the construction costs of the fields with enhanced drainage at \$500,000 each, and the other fields at \$250,000 each. Based on these estimates, the construction cost of the fields is estimated at \$6.25 million.

*Franchise fees:* Franchise fees to acquire rights to a team vary from approximately \$2 million for the NASL to \$50 million for MLS.

*Other:* Performing community outreach and developing a master plan for the Complex would require the assistance of design and finance consultants.

Project funding would be borne by the ownership team and the City. No special funding source has been identified and would therefore become the obligation of the General Fund. As the General Fund's balance is

insufficient to bear this funding today, the project would require a long-term financing alternative. A loan and a bond issuance are public-financing alternatives that could leverage a future revenue stream; however, they would need a secondary repayment source identified.

**Fiscal Impact Analysis.** A fiscal impact analysis measures the impacts, both positive and negative, of a project on local government finances, as opposed to an Economic Impact Analysis that measures only the economic benefits to the community as a whole. City staff performed a fiscal impact analysis using a web-based tool developed by the Georgia Institute of Technology called WebLOCI. The tool uses community-level data to calculate the direct fiscal impacts of any proposed project on City budgets over a period of up to 20 years.

*Soccer Stadium.* Using the WebLOCI tool, staff projects that the annual expenditures for a 15,000-seat soccer stadium will exceed new annual revenues generated by the stadium in a range from \$3.9 million to \$5.4 million, depending on the type of standard municipal financing tool used, because of the debt burden over 30 years. Negotiations with NCS representatives will include discussions on identifying and implementing additional revenue streams to close the projected budgetary gap. Examples of additional revenue streams include, but are not limited to, the sale of naming rights to the stadium, lease payments from the team, and surcharges attached to ticket and parking fees. NCS representatives will also work with the City to identify alternative financing mechanisms to further reduce the debt burden.

*Soccer Complex.* Using the WebLOCI tool, staff projects that the annual expenditures for a 12-field soccer complex will roughly equal new annual revenues generated by the soccer complex.

**Economic Impact Analysis.** As noted above, an economic impact analysis estimates the benefits of a project to the community as a whole. The CSLI study indicates the following net new economic impacts to the community for the construction of a professional soccer stadium and the operations of a professional soccer team:

<b>Construction</b>	<b>MLS (18,000 seats)</b>	<b>MLS (15,000 seats)</b>	<b>NASL (8,000 seats)</b>
New Direct Spending <sup>1</sup>	\$9,570,000	\$7,235,000	\$4,286,000
Total Output <sup>2</sup>	\$13,117,000	\$9,916,000	\$5,875,000
Jobs Supported <sup>3</sup>	100	70	40
Personal Earnings <sup>4</sup>	\$5,210,000	\$3,939,000	\$2,334,000

<b>First-Year Operations</b>	<b>MLS (18,000 seats)</b>	<b>MLS (15,000 seats)</b>	<b>NASL (8,000 seats)</b>
New Direct Spending <sup>1</sup>	\$14,973,000	\$14,136,000	\$4,138,000
Total Output <sup>2</sup>	\$20,905,000	\$19,745,000	\$5,761,000
Jobs Supported <sup>3</sup>	239	226	67
Personal Earnings <sup>4</sup>	\$9,294,000	\$8,781,000	\$2,438,000

<b>NPV 30-Year Operations</b>	<b>MLS (18,000 seats)</b>	<b>MLS (15,000 seats)</b>	<b>NASL (8,000 seats)</b>
New Direct Spending <sup>1</sup>	\$681,505,000	\$643,383,000	\$221,644,000
Total Output <sup>2</sup>	\$951,311,000	\$898,496,000	\$308,084,000
Jobs Supported <sup>3</sup>	239	226	67
Personal Earnings <sup>4</sup>	\$423,267,000	\$399,892,000	\$129,628,000

The scope of the CSLI study did not include the economic impact analysis of a soccer complex that includes multiple fields for amateur sports, including tournaments. For Fiscal Year 2011, the City of Overland Park, Kansas indicated that it had attracted 21 tournaments that drew 3,500 teams, with 1,400 of those from out of town. The out-of-town teams were projected to generate up to 30,000 room nights and \$7 million in new revenue to Overland Park.

**ATTACHMENT:**

**1. Elk Grove Soccer Stadium Feasibility Study**

<sup>1</sup> Direct Spending includes stadium-generated spending during construction and operations (labor, tickets, concessions, retail, parking, advertising, sponsorships, etc.). Also includes off-site spending such as hotels, restaurants, retail, transportation, etc.

<sup>2</sup> Represents total direct, indirect, and induced spending attributable to the stadium.

<sup>3</sup> Includes direct stadium employment as well as additional supported jobs generated by the project (retail, restaurants, hotels, etc.)

<sup>4</sup> Wages and salaries of all employees of businesses involved with the soccer stadium.

# PROPOSED MAJOR LEAGUE SOCCER STADIUM IN ELK GROVE



*August 16, 2007*



October 19, 2012

Ms. Laura S. Gill  
City Manager  
City of Elk Grove  
8401 Laguna Palms Way  
Elk Grove, California 95758

Dear Ms. Gill:

Conventions, Sports & Leisure International (“CSL”) is pleased to present this report regarding the market, building program, cost, financial and economic impact potential for a Major League Soccer (“MLS”) team and proposed soccer stadium to be located in the City of Elk Grove, California near the intersection of Kammerer Road and Highway 99. The attached report summarizes the study’s research and analyses and is intended to assist the City and other project representatives in making informed decisions regarding a potential MLS team and soccer stadium in Elk Grove, California. In addition, at the request of the City, an appendix has been added with a modification to our initial report to reflect a 15,000 seat MLS stadium, as well as an assessment of the market potential for a proposed North American Soccer League (“NASL”) team and soccer stadium.

The information contained in this report is based on estimates, assumptions, and other information developed from research of the market, knowledge of the sports industry, and other factors, including certain information you have provided. All information provided to us by others was not audited or verified, and was assumed to be correct. Because the procedures were limited, we express no opinion or assurances of any kind on the achievability of any projected information contained herein and this report should not be relied upon for that purpose. Furthermore, there will be differences between projected and actual results. This is because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Ms. Laura S. Gill  
City Manager  
City of Elk Grove  
October 19, 2012,  
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We sincerely appreciate the opportunity to assist you with this project, and would be pleased to be of further assistance in the interpretation and application of the study's findings.

Very truly yours,

A handwritten signature in cursive script that reads "CSL International". The signature is written in black ink and is positioned below the text "Very truly yours,".

CSL International



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## **Executive Summary**

This Executive Summary outlines the key highlights of the market, building program, cost, financial and economic impact analyses related to a proposed MLS team and soccer stadium to be located in Elk Grove, California. The City expanded the study scope to include a 15,000 seat MLS stadium and the viability of a NASL franchise.

This study is designed to assist the City of Elk Grove and other project representatives in making informed decisions regarding the potential development of the proposed MLS team and soccer stadium.

To assess the potential market, building program, cost, financial and economic impact parameters of the potential MLS team and soccer stadium, CSL conducted the following research and analyses:

- Analyzed local market area characteristics including the size and age of the local populace, household income, corporate base, attractions, accessibility and other such characteristics;
- Analyzed the physical, operational, financial and economic impact parameters of comparable soccer stadiums operating or planned for major metropolitan areas to provide general information background and to gain a programmatic perspective from which to assess potential activity at the proposed soccer stadium;
- Analyzed the physical and operational characteristics of existing and planned local facilities to assess the relation, interaction and/or impact they may have on the operations of the proposed soccer stadium;
- Interviewed potential users of the proposed soccer stadium to assess their interest in the proposed stadium, likelihood of using the facilities and specific event characteristics and facility requirements;
- Developed computer-based market, financial and economic impact models using assumptions developed through aforementioned research;
- Incorporated estimates of the economic impacts associated with the proposed stadium construction.

The remainder of this Executive Summary summarizes the key findings and conclusions related to the feasibility of the proposed soccer stadium as well as the potential net new economic impacts that could be generated by the entire project *not* including any additional related real estate components. The full report should be read in its entirety to obtain the background, methods and assumptions underlying these findings.

## Executive Summary

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### Key Highlights:

- The Sacramento Market represents the fourth-largest metropolitan area in the State of California. Currently, the area is home to one professional sports team and boasts one of the highest population-to-professional-franchise ratios in the United States.
- The viability of the proposed stadium is supported by the size and demographic and socioeconomic profile of the Elk Grove metropolitan area and the high soccer participation rates characteristic with the Sacramento area. The Sacramento metropolitan area ranks seventh highest in participation rates among major metropolitan areas throughout the U.S., and United States Youth Soccer Association Northern California region ranks first out of 55 regions in terms of association registrants.
- The Sacramento market currently features only two viable concert venues: Power Balance Pavilion and Sleep Train Amphitheater. Power Balance Pavilion is located just north of downtown, while Sleep Train Amphitheater resides roughly 30 miles north of the metropolitan area's center and 50 miles north of Elk Grove.
- Based on discussions with event organizers and review of the historical operations of comparable MLS stadiums in the context of local competition from other area venues, it is anticipated that the proposed stadium could host approximately 43 events annually including MLS team games, international soccer matches, concerts and other soccer/sporting events. Total annual stadium attendance is estimated to approximate 550,000 annually. Total annual stadium attendance for the modified MLS facility is estimated to be approximately 518,000, and the NASL stadium with estimated total annual attendance of approximately 193,000.

**Estimated Financial Operations  
Proposed Soccer Stadium and MLS Team**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Revenues	\$18,318,000	\$18,912,000	\$19,478,000	\$20,063,000	\$20,664,000
Expenses	11,810,000	12,168,000	12,529,000	12,905,000	13,294,000
Operating Income <sup>(1)</sup>	<u>\$6,508,000</u>	<u>\$6,744,000</u>	<u>\$6,949,000</u>	<u>\$7,158,000</u>	<u>\$7,370,000</u>
Operating Margin	35.5%	35.7%	35.7%	35.7%	35.7%

(1) Operating income before debt.

- The combined revenues generated by the Elk Grove MLS team and the proposed soccer stadium are estimated to be approximately \$18.3 million in 2016 dollars, increasing to \$20.7 million in the fifth year of operations. Combined operating expenses of the MLS team and the proposed soccer stadium are estimated to approximate \$11.8 million in 2016 dollars, increasing to \$13.3 million within five years, resulting in an estimated net operating income of approximately \$6.5 million in 2016 before franchise or stadium debt. Net operating income is estimated to increase slightly to \$7.4 million within five years.
- Overall, the combined operations of the Elk Grove MLS team and the proposed soccer stadium appears to be viable assuming that the large majority of project funding is not secured by debt tied to team or stadium operations. The large majority of funding for the proposed project will likely need to come from other revenue sources such as a general fund lease based on the value of the encompassing site development or other sources outside the operations of the team and stadium.
- The proposed stadium construction cost is assumed to be \$108.4 million, including \$104.4 million for the cost of the stadium and \$4 million for purchase of the land. By comparison, Houston’s BBVA Compass stadium, finished in May 2012, cost an estimated \$101.3 million.
- The following table summarizes the estimated net new impacts associated with the \$104.4 million in gross construction expenditures associated with the proposed soccer stadium. These one-time, net new impacts reflect spending expected to occur in the City of Elk Grove, Sacramento SMSA or the State of California. Spending occurring outside these geographic areas is considered non-impacts.

**Net New Economic and Fiscal Impacts  
Construction**

**City of Elk Grove - Net New Impacts**

Direct Spending	\$9,570,000
Total Output	\$13,117,000
Jobs	100
Personal Earnings	\$5,210,000
Tax Revenue	\$444,000

**Sacramento County - Net New Impacts**

Direct Spending	\$40,455,000
Total Output	\$55,451,000
Jobs	400
Personal Earnings	\$22,026,000
Tax Revenue	\$472,000

**State of California - Net New Impacts**

Direct Spending	\$54,375,000
Total Output	\$74,531,000
Jobs	500
Personal Earnings	\$29,605,000
Tax Revenue	\$3,048,000

- Of the approximately \$104.4 million in estimated gross construction expenditures, approximately \$9.6 million, or about 9.2 percent, is estimated to be net new to Elk Grove, California. This net new spending in Elk Grove is estimated to generate \$13.1 million in total output, supporting 100 full and part-time jobs during construction that generate approximately \$5.2 million in personal earnings. Total net new tax revenues expected to be generated to Elk Grove is estimated to approximate \$444,000.
- Net new direct construction spending expected to occur in Sacramento County is estimated to be \$40.5 million, or about 38.8 percent of gross construction expenditures. The net new spending in Sacramento County is estimated to generate \$55.5 million in total output, supporting 400 full and part-time jobs during construction that generate approximately \$22 million in personal earnings. The County would not collect taxes on these earnings. It is important to note that the benefits estimated for Sacramento County are not mutually exclusive of the benefits generated to the City of Elk Grove as the geography of both governmental entities overlap to some degree.

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- The State of California is expected to realize \$54.4 million in net new direct spending, representing approximately 52.1 percent of total project construction expenditures. Net new spending in the State of California is estimated to generate \$74.5 million in total output, supporting 500 full and part-time jobs during construction that generate approximately \$29.6 million in personal earnings. Total net new tax revenues expected to be generated to the State of California is estimated to approximate \$3 million. The benefits estimated for the State of California are not mutually exclusive of the benefits generated to the City of Elk Grove or Sacramento County as the geography of each of the governmental entities overlap to some degree.
- The operations of the Elk Grove MLS team and the proposed stadium and surrounding real estate development will represent a beneficial source of *recurring* annual impacts for Elk Grove, Sacramento County and the State of California. The table on the following page depicts the total annual net new economic and fiscal impacts resulting from the operations of the proposed soccer stadium (including the MLS team and proposed soccer stadium). The impacts presented include both annual impacts (in 2016) as well as the net present value of expected impacts over a 30-year period.

## Executive Summary

### Estimated Net New Economic and Fiscal Impacts Operations

	Year 1 Operational Impacts	Net Present Value of 30-year Impacts
<b>City of Elk Grove - Net New Impacts</b>		
Direct Spending	\$14,973,000	\$681,505,000
Total Output	\$20,905,000	\$951,311,000
Jobs <sup>(1)</sup>	239	239
Personal Earnings	\$9,294,000	\$423,267,000
Tax Revenues <sup>(2)</sup>	\$312,000	\$6,847,000
<b>Sacramento County - Net New Impacts</b>		
Direct Spending	\$19,290,000	\$876,531,000
Total Output	\$27,322,000	\$1,241,292,000
Jobs <sup>(1)</sup>	291	291
Personal Earnings	\$12,996,000	\$590,631,000
Tax Revenues	\$107,000	\$2,353,000
<b>State of California - Net New Impacts</b>		
Direct Spending	\$10,137,000	\$460,417,000
Total Output	\$14,375,000	\$652,836,000
Jobs <sup>(1)</sup>	152	152
Personal Earnings	\$6,803,000	\$309,030,000
Tax Revenues	\$842,000	\$18,490,000

(1) Includes full and part-time jobs.

(2) Includes projected revenues from Elk Grove Hotel Tax

Note: NPV calculation assumes a 3 percent annual growth rate and a 5 percent discount rate.

- Annual net new direct spending occurring in Elk Grove from the operations of the proposed soccer stadium is estimated to be \$15 million. The net new spending in the Elk Grove market is estimated to generate \$20.9 million in total output, supporting 239 full and part-time jobs that generate approximately \$9.3 million in personal earnings. Total net new tax revenues expected to be generated to Elk Grove is estimated to approximate \$312,000 and is based primarily on new sales tax revenues being generated.
- The cumulative net present value of net new spending expected to occur in Elk Grove from the operations of the proposed soccer stadium is estimated to be \$681.5 million. The cumulative net new spending in Elk Grove is estimated to generate \$951.3 million in total output, supporting 239 full and part-time jobs each year that generate approximately \$423.3 million in personal earnings over a 30-year period. Total net new tax revenues expected to be generated to Elk Grove over the 30-year period is estimated to approximate \$6.8 million. This figure accounts for only revenues generated from team and stadium operations.
- Operating impacts generated to Sacramento County are estimated to include \$19.3 million in direct spending, \$27.3 million in total output, supporting 291 full and

## Executive Summary

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part-time jobs that generate approximately \$13 million in personal earnings. Sacramento County does not levy any county-specific taxes, but will receive a one percent share of new sales tax revenues.

- The cumulative 30-year net present value of net new spending expected to occur in Sacramento County from the operations of the proposed soccer stadium is estimated to be \$876.5 million. The cumulative net new spending in Sacramento County is estimated to generate \$1.241 billion in total output, supporting 291 full and part-time jobs that generate approximately \$590.6 million in personal earnings over a 30-year period.
- Impacts generated to State of California are estimated to include \$10.1 million in direct spending, \$14.4 million in total output, supporting 152 full and part-time jobs that generate approximately \$6.8 million in personal earnings. Total net new tax revenues expected to be generated to the State of California is estimated to approximate \$842,000. Over a 30-year period, the project is estimated to generate to the State of California approximately \$460.4 million in net new direct spending, \$652.8 million in net new output, support 152 new full and part-time jobs that generate \$309 million in earnings. Total net new tax revenues expected to be generated to the State of California over the 30-year period is estimated to be \$18.5 million.
- It is important to note a few things from the economic impact chart. Tax revenues listed do not include the potential revenues that could be generated by new taxes implemented to subsidize the cost of a new soccer stadium in Elk Grove such as ticket taxes, meal taxes, an increase in hotel tax, or other city or county taxes. Similarly, the table above does not break out sales taxes collected between City, County, and State. The State of California currently operates with a sales tax rate of 7.75%, 1.00% of which is distributed to the City of Elk Grove, and an additional 1.00% of which is distributed to Sacramento County.



## Executive Summary

Modified estimates of financial operations as well as the economic and fiscal impacts related to the proposed 15,000 seat MLS stadium are shown in the following section.

**Estimated Financial Operations  
Proposed Soccer Stadium and MLS Team**

	2016	2017	2018	2019	2020
Revenues	\$16,373,000	\$16,907,000	\$17,415,000	\$17,936,000	\$18,473,000
Expenses	11,526,000	11,875,000	12,229,000	12,596,000	12,975,000
Operating Income <sup>(1)</sup>	\$4,847,000	\$5,032,000	\$5,186,000	\$5,340,000	\$5,498,000
Operating Margin	29.6%	29.8%	29.8%	29.8%	29.8%

(1) Operating income before debt.

- The combined revenues generated by the Elk Grove MLS team and the proposed soccer stadium are estimated to be approximately \$16.4 million in 2016 dollars (down from \$18.3 million), increasing to \$18.5 million in the fifth year of operations (down from \$20.7 million). Combined operating expenses of the MLS team and the proposed soccer stadium are estimated to approximate \$11.5 million in 2016 dollars (down from \$11.8 million), increasing to \$13 million within five years (down from \$13.4 million), resulting in an estimated net operating income of approximately \$4.8 million in 2016 before franchise or stadium debt (down from \$6.5 million). Net operating income is estimated to increase slightly to \$5.5 million within five years (down from \$7.3 million).
- Similar to the initial report, the combined operations of the Elk Grove MLS team and the modified soccer stadium appears to be viable assuming that the large majority of project funding is not secured by debt tied to team or stadium operations. A significant amount of project funding will likely need to come from general fund lease based on the value of the encompassing site development or other sources outside the operations of the team and stadium.
- The proposed stadium construction cost is assumed to be \$82.9 million, including \$78.9 million for the cost of the stadium and \$4.0 million for purchase of the land. By comparison, the previously evaluated MLS stadium in Elk Grove cost \$108.4 million total, accounting for \$104.4 million in construction costs and \$4.0 million for the purchase of land.

## Executive Summary

- The table below summarizes the estimated net new impacts associated with the \$78.9 million in gross construction expenditures associated with the proposed soccer stadium. These one-time, net new impacts reflect spending expected to occur in the City of Elk Grove, Sacramento SMSA or the State of California.

### Net New Economic and Fiscal Impacts Construction

City of Elk Grove - Net New Impacts	
Direct Spending	\$7,235,000
Total Output	\$9,916,000
Jobs	70
Personal Earnings	\$3,939,000
Tax Revenue	\$335,000
Sacramento County - Net New Impacts	
Direct Spending	\$30,583,000
Total Output	\$41,920,000
Jobs	300
Personal Earnings	\$16,651,000
Tax Revenue	\$357,000
State of California - Net New Impacts	
Direct Spending	\$41,106,452
Total Output	\$56,344,000
Jobs	430
Personal Earnings	\$22,381,000
Tax Revenue	\$2,305,000

- \$7.2 million of the approximately \$78.9 million in estimated gross construction expenditures, or about 9.1 percent, is estimated to be net new to Elk Grove, California (down from \$9.6 million). \$9.9 million in total output (down from \$13.1 million) is estimated to be generated due to this net new spending in Elk Grove. 70 full and part-time jobs will be supported during construction (down from 100) that generate approximately \$3.9 million in personal earnings (down from \$5.2 million). Total net new tax revenues expected to be generated to Elk Grove is estimated to approximate \$335,000 (down from \$444,000).

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- Net new direct construction spending expected to occur in Sacramento County is estimated to be \$30.6 million, or about 38.8 percent of gross construction expenditures. These estimates are down from the original \$40.5 million. \$41.9 million in total output (down from \$55.5 million) is estimated to be generated in Sacramento County as a result of the net new spending. 300 full and part-time jobs will be supported during construction (down from 400) that generate approximately \$16.7 million in personal earnings (down from \$22.0 million). The County would not collect taxes on these earnings. It is important to note that the benefits estimated for Sacramento County are not mutually exclusive of the benefits generated to the City of Elk Grove as the geography of both governmental entities overlap to some degree.
- The State of California is expected to realize \$41.1 million in net new direct spending, representing approximately 52.1 percent of total project construction expenditures. When compared to the initial study, this estimate is down from \$54.4 million. Net new spending in the State of California is estimated to generate \$56.3 million in total output (down from \$74.5 million), supporting 430 full and part-time jobs during construction (down from 500) that generate approximately \$22.4 million in personal earnings (down from \$29.6 million). Total net new tax revenues expected to be generated to the State of California is estimated to approximate \$2.3 million (down from \$3 million). The benefits estimated for the State of California are not mutually exclusive of the benefits generated to the City of Elk Grove or Sacramento County as the geography of each of the governmental entities overlap to some degree.
- The table on the following page depicts the total annual net new economic and fiscal impacts resulting from the operations of the modified soccer stadium (including the MLS team and proposed soccer stadium). The impacts presented include both annual impacts (in 2016) as well as the net present value of expected impacts over a 30-year period.

**Estimated Net New Economic and Fiscal Impacts  
Operations**

	<b>Year 1 Operational Impacts</b>	<b>Net Present Value of 30-year Impacts</b>
<b>City of Elk Grove - Net New Impacts</b>		
Direct Spending	\$14,136,000	\$643,383,000
Total Output	\$19,745,000	\$898,496,000
Jobs <sup>(1)</sup>	226	226
Personal Earnings	\$8,781,000	\$399,892,000
Tax Revenues <sup>(2)</sup>	\$295,000	\$6,471,000
<b>Sacramento County - Net New Impacts</b>		
Direct Spending	\$18,356,000	\$834,012,000
Total Output	\$26,011,000	\$1,181,669,000
Jobs <sup>(1)</sup>	277	277
Personal Earnings	\$12,399,000	\$563,426,000
Tax Revenues	\$101,000	\$2,218,000
<b>State of California - Net New Impacts</b>		
Direct Spending	\$9,617,000	\$436,807,000
Total Output	\$13,643,000	\$619,572,000
Jobs <sup>(1)</sup>	145	145
Personal Earnings	\$6,464,000	\$293,636,000
Tax Revenues	\$795,000	\$17,467,000

(1) Includes full and part-time jobs.

(2) Includes projected revenues from Elk Grove Hotel Tax

Note: NPV calculation assumes a 3 percent annual growth rate and a 5 percent discount rate.

- \$14.1 million in annual net new direct spending is estimated to occur in Elk Grove from the operations of the proposed soccer stadium (down from \$15 million). The net new spending in the Elk Grove market is estimated to generate \$19.7 million in total output (down from \$20.9 million), supporting 226 full and part-time jobs (down from 239) that generate approximately \$8.8 million in personal earnings (down from \$9.3 million). Total net new tax revenues of \$295,000 are expected to be generated to Elk Grove (down from \$312,000).
- The cumulative net present value of net new spending expected to occur in Elk Grove from the operations of the proposed soccer stadium is estimated to be \$643.4 million (down from \$681.5 million). The cumulative net new spending in Elk Grove is estimated to generate \$898.5 million in total output (down from \$951.3 million), supporting 226 full and part-time jobs each year (down from 239) that generate approximately \$399.9 million in personal earnings over a 30-year period (down from \$423.3 million). Total net new tax revenues expected to be generated to Elk Grove over the 30-year period is estimated to approximate

## Executive Summary

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- \$6.5 million (down from \$6.8 million). This figure accounts for only revenues generated from team and stadium operations.
- Operating impacts generated to Sacramento County are estimated to include \$18.4 million in direct spending (\$19.3 million), \$26 million in total output (down from \$27.3 million), supporting 277 full and part-time jobs (down from 291) that generate approximately \$12.4 million in personal earnings (down from \$13 million). Sacramento County does not levy any county-specific taxes, but will receive a one percent share of new sales tax revenues.
  - The cumulative 30-year net present value of net new spending expected to occur in Sacramento County from the operations of the proposed soccer stadium is estimated to be \$834 million (down from \$876.5 million). The cumulative net new spending in Sacramento County is estimated to generate \$1.182 billion in total output (down from \$1.241 billion), supporting 277 full and part-time jobs (down from 291) that generate approximately \$563.4 million in personal earnings over a 30-year period (down from \$590.6 million).
  - Impacts generated to State of California are estimated to include \$9.6 million in direct spending (down from \$10.1 million), \$13.6 million in total output (down from \$14.4 million), supporting 145 full and part-time jobs (down from 152) that generate approximately \$6.5 million in personal earnings (down from \$6.8 million). Total net new tax revenues expected to be generated to the State of California is estimated to approximate \$795,000 (down from \$842,000). Over a 30-year period, the project is estimated to generate to the State of California approximately \$436.8 million in net new direct spending (down from \$460.4 million), \$619.6 million in net new output (down from \$652.8 million), support 145 new full and part-time jobs (down from 152) that generate \$293.6 million in earnings (down from \$309 million). Total net new tax revenues expected to be generated to the State of California over the 30-year period is estimated to be \$17.5 million (down from \$18.5 million).

## Executive Summary

Below is an overview of the financial feasibility and economic and fiscal impact study performed for the proposed NASL team and stadium in Elk Grove.

**Estimated Financial Operations  
Proposed Soccer Stadium and NASL Team**

	2016	2017	2018	2019	2020
Revenues	\$3,801,000	\$4,294,000	\$4,800,000	\$4,944,000	\$5,092,000
Expenses	3,270,000	3,393,000	3,522,000	3,624,000	3,732,000
Operating Income <sup>(1)</sup>	<u>\$531,000</u>	<u>\$901,000</u>	<u>\$1,278,000</u>	<u>\$1,320,000</u>	<u>\$1,360,000</u>
Operating Margin	14.0%	21.0%	26.6%	26.7%	26.7%

(1) Operating income before debt.

- The combined revenues generated by the Elk Grove NASL team and the proposed soccer stadium are estimated to be approximately \$3.8 million in 2016 dollars, increasing to \$5.1 million in the fifth year of operations. Combined operating expenses of the MLS team and the proposed soccer stadium are estimated to approximate \$3.3 million in 2016 dollars, increasing to \$3.7 million within five years, resulting in an estimated net operating income of approximately \$531,000 in 2016 before franchise or stadium debt. Net operating income is estimated to increase to \$1.4 million within five years.
- Based on our estimations, the combined operations of the Elk Grove NASL team and the proposed soccer stadium appear to be viable, assuming that the large majority of project funding is not secured by debt tied to team or stadium operations. Similar to the MLS stadium, the large majority of funding for the proposed project will likely need to come from other revenue sources such as a general fund lease based on the value of the encompassing site development or other sources outside the operations of the team and stadium.
- The proposed stadium construction cost is assumed to be \$44.3 million, including \$40.3 million for the cost of the stadium and \$4 million for purchase of the land.

## Executive Summary

- The following table summarizes the estimated net new impacts associated with the \$40.3 million in gross construction expenditures associated with the proposed soccer stadium. These one-time, net new impacts reflect spending expected to occur in the City of Elk Grove, Sacramento SMSA or the State of California.

### Net New Economic and Fiscal Impacts Construction

City of Elk Grove - Net New Impacts	
Direct Spending	\$4,286,000
Total Output	\$5,875,000
Jobs	40
Personal Earnings	\$2,334,000
Tax Revenue	\$201,000
Sacramento County - Net New Impacts	
Direct Spending	\$17,228,000
Total Output	\$23,614,000
Jobs	170
Personal Earnings	\$9,380,000
Tax Revenue	\$189,000
State of California - Net New Impacts	
Direct Spending	\$18,824,928
Total Output	\$25,803,000
Jobs	190
Personal Earnings	\$10,249,000
Tax Revenue	\$1,275,000

- Of the approximately \$40.3 million in estimated gross construction expenditures, approximately \$4.3 million, or about 10.6 percent, is estimated to be net new to Elk Grove, California. This net new spending in Elk Grove is estimated to generate \$5.9 million in total output, supporting 40 full and part-time jobs during construction that generate approximately \$2.3 million in personal earnings. Total net new tax revenues expected to be generated to Elk Grove is estimated to approximate \$201,000.
- Net new direct construction spending expected to occur in the Sacramento SMSA is estimated to be \$17.2 million, or about 42.7 percent of gross construction expenditures. The net new spending in the Sacramento SMSA is estimated to generate \$23.6 million in total output, supporting 170 full and part-time jobs during construction that generate approximately \$9.4 million in personal earnings.

## Executive Summary

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It is important to note that the benefits estimated for the Sacramento SMSA are not mutually exclusive of the benefits generated to the City of Elk Grove.

- The State of California is expected to realize \$18.8 million in net new direct spending, representing approximately 46.7 percent of total project construction expenditures. Net new spending in the State of California is estimated to generate \$25.8 million in total output, supporting 190 full and part-time jobs during construction that generate approximately \$10.2 million in personal earnings. Total net new tax revenues expected to be generated to the State of California is estimated to approximate \$1.3 million. The benefits estimated for the State of California are not mutually exclusive of the benefits generated to the City of Elk Grove or the Sacramento SMSA as the geography of each of the entities overlap to some degree.
- The table on the following page depicts the total annual net new economic and fiscal impacts resulting from the operations of the proposed NASL stadium and team. The impacts presented include both annual impacts (in 2016) as well as the net present value of expected impacts over a 30-year period.



**Estimated Net New Economic and Fiscal Impacts  
Operations**

	<b>Year 1 Operational Impacts</b>	<b>Net Present Value of 30-year Impacts</b>
<b>City of Elk Grove - Net New Impacts</b>		
Direct Spending	\$4,138,000	\$221,644,000
Total Output	\$5,761,000	\$308,084,000
Jobs <sup>(1)</sup>	67	67
Personal Earnings	\$2,438,000	\$129,628,000
Tax Revenues <sup>(2)</sup>	\$92,000	\$2,444,000
<b>Sacramento County - Net New Impacts</b>		
Direct Spending	\$5,148,000	\$267,895,000
Total Output	\$7,259,000	\$376,995,000
Jobs <sup>(1)</sup>	78	78
Personal Earnings	\$3,253,000	\$166,769,000
Tax Revenues	\$27,000	\$756,000
<b>State of California - Net New Impacts</b>		
Direct Spending	\$2,685,000	\$140,225,000
Total Output	\$3,789,000	\$197,531,000
Jobs <sup>(1)</sup>	41	41
Personal Earnings	\$1,681,000	\$86,586,000
Tax Revenues	\$210,000	\$5,764,000

(1) Includes full and part-time jobs.

(2) Includes projected revenues from Elk Grove Hotel Tax

Note: NPV calculation assumes a 3 percent annual growth rate and a 5 percent discount rate.

- Annual net new direct spending occurring in Elk Grove from the operations of the proposed soccer stadium is estimated to be \$4.1 million in Year 1. The net new spending in Elk Grove is estimated to generate \$5.8 million in total output, supporting 67 full and part-time jobs that generate approximately \$2.4 million in personal earnings. Tax revenue generated in Elk Grove is estimated to be around \$92,000.
- The net present value of net new spending expected to occur in Elk Grove from the operations of the proposed sports stadium is estimated to be \$221.6 million. The cumulative net new spending in Elk Grove is estimated to generate \$308.1 million in total output, supporting 67 full and part-time jobs that generate approximately \$129.6 million in personal earnings over a 30-year period. Total net new tax revenues expected to be generated to Elk Grove over the 30-year period is estimated to approximate \$2.4 million.

## Executive Summary

- Operating impacts generated to the Sacramento SMSA are estimated to include \$5.1 million in direct spending, \$7.3 million in total output, supporting 78 full and part-time jobs that generate approximately \$3.3 million in personal earnings. The counties in the Sacramento SMSA do not levy any county-specific taxes.
- The 30-year net present value of net new spending expected to occur in the Sacramento SMSA from the operations of the proposed soccer stadium is estimated to be \$267.9 million. The cumulative net new spending in the Sacramento SMSA is estimated to generate \$377 million in total output, supporting 78 full and part-time jobs that generate approximately \$166.8 million in personal earnings over a 30-year period.
- Impacts generated to State of California are estimated to include \$2.7 million in direct spending, \$3.8 million in total output, supporting 41 full and part-time jobs that generate approximately \$1.7 million in personal earnings. Total net new tax revenues expected to be generated to the State of California are estimated to approximate \$210,000. Over a 30-year period, the project is estimated to generate to the State of California approximately \$140.2 million in net new direct spending, \$197.5 million in net new output, support 41 new full and part-time jobs that generate \$86.6 million in earnings. Total net new tax revenues expected to be generated to the State of California over the 30-year period is estimated to approximate \$5.8 million.

The following two tables have been prepared to assist project representatives in comparing each of the three concepts side-by-side. The first table provides a summary of each the MLS, the MLS Modified, and the NASL soccer stadium and team in the year 2016, assuming a stabilized year of operations, and includes a comparison of seating capacity, facility utilization, a summary of the building project cost, and estimated financial operations. The second table shows a comparison of net new economic and fiscal impacts for both construction and operations estimated for each of the three potential concepts.

**Summary of Proposed  
Soccer Stadium and MLS/NASL Team**

<b>Facility Utilization</b>			
	<b>MLS 2016</b>	<b>MLS Modified 2016</b>	<b>NASL 2016</b>
<b>Seating Capacity</b>	18,000	15,000	8,000
<b>Event Summary</b>			
MLS/NASL Games	18	18	14
Other Soccer Games	2	2	2
Concerts	8	8	3
Other Events	15	15	15
<b>Total Events</b>	<b>43</b>	<b>43</b>	<b>34</b>
<b>Average Attendance</b>			
MLS/NASL Avg.	15,000	13,500	4,800
Other Soccer Games	17,500	15,000	10,500
Concerts	17,500	17,500	14,500
Other Events	7,000	7,000	2,500
<b>Total Attendance</b>	<b>550,000</b>	<b>518,000</b>	<b>169,200</b>

<b>Summary of Building Costs</b>			
<b>Project Costs</b>			
Hard Costs	\$87,000,000	\$65,770,323	\$33,615,943
Soft Costs	\$17,400,000	\$13,154,065	\$6,723,189
<b>Subtotal: Construction Costs</b>	<b>104,400,000</b>	<b>78,924,387</b>	<b>40,339,131</b>
Land Acquisition	\$4,000,000	\$4,000,000	\$4,000,000
<b>Total Project Cost</b>	<b>\$108,400,000</b>	<b>\$82,924,387</b>	<b>\$44,339,131</b>

<b>Estimated Financial Operations</b>			
<b>Revenues</b>			
Total Team/Stadium	\$13,227,000	\$11,373,000	\$2,331,000
Total Non-Tenant Events	\$5,091,000	\$5,000,000	\$1,470,000
<b>Total Revenues</b>	<b>\$18,318,000</b>	<b>\$16,373,000</b>	<b>\$3,801,000</b>
<b>Expenses</b>			
Total Expenses - Team	\$6,400,000	\$6,400,000	\$1,518,000
Total Expenses - Stadium	\$5,410,000	\$5,126,000	\$1,752,000
<b>Total Expenses</b>	<b>\$11,810,000</b>	<b>\$11,526,000</b>	<b>\$3,270,000</b>
<b>Net Income from Operations</b>	<b>\$6,508,000</b>	<b>\$4,847,000</b>	<b>\$531,000</b>
Operating Margin	35.5%	29.6%	14.0%



**Net New Economic and Fiscal  
Construction and Operational Impacts**

City of Elk Grove - Net New Impacts									
Net New Economic and Fiscal Impacts Construction	MLS			MLS Modified		MLS Modified		NASL	
	MLS	MLS Modified	NASL	Year 1 Operational Impacts	Net Present Value of 30-year Impacts	Year 1 Operational Impacts	Net Present Value of 30-year Impacts	Year 1 Operational Impacts	Net Present Value of 30-year Impacts
	Direct Spending	\$9,570,000	\$7,235,000	\$4,286,000	\$14,973,000	\$681,505,000	\$14,136,000	\$643,383,000	\$4,156,000
Total Output	\$13,117,000	\$9,916,000	\$5,875,000	\$20,905,000	\$951,311,000	\$19,745,000	\$898,496,000	\$5,785,000	\$308,146,000
Jobs <sup>(1)</sup>	100	70	40	239	239	226	226	67	67
Personal Earnings	\$5,210,000	\$3,939,000	\$2,334,000	\$9,294,000	\$423,267,000	\$8,781,000	\$399,892,000	\$2,451,000	\$129,664,000
Tax Revenue <sup>(2)</sup>	\$444,000	\$335,000	\$201,000	\$312,000	\$6,847,000	\$295,000	\$6,471,000	\$92,000	\$2,447,000

Sacramento County - Net New Impacts									
Direct Spending	\$40,455,000	\$30,583,000	\$17,228,000	\$19,290,000	\$876,531,000	\$18,356,000	\$834,012,000	\$5,163,000	\$267,954,000
Total Output	\$55,451,000	\$41,920,000	\$23,614,000	\$27,322,000	\$1,241,292,000	\$26,011,000	\$1,181,669,000	\$7,279,000	\$377,079,000
Jobs <sup>(1)</sup>	400	300	170	291	291	277	277	79	79
Personal Earnings	\$22,026,000	\$16,651,000	\$9,380,000	\$12,996,000	\$590,631,000	\$12,399,000	\$563,426,000	\$3,264,000	\$166,819,000
Tax Revenue <sup>(2)</sup>	\$472,000	\$357,000	\$189,000	\$107,000	\$2,353,000	\$101,000	\$2,218,000	\$27,000	\$758,000

State of California - Net New Impacts									
Direct Spending	\$54,375,000	\$41,106,452	\$18,824,928	\$10,137,000	\$460,417,000	\$9,617,000	\$436,807,000	\$2,693,000	\$140,270,000
Total Output	\$74,531,000	\$56,344,000	\$25,803,000	\$14,375,000	\$652,836,000	\$13,643,000	\$619,572,000	\$3,799,000	\$197,596,000
Jobs <sup>(1)</sup>	500	430	190	152	152	145	145	41	41
Personal Earnings	\$29,605,000	\$22,381,000	\$10,249,000	\$6,803,000	\$309,030,000	\$6,464,000	\$293,636,000	\$1,686,000	\$86,624,000
Tax Revenue <sup>(2)</sup>	\$3,048,000	\$2,305,000	\$1,275,000	\$842,000	\$18,490,000	\$795,000	\$17,467,000	\$211,000	\$5,779,000

Note: Estimates for each governmental entity are not mutually exclusive.

(1) Includes full and part-time jobs.

(2) Includes projected revenues from Elk Grove Hotel Tax

Note: NPV calculation assumes a 3 percent annual growth rate and a 5 percent discount rate.

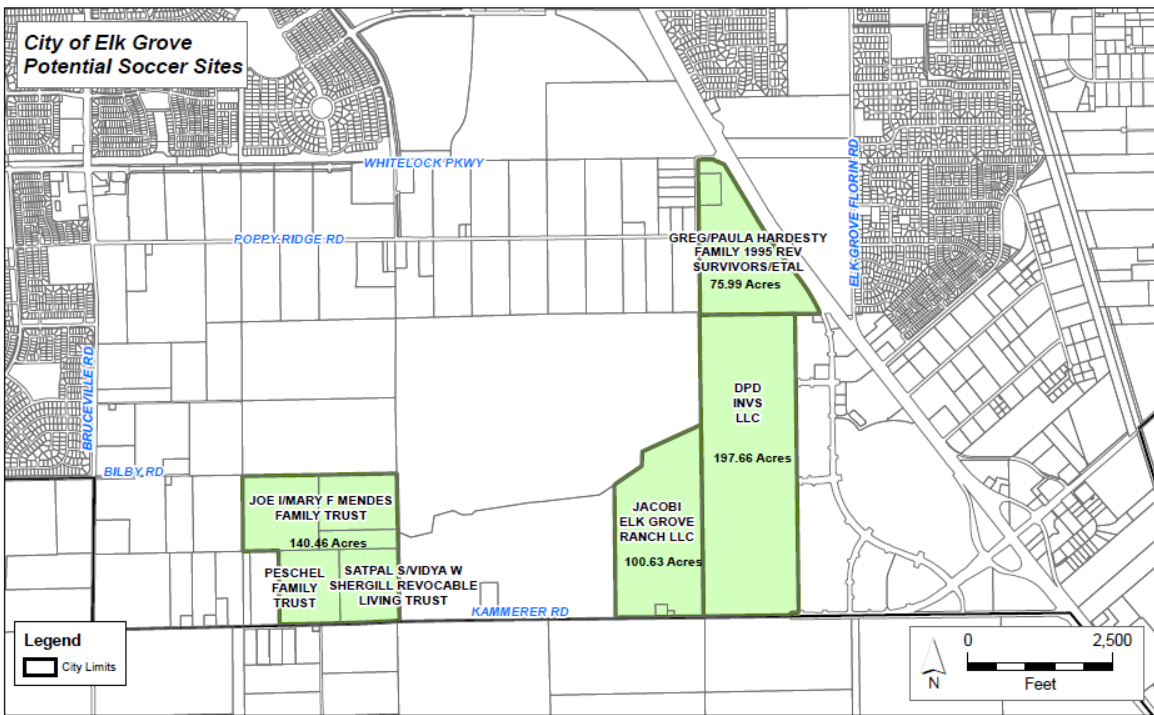
## I. Introduction

In 2011, MLS came off its most successful year in the league's 15-year history in terms of stadium attendance. Some of the most popular teams in the MLS reside on the West Coast of the United States, where soccer has steadily grown in recent years. The City of Elk Grove, a suburb of Sacramento, is currently being considered as the potential home of a new or relocated MLS franchise. MLS currently consists of 19 franchises, nine of which comprise the Western Conference.

Since July 2007, the MLS has awarded expansion franchises to six cities across the United States and Canada, expanding the league from 13 teams in 2006 to 19 at the start of the 2012 season. Of these six expansion teams, four reside on the West Coast, and the addition of the San Jose Earthquakes represents Northern California's sole MLS franchise and third for the state overall.

Research for the addition of an MLS franchise in Elk Grove, including the construction of a soccer-specific stadium, began in 2011. Officials from the City met with private investors to explore the possibility of constructing a soccer stadium on the southernmost limits of the City. The City has identified several possible areas for the development of the stadium north of Kammerer Road and just west of the Promenade shopping center, which is still under development.

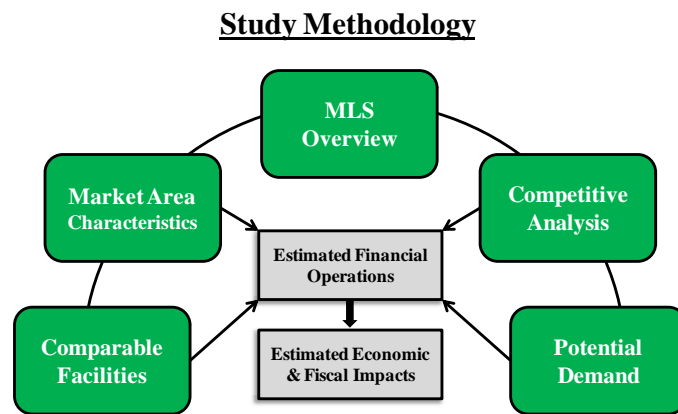
The exhibit below illustrates the various potential locations that could be used for the development of a soccer stadium in Elk Grove.



## I. Introduction

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As an initial step in the process, The City engaged Conventions, Sports & Leisure International (“CSL”) to provide an independent assessment of the market, building program, cost, financial and economic impacts of an MLS team and soccer stadium. This study reflects a site in Elk Grove, California on one of several potential locations



near the intersection of Kammerer Road and Highway 99. The economic impacts that could be generated from the entire real estate development have been estimated in this report based on assumptions provided by project representatives.

The following report is presented to aid the City and other project representatives in making well-informed decisions as to the potential support for an MLS team and host soccer stadium and is divided into the following sections:

- Executive Summary
- I. Introduction
- II. Major League Soccer Overview
- III. Market Area Characteristics
- IV. Competitive Analysis
- V. Comparable Facilities
- VI. Potential Demand
- VII. Estimated Financial Operations
- VIII. Estimated Economic and Fiscal Impacts

This report has been prepared for the internal use of the City and other project representatives and should not be distributed to or relied on by any other party. The report has been prepared to assist project leaders in assessing the feasibility of an MLS team and soccer stadium in Elk Grove and should not be used for any other purpose. Neither the report nor its contents may be included or quoted in any offering circular or registration statement, prospectus or any other type of financing document or agreement.

## II. Major League Soccer Overview

It is important to consider the structure, operating model, and other aspects of the MLS when considering the feasibility of an MLS team and soccer stadium in Elk Grove. This provides an overview of the MLS across several important considerations, including:

- teams and locations;
- expansion/contraction/relocation;
- operating structure;
- fan demographics;
- attendance;
- stadiums; and
- media and sponsorship.

### Teams and Locations

Established in 1996, MLS is in the midst of its 17th season. MLS is currently comprised of 19 teams playing a 29-game regular season schedule that spans from the beginning of April through mid-to-late October and culminating in the MLS Cup Championship in mid November. The MLS conference structure is outlined below.

#### Western Conference

- LA Galaxy
- Chivas USA
- San Jose Earthquakes
- FC Dallas
- Colorado Rapids
- Real Salt Lake
- Seattle Sounders
- Portland Timbers
- Vancouver Whitecaps

#### Eastern Conference

- New England Revolution
- New York Red Bulls
- Houston Dynamo
- Columbus Crew
- Chicago Fire
- FC Toronto
- D.C. United
- Sporting Kansas City
- Philadelphia Union
- Montreal Impact



## **II. Major League Soccer Overview**

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### **Expansion/Contraction/Relocation**

In 1996, Major League Soccer's original ten teams included; Columbus Crew, D.C. United, New England Revolution, Tampa Bay Mutiny, Colorado Rapids, Dallas Burn, Kansas City Wizards, Los Angeles Galaxy and San Jose Clash.

MLS expanded from its original 10 teams to 12 teams in 1998 with the addition of teams in Chicago and Miami. In January 2002, MLS contracted the Tampa Bay Mutiny and the Miami Fusion, leaving the league with 10 teams again for the 2002 season. According to league officials, the contraction of two teams benefited the league by cutting operating losses by more than \$10 million annually. After the contraction of the fledgling franchises in 2002, the league expanded by two teams in 2005 (Real Salt Lake and Chivas USA), AEG relocated the San Jose Earthquakes before the 2006 season (Houston Dynamo), and the league added an additional team in 2007 (Toronto FC).

In July 2007, MLS announced the award of an expansion franchise for San Jose, bringing the number of MLS teams to 14 by the 2008 season. Over the next four years, the MLS added five more teams, including the Seattle Sounders (2009), Philadelphia Union (2010), Portland Timbers (2011), Vancouver Whitecaps, and the Montreal Impact, which kicked off its inaugural season in April, 2012, bringing the number of MLS teams to 19 at the start of the 2012 season.

### **Operating Structure**

MLS is the only major professional sports league, including the MLS, NFL, NBA, MLB, and NHL, that is a single-entity limited liability company. Under the single-entity concept, the league owns the member clubs, negotiates stadium leases, national television deals, apparel contracts and national sponsorship agreements. It also signs all players and allocates them to teams throughout the league. With a hard salary cap and no free agency, teams have avoided the pitfall of overspending that afflicted the failed North American Soccer League of the 1970s and 1980s. The advantages of this type of structure are to limit financial disparities between large and small markets, integrated sponsorship and licensing, economies of scale in purchasing power and decisions made with the best interest of the league in mind.



## II. Major League Soccer Overview

The MLS structure consists of investors purchasing stakes in the league for the operating rights of an individual team. The investor-operators are responsible for hiring front office personnel, negotiating local media contracts and conducting local promotions. In return, each ownership group retains 67 percent of ticket revenue and 100 percent parking, concession, and other stadium revenues, subject to any third-party revenue sharing.

### MLS Financial Structure

	Team	MLS
Revenues:		
Gate receipts	66%	33%
Concessions	100%	0%
Parking	100%	0%
Local Sponsorships	100%	0%
National Sponsorships	0%	100%
Jersey Sponsorships	100%	0%
Other Stadium Revenues	100%	0%
National Media	0%	100%
Local TV & Radio	100%	0%
Expenses:		
Player Salaries <sup>(1)</sup>	0%	100%
Designated Player	100%	0%
Front-Office Expenses	100%	0%
Team Travel	100%	0%
Local Broadcast Expense	100%	0%
Rent	100%	0%
Game-Day Expenses	100%	0%
Stadium Expenses <sup>(2)</sup>	100%	0%

Note: Some revenues and expenses are shared between MLS franchise and the host stadium. The revenue and expense sharing presented herein is net of revenue and expense sharing between the stadium owner and the MLS team

(1) With the exception of any salary in excess of \$400,000 for a Designated Player. Salaries in excess of \$400,000 are the responsibility of the investor operator (team).

(2) Subject to local lease agreement

## II. Major League Soccer Overview

### *MLS Player Salaries*

The average MLS team payroll for 2011, the most recent data available, was approximately \$4.4 million. The table below outlines the total payroll by franchise for 2011.

<b>Team</b>	<b>Median Player Salary</b>	<b>Total Team Payroll</b>
New York Red Bulls	\$96,748	\$13,397,087
L.A. Galaxy	\$96,000	\$12,419,679
Toronto FC	\$71,833	\$4,262,445
Vancouver Whitecaps	\$65,000	\$3,570,853
FC Dallas	\$74,500	\$3,522,437
Real Salt Lake	\$108,675	\$3,517,957
Columbus Crew	\$66,375	\$3,471,861
Seattle Sounders	\$85,050	\$3,465,629
New England Revolution	\$73,250	\$3,432,636
D.C. United	\$71,000	\$3,324,519
Chicago Fire	\$80,917	\$3,296,892
Philadelphia Union	\$125,000	\$3,296,892
Sporting Kansas City	\$107,531	\$3,225,772
Houston Dynamo	\$97,500	\$3,199,080
Colorado Rapids	\$62,082	\$3,173,079
San Jose Earthquakes	\$72,000	\$2,710,775
Chivas USA	\$79,000	\$2,691,178
Portland Timbers	\$74,625	\$2,652,558
<b>AVERAGE</b>	<b>\$83,727</b>	<b>\$4,368,407</b>

As the chart indicates, MLS team payroll ranges from a low of \$2.7 million in Portland to a high of \$13.4 million in New York.

With the start of the 2007 season, the MLS implemented the Designated Player Rule. Under the provisions of the rule, the League allows each club to sign a Designated Player, whose salary is capped at \$415,000 (originally \$400,000). However, under the new rule, the player's salary can be higher than the League's salary cap, but with the team holding the financial responsibility of the balance of the salary. The Designated Player rule began as a three-year policy and was renewed after the 2009 season after being successfully deployed in the league. Eventually teams were given the right to trade their Designated Player spots to other teams. This second Designated Player spot, however, only counts as \$335,000 against the team's cap.

In its first five years of use, the Designated Player Rule has helped bring some of the leading players worldwide into the MLS. Under the rule, David Beckham signed with

## II. Major League Soccer Overview

the Los Angeles Galaxy in 2007, followed by several other internationally recognized players such as Thierry Henry, Rafael Marquez and Robbie Keane, who all signed contracts well in excess of \$415,000 per year base salary limit. By signing players of international fame, the MLS and its teams have bolstered the league's recognition, both in the United States and internationally. As a result, it has become more common for internationally recognized players to consider MLS as an option when deciding where to play out their professional careers.

### *Team Investor-Operators*

Over the past decade, the MLS has experienced a significant diversification in investor-operators. At one point, 80 percent of MLS teams were controlled by two investor-operators. Today, 17 different ownership groups are associated with the 19 MLS teams. The table below depicts the current investor-operators of the thirteen MLS teams.

### MLS Majority Ownership

<b>Team</b>	<b>Investor-Operator</b>
Chicago Fire	Andell Holding
Chivas USA	Jorge Vergara Madrigal
Colorado Rapids	Stan Kroenke
Columbus Crew	Hunt Sports Group
D.C. United	D.C. United Holding
FC Dallas	Hunt Sports Group
Houston Dynamo	AEG
L.A. Galaxy	AEG
Montreal Impact	Joey Saputo
New England Revolution	Robert Kraft
New York Red Bulls	Red Bull
Philadelphia Union	Keystone Sports and Entertainment
Portland Timbers	Peregrine Sports, LLC
Real Salt Lake	Dave Checketts
San Jose Earthquakes	Earthquakes Soccer, LLC
Seattle Sounders	Joe Roth
Sporting Kansas City	OnGoal, LLC
Toronto FC	Maple Leaf Sports and Entertainment
Vancouver Whitecaps	Greg Kerfoot

## II. Major League Soccer Overview

### Historical Attendance

The table below presents the stadium, year opened, seating capacity, reported attendance and average seat occupancy for each MLS team for the 2011 season.

MLS Facilities and Attendance - 2011 Season

Team	Stadium	Year Opened	Stadium Capacity		2011 Average Attendance	Attendance as Percent of Capacity	
			Total	Soccer		Total	Soccer
San Jose Earthquakes	Buck Shaw Stadium	1962	10,500	10,500	11,858	113%	113%
Seattle Sounders	CenturyLink Field	2002	67,000	38,500	38,496	57%	100%
Philadelphia Union	PPL Park	2010	18,500	18,500	18,259	99%	99%
Vancouver Whitecaps	BC Place	1983	54,320	21,000	20,406	38%	97%
Sporting Kansas City	Livestrong Sporting Park	2011	18,500	18,500	17,810	96%	96%
FC Toronto	BMO Field	2007	21,800	21,800	20,267	93%	93%
Portland Timbers	Jeld-Wen Field <sup>(1)</sup>	2010	20,323	20,323	18,827	93%	93%
Real Salt Lake	Rio Tinto Stadium	2008	20,008	20,008	17,591	88%	88%
LA Galaxy	Home Depot Center	2003	27,000	27,000	23,090	86%	86%
New York Red Bulls	Red Bull Arena	2010	25,189	25,189	19,749	78%	78%
Colorado Rapids	Dick's Sporting Goods Park	2007	18,086	18,086	13,781	76%	76%
Chicago Fire	Toyota Park	2006	20,000	20,000	14,273	71%	71%
D.C. United	RFK Stadium	1961	60,200	23,865	15,196	25%	64%
FC Dallas	FC Dallas Stadium	2005	21,193	21,193	12,861	61%	61%
Columbus Crew	Crew Stadium	1999	20,455	20,455	12,185	60%	60%
New England Revolution	Gillette Stadium	2002	60,000	22,385	13,222	22%	59%
Houston Dynamo	Robertson Stadium <sup>(2)</sup>	1942	32,000	32,000	17,694	55%	55%
Chivas USA	Home Depot Center	2003	27,000	27,000	14,830	55%	55%
<b>AVERAGE</b>		1996	30,115	22,572	17,800	70%	80%
<b>MEDIAN</b>		2004	21,497	21,097	17,643	74%	82%

Note: Sorted by attendance at percent of soccer seating capacity

(1) Jeld-Wen Field underwent a \$36 million renovation to convert the grounds to a soccer specific stadium in 2010

(2) The Houston Dynamo will play its games in newly constructed BBVA Compass Stadium beginning May, 2012

The average reported MLS game attendance for 2011 was 17,800, ranging from 11,858 attendees per game for San Jose to 38,469 attendees per game for the Seattle Sounders.

The average soccer seating capacity within MLS stadiums is 22,572 ranging from a low of 10,500 at Buck Shaw Stadium in San Jose to a high of 38,500 at CenturyLink Field in Seattle. It should be noted that CenturyLink Field is an NFL Stadium used by the Seattle Seahawks. The San Jose Earthquakes also share their field with the Santa Clara University Soccer program, and previously shared the field with the Santa Clara University Baseball and Football programs as well. It is not a soccer specific stadium.

The largest soccer-specific facility is the 27,000-seat Home Depot Center in Carson Hills, California. On average, reported attendance equaled 71 percent of total soccer capacity between both the LA Galaxy (86 percent) and Chivas USA (55 percent). For teams playing in larger stadiums, there is generally a significant difference between attendance and total capacity that creates a non-intimate environment and reduces the demand for

## II. Major League Soccer Overview

tickets, impacting the ability of teams to market season tickets. This has been the case for teams such as D.C. United and the New England Revolution.

The chart below provides a comprehensive breakdown of attendance by stadium type and team for all teams in the MLS since its inception in 1996, including teams that are no longer in the league due to contraction. The table delineates between soccer specific stadiums, NFL stadiums, and other multi-purpose stadium types.

	Average Attendance per Game by Season															
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Los Angeles Galaxy	28,916	20,626	21,784	17,632	20,400	17,387	19,047	21,983	23,809	24,204	20,814	24,252	26,009	20,416	21,437	23,335
New York Red Bulls	23,898	16,893	16,520	14,706	17,621	20,806	18,155	15,822	17,195	15,077	14,570	16,530	15,928	12,491	18,441	19,749
New England Revolution	19,025	21,298	19,188	16,735	15,463	15,654	16,927	14,641	12,226	12,525	11,786	16,787	17,580	13,732	12,987	13,222
Columbus Crew	18,950	15,041	12,275	17,696	15,451	17,511	17,429	16,250	16,872	12,916	13,294	15,230	14,622	14,447	14,642	12,185
San Jose Earthquakes	17,232	13,597	13,653	14,959	12,460	9,635	11,150	10,466	13,001	13,037			13,713	14,114	9,659	11,858
FC Dallas/Dallas Burn	16,011	9,678	10,948	12,211	13,102	12,574	13,122	7,906	9,088	11,189	14,982	15,145	13,024	12,441	10,815	12,861
DC United	15,262	16,698	16,008	17,419	18,580	21,518	16,519	15,565	17,232	16,664	18,215	20,967	19,835	16,088	14,532	15,196
Sporting Kansas City	12,878	9,058	8,073	8,183	9,112	10,954	12,255	15,573	14,816	9,691	11,083	11,586	10,686	10,053	10,287	17,810
Tampa Bay Mutiny	11,679	11,310	10,312	13,106	9,452	10,481										
Colorado Rapids	10,213	11,835	14,812	14,029	12,580	16,481	20,687	16,772	14,195	13,638	12,056	14,749	13,659	12,331	13,329	14,838
Chicago Fire			17,887	16,016	13,387	16,388	12,922	14,005	17,153	17,238	14,111	16,490	17,034	14,689	15,814	14,273
Miami Fusion			10,284	8,689	7,460	11,177										
Real Salt Lake										18,037	16,366	15,960	16,179	16,375	17,095	17,591
Chivas USA										17,080	19,840	14,305	15,114	15,092	14,575	14,830
Houston Dynamo											18,935	15,883	16,939	17,047	17,310	17,694
Toronto FC												20,130	20,120	20,344	20,453	20,267
Seattle Sounders														30,897	36,173	38,496
Philadelphia Union															19,254	18,259
Vancouver Whitecaps																20,406
Portland Timbers																18,827
<b>Average - All</b>	<b>17,406</b>	<b>14,603</b>	<b>14,312</b>	<b>14,282</b>	<b>13,756</b>	<b>15,047</b>	<b>15,821</b>	<b>14,898</b>	<b>15,559</b>	<b>15,108</b>	<b>15,504</b>	<b>16,770</b>	<b>16,460</b>	<b>16,037</b>	<b>16,675</b>	<b>17,872</b>

Soccer Specific Stadiums
NFL Stadiums
Other Stadiums

As shown in the chart above, prior to 2007, the majority of MLS franchises hosted their home games in NFL stadiums or other multi-purpose, non-soccer specific venues. With the MLS making efforts to expand beginning in 2005, several franchises (new and existing) opted for soccer specific facilities to host their events. Perhaps consequently, the MLS has enjoyed 5 of its most successful years in terms of average attendance in the last 5 years, eclipsing an average of 16,000 attendants per game in each season since 2007.

In 2011, 75 percent (12 of 18) of the MLS's franchises hosted their events in soccer specific venues, while only two teams, Seattle and New England, remained in NFL stadiums. During this season, the MLS recorded its highest overall attendance in the history of the league, averaging 17,872 spectators per game.

## II. Major League Soccer Overview

### Stadium Status

As a result of the analysis shown on the previous page, MLS and its investor-operators continue to make a concerted effort to secure soccer-specific facilities for all its teams. The following summarizes the current stadium situation for each MLS team:

- **Chicago Fire** – The Fire play in soccer-specific Toyota Park in Bridgeview, Illinois. The facility was completed in 2006 and seats 20,000 spectators, with a concert capacity of 28,000. The Fire previously played its home games in the 61,500-seat Soldier Field, home of the NFL Chicago Bears.
- **Chivas USA** – Since its inaugural season in 2005, Club Deportivo Chivas USA has played its home games at the Home Depot Center, which it shares with the Los Angeles Galaxy. The facility opened in 2003 and seats 27,000 spectators.
- **Colorado Rapids** – In 2007, the Rapids moved into Dick’s Sporting Goods Park which has a soccer seating capacity of 18,086 and a concert seating capacity of 26,000. The entire complex consists of team offices, local government offices, commercial development and 20 community fields. Prior to moving into Dick’s Sporting Goods Park, the Rapids played their home games at the 76,125-seat Sports Authority Field (formerly Invesco Field), home of the NFL Denver Broncos.
- **Columbus Crew** – Since 1999, the Crew have played their home games in the 22,485-seat Crew Stadium. Prior to moving into Crew Stadium the Crew played their home games at the 101,568-seat Ohio Stadium, home of the Ohio State University football program.
- **D.C. United** – Since the inaugural MLS season in 1996, D.C. United has played its home games at the 60,000-seat RFK stadium, former home of both the NFL’s Redskins and MLB’s Washington Nationals. The team has been actively seeking a new soccer stadium for several years.
- **FC Dallas** – Since August 2005, FC Dallas has played its home games at FC Dallas Park (formerly Pizza Hut Park) located in Frisco, Texas, a suburb of Dallas. The soccer specific venue has a seating capacity of 21,000 for soccer and 27,000 for concerts. The complex also encompasses 17 regulation-size soccer fields and a permanent stage for concerts. Prior to moving into Pizza Hut Park, FC Dallas played its home games at the 68,252-seat Cotton Bowl.
- **Houston Dynamo** – From its relocation to Houston in 2006 until the opening of its new stadium for the 2012 MLS season, the Houston Dynamo has played its home games in the 32,000-seat Robertson Stadium. The facility is located on the campus of the University of Houston and is home to the University’s football team. The Dynamo will play its first two months of the 2012 MLS season away until the anticipated opening of BBVA Compass Stadium in May, 2012.

## **II. Major League Soccer Overview**

- **Sporting Kansas City** – Formerly the Kansas City Wizards, Sporting Kansas City plays its home games in Livestrong Sporting Park which debuted in April, 2011. The stadium cost roughly \$200 million and seats 18,500 spectators. Livestrong Sporting Park has one of the most unique naming rights deals in sports, with Sporting Kansas City agreeing to donate no less than \$7.5 million to the Livestrong Foundation over its first six years of operation. Prior to the opening of Livestrong Sporting Park, Kansas City played its home games at the 79,451-seat Arrowhead Stadium, home of the NFL Kansas City Chiefs.
- **Los Angeles Galaxy** – Since 2003, the Galaxy have played their home games at the 27,000-seat Home Depot Center in Carson, California. The facility is the centerpiece of a sports complex on California State University Dominguez Hills' campus and includes the United States Soccer Federation National Training Academy, tennis stadium, velodrome, track and field complex, gymnasium and fitness facility. Prior to moving into the Home Depot Center, the Los Angeles Galaxy played their home games at the 92,542-seat Rose Bowl Stadium.
- **New England Revolution** – The Revolution play at Gillette Stadium, which opened up in 2002 and is also home to the NFL New England Patriots. The stadium has a capacity of 68,756 for football and seats 22,385 for soccer. It was architecturally designed to incorporate an MLS stadium within a larger facility. Prior to moving into Gillette Stadium, the Revolution played their home games at Foxboro Stadium. The Revolution are currently exploring options for the construction of a soccer-specific stadium, which could be built by 2016.
- **Portland Timbers** – The Portland Timbers play at Jeld-Wen Field, which they share with the Portland State Vikings football team. After the stadium renovation in 2010-2011, the MLS operational capacity became 20,438. Although the Timbers started in 1975, it wasn't until 2011 that they were elevated into MLS.
- **Philadelphia Union** – Since 2010 when the Union joined the league, they have played their home matches at PPL Park. PPL Park is a soccer-specific stadium located in Chester, Pennsylvania. It has a seating capacity of 18,500 for soccer games and 26,000 for concerts.
- **Real Salt Lake** – In 2008, Real Salt Lake moved into its new \$115 million 20,008-seat arena, Rio Tinto Stadium in Sandy, Utah. Real Salt Lake had previously hosted its home games at the University of Utah's Rice-Eccles Stadium which had an overall capacity of 45,000 seats and seated 24,521 for soccer.

## **II. Major League Soccer Overview**

- **New York Red Bulls** – Since 2010, the New York Red Bulls have played their home games in their new facility, the \$180 million Red Bull Arena in Harrison, New Jersey. The Arena is situated on the Passaic River across from Newark, New Jersey and seats 25,189 spectators for Red Bulls games, concerts, rugby matches and other events. Prior to 2010, the Metro Stars (as the team was formerly known) played their home games at the 80,000-seat Giants Stadium, home of both the NFL Giants and NFL Jets.
- **San Jose Earthquakes** – After a two year absence, the San Jose Earthquakes returned to the MLS in 2008 and continued to play their games at Buck Shaw Stadium in Santa Clara, California. Buck Shaw Stadium opened in 1962 and increased the seating capacity to 10,525 in 2007.
- **Seattle Sounders** – The Sounders were established in 2007 as an MLS expansion team. They currently play their games at CenturyLink Field which is a multi-purpose stadium in Seattle, Washington. The stadium has an overall seating capacity of 67,000, while seating up to 38,500 for MLS events.
- **Toronto FC** – Toronto FC plays its home games at the 21,800-seat soccer-specific BMO Field, which was completed in 2007 in time to host Toronto FC's inaugural season. The stadium hosts soccer and rugby events, as well as concerts and other family events.
- **Montreal Impact** – The Impact, based in Montreal, Quebec, were inducted into the MLS in 2010 and played their first-ever MLS game in March of 2012. Impact plays their home games at the Saputo soccer-specific Stadium in Montreal, Quebec. Today the stadium can only hold 13,034 fans; however it is to be expanded to 20,341 by June 2012.
- **Vancouver Whitecaps** – The Vancouver Whitecaps are based in Vancouver, British Columbia. They were accepted into the MLS in 2009. They currently play their home games at BC Place which is a multi-purpose stadium located in Vancouver, British Columbia. It also serves as the home for the BC Lions of the Canadian Football League. The capacity for soccer games is 21,000, however for football games they can seat up to 54,320 people.



## **II. Major League Soccer Overview**

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### **Media and Sponsorship**

From its onset with the MLS's inaugural season in 1996, MLS signed broadcasting deals with ESPN and ABC, as well as Univision, Galavision, and TeleFutura for broadcasts in Spanish. Within the first few years of the deal, the Spanish networks gradually phased out broadcasts of MLS games, leaving ESPN and ABC as the sole providers.

In January of 2002, MLS announced that a new five-year deal had been reached with ABC and the ESPN networks to broadcast approximately 50 games per season. This deal was eventually replaced by the MLS's contract with Fox Soccer Network (formerly Fox Sports World) in 2003 which ran through 2011. This agreement included a deal to broadcast MLS games in Spanish on Fox Soccer Network's Spanish language channel, Fox Deportes.

The 2004 season saw a ratings increase of 11 percent for the league's ESPN2 broadcasts. The 2004 ABC broadcast also increased 30 percent over the 2003 season with a 1.3 rating. The success of the 2002 U.S. World Cup Team brought much needed attention to the sport nationally as an average of 3.8 million U.S. households watched the national team reach the quarterfinals for the first time in 60 years. It was ESPN's most-watched and highest-rated soccer event and also ESPN's most-viewed program ever in the second quarter of the year. Another successful run by the U.S. in 2006 had similar success and increased interest in the MLS. The league and broadcast partners use unique camera angles and hidden microphones to enhance the viewing experience of the game.

With the start of the 2007 season, the MLS began airing every soccer match on television, along with live streaming matches available on its website. Most of the matches were on major national networks. Examples include ESPN's MLS Primetime Thursday, which features a soccer match each week for its viewers. Fox Soccer Channel also expanded their Saturday air time to a three-hour format. The Fox channel features biographies of soccer players, to spur interest in the players. For instance, David Beckham, who signed with the Galaxy in 2007, was featured in a presentation called "Beckham Unwrapped."

In late 2011, the MLS announced that it had signed a new television contract with NBC. According to the terms of the agreement, NBC Sports Network (formerly Versus) agreed to broadcast 49 games per year on its family of networks, including 45 MLS games and five international matches for which the MLS owned the television rights. The deal cost NBC a reported \$12 million per year for three years. ESPN still owns the rights to broadcasting the MLS Cup through 2014. All media deals with the MLS expire in 2014.

## **II. Major League Soccer Overview**

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### **Team Transactions**

The following represents recent transactions involving MLS teams:

- 2010 – Joey Saputo purchases franchise rights for the Montreal Impact to enter the MLS. The team eventually played its first game in April, 2012.
- 2009 – Merritt Paulson acquires an MLS franchise in Portland after agreeing to pay roughly \$40 million in franchise fees while the City of Portland funded the renovation of PGE Park (now Jeld-Wen Field)
- 2009 – Vancouver secures its franchise with Paul Barber as its CEO.
- 2008 – Philadelphia secures a franchise after agreeing to a \$47 million purchase package which included funding for the 18,500-seat PPL Park in Chester, PA.
- 2007 – MLS awards Seattle Sounders a franchise after Paul Allen, Joe Roth, and Adrian Hanauer purchased the franchise for \$30 million.
- 2007 – MLB Oakland A's owner Lewis Wolff purchased expansion team in San Jose for \$20 million.
- 2007 – AEG entered into a preliminary agreement to sell the Chicago Fire to Andell Holdings for \$30 to \$35 million.
- 2007 – AEG sold D.C. United for \$33 million to investors Victor MacFarlane, Brian Davis, and John Hendricks.
- 2006 – OnGoal purchases the Kansas City Wizards from Hunt Sports Group for \$20 million.
- 2006 – AEG's MetroStars sold to Red Bull who changed the team's name to Red Bull New York. The transaction is reportedly the highest price paid in MLS history.
- 2006 – Maple Leaf Sports and Entertainment purchases an expansion franchise, subsequently named Toronto FC.
- 2006 – AEG purchases operating rights to Houston Dynamo.
- 2005 – Global Sports & Entertainment purchases the operating rights of DC United from AEG for \$26 million.

## **II. Major League Soccer Overview**

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- 2004 – MLS Announces Real Salt Lake and CD Chivas USA as expansion teams at a cost of \$10 million each.
- 2003 – Kroenke Sports Enterprises purchased the operating rights of the Colorado Rapids from AEG.
- 2002 – Hunt purchases investor-operator rights for the Dallas Burn, now known as FC Dallas.
- 2002 – Silicon Valley Sports & Entertainment and AEG form a joint partnership and purchase the investor-operator rights for the San Jose Earthquakes.
- 2002 – MLS contracts the Miami Fusion and the Tampa Bay Mutiny, leaving the league with 10 teams for the 2002 season.
- 2001 – AEG takes over operator rights of MetroStars for a reported \$25 million.
- 2001 – AEG takes over operator rights of D.C. United for undisclosed amount.
- 1997 – Expansion fee of \$20 million paid for operating rights of the Miami Fusion.
- 1997 – Expansion fee of \$5 million (an option was exercised by an existing investor-operator) paid for operating rights of the Chicago Fire.
- 1995 – Initial investment of \$5 million for each of the ten original MLS teams.

### **III. Market Area Characteristics**

An important component in assessing the potential success of the proposed MLS team and soccer stadium is the demographic and socioeconomic profile of the local market. The strength of a market in terms of its ability to attract events, draw participants and spectators, and generate revenues is measured, to some extent, by the size of the regional market area population, corporate base and its spending characteristics.

The demographic and socioeconomic characteristics analyzed in this report are discussed in the following sections:

- Local Market Overview;
- MLS Market Comparisons; and,
- Summary.

The demographic and socioeconomic data presented for comparable markets is based on Core Based Statistical Areas (“CBSA”). This unit of measure has been used as a method of standardizing each market and allowing comparisons of the relative sizes of each market. As defined by the U.S. Census Bureau:

- Metropolitan statistical areas have at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.
- Micropolitan statistical areas are a new set of statistical areas that have at least one urban cluster of at least 10,000 but less than 50,000 population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.

#### **Local Market Overview**

The primary market area for the proposed MLS team and soccer stadium is expected to comprise the Sacramento CBSA, within which the City of Elk Grove resides. Located in the northern part of California’s vast Central Valley on the Sacramento and American Rivers, the Sacramento CBSA is comprised of five counties. According to the United States Census Bureau, the area is the state’s fourth largest metropolitan area and the 25<sup>th</sup> largest metropolitan area in the United States.

### III. Market Area Characteristics

The remainder of this section presents demographic and socioeconomic characteristics of the primary market area including:

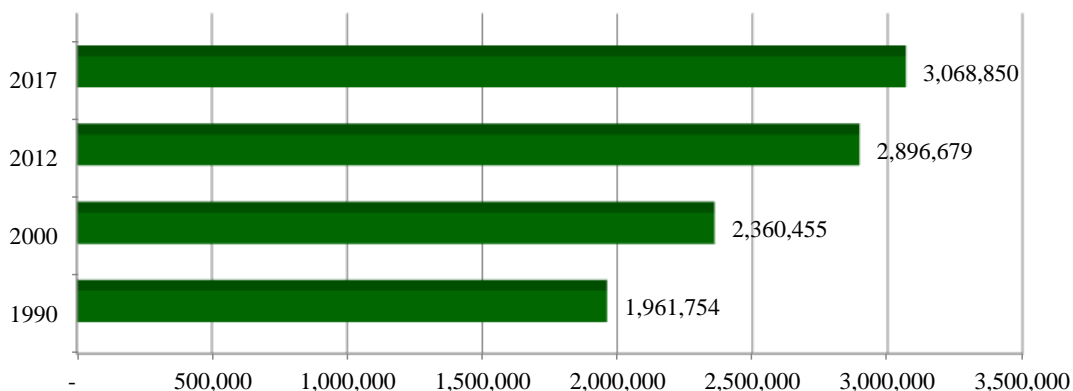
- population;
- population growth;
- age;
- ethnicity;
- income;
- cost of living; and,
- corporate base.

All demographic and socioeconomic data was provided by Claritas, a private-sector company that provides demographic and socioeconomic data based on information obtained by the United States Census Bureau.

#### Population

The current and future population of a market can impact the quantity of events, spectators and participants that could be attracted to the proposed soccer stadium at the proposed facility site. The graphic below illustrates the historical and projected population of the Sacramento CBSA.

**Sacramento CBSA Population**



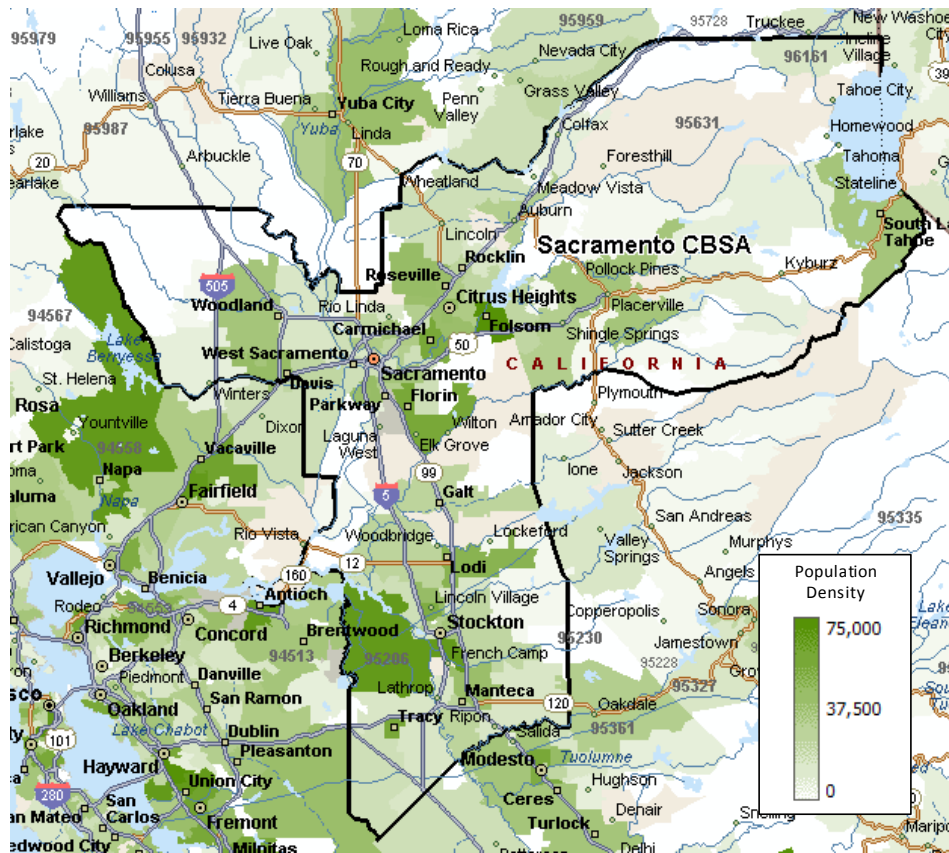
Source: Claritas

### III. Market Area Characteristics

The Sacramento CBSA population has grown from 1.9 million in 1990 to approximately 2.9 million in 2012, making it the fourth largest metropolitan area in California and the 25<sup>th</sup> largest metropolitan area in the United States.

The following map highlights the population density of the Sacramento CBSA, which measures the number of people per zip code within the metropolitan area.

**Population Density within Sacramento CBSA**

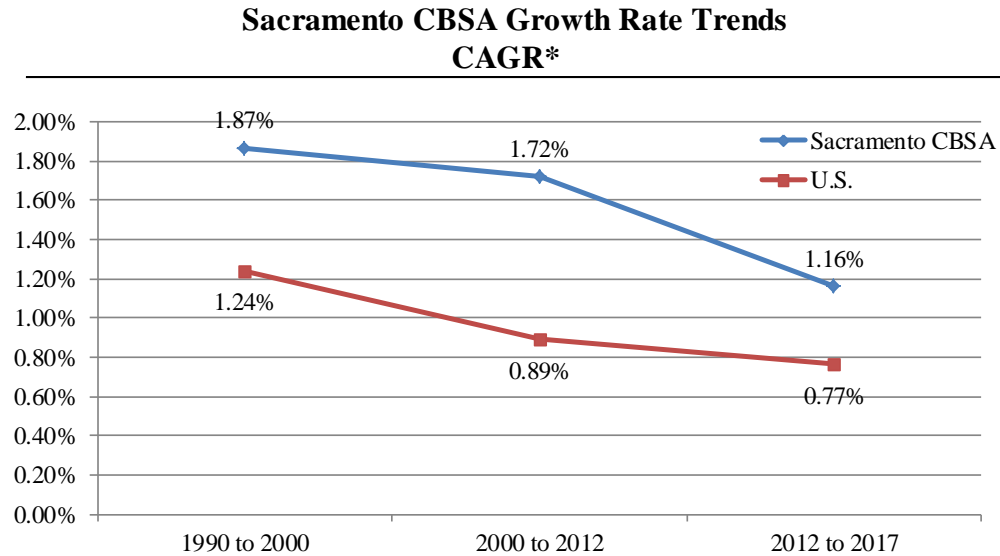


As indicated in the map, the southern portions of the Sacramento market directly north of Elk Grove comprise some of the most densely populated areas in the region. Population density also increases to the northeast and northwest areas surrounding Sacramento proper.

### III. Market Area Characteristics

#### Population Growth

The historical and future growth rate of the local market area can provide insight into the market potential for the proposed MLS team and soccer stadium. The graphic below summarizes the historical and projected population annualized growth rates of the Sacramento CBSA compared to the national average.



\*CAGR = Compound Annual Growth Rate  
Source: Claritas, CSL International

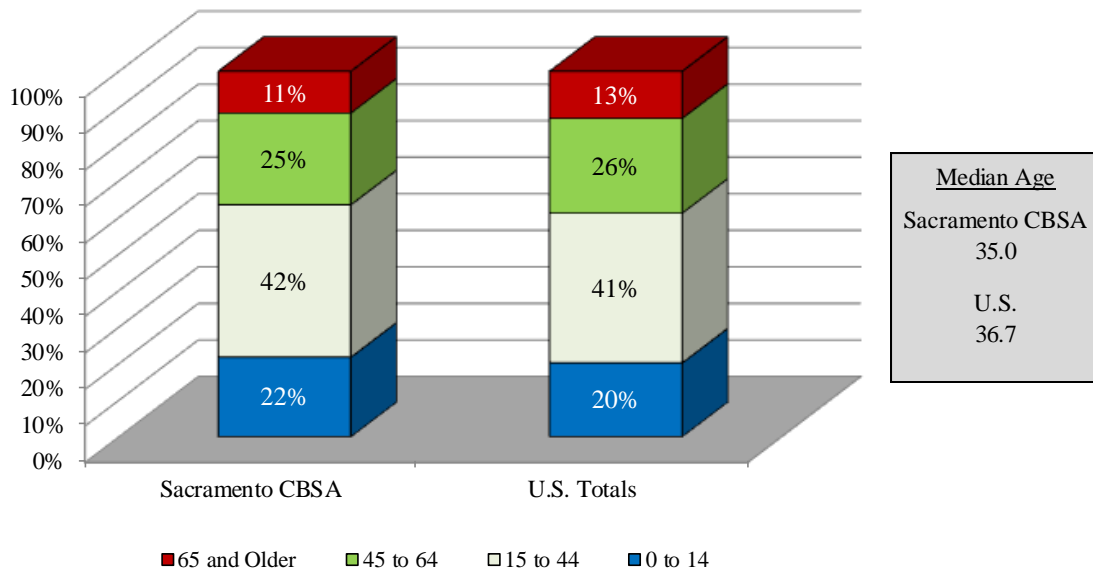
From 1990 to 2000, the annualized historical growth rate of the Sacramento CBSA outpaced the national average by about 51 percent. In recent years (2000 to 2012), although the Sacramento CBSA’s growth rate has declined somewhat, it has exceeded the national average by 93 percent over that span. In the near-term future, the Sacramento CBSA’s projected five-year annual growth rate is expected to continue to outpace the U.S. by roughly 51 percent.

#### Age

Another demographic characteristic that is important to the overall viability the proposed MLS team and soccer stadium is the age of the local population. Generally, sports and entertainment events attract patrons of various ages with the core group of patrons clustered in the 15 to 44 age group. The graphic on the following page summarizes the percentage of residents falling into various age groups and the overall median age of the populace in the Sacramento CBSA as compared to the U.S.

### III. Market Area Characteristics

#### Age Distribution



Source: Claritas

The Sacramento CBSA median age of 35.0 is below the national median age of 36.7. Approximately 42 percent of the Sacramento market population falls within the core group of sports and entertainment patrons, ages 15-44, which is the most coveted age bracket targeted by sports organizations and marketing efforts in the United States.

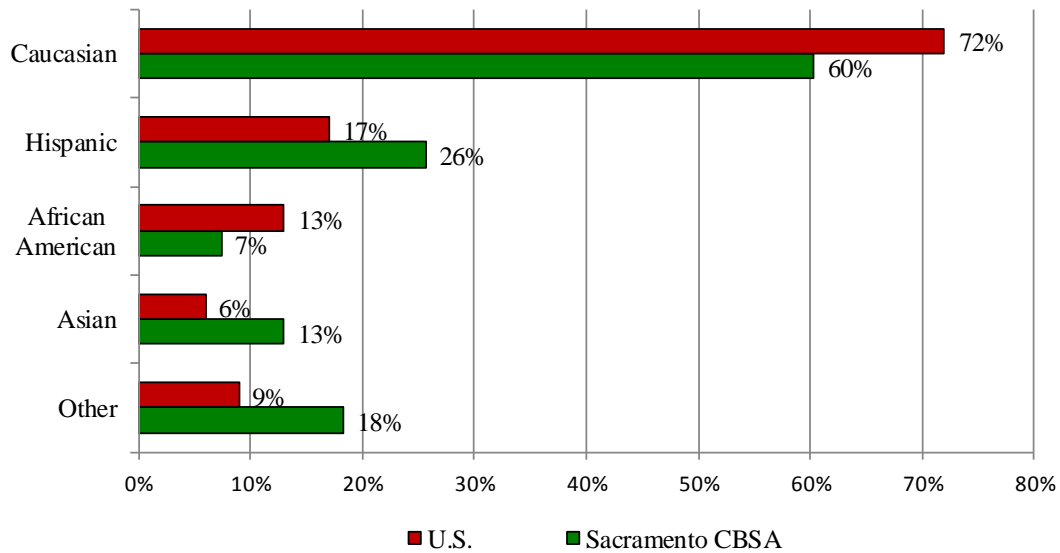
#### Ethnicity

The ethnic make-up of the local market can impact the ability of a market to support an MLS team and the types of event programming that could be successful at the proposed soccer stadium. Soccer is one of the most popular sports in the world and has a wide appeal to various ethnic backgrounds. The chart on the following page compares the ethnic profile of the Sacramento CBSA to the U.S. as a whole.



### III. Market Area Characteristics

#### Ethnicity



Source: Claritas

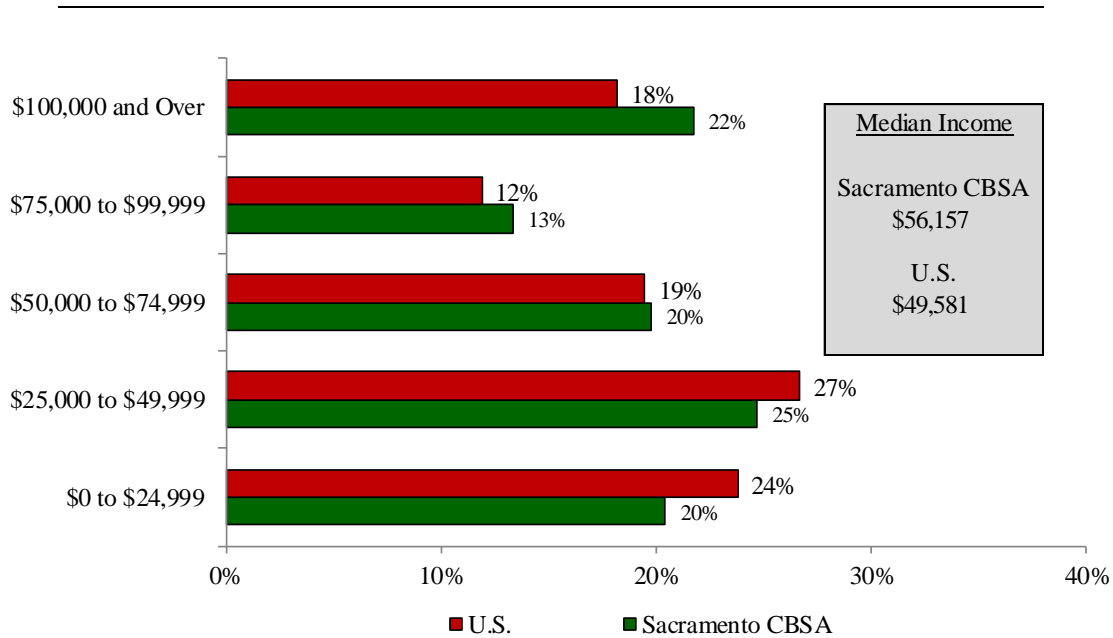
Approximately 60 percent of residents in Sacramento market are Caucasian, which is 12 percent lower than the United States total of 72 percent. The percentage of African American residents in the Sacramento area also slightly trails the national average. As a whole, the Sacramento market has a substantial Hispanic population, and its Asian population is over twice the national average.

#### Income

An important socioeconomic characteristic that provides insight into a market's ability to allocate discretionary income to various participatory or spectator sports and entertainment activities is household income. The graph on the following page summarizes the key household income statistics of the Sacramento metropolitan area in comparison to the U.S. average.

### III. Market Area Characteristics

#### Household Income



Source: Claritas

The Sacramento CBSA has a higher percentage of household incomes in categories \$50,000 and above. Overall, the median household income of the Sacramento CBSA is \$56,157, compared to the national median household income of \$49,581, providing indication that residents of the Sacramento CBSA may have more discretionary dollars to spend on entertainment such as soccer than the average U.S. household.

#### Cost of Living

The cost of living in the Sacramento metropolitan area is above the national average. Specifically, the cost of living index for the Sacramento area is 113.6 compared to a national average of 100. It should be noted that the median income, when compared to the cost of living, results in a slight negative with income being +13.3% and cost of living being +13.6%. This slightly higher cost of living might limit local residents' propensity to allocate discretionary income toward sporting and entertainment activities, but this factor is largely offset by the significantly higher median income of residents of the Sacramento market.

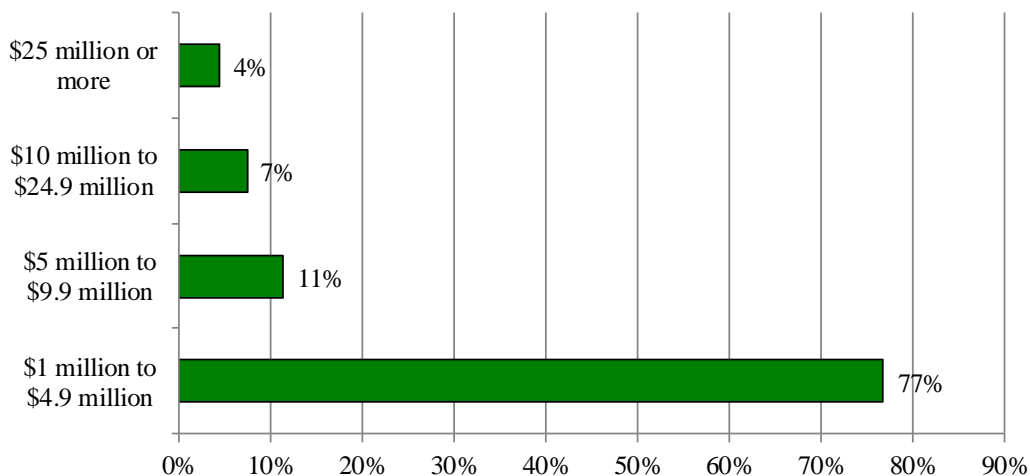
### III. Market Area Characteristics

#### Corporate Base

In addition to the demographic and socioeconomic profile of local residents, it is important to consider the corporate depth of the local market. Local corporations will play an important role in purchasing private suites, season tickets, naming rights and advertising/sponsorship opportunities at the proposed soccer stadium.

The local corporate base is comprised of those companies that are most likely to have the financial ability to purchase tickets, club seats, loge seats, luxury suites, or advertising sponsorships. In order to qualify, local companies were screened to include corporate headquarters, single locations, and branches with over 10 employees and annual sales of at least one million dollars. Overall, a total of roughly 8,079 single business locations or corporate headquarters locations and branch locations were identified that met the aforementioned criteria. The table below summarizes the percentage of corporate headquarters and single locations by annual sales for the Sacramento metropolitan area.

#### Corporate Base by Annual Sales



Note: Includes businesses with a minimum of \$1 million in annual sales and 10 employees

Source: Hoovers

As shown in the above exhibit, nearly 77 percent of corporations in the Sacramento metropolitan area report annual sales of between \$1 and \$4.9 million, while four percent of corporations report annual sales in excess of \$25 million.

### III. Market Area Characteristics

#### MLS Market Comparisons

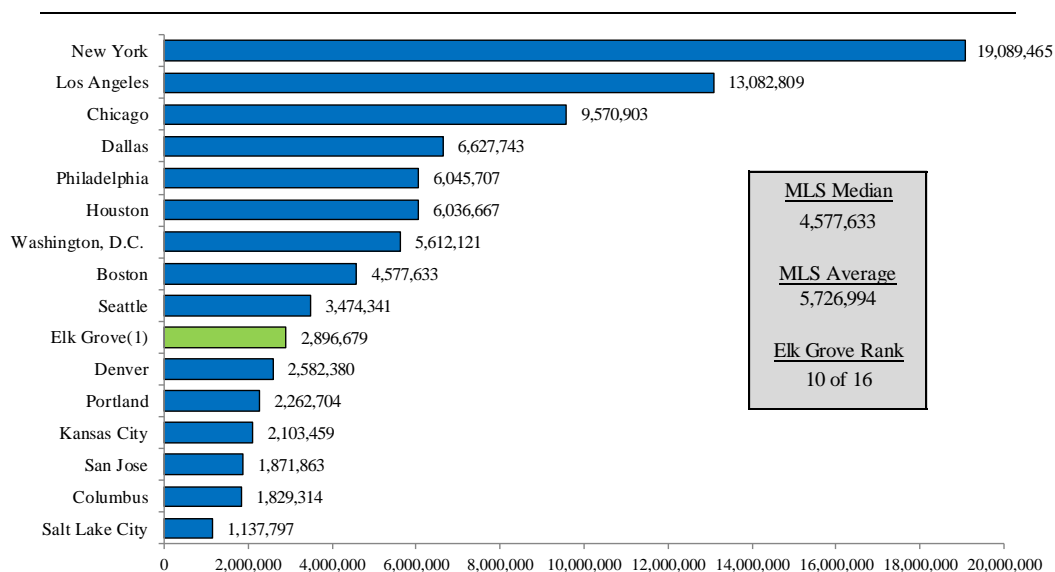
It is important to analyze the demographic and socioeconomic characteristics of the Elk Grove market in the context of other markets that support soccer stadiums and MLS teams. The remainder of this section presents a comparative analysis of the following demographic and socioeconomic characteristics for each MLS market:

- population;
- sports franchise per market;
- registered soccer players;
- age;
- ethnicity;
- income;
- corporate base; and,
- companies per franchise.

#### Population

As previously mentioned, the level of population from which to draw upon can impact the attendance attracted by an Elk Grove MLS franchise and other events hosted at the proposed soccer stadium. The chart below summarizes the population of MLS markets.

**MLS Market Population Comparison**



<sup>(1)</sup>This report defines Elk Grove's market as the Sacramento, CA CBSA

Note: this chart does not include data for the Montral, Vancouver or Toronto Metropolitan Areas

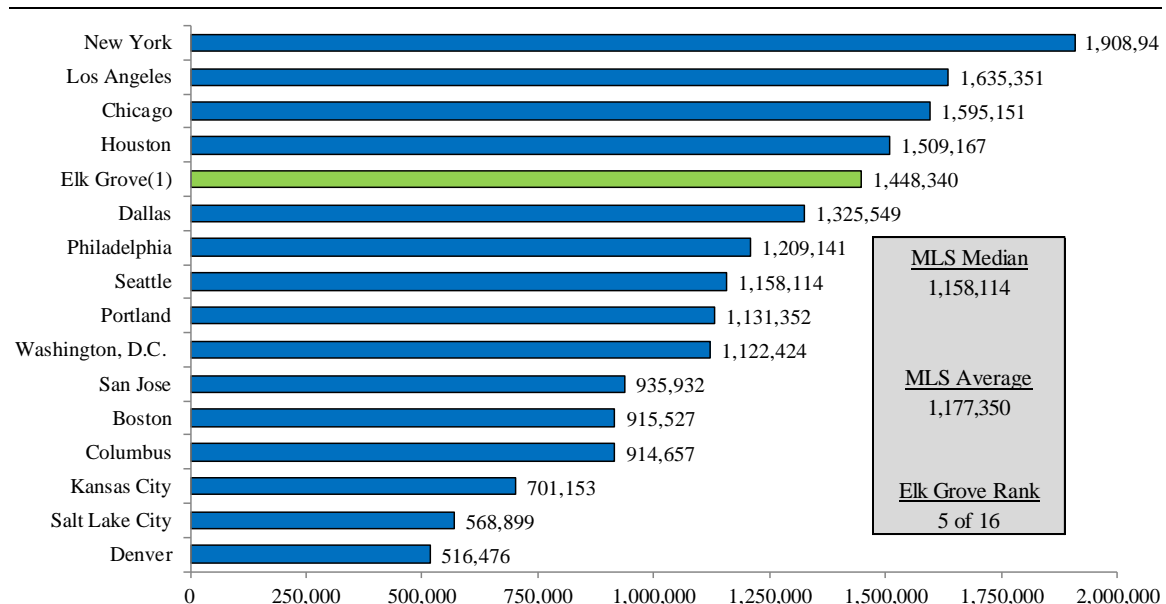
### III. Market Area Characteristics

The Elk Grove market ranks tenth largest out of sixteen MLS markets in terms of population, ranking higher than Denver, Portland, Kansas City, San Jose, Columbus and Salt Lake City. The average MLS market, excluding Elk Grove, has a population of approximately 5.7 million, while the median MLS market population is approximately 4.6 million. In comparison, the Elk Grove market has a population of approximately 2.9 million people.

#### Sports Franchises per Market

The number of major professional sports franchises in competition for a finite amount of resources within a market can impact the viability of each franchise; therefore, a comparison of the population per major sports franchise in each MLS market was prepared. For purposes of this analysis, major professional sports franchises were assumed to include franchises from the following leagues: Major League Soccer (MLS), National Football League (NFL), Major League Baseball (MLB), National Basketball Association (NBA) and the National Hockey League (NHL). The chart below illustrates the population per major sports franchises in each MLS market and assumes the acquisition of an MLS franchise in Elk Grove.

**MLS Market Population-Per-Franchise Comparison**



<sup>(1)</sup> This report defines Elk Grove's market as the Sacramento, CA CBSA

Source: Claritas, CSL International

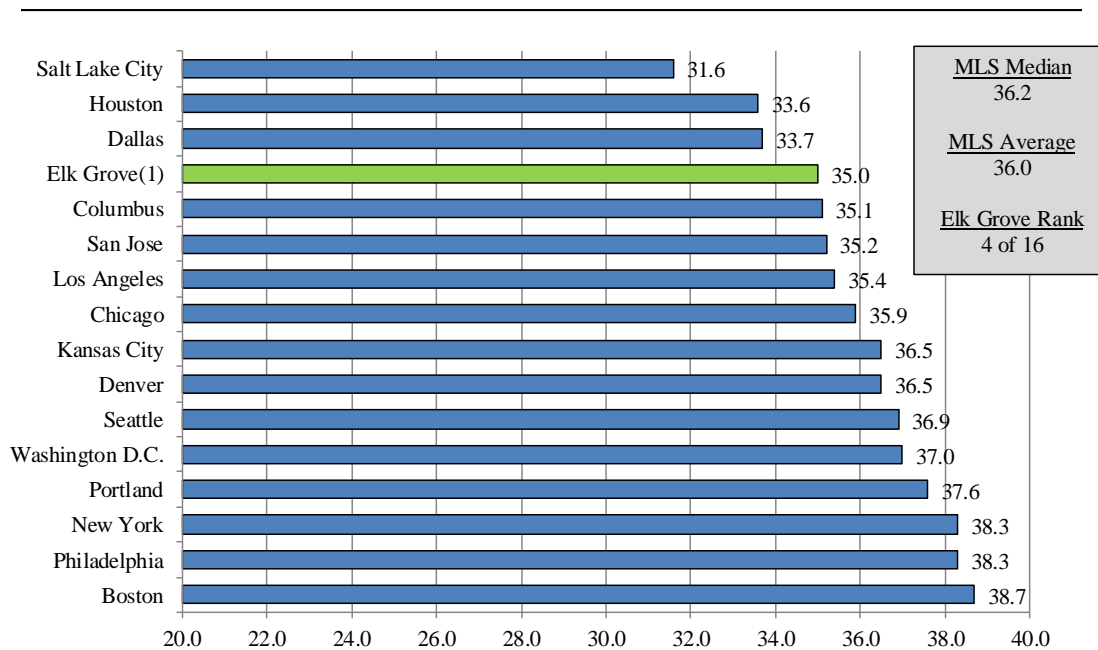
### III. Market Area Characteristics

As the chart on the previous page, the Elk Grove market would face less professional sports competition than most other MLS markets (two teams versus an average of 4.4 teams). Sacramento consists of roughly 1.5 million residents per professional sports franchise, significantly higher than both the median (1,137,797) and average (1,191,946) amongst all MLS markets. Ranked fifth out sixteen, Sacramento performs very well against other MLS markets in population-to-franchise ratio.

#### Age

The age of the local population can be important to the overall viability of the proposed MLS team and soccer stadium, since the 15 to 44 age group is regarded as the group that is most likely to attend spectator events. MLS strives to provide a family-oriented product, drawing many young fans to its games. Therefore, markets with relatively young populations may be more likely to support an MLS team and soccer stadium. The chart below presents a comparison of the median age of each MLS's market's populace.

**MLS Market Median Age Comparison**



<sup>(1)</sup> This report defines Elk Grove's market as the Sacramento, CA CBSA

Source: Claritas

With a median age of 35.0 years, Sacramento ranks as the fourth youngest MLS market out of sixteen. The median age of MLS markets ranges from a low of 31.6 years of age in Salt Lake City to a high of 38.7 years of age in Boston. Overall, the median age of MLS markets is 36.0 years of age.

### III. Market Area Characteristics

#### Ethnicity

As previously mentioned, the ethnicity of the local market can impact the ability of a market to support an MLS team and the resulting viability of a proposed soccer stadium. The graphic below provides an ethnicity comparison among MLS markets.

**MLS Market Ethnicity Comparison**

	White	African American	Asian	Other <sup>(1)</sup>	Hispanic
Salt Lake City	82%	2%	3%	6%	17%
Portland	81%	3%	6%	5%	11%
Boston	80%	7%	6%	3%	9%
Kansas City	80%	12%	2%	3%	8%
Columbus	79%	14%	3%	3%	4%
Denver	77%	5%	3%	5%	23%
Seattle	73%	6%	11%	7%	8%
Philadelphia	69%	20%	5%	2%	7%
Chicago	65%	17%	5%	3%	20%
Dallas	64%	14%	5%	4%	28%
<b>Elk Grove<sup>(2)</sup></b>	<b>60%</b>	<b>7%</b>	<b>13%</b>	<b>18%</b>	<b>26%</b>
New York	59%	17%	9%	5%	22%
Houston	58%	17%	6%	4%	35%
Washington D.C.	56%	26%	9%	4%	13%
Los Angeles	49%	7%	14%	6%	45%
San Jose	47%	3%	31%	6%	27%
<b>MEDIAN</b>	67%	10%	6%	4%	18%
<b>AVERAGE</b>	67%	11%	8%	5%	19%

Note: Sorted by Caucasian population

<sup>(1)</sup> "Other" consists of Pacific Islander, Native American, multi-racial persons and all other races not specifically mentioned

<sup>(2)</sup> This report defines Elk Grove's market as the Sacramento, CA CBSA

Source: Claritas

As shown in the table above, the Elk Grove market is a racially diverse market. With racial minorities accounting for 40% of the population, the Elk Grove market trails only New York, Houston, Washington, D.C., Los Angeles and San Jose in this regard. The average MLS market is comprised of 67 percent Caucasians and 33 percent minority ethnicities. Furthermore, Elk Grove has the fifth highest population of Hispanics out of sixteen markets surveyed. With 26 percent of the population recorded as Hispanic, Elk Grove is roughly 8 percent more than the median MLS market.

#### Income

As previously mentioned, the household income characteristics of a given market can serve as an indicator of the market's ability to spend discretionary income on sports and entertainment activities. Markets with relatively high household income levels may be

### III. Market Area Characteristics

better able to support a sports franchise through the purchase of tickets, premium seating, and other items. The following table summarizes the adjusted median household income of each MLS market, accounting for the cost of living in each respective market.

**MLS Market Adjusted Household  
Income Comparison**

	<u>Rank</u> <sup>(2)</sup>	<u>Median HH Income</u>	<u>Cost of Living</u>	<u>Adjusted Income</u>
Seattle	2	\$73,467	119.3	\$61,559
Houston	12	\$54,081	91.1	\$59,373
Dallas	11	\$55,943	94.2	\$59,365
Denver	6	\$59,668	104.6	\$57,041
Columbus	15	\$51,646	90.8	\$56,899
Washington, D.C.	1	\$80,854	142.3	\$56,831
Kansas City	13	\$53,901	98.6	\$54,684
Portland	8	\$58,789	112.3	\$52,333
Chicago	7	\$59,569	115.7	\$51,497
Boston	3	\$67,153	135.3	\$49,615
<b>Elk Grove<sup>(1)</sup></b>	<b>10</b>	<b>\$56,157</b>	<b>113.9</b>	<b>\$49,304</b>
Salt Lake City	16	\$46,420	97.8	\$47,451
Philadelphia	14	\$53,229	126.2	\$42,162
Los Angeles	9	\$56,946	135.7	\$41,964
San Jose	4	\$62,537	154.4	\$40,513
New York	5	\$61,660	182.9	\$33,712
<b>MEDIAN</b>		<b>\$57,868</b>	<b>114.8</b>	<b>\$51,915</b>
<b>AVERAGE</b>		<b>\$59,501</b>	<b>119.7</b>	<b>\$50,894</b>

Note: Sorted by Cost of Living-Adjusted Median Household Income

<sup>(1)</sup> This report defines Elk Grove's market as the Sacramento, CA CBSA

<sup>(2)</sup> Based on 16 MLS markets unadjusted median household income; excludes Canada

Source: Claritas, United States Census Bureau

The Elk Grove market ranks tenth highest among MLS markets with an adjusted median household income of approximately \$49,304. The MLS average adjusted household income is \$50,894 and the MLS median adjusted household income is \$51,915.

#### Corporate Base

In addition to the demographic and socioeconomic profile of local residents, it is important to consider the corporate depth of the local market. Local corporations often play a significant role in purchasing season tickets, premium seating, advertising, and sponsorship opportunities at sports venues. The table on the following page summarizes the total inventory of companies based in each MLS market.



### III. Market Area Characteristics

#### MLS Market Corporate Base Comparison

	<b>\$1 Million to \$4.9 Million</b>	<b>\$5 Million to \$9.9 Million</b>	<b>\$10 Million to \$24.9 Million</b>	<b>\$25 Million or More</b>	<b>Total</b>
New York	40,790	7,546	5,491	3,584	57,411
Los Angeles	28,176	5,289	3,785	2,292	39,542
Chicago	18,325	3,629	2,858	1,931	26,743
Philadelphia	12,002	2,114	1,640	1,137	16,893
Washington D.C.	11,865	2,130	1,587	1,087	16,669
Dallas	11,307	2,037	1,640	1,165	16,149
Boston	11,173	2,146	1,672	1,075	16,066
Houston	10,211	1,885	1,601	1,209	14,906
Seattle	6,953	1,236	941	529	9,659
Elk Grove <sup>(1)</sup>	6,201	915	600	363	8,079
Denver	5,549	929	683	473	7,634
Portland	4,505	790	648	368	6,311
San Jose	3,988	851	577	405	5,821
Kansas City	3,966	713	596	412	5,687
Columbus	3,295	599	422	322	4,638
Salt Lake City	2,475	498	353	240	3,566
<b>MEDIAN</b>	<b>8,582</b>	<b>1,561</b>	<b>1,264</b>	<b>802</b>	<b>12,283</b>
<b>AVERAGE</b>	<b>11,299</b>	<b>2,082</b>	<b>1,568</b>	<b>1,037</b>	<b>15,986</b>

Note: Does not include Canadian MLS Markets

<sup>(1)</sup> This report defines Elk Grove's market as the Sacramento, CA CBSA

Source: Hoovers

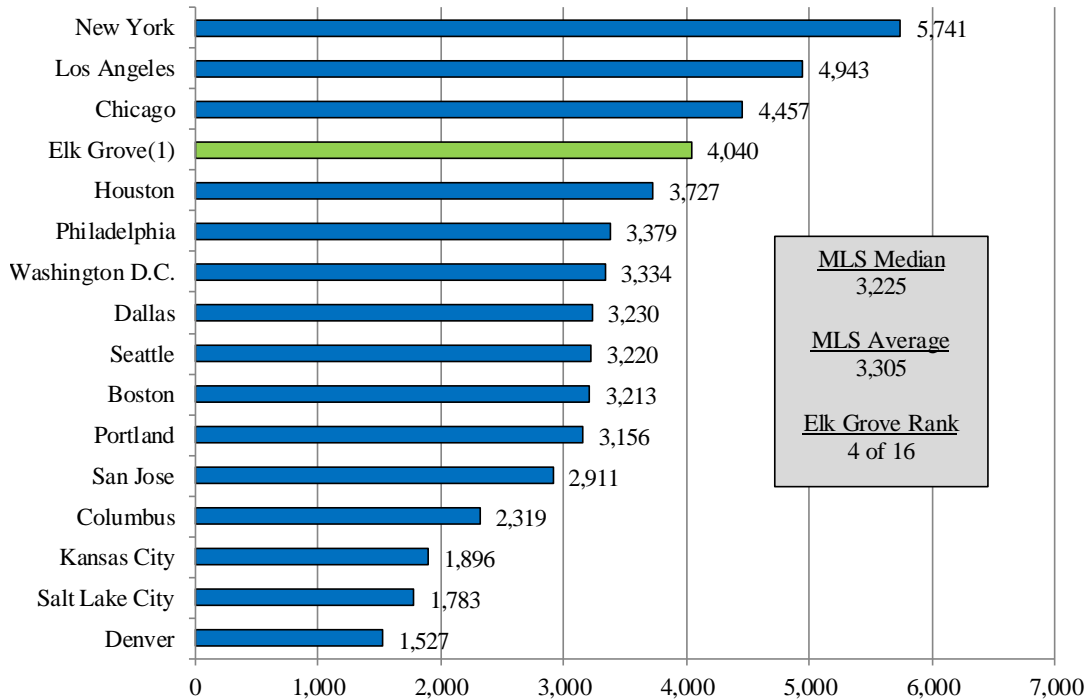
The Sacramento metropolitan area has 8,079 companies, ranking tenth highest among American MLS markets. In comparison, the average MLS market has a corporate base of 15,986 companies, with a median corporate inventory of 12,283 companies.

#### Companies per Franchise

While the market's total corporate base is an important consideration in predicting the success of the proposed MLS team and soccer stadium, it is also important to consider the level of competition from other professional sporting options for businesses in the market. Each franchise represents possible competition for the entertainment spending budget of local companies. The exhibit on the following page compares the number of companies per franchise in each MLS market.

### III. Market Area Characteristics

#### MLS Market Corporations-per-Professional Franchise Comparison



Note: Major professional sports franchises include those from the NFL, MLB, NBA, MLS, and NHL; excludes Canadian markets

(1) This report defines Elk Grove's market as the Sacramento, CA CBSA

Source: Hoovers, CSL International research

In terms of companies per major sports franchise, Elk Grove ranks fourth highest among American MLS markets with 4,040 companies per franchise. The number of companies per major sports franchise in MLS markets ranges from a low of 1,527 companies per franchise in Denver to a high of 5,741 companies per franchise in New York City. Overall, the median number of companies per major sports franchise in MLS markets is 3,225.

#### Elk Grove Local Market

In addition to assessing the market characteristics of the greater Sacramento CBSA, it is important to consider the local characteristics of the City of Elk Grove, including demographic information, socioeconomic data, and recent local development. The chart on the next page provides a comparison of the Elk Grove Market compared to the greater Sacramento CBSA and the United States as a whole.

### III. Market Area Characteristics

#### City of Elk Grove Market Comparison

	City of Elk Grove	Sacramento CBSA	United States
<b>Population</b>	155,937	2,896,679	313,095,504
<b>Age</b>			
Median	32.1	35	36.9
0-17	29%	25%	24%
18-34	25%	24%	23%
35-54	27%	28%	28%
55 and older	18%	23%	24%
<b>Household Income</b>			
Median	\$70,830	\$56,157	\$49,581
Less than \$25,000	8%	20%	24%
\$25,000-\$50,000	39%	25%	27%
\$50,000-\$75,000	26%	20%	19%
\$75,000-\$100,000	18%	13%	12%
\$100,000 or more	27%	22%	18%
<b>Ethnicity</b>			
White	43%	60%	72%
African-American	11%	7%	13%
Hispanic	21%	26%	17%
Asian	28%	13%	6%
Other	18%	19%	9%

Sources: Claritas, Department of Finance State of California

As shown in the chart above, Elk Grove is on par with both the Sacramento CBSA and the United States in terms of population aged 18-34 at 25 percent. This is the age bracket most heavily coveted by marketers and promoters in the spectator sport industry. Furthermore, Elk Grove contains the largest population of 0-17 year olds, which serves as an indicator of how the market could grow in the future. The age group demographic breakdowns for the City of Elk Grove are consistent with those for Sacramento or the U.S. shown on page 20.

Elk Grove’s median income of \$70,830 is significantly higher than either the Sacramento CBSA or the United States as whole. Furthermore, 71 percent of Elk Grove residents reported an income of over \$50,000, compared to 55 percent and 49 percent for Sacramento and the United States respectively.

Finally, Elk Grove is a far more diverse sample than either the United States as a whole or Sacramento, with 43% of the population recorded as being white versus 60% and 72% from Sacramento and the United States respectively. Elk Grove has a thriving Asian population, and its Hispanic population is on par with that of the greater Sacramento area.

### **III. Market Area Characteristics**

In summary, Elk Grove contains a younger, wealthier, more diverse population than the Sacramento metropolitan area and the United States as a whole, which could serve to drive added local support to the addition of an MLS team and soccer stadium.

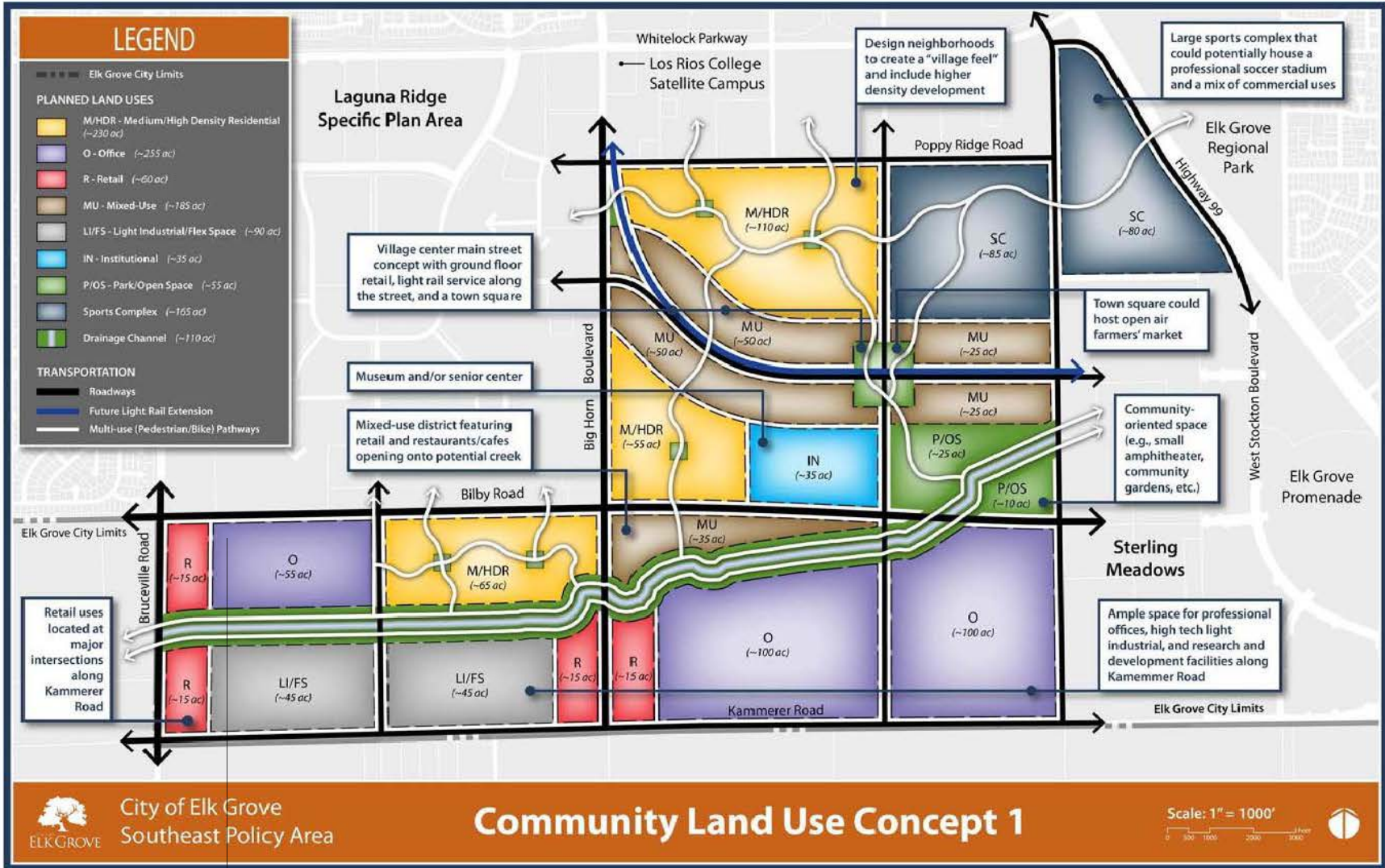
#### *City of Elk Grove Growth*

In addition to its market characteristics, it is important to consider the economic and structural growth of the City of Elk Grove as well in looking at the market for a new MLS stadium in the region. Elk Grove had begun construction of large retail projects just west of Highway 99 on the City's southern border. Construction of the 1.1 million square foot open air mall project began in 2007, but was halted in 2008 after General Growth Properties, the developer, filed for Chapter 11 bankruptcy. As of March 2012, plans to resume the project are being evaluated.

The addition of large retail space will ultimately mean hundreds of millions of dollars in new revenue for the area. Current potential stadium locations put a new MLS facility in close proximity to this retail space, which could lead to the city being a prime location for economic activity, with an MLS stadium being a significant benefactor of the additional commercial activity.

The following page contains a map of the planned land uses for areas in Elk Grove located north of Kammerer Road and west of Highway 99. Highlighted areas represent proposed retail expansion, space for office developments, as well as mixed-use districts and residential living. Please note the area labeled SC, which highlights a land area that could potentially accommodate a large sports complex and MLS stadium, along with a mix of commercial uses.

**III. Market Area Characteristics**



### III. Market Area Characteristics

#### Regional Soccer Popularity

An additional factor to consider when assessing the demand for an MLS stadium in the Elk Grove region is to consider the regional popularity and cultural infusion of soccer into the population of the market. Soccer as a spectator draw is a sport driven by those who participate in the game. The graphics that follow demonstrate the popularity of soccer as it relates to fan participation, and subsequently the popularity of soccer in the Elk Grove region.

#### Registered Youth Soccer Players

As stated above, a large percentage of potential attendees at MLS games and other soccer-related events at a proposed soccer stadium will naturally have an association with soccer. The table below presents a summary of the number of registered youth soccer players in the 55 geographic areas that comprise membership of U.S. Youth Soccer, the governing body for youth soccer in the United States.

2010 Youth Soccer Registrants

Rank	Region	State Registrants	Rank	Region	State Registrants
1	<b>California North</b>	<b>197,239</b>	29	Kentucky	37,221
2	<b>Massachusetts</b>	<b>174,952</b>	30	Tennessee	36,081
3	<b>New Jersey</b>	<b>142,121</b>	31	Iowa	32,730
4	<b>Texas North</b>	<b>140,231</b>	32	<b>Missouri</b>	<b>31,538</b>
5	<b>Virginia</b>	<b>136,802</b>	33	Arizona	29,882
6	<b>California South</b>	<b>136,574</b>	34	Louisiana	29,510
7	<b>Pennsylvania East</b>	<b>129,939</b>	35	<b>Kansas</b>	<b>27,522</b>
8	<b>New York East</b>	<b>115,790</b>	36	Rhode Island	25,012
9	<b>Washington</b>	<b>113,918</b>	37	Mississippi	24,000
10	Florida	100,008	38	South Carolina	21,337
11	Michigan	86,085	39	Nebraska	20,804
12	<b>Texas South</b>	<b>84,216</b>	40	Arkansas	20,426
13	Georgia	76,662	41	New Mexico	20,336
14	Connecticut	75,342	42	New Hampshire	19,086
15	<b>Illinois</b>	<b>73,626</b>	43	West Virginia	17,589
16	Minnesota	73,332	44	South Dakota	15,656
17	North Carolina	71,019	45	Alabama	15,029
18	<b>New York West</b>	<b>70,091</b>	46	Nevada	12,612
19	<b>Colorado</b>	<b>66,399</b>	47	Idaho	11,700
20	<b>Ohio South</b>	<b>61,071</b>	48	Delaware	11,140
21	<b>Maryland</b>	<b>59,671</b>	49	Vermont	10,623
22	Indiana	55,314	50	Montana	10,402
23	Wisconsin	54,591	51	Maine	9,437
24	<b>Ohio North</b>	<b>54,499</b>	52	North Dakota	7,109
25	Pennsylvania West	51,515	53	Alaska	6,675
26	Oklahoma	40,218	54	Wyoming	5,901
27	<b>Oregon</b>	<b>39,339</b>	55	Hawaii	5,503
28	<b>Utah</b>	<b>38,000</b>			

Note: Bolded regions represent regions where an MLS team operates.

Source: United States Youth Soccer Association

### III. Market Area Characteristics

As shown in the chart on the previous page, Northern California youth soccer registrants total close to 200,000, making it the largest state association in the nation in terms of USYSA memberships. It should also be noted, that the Elk Grove Youth Soccer League has grown to over 6,000 registered youth soccer players and 415 teams; making it one the largest leagues in the largest district in the state. Bolded regions represent regions in which an MLS team operates; the Northern California area is currently home to the San Jose Earthquakes.

The Sacramento CBSA has been one of the nation’s leaders in soccer participation over the past five years. In 2007, the Soccer Industry Council of America released a study comparing soccer participation rates across all the major metropolitan areas in the United States. The chart below depicts rates of participation as a portion of overall population.

**Soccer Participation by Top Metropolitan Areas<sup>(1)</sup>**

<b>Rank</b>	<b>Market</b>	<b>Number of Participants</b>	<b>Participants Per 100 People</b>
1	Cincinnati	202,000	10.8
2	Orlando	123,000	10.5
3	St. Louis	303,000	10.2
4	Indianapolis	116,000	10.1
5	Boston	485,000	9.6
6	Minneapolis/St. Paul	289,000	9.3
7	Sacramento	180,000	9.2
8	Norfolk	131,000	7.9
9	Columbus	91,000	7.7
10	Los Angeles	957,000	7.7
11	Kansas City	123,000	7.2
12	Dallas	374,000	7.2
13	San Diego	247,000	7.0
14	Houston	279,000	6.9
15	Seattle	248,000	6.9
<b>U.S. Average</b>			<b>2.1</b>

(1) Statistics from 2007 survey, most recent year the survey was conducted  
 Source: Soccer Industry Council of America

As the chart shows, the Sacramento CBSA ranked seventh out of all U.S. metropolitan areas in terms of soccer participation amongst its population with an estimated 9.2 participants per 100 people.

### III. Market Area Characteristics

#### Summary

As previously mentioned, the demographic and socioeconomic characteristics of a market are an important component in assessing the success of an MLS team and new stadium in both the greater Sacramento market and the City of Elk Grove locale. The strength of a market in terms of its ability to attract events and spectators and generate revenues is predicated on the size of the regional market area population, corporate base and its spending characteristics in the context of competition within the market.

The table below summarizes the demographic and socioeconomic rankings of the Sacramento market versus other MLS markets. It is important to note that in this chart, Elk Grove refers to the Sacramento CBSA.

#### Summary of MLS Market Area Characteristics

Criteria	Elk Grove <sup>(2)</sup>	Rank <sup>(3)</sup>	Market High	Market Median	Market Low
Population	2,896,679	10	19,089,465	4,577,633	1,137,797
Population per Franchise	1,448,340	5	1,908,947	1,158,114	516,476
Median Age	35	4	31.6	36.2	38.7
Percent Non-Caucasian	40%	6	53%	33%	18%
Percent Caucasian	60%	11	82%	67%	47%
Adjusted Median HH EBI <sup>(1)</sup>	\$49,304	11	\$61,559	\$51,915	\$33,712
Corporate Base Inventory	8,079	10	57,411	12,283	3,566
Corporations per Franchise	4,040	4	5,741	3,225	1,527

(1) Estimated median Household Earned Buying Income adjusted for cost of living

(2) Refers to the Sacramento CBSA

(3) Based on 16 MLS Markets; excludes Canadian markets

Sources: Claritas, U.S. Census Bureau, Hoover's, CSL International research

The demographic and socioeconomic characteristics of the Elk Grove area are considered together with soccer participation trends, the historical operations of MLS teams/stadiums operating in similar size markets, projected operations of a new or relocated MLS franchise in Elk Grove, and discussions with local, regional and national soccer officials to estimate potential demand for the proposed MLS team and soccer stadium in Elk Grove.



## **IV. Competitive Analysis**

The market potential for the proposed MLS team and soccer stadium will be affected by the number and type of facilities and teams competing for the limited supply of events, spectators and participants within the marketplace. As such, the purpose of this section is to assess existing and planned facilities and sports teams in the Elk Grove market and surrounding regional area that could provide some level of competition to an Elk Grove MLS team, and the proposed soccer stadium to attract events and/or the discretionary spending of local and regional residents.

The multi-purpose nature of the proposed stadium indicates that the facility will likely compete, to some degree, with a variety of local and regional sports and entertainment facilities including:

### Facilities:

- Raley Field;
- Hornet Stadium;
- Banner Island Ballpark;
- Sleep Train Amphitheater;
- Stockton Arena;
- Power Balance Pavilion; and
- California Exposition and State Fair;

### Stadiums

Stadiums are generally utilized for activities such as soccer, football, baseball, lacrosse, concerts, tractor pulls, motocross and other such activities. While it is expected that soccer-specific facilities would compete with the proposed stadium for potential soccer spectators, it should be noted that there are no soccer specific stadia larger than 1,500 seats in the market at this time. The primary competition from these facilities is expected to be for the entertainment dollar and to a lesser extent concerts and other traveling shows.

### Raley Field

Built in 2000, Raley Field is the home of the Sacramento River Cats, the Triple-A affiliate team of Major League Baseball's Oakland Athletics. The stadium was constructed on the site of dilapidated railways and warehouses in West Sacramento across the river from the California State Capitol. The privately financed \$46.5 million stadium was built in eight and a



## **IV. Competitive Analysis**

half months, but extended periods of bad weather forced the River Cats on a season opening one month-long road trip, as completion was delayed 45 days. The completion time however was estimated to be about two years. The home opening day was May 15, 2000.

The stadium has 11,093 permanent seats and grass berms in both right and left field for a total capacity of 14,014. Its original capacity was 14,611 and was decreased to 14,414 in 2005 with the addition of a party deck. It further decreased in 2010 with the opening of the Diamond Club behind home plate. Naming rights for the field were sold to the Raley's Supermarkets, headquartered in West Sacramento, for \$15 million over 20 years, at the time, one of the highest naming rights deals in Triple-A baseball.

### Hornet Stadium

Hornet Stadium is part of Sacramento State University's Alex G. Spanos Sports Complex and serves as the host facility of the Sacramento State Hornets football and track teams. Built in 1969, the stadium underwent a major renovation in 1992 which expanded the maximum seating capacity to roughly 26,000. Since



scaling back seating in 1997, the stadium currently seats approximately 21,200 and is the largest stadium in the Big Sky Conference. It should be noted that a regulation soccer field (75 yards wide by 120 yards long) will not fit in Hornet Stadium, due to constraints of the built-in track. In 2010, the Stadium underwent a major renovation to the field, replacing the existing grass field with synthetic turf. The introduction of this new playing surface has also eliminated the use of the stadium as a concert venue. The stadium is also surrounded by two new campus recreation and wellness facilities. The Broad Fieldhouse opened in 2008 and features locker rooms and coaches offices for the Hornet football and track & field programs, as well as a 6,000 square foot weight room, training room and equipment room. The Well opened its doors in September of 2010 and is a \$77 million campus recreation and wellness center.

Hornet Stadium has also been the home of several professional football teams. The Sacramento Surge of the World Football League used the stadium for its home games in 1992. From 1993-1994, the Canadian Football League's Sacramento Gold Miners played its home games in the stadium, and beginning in 2010 Hornet Stadium became the official home of the United Football League's Sacramento Mountain Lions.

## IV. Competitive Analysis

### *Banner Island Ballpark*



Banner Island Ballpark is located in downtown Stockton, California, and is home to the Stockton Ports of the Class A California League. The ballpark has a total capacity of 5,200, with approximately 4,200 fixed seats and four 16-person suites. The \$24.0 million ballpark is part of a revitalization project for the downtown Stockton waterfront, and was built concurrently with the adjacent Stockton

Arena. The ballpark is owned by the City of Stockton and operated by Spectator Management Group.

Approximately 90 total events are held at the ballpark on an annual basis, including 70 Ports games. Non-tenant events held at the ballpark include beer festivals, weddings and fraternity or sorority formals; however, the venue is not ideal for accommodating concerts and other large scale events due to its limited seating capacity. However, due to the stadium development agreement with the City, the Ports are only allowed to host a maximum of 20 non-tenant events at the ballpark in a given year.

The \$24.0 million ballpark was funded by a \$1.2 million upfront contribution from team ownership and \$22.8 million in funds from the City of Stockton. The Ports agreed to a 20-year lease with the City for the use of the ballpark in 2005. Banner Island Ballpark is the unofficial name of the ballpark, which is located in the Banner Island area of Stockton. The City of Stockton owns the naming rights to the ballpark and is currently seeking a naming rights partner. The Ports will receive 20 percent of all naming rights revenues.

## **IV. Competitive Analysis**

### **Amphitheaters**

Amphitheaters are live performance venues that typically incorporate fixed and lawn seating. Amphitheatres are generally utilized for concerts and other live performances. Depending on the geographic location of an amphitheatre, they are primarily used during the summer months.

#### **Sleep Train Amphitheatre**

Opened in 2000 and owned by Live Nation, Sleep Train Amphitheatre (formerly Sandstone Amphitheatre) in Wheatland, California provides a variety of rock, alternative, pop, country, jazz and rhythm & blues concerts along with special events and festivals. Sleep Train Amphitheater is approximately 35 miles from downtown Sacramento and the access roads to the facility are inadequate. Both the traveling distance and rural location have created logistical issues for concert patrons.



The facility's operating season runs from mid-spring to mid-fall each year, and hosted 11 events during the 2011 season. The amphitheatre features a seating capacity of 18,500 seats, with 8,000 permanent seats and 10,500 unreserved lawn seats.

### **Arenas**

Multi-purpose arenas are utilized for a wide-range of indoor activities including basketball, hockey, indoor football, concerts, motor sports, family shows, tradeshow, meetings and other such events. These facilities are utilized year round and generally host 80 to 250 events depending on the location, size, and management philosophies of the facility. While it is not expected that arenas would compete with the proposed soccer stadium in Elk Grove to host the same events on a consistent basis, there are local and regional arenas that are expected to compete with the proposed soccer stadium to attract spectators, corporate sponsors and their entertainment dollars.

#### **Stockton Arena**

Stockton Arena was built in 2005 and is located in the California Central Valley between Sacramento and Fresno. It can seat 8,600 to 11,800 patrons depending on configuration. Stockton Arena has 24 luxury suites, 344 Club seats, 5,000 square feet of conference space,



## **IV. Competitive Analysis**

and an NHL regulation ice sheet.

The \$63 million arena is part of a revitalization project for the downtown Stockton waterfront, and was built concurrently with the adjacent Banner Island Ballpark. The arena is owned by the City of Stockton and is operated by Spectator Management Group.

It is the home venue of the Stockton Thunder, an ECHL professional hockey team, and the California Eagles American professional indoor football team. Former tenants include the Stockton Lightning (Arena Indoor Football), the Stockton Cougars (Professional Arena Soccer League), and the Stockton Wolves (independent indoor football).

The future of the venue is in question because of the City of Stockton's economic standing. The city might be heading towards bankruptcy due to a large amount of debt it cannot service. However, City Council recently voted to undergo mediation to avoid bankruptcy in the immediate time.

### *Power Balance Pavilion*

Power Balance Pavilion is a 17,317-seat arena located in the northern area of the City of Sacramento, California. The facility is owned and operated by Maloof Sports and Entertainment, also the owners of the Sacramento Kings. The arena has also hosted the WNBA's Sacramento Monarchs (1997-2009), the American Football League's Sacramento Attack, and the Continental Indoor Soccer League's Sacramento Knights (1992-1997). The arena opened in 1988 at the cost of \$60 million. It was originally named ARCO Arena and seated 16,517 spectators, and currently features 30 luxury suites and 412 club seats. In 2011, the stadium reached a new deal with Power Balance Technologies Inc., changing the stadium name to Power Balance Pavilion.



Power Balance Pavilion hosts roughly 160 spectator events annually. In addition to Kings home games, the building hosts concerts, rodeos, motocross performances, UFC fights, and other sports and entertainment shows. In terms of concerts, Power Balance Pavilion is one of Northern California's most popular tour destinations, drawing large shows for some of music's most popular artists and performances.

The Maloof family and the City of Sacramento have attempted to negotiate a deal that would bring a new \$391 million arena to the downtown Sacramento rail yards area to replace Power Balance Pavilion.

## **IV. Competitive Analysis**

As recently as February, 2012, a tentative deal between Maloof Sports & Entertainment and the City of Sacramento had been reached, however this deal was then canceled by Maloof Sports & Entertainment in late April 2012.

Currently, there have been discussions of a Power Balance Pavilion renovation, but the future of the facility has yet to be determined. Without the approval and construction of a new arena in Sacramento or a renovated facility for the Kings to play in, there is speculation that the team would consider relocating to a different market, but no official plans to do so have been set in motion.

### **Other Facilities**

#### *Cal Expo*

Cal Expo is a 350-acre state fairgrounds and large scale, multi-use facility located on Exposition Boulevard in the City of Sacramento. It has hosted the annual California state fair since its inaugural year in 1909, and its original grounds were just outside the city limits on Stockton Boulevard. Population growth and attendance forced the fair to its current location in 1968, and the Cal Expo has grown to more than one million visitors annually. In its lifetime, Cal Expo has been expanded by over 270 acres, and currently boasts 18 rental facilities, 15,000 parking spaces, and one of three operational monorails in the country.



In addition to the annual state fair, Cal Expo hosts a number of other events including car and RV shows, conventions, banquets, and festivals. The Cal Expo is also home to a 4,000 seat rodeo arena which holds rodeo events, monster truck shows, motorcycle races and horse shows. Raging Waters Sacramento is also located on the grounds and features more than 25 water attractions, slides, pools and other activities. Cal Expo is also the West Coast's destination for harness racing, with Cal Expo hosting harness racing meets almost year-round with 117 race days in 2011, and 134 in 2010. In addition, the racetrack hosts thoroughbred horse racing meets during the California State Fair in July, as well as motorcycle racing and concerts throughout the year. The racetrack grandstand has seating for 22,000 (The Miller Lite Grandstand), and features a one-mile dirt track, on-site parking, sports bar, tele-theater, Clubhouse and Turf Club.

## V. Comparable Facilities

The purpose of this section is to present an overview of existing and proposed MLS stadiums and other comparable stadiums to provide a benchmark from which to assess the potential operational performance and event levels of the proposed soccer stadium in Elk Grove. An assessment of the physical, operational and financial characteristics of comparable stadiums is a critical component in assessing the market potential of the proposed soccer stadium.

To date, nine MLS stadiums have either been built or undergone significant renovations in the past five years. In addition, a few MLS markets are in the process of developing new stadiums. The case studies presented herein provide both historical and projected perspectives from which to evaluate the potential operational performance and event levels of the proposed soccer stadium in Elk Grove.

Physical, financial, operating and funding statistics were reviewed for the following comparable stadiums:

- BBVA Compass Stadium;
- BMO Field;
- Crew Stadium;
- Dick’s Sporting Goods Park;
- FC Dallas Stadium;
- Home Depot Center;
- Livestrong Sporting Park;
- PPL Park;
- Rio Tinto Stadium;
- Red Bull Park; and,
- Toyota Park.

### BBVA Compass Stadium



Location:	Houston, TX
Year Opened:	2012
Seating Capacity:	21,600 seats
Suites:	34
Club Seats:	900
Owner:	City of Houston/Harris County
Operator:	AEG
Cost:	\$65.8 million (construction) \$15.5 million (land) \$20.0 million (infrastructure)
Financing:	68% private 32% public

## V. Comparable Facilities

BBVA Compass Stadium is the MLS's newest stadium, having hosted its first MLS match between the Houston Dynamo and D.C. United on May 12<sup>th</sup>, 2012. The 22,000 seat stadium hosts home games for the MLS's Houston Dynamo, in addition to concerts, rugby matches, and other special events.

The \$103.3 million stadium was funded through a combination of city, county, and private sources. The City of Houston and Harris County combined efforts to purchase the \$15.5 million plot of land in Houston's East End for the stadium, while the city paid an additional \$20 million towards infrastructure improvements related to the project. Construction costs of the stadium were approximately \$67.8 million. Harris County and the City of Houston agreed to share ownership of the stadium.

The Houston Dynamo agreed to pay the rest of the stadium costs, and BBVA Compass Bank provided financing for a portion of the loan.

BBVA Compass Stadium offers 34 suites priced at around \$50,000 per year, requiring a minimum 3-year term with a 3% price escalator. The stadium also offers 900 club seats ranging in price from \$1,725 to \$1,825 on the 100- and 200-levels which require only a 1-year contract. The stadium also offers seats in the 213-seat Presidents Club, a private club terrace option at \$3,500 per seat per season with a minimum 2-year lease required.

### BMO Field



Location:	Toronto, ONT
Year Opened:	2007
Seating Capacity:	20,000 seats
Suites:	30
Club Seats:	500
Owner:	City of Toronto
Operator:	MLSE Ltd.
Cost:	\$61 million
Financing:	29% private 71% public

BMO Field, home of FC Toronto, opened on April 28, 2007. BMO Field seats 20,195 people and is owned by the City of Toronto and operated by Maple Leaf Sports and Entertainment Ltd.

BMO Field features 30 suites priced between \$25,000 and \$40,000, all of which are sold for the current soccer season. The stadium has 500 club seats ranging in price from \$1,060 to \$1,700.

Funding for the \$61 million facility included both private and public sources. Maple Leaf Sports and Entertainment Limited funded \$17.5 million. The Canadian Federal



## V. Comparable Facilities

Government contributed \$26.3 million, the Province of Ontario contributed \$7.8 million, and the City of Toronto contributed \$9.5 million. Naming rights were sold to the Bank of Montreal for \$26.3 million US dollars for 10 years. The naming rights were sold on August 31, 2006 and will expire in 2016.

The facility will host soccer and rugby as well as concerts and other special events in the years to come. In 2008, the MLS hosted its All-Star Game at BMO Field, and the 2012 MLS Cup will be held at the stadium. In its five years in operation, the stadium has been one of the most successful stadiums in the MLS, averaging 20,263 spectators at FC Toronto games between 2007 and 2011.

### Crew Stadium



Location:	Columbus, OH
Year Opened:	1999
Seating Capacity:	22,485 seats
Suites:	20
Club Seats:	1,282
Owner:	Hunt Sports Group
Operator:	Hunt Sports Group
Cost:	\$31 million*
Financing:	100% private 0% public

\*Excludes land and parking

Located in Columbus, Ohio, Crew Stadium is the home of the MLS Columbus Crew. Opened in 1999, it was the first Major League Soccer stadium built specifically for soccer in the United States and is currently the oldest soccer-specific stadium in the MLS. The team had previously held its home games in Ohio Stadium at Ohio State University. The facility seats 22,485 spectators and cost approximately \$31 million, which was privately financed by Hunt Sports Group.

The team pays \$50,000 in land rent and \$120,000 in parking a year. The stadium has the capacity to expand up to 45,000 seats. It originally had 20 loges and no luxury suites, but before the 2004 season, a portion of the loges were converted to suites in a two-phase project which also included the building of the Huntington Club. The stadium currently includes 18 suites, two party suites, eight loges, the 125-seat Huntington Club and 1,157 club seats. The suites seat 12 to 18 people and are priced at \$22,500 (12 seats), \$25,000 (14 seats) and \$30,000 (18 seats) for three to five-year terms. A party suite hosting 18 fans costs \$2,000 per game. Open air loges seat 12 to 14 fans and lease for \$1,060 to \$1,230 per season.

Events that have been hosted at the stadium include MLS Crew Games, MLS All-Star Game, MLS Cup 2001, Ohio State University (OSU) Football Spring Preview, National Collegiate Athletic Association (NCAA) Men's College Cup, Major League Lacrosse,

## V. Comparable Facilities

Ohio High School Athletic Association (OHSSA) State Soccer Championships, U.S. Open Cup, an OSU Men’s soccer game, FIFA Women’s World Cup USA 2003, U.S. Men’s and Women’s National Team soccer matches including World Cup qualifying action, international soccer matches, and concerts like Rascal Flatts, and the 2005 Kickoff Classic set.

Although the Columbus Crew is located in the smallest MLS market, it has been one of the most successful MLS teams to date. Much of the success of the team has been attributed to the fact that the Crew play in a soccer-specific stadium where the team controls the revenue sources. Average attendance for the Crew has ranged from a low of 12,915 to a high of 17,695 since the completion of their stadium, with an average of approximately 15,273 from 1999 to 2011.

### Dick’s Sporting Goods Park



Location:	Commerce City, CO
Year Opened:	2007
Seating Capacity:	18,458 seats
Suites:	21
Club Seats:	208
Owner:	Commerce City
Operator:	Kroenke Sports
Cost:	\$131.2 million
Financing:	50% private 50% public

On April 17, 2007, the Colorado Rapids moved into Dick’s Sporting Goods Park. The \$131 million facility sits on 360 acres of land and is home to an 18,458-seat soccer stadium, youth soccer fields, retail development, and a new Commerce City civic center. The project was approved unanimously by the Commerce City Council and won voter approval for a \$64 million bond issue. Construction broke ground on September 28, 2005.

The complex is available for use year-round for youth soccer, NFL training camps and as many as ten concerts annually with a built in stage and concert capacity of 26,000 seats.

The City funded its portion of the stadium by issuing bonds, of which \$52 million was paid from existing city revenues, and the remaining \$12 million from revenue generated by the stadium. Also, \$43 million in Urban Renewal Development Bonds were issued and continues to be repaid through revenue generated from the commercial, retail and entertainment usage.

## V. Comparable Facilities

Kroenke Sports Enterprises (KSE), the facility operator, committed \$20 million towards construction and infrastructure improvements. KSE also guaranteed \$45 million in bonds that it requested in conjunction with the project.

Dick's Sporting Goods Park offers 20 suites at an average annual price of \$25,000. The stadium also offers 200 club seats at an average price of \$1,000 per year. In its first five years of operation, Dick's Sporting goods has averaged 13,800 spectators per Rapids Game. In addition, Dick's Sporting Goods has had immense success hosting concerts, consistently hosting as many as ten concerts in a year.

### FC Dallas Park (Formerly Pizza Hut Park)



Location:	Frisco, TX
Year Opened:	2005
Seating Capacity:	21,000 seats
Suites:	18
Club Seats:	1,583
Owner:	City of Frisco
Operator:	Hunt Sports Group
Cost:	\$106.5 million
Financing:	48% private 52% public

FC Dallas Park, formerly Pizza Hut Park, a 21,000 seat stadium, officially opened August 6<sup>th</sup>, 2005 and is home to FC Dallas. It is part of a \$106.5 million soccer complex located in Frisco, Texas. The complex consists of the stadium plus 17 tournament grade fields for youth and high school soccer. The stadium has a permanent stage at one endzone, capable of facilitating major concerts and other entertainment events. The field is below ground and includes a 6,000 square foot stadium club along with 18 luxury suites. Two fields closest to the stadium are reserved for FC Dallas and the Frisco Independent School District. The FC Dallas training field is natural grass, and the Frisco ISD field features a synthetic turf field along with a press box and bleacher seating for 600 fans.

The City of Frisco owns the stadium and collects \$100,000 annually in rent from Hunt Sports Group. Hunt Sports Group performs all necessary maintenance for 20 years. In return, Hunt Sports maintains control of all revenue generated at the complex including naming rights which Pizza Hut purchased for \$25 million over a 20-year period. However, as of January 1, 2012, Pizza Hut pulled its name from the stadium citing its renewed marketing focus.

FC Dallas Park currently offers luxury suite packages at an average of \$35,000 per year. Its roughly 1,600 club seats are available for season packages with prices starting at \$954 and go as high as \$5,400 for WinStar Club Loge seating. Season seats can be had for as low as \$241, with the average season ticket package being \$425 per year.

## V. Comparable Facilities

The multi-purpose stadium, also available for concerts, public entertainment and community events, is located on approximately 120 acres just north of the Frisco Town Square. AEG Live, the nation's second largest concert promoter, coordinates the musical entertainment bookings. FC Dallas Park has a concert seating capacity of approximately 27,000.

The North Texas State Soccer Association (NTSSA), the largest joint youth and adult soccer association in the United States with 320,000 members, is headquartered in FC Dallas Park. NTSSA has entered into a strategic partnership with FC Dallas Park that brought NTSSA sponsored tournaments to the facility. US Youth Soccer, the largest member of the US Soccer Federation with 3.2 million registered soccer players, also relocated to the facility. Additionally, Baylor Health Care System established a 6,000 square foot rehabilitation center adjacent to the FC Dallas offices in the northwest corner of the stadium.

### Home Depot Center



Location:	Carson Hills, CA
Year Opened:	2003
Seating Capacity:	27,000 seats
Suites:	43
Club Seats:	0
Owner:	AEG
Operator:	AEG
Cost:	\$95 million*
Financing:	100% private 0% public

\*Part of a \$150 million project

The Los Angeles Galaxy and Club Deportivo Chivas USA play their home games in Carson Hills at the Home Depot Center. Developed privately by AEG, the complex opened in 2003 and is part of a National Training Center/Sports Complex on the campus of California State University, Domingo Hills.

The \$150 million private-public joint venture (\$95 million of which was dedicated towards construction of the stadium) is home to a 27,000-seat soccer-specific stadium, a 13,000-seat tennis stadium, a 20,000-seat track & field facility, an indoor velodrome, jogging trail, sports medicine/therapy center and gymnasium. Designated as a U.S. Olympic Training Site, the Home Depot Center is the nation's most complete training facility for Olympic, amateur and professional athletes. It is also home to Athletes' Performance Los Angeles, a nationally recognized training center for elite and professional athletes and is the summer training campsite for the San Diego Chargers (NFL). Tennis courts, soccer training fields and a three-mile jogging trail with twelve fitness stations around the perimeter of the development are among the amenities available to local residents.

## V. Comparable Facilities

The stadium has 42 suites priced from \$25,000 to \$70,000 a year with leases ranging from three to ten years. Suite holders also get early access to tickets for Staples Center events. Additionally, the stadium rents event suites for individual games, whose ticket prices range from \$50 to \$200. The Home Depot Center offers 1,500 club seats as well, with an average annual price of \$3,750.

The Home Depot has a \$70 million, ten-year naming rights contract for the complex. Part of the deal called for \$30 million in building materials to be purchased from Home Depot.

The Home Depot Center averages 60 ticketed events per year with approximately 40 events being MLS-related. Approximately 700,000 visit the stadium for MLS games annually. Under an agreement with the local community and University, the Home Depot Center is limited to holding a maximum of six concerts a year.

### Jeld-Wen Field



Location:	Portland, OR
Year Opening:	2011*
Seating Capacity:	20,323 seats
Suites:	24
Club Seats:	1,144
Owner:	City of Portland
Operator:	Peregrine Sports, LLC.
Cost:	\$36 million*
Financing:	14 % private 86 % public

\*Stadium relaunched as a soccer stadium following \$31 renovations in 2010

Originally constructed in 1926, Jeld-Wen Field, formerly PGE Park (2001-2010), Civic Stadium (1966-2001), and Multnomah Stadium (1926-1965), is a soccer stadium that became the home facility of the Portland Timbers upon their induction into the MLS before the start of the 2011 MLS season. The stadium has served as the host facility for a number of minor league baseball teams, American professional and college football teams, and professional soccer teams.

In 2010, the stadium underwent a \$36 million renovation which converted the stadium into primarily a soccer facility, although the stadium is still the home stadium of the Portland State University Viking football team. The Portland Timbers previously competed in the United Soccer League under the same name, but were officially made a member franchise of the MLS at the start of the 2011 MLS season.

Jeld-Wen field has a seating capacity of 20,323 expandable to roughly 22,000 for concerts. The stadium features 24 suites which sold for an average of \$40,000 for the 2011 season. The stadium also features 1,144 club seats which sold at an average price of

## V. Comparable Facilities

\$1,550 in 2011. Other features of the stadium include 74 square meters of LED video board and pitchside display screens that measure 152 meters long. In its inaugural season, Jeld-Wen field initially sold out its early season games before expanding the stadium to include roughly 2,000 additional seats. It finished the season with an average attendance of 18,827 spectators per game, filling an average of roughly 93% of its stadium capacity.

### Livestrong Sporting Park



Location:	Kansas, KS
Year Opening:	2011
Seating Capacity:	18,500 seats
Suites:	36
Club Seats:	3,400
Owner:	Kansas Unified Development, LLC.
Operator:	Global Spectrum
Cost:	\$200 million
Financing:	25% private 75% public

The \$200 million home stadium of Sporting Kansas City (formerly the Kansas City Wizards), Livestrong Sporting Park, opened in May, 2011 during the MLS regular season with a seating capacity of roughly 18,500 for MLS games, expandable to up to 25,000 for concerts. The stadium achieved the bulk of its funding from the issuance of \$150 million in Sales Tax Revenue Bonds (STAR Bonds), with the remaining \$50 being financed by the ownership group. The stadium would be the Sporting Kansas City's third home in its 17-year history, having hosted its home games in Arrowhead Stadium from 1996 to 2007 and in Community America Park (a ballpark) from 2007 to 2011.

The stadium offers 36 private suites along with three premium club areas, the Stadium Club, Members Club, and Field Club, along with two suite-level lounges. The stadium offers 3,400 club seats, substantially more than any other soccer-specific facility in the MLS.

Livestrong Sporting Park also features one of the most unique stadium naming rights deals in professional sports. Sporting Kansas City agreed to use the Livestrong name on its stadium and pledged donations to the Livestrong foundation for an amount no less than \$7.5 million over a 6-year period. The deal was heralded as an exceptionally effective marketing tool during the stadium's inaugural season of operation.

In its inaugural season, Livestrong Sporting Park enjoyed immense success, averaging 17,810 spectators per game. The stadium also hosted a number of concerts, including the music festival Farm Aid which included several headliner bands and artists. Additionally,

## V. Comparable Facilities

Livestrong Sporting Park hosted six international friendly matches, including five men’s matches and one women’s.

### PPL Park



Location:	Chester, PA
Year Opening:	2010
Seating Capacity:	18,500 seats
Suites:	53
Club Seats:	1,000
Owner:	Delaware County, PA
Operator:	City of Chester
Cost:	\$120 million
Financing:	42% private 58% public

PPL Park is the 18,500-seat home stadium of the MLS’s Philadelphia Union. The stadium was built as part of a revitalization project for the City of Chester, Pennsylvania, which also planned the two-phase development of over 400 townhomes and apartments, 435,000 square feet of office space, a 200,000 square foot convention center, 1,350 car parking facility, and over 40,000 square feet of retail space. Funds allocated for the construction of the stadium included a combined \$70 million in funding from Delaware County and the Commonwealth of Pennsylvania, along with \$50 million contributions from the Philadelphia Union.

The team, which owned the naming rights to the stadium as part of its deal with Delaware County, sold the naming rights to Allentown-based PPL Energy Corporation for \$20 million over 11 years.

The stadium includes 1,200 club seats sold at an average price of \$1,100 each per season. The stadium also offers 30 private suites selling at an average price of \$50,000 per season.

The stadium contains state-of-the-art LED screens, security systems, and other electronics provided by Panasonic Corporation, one of its major sponsors. Additionally the stadium has sideline sun shades, in-facility restaurants and bars, and a built-in concert stage.

The stadium also includes several features specifically designed to cater to its Philadelphia fan base. The stadium entrance leads into a 2,000-seat section reserved for the “Sons of Ben” Union soccer club. An estimated 60 percent of spectators have a full view of the Commodore Barry Bridge which crosses above the Delaware River, and the stadium’s exterior includes a brick and natural stone façade, mimicking the area’s traditional style of architecture.

## V. Comparable Facilities

### Red Bull Arena



Location:	Harrison, NJ
Year Opening:	2008
Seating Capacity:	25,000 seats
Suites:	30
Club Seats:	1,000
Owner:	New York Red Bulls
Operator:	New York Red Bulls
Cost:	\$200 million
Financing:	80% private 20% public

The \$200 million Red Bull Arena opened in 2010 as the new home of the New York Red Bulls (formerly Red Bull New York and the New York Metro Stars). The arena is located in Harrison, New Jersey and seats approximately 25,000. The team previously played its home games at the 80,000-seat Giants Stadium in East Rutherford, New Jersey.

The construction of Red Bull Arena was delayed several times over the course of the initial planning phases, ultimately pushing its opening back from 2006 to 2010. In August 2005, AEG and the City of Harrison announced an agreement had been reached regarding the future of a soccer specific home for the team. However, plans were further delayed when concerns over environmental cleanup in the area halted plans to break ground. In 2007, as construction was expected to be fully underway, Austria-based energy drink producer Red Bull GmbH purchased the team, then known as the MetroStars, and renamed it Red Bull New York. Red Bull eventually purchased AEG's \$100 million stake in the new stadium as well when the two sides could not come to an agreement over various aspects of the stadium, and the Red Bull brand was applied to the stadium.

The stadium includes 30 luxury suites (10 in the lower level, 20 in the upper level) priced at an average of \$70,000 per season. The stadium's 1,000 club seats sell at an average of \$3,000 per season. Once a point of contention between the Red Bulls and AEG, Red Bull Arena ultimately did not include a permanent concert stage. The team instead opted for full 360-degree seating. The stadium features a translucent canopy and roof overhang which covers roughly two-thirds of the spectators.

The agreement called for the town of Harrison to acquire the land necessary for the stadium construction, which cost approximately \$40 million. The city financed this acquisition by issuing the sale of general obligation bonds. This ultimately financed the original land acquisition, as well as environmental remediation, capitalized interest, related redevelopment expenses and transactional costs. The Hudson County Improvement Authority acquired the necessary land to construct a 1,500 space public parking garage. The Improvement Authority issued tax-exempt bonds to finance the



## V. Comparable Facilities

project. Originally, AEG provided approximately \$80 million for full funding for the construction of the stadium including environmental remediation overruns, stadium construction cost overruns and ongoing operating costs of the stadium, including debt service on the bonds. When the New York Red Bulls took over ownership of the team and private interest in the stadium, these debts were passed onto the team.

The New York Red Bulls have exclusive rights to manage and operate the stadium including the scheduling of concerts, international soccer games and other events at the stadium to generate revenues.

### Rio Tinto Stadium



Location:	Sandy, UT
Year Opened:	2008
Seating Capacity:	20,000 seats
Suites:	32
Club Seats:	904
Owner:	Salt Lake County
Operator:	Real Salt Lake
Cost:	\$117.5 million
Financing:	62% private 38% public

Rio Tinto Stadium opened in September 2008. In addition to hosting Real Salt Lake home and playoff games, the 20,000-seat stadium is used for various events such as World Cup qualifier games, international soccer matches, youth and collegiate sports, community festivals, concerts, and various other events.

The stadium features 32 suites with as few as 15 seats and as many as 35, priced at an average of \$50,000 per year. The stadium also includes four party suites rented on an individual basis. In addition, the stadium offers 904 club seats priced at an average of \$1,750 per season. Rio Tinto Stadium is surrounded by additional development facilities including hotels, a broadcast studio, housing, offices, and retail stores.

Funding for the \$117.5 million facility included both private and public sources. Real Salt Lake contributed roughly \$72.5 million, which mostly went toward construction costs. Ten percent of the team's contribution was used for the construction of soccer fields surrounding the complex. The State of Utah approved \$35 million in funding, is being repaid via a transient room tax. The State's contribution was used for land and infrastructure such as roads, sidewalks and sewer lines. Sandy City committed to \$10 million towards the project through the use of redevelopment agency funds, which were used for project-related costs, including land, infrastructure and parking. There was no increase in city taxes to help fund Sandy's portion.

## V. Comparable Facilities

### Toyota Park



Location:	Bridgeview, IL
Year Opened:	2006
Seating Capacity:	20,000 seats
Suites:	42
Club Seats:	1,100
Owner:	Village of Bridgeview
Operator:	AEG
Cost:	\$98 million
Financing:	0% private 100% public

Toyota Park, home to the Chicago Fire, opened in 2006 and has a seating capacity of 20,000. The \$98 million, 60-acre complex is located in the Chicago suburb of Bridgeview, Illinois. Toyota Park was 100% publicly funded, under the condition that earmarked stadium revenues are sufficient to pay debt service. The original price tag of \$70 million was increased due to increased steel costs and the desire to accommodate expanded parking facilities and a permanent concert stage. The site houses the Fire's offices as well as a training center.

The stadium has 20,000 permanent seats with the capability to expand to 30,000 seats, a capacity made possible by the use of portable seating on the field. The stadium also includes 42 luxury suites which sold at an average price of \$45,000 in 2011. The stadium also offers 1,100 club seats sold at an average price of \$1,200 per season. Other stadium features include a soccer pub, food courts, retail displays, a media center, training rooms, four locker rooms and meeting rooms.

Bridgeview owns the stadium with the Fire serving as a tenant and paying rent in the amount of \$300,000 a year which it pays from revenues received via advertising and naming rights agreements. The Fire shares ticket, concession, parking and luxury suite revenue with Bridgeview. In 2006, Toyota agreed to a 10-year naming rights agreement with the Village of Bridgeview and the name was changed from Bridgeview Stadium to Toyota Park.

The stadium attracts the local community which is home to roughly 6 million people of Latino or European descent. In 2011, the stadium recorded an average attendance of 14,273 spectators per game, or roughly 71 percent of its capacity.

## **VI. Estimated Demand**

The purpose of this section is to summarize the market potential for the proposed MLS team and soccer stadium. The estimated potential event mix and attendance levels for the proposed soccer stadium presented in this section are based on the results of an analysis of comparable facilities, the number and types of competing facilities in the local and regional marketplace, the demographic and socioeconomic characteristics of the local marketplace and discussions with potential facility users. The results of potential user surveys and resulting potential demand for the proposed MLS team and soccer stadium are presented in the following sections:

- Stadium utilization;
- Field utilization; and,
- Summary

### **Stadium Utilization**

The proposed home for an MLS team in Elk Grove is envisioned to be an 18,500-seat soccer specific stadium. It is anticipated that the stadium will serve as the home of an Elk Grove MLS team and a variety of other events including international soccer matches, concerts, and possible high school football/soccer matches and championship games.

In order to assess potential demand for the proposed stadium, the physical and operational characteristics of comparable stadiums were analyzed to determine the number and types of events typically held at soccer-specific stadiums. Characteristics of existing sports and entertainment facilities in the Elk Grove market were considered to determine the level of competition a new stadium could face in attracting events and fan spending. Finally, interviews were conducted with a variety of potential stadium users. Organizations interviewed regarding potential stadium usage included, but were not limited to:

- New or relocated MLS Franchise in Elk Grove/Sacramento;
- Concert and show promoters;
- Sacramento State University;
- Big Sky Conference (BSC);
- National Collegiate Athletic Association (NCAA);
- National Association of Intercollegiate Athletics (NAIA); and
- California Youth Soccer Association (CYSA)

## VI. Estimated Demand

### *MLS Team in Elk Grove*

It is expected that the proposed soccer stadium would become the new home of an MLS franchise in Elk Grove using “Sacramento” in its team name. The addition of an MLS franchise in Elk Grove would bring the League’s total number of teams to 20. The MLS’s Eastern Conference currently has ten franchises compared the Western Conference’s nine, so the addition of a Western Conference Team would even the totals between the Conferences.

The MLS has recently pursued efforts to expand the size of its league. As this report mentions previously, several new stadiums have been constructed in an effort by the league and its franchises to increase the reach and popularity of the sport. The MLS has been steadily expanding over the course of the last seven years, with ten new teams being introduced to the league during that time. Of the ten teams added to the league since 2005, five have played their home games in soccer-specific stadiums: Toronto FC, Portland Timbers, Real Salt Lake, Philadelphia Union, and Chivas USA. The chart below provides a breakdown of attendance figures for these five teams since their induction into the MLS.

**Soccer-Specific Venue Attendance - New MLS Teams**

<u>Team</u>	<u>Location</u>	<u>Facility</u>	<u>Year Opened</u>	<u>Seating Capacity</u>	<u>Average Attendance</u>	<u>Percent of Capacity</u>
Philadelphia	Philadelphia, PA	PPL Park	2010	18,500	18,756	101.4%
Toronto FC	Toronto, ONT	BMO Field	2007	21,800	20,263	92.9%
Portland Timbers <sup>(1)</sup>	Portland, OR	Jeld-Wen Field	2011	20,323	18,827	92.6%
Real Salt Lake	Salt Lake City, UT	Rio Tinto Stadium	2008	20,006	17,020	85.1%
Chivas USA <sup>(2)</sup>	Los Angeles, CA	Home Depot Center	2005	27,000	14,783	54.8%
<b>MEDIAN</b>			<b>2008</b>	<b>20,323</b>	<b>18,756</b>	<b>92.6%</b>
<b>AVERAGE</b>			<b>2008</b>	<b>21,526</b>	<b>17,930</b>	<b>85.4%</b>

(1) Portland entered the league in 2011 and played its home games at recently renovated Jeld-Wen Field

(2) Chivas USA Entered the league in 2005 and played its home games at the Home Depot Center, which was built in 2003

Source: CSL International research

As the chart above indicates, newly inducted teams that play in soccer-specific stadiums have performed very well since entering the league, filling nearly 93 percent of their stadiums on average. These numbers are skewed negatively by the performance of Chivas USA, which shares its L.A. market with arguably the MLS’s most successful franchise, the Los Angeles Galaxy, along with several other professional sports teams. On the other hand, the Philadelphia Union, which entered the league in 2010 and plays its home games at PPL Park, has sold out nearly all of its home games over the past two seasons, including standing room seats. In general, over the last seven years, teams in viable markets have been able to build stadiums with around 20,000 seats and fill over 90 percent of their seats.

## **VI. Estimated Demand**

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### *Concerts*

Generally, the busiest seasons for outdoor concerts are the summer and spring. According to promoters within the concert industry, artists prefer to book the majority of their shows in the summer months utilizing outdoor venues such as amphitheaters. This is because many artists and live-entertainment promoters feel there is an excess of competition during the autumn and winter months for the arena-touring circuit due to sporting events being held in conjunction at the arenas. The touring schedule is a major component to be considered when acts decide on what type of venue to book.

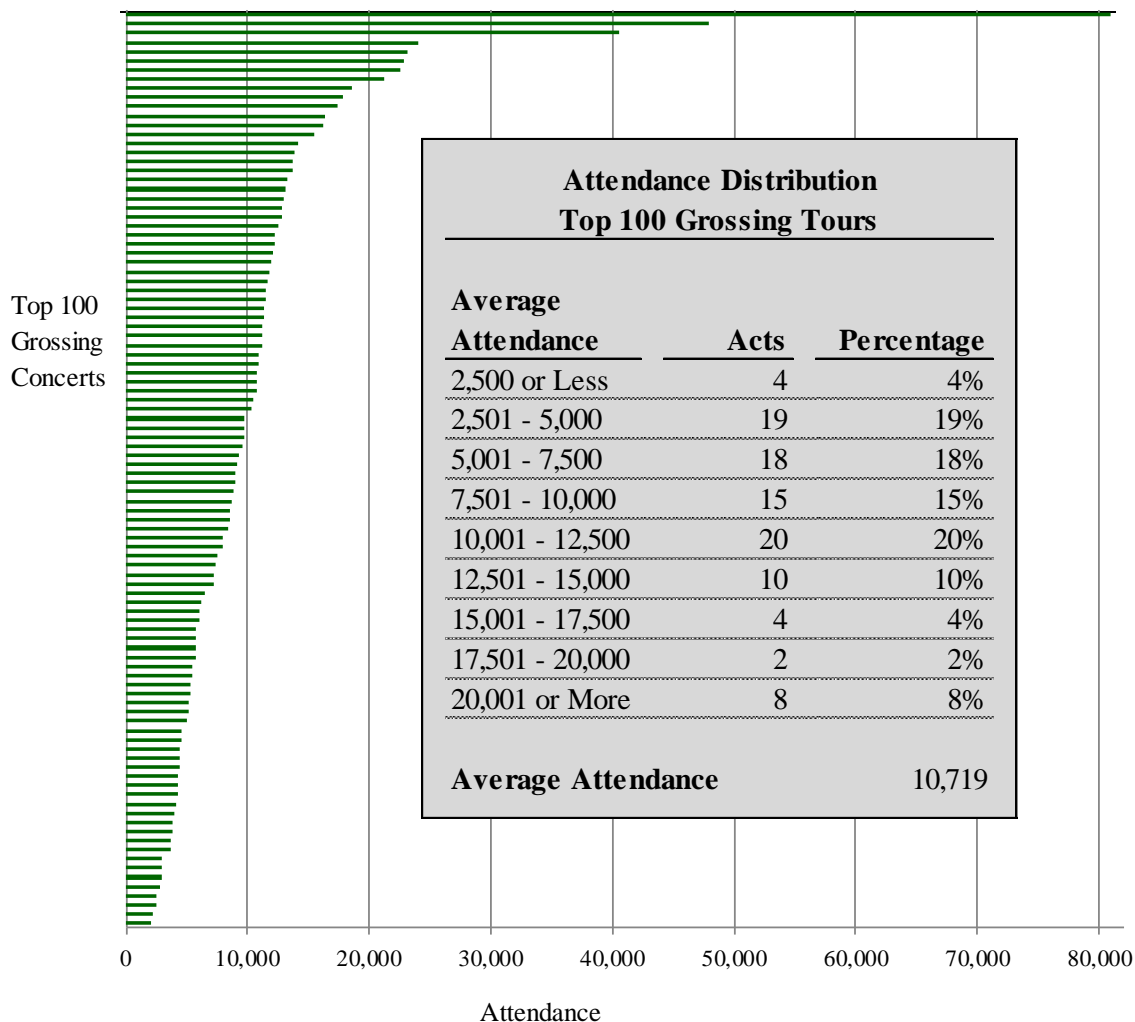
Many acts specify that they are primarily touring a spring/summer-circuit targeting outdoor venues and settings versus traveling on the arena-circuit. Tours often travel with stage equipment which can accommodate either venue, but there are certain artists who tour with the intention of only targeting outdoor venues, amphitheaters or mid-size theater and soccer stadiums.

Trends in the industry related to various venues available for acts to perform at have changed over the years. Due to the increasing level of venue development, artists and shows have a number of more options than in times past. Venues vary from mega-theaters, amphitheaters, arenas, to clubs and recently soccer stadiums are available.

The chart on the following page summarizes the average paid attendance distribution for the top 100 tours in 2011.

## VI. Estimated Demand

Average Attendance per Performance - Top 100 Paid Concert Tours (2011)



Source: Pollstar

As illustrated in the exhibit above, average attendance for the top 100 paid concert tours was 10,719. Approximately 56 percent of the top 100 tours recorded average paid attendance of 10,000 or less, while 30 percent of the top 100 tours drew average paid attendance in the range of 10,000 to 15,000. Approximately 14 percent of the top 100 tours recorded average paid attendance greater than 15,000.

The proposed soccer stadium will likely host several concerts each year. Many newer soccer-specific stadiums such as FC Dallas Park, PPL Park, Livestrong Sporting Park, and Dick’s Sporting Goods Park are equipped with a built-in stage for such events.

In order to analyze the impact of concerts at the proposed soccer stadium in Elk Grove, it is useful to examine the concert events at existing soccer-specific stadiums as well as in the local market.

## **VI. Estimated Demand**

### *Soccer-Specific Stadiums*

Soccer-specific stadiums have become popular concert destinations for acts requiring larger capacities than amphitheatres. Soccer-specific stadiums are able to accommodate 25,000 to 30,000 patrons while amphitheatres generally hold between 15,000 and 20,000. AEG, which built the soccer-specific Toyota Park in Bridgeview, Illinois, and also coordinates concerts at FC Dallas Stadium and The Home Depot Center, could be a potential concert promoter for the proposed soccer stadium in Elk Grove.

The Home Depot Center, a soccer-specific stadium with a built in stage for concerts, hosted two concerts in 2011 and has a concert capacity of 27,000. Under an agreement with the local community and CSD, The Home Depot Center is limited to holding a maximum of six concerts a year.

Crew Stadium, located in Columbus, Ohio, is another soccer-specific stadium that has the capability to host concerts, but did not have a built in stage until they added one in 2008. Although the stadium is primarily used for soccer events, it has had success by increasing the number of concerts hosted. In 2011, Crew Stadium hosted six concerts and averaged over 25,000 attendees per concert. Crew Stadium has an agreement in place with AEG to bring the Rock on the Range music festival to the facility every summer. The concert consists of roughly 20 headliner classic rock artists performing over a 3-day weekend.

Livestrong Sporting Park, which opened in 2011, hosts concerts with a seating capacity of up to 25,000. The park was designed with the hope of being a viable concert venue since its conception and has a state of the art stage with lighting built into one end of the stadium. In its first year of operation, Livestrong Sporting Park hosted three major concerts, including Farm Aid, which features ten headliner bands over the course of one day. Farm Aid is scheduled to take place at Livestrong Sporting Park in 2012 and beyond.

Toyota Park is located in Chicago and is another facility that features a concert-friendly design. The facility accommodates roughly 30,000 seats, with portable seating available if necessary. In 2011, Toyota Park hosted five major concerts events, including Chuckfest, a three-day music festival featuring rock and country bands accompanied by barbecue catering and beer exhibits.

FC Dallas Stadium, which opened in August, 2005, also includes a built in stage with a concert capacity of 27,000. FC Dallas Stadium hosted three major concerts in 2011.

## **VI. Estimated Demand**

### *Elk Grove Area Concert Venues*

The proposed soccer stadium in Elk Grove will compete for acts with other venues within Sacramento area. The primary concert venues in the area are the Power Balance Pavilion and Sleep Train Amphitheatre.

Sleep Train Amphitheater, which would provide the most direct competition for open air concerts, is located in Wheatland, California roughly 30 miles north of downtown Sacramento. The amphitheatre has a capacity of 18,500 and is owned by Live Nation, which also books the acts at the venue. In 2011, the amphitheatre hosted eleven major shows averaging about 13,000 attendees per show which is 70 percent of capacity.

Power Balance Pavilion, located five miles northwest of downtown Sacramento, is able to host events throughout the year and has a basketball capacity of 17,317. Seating can be configured to host concerts and other events that are capable of greater capacity with the use of floor seats and standing room only areas. In 2011, the arena hosted 31 concert events. Power Balance Pavilion currently enjoys a large portion of the concert market for the Sacramento area due to its lack of local competition, with the only sizeable concert venue in the area being Sleep Train Amphitheatre, which, as stated above, is actually 30 miles north of Sacramento.

The Elk Grove area features a few other venues that occasionally host concerts. Raley Field, located in West Sacramento, is the home of the Sacramento River Cats Triple-A baseball team. The venue also hosts concerts and shows, pulling in five major performances in 2011. Hornet Stadium, home of the Sacramento State Hornets football team, has hosted concerts in the past but is generally not regarded as a concert venue.

The proposed soccer stadium will likely host concerts during the spring and summer season, operating from May to October. Based on discussions with concert promoters and a review of local market and comparable facility concert activity, it is estimated that the stadium could host approximately eight concerts each year with an average attendance of 20,000.

### *Sacramento State University*

The Sacramento State University men's soccer team currently plays at Hornet Field in Sacramento, a 1,500-seat soccer stadium on campus. The team plays seven to nine home games a year and requires a scoreboard/visual timing device, grandstands, secure field for charging admissions and restroom facilities. Sacramento State is committed to playing their games either on-campus or as close to campus as possible.

Sacramento State currently operates as a member of the Big West Conference, which includes 8 other teams from across the State of California. The University of Hawaii is



## **VI. Estimated Demand**

expected to join in late-2012, bringing its total membership to ten teams. The teams currently play their divisional playoff games at the various schools, and select different locations for their conference championship games.

### *NCAA*

Representatives of the NCAA were contacted to discuss the possibility of bringing an NCAA soccer championship event to the proposed stadium. Among the key factors the NCAA analyzes in choosing an appropriate site for its championships include the presence of a facility with seating for 10,000 to 30,000 spectators, good weather, and strong local support for the event. The NCAA requires that a school serves as the host institution for the championships. The men's and women's college cups have been held at other MLS facilities such as Crew Stadium and The Home Depot Center.

### *NAIA*

Representatives of the National Association of Intercollegiate Athletics (NAIA) indicated that the proposed stadium could potentially host a men's or women's national soccer championship. While representatives indicated interest in the facility, concern was raised that an 18,500-seat facility may be too large for their needs. Normally, accommodation for 1,000 to 2,000 patrons is sufficient for a championship tournament. As such, the Association may prefer to hold the championship at one of the complex's ancillary fields, assuming adequate seating could be accommodated around the field.

### *California Youth Soccer Association (CYSA)*

Since its first year of inception in 1969, with membership numbers just topping 100,000, CYSA has grown to largest state youth soccer organization in the United States, counting nearly 200,000 members ages 5-19. CYSA comprises nine districts, with 128 registered leagues, tens of thousands of volunteers and administrators, plus over 24,000 coaches.

Representatives of the CYSA-Cal North were contacted to discuss the possibility of bringing various competitions, tournaments, and other events to the proposed MLS stadium complex. CYSA-Cal North sanctions over 100 annual tournaments, 4 major cup competitions, as well as an annual SoccerExpo. The Director of Marketing, Dan McCann, indicated that the association could greatly benefit from a new MLS stadium with adjoining fields, noting that "The ability to partner with a facility of this magnitude will provide Cal North the opportunity to bring large scale regional and national events to the area, while providing the local economy with additional tourism revenue."

Chairman of the Board, Dr. Pete Zopfi believed that, "Having a state-of the-art soccer stadium and field complex located in the soccer rich area of Elk Grove will benefit thousands of youth soccer players and their families throughout Cal North".

## **VI. Estimated Demand**

### Estimated Demand

The proposed MLS stadium could attract a significant number of attendees annually. The table below summarizes the estimated annual event activity and attendance that could be hosted at the proposed stadium.

### **Events and Fan Spending**

<u>Event Type</u>	<u>Annual Events</u>	<u>Average Attendance</u>	<u>Total Attendance</u>
MLS Games	18	15,000	270,000
Other Soccer Games	2	17,500	35,000
Concerts	8	17,500	140,000
Other Events	15	7,000	105,000
<b>TOTAL</b>	<b>43</b>		<b>550,000</b>

Overall, it is estimated that the proposed stadium could host approximately 43 events per year including MLS games, concerts, other soccer games and other non-soccer events such as football, lacrosse, motor sports, religious events and other such events. In total, it is estimated that the proposed stadium could attract 550,000 annual attendees, or approximately 13,000 per stadium event.

## **VII. Estimated Financial Operations**

The purpose of this section is to present estimated operating revenues and expenses associated with the proposed MLS team and soccer stadium. The assumptions used in this analysis are based on the results of the market analysis, industry trends, knowledge of the marketplace, historical operations of an MLS soccer specific stadium, and financial results from comparable MLS teams and soccer stadiums.

This presentation is designed to assist project representatives in estimating the financial attributes of the proposed MLS team and soccer stadium and cannot be considered to be a presentation of expected future results. Accordingly, this analysis may not be useful for any other purpose. The assumptions disclosed herein are not all inclusive, but are those deemed to be significant; however, there will be differences between estimated and actual results which may be material.

Key assumptions used to estimate the potential financial operations of the City's proposed MLS team and soccer stadium include, but are not limited to the following:

- Assumes an 18,500-seat multi-use stadium with a permanent concert stage will be completed by 2016.
- The proposed soccer stadium will be developed as a quality, state-of-the-art venue and would accommodate the needs of various users as well as meet MLS standards and will be located near the intersection of Kammerer Road and Highway 99.
- The yet-to-be-determined Elk Grove MLS team will serve as the primary tenants in the proposed soccer stadium.
- The soccer stadium will be owned by a public sector entity and will be exempted from paying property taxes.
- The Elk Grove MLS team will operate the stadium and will retain all revenues and pay all operating expenses, subject to MLS or third-party event revenue sharing.
- The Elk Grove region will generate ticket, concessions, novelty, and advertising/sponsorship levels that are generally consistent with other MLS franchises with new stadiums in similar market sizes.
- Ample parking will be available to accommodate demand (on-site or off-site within walking distance).

The table on the following page presents the estimated operating revenues and expenses associated with the proposed MLS team and soccer stadium during the first five years of operations.

**VII. Estimated Financial Operations****Estimated Operating Revenues and Expenses  
City of Elk Grove Proposed MLS Team and Stadium**

	2016	2017	2018	2019	2020
<b>Revenues</b>					
<i>Team/Stadium</i>					
Ticket Sales	\$4,410,000	\$4,542,000	\$4,679,000	\$4,819,000	\$4,963,000
Luxury Suites	307,000	316,000	326,000	336,000	346,000
Club Seats	785,000	809,000	833,000	858,000	884,000
Naming Rights	1,063,000	1,094,000	1,127,000	1,161,000	1,196,000
Stadium Sponsorships	2,125,000	2,189,000	2,254,000	2,322,000	2,392,000
Food & Beverage	1,164,000	1,199,000	1,234,000	1,271,000	1,310,000
Merchandise	132,000	136,000	140,000	144,000	148,000
Parking	666,000	745,000	767,000	790,000	814,000
Sponsorships (incl. jersey)	2,500,000	2,575,000	2,652,000	2,732,000	2,814,000
Ticketing Rebates	0	0	0	0	0
Broadcasting	75,000	77,000	80,000	82,000	84,000
<b>Total Team/Stadium</b>	<b>13,227,000</b>	<b>13,682,000</b>	<b>14,092,000</b>	<b>14,515,000</b>	<b>14,951,000</b>
<i>Non-Tenant Events</i>					
Stadium Rent	1,418,000	1,460,000	1,504,000	1,549,000	1,595,000
Food & Beverage	1,474,000	1,509,000	1,554,000	1,601,000	1,649,000
Merchandise	403,000	415,000	427,000	440,000	453,000
Parking	998,000	1,024,000	1,054,000	1,086,000	1,118,000
Ticketing Rebates	798,000	822,000	847,000	872,000	898,000
<b>Total Non-Tenant Events</b>	<b>5,091,000</b>	<b>5,230,000</b>	<b>5,386,000</b>	<b>5,548,000</b>	<b>5,713,000</b>
<b>Total Revenues</b>	<b>18,318,000</b>	<b>18,912,000</b>	<b>19,478,000</b>	<b>20,063,000</b>	<b>20,664,000</b>
<b>Expenses</b>					
<i>Team Expenses</i>					
Team Operations	1,250,000	1,288,000	1,326,000	1,366,000	1,407,000
Designated Player Expense	0	0	0	0	0
Corporate Sales	650,000	670,000	690,000	710,000	732,000
Advertising	750,000	773,000	796,000	820,000	844,000
Broadcasting	250,000	258,000	265,000	273,000	281,000
Ticket Sales	600,000	618,000	637,000	656,000	675,000
Community Relations	100,000	103,000	106,000	109,000	113,000
Ticket Services	300,000	309,000	318,000	328,000	338,000
General Admin	1,000,000	1,030,000	1,061,000	1,093,000	1,126,000
League Subsidy	1,500,000	1,545,000	1,591,000	1,639,000	1,688,000
<b>Total Expenses - Team</b>	<b>6,400,000</b>	<b>6,594,000</b>	<b>6,790,000</b>	<b>6,994,000</b>	<b>7,204,000</b>
<i>Stadium Expenses</i>					
General & Administrative	1,350,000	1,391,000	1,432,000	1,475,000	1,519,000
Operations	865,000	891,000	918,000	945,000	974,000
Utilities	800,000	824,000	849,000	874,000	900,000
Insurance - Property	135,000	139,000	143,000	148,000	152,000
Insurance - Other	165,000	170,000	175,000	180,000	186,000
Sales & Marketing	275,000	283,000	292,000	300,000	310,000
Client Services	220,000	227,000	233,000	240,000	248,000
Ticketing	200,000	206,000	212,000	219,000	225,000
Event Services	125,000	129,000	133,000	137,000	141,000
Event Expenses	1,170,000	1,205,000	1,241,000	1,278,000	1,317,000
Taxes	50,000	52,000	53,000	55,000	56,000
Other	55,000	57,000	58,000	60,000	62,000
<b>Total Expenses - Stadium</b>	<b>5,410,000</b>	<b>5,574,000</b>	<b>5,739,000</b>	<b>5,911,000</b>	<b>6,090,000</b>
<b>Total Expenses</b>	<b>11,810,000</b>	<b>12,168,000</b>	<b>12,529,000</b>	<b>12,905,000</b>	<b>13,294,000</b>
<b>Net Income from Operations</b>	<b>\$6,508,000</b>	<b>\$6,744,000</b>	<b>\$6,949,000</b>	<b>\$7,158,000</b>	<b>\$7,370,000</b>

## **VII. Estimated Financial Operations**

The combined revenues generated by the proposed MLS team and soccer stadium are estimated to be approximately \$18.3 million in 2016 dollars, increasing to \$20.7 million within five years. Combined operating expenses of the team and stadium are estimated to approximate \$11.8 million in 2016 dollars, increasing to \$13.3 million within five years.

Overall, the combined operations of the Elk Grove MLS team and the proposed soccer stadium are estimated to generate a net operating income before franchise or stadium debt of approximately \$6.5 million in 2016, representing an approximate 35 percent operating margin. Net operating income is estimated to increase slightly to \$7.4 million within five years.

The remainder of this section presents detailed assumptions underlying the financial analysis in the following components:

- Revenues:
  - MLS Team
  - Soccer Stadium
  
- Expenses:
  - MLS Team
  - Soccer Stadium

### **Revenues**

The proposed Elk Grove MLS team and the soccer stadium will derive operating revenues through a variety of sources including ticket sales, rent, sponsorships/advertising, naming rights, premium seating, concessions, catering, merchandise, and parking, among other sources. For purposes of this analysis, the revenues have been allocated among two different areas (team and stadium) in a manner consistent with other similar MLS soccer developments. This section summarizes the estimates for each potential revenue source for each of the entities.

#### **Elk Grove MLS Team Revenue**

For purposes of this analysis, The Team revenues are estimated to be generated from ticket sales, concessions, catering, merchandise, parking, sponsorships and broadcasting.

**VII. Estimated Financial Operations**Ticket Sales

Ticket revenue is typically one of the largest revenue sources for an MLS team. The table below depicts the net ticket revenue estimated to be generated to the Elk Grove MLS team in 2016 assuming a stabilized year of operations.

**Ticket Sales  
Elk Grove MLS**

	Elk Grove MLS
Events	18
Average Paid Attendance	15,000
Total Annual Paid Attendance	270,000
Weighted Average Ticket Price	\$24.50
Gross Ticket Sales	\$6,615,000
MLS Share	33.3%
Net Ticket Sales	\$4,410,221
Elk Grove MLS Share of Net Ticket Sales	100.0%
Elk Grove MLS Revenue	\$4,410,221

As shown in the exhibit, it has been estimated that the team could generate approximately \$4.4 million in net ticket sales, assuming an average of 18 games (regular season), 15,000 average paid attendees per game and a \$24.50 weighted average ticket price. Net ticket sales presented herein factor in a 33 percent allocation of gross ticket sales to MLS.

Based on discussions with current MLS teams, it may be an option to have parking charges incorporated into the ticket price in order to streamline parking ingress on game days and minimize staffing and operations cost of parking lots during game days. For purposes of this report, parking charges have been calculated separately from ticket sales.

## VII. Estimated Financial Operations

### Concessions

Concessions revenue consists of food and beverage sales during the MLS games to the general admission seating areas on the public concourse, but excludes the high-end food and beverage service in premium seating areas of the stadium. The chart below summarizes the net concessions revenue estimated to be generated to the Elk Grove MLS team in 2016 assuming a stabilized year of operations.

### Concession Revenue Elk Grove MLS

	Elk Grove MLS
Events	18
Average Non-Premium Turnstile Attendance <sup>(1)</sup>	13,808
Total Annual Non-Premium Attendance	248,544
Concession Spending Per Attendee	\$12.00
Gross Concession Revenue	\$2,982,528
Profit Margin	38.0%
Net Concession Revenue	\$1,133,361
Team/Stadium Share	100.0%
Team/Stadium Concession Revenue	\$1,133,361

(1) Excludes club seat and suite patron attendees.

As depicted above, it has been estimated that the Elk Grove MLS team could generate approximately \$1.1 million in net concession revenue, assuming a \$12.00 average spending per attendee, a 38 percent profit margin. The team and stadium will share 100 percent of net concessions revenues from the MLS games.

### Catering

Catering revenue consists of food and beverage sales during the MLS games to areas restricted to suite holders and club seat holders. The food and beverage service in these areas is often more high-end than general stadium concessions. The table on the following page summarizes the net catering revenue estimated to be generated to the MLS team in 2016 assuming a stabilized year of operations.

## VII. Estimated Financial Operations

### Catering Revenue Elk Grove MLS

	Elk Grove MLS		
	Club Seats	Private Suites	Total
Events	18	18	18
Average Premium Turnstile Attendance	1,000	192	1,192
Total Annual Premium Attendance	18,000	3,456	21,456
Catering Spending Per Attendee	\$0.00	\$35.00	\$5.64 <sup>(1)</sup>
Gross Catering Revenue	\$0	\$120,960	\$120,960
Profit Margin	25.0%	25.0%	25.0%
Net Catering Revenue	\$0	\$30,240	\$30,240
Team/Stadium Share	100.0%	100.0%	100.0%
Team/Stadium Catering Revenue	\$0	\$30,240	\$30,240

(1) It is assumed that catering spending for club seat holders is included in their annual seat cost.

As shown above, the Elk Grove MLS team is estimated to generate approximately \$30,240 in net suite catering revenue, assuming a weighted average of \$35.00 in spending per attendee, with an average 25.0 percent profit margin. The team and stadium will share 100% of net catering revenues for the MLS games. It has also been anticipated that the club seats will include a portion of their ticket revenue to purchase catering at cost for their attendees and will not add to the catering revenues.

### Merchandise

Merchandise sales revenue consists of t-shirts, caps, balls, souvenirs, programs and other miscellaneous items that are sold during the Elk Grove MLS team games. The chart on the following page summarizes the net merchandise revenue estimated to be generated to the Elk Grove MLS team.



## VII. Estimated Financial Operations

### Merchandise Revenue Elk Grove MLS

	Elk Grove MLS
Events	18
Average Turnstile Attendance <sup>(1)</sup>	15,000
Total Annual Attendance	270,000
Merchandise Spending Per Capita	\$3.25
Gross Merchandise Revenue	\$877,500
Profit Margin	15.0%
Net Merchandise Revenue	\$131,625
Stadium Share	0.0%
Team Share	100.0%
Stadium Merchandise Revenue	\$0
Team Merchandise Revenue	\$131,625

(1) Includes both general admission and premium seating attendance.

The Elk Grove MLS team is estimated to generate approximately \$131,625 in net merchandise sales, assuming an average of 18 games (regular season), 15,000 average turnstile attendees per game and an average of \$3.25 in merchandise spending per attendee. Average operating margins associated with sports merchandise sales is approximately 15 percent. It is assumed the team would retain all net merchandise revenues sold during their games.

#### Parking

The table on the following page presents the estimated net annual parking revenue that could be generated by the Elk Grove MLS team for the MLS games.

## VII. Estimated Financial Operations

### Parking Revenue Elk Grove MLS

	Elk Grove MLS
Events	18
Average G.A. Turnstile Attendance (1)	13,808
Average Attendees per Car	2.8
Estimated Parking Demand per Event	4,931
Annual Parking Demand	88,766
Average Parking Charge per Car	\$10.00
Gross Parking Revenue	\$887,657
Operating Margin	75.0%
Net Parking Revenue	\$665,743
Stadium Share	100.0%
Stadium Revenue	\$665,743

(1) Excludes suite and club seating patrons. It is assumed that parking passes are provided in their annual seat cost.

Net annual parking revenue generated to the Elk Grove MLS team is estimated to be approximately \$665,743. For purposes of this analysis, it is assumed that one parking pass will be included, at no charge, for every four suite seats sold. The average parking charge for the remaining parking spaces to be sold to the general public is estimated to be \$10.00 per car. The profit margin for parking operations is estimated to be 75 percent of gross parking revenue. The profit margin allocation reflects the cost of labor, materials and supplies to operate the parking lots.

Parking demand is based on an assumption of an average of 2.8 people per car and that sufficient parking is available, under operating control of the stadium, to meet parking demand.

#### Sponsorships

MLS teams operating in new soccer-specific stadiums have realized substantial increases in sponsorship and advertising sales. Typically, the permanent and temporary signs generate the largest amount of advertising revenue, while other revenue is generated from entrance sponsorships, in-game promotions, scoreboard signage and electronic messages.

One such sponsorship opportunity that has arisen in recent years is a jersey sponsorship. Most MLS teams have capitalized on jersey sponsorships in order to generate additional

**VII. Estimated Financial Operations**

team revenue. Currently the MLS features 19 teams, 14 of which have revenue-generating jersey sponsorships. The teams that currently do not feature a jersey sponsorship deal are the Colorado Rapids, FC Dallas, New England Revolution, Sporting Kansas City, and The New York Red Bulls use Red Bull as their official jersey sponsor, but they do not generate revenue from the sponsorship since the team is owned by Red Bull.

The chart below provides a list of the teams currently with jersey sponsorships and the annual values of their deals.

**MLS Jersey Sponsorships**

<b>Team</b>	<b>Annual Revenue</b>
L.A. Galaxy	\$4,500,000
Montreal Impact	\$4,000,000
Seattle Sounders	\$4,000,000
Toronto FC	\$4,000,000
Philadelphia Union	\$3,000,000
DC United	\$2,800,000
Chicago Fire	\$2,600,000
San Jose Earthquakes	\$2,500,000
Vancouver Whitecaps	\$2,200,000
Chivas USA	\$2,000,000
Houston Dynamo	\$1,900,000
Portland Timbers	\$1,900,000
Real Salt Lake	\$1,000,000
Columbus Crew	\$800,000
<b>AVERAGE</b>	<b>\$2,657,143</b>

As the chart above indicates, sponsorship deals in the MLS range from \$800,000 for the Columbus Crew to \$4.5 million for the L.A. Galaxy, averaging roughly \$2.7 million in annual jersey sponsorship revenues.

Based on a review of sponsorship levels achieved by other MLS teams and the market characteristics of the Elk Grove marketplace, it is estimated that the Elk Grove MLS team and stadium could generate \$3.75 million in gross sponsorship revenue. Sponsorship fulfillment costs are estimated to account for 5 percent of gross sponsorships sales and includes the cost to service the sponsorship and the value of various inventory included in the package that could include, but is not limited to tickets and/or premium seating and other such benefits. As a result, net annual sponsorship revenues generated by the Elk Grove MLS team are estimated to be approximately \$3.5 million.

## VII. Estimated Financial Operations

### Broadcast

MLS teams can generate revenue from broadcasting their games locally via television or radio. Nationally televised games are subject to a league agreement and retained by MLS. According to MLS representatives, the revenue generated from local broadcasting is substantially offset by the cost incurred to broadcast away games. Based on discussions with MLS representatives, it has been assumed that net broadcasting revenues of \$75,000 would be generated by the Elk Grove MLS Team.

### Soccer Stadium Revenues

For purposes of this analysis, stadium revenues are estimated to be generated from rent, private suite premiums, club seat premiums, non MLS game concessions, catering, merchandise, parking, founding partners (sponsorships) and naming rights.

### Rental Income

It is anticipated that the proposed stadium would host a variety of events. Based on the results of the market analysis, it is estimated that 43 events could be hosted at the stadium including events such as MLS team games, concerts, international soccer games, and other soccer and non-soccer events such as football games, lacrosse games, motocross, special religious services, and other such events. The graphic below summarizes the annual rental income estimated to be generated to the proposed stadium

#### **Rental Income Proposed Soccer Stadium**

	Elk Grove MLS	Concerts	International Soccer	Other Events	Total
Events	18	8	2	15	43
Average Paid Attendance	15,000	17,500	17,500	7,000	12,791
Total Annual Paid Attendance	270,000	140,000	35,000	105,000	550,000
Weighted Average Ticket Price	\$24.50	\$50.00	\$25.00	\$15.00	\$29.21
Gross Ticket Sales	\$6,615,000	\$7,000,000	\$875,000	\$1,575,000	\$16,065,000
Stadium Share of Net Ticket Sales	0.00%	15.00%	15.00%	15.00%	0.0%
Stadium Rental Income	\$0	\$1,050,000	\$131,250	\$236,250	\$1,417,500

Note: The stadium share of net ticket sales for the MLS Team is 0 percent of the net amount after a 33 percent allocation to MLS and the remaining amount allocated to the team.

## VII. Estimated Financial Operations

It is estimated the proposed stadium could generate approximately \$1.4 million in rental income in 2016. Rental assumptions are based on a review of historical rental structures at comparable facilities and local competitive facilities. For purposes of this study, stadium rental rates were estimated as a percentage of ticket sales and are estimated to be 15.0 percent for concerts, international soccer and other events. It should be noted that the Elk Grove MLS team ticket revenue was accounted for in the team's revenue and not shared with the stadium in the model.

### Luxury Suite and Club Seat Premiums

Preliminary stadium planning indicates that the proposed stadium will have 1,288 premium seats, consisting of 288 luxury suites seats (18 suites at 16 seats each) and 1,000 club seats. The chart below presents the estimated luxury suite and club seat premiums estimated to be generated to the proposed stadium based on a review of premium seating programs at other MLS stadiums in the context of local market demographic and socioeconomic characteristics.

#### **Luxury Suite and Club Seat Premiums Proposed Soccer Stadium**

	Luxury Suites	Club Seats
Inventory	18	1,000
Number Sold	12	1,000
Average Annual Price	\$40,000	\$2,000
Less: MLS Ticket Revenue	(\$14,400)	(\$900)
Less: Food and Beverage Cost	\$0	(\$315)
Premium per Unit	\$25,600	\$785
Estimated Annual Premium Revenue	\$307,200	\$785,000

Note: Luxury suites are assumed to have 16 seats in each suite.

As depicted above, it is estimated that a new stadium could generate approximately \$307,200 in luxury suite premiums and \$785,000 in club seat premiums.

For purposes of this analysis, it is estimated that the average suite price will be \$40,000 per suite per season, and will include tickets to all MLS team home games. It has been assumed that each of the suites will include 16 seats. The ticket revenue from these ticket sales are included in the ticket revenue estimates presented earlier and have been deducted from the suite price to arrive at the net premium revenue. Based on the

## VII. Estimated Financial Operations

estimated ticket prices detailed previously, the resulting net private suite premium is estimated to approximate \$25,600 per suite.

As with private suites, the ticket value for club seating has been included in ticket revenue, while the premium charged for club seats are reflected as additional revenue to the stadium. It has been assumed that club seats will be priced at \$2,000 per season. Club seat prices would result in a net premium of \$785 per seat after the deduction for the value of tickets and built-in food and beverage credits.

### Concessions

Concessions revenue consists of food and beverage sales to the general admission seating areas on the public concourse, but excludes the high-end food and beverage service in premium seating areas of the stadium. The table on the following presents the estimated concession revenue that could be generated at the proposed soccer stadium.

#### Concessions Revenue Proposed Soccer Stadium

	Concerts	International Soccer	Other Events	Total
Events	8	2	15	25
Average General Admission Turnstile Attendance <sup>(1)</sup>	17,308	17,308	7,000	11,123
Total Annual General Admission Attendance	138,464	34,616	105,000	278,080
Concession Spending Per Capita	\$18.00	\$12.00	\$7.50	\$13.29
Gross Concessions Revenue	\$2,492,352	\$415,392	\$787,500	\$3,695,244
Profit Margin	42.0%	38.0%	30.0%	39.0%
Net Concessions Revenue	\$1,046,788	\$157,849	\$236,250	\$1,440,887
Stadium Share	100.0%	100.0%	100.0%	100.0%
Stadium Concessions Revenue, net	\$1,046,788	\$157,849	\$236,250	\$1,440,887

(1) Excludes suite and club seating.

As depicted above, the stadium is estimated to generate approximately \$1.4 million in net annual concession from non-tenant events. It is assumed that the stadium would retain 100 percent of net concession revenue, after allocation for a profit margin of 39.0 percent. The profit margin allocation reflects the cost of product, labor and profit for a third-party private concessionaire to operate the food and beverage service.

Based on a review of per capita concessions spending levels at other soccer-specific stadiums and other sports facilities throughout the country, it is estimated that per capita concessions spending could range from \$3.50 to \$20.00, depending on the type of event.

## VII. Estimated Financial Operations

### Catering

Catering revenue consists of food and beverage sales at the stadium to areas restricted to suite holders and club seat holders. The food and beverage service in these areas is often more high-end than general stadium concessions. The graphic below presents the estimated catering revenue that could be generated at a new stadium for all non-tenant events. It should also be noted that the club seat portion of catering was not included, as those seats may be sold as general seats to non-tenant events at the stadium.

#### Catering Revenue Proposed Soccer Stadium

	Concerts	International Soccer	Other Events	Total
<b>Suite Catering:</b>				
Events	8	2	15	25
Average Suite Turnstile Attendance	192	192	96	134
Total Annual Suite Attendance	1,536	384	1,440	3,360
Suite Catering Spending Per Attendee	\$45.00	\$35.00	\$20.00	\$33.14
Gross Suite Catering Revenue	\$69,120	\$13,440	\$28,800	\$111,360
Profit Margin	30.0%	25.0%	30.0%	29.4%
Net Suite Catering Revenue	\$20,736	\$3,360	\$8,640	\$32,736
Stadium Share	100.0%	100.0%	100.0%	100.0%
<b>Stadium Suite Catering Revenue</b>	<b>\$20,736</b>	<b>\$3,360</b>	<b>\$8,640</b>	<b>\$32,736</b>

Suite annual catering revenue generated to the stadium is estimated to be approximately \$32,736. It is assumed that the stadium would retain 100 percent of net catering revenue after allocation for a profit margin of 29.4 percent. The profit margin allocation reflects the cost of product, labor and profit for a third-party private caterer.

Based on a review of per capita catering spending levels at other soccer-specific stadiums and other sports facilities throughout the country, it is estimated that per capita catering spending range would approximate \$33.00 for suite patrons.

### Merchandise

Merchandise sales revenue consists of T-shirts, caps, souvenirs, programs and other miscellaneous items that are sold during events hosted at the proposed soccer stadium. The graphic on the following page presents the estimated net annual merchandise revenue that could be generated to the proposed soccer stadium.

## VII. Estimated Financial Operations

### Merchandise Revenue Proposed Soccer Stadium

	Concerts	International Soccer	Other Events	Total
Events	8	2	15	43
Average Turnstile Attendance (1)	17,500	17,500	7,096	12,824
Total Annual Attendance	140,000	35,000	106,440	551,440
Merchandise Spending Per Capita	\$12.00	\$3.50	\$2.00	\$5.25
Gross Merchandise Revenue	\$1,680,000	\$122,500	\$212,880	\$2,892,880
Profit Margin	20.0%	20.0%	20.0%	18.5%
Net Merchandise Revenue	\$336,000	\$24,500	\$42,576	\$534,701
Stadium Share	100.0%	100.0%	100.0%	75.4%
Stadium Merchandise Revenue	\$336,000	\$24,500	\$42,576	\$403,076

(1) Includes both general admission and premium seating attendance.

Net annual merchandise revenue for non-tenant events generated for the new stadium is estimated to be approximately \$403,000. It is assumed the Elk Grove MLS team would retain all net merchandise revenue associated with their events, but the stadium would retain all net merchandise revenue generated from concerts, international soccer, and other events. The profit margin for merchandise sales is estimated to be 18.5 percent of gross merchandise sales. The profit margin allocation reflects the cost of product, labor to operate merchandise stands, and revenues shared with event promoters.

Based on a review of per capita merchandise spending levels at other soccer-specific stadiums and other sports facilities throughout the country, it is estimated that per capita merchandise spending would range approximate \$1.00 to \$15.00 per person, depending on the type of event.

#### Parking

Parking can represent a significant revenue source for stadium operations. The exhibit on the following page presents the estimated net annual parking revenue that could be generated at the proposed soccer stadium.



## VII. Estimated Financial Operations

### Parking Revenue Proposed Soccer Stadium

	Elk Grove MLS	Concerts	International Soccer	Other Events	Total
Events	18	8	2	15	43
Average G.A. Turnstile Attendance <sup>(1)</sup>	13,808	17,308	17,308	7,000	12,247
Average Attendees per Car	2.8	2.8	2.8	2.8	2.8
Estimated Parking Demand per Event	4,931	6,181	6,181	2,500	4,374
Annual Parking Demand	88,766	49,451	12,363	37,500	188,080
Average Parking Charge per Car	\$10.00	\$15.00	\$10.00	\$12.00	\$11.71
Gross Parking Revenue	\$887,657	\$741,771	\$123,629	\$450,000	\$2,203,057
Operating Margin	75.0%	75.0%	75.0%	75.0%	75.0%
Net Parking Revenue	\$665,743	\$556,329	\$92,721	\$337,500	\$1,652,293
Stadium Share	100.0%	100.0%	100.0%	100.0%	100.0%
Stadium Parking Revenue	\$665,743	\$556,329	\$92,721	\$337,500	\$1,652,293

(1) Excludes suite and club seating patrons. It is assumed that parking passes are provided in their annual seat cost.

Net annual parking revenue generated at the proposed soccer stadium is estimated to be approximately \$1.7 million. For purposes of this analysis, it is assumed that one parking pass will be included, at no charge, for every four suite seats sold. The average parking charge for the remaining parking spaces to be sold to the general public is estimated to be \$11.71 per car. The profit margin for parking operations is estimated to be 75.0 percent of gross parking revenue. The profit margin allocation reflects the cost of labor, materials and supplies to operate the parking lots.

Parking demand is based on an assumption of an average of 2.8 people per car and that sufficient parking is available, under operating control of the stadium, to meet parking demand.

### Naming Rights

Recently, many facilities have been able to generate significant revenues from the selling the stadium naming rights. The revenue generated through naming rights can be in the form of up-front payments or annual cash flow. Typically, a corporation will pay the facility an agreed-upon amount for a specified period of time to name the facility after the company. In exchange for the naming rights fee, the company typically receives in-stadium advertising, access to preferential seating amenities, and other intangible benefits from having the “high-profile” facility named after the company.

## VII. Estimated Financial Operations

The chart below provides a breakdown of the naming rights deals currently in place across the MLS.

### MLS Naming Rights Deals

Facility	Team	Year Opened	Annual Value (\$ millions)	Term Length (years)	Total Value (\$ millions)	Agreement Expiration Year
Toyota Park	Chicago Fire	2006	\$1.00	10	\$10.0	2015
The Home Depot Center	Chivas USA/LA Galaxy	2003	\$7.00	10	\$70.0	2012
Dick's Sporting Goods Park	Colorado Rapids	2007	\$2.00	20	\$40.0	2027
Crew Stadium <sup>(1)</sup>	Columbus Crew	1998	-	-	-	-
Red Bull Park <sup>(1)</sup>	NY Red Bulls	2008	-	-	-	-
BBVA Compass Stadium	Houston Dynamo	2012	\$2.00	10	\$20.0	2022
Pizza Hut Park <sup>(2)</sup>	FC Dallas	2005	\$1.25	20	\$25.0	2025
PPL Park	Philadelphia Union	2010	\$2.00	10	\$20.0	2020
Jeld-Wen Field <sup>(3)</sup>	Portland Timbers	2011	-	-	-	-
Rio Tinto Stadium	Real Salt Lake	2008	\$2.00	10	\$20.0	2018
Livestrong Sporting Park <sup>(4)</sup>	Sporting Kansas City	2011	-	-	-	-
BMO Stadium	Toronto FC	2007	\$2.70	10	\$27.0	2022
<b>Averages</b>			<b>\$2.49</b>	<b>13</b>	<b>\$29.0</b>	<b>2020</b>

(1) The Columbus Crew and New York Red Bulls do not have naming rights deals

(2) FC Dallas's 20-year naming rights deal was terminated prior to the 2012 MLS season

(3) The Portland Timbers and Jeld-Wen have not disclosed the value of their agreement

(4) Sporting Kansas City donated its naming rights to Livestrong and agreed to donate a minimum of \$7.5 million over 6 years

As the chart above shows, nearly every soccer-specific stadium has a naming rights deal in place. Deals in place currently average a term length of 13 years with an annual value of roughly \$2.5 million, and \$1.85 million when outlier (LA Galaxy) is omitted. All but three of the deals listed above expire sometime after 2020. An upward trend in naming rights value can be seen in many of the more recent deals and is a product of the growing popularity of MLS.

Based on a review of these naming rights deals and other naming rights deals for other sports facilities and local market characteristics, it is estimated that gross naming rights revenue could approximate \$1.25 million annually. It is estimated that approximately 15 percent of the gross value could be attributed to fulfillment costs, resulting in net naming rights proceeds of approximately \$1 million per year.

### Operating Expenses

The Elk Grove MLS team and the proposed soccer stadium operating expense estimates are based on historical and projected operating results from a combination of MLS clubs, as well as from discussions with MLS representatives who are familiar with the operations of MLS teams and new soccer-specific stadiums.

## VII. Estimated Financial Operations

### Elk Grove MLS Teams' Expenses

Team expenses consist of expenditures related to the operation of the MLS team, including team operations, corporate sales, advertising, ticket sales, community relations, ticket services, general and administrative, event day expenses and a league subsidy. Team Operations consists of all expenses associated with travel, lodging, meals and per diem, and other general expenses. While, General Admin is comprised of expenses related to the front office; full-time employee salaries and benefits, office expenses, and other day-to-day expenses associated with running a business. Generally, player salaries are not an expense of the local investor-operator, but rather a league expense. However, MLS has recently approved a Designated Player rule that allows each local team to sign a player without regard to the MLS salary cap. The expense associated with a Designated Player is the responsibility of the team. Currently, the Elk Grove MLS team model does not have a Designated Player incorporated into the projections contained herein and do not assume a Designated Player.

Expense estimates are based on discussions with MLS team personnel as well as those familiar with the operating expenses of other MLS teams operating in new stadiums. It is estimated that annual team expenses would approximate \$6.4 million. The exhibit below summarizes the estimated operating expenses for a MLS team in Elk Grove, California.

#### **Elk Grove MLS Estimated Team Operating Expenses**

Team Operations	\$1,250,000
Designated Player Expense	-
Corporate Sales	650,000
Advertising	750,000
Broadcasting	250,000
Ticket Sales	600,000
Community Relations	100,000
Ticket Services	300,000
General Admin	1,000,000
League Subsidy	1,500,000
<b>Total</b>	<b>\$6,400,000</b>

## VII. Estimated Financial Operations

### *Soccer Stadium Expenses*

Stadium-related expenses consist of expenses directly related to the operations of the facility; including salaries, wages and benefits, utilities, repairs and maintenance, materials and supplies, insurance, marketing, general and administrative and other such expenses. The table below summarizes the estimated operating expenses for a new soccer stadium in Elk Grove, California. As depicted, it is estimated that annual stadium expenses would approximate \$5.4 million.

### Operating Expenses Proposed Soccer Stadium

General & Administrative	\$1,350,000
Operations	865,000
Utilities	800,000
Insurance - Property	135,000
Insurance - Liability/Business Interruption, etc.	165,000
Sales & Marketing	275,000
Client Services	220,000
Ticketing	200,000
Event Services	125,000
Event Expenses	1,170,000
Taxes	50,000
Other	55,000
<b>Total</b>	<b>\$5,410,000</b>

## **VIII. Economic and Fiscal Impacts**

While many of the perceived benefits of the proposed MLS team and soccer stadium are intangible including regional and national media exposure, sports and recreation opportunities for local residents and enhanced community pride, the construction and annual operations of the proposed soccer stadium will provide tangible, quantifiable benefits to the local area. Typically, quantifiable effects are characterized in terms of *economic impacts* and *fiscal impacts*. *Economic impacts* are conveyed through measures of direct spending, total output, personal earnings, and employment. *Fiscal impacts* denote changes in tax revenues.

The focus of this analysis is to estimate the potential net new impacts generated from the construction and operation of the proposed soccer stadium. The following key issues have been addressed in this section:

- Overview of Economic Impacts;
- Construction-Related Impacts;
- Operations-Related Impacts;
- Non-Quantifiable Benefits; and,
- Economic Impact Analysis Limitations.

The assumptions underlying the estimates of economic and fiscal impacts are based on the results of a market and financial analysis presented previously in this report. Real estate development impacts estimated herein are based on key assumptions provided by the City of Elk Grove.

### **Overview of Economic Impacts**

Economic impacts are typically conveyed through measures of direct spending, total output, personal earnings and employment. Each of the measures of economic impact is defined below:

- **Direct spending** represents spending generated by the soccer stadium and retail development including construction-related spending on labor and materials as well as spending during annual operations consisting of *in-facility* expenditures on tickets, concessions, novelties and parking; *out-of-facility* spending on hotels, food and beverage, retail, transportation, and entertainment and spending related to the team including advertising, sponsorships, premium seating and broadcast revenues.
- **Total output** represents the total direct, indirect, and induced spending effects generated by the soccer stadium.
- **Personal earnings** represent the wages and salaries earned by employees of businesses involved with the soccer stadium.

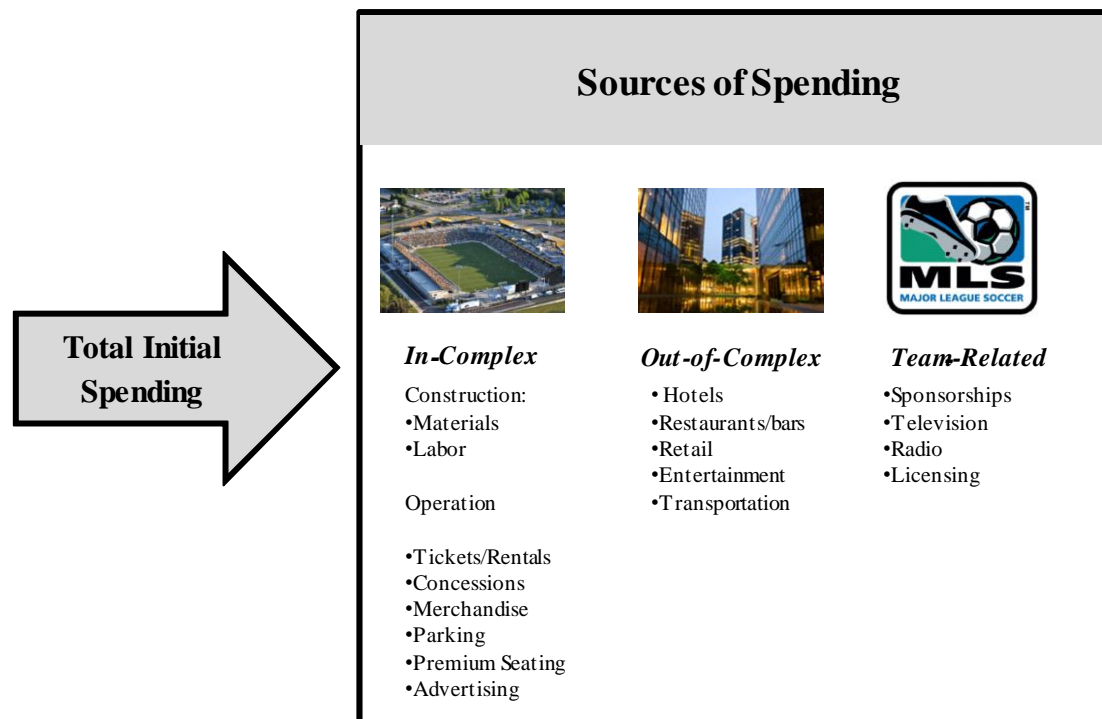
## VIII. Economic and Fiscal Impacts

- **Employment** is expressed in terms of person years of employment and is based on project spending. Person years are defined as one year of employment, or 2,080 annual hours, and may be full- or part-time.
- **Economic stimulator** is a summary of the positive economic effects that the proposed stadium would have on its surrounding area.

### *Direct Spending*

The operation of the proposed MLS team and soccer stadium and its tenants will impact the local economy in a variety of ways. As outlined in the graphic below, *initial direct spending* is generated during construction and operation. This spending is related to materials and labor as well as spectators during event operations on tickets, private suites, club seats, concessions, novelties and parking. Spending is also generated before and after events throughout local hotels, restaurants, retail and other establishments. In addition, the operations of a professional sports franchise can generate facility-related spending in areas such as advertising, premium seating, naming rights and sponsorships; and league-related spending in the form of merchandising, broadcasting, league-wide sponsorships and other such areas.

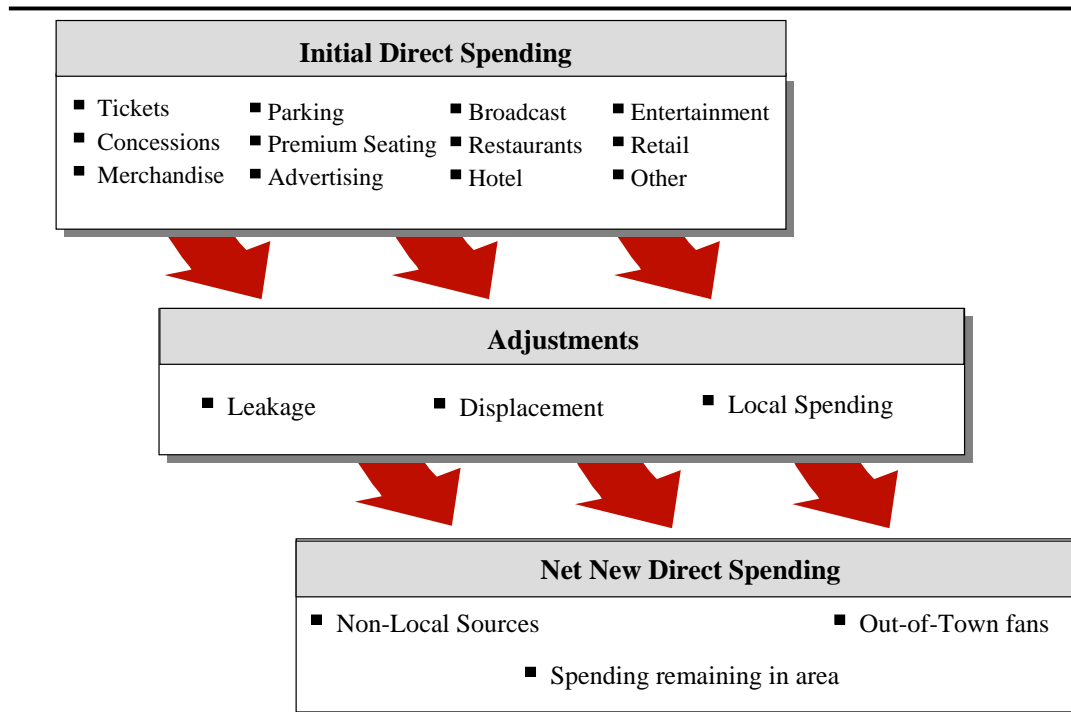
### Direct Spending



## VIII. Economic and Fiscal Impacts

In order to estimate the incremental economic and fiscal impact benefits generated to the local economy, certain adjustments must be made to initial direct spending to reflect the fact that all spending is not likely to impact the local economy. The graphic below summarizes the adjustments made to initial direct spending in order to determine net new direct spending impacting the local economy.

### Direct Spending Adjustments



As illustrated in the exhibit above, adjustments must be made to account for the fact that a certain amount of spending associated with the proposed soccer stadium is made by local residents and, therefore, likely represents money already spent in the economy in another form. This phenomenon is called *displacement* and reduces the overall net new impacts. This type of spending is not considered net new to the local economy. Additionally, not all spending associated with the proposed soccer stadium and real estate development will take place in the local economy. A portion of this spending is likely to occur outside the immediate area. This phenomenon is called *leakage* and reduces the overall impact.

The economic and fiscal impacts presented in this section represent the estimated net new impacts associated with the proposed soccer stadium development.

## VIII. Economic and Fiscal Impacts

### *Multiplier Effects*

Economic impacts associated with the proposed soccer stadium will likely be further increased through re-spending of the net new direct spending. The total impact is estimated by applying an economic multiplier to initial direct spending to account for the total economic impact. The total output multiplier is used to estimate the aggregate total spending that takes place beginning with the direct spending and continuing through each successive round of re-spending.

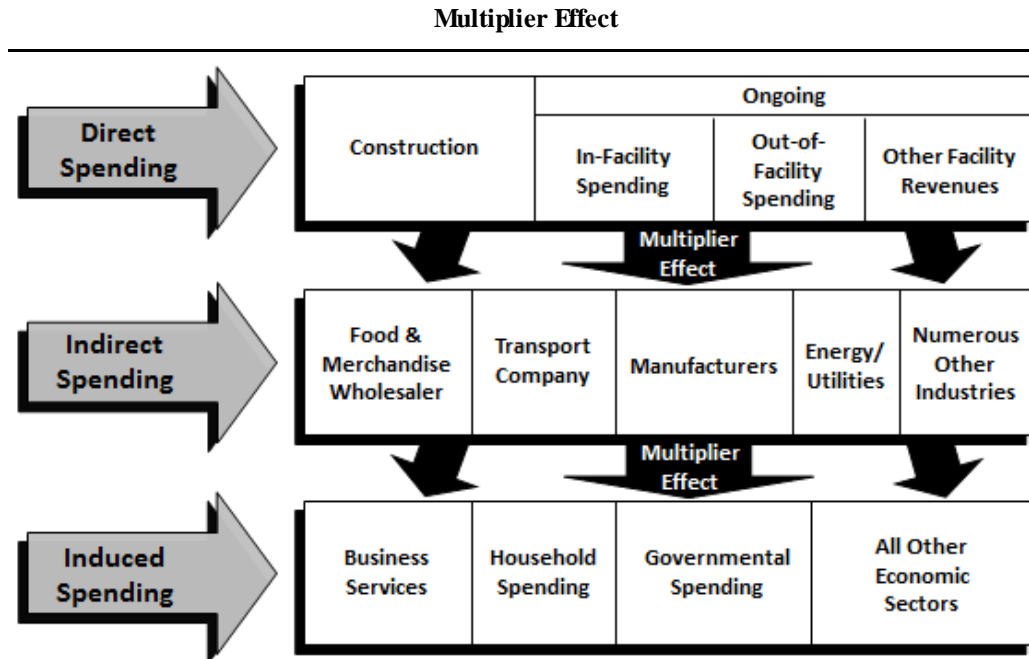
Successive rounds of re-spending are generally discussed in terms of their indirect and induced effects on the area economy. Each is discussed in more detail as follows:

- **Indirect effects** consist of the re-spending of the initial or direct expenditures. These indirect impacts extend further as the dollars constituting the direct expenditures continue to change hands. This process, in principle, could continue indefinitely. However, recipients of these expenditures may spend all or part of it on goods and services outside the market area, put part of these earnings into savings, or pay taxes. This spending halts the process of subsequent expenditure flows and does not generate additional spending or impact within the community after a period of time. This progression is termed *leakage* and reduces the overall economic impact. Indirect impacts occur in a number of areas including the following:
  - wholesale industry as purchases of food and merchandise products are made;
  - transportation industry as the products are shipped from purchaser to buyer;
  - manufacturing industry as products used to service the soccer stadium, sports franchise(s), vendors and others are produced;
  - utility industry as the power to produce goods and services is consumed; and,
  - other such industries.
- **Induced effects** consist of the positive changes in spending, employment, earnings and tax collections generated by personal income associated with the operations of a soccer stadium. Specifically, as the economic impact process continues, wages and salaries are earned, increased employment and population are generated, and spending occurs in virtually all business, household and governmental sectors. This represents the induced spending impacts generated by direct expenditures.



## VIII. Economic and Fiscal Impacts

The concept of direct, indirect and induced spending is further illustrated below.



The appropriate multipliers to be used are dependent upon certain regional characteristics and also the nature of the expenditure. An area which is capable of producing a wide range of goods and services within its borders will have high multipliers, a positive correlation existing between the self-sufficiency of an area's economy and the higher probability of re-spending occurring within the region. If a high proportion of the expenditures must be imported from another geographical region, lower multipliers will result. The multiplier estimates used in this analysis are based on the IMPLAN system, which is currently used by hundreds of universities and government entities throughout the country. IMPLAN is a microcomputer program that performs regional input-output analysis based on approximately 530 industry interrelationships.

### *Fiscal Impacts*

In addition to the economic impacts generated by the proposed soccer stadium throughout the market area, the public sector also benefits from increased tax revenues. In preparing estimates of fiscal impacts, tax revenues attributable to the net new direct spending generated by the development were estimated. In addition, estimates of the effect of net new total output and earnings on the tax collections have been estimated. Tax revenues

## **VIII. Economic and Fiscal Impacts**

are based on the current applicable tax rates. Future changes in these rates would have an impact on the resulting tax collections. The sources of tax revenue focused on in this report are outlined below:

- **Sales taxes** are assessed at an estimated rate of 7.75 percent. Of this total, 5.75 percent is allocated to the State of California, 1.00 percent is allocated to Sacramento County, and 1.00 percent is allocated to the City of Elk Grove. As a result, the total sales tax basis for the fiscal impacts estimated in this report is 7.75 percent.
- **Hotel taxes** are assessed at a rate of 12.0 percent by the City of Elk Grove.
- **Personal income taxes** are estimated based on the total earnings generated by jobs created by the stadium. The total earnings estimate is applied to the effective state income tax rate, which has been estimated at 2.27 percent based on historical state personal earnings and income tax collections in 2010.
- **Property taxes** are estimated for only the real estate development portion. It has been assumed that the proposed soccer stadium and supporting parking would be owned by a public sector and would be exempt from property taxes.

### *Economic Stimulator*

Along with the economic effects already listed, it's important to highlight that the development of a new professional sport stadium stands to have a strong positive economic impact on its surrounding area. New stadiums have proven to spur growth in local business and drive revenues for area shops, restaurants, hotels, and transportation industries. Newly built professional sport stadiums also create incentive for development around the vicinity of the stadiums. The stadium creates an attractive real estate location where one did not previously exist, and serves to increase nearby property values, stimulate new construction, create new jobs, and ultimately increase the tax base.

**VIII. Economic and Fiscal Impacts**

**Construction-Related Impacts**

The chart below summarizes the estimated net new economic and fiscal impacts that could be generated to the City of Elk Grove, Sacramento SMSA and the State of California. These impacts represent one-time impacts from construction occurring over multi-phased period from 2013 through 2017.

**Net New Economic and Fiscal Impacts  
Construction**

<b>City of Elk Grove - Net New Impacts</b>	
Direct Spending	\$9,570,000
Total Output	\$13,117,000
Jobs	100
Personal Earnings	\$5,210,000
Tax Revenue	\$444,000
<b>Sacramento County - Net New Impacts</b>	
Direct Spending	\$40,455,000
Total Output	\$55,451,000
Jobs	400
Personal Earnings	\$22,026,000
Tax Revenue	\$472,000
<b>State of California - Net New Impacts</b>	
Direct Spending	\$54,375,000
Total Output	\$74,531,000
Jobs	500
Personal Earnings	\$29,605,000
Tax Revenue	\$3,048,000

Of the approximately \$104.4 million in estimated gross construction expenditures, approximately \$9.6 million, or about 9.2 percent, is estimated to be net new to Elk Grove, California. This net new spending in Elk Grove is estimated to generate \$13.1 million in total output, supporting 100 full and part-time jobs during construction that generate approximately \$5.2 million in personal earnings. Total net new tax revenues expected to be generated to Elk Grove is estimated to approximate \$444,000.

## **VIII. Economic and Fiscal Impacts**

Net new direct construction spending expected to occur in Sacramento County is estimated to be \$40.5 million, or about 38.8 percent of gross construction expenditures. The net new spending in Sacramento County is estimated to generate \$55.5 million in total output, supporting 400 full and part-time jobs during construction that generate approximately \$22 million in personal earnings. The County would not collect taxes on these earnings. It is important to note that the benefits estimated for Sacramento County are not mutually exclusive of the benefits generated to the City of Elk Grove as the geography of both governmental entities overlap to some degree.

The State of California is expected to realize \$54.4 million in net new direct spending, representing approximately 52.1 percent of total project construction expenditures. Net new spending in the State of California is estimated to generate \$74.5 million in total output, supporting 500 full and part-time jobs during construction that generate approximately \$29.6 million in personal earnings. Total net new tax revenues expected to be generated to the State of California is estimated to approximate \$3.0 million. The benefits estimated for the State of California are not mutually exclusive of the benefits generated to the City of Elk Grove or Sacramento County as the geography of each of the governmental entities overlap to some degree.

## VIII. Economic and Fiscal Impacts

### Operations-Related Impacts

The operations of a MLS team and proposed stadium development in Elk Grove will represent a beneficial source of annual impacts for the City, Sacramento SMSA and the State of California. The graphic below depicts the total annual net new economic and fiscal impacts resulting from the operations of the proposed soccer stadium.

#### Estimated Net New Economic and Fiscal Impacts

##### Operations

	Year 1 Operational Impacts	Net Present Value of 30-year Impacts
<b>City of Elk Grove - Net New Impacts</b>		
Direct Spending	\$14,973,000	\$681,505,000
Total Output	\$20,905,000	\$951,311,000
Jobs <sup>(1)</sup>	239	239
Personal Earnings	\$9,294,000	\$423,267,000
Tax Revenues <sup>(2)</sup>	\$312,000	\$6,847,000
<b>Sacramento County - Net New Impacts</b>		
Direct Spending	\$19,290,000	\$876,531,000
Total Output	\$27,322,000	\$1,241,292,000
Jobs <sup>(1)</sup>	291	291
Personal Earnings	\$12,996,000	\$590,631,000
Tax Revenues	\$107,000	\$2,353,000
<b>State of California - Net New Impacts</b>		
Direct Spending	\$10,137,000	\$460,417,000
Total Output	\$14,375,000	\$652,836,000
Jobs <sup>(1)</sup>	152	152
Personal Earnings	\$6,803,000	\$309,030,000
Tax Revenues	\$842,000	\$18,490,000

(1) Includes full and part-time jobs.

(2) Includes projected revenues from Elk Grove Hotel Tax

Note: NPV calculation assumes a 3 percent annual growth rate and a 5 percent discount rate.

Annual net new direct spending occurring in Elk Grove from the operations of the proposed soccer stadium is estimated to be \$15 million in Year 1. The net new spending in Elk Grove is estimated to generate \$20.9 million in total output, supporting 239 full and part-time jobs that generate approximately \$9.3 million in personal earnings. Tax revenue generated in Elk Grove is estimated to be around \$312,000.

The net present value of net new spending expected to occur in Elk Grove from the operations of the proposed sports stadium is estimated to be \$681.5 million. The

## **VIII. Economic and Fiscal Impacts**

cumulative net new spending in Elk Grove is estimated to generate \$951.3 million in total output, supporting 239 full and part-time jobs that generate approximately \$423.3 million in personal earnings over a 30-year period. Total net new tax revenues expected to be generated to Elk Grove over the 30-year period is estimated to approximate \$6.8 million.

Operating impacts generated to Sacramento County are estimated to include \$19.3 million in direct spending, \$27.3 million in total output, supporting 291 full and part-time jobs that generate approximately \$13 million in personal earnings. Sacramento County does not levy any county-specific taxes.

The 30-year net present value of net new spending expected to occur in Sacramento County from the operations of the proposed soccer stadium is estimated to be \$876.5 million. The cumulative net new spending in Sacramento County is estimated to generate \$1.241 billion in total output, supporting 291 full and part-time jobs that generate approximately \$590.6 million in personal earnings over a 30-year period.

Impacts generated to State of California are estimated to include \$10.1 million in direct spending, \$14.4 million in total output, supporting 152 full and part-time jobs that generate approximately \$6.8 million in personal earnings. Total net new tax revenues expected to be generated to the State of California is estimated to approximate \$842,000. Over a 30-year period, the project is estimated to generate to the State of California approximately \$460.4 million in net new direct spending, \$652.8 million in net new output, support 152 new full and part-time jobs that generate \$309 million in earnings. Total net new tax revenues expected to be generated to the State of California over the 30-year period is estimated to approximate \$18.5 million.

It is important to note a few things from the chart above. Tax revenues listed above do not include the potential revenues that could be generated by new taxes implement to subsidize the cost of a new soccer stadium in Elk Grove such as ticket taxes, meal taxes, an increase in hotel tax, or other city or county taxes. Similarly, the table above does not break out sales taxes collected between City, County, and State. The State of California currently operates with a sales tax rate of 7.75%, 1.00% of which is distributed to the City of Elk Grove, and an addition 1.00% of which is distributed to Sacramento County.

## **VIII. Economic and Fiscal Impacts**

### **Non-Quantifiable Impacts**

In addition to the more quantifiable benefits, some benefits related to the operations of the proposed soccer stadium cannot be quantitatively measured. Potential qualitative benefits for the City of Elk Grove, Sacramento County and the State of California could include:

- enhanced economic growth and ancillary private sector development spurred by the operation of the proposed soccer stadium;
- enhanced sports and recreation opportunities for local citizens;
- synergy with the other entertainment facilities leading to increased tourism activity;
- diversified, affordable entertainment alternatives for families in the local area;
- enhanced community pride, self-image, exposure and reputation;
- enhanced international, national and regional exposure; and,
- other such benefits.

The presence of the proposed soccer stadium would enhance the immediate market area's reputation as a sports, entertainment, tourism and commercial destination. Finally, the soccer stadium would certainly enhance the immediate market area's national exposure.

## **Appendix A – I. Introduction**

The City of Elk Grove (“City”) engaged Conventions, Sports & Leisure International (“CSL”) to provide multiple modifications of its initial report on the proposed MLS team and stadium. The first being an amended report that provides an evaluation of the economic impacts related to both construction costs and annual operations of a 15,000 seat stadium.

The second modified analysis the City requested is an assessment of the market potential for a proposed North American Soccer League (“NASL”) soccer team and stadium in Elk Grove. Both analyses assume the same potential location in Elk Grove, California as the previous study, but due to the reduction in capacities the site requirements may be reduced.

Included in this analysis of the proposed the NASL soccer team and stadium is an evaluation of the local market characteristics, the operations of competitive facilities, and an assessment of the operations of comparable facilities in similar-size markets. The results of these analyses directly impact CSL’s estimates of the proposed NASL facility utilization including the number and type of events, attendance, parking, and per capita spending on tickets concessions, novelties, parking and other such items.

The following appendices are presented to aid the City and other project representatives in making well-informed decisions regarding the potential 15,000 seat MLS stadium, as well as the potential support for an NASL team and host soccer stadium and is divided into the following sections:

Appendix A – I. Introduction

Appendix B – I. MLS Modified Analysis

Appendix C – I. NASL Overview

II. NASL Market Area Characteristics

III. Competitive Analysis

IV. Comparable Facilities

V. Estimated Event Utilization

VI. Estimated Financial Operations

VII. Estimated Economic and Fiscal Impacts



## **Appendix B – MLS Modified Analysis**

To modify the original evaluation of the market potential for the proposed MLS team and soccer stadium to reflect a 15,000 seat stadium, information and interviews obtained through prior analysis was used, as well as knowledge of the industry was used. It is believed that a 3,500 seat reduction of maximum capacity will not dramatically impact either the type of events that the facility can attract or the competitors it will be facing in the market.

The estimated potential event mix and attendance levels for the proposed soccer stadium presented in this section are based on the results of a previous analysis of comparable facilities, the number and types of competing facilities in the local and regional marketplace, the demographic and socioeconomic characteristics of the local marketplace and discussions with potential facility users. These original results have been adjusted to reflect the change in capacity for the proposed MLS team and soccer stadium presented below.

### Estimated Demand

The proposed reduced-capacity MLS stadium is still estimated to attract a significant number of events and attendees annually. The table below summarizes the estimated annual event activity and attendance that could be hosted at the proposed stadium.

#### **Events and Attendance**

<u>Event Type</u>	<u>Annual Events</u>	<u>Average Attendance</u>	<u>Total Attendance</u>
MLS Games	18	13,500	243,000
Other Soccer Games	2	15,000	30,000
Concerts	8	17,500	140,000
Other Events	15	7,000	105,000
<b>TOTAL</b>	<b>43</b>		<b>518,000</b>

The 3,500 seat reduction of stadium capacity is not believed to directly impact the total number of events that the stadium can host each year. It is estimated that the proposed 15,000-seat stadium could host approximately 43 events per year including MLS games, concerts, other soccer games and other non-soccer events such as football, lacrosse, motor sports, religious events and other such events. In total, it is estimated that the proposed stadium could attract 518,000 annual attendees, or approximately 12,047 per stadium event.

## **Appendix B – MLS Modified Financial Operations**

Estimated operating revenues and expenses associated with the proposed MLS team and 15,000-seat stadium are presented in this section. Similar to the first evaluation, the assumptions used in this modified study are based on the results of the market analysis, industry trends, knowledge of the marketplace, historical operations of an MLS soccer specific stadium, and financial results from comparable MLS teams and soccer stadiums. Key assumptions used in the modification to estimate the potential financial operations of the City's proposed MLS team and soccer stadium reflect the previous study and include, but are not limited to the following:

- Assumes a 15,000-seat multi-use stadium with a permanent concert stage will be completed by 2016.
- The proposed soccer stadium will be developed as a quality, state-of-the-art venue and would accommodate the needs of various users as well as meet MLS standards and will be located near the intersection of Kammerer Road and Highway 99.
- The yet-to-be-determined Elk Grove MLS team will serve as the primary tenants in the proposed soccer stadium.
- The soccer stadium will be owned by a public sector entity and will be exempted from paying property taxes, but may have a possessors tax placed upon it.
- The Elk Grove MLS team will operate the stadium and will retain all revenues and pay all operating expenses, subject to MLS or third-party event revenue sharing.
- The Elk Grove region will generate ticket, concessions, novelty, and advertising/sponsorship levels that are generally consistent with other MLS franchises with new stadiums in similar market sizes.
- Ample parking will be available to accommodate demand (on-site or off-site within walking distance).

The table on the following page presents the estimated operating revenues and expenses associated with the proposed MLS team and the modified 15,000-seat soccer stadium during the first five years of operations.

## Appendix B – MLS Modified Financial Operations

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### Estimated Operating Revenues and Expenses City of Elk Grove Proposed MLS Team and Stadium

	2016	2017	2018	2019	2020
<b>Revenues</b>					
<i>Team/Stadium</i>					
Ticket Sales	\$3,969,000	\$4,088,000	\$4,211,000	\$4,337,000	\$4,467,000
Luxury Suites	307,000	316,000	326,000	336,000	346,000
Club Seats	785,000	809,000	833,000	858,000	884,000
Naming Rights	850,000	876,000	902,000	929,000	957,000
Stadium Sponsorships	1,700,000	1,751,000	1,804,000	1,858,000	1,913,000
Food & Beverage	1,040,000	1,072,000	1,104,000	1,137,000	1,171,000
Merchandise	118,000	122,000	126,000	129,000	133,000
Parking	554,000	626,000	644,000	664,000	684,000
Sponsorships (incl. jersey)	2,000,000	2,060,000	2,122,000	2,185,000	2,251,000
Ticketing Rebates	0	0	0	0	0
Broadcasting	50,000	52,000	53,000	55,000	56,000
<b>Total Team/Stadium</b>	<b>11,373,000</b>	<b>11,772,000</b>	<b>12,125,000</b>	<b>12,488,000</b>	<b>12,862,000</b>
<i>Non-Tenant Events</i>					
Stadium Rent	1,399,000	1,441,000	1,484,000	1,528,000	1,574,000
Food & Beverage	1,451,000	1,485,000	1,530,000	1,576,000	1,623,000
Merchandise	400,000	411,000	423,000	436,000	449,000
Parking	952,000	976,000	1,006,000	1,036,000	1,067,000
Ticketing Rebates	798,000	822,000	847,000	872,000	898,000
<b>Total Non-Tenant Events</b>	<b>5,000,000</b>	<b>5,135,000</b>	<b>5,290,000</b>	<b>5,448,000</b>	<b>5,611,000</b>
<b>Total Revenues</b>	<b>16,373,000</b>	<b>16,907,000</b>	<b>17,415,000</b>	<b>17,936,000</b>	<b>18,473,000</b>
<b>Expenses</b>					
<i>Team Expenses</i>					
Team Operations	1,250,000	1,288,000	1,326,000	1,366,000	1,407,000
Designated Player Expense	0	0	0	0	0
Corporate Sales	650,000	670,000	690,000	710,000	732,000
Advertising	750,000	773,000	796,000	820,000	844,000
Broadcasting	250,000	258,000	265,000	273,000	281,000
Ticket Sales	600,000	618,000	637,000	656,000	675,000
Community Relations	100,000	103,000	106,000	109,000	113,000
Ticket Services	300,000	309,000	318,000	328,000	338,000
General Admin	1,000,000	1,030,000	1,061,000	1,093,000	1,126,000
League Subsidy	1,500,000	1,545,000	1,591,000	1,639,000	1,688,000
<b>Total Expenses - Team</b>	<b>6,400,000</b>	<b>6,594,000</b>	<b>6,790,000</b>	<b>6,994,000</b>	<b>7,204,000</b>
<i>Stadium Expenses</i>					
General & Administrative	1,350,000	1,391,000	1,432,000	1,475,000	1,519,000
Operations	720,000	742,000	764,000	787,000	810,000
Utilities	750,000	773,000	796,000	820,000	844,000
Insurance - Property	101,000	104,000	107,000	111,000	114,000
Insurance - Other	125,000	129,000	133,000	137,000	141,000
Sales & Marketing	275,000	283,000	292,000	300,000	310,000
Client Services	220,000	227,000	233,000	240,000	248,000
Ticketing	200,000	206,000	212,000	219,000	225,000
Event Services	125,000	129,000	133,000	137,000	141,000
Event Expenses	1,170,000	1,205,000	1,241,000	1,278,000	1,317,000
Taxes	45,000	46,000	48,000	49,000	51,000
Other	45,000	46,000	48,000	49,000	51,000
<b>Total Expenses - Stadium</b>	<b>5,126,000</b>	<b>5,281,000</b>	<b>5,439,000</b>	<b>5,602,000</b>	<b>5,771,000</b>
<b>Total Expenses</b>	<b>11,526,000</b>	<b>11,875,000</b>	<b>12,229,000</b>	<b>12,596,000</b>	<b>12,975,000</b>
<b>Net Income from Operations</b>	<b>\$4,847,000</b>	<b>\$5,032,000</b>	<b>\$5,186,000</b>	<b>\$5,340,000</b>	<b>\$5,498,000</b>

## **Appendix B – MLS Modified Financial Operations**

The combined revenues generated by the proposed MLS team and the modified 15,000 seat soccer stadium are estimated to be approximately \$16.4 million in 2016 dollars, increasing to \$18.5 million within five years. The estimates for the initially proposed 18,500-seat facility were approximately \$18.3 million in 2016 dollars, increasing to \$20.7 million within a five-year timeframe. The estimated revenue difference between the two different stadium capacities is approximately \$1.9 million in 2016 increasing to a projected \$2.2 million difference within five years.

The combined operating expenses of the team and the modified stadium are estimated to approximate \$11.5 million in 2016 dollars, increasing to \$13.0 million within five years. This compares to initial operating expense estimates of approximately \$11.8 million in 2016 dollars, increasing to \$13.3 million within five years for the larger facility. These estimates represent an approximate \$300,000 difference in operating expenses between the projected 15,000-seat and 18,500-seat MLS stadiums.

Overall, the combined operations of the Elk Grove MLS team and the proposed modified soccer stadium are estimated to generate a net operating income before franchise or stadium debt of approximately \$4.8 million in 2016, representing an approximate 30 percent operating margin. Net operating income is estimated to increase slightly to \$5.5 million within five years. These estimates are lower than original projections of net operating income of \$6.5 million in 2016, with an approximate 35 percent operating margin, increasing to \$7.4 million within five years for the 18,500-seat soccer stadium.

The remainder of this section presents detailed assumptions underlying the financial analysis in the following components:

- Revenues:
  - MLS Team
  - Soccer Stadium
  
- Expenses:
  - MLS Team
  - Soccer Stadium

## **Appendix B – MLS Modified Financial Operations**

### **Revenues**

Similar to the first study, the estimated revenues for the 15,000-seat soccer stadium and MLS team have been allocated among two different areas (team and stadium), and take into account identical revenue sources.

#### **Elk Grove MLS Team Revenue**

The following analysis contains modified projections for team revenues generated from ticket sales, concessions, catering, merchandise, parking, sponsorships and broadcasting. Comparisons with initial estimates for revenues associated with the proposed 18,500-seat are also listed.

#### **Ticket Sales**

The Elk Grove MLS team is estimated to generate approximately \$4.0 million in net ticket sales at the modified facility (down from \$4.4 million). This is assuming an average of 18 games (regular season) in 2016, assuming a stabilized year of operations, 13,500 average paid attendees per game and a \$24.50 weighted average ticket price. Net ticket sales presented herein factor in a 33 percent allocation of gross ticket sales to MLS.

#### **Ticket Sales Elk Grove MLS**

	Elk Grove MLS
Events	18
Average Paid Attendance	13,500
Total Annual Paid Attendance	243,000
Weighted Average Ticket Price	\$24.50
Gross Ticket Sales	\$5,953,500
MLS Share	33.3%
Net Ticket Sales	\$3,969,198
Elk Grove MLS Share of Net Ticket Sales	100.0%
Elk Grove MLS Revenue	\$3,969,198

## **Appendix B – MLS Modified Financial Operations**

### Concessions

As depicted below, it has been estimated that the Elk Grove MLS team and modified stadium could generate approximately \$1 million in net concession revenue (down from \$1.1 million) in 2016, assuming a stabilized year of operations, \$12.00 average spending per attendee, and a 38 percent profit margin. The team and stadium will share 100 percent of net concessions revenues from the MLS games.

#### **Concession Revenue Elk Grove MLS**

	Elk Grove MLS
Events	18
Average Non-Premium Turnstile Attendance <sup>(1)</sup>	12,308
Total Annual Non-Premium Attendance	221,544
Concession Spending Per Attendee	\$12.00
Gross Concession Revenue	\$2,658,528
Profit Margin	38.0%
Net Concession Revenue	\$1,010,241
Team/Stadium Share	100.0%
Team/Stadium Concession Revenue	\$1,010,241

<sup>(1)</sup> Excludes club seat and suite patron attendees.

### Catering

The modified stadium is expected to feature 1,000 club seats along with 18 private suites, with 16 seats in each. These premium seating totals are equivalent to the originally proposed facility, both of which are estimated to generate approximately \$30,240 in net suite catering revenue, assuming a stabilized year of operations, a weighted average of \$35.00 in spending per attendee, with an average 25.0 percent profit margin.

## Appendix B – MLS Modified Financial Operations

### Merchandise

The Elk Grove MLS team is estimated to generate approximately \$118,463 (down from \$131,625) in net merchandise sales in 2016. Average operating margins associated with sports merchandise sales is approximately 15 percent with a person spending \$3.25 a game over the 18 regular game season.

#### Merchandise Revenue Elk Grove MLS

	Elk Grove MLS
Events	18
Average Turnstile Attendance <sup>(1)</sup>	13,500
Total Annual Attendance	243,000
Merchandise Spending Per Capita	\$3.25
Gross Merchandise Revenue	\$789,750
Profit Margin	15.0%
Net Merchandise Revenue	\$118,463
Stadium Share	0.0%
Team Share	100.0%
Stadium Merchandise Revenue	\$0
Team Merchandise Revenue	\$118,463

(1) Includes both general admission and premium seating attendance.

### Parking

The reduced-capacity stadium will require less total parking area, and estimates to generate net annual parking revenue of approximately \$553,860 (down from \$665,743).

#### Parking Revenue Elk Grove MLS

	Elk Grove MLS
Events	18
Average G.A. Turnstile Attendance (1)	12,308
Average Attendees per Car	3.0
Estimated Parking Demand per Event	4,103
Annual Parking Demand	73,848
Average Parking Charge per Car	\$10.00
Gross Parking Revenue	\$738,480
Operating Margin	75.0%
Net Parking Revenue	\$553,860
Stadium Share	100.0%
Stadium Revenue	\$553,860

(1) Excludes suite and club seating patrons. It is assumed that parking passes are provided in their annual seat cost.

## Appendix B – MLS Modified Financial Operations

### Soccer Stadium Revenues

The revenue effects as a result of the reduction in total stadium capacity are not expected to be dramatic, as attendance for non-tenant events will not be greatly impacted. Concert and other event attendance are projected to be the same as the previously proposed facility, whereas international soccer event attendance is projected to be slightly decreased with a reduction of stadium seating.

### Rental Income

Based on the results of the previous market analysis, it is estimated that 43 events could be hosted at the stadium. The reduced stadium capacity is expected to have very limited impacts on the rental income of the stadium. The graphic below summarizes the annual rental income estimated to be generated by the stadium. It is estimated stadium could generate approximately \$1.4 million in rental income in 2016 (down approximately \$20,000).

#### **Rental Income Proposed Soccer Stadium**

	Elk Grove MLS	Concerts	International Soccer	Other Events	Total
Events	18	8	2	15	43
Average Paid Attendance	13,500	17,500	15,000	7,000	12,047
Total Annual Paid Attendance	243,000	140,000	30,000	105,000	518,000
Weighted Average Ticket Price	\$24.50	\$50.00	\$25.00	\$15.00	\$29.50
Gross Ticket Sales	\$5,953,500	\$7,000,000	\$750,000	\$1,575,000	\$15,278,500
Stadium Share of Net Ticket Sales	0.00%	15.00%	15.00%	15.00%	0.0%
Stadium Rental Income	\$0	\$1,050,000	\$112,500	\$236,250	\$1,398,750

Note: The stadium share of net ticket sales for the MLS Team is 0 percent of the net amount after a 33 percent allocation to MLS and the remaining amount allocated to the team.

### Luxury Suite and Club Seat Premiums

The seating reduction will have no impact on premium seating at the proposed facility. Preliminary stadium planning indicates that the stadium will still have 1,288 premium seats, consisting of 288 luxury suites seats (18 suites at 16 seats each) and 1,000 club seats. It is estimated that the modified stadium could generate approximately \$307,200 in luxury suite premiums and \$785,000 in club seat premiums.



## Appendix B – MLS Modified Financial Operations

### Concessions

Net annual concessions revenue in the modified stadium, as shown below, are estimated to be approximately \$1.4 million from non-tenant events (down approximately \$23,000).

#### Concessions Revenue Proposed Soccer Stadium

	Concerts	International Soccer	Other Events	Total
Events	8	2	15	25
Average General Admission Turnstile Attendance <sup>(1)</sup>	17,308	14,808	7,000	10,923
Total Annual General Admission Attendance	138,464	29,616	105,000	273,080
Concession Spending Per Capita	\$18.00	\$12.00	\$7.50	\$13.31
Gross Concessions Revenue	\$2,492,352	\$355,392	\$787,500	\$3,635,244
Profit Margin	42.0%	38.0%	30.0%	39.0%
Net Concessions Revenue	\$1,046,788	\$135,049	\$236,250	\$1,418,087
Stadium Share	100.0%	100.0%	100.0%	100.0%
Stadium Concessions Revenue, net	\$1,046,788	\$135,049	\$236,250	\$1,418,087

(1) Excludes suite and club seating.

### Catering

There will be no impact on catering revenue potential in the modified stadium as the total amount of private suites and club seats has remained the same, and average attendance figures for non-tenant events has gone unchanged. Suite annual catering revenue generated to the modified stadium for all non-tenant events is estimated to be approximately \$32,736.

**Appendix B – MLS Modified Financial Operations**Merchandise

Net annual merchandise revenue for non-tenant events generated for the reduced-capacity stadium is estimated to be approximately \$399,576 (down approximately \$3,000). The graphic below presents the estimated net annual merchandise revenue generated to the proposed soccer stadium.

**Merchandise Revenue  
Proposed Soccer Stadium**

	Concerts	International Soccer	Other Events	Total
Events	8	2	15	43
Average Turnstile Attendance (1)	17,500	15,000	7,096	12,080
Total Annual Attendance	140,000	30,000	106,440	519,440
Merchandise Spending Per Capita	\$12.00	\$3.50	\$2.00	\$5.37
Gross Merchandise Revenue	\$1,680,000	\$105,000	\$212,880	\$2,787,630
Profit Margin	20.0%	20.0%	20.0%	18.6%
Net Merchandise Revenue	\$336,000	\$21,000	\$42,576	\$518,039
Stadium Share	100.0%	100.0%	100.0%	77.1%
Stadium Merchandise Revenue	\$336,000	\$21,000	\$42,576	\$399,576

(1) Includes both general admission and premium seating attendance.

Parking

Parking, as shown below, is expected to generate net revenues of \$1.5 million (down approximately \$190,000) at the modified stadium.

**Parking Revenue  
Proposed Soccer Stadium**

	Elk Grove MLS	Concerts	International Soccer	Other Events	Total
Events	18	8	2	15	43
Average G.A. Turnstile Attendance (1)	12,308	17,308	14,808	7,000	11,503
Average Attendees per Car	3.0	3.0	3.0	3.0	3.0
Estimated Parking Demand per Event	4,103	5,769	4,936	2,333	3,834
Annual Parking Demand	73,848	46,155	9,872	35,000	164,875
Average Parking Charge per Car	\$10.00	\$15.00	\$10.00	\$12.00	\$11.82
Gross Parking Revenue	\$738,480	\$692,320	\$98,720	\$420,000	\$1,949,520
Operating Margin	75.0%	75.0%	75.0%	75.0%	75.0%
Net Parking Revenue	\$553,860	\$519,240	\$74,040	\$315,000	\$1,462,140
Stadium Share	100.0%	100.0%	100.0%	100.0%	100.0%
Stadium Parking Revenue	\$553,860	\$519,240	\$74,040	\$315,000	\$1,462,140

(1) Excludes suite and club seating patrons. It is assumed that parking passes are provided in their annual seat cost.

## **Appendix B – MLS Modified Financial Operations**

### **Operating Expenses**

#### *Elk Grove MLS Teams' Expenses*

Similar to the first study, the estimated revenues for the 15,000-seat soccer stadium and MLS team have been allocated among two different areas (team and stadium), and take into account identical revenue sources, and are based on discussions with MLS team personnel as well as those familiar with the operating expenses of other MLS teams operating in new stadiums.

It is estimated that annual team expenses would approximate \$6.4 million; this figure remains the same with the proposed reduced-capacity facility. The exhibit below summarizes the estimated operating expenses for a MLS team in Elk Grove, California.

#### **Elk Grove MLS Estimated Team Operating Expenses**

Team Operations	\$1,250,000
Designated Player Expense	-
Corporate Sales	650,000
Advertising	750,000
Broadcasting	250,000
Ticket Sales	600,000
Community Relations	100,000
Ticket Services	300,000
General Admin	1,000,000
League Subsidy	1,500,000
<b>Total</b>	<b>\$6,400,000</b>

**Appendix B – MLS Modified Financial Operations***Soccer Stadium Expenses*

Stadium-related expenses associated with operations of the reduced-capacity facility are expected to be lower than that of a larger stadium. The table below summarizes the estimated operating expenses for the new 15,000-seat soccer. As depicted, it is estimated that annual stadium expenses would be approximately \$5.1 million (\$300,000 lower than that of the initial 18,500 seat facility).

**Operating Expenses  
Proposed Soccer Stadium**

General & Administrative	\$1,350,000
Operations	720,000
Utilities	750,000
Insurance - Property	101,250
Insurance - Liability/Business Interruption, etc.	125,000
Sales & Marketing	275,000
Client Services	220,000
Ticketing	200,000
Event Services	125,000
Event Expenses	1,170,000
Taxes	45,000
Other	45,000
<b>Total</b>	<b>\$5,126,250</b>

**Appendix B – MLS Modified Economic Impacts**

The following analysis estimates the potential net new impacts generated from the construction and operation of the modified MLS stadium. The following key issues have been addressed in this section:

- Construction-Related Impacts
- Operations-Related Impacts
- Non-Quantifiable Benefits

The assumptions underlying the estimates of economic and fiscal impacts are based on the results of a market and financial analysis presented previously in this report. Real estate development impacts estimated herein are based on key assumptions provided by the City of Elk Grove.

**Construction-Related Impacts**

The largest impact associated with the proposed reduced-capacity facility will be seen in total construction costs. The chart below summarizes the estimated net new economic and fiscal impacts that could be generated to the City of Elk Grove, Sacramento SMSA and the State of California. These impacts represent one-time impacts from construction occurring over multi-phased period from 2013 through 2017.

**Net New Economic and Fiscal Impacts  
Construction**

<b>City of Elk Grove - Net New Impacts</b>	
Direct Spending	\$7,235,000
Total Output	\$9,916,000
Jobs	70
Personal Earnings	\$3,939,000
Tax Revenue	\$335,000
<b>Sacramento County - Net New Impacts</b>	
Direct Spending	\$30,583,000
Total Output	\$41,920,000
Jobs	300
Personal Earnings	\$16,651,000
Tax Revenue	\$357,000
<b>State of California - Net New Impacts</b>	
Direct Spending	\$41,106,452
Total Output	\$56,344,000
Jobs	430
Personal Earnings	\$22,381,000
Tax Revenue	\$2,305,000

## **Appendix B – MLS Modified Economic Impacts**

Gross construction expenditures is estimated at \$78.9 million, with approximately \$7.2 million, or about 9.1 percent of the total, estimated to be net new to Elk Grove, California. This is a reduction of the gross construction expenditure estimate of \$104.4 million, with approximately \$9.6 million net new spending to Elk Grove, California in the study of the initial 18,500-seat proposed stadium.

The net new construction spending in Elk Grove is estimated to generate \$9.9 million in total output (down from \$13.1 million), supporting 70 full and part-time jobs during construction (down from 100) that generate approximately \$3.9 million in personal earnings (down from \$5.2 million).

Total net new tax revenues expected to be generated to Elk Grove is estimated to approximate \$335,000, which accounts for all spending effects (direct, indirect, and induced) related to construction. The net new tax revenues are down from the original estimate of approximately \$444,000.

The net new direct construction spending expected to occur in the Sacramento SMSA is estimated to be \$30.6 million, or about 38.8 percent of gross construction expenditures. These estimates are down from the original \$40.5 million. Net new spending in the Sacramento SMSA is estimated to generate \$41.9 million in total output (down from \$55.5 million), supporting 300 full and part-time jobs during construction (down from 400) that generate approximately \$16.7 million in personal earnings (down from \$22.0 million). The SMSA would not collect taxes on these earnings. Similar to the first study, benefits estimated for the Sacramento SMSA are not mutually exclusive of the benefits generated to the City of Elk Grove as the geography of both entities overlap to some degree.

Net new direct spending of approximately \$41.1 million is expected to be realized by the State of California. This represents an approximate 52.1 percent of total construction project expenditures. When compared to the initial study, these estimates are down from \$54.4 million. The net new spending in the State of California is estimated to generate \$56.3 million in total output (down from \$74.5 million), supporting 430 full and part-time jobs during construction (down from 500) that generate approximately \$22.4 million in personal earnings (down from \$29.6 million). An estimate of \$2.3 million (down from \$3 million) represents the total net new tax revenues expected to be generated to the State of California. As in the initial report, the benefits estimated for the State of California are not mutually exclusive of the benefits generated to the City of Elk Grove or the Sacramento SMSA as the geography of each of the entities overlap to some degree.

## Appendix B – MLS Modified Economic Impacts

### Operations-Related Impacts

The graphic below depicts the total annual net new economic and fiscal impacts resulting from the operations of the proposed 15,000-seat soccer stadium.

#### Estimated Net New Economic and Fiscal Impacts Operations

	Year 1 Operational Impacts	Net Present Value of 30-year Impacts
<b>City of Elk Grove - Net New Impacts</b>		
Direct Spending	\$14,136,000	\$643,383,000
Total Output	\$19,745,000	\$898,496,000
Jobs <sup>(1)</sup>	226	226
Personal Earnings	\$8,781,000	\$399,892,000
Tax Revenues <sup>(2)</sup>	\$295,000	\$6,471,000
<b>Sacramento County - Net New Impacts</b>		
Direct Spending	\$18,356,000	\$834,012,000
Total Output	\$26,011,000	\$1,181,669,000
Jobs <sup>(1)</sup>	277	277
Personal Earnings	\$12,399,000	\$563,426,000
Tax Revenues	\$101,000	\$2,218,000
<b>State of California - Net New Impacts</b>		
Direct Spending	\$9,617,000	\$436,807,000
Total Output	\$13,643,000	\$619,572,000
Jobs <sup>(1)</sup>	145	145
Personal Earnings	\$6,464,000	\$293,636,000
Tax Revenues	\$795,000	\$17,467,000

(1) Includes full and part-time jobs.

(2) Includes projected revenues from Elk Grove Hotel Tax

Note: NPV calculation assumes a 3 percent annual growth rate and a 5 percent discount rate

The operations of the proposed soccer stadium are estimated to generate \$14.1 million in net new direct spending in Year 1 (down from \$15 million). Total output of approximately \$19.7 million (down from \$20.9 million) is estimated to be generated from the net new spending in Elk Grove, supporting 226 full and part-time jobs (down from 239), that generate approximately \$8.8 million in personal earnings (down from \$9.3 million). Tax revenue generated in Elk Grove is estimated to be around \$295,000 (down from \$312,000).

The net present value of net new spending expected to occur in Elk Grove from the operations of the proposed sports stadium is estimated to be \$643.4 million (down from

## **Appendix B – MLS Modified Economic Impacts**

\$681.5 million). The cumulative net new spending in Elk Grove is estimated to generate \$898.5 million in total output (down from \$951.3 million), supporting 226 full and part-time jobs (down from 239) that generate approximately \$399.9 million in personal earnings over a 30-year period (down from \$423.3 million). Total net new tax revenues expected to be generated to Elk Grove over the 30-year period is estimated to approximate \$6.5 million (down from \$6.8 million).

Operating impacts generated to the Sacramento SMSA are estimated to include \$18.4 million in direct spending (down from \$19.3 million), \$26 million in total output (down from \$27.3 million), supporting 277 full and part-time jobs (down from 291) that generate approximately \$12.4 million in personal earnings (down from \$13 million). The counties in the Sacramento SMSA do not levy any county-specific taxes.

The 30-year net present value of net new spending expected to occur in the Sacramento SMSA from the operations of the proposed soccer stadium is estimated to be \$834 million (down from \$876.5 million). The cumulative net new spending in the Sacramento SMSA is estimated to generate \$1.182 billion in total output (down from \$1.241 billion), supporting 277 full and part-time jobs (down from 291) that generate approximately \$563.4 million in personal earnings over a 30-year period (down from \$590.6 million).

Impacts generated to State of California are estimated to include \$9.6 million in direct spending (down from \$10.1 million), \$13.6 million in total output (down from \$14.4 million), supporting 145 full and part-time jobs (down from 152) that generate approximately \$6.5 million in personal earnings (down from \$6.8 million). Total net new tax revenues expected to be generated to the State of California are estimated to approximate \$795,000 (down from \$842,000). Over a 30-year period, the project is estimated to generate to the State of California approximately \$436.8 million in net new direct spending (down from \$460.4 million), \$619.6 million in net new output (down from \$652.8 million), support 145 new full and part-time jobs (down from 152) that generate \$293.6 million in personal earnings (down from \$309 million). Total net new tax revenues expected to be generated to the State of California over the 30-year period is estimated to approximate \$17.5 million (down from \$18.5 million).

It should be noted that tax revenues listed above do not include the potential revenues that could be generated by new taxes implement to subsidize the cost of a new soccer stadium in Elk Grove such as ticket taxes, meal taxes, an increase in hotel tax, or other city or county taxes. Similarly, the table on the previous page does not break out sales taxes collected between City, County, and State. The State of California currently operates with a sales tax rate of 7.75%, of which is distributed to the City of Elk Grove, and an addition 1.00% of which is distributed to Sacramento County.



## Appendix C – I. NASL Overview

The league structure, operating model, and other aspects of the NASL are all significant factors to consider when evaluating the feasibility of an NASL team and soccer stadium in Elk Grove. This following provides an overview of the NASL across several important considerations, including:

- teams and locations;
- expansion/contraction/relocation;
- operating structure;
- fan demographics;
- attendance;
- stadiums; and
- media and sponsorship.

### Teams and Locations

The North American Soccer League (NASL) is a professional men's soccer league in the United States, Canada, and Puerto Rico which was founded in November 2009 and began league play on April 9, 2011. NASL is currently comprised of eight teams playing a 28-game regular season schedule that spans from the beginning of April to the end of September. The map below displays the eight active NASL teams: Atlanta Silverbacks, Carolina RailHawks, FC Edmonton, Fort Lauderdale Strikers, Minnesota Stars, Puerto Rico Islanders, San Antonio Scorpions, and the Tampa Bay Rowdies.



## **Appendix C – I. NASL Overview**

### **League Background**

The new North American Soccer League (NASL) was officially founded in November 2009 when a group of 2nd division men's professional soccer team owners decided to form North American Soccer League, LLC. The NASL is sanctioned as a Division 2 Professional League by the United States Soccer Federation (USSF) and has been recognized as the only second division league in the United States, Canada, and Puerto Rico; replacing the United Soccer Leagues (USL) in 2011.

The founding of the new NASL was sparked on August 27, 2009, after Nike agreed to sell their stake in the United Soccer League (USL) to Rob Hoskins and Alec Papadakis of Atlanta-based NuRock Soccer Holdings, instead of to the USL Team Owner's Association (TOA). Following the sale of the USL to NuRock Soccer Holdings, several USL teams opted to break away from the organization to found the NASL. On November 23, 2009, the official name of the new league was announced, and was meant to pay homage to the original NASL that operated from 1968 and ultimately dissolved in 1985. According to the official press release, the NASL name is intended to "pay respect to the players, coaches and leaders who were pioneers for men's professional soccer in North America, many of whom remain involved and committed to the growth of the game in various capacities throughout the U.S. and Canada." While the new NASL shares its name with the original league that operated throughout North America from 1968-1984, there is no official tie to the business structure of the now-defunct NASL.

Originally scheduled to begin play in April 2010, the new NASL was forced to postpone its inaugural season due to the USSF refusal to sanction the league. The USSF elected to operate an interim Division 2 Professional League, comprised of twelve NASL and USL teams for the 2010 season.

After the 2010 season the league consolidated its member franchises to meet the new Division 2 standards set by the USSF. The league formally applied to the USSF for Division 2 sanctioning on November 11, 2010 and would be approved on November 21, 2010. NASL began with eight member clubs from the USL First and Second Division, as well as new franchises. The league would go on to have its sanctioning lifted by the USSF due to the collapse of two ownership groups along with doubts concerning other members.

The U.S. Soccer Board of Directors provisionally sanctioned the NASL to operate a Division 2 men's outdoor professional soccer league again in 2011, with the league successfully debuting on April 9, 2011.

## Appendix C – I. NASL Overview

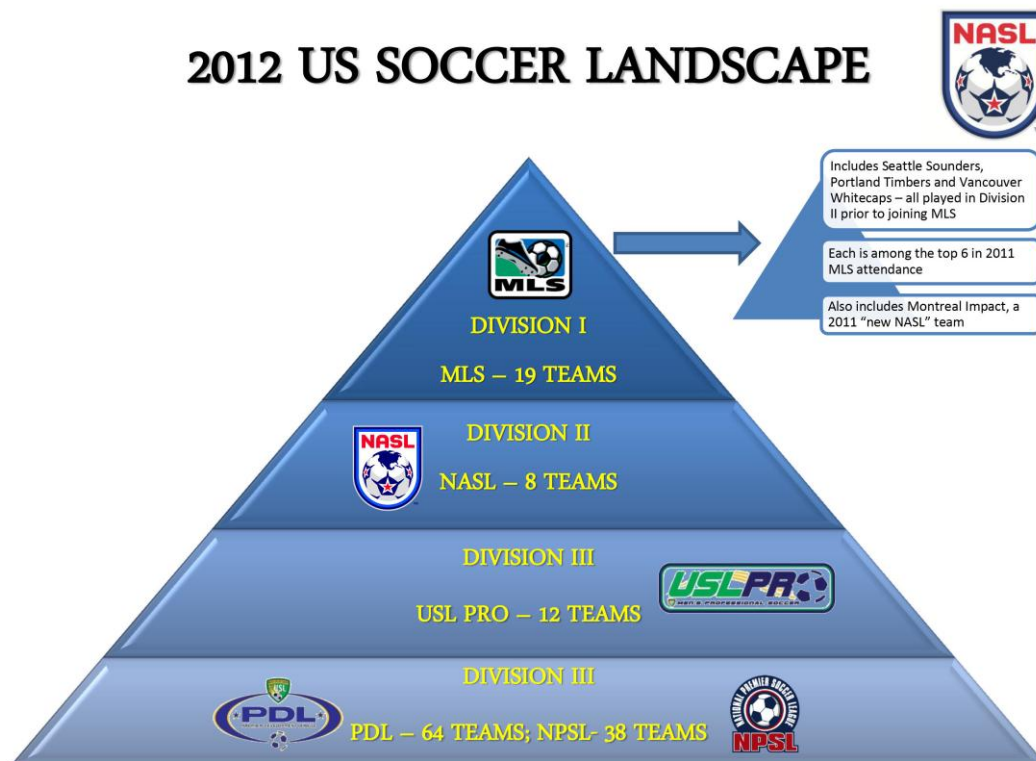
### League Structure

The NASL is made up of the following eight members: Atlanta Silverbacks, Carolina RailHawks, FC Edmonton, Fort Lauderdale Strikers, Minnesota Stars FC, Puerto Rico Islanders, Tampa Bay Rowdies, and San Antonio Scorpions. The Scorpions replaced the Montreal Impact, who was admitted to Major League Soccer (MLS) beginning with the 2012 season.

Each NASL member team represents a metropolitan market area that is not currently served by a team officially-recognized as a first division MLS team. This strategy allows every NASL team to be the top men’s professional soccer entity in their respective home markets.

In addition to the Montreal Impact, a number of recent second division men’s professional teams have gone on to compete in MLS after establishing a viable team and fan base at the second division level. While clubs have made the transition to the MLS from lower divisions, there is not a system of relegation and promotion between the officially recognized first (MLS), second (NASL), and third (USL Pro) division. The MLS and NASL remain two independent leagues with no official working relationship.

The diagram below depicts the current professional soccer pyramid in the United States, Canada, and Puerto Rico:



## **Appendix C – I. NASL Overview**

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### **League Competition Format**

In its inaugural year, the NASL is comprised of eight teams playing a 28 game regular season schedule, with 14 home and 14 away games. The league features a fully-balanced schedule with each of the eight teams playing the other seven league members four times a season, twice at home and twice on the road. This current playing format will be augmented with the addition of two expansion teams (Ottawa and New York) scheduled to begin play in the 2013 season.

The league post-season format has the top six teams advancing to a playoff, with the first two teams receiving a first round bye. The bottom four teams play in a single-game playoff to advance to the semi-finals where they are matched with the top two teams, and play a two-game home and home aggregate goal format.

### **Expansion/Contraction/Relocation**

On April 9, 2011, FC Edmonton debuted in the inaugural NASL match with an away win over the Fort Lauderdale Strikers. FC Edmonton played a crucial role placing the NASL back in the Canadian market as the league no longer had a team in Vancouver, as the Vancouver Whitecaps had joined the MLS. The Montreal Impact would follow suit as they joined the MLS for the start of the 2012 season. It should be noted that four of the last six new MLS teams came from the second division, and are original USL/NASL teams: Seattle Sounders (2009), Portland Timbers (2011), Vancouver Whitecaps (2011) and Montreal Impact (2012).

NASL officially announced on June 20, 2011, that Ottawa, Ontario had been granted an expansion franchise. Pending the refurbishment of Frank Clair Stadium the Ottawa Fury, currently of the USL Premier Development League, will begin play in 2014 season. 2014 also marks the scheduled return of Ottawa to the Canadian Football League, which would put both professional sports franchises starting play the same year in the restored Frank Clair Stadium.

On July 12, 2012 the NASL announced that the New York Cosmos would be joining the league in the 2013 season. The original New York Cosmos were the most popular and visible team of the NASL, with the help of internationally recognized players like Brazilian forward Pelé, Italian striker Giorgio Chinaglia and the West German defender Franz Beckenbauer. The original Cosmos played their games in four different stadiums, most prominently Giants Stadium. Reports suggest that the new Cosmos will initially play their home games at Hofstra University's James M. Shuart Stadium, the home of the original Cosmos for the 1972 and 1973 seasons. An official stadium announcement has yet to be made by the club.

## Appendix C – I. NASL Overview

League expansion fees are negotiated on a case-by-case basis and approved by the NASL Board of Governors, but the most recent agreed fee for an expansion team was \$1.5 million, payable in three annual installments. League dues are set in advance of each year by a super-majority vote of the NASL Board of Governors but in 2011 they were \$75,000 per team and in 2012 they were \$80,000 per team; it is likely they will remain the same.

### Operating Structure

The NASL structure differs from the MLS, in that it follows the traditional direct team ownership, whereas the MLS operates as a single-entity limited liability company. In a single-entity concept, the league retains ownership of the member clubs, and negotiates stadium leases, national television deals, apparel contracts and national sponsorship agreements. It also signs all players and allocates them to teams throughout the league. While there are advantages to this model, namely financial parity, it also limits the control team owners have of their own rosters. Unlike MLS, each NASL team is responsible for scouting, signing and even transferring each roster player; this is the model that the rest of the world uses. With no league mandated salary cap, each team is allowed to determine total player payroll. Teams also retain 100 percent of any transfer fees.

#### NASL Financial Structure

	Team	NASL
Revenues:		
Gate receipts	100%	0%
Concessions	100%	0%
Parking	100%	0%
Local Sponsorships	100%	0%
National Sponsorships	0%	100%
Jersey Sponsorships	100%	0%
Other Stadium Revenues	100%	0%
National Media	0%	100%
Local TV & Radio	100%	0%
Expenses:		
Player Salaries	100%	0%
Front-Office Expenses	100%	0%
Team Travel	100%	0%
Local Broadcast Expense <sup>(1)</sup>	100%	0%
Rent	100%	0%
Game-Day Expenses <sup>(2)</sup>	100%	0%
Stadium Expenses <sup>(3)</sup>	100%	0%

Note: Some revenues and expenses are shared between NASL franchise and the host stadium. The revenue and expense sharing presented herein is net of revenue and expense sharing between the stadium owner and the NASL team.

(1) To be negotiated with local broadcaster. Each match must still be produced to minimum standards at home team's expense for live streaming on Ustream.

(2) Paid for by home team; with exception of fees, travel costs, and match officials expenses are paid for by the league.

(3) Subject to local lease agreement.

## **Appendix C – I. NASL Overview**

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The existing NASL financial structure allows for 100 percent of ticket revenue and local sponsorships to be retained by individual teams. Concessions, parking, and other stadium-related revenue agreements are negotiated on a team-by-team basis with the respective stadium owner/operator.

National sponsorships are retained by the league but are in turn redistributed to teams if NASL league office has operating profit. Jersey sponsorships are handled at the team level with one hundred percent of revenue going back to respective teams. All local media revenues from television and radio are retained by individual teams, while national media revenues are retained by the league but are again redistributed to teams if NASL league office has operating profit. In addition, each team must be prepared to include up to three home games in a national network television package to be sold by the league.

Local broadcast expenses are to be negotiated with local broadcaster, but in absence of local or national TV each match must still be produced to minimum standards at home team's expense for live streaming over the internet. Game-day expenses, stadium leases, rental fees, and other operating expenses are negotiated and paid for by the home team. Match officials (referee, two AR's and 4th official) are paid for by the league.

NASL average team revenue for 2011 team was approximately \$1.5 million. Sponsorship accounted for 52 percent, ticket sales at 36 percent, with other forms of revenue making up the final 12 percent. Other revenue sources consisted of merchandising, camps/clinics, exhibition matches, player transfers, broadcasting, parking & concession. The average expense budget for an NASL team is approximately \$1.9 million. The breakdown of major costs per team is roughly 30 percent dedicated toward front office payroll and administration expenses, 25 percent player expenses, 15 percent stadium and training facility rental and staffing, 10 percent travel expenses for road games, and 20 percent for other expenses (i.e. league dues, marketing, professional services, sales commission, etc.).

## Appendix C – I. NASL Overview

### *NASL Player Salaries*

The NASL operates with no salary cap on its member teams, thus no designated player rule. In 2011, the average NASL total team payroll was between \$400,000 and \$500,000, depending upon calculation of benefits. Average per player compensation for each month is approximately \$2,250 plus \$750 in housing and living expenses. There is a limit of 30 players per team on active roster, with no more than 7 of those 30 being foreign players.

While there is a limit of 30 players, most teams carry 23 to 25-person rosters, at a median player salary of approximately \$2,500 to \$3,000 per month. Players are typically paid for pre-season (one month), regular season (six months), and playoffs, if they qualify (one month). However, in many cases players earn less but receive a housing stipend, the cost of which can often be defrayed by securing a housing sponsor (i.e. a short-stay apartment complex).

### *NASL Team Ownership*

#### NASL Majority Ownership

<b>Team</b>	<b>Investor-Operator</b>
Atlanta Silverbacks	Traffic Sports USA (majority owner)
Carolina RailHawks	Traffic Sports USA (majority owner)
FC Edmonton	Fath Sports Limith (Tom Fath)
Fort Lauderdale Strikers	Traffic Sports USA (100%)
Minnesota Stars FC	NASL, LLC
New York Cosmos	World Sport Group (50%), Sela Sport (50%)
Ottawa Fury	Otta Sports & Entertainment Group (Bill Shenkman, et al)
Puerto Rico Islanders	PR Iislander FC Corp
San Antonio Scorpions	Soccer For A Cause, LLC (Gordon Hartman)
Tampa Bay Rowdies	Citrus Sports Group (David Laxter, et al)

Note: Two additional teams with independent owners have signed admission agreements, and paid initial installments of entry fees this August to join the league to begin play no later than the 2014 NASL season.

## Appendix C – I. NASL Overview

### Historical Attendance

The table below presents the stadium, year opened, seating capacity, reported attendance and average seat occupancy for all NASL teams for the 2011 season.

**NASL Facilities and Attendance - 2011 Season**

Team	Stadium	Year Opened	Stadium Capacity		2011	Attendance as	
			Total	Soccer	Average Attendance	Total	Soccer
Montreal Impact <sup>(1)</sup>	Saputo Stadium	2008	20,341	20,341	11,507	57%	57%
Fort Lauderdale Strikers	Lockhart Stadium	1959	20,450	20,450	3,769	18%	18%
Carolina RailHawks	WakeMed Soccer Park	2002	7,130	7,130	3,353	47%	47%
Tampa Bay Rowdies	Progress Energy Park	1976	7,227	7,227	3,010	42%	42%
Atlanta Silverbacks	Atlanta Silverbacks Park	2006	5,000	5,000	2,866	57%	57%
Puerto Rico Islanders	Juan Ramon Loubriel Stadium	1974	22,000	22,000	2,161	10%	10%
FC Edmonton	Clarke Stadium	2000	1,200	1,200	1,817	151%	151%
Minnesota Stars FC	National Sports Center	1990	8,500	8,500	1,676	20%	20%
<b>AVERAGE</b>		<b>1989</b>	<b>11,481</b>	<b>11,481</b>	<b>3,770</b>	<b>50%</b>	<b>50%</b>
<b>MEDIAN</b>		<b>1995</b>	<b>7,864</b>	<b>7,864</b>	<b>2,938</b>	<b>44%</b>	<b>44%</b>

Note: Sorted by 2011 Average Attendance.

(1) Montreal Impact joined the MLS in 2012.

Average per game attendance across all eight teams was approximately 3,770 totaling 460,800 in 2011. For the 2012 season, the average has slightly increased to 3,810 for all regular season games.

### Ticket Prices

The table below displays an overview of ticket prices across the NASL landscape. It outlines the price range for both single game and season tickets for the 2012 NASL season.

**NASL Ticket Price Overview - 2012 Season**

Team	Stadium	Single-Game Ticket Prices		Season Ticket Prices	
		Low	High	Low	High
Atlanta Silverbacks	Atlanta Silverbacks Park	\$ 10.00	\$ 26.00	\$ 140.00	\$ 280.00
Carolina RailHawks	WakeMed Soccer Park	10.00	15.00	123.00	205.00
FC Edmonton	Clarke Stadium	20.00	28.00	240.00	320.00
Fort Lauderdale Strikers	Lockhart Stadium	13.00	20.00	112.00	192.00
Minnesota Stars FC	National Sports Center	14.00	20.00	145.00	220.00
Puerto Rico Islanders	Juan Ramon Loubriel Stadium	-	-	80.00	125.00
San Antonio Scorpions	Heroes Stadium	10.00	28.00	150.00	375.00
Tampa Bay Rowdies	Progress Energy Park	7.50	20.00	165.00	240.00
<b>AVERAGE</b>		<b>\$ 12.07</b>	<b>\$ 22.43</b>	<b>\$ 144.38</b>	<b>\$ 244.63</b>
<b>MEDIAN</b>		<b>\$ 10.00</b>	<b>\$ 20.00</b>	<b>\$ 142.50</b>	<b>\$ 230.00</b>



## **Appendix C – I. NASL Overview**

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NASL single game tickets ranged from a low of \$8 a game to a high of \$28, while non-premium season tickets ranged from \$80 to a high of \$375. The average for single game NASL general admission tickets was \$13 and \$22 for reserved seating. Season general admission tickets averaged \$144, while reserved seating averaged \$245 for season tickets in 2012.

### **Stadium Status**

- **Atlanta Silverbacks** – Atlanta Silverbacks Park opened in Atlanta, Georgia in 2006. Along with the Silverbacks NASL team, the stadium hosts the Atlanta Silverbacks Women of the W-League, the Silverbacks Reserves of the National Premier Soccer League, and the Atlanta Renegades Rugby Football Club. Currently, the stadium capacity is 5,000 spectators, but in its final version it is meant to feature a 15,000 seat stadium, several international size practice fields, a club house, along with a pool and fitness center.
- **Carolina RailHawks** – In 2002, WakeMed Soccer Park opened in Cary, North Carolina. Along with the RailHawks, the park is currently home of the Carolina Courage of the WUSA, and NC State Wolfpack soccer teams. With a construction cost of \$14.5 million, and a capacity of 7,130, WakeMed Soccer Park is one of the premier soccer-specific stadiums in the NASL.
- **FC Edmonton** – Originally opened in 1938, Clarke Stadium has since been rebuilt in 2000. In 2012, FC Edmonton announced they will play their inaugural 2012 NASL season at Clark Stadium. While, the stadium currently seats approximately 1,200, plans are in place to increase the capacity by 3,000 seats.
- **Fort Lauderdale Strikers** – Lockhart Stadium was opened in 1959 and has a capacity of 20,450. Upon the start of Miami Fusion FC's 1998 MLS Season, the stadium underwent a \$5,000,000 renovation (\$7.13 million in 2012 dollars). Miami Fusion FC of the MLS ultimately folded in 2002. Miami FC, of the USL, was founded and began play in 2006. In 2009, Miami announced they would leave the USL and become co-founders of the NASL. On February 17, 2011, announced that it would pay homage to the original NASL team by rebranding the team as the Fort Lauderdale Strikers. The Strikers have played at Lockhart Stadium since the inaugural NASL season in 2011.
- **Minnesota Stars** – The state-owned National Sports Center opened in Blaine, MN in 1990 at a cost of \$14.7 million. The stadium has a capacity of 8,500 and is a part of a 600-acre multi-sport complex that includes over 50 full-sized soccer fields, a velodrome, golf course, ice rink, and a meeting and convention facility.

## Appendix C – I. NASL Overview

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The NSC played host to the defunct Minnesota Thunder of the USL First Division from 1990-2003, and from 2008-2009. The Minnesota Stars were founded to replace the Thunder, and debuted in the North American Soccer League in 2011.

- **Puerto Rico Islanders** – Juan Ramon Loubriel Stadium was opened in 1974 and has a capacity of 22,000 people. The stadium underwent a \$7,000,000 renovation to convert the facility to a soccer-specific stadium. Juan Ramon Loubriel Stadium has hosted the Puerto Rico Islanders since the team played their first season in the USL A-League in 2004. In 2010, the Islanders announced that they would be joining the North American Soccer League for the inaugural 2011 season.
- **San Antonio Scorpions** – In 2009, the city of San Antonio opened the 11,000 seat Heroes Stadium. The \$27.5 million facility was financed through public funding. The stadium is currently the host of the San Antonio Scorpions for the 2012 NASL. The Scorpions lease is scheduled to run through 2012, as they plan to move to their new 8,000 seat, soccer-specific stadium, Toyota Field.
- **Tampa Bay Rowdies** – Progress Energy Park is a 7,227 seat baseball stadium located in St. Petersburg, Florida. It was originally built for \$300,000 in 1947, but was rebuilt in 1976. The park has hosted several minor league baseball teams, collegiate baseball tournaments and Major League Baseball spring trainings over the years. The Tampa Bay Rowdies have called Progress Energy Park home since the opening season of NASL in 2011.

## **Appendix C – I. NASL Overview**

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### **Media and Sponsorship**

NASL has two league-wide partners for the 2012 season, Ustream Inc. and Joma Sport. Ustream, Inc. serves as the webcast distributor of all regular season and playoff games, 120 telecasts via its live internet streaming technology. Ustream is in the 2nd year of a three-year deal with the league.

Spanish sportswear manufacturer, Joma Sport, S.A. is the official supplier of the NASL match ball and is currently in the 2nd year of a two-year deal with NASL. Both partnerships are in-kind, where the sponsor provides products, services, and marketing support in exchange for the rights to be official partners of the NASL.

League officials have indicated a strong interest in upgrading current broadcasting and sponsorship contracts; both in terms of partner quality and cash value to the NASL. Plans are in place to potentially add an additional national league-wide travel partner (i.e. hotel, airline, rental car) as well as a league title sponsor, similar to the Barclay's Premier League.

### **Team Transactions**

The following represents recent transactions involving NASL teams:

- 2012 – NASL announced on July 20, 2012 that the New York Cosmos would be joining the league and begin play in the 2013 season.
- 2011– NASL announced that an Ottawa expansion team, owned by the Ottawa Sports and Entertainment Group (OSEG), would join the league in 2014.
- 2011 – The inaugural NASL season kicked off on the evening of April 9, 2011, with games in Cary, North Carolina; Atlanta, Georgia; Fort Lauderdale, Florida; and St. Petersburg, Florida.
- 2011 – The NASL received recognition from the United States Soccer Federation as the exclusive second division men's professional league.
- 2010 – Joey Saputo purchases franchise rights for the Montreal Impact and was granted franchise rights to enter MLS on May 7, 2010. The team eventually played its first MLS game in April, 2012.

## **Appendix C – I. NASL Overview**

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- 2010 – On October 4, 2010, NASL announced that San Antonio, TX would be awarded a franchise. Named the San Antonio Scorpions FC, the team would begin play in the 2012 season and owned by real estate developer Gordon Hartman.
- 2009 – North American Soccer league (NASL) was officially announced as the name of the new league, paying homage to the original NASL.
- 2009 – The Vancouver Whitecaps are granted status as the seventeenth Major League Soccer franchise. The Portland Timbers followed suit, and was announced as the eighteenth Major League Soccer franchise two days later.
- 2009 – One team from the USL-1 and USL-2 announced their intent to join the new league (NASL), which brought membership to nine teams.
- 2009 – Nike agrees to sell their stake in the United Soccer Leagues (USL) to Rob Hoskins and Alec Papadakis of Atlanta-based NuRock Soccer Holdings, as opposed to the USL Team Owner’s Association (TOA).

## Appendix C – II. NASL Market Area Characteristics

### NASL Market Comparisons

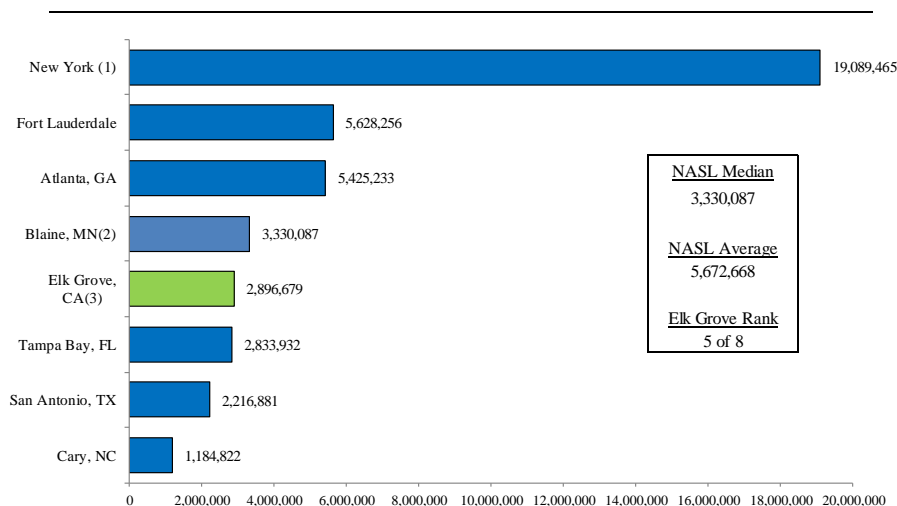
It is important to analyze the demographic and socioeconomic characteristics of the Elk Grove market in the context of other markets that support soccer stadiums and NASL teams. It should be noted that market comparisons involving data collected from Claritas and Hoovers only include United States markets and do not include Canadian (Edmonton FC) and Puerto Rican (Puerto Rico Islanders) market comparisons. With the New York Cosmos scheduled to begin play in the NASL for the 2013 season, market data for the New York Metropolitan area was considered in the comparisons below. The remainder of this section presents a comparative analysis of the following demographic and socioeconomic characteristics for each NASL market:

- population;
- registered soccer players;
- age;
- ethnicity;
- income; and
- corporate base.

### Population

As previously mentioned, the level of population from which to draw upon can impact the attendance attracted by an Elk Grove NASL franchise and other events hosted at the proposed soccer stadium. The chart below summarizes the population of current NASL markets, as well as the New York market for the expansion franchise (New York Cosmos) scheduled to begin play in 2013.

**NASL Market Population Comparison**



<sup>(1)</sup>This report includes New York, who are expected to join the league in 2013.

<sup>(2)</sup>This report defines Blaine's market as the Minneapolis, MN CBSA

<sup>(3)</sup>This report defines Elk Grove's market as the Sacramento, CA CBSA

Note: this chart does not include data for the Edmonton, Ottawa, Bayamón Metropolitan Areas

## Appendix C – II. NASL Market Area Characteristics

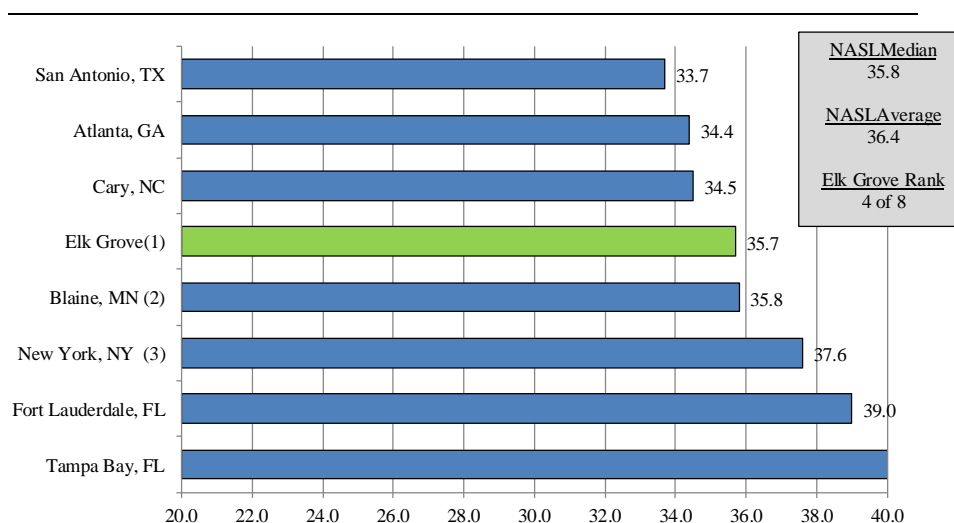
The Elk Grove market ranks fifth largest out of eight NASL markets in terms of population, ranking higher than Cary-Raleigh, Tampa Bay-St. Petersburg, and San Antonio. The average NASL market, excluding Elk Grove, has a population of approximately 5.7 million, while the median NASL market population is approximately 3.3 million. When excluding the New York market, as an outlier, the average NASL market population is approximately 3.4 million. In comparison, the Elk Grove market has a population of approximately 2.9 million people.

### Age

Another demographic characteristic that is important to the overall viability of the proposed NASL team and soccer stadium is the age of the local population. Division 2 professional soccer is generally marketed as an affordable family entertainment option and, as a result, is generally more successful in areas with younger populations.

In general, the 15 to 44 year old age group is regarded in the spectator events industry as an age group that is most likely to attend events such as NASL soccer. This age group exhibits higher spending patterns than other age groups, and a young population can also be an indicator of a healthy local economy that retains young professionals. It is assumed that markets with relatively young populations may be more likely to support an NASL team and soccer stadium. The chart below presents a comparison across NASL market populations in terms average and median age.

**NASL Market Median Age Comparison**



<sup>(1)</sup>This report defines Elk Grove's market as the Sacramento, CA CBSA

<sup>(2)</sup>This report defines Blaine's market as the Minneapolis, MN CBSA

<sup>(3)</sup>This report includes New York, who are expected to join the league in 2013.

Note: this chart does not include data for the Edmonton, Ottawa, Bayamón Metropolitan Areas

Source: Claritas

**Appendix C – II. NASL Market Area Characteristics**

Sacramento ranks as the fourth youngest NASL market out of eight, with a median age of 35.8 years. The median age of NASL markets ranges from a low of 33.7 years of age in San Antonio to a high of 40.0 years of age in Tampa Bay. Overall, the median age of NASL markets is 35.8 years of age.

**Ethnicity**

The ethnic makeup of a local market can impact the ability of a market to support an NASL team and the resulting viability of a proposed soccer stadium. The chart below provides an ethnicity comparison among NASL markets.

**NASL Market Ethnicity Comparison**

	<u>White</u>	<u>Hispanic</u>	<u>African American</u>	<u>Asian</u>	<u>Other</u>
Blaine, MN <sup>(1)</sup>	80%	6%	8%	6%	4%
Tampa Bay, FL	78%	17%	12%	3%	3%
San Antonio, TX	75%	55%	7%	2%	4%
Fort Lauderdale, FL	70%	43%	21%	2%	3%
Cary, NC	67%	11%	20%	5%	3%
<b>Elk Grove, CA <sup>(2)</sup></b>	<b>60%</b>	<b>26%</b>	<b>7%</b>	<b>13%</b>	<b>10%</b>
New York, NY <sup>(3)</sup>	59%	23%	18%	10%	4%
Atlanta, GA	54%	11%	33%	5%	3%
<b>MEDIAN</b>	<b>68%</b>	<b>20%</b>	<b>15%</b>	<b>5%</b>	<b>3%</b>
<b>AVERAGE</b>	<b>68%</b>	<b>24%</b>	<b>16%</b>	<b>6%</b>	<b>4%</b>

Note: Sorted by Caucasian population

"Other" consists of Pacific Islander, Native American, multi-racial persons and all other races not specifically mentioned

<sup>(1)</sup> This report defines Blaine's market as the Minneapolis MN CBSA

<sup>(2)</sup> This report defines Elk Grove's market as the Sacramento, CA CBSA

<sup>(3)</sup> This report includes the New York Cosmos, to begin play in the 2013 NASL Season.

Source: Claritas

The Elk Grove market is very racially diverse when compared to others in the NASL. With racial minorities accounting for 40 percent of the population, the Elk Grove market trails only New York and Atlanta in this regard. The average NASL market is comprised of 68 percent Caucasians and 32 percent minority ethnicities. Elk Grove also has the third highest population of Hispanics out of eight markets surveyed. With 26 percent of the population recorded as Hispanic, Elk Grove is roughly 6 percent more than the median NASL market.

## Appendix C – II. NASL Market Area Characteristics

### Income

An important socioeconomic variable that can be indicative of the potential success of a professional soccer team and stadium is household income. Household income can be used as a measure of the ability of a market’s residents to purchase tickets, concessions, novelties, parking and other such items. Markets with relatively high household income levels are assumed to be more able to support a professional sports franchise.

The following graphic summarizes the adjusted median household income of each NASL market, accounting for the cost of living in each respective market.

**NASL Market Adjusted Household  
Income Comparison**

	<u>Median HH Income</u>	<u>Cost of Living</u>	<u>Adjusted Income</u>
Cary, NC	\$58,787	96.1	\$61,173
Atlanta, GA	\$57,822	95.9	\$60,294
Blaine, MN <sup>(1)</sup>	\$63,502	110.9	\$57,261
<b>Elk Grove <sup>(2)</sup></b>	<b>\$56,157</b>	<b>113.9</b>	<b>\$49,304</b>
San Antonio, TX	\$46,344	94.4	\$49,093
Tampa Bay, FL	\$44,473	92.3	\$48,183
Fort Lauderdale, FL	\$46,823	114.1	\$41,037
New York, NY	\$61,520	182.9	\$33,636
<b>MEDIAN</b>	<b>\$56,990</b>	<b>103.5</b>	<b>\$49,198</b>
<b>AVERAGE</b>	<b>\$54,429</b>	<b>112.6</b>	<b>\$49,998</b>

Note: Sorted by Cost of Living-Adjusted Median Household Income

<sup>(1)</sup> This report defines Elk Grove's market as the Sacramento, CA CBSA

<sup>(2)</sup> This report defines Blaine's market as the Minneapolis, MN CBSA

Source: Claritas, United States Census Bureau

The Elk Grove market ranks fourth highest among NASL markets with an adjusted median household income of approximately \$49,304. The NASL average adjusted household income is \$49,998 and the NASL median adjusted household income is \$49,198.



## Appendix C – II. NASL Market Area Characteristics

### Corporate Base

Local corporations often support NASL teams through the purchase of season and group ticket packages, as well as through advertising and sponsorship opportunities. The table below summarizes the corporate depth of each NASL market.

**NASL Market Corporate Base Comparison**

	<b>\$1 Million to \$4.9 Million</b>	<b>\$5 Million to \$9.9 Million</b>	<b>\$10 Million to \$24.9 Million</b>	<b>\$25 Million or More</b>	<b>Total</b>
New York, NY <sup>(1)</sup>	28,695	5,142	3,619	2,980	40,436
Ft. Lauderdale, FL	13,618	2,096	1,366	881	17,961
Atlanta, GA	10,203	1,637	1,218	1,005	14,063
Blaine, MN <sup>(2)</sup>	7,161	1,411	1,164	863	10,599
<b>Elk Grove, CA <sup>(3)</sup></b>	<b>6,201</b>	<b>915</b>	<b>600</b>	<b>363</b>	<b>8,079</b>
Tampa, FL	5,349	857	642	390	7,238
San Antonio, TX	2,893	523	348	262	4,026
Cary, NC	2,093	337	232	168	2,830
<b>MEDIAN</b>	<b>6,681</b>	<b>1,163</b>	<b>903</b>	<b>627</b>	<b>9,339</b>
<b>AVERAGE</b>	<b>9,527</b>	<b>1,615</b>	<b>1,149</b>	<b>864</b>	<b>13,154</b>

<sup>(1)</sup> This report defines Blaine's market as the Minneapolis MN CBSA

<sup>(2)</sup> This report defines Elk Grove's market as the Sacramento, CA CBSA

<sup>(3)</sup> This report includes the New York Cosmos, to begin play in the 2013 NASL Season.

Source: Hoovers

The Sacramento metropolitan area has 8,079 companies, ranking fifth highest among American NASL markets. In comparison, the average NASL market has a corporate base of 13,154 companies, with a median corporate inventory of 9,339 companies. When the New York corporate base is removed as an outlier, the average falls to 9,257 and is more in line with the Sacramento market and the rest of the NASL market landscape.

Below is a summary of the Elk Grove market compared to that of the rest of the markets represented in NASL.

**Summary of NASL Market Area Characteristics**

<b>Criteria</b>	<b>Elk Grove <sup>(2)</sup></b>	<b>Rank <sup>(3)</sup></b>	<b>Market High</b>	<b>Market Median</b>	<b>Market Low</b>
Population	2,896,679	5	19,089,465	3,113,383	1,184,822
Median Age	35.7	4	40	35.8	33.7
Percent Non-Caucasian	40%	3	46%	32%	20%
Percent Caucasian	60%	6	80%	68%	54%
Adjusted Median HH EBI <sup>(1)</sup>	\$49,304	4	\$61,173	\$49,198	\$33,636
Corporate Base Inventory	8,079	5	40,436	6,681	2,830

(1) Estimated median Household Earned Buying Income adjusted for cost of living

(2) Refers to the Sacramento CBSA

(3) Based on 8 MLS Markets; excludes Canadian & Puerto Rican markets

Sources: Claritas, U.S. Census Bureau, Hoover's, CSL International research

## **Appendix C – III. Competitive Facilities**

In a previous analysis of competitive facilities for a proposed MLS team and soccer stadium in Elk Grove, CSL International identified the following facilities as likely competitors in the market:

- Raley Field;
- Hornet Stadium;
- Banner Island Ballpark;
- Sleep Train Amphitheater;
- Stockton Arena;
- Power Balance Pavilion; and
- California Exposition and State Fair.

Given the similar nature of this study to the comprehensive analysis completed for the proposed MLS team and stadium, CSL expects competition in the market to remain largely unchanged. The proposed NASL stadium will face similar competition in terms of attracting events, participants, spectators, attendees and sponsorship dollars within the market.

While the competitive facilities in the market stay the same, there are significant differences between the proposed MLS and NASL facilities. NASL stadiums traditionally have lower seating capacities and parking areas, offer less premium seating options, and provide fewer amenities when compared to MLS facilities. These are all factors that impact a facility's ability to attract events in a competitive marketplace, and consideration has been made for these differences in our demand estimates.

## **Appendix C – IV. Comparable Facilities**

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To date, two NASL soccer-specific stadiums have been built in the past six years. In addition, three NASL markets are in the process of developing new stadiums or renovating current stadiums. The NASL expansion franchises in Ottawa and New York have not confirmed their future stadium plans and have been left out of this comparable facility analysis.

The case studies presented in this section aim to provide historical and projected perspectives that shape the evaluation of potential operational performance and event levels at the proposed NASL stadium in Elk Grove.

Physical, financial, operating and funding statistics were reviewed for the following comparable stadiums:

- Atlanta Silverbacks Park (Atlanta Silverbacks);
- WakeMed Soccer Park (Carolina RailHawks);
- Clarke Stadium (FC Edmonton);
- Lockhart Stadium (Fort Lauderdale Strikers);
- National Sports Center (Minnesota Stars);
- Juan Ramon Loubriel Stadium (Puerto Rico Islanders);
- Progress Energy Park (Tampa Bay Rowdies); and,
- Toyota Park (San Antonio Scorpions).

**Appendix C – IV. Comparable Facilities**

**Atlanta Silverbacks Park**

*Atlanta, Georgia*



Year Opened:	2006
Seating Capacity:	5,000 seats
Suites:	0
Club Seats:	232
Owner:	Atlanta Silverbacks
Operator:	Atlanta Silverbacks
Cost:	N/A
Financing:	100% private 0% public

Atlanta Silverbacks Park is a privately funded soccer-specific stadium complex located in Atlanta, Georgia. Construction of Silverbacks Park has been planned in multiple phases, with the current stadium capacity at 5,000 spectators after phase two of the project. This phase of construction was completed in 2006, making it among the newest facilities in the NASL. Phase I of the project saw the installation of three additional playing fields; two artificial turf fields, and one grass field, along with state-of-the-art lighting and drainage systems, and parking on site.

Phase II of the project saw the construction of the 5,000 capacity stadium, along with a bar/restaurant, additional parking, and permanent restrooms, locker rooms, and concessions and parking. Phase three of the the project will see the stadium expanded to 7,5000 seats, the addition of a health club, along with the relocation of the administrative headquarters for the Atlanta Silverbacks. The fourth and final phase of the construction project will include the addition of an upper deck that will increase the total capacity to 15,000 seats.

The Silverbacks have created a local soccer pyramid with the men’s professional NASL team, a reserve team that competes in the National Premier Soccer League (NPSL), along with the Atlanta Silverbacks Women of the W-League. The stadium is also the home venue for the Atlanta Renegades Rugby Football Club. Silverbacks Park also hosts recreational soccer and kickball leagues for all ages, as well camps and clinics for multiple sports. According to representatives with the Silverbacks, the main stadium and adjacent fields average 350 different teams playing at the complex every week.

The Silverbacks offer two premium seating areas; the Chairman’s Club, with 56 total seats available, and the Platinum Club which is two sections of 88 seats located on both sides of the Chairman’s Club. Both club seating areas offer in-seat food and beverage service, as well as pre-game access to a VIP hospitality area with a full buffet. Chairman’s Club season tickets are priced at \$1,000 a seat, while Platinum Club tickets can be purchased for \$500 a seat.

## Appendix C – IV. Comparable Facilities

### WakeMed Soccer Park

*Cary, North Carolina*



Year Opened:	2002
Seating Capacity:	7,130 seats
Suites:	6
Club Seats:	1500
Owner:	Wake County
Operator:	Town of Cary
Cost:	\$14.5 million
Financing:	0% private 100% public

Originally opened in May, 2002 as State Capital Soccer Park, WakeMed Soccer Park is a major soccer complex located in Cary, North Carolina. The park lies on 150 acres that the State of North Carolina has leased to Wake County. Current tenants of the park include NASL's Carolina Railhawks, Carolina Courage of the Women's United Soccer Association (WUSA), and both NC State Wolfpack soccer teams. The stadium hosts a number of additional events including high school lacrosse and field hockey tournaments, cross country running events, as well as multiple 5k and community fun run events.

The centerpiece of the complex is the 7,130 seat soccer-specific main stadium. While the main stadium seats 7,130 it is expandable to 10,000 with temporary seating. Along with this stadium, the complex has two lighted regulation sized practice fields, and four additional fields. Public funding for the soccer park came from \$14.5 million in county-wide hotel room and prepared food and beverage taxes. Since 2004, the Town of Cary has assumed responsibility for the operations and maintenance of the facility, originally held by Capital Area Soccer League (CASL). The park is also one of two current NASL facilities with a naming rights agreement. Since January 1, 2008, the stadium has been known as WakeMed Soccer Park after an agreement between WakeMed Health & Hospitals and the Town of Cary for three years at a cost of \$300,000 per year.

WakeMed Park is one of the few NASL stadiums that offers a full range of seating options. Standard full season ticket packages start at \$154 and go up to \$205. There are approximately 1,500 club seats available at WakeMed park, 1,000 of which are priced at \$308, with an additional 500 VIP club seats available for \$359 a season. The stadium also features two suites available for full season leases, and four additional to accommodate individual buyers. RailHawks suites are leased at a price ranging from \$20,000 to \$30,000 depending on food and beverage packages, and can accommodate 25 to 30 patrons.

## Appendix C – IV. Comparable Facilities

### Clarke Stadium

*Edmonton, Alberta*



Year Opened:	1938 (rebuilt in 2000)
Seating Capacity:	1,200 seats
Suites:	0
Club Seats:	0
Owner:	City of Edmonton
Operator:	City of Edmonton
Cost:	N/A
Financing:	0% private 100% public

Clarke Stadium was originally built in 1938, on land that was deeded to the City for the purpose of constructing public sports facilities. The original Clarke Stadium had a capacity of approximately 20,000 and served as a home for the Edmonton Eskimos of the Canadian Football League from 1954-1978. After the departure of the Eskimos, the stadium went on to host a number of local and minor league sporting events, but was effectively demolished on May 3, 2000.

Edmonton, Alberta served as a the host city of the 2001 World Championships in Athletics and in preparation for the event, a remodelled Clarke Stadium was built in 2000. The current stadium seats approximately 1,200 fans in a single grandstand. With a capacity under 2,000 seats, Clarke Stadium is the smallest of the facilities currently in the NASL. USSF Division 2 ownership standards currently require each stadium to have a minimum capacity of 5,000. While, the stadium currently seats approximately 1,200, plans are in place to increase the capacity up to 5,000 with the installation of bleacher seats for next year, to bring it closer to the average stadium capacity of current NASL teams. Clarke Stadium currently offers no club seats or suites. General Manager, Tom Leip, indicated that the team was looking to incorporate a row of hospitality seating located near the sidelines for next season.

According to league officials, Edmonton FC is also planning a permanent move to the FIFA Women's World Cup stadium, with a projected capacity of 15,000-20,000, to begin play no later than the start of the 2015 season.

## Appendix C – IV. Comparable Facilities

### Lockhart Stadium

Fort Lauderdale, Florida



Year Opened:	1959 (renovation in 1998)
Seating Capacity:	20,450 seats
Suites:	8
Club Seats:	0
Owner:	FAA
Operator:	Ft. Lauderdale Strikers
Cost:	\$5 million renovation in 1998: (\$7.13 million in 2012 dollars)
Financing:	0% private 100% public

Originally opened in 1959 as an athletic facility to be used by local high schools, Lockhart Stadium is a part of a sports complex located in Fort Lauderdale, FL and has a capacity of 20,450. Past tenants of the stadium include the original Fort Lauderdale Strikers in periods from 1977 through 1997, the MLS's Miami Fusion FC from 1998-2001, as well as the Florida Atlantic University Owls football team from 2003-2010. It has served as the home to Miami FC/ Fort Lauderdale Strikers from 2009 to the present.

The start of Miami FC's 1998 MLS season led to a \$5 million publicly financed stadium renovation (\$7.13 million in 2012 dollars). On February 17, 2011, Miami FC announced that it would pay tribute to the original NASL team by rebranding the team as the Fort Lauderdale Strikers.

In addition to the stadium and playing field, there are three separate meeting facilities on property. An air-conditioned pavilion that can seat 400 people auditorium style and 250 for banquet, an open conference room that will seat 45-50 auditorium style and a slightly smaller conference room that seats 30 comfortable around tables.

Lockhart Stadium has hosted a number of sporting events, as well as shows and festivals. It recently played host to the 2007 Caribbean Carnival for Broward County, as well as the 2008 and 2009 MLS Scouting Combines. While the stadium does not offer any club seats, it does have eight open-air suites that sit 24 people each. Suite tickets can be purchased for \$350 for a season or \$35 the day of the game. The Strikers also offer a "Party on the Pitch" hospitality area, which are standing-room only tickets located on a deck that is adjacent to the field. These tickets are also available for \$35 day of game, or \$350 for the season and provide patrons access to unlimited beer and other beverages while watching the game.

## Appendix C – IV. Comparable Facilities

### National Sports Center

Blaine, Minnesota



Location:	Blaine, MN
Year Opened:	1990
Seating Capacity:	8,500 seats
Suites:	0
Club Seats:	0
Owner:	State of Minnesota
Operator:	State of Minnesota
Cost:	\$14.7 million
Financing:	0% private 100% public

The National Sports Center (NSC) opened in Blaine, MN in 1990 at a cost of \$14.7 million and is among the largest multi-sport complexes in the country. Plans for the NSC were put in motion after the 1987 Minnesota State Legislature created the Minnesota Amateur Sports Commission (MASC) and appropriated the \$14.7 million in public funds necessary for the construction of the facility. The stadium is a part of a 600-acre multi-sport complex that includes over 50 full-sized soccer fields, a velodrome, golf course, ice rink, and a meeting and convention facility. The National Sports Center is the most-visited sports facility in the State of Minnesota, with over 3.8 million visitors annually.

The NSC has played host to numerous sporting events over the course of its 22 year history. The United States women's national soccer team has played four international matches at the facility. Along with the U.S. women's national team, the NSC has held both U.S. National Team U-17 and U-20 matches. The stadium has also served as home venue for the now defunct Minnesota Thunder of the USL First Division. The Minnesota Thunder were tenants 1990-2003 and from 2008-2009. In 2010, the Minnesota Stars were established as a replacement to the Thunder in the NASL. The Stars debuted in their first official game against the Vancouver Whitecaps on April 11, 2010.

The National Sports Center does not feature any suites or club seats, but does provide approximately 30 to 50 exclusive first row sideline seats that can be purchased for \$30 the day of game, or \$325 for a season ticket. Other season tickets are priced from \$145 for general admission seating and up to \$220 for reserved season tickets.



## Appendix C – IV. Comparable Facilities

### Juan Ramon Loubriel Stadium

Bayamón, PR



Opened:	1974 (rennovated in 2012)
Seating Capacity:	22,000 seats
Suites:	N/A
Club Seats:	N/A
Owner:	Municipality of Bayamón
Operator:	Municipality of Bayamón
Cost:	\$7 million USD (renovation)
Financing:	0% private 100% public

Juan Ramon Loubriel Stadium was built in 1974 as a baseball park and served as the home venue to the Vaqueros de Bayamón, with a capacity of 12,500. The Vaqueros de Bayamón became defunct in 2003 and the stadium was left tenantless. In the same year, the stadium was adopted by the Puerto Rico Islanders of the USL. The stadium has also hosted the Puerto Rico national football team, Bayamón FC, and Sevilla Bayamón FC.

Originally built as a baseball park, Juan Ramon Loubriel Stadium had L-shaped stands that are not suited for soccer audiences due to the concentration of seating behind one goal and one corner of the field. New construction was proposed by the mayor of Bayamón, Ramón Luis Rivera, Jr., and the stadium underwent a \$7,000,000 renovation to convert the facility to a soccer-specific stadium. The renovation has expanded the stadium to approximately 22,000 seats and included a new drainage system to address issues the stadium was having with water collection on the field surface.

The stadium transformation has taken place in two stages. The first phase included the the introduction of a new drainage system and complete renovation of the field surface, as well new dressing rooms, bathrooms, and the replacement of some seating. Stadium lighting has also been adjusted to be more uniform across the playing field. The second phase of the renovation includes the new stadium seating and the construction of adjacent buildings. The goal for the entire stadium renovation to be completed by the beginning of the 2013 season.

**Appendix C – IV. Comparable Facilities****Progress Energy Park***St. Petersburg, Florida*

Year Opened:	1947 (rebuilt in 1976)
Seating Capacity:	7,227 seats
Suites:	1
Club Seats:	140
Owner:	City of St. Petersburg
Operator:	City of St. Petersburg
Cost:	\$3.5 million rebuild in 1976: (\$14.2 million in 2012 dollars)
Financing:	0% private 100% public

Progress Energy Park is a 7,227 seat baseball stadium located in St. Petersburg, Florida. It was originally built for \$300,000 in 1947, but was rebuilt at a cost of \$3.5 million in 1976. The Tampa Bay Rowdies have called Progress Energy Park home since the opening season of NASL in 2011. In addition to the Rowdies, the stadium has been home to the Tampa Bay Rays for their spring training. Over the years, several other Major League Baseball teams, including the Baltimore Orioles, New York Mets, New York Yankees, St. Louis Cardinals, have used the stadium as their headquarters for spring training. The park has hosted several minor league baseball teams, international baseball competitions, the Big East Classic baseball tournament among other collegiate tournaments. The facility has also been used for band competitions, antique and classic car shows, festivals and concerts.

In 1998, the naming rights of stadium were purchased by local utility Florida Power for \$150,000 per year, and the facility was known as Florida Power Park at Al Lang Field. The stadium's official name later changed to Progress Energy Park in 2003, when Florida Power was re-branded as Progress Energy. It should be noted that the Tampa Bay Rowdies do not receive stadium naming rights revenues.

Progress Energy Park has limited premium seating options when compared to newer NASL facilities. The stadium features one suite that can accommodate up to 30 patrons with tickets priced at \$50 per person per game. Two premium seating sections include 60 field-side seats sold for \$560 season ticket packages, as well on-field club seats sold for \$28 a ticket for groups of 15 or more. These sections include a parking pass, in-seat food and beverage service, as well a roster card and program in every seat.

## Appendix C – IV. Comparable Facilities

### Heroes Stadium

*San Antonio, Texas*



Year Opened:	2009
Seating Capacity:	11,122 seats
Owner:	North East ISD
Operator:	North East ISD
Cost:	\$27.5 million renovation
Financing:	0% private 100% public

The city of San Antonio opened Heroes Stadium in 2009 to serve the public school district of North East Independent School District (NISD). The \$27.5 million facility was 100 percent publicly financed by a 2007 school district bond. The 11,122 seat stadium is the home venue for the football, track and field, soccer and band events for the high schools located in the NISD.

Heroes Stadium is also the temporary home of the San Antonio Scorpions the 2012 NASL season. The Scorpions lease will run through the conclusion of the 2012 NASL season, as they wait to transition to their new soccer-specific, Toyota Field, for the start of the 2013 season.

**Appendix C – IV. Comparable Facilities**

**Toyota Field**

*San Antonio, Texas*



Year Opened:	2013
Seating Capacity:	8,000 seats
Suites:	16
Club Seats:	864
Owner:	Soccer for a Cause, LLC (Gordon Hartman)
Operator:	Soccer for a Cause, LLC (Gordon Hartman)
Cost:	\$10 million
Financing:	100% private 0% public

Construction on the new soccer-specific stadium for the San Antonio Scorpions began with a groundbreaking ceremony on February 29, 2012. The new 8,000 seat stadium, which will be capable of expansion in stages to 18,000 seats. Toyota Field, which has a \$10 million construction budget, was funded entirely by private investors and will be among the most state-of-the-art facilities in the NASL.

Toyota Field will be among the top NASL facilities in terms of the variety of seating available. The stadium will feature 16 VIP Suites ranging in price from \$21,200 to \$29,200 for a full season. Toyota Field will also offer two club seat areas located on the West stands behind the player benches. The Center Club, with 294 seats, is priced at \$720 per season ticket. The Midfield Club season tickets will be available for \$560 a season, with 570 seats available. Both seating areas will feature cushion flip-up seats and the best playing-field views in the stands. Along with these club areas, the stadium also features the Bud Light Beer Garden seating area and a VIP terrace, priced at \$320 and \$640 a season, respectively. Other season tickets are available in a price range from \$192 to \$320.

Toyota Field is among two NASL stadiums that currently have naming rights agreements in place, the other being WakeMed Park in Cary, North Carolina. Along with the stadium, Toyota is also involved in sponsoring Morgan’s Wonderland, which is an amusement park adjacent to Toyota Field that was built by Scorpion’s owner Gordon Hartman for people with special needs. Toyota will provide significant financial support for the 25-acre theme park, which will feature signage and promotional materials throughout the facility. The two-part deal is a multi-year, multimillion-dollar agreement between Gulf States Toyota and Soccer For a Cause, Gordon Hartman’s company which owns the Scorpions and Toyota Field, as well as Morgan’s Wonderland.

## **Appendix C – V. Estimated Event Utilization**

The estimated potential event mix and attendance levels for the proposed NASL stadium presented in this section are based on an application of the results from our previous analysis of comparable facilities, the number and types of competing facilities in the local and regional marketplace, the demographic and socioeconomic characteristics of the local marketplace and discussions with potential facility users:

- Stadium utilization;
- Estimated demand.

### **Stadium Utilization**

The proposed NASL soccer-specific stadium in Elk Grove is expected to seat 8,000, with the ability to be expanded for larger events. It is anticipated that the stadium will serve as the home of an Elk Grove NASL team and a variety of other events including international soccer matches, concerts, and possible high school football/soccer matches and championship games.

As in the previous study, this assessment of potential demand took into account the operational characteristics of comparable stadiums, as well as competitive facilities in the local and regional market, to determine the event activity level as well as projected attendance for similar events at the projected NASL facility in Elk Grove.

Interviews were previously conducted with a variety of potential stadium users. Detailed descriptions of these organizational interviews can be located in our initial report, and total event utilization, with the exception of concerts, is estimated to remain largely unchanged. Below is an overview of the organizations previously interviewed regarding potential stadium usage:

- Concert and show promoters;
- Sacramento State University;
- Big Sky Conference (BSC);
- National Collegiate Athletic Association (NCAA);
- National Association of Intercollegiate Athletics (NAIA); and
- California Youth Soccer Association (CYSA)

Additional NASL-specific information has been added concerning soccer attendance, as well as concert and event levels obtained through recent interviews with representatives at both the NASL and several of its member teams.

## **Appendix C – V. Estimated Event Utilization**

### *NASL Team in Elk Grove*

The proposed soccer stadium is expected to become the new home of an NASL franchise in Elk Grove. The addition of an NASL franchise in Elk Grove would bring the League's total number of teams to 11, counting the planned addition of expansion teams in New York and Ottawa. The NASL is in a period of extensive expansion, with a goal of reaching 20 teams by the year 2020. Plans to add an additional two teams to begin play by the 2014 season have also been confirmed. However, the ownership groups and locations of these expansion teams have not been released. As this report mentions previously, there are a number NASL stadiums in the process of being built or renovated in an effort by the league and its franchises to increase the reach and popularity of the sport.

Of the current 8 teams in the NASL, two play in soccer specific stadiums; the Carolina RailHawks and the Atlanta Silverbacks. The San Antonio Scorpions will become the third upon the completion of Toyota Field in 2013. These teams provide the best benchmark for expected attendance levels, with the San Antonio market being the most aligned with Elk Grove in terms of population size, demographics, and competition in the market. Both San Antonio and Elk Grove metropolitan areas have populations between 2.2 and 2.9 million, which are comprised of above average Hispanic population sizes, and only face competition from one major professional sports team.

Along with these market similarities, the proposed facility in Elk Grove would be most comparable to that of Toyota Field in San Antonio in terms of capacity and amenities, whereas lower capacity non-soccer specific facilities like that of FC Edmonton do not accurately represent expectations for the stadium in Elk Grove. In their inaugural season, the San Antonio Scorpions have become the most successful NASL team in terms of attendance; averaging 9,819 tickets distributed per game, or approximately 88 percent capacity of Heroes Stadium. This figure more closely aligns with expectations of an NASL team in Elk Grove. Based on these considerations, it is estimated that a NASL team in Elk Grove would support an average attendance of 4,500 to 7,000 in its inaugural year of operations.

In general, over the last two years, the NASL has seen an increase in average attendance, up from 3,770 in its inaugural season to 3,810 in 2012. The Atlanta Silverbacks saw a 57% rise in average attendance, averaging 4,511 fans a game for the 2012 season, up from 2,866 in the 2011 season. This trend is expected to continue league-wide as the NASL continues to expand in number of teams and popularity, and with the addition of soccer specific stadiums to the league landscape. Assuming a conservative 5% average growth rate in league-wide attendance, the proposed NASL team is estimated to have an average attendance of approximately 4,800 in 2016, using 2011 average attendance of 3,770 and assuming a stabilized year of operations.

## **Appendix C – V. Estimated Event Utilization**

### *NASL Stadium Concert Utilization*

Many soccer-specific stadiums have become popular concert destinations for acts requiring larger capacities than amphitheaters. However, that does not necessarily apply to NASL facilities. Most soccer-specific stadiums are able to accommodate 20,000 to 30,000 patrons while amphitheaters generally hold between 15,000 and 20,000. The average NASL stadium accommodates 11,481 people, which is skewed by two stadiums with capacities over 20,000. The proposed NASL stadium in Elk Grove is projected to have a capacity of 8,000 that is expandable to 16,000 for concerts.

Atlanta Silverbacks Park, a soccer-specific stadium opened in 2006, hosted three music festivals last year. Their stadium seating capacity is approximately 5,000 but is expandable to accommodate concert and festival events. Representatives with the Silverbacks indicated that their concert attendance was between 5,000 and 10,000 people on average last year, and that the team is looking to expand their current offering of concerts and music festivals to four to six events a year.

Many of the NASL facilities contacted are older, have lower total capacities, and provide fewer premium seating options than the proposed Elk Grove NASL facility. These concert estimates do not provide a direct comparable. The most similar facility to the proposed NASL stadium in Elk Grove is Toyota Field in San Antonio, TX. Representatives with the San Antonio Scorpions have indicated that they have a strong interest in bringing several concerts to Toyota Field and expect to host anywhere from four to ten concerts a year.

Several soccer-specific stadiums in the MLS attract concerts to their facilities every year, and provide a benchmark for the proposed NASL facility. The Home Depot Center located in Carson, CA, hosted two concerts in 2011 and has a concert capacity of 27,000. Crew Stadium hosted six concerts and averaged over 25,000 attendees per Livestrong Sporting Park, which opened in 2011, hosted three major concerts, including Farm Aid, which is scheduled to be held at the venue for future years. In 2011, Toyota Park hosted five major concert events. FC Dallas Stadium, which opened in August, 2005, hosted three major concerts in 2011.

**Appendix C – V. Estimated Event Utilization**Estimated Demand

The table below summarizes the estimated annual event activity and attendance that could be hosted at the proposed NASL stadium, based on analysis of comparable and competitive facilities as well as discussions with potential users.

**Events and Fan Spending**

<u>Event Type</u>	<u>Annual Events</u>	<u>Average Attendance</u>	<u>Total Attendance</u>
NASL Games	14	4,800	67,200
International/Friendly Games	2	10,500	21,000
Concerts	3	14,500	43,500
Other Events	15	2,500	37,500
<b>TOTAL</b>	<b>34</b>		<b>169,200</b>

It is estimated that the proposed facility could host approximately 34 events per year including NASL games, concerts, other soccer games and other non-soccer events such as football, lacrosse, festivals, motor sports, religious events and other such events.

When compared to demand estimates for the previously analyzed MLS stadium, the NASL facility is expected to be a less attractive option for concerts and bigger events due to a lower total capacity and fewer premium seating options. These considerations are reflected in the reduction of potential concerts hosted from eight at the proposed MLS facility to three at the NASL stadium. Attendance projections for other international/friendly soccer games have been lowered from 17,500 to 10,500 in this analysis, as NASL stadiums are less attractive options for major soccer matches when compared to larger soccer-specific MLS facilities. In total, it is estimated that the proposed stadium could attract 169,200 annual attendees, or approximately 4,976 people per stadium event.



## **Appendix C – VI. Estimated Financial Operations**

The estimated operating revenues and expenses associated with the proposed NASL team and soccer stadium in this section are based on assumptions formed through the results of the market analysis, industry trends, knowledge of the marketplace, historical operations of an NASL soccer specific stadium, and financial results from comparable NASL teams and soccer stadiums.

The estimation of potential financial operations of the City's proposed NASL team and soccer stadium include the following assumptions:

- Assumes an 8,000 seat multi-use stadium with seating capacity expandable up to 12,000 for sporting events and 16,000 for concert events, and will be completed by 2016.
- The proposed soccer stadium will be developed as a quality, state-of-the-art venue and would accommodate the needs of various users as well as meet NASL standards and will be located near the intersection of Kammerer Road and Highway 99.
- The yet-to-be-determined Elk Grove NASL team will serve as the primary tenants in the proposed soccer stadium.
- The soccer stadium will be owned by a public sector entity and will be exempted from paying property taxes, but may have a possessory tax placed on it.
- The Elk Grove NASL team will operate the stadium and will retain all revenues and pay all operating expenses, subject to NASL or third-party event revenue sharing.
- The Elk Grove region will generate ticket, concessions, novelty, and advertising/sponsorship levels that are generally consistent with other NASL franchises with new stadiums in similar market sizes.
- Ample parking will be available to accommodate demand (on-site or off-site within walking distance).

The table on the following page presents the estimated operating revenues and expenses associated with the proposed NASL team and soccer stadium during the first five years of operations.

## Appendix C – VI. Estimated Financial Operations

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### Estimated Operating Revenues and Expenses City of Elk Grove Proposed NASL Team and Stadium

	2016	2017	2018	2019	2020
<b>Revenues</b>					
<i>Team/Stadium</i>					
Ticket Sales	\$958,000	\$986,000	\$1,016,000	\$1,046,000	\$1,078,000
Luxury Suites	191,000	197,000	203,000	209,000	215,000
Club Seats	67,000	69,000	71,000	73,000	75,000
Naming Rights	298,000	306,000	316,000	325,000	335,000
Stadium Sponsorships	170,000	175,000	180,000	186,000	191,000
Food & Beverage	119,000	123,000	126,000	130,000	134,000
Merchandise	20,000	21,000	21,000	22,000	23,000
Parking	110,000	130,000	134,000	138,000	142,000
Team Sponsorships (incl. jersey)	383,000	394,000	406,000	418,000	431,000
Broadcasting	15,000	15,000	16,000	16,000	17,000
<b>Total Team/Stadium</b>	<b>2,331,000</b>	<b>2,416,000</b>	<b>2,489,000</b>	<b>2,563,000</b>	<b>2,641,000</b>
<i>Non-Tenant Events</i>					
Stadium Rent	530,000	658,000	793,000	816,000	841,000
Food & Beverage	307,000	394,000	488,000	503,000	518,000
Merchandise	115,000	148,000	183,000	189,000	194,000
Parking	270,000	337,000	409,000	421,000	433,000
Ticketing Rebates	248,000	341,000	438,000	452,000	465,000
<b>Total Non-Tenant Events</b>	<b>1,470,000</b>	<b>1,878,000</b>	<b>2,311,000</b>	<b>2,381,000</b>	<b>2,451,000</b>
<b>Total Revenues</b>	<b>3,801,000</b>	<b>4,294,000</b>	<b>4,800,000</b>	<b>4,944,000</b>	<b>5,092,000</b>
<b>Expenses</b>					
<i>Team Expenses</i>					
Team Operations	250,000	258,000	265,000	273,000	281,000
Designated Player Expense	650,000	670,000	690,000	710,000	732,000
Corporate Sales	125,000	129,000	133,000	137,000	141,000
Advertising	75,000	77,000	80,000	82,000	84,000
Broadcasting	42,000	43,000	45,000	46,000	47,000
Ticket Sales	91,000	94,000	97,000	99,000	102,000
Community Relations	52,000	54,000	55,000	57,000	59,000
Ticket Services	78,000	80,000	83,000	85,000	88,000
General Admin	75,000	77,000	80,000	82,000	84,000
League Subsidy	80,000	82,000	85,000	87,000	90,000
<b>Total Expenses - Team</b>	<b>1,518,000</b>	<b>1,564,000</b>	<b>1,613,000</b>	<b>1,658,000</b>	<b>1,708,000</b>
<i>Stadium Expenses</i>					
General & Administrative	229,000	235,000	242,000	250,000	257,000
Operations	123,000	127,000	130,000	134,000	138,000
Utilities	170,000	175,000	180,000	186,000	191,000
Insurance - Property	45,000	46,000	48,000	49,000	51,000
Insurance - Other	25,000	26,000	27,000	27,000	28,000
Event Services	25,000	26,000	27,000	27,000	28,000
Event Expenses	910,000	962,000	1,016,000	1,047,000	1,078,000
Taxes	200,000	206,000	212,000	219,000	225,000
Other	25,000	26,000	27,000	27,000	28,000
<b>Total Expenses - Stadium</b>	<b>1,752,000</b>	<b>1,829,000</b>	<b>1,909,000</b>	<b>1,966,000</b>	<b>2,024,000</b>
<b>Total Expenses</b>	<b>3,270,000</b>	<b>3,393,000</b>	<b>3,522,000</b>	<b>3,624,000</b>	<b>3,732,000</b>
<b>Net Income from Operations</b>	<b>\$531,000</b>	<b>\$901,000</b>	<b>\$1,278,000</b>	<b>\$1,320,000</b>	<b>\$1,360,000</b>

## **Appendix C – VI. Estimated Financial Operations**

The proposed NASL team and soccer stadium are estimated to have combined revenues of approximately \$3.8 million in 2016 dollars, increasing to \$5.1 million within five years. Estimated combined operating expenses of the team and stadium are approximately \$3.3 million in 2016 dollars, increasing to \$3.7 million within five years.

A net operating income before franchise or stadium debt is estimated at approximately \$531,000 in 2016, representing an approximate 14 percent operating margin for the combined operations of the Elk Grove NASL team and the proposed soccer stadium. Net operating income is estimated to increase to \$1.4 million within five years.

The remainder of this section presents detailed assumptions underlying the financial analysis of revenues and expenses for both the proposed NASL team and stadium, in the following components:

- Revenues:
  - NASL Team
  - Soccer Stadium
  
- Expenses:
  - NASL Team
  - Soccer Stadium

### **Revenues**

As in the initial report, the estimated revenues for the proposed Elk Grove NASL team and the soccer stadium will be generated by identical sources, and have been allocated among two different areas (team and stadium) for the purpose of this analysis.

#### *Elk Grove NASL Team Revenue*

NASL Team revenues are estimated to be generated from ticket sales, concessions, catering, merchandise, parking, sponsorships and broadcasting.

#### Ticket Sales

The table on the following page depicts the net ticket revenue estimated to be generated to the Elk Grove NASL team in 2016 assuming a stabilized year of operations.

## Appendix C – VI. Estimated Financial Operations

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### Ticket Sales Elk Grove NASL

	Elk Grove NASL
Events	14
Average Paid Attendance	4,800
Total Annual Paid Attendance	67,200
Weighted Average Ticket Price	\$14.25
Gross Ticket Sales	\$957,600
NASL Share	0.0%
Net Ticket Sales	\$957,600
Elk Grove NASL Share of Net Ticket Sales	100.0%
Elk Grove NASL Revenue	\$957,600

Estimates suggest that the proposed NASL team could generate approximately \$957,600 in net ticket sales, assuming an average of 14 games (regular season), 4,800 average paid attendees per game and a \$14.25 weighted average ticket price. Unlike the MSL revenue sharing structure, net ticket sales presented herein do not factor in a 33 percent allocation of gross ticket sales to the league.

### Concessions

Net concessions revenue estimated to be generated to the Elk Grove NASL team in 2016, assuming a stabilized year of operations, is summarized in the chart below.

### Concession Revenue Elk Grove NASL Games

	Elk Grove NASL
Events	14
Average Non-Premium Turnstile Attendance <sup>(1)</sup>	4,180
Total Annual Non-Premium Attendance	58,520
Concession Spending Per Attendee	\$5.50
Gross Concession Revenue	\$321,860
Profit Margin	35.0%
Net Concession Revenue	\$112,651
Team/Stadium Share	100.0%
Team/Stadium Concession Revenue	\$112,651

(1) Excludes club seat and suite patron attendees.

The Elk Grove NASL team is estimated to generate approximately \$112,651 in net concession revenue, assuming a \$5.50 average spending per attendee, and a 35 percent profit margin. The team and stadium will share 100 percent of net concessions revenues from the NASL games.

## Appendix C – VI. Estimated Financial Operations

### Catering

The net catering revenue, as shown below, estimated to be generated to the NASL team in 2016 assuming a stabilized year of operations.

#### Catering Revenue Elk Grove NASL

	Elk Grove NASL		
	Club Seats	Private Suites	Total
Events	14	14	14
Average Premium Turnstile Attendance	500	120	620
Total Annual Premium Attendance	7,000	1,680	8,680
Catering Spending Per Attendee	\$0.00	\$15.00	\$2.90
Gross Catering Revenue	\$0	\$25,200	\$25,200
Profit Margin	25.0%	25.0%	25.0%
Net Catering Revenue	\$0	\$6,300	\$6,300
Team/Stadium Share	100.0%	100.0%	100.0%
Team/Stadium Catering Revenue	\$0	\$6,300	\$6,300

The Elk Grove NASL team is estimated to generate approximately \$25,200 in gross suite catering revenue, and \$6,300 in net revenue, assuming a weighted average of \$15.00 in spending per attendee, with an average 25.0 percent profit margin. The team and stadium will share 100 percent of net catering revenues for the NASL games. Catering spending for club seat holders is included in their annual seat cost and will not add to the catering revenues.

### Merchandise

Net merchandise sales, depicted below, of approximately \$20,160 are estimated to be generated by the Elk Grove NASL team, assuming an average of 14 games (regular season), 4,800 average turnstile attendees per game and an average of \$2.00 in merchandise spending per attendee. It is assumed the team would retain all net merchandise revenues sold during their games.

#### Merchandise Revenue Elk Grove NASL

	Elk Grove NASL
Events	14
Average Turnstile Attendance <sup>(1)</sup>	4,800
Total Annual Attendance	67,200
Merchandise Spending Per Capita	\$2.00
Gross Merchandise Revenue	\$134,400
Profit Margin	15.0%
Net Merchandise Revenue	\$20,160

<sup>(1)</sup> Includes both general admission and premium seating attendance.

**Appendix C – VI. Estimated Financial Operations**

Parking

Net annual parking revenue estimates that could be generated by the Elk Grove NASL team for NASL games is shown below.

**Parking Revenue  
Elk Grove NASL**

	Elk Grove NASL
Events	14
Average G.A. Turnstile Attendance (1)	4,180
Average Attendees per Car	3.2
Estimated Parking Demand per Event	1,306
Annual Parking Demand	18,288
Average Parking Charge per Car	\$8.00
Gross Parking Revenue	\$146,300
Operating Margin	75.0%
Net Parking Revenue	\$109,725
Stadium Share	100.0%
Stadium Revenue	\$109,725

(1) Excludes suite and club seating patrons. It is assumed that parking passes are provided in their annual seat cost.

The Elk Grove NASL team is estimated to generate approximately \$109,725 in net annual parking revenue. For purposes of this analysis, it is assumed that one parking pass will be included, at no charge, for every four suite seats sold. The average parking charge for the remaining parking spaces to be sold to the general public is estimated to be \$8.00 per car. The profit margin for parking operations is estimated to be 75 percent of gross parking revenue.

Parking demand is based on an assumption of an average of 3.2 people per car and that sufficient parking is available, under operating control of the stadium, to meet parking demand.

## **Appendix C – VI. Estimated Financial Operations**

### Sponsorships

One of NASL team's best source of revenues have been realized through sponsorships. After discussions with league representatives, sponsorship revenues represented approximately 52 percent of average team revenues of \$1,455,000. Similar to that of MLS teams, those that are operating in new or renovated soccer-specific stadiums have seen substantial increases in sponsorship and advertising sales.

Many NASL teams have capitalized on jersey sponsorships in order to generate additional team revenue. Currently the NASL features eight teams, six of which have revenue-generating jersey sponsorships. The teams that currently do not feature a jersey sponsorship deal are the Atlanta Silverbacks and Tampa Bay Rowdies. Representatives from each team were contacted, most teams elected to withhold specific details regarding their jersey sponsorship revenues, but FC Edmonton identified their agreement with Sears Financial as between \$100,000 and \$150,000 per season.

Based on a review of total sponsorship levels achieved by other NASL teams and the characteristics of the Elk Grove marketplace, it is estimated that the Elk Grove NASL team and stadium could generate \$450,000 in gross sponsorship revenue. Sponsorship fulfillment costs are estimated to account for 15 percent of gross sponsorships sales and includes the cost to service the sponsorship and the value of various inventory included in the package that could include, but is not limited to tickets and/or premium seating and other such benefits. As a result, net annual sponsorship revenues generated by the Elk Grove NASL team are estimated to be approximately \$382,500.

### Broadcast

NASL teams are able to retain all revenues generated from broadcasting their games locally via television or radio. According to league officials, national television broadcasting revenues are retained by NASL, but in turn redistributed to teams if NASL league office has operating profit. Each team must be prepared to include up to three home games in a national network television package to be sold by the league. Based on discussions with NASL representatives, and knowledge of the industry, it has been assumed that annual net broadcasting revenues of \$15,000 would be generated by the Elk Grove NASL Team.

**Appendix C – VI. Estimated Financial Operations**

Soccer Stadium Revenues

Stadium revenues are estimated to be generated from the same sources as the initial report. A summary of the proposed NASL stadium revenue estimates are presented below.

Rental Income

Based on the results of the market analysis, it is estimated that 34 events could be hosted at the stadium including events such as NASL team games, concerts, international soccer games, and other soccer and non-soccer events such as football games, lacrosse games, festivals, motocross, special religious services, and other such events. The graphic below summarizes the annual rental income estimated to be generated to the proposed stadium.

**Rental Income  
Proposed Soccer Stadium**

	Elk Grove NASL	Concerts	International Soccer	Other Events	Total
Events	14	3	2	15	34
Average Paid Attendance	4,800	14,500	10,500	2,500	4,976
Total Annual Paid Attendance	67,200	43,500	21,000	37,500	169,200
Weighted Average Ticket Price	\$14.25	\$50.00	\$20.00	\$10.50	\$23.32
Gross Ticket Sales	\$957,600	\$2,175,000	\$420,000	\$393,750	\$3,946,350
Stadium Share of Ticket Sales	0.00%	15.00%	25.00%	25.00%	13.4%
Stadium Rental Income	\$0	\$326,250	\$105,000	\$98,438	\$529,688

Note: The stadium share of net ticket sales for the NASL Team is 0 percent of the net amount after 100 percents has been allocated to the team.

The proposed NASL stadium is estimated to generate approximately \$529,688 in rental income in 2016. Similar to our earlier report, rental assumptions are based on a review of historical rental structures at comparable facilities and local competitive facilities. For purposes of this study, stadium rental rates were estimated as a percentage of ticket sales and are estimated to be 15.0 percent for concerts, 25.0 percent for international soccer and 20.0 percent for other events. It should be noted that the Elk Grove NASL team ticket revenue was accounted for in the team’s revenue and not shared with the stadium in the model.



## **Appendix C – VI. Estimated Financial Operations**

### Luxury Suite and Club Seat Premiums

The proposed NASL stadium is expected to have 668 premium seats, consisting of 168 luxury suites seats (14 suites at 12 seats each) and 500 club seats. The table below presents the estimated luxury suite and club seat premiums to be generated to the proposed stadium based on a review of premium seating programs at other current and planned NASL stadiums in the context of local market demographic and socioeconomic characteristics.

#### **Luxury Suite and Club Seat Premiums Proposed Soccer Stadium**

	Luxury Suites	Club Seats
Inventory	14	500
Number Sold	10	500
Average Annual Price	\$25,000	\$750
Less: NASL Team Ticket Revenue	(\$5,880)	(\$490)
Less: Food and Beverage Cost	\$0	(\$126)
Premium per Unit	\$19,120	\$134
Estimated Annual Premium Revenue	\$191,200	\$67,000

Note: Luxury suites are assumed to have 12 sold seats in each suite.

It is estimated that a new stadium could generate approximately \$191,200 in luxury suite premiums and \$67,000 in club seat premiums.

This analysis accounts for an estimated average price of \$25,000 per suite per season, and those suites will include 12 seats, and tickets to all NASL team home games. The ticket revenue from these ticket sales are included in the ticket revenue estimates presented earlier and have been deducted from the suite price to arrive at the net premium revenue. Based on the estimated ticket prices detailed previously, the resulting net private suite premium is estimated to approximate \$19,120 per suite.

The ticket value for club seating has also been included in ticket revenue, while the premium charged for club seats are reflected as additional revenue to the stadium. It has been assumed that club seats will be priced at \$750 per season. Club seat prices would result in a net premium of \$134 per seat after the deduction for the value of tickets and built-in food and beverage credits.

## Appendix C – VI. Estimated Financial Operations

### Concessions

Estimates of concessions revenue that could be generated at the proposed multi-purpose facility in Elk Grove are presented in the table below.

#### Concessions Revenue Proposed Soccer Stadium

	Concerts	International Soccer	Other Events	Total
Events	3	2	15	20
Average General Admission Turnstile Attendance <sup>(1)</sup>	14,380	10,380	2,500	5,070
Total Annual General Admission Attendance	43,140	20,760	37,500	101,400
Concession Spending Per Capita	\$12.75	\$5.65	\$2.25	\$7.41
Gross Concessions Revenue	\$550,035	\$117,294	\$84,375	\$751,704
Profit Margin	42.0%	38.0%	30.0%	40.0%
Net Concessions Revenue	\$231,015	\$44,572	\$25,313	\$300,899
Stadium Share	100.0%	100.0%	100.0%	100.0%
Stadium Concessions Revenue, net	\$231,015	\$44,572	\$25,313	\$300,899

(1) Excludes suite and club seating.

Net annual concession revenue generated from non-tenant events is estimated to be approximately \$300,889. It is assumed that the stadium would retain 100 percent of net concession revenue, after allocation for a profit margin of 40 percent. The profit margin allocation reflects the cost of product, labor and profit for a third-party private concessionaire to operate the food and beverage service.

It is estimated that per capita concessions spending could range from \$2.25 to \$12.75, depending on the type of event. These estimates are based on a review of per capita concessions spending levels at other soccer-specific stadiums and other sports facilities throughout the country.

### Catering

The graphic on the next page outlines the estimated catering revenue that could be generated at the proposed NASL stadium for all non-tenant events. The club seat portion of catering was not included, as those seats may be sold as general seats to non-tenant events at the stadium.

## Appendix C – VI. Estimated Financial Operations

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### Catering Revenue Proposed Soccer Stadium

	Concerts	International Soccer	Other Events	Total
<b>Suite Catering:</b>				
Events	3	2	15	20
Average Suite Turnstile Attendance	120	120	60	75
Total Annual Suite Attendance	360	240	900	1,500
Suite Catering Spending Per Attendee	\$30.00	\$20.00	\$8.50	\$15.50
Gross Suite Catering Revenue	\$10,800	\$4,800	\$7,650	\$23,250
Profit Margin	25.0%	20.0%	30.0%	25.6%
Net Suite Catering Revenue	\$2,700	\$960	\$2,295	\$5,955
Stadium Share	100.0%	100.0%	100.0%	100.0%
<b>Stadium Suite Catering Revenue</b>	<b>\$2,700</b>	<b>\$960</b>	<b>\$2,295</b>	<b>\$5,955</b>

Annual catering revenue generated by suites at the stadium is estimated to be approximately \$5,955. It is assumed that the stadium would retain 100 percent of net catering revenue after allocation for a profit margin of 25.6 percent. The profit margin allocation reflects the cost of product, labor and profit for a third-party private caterer.

The average per capita catering spending range estimate of approximately \$15.50 for suite patrons is based on a review of per capita catering spending levels at other similar soccer-specific stadiums and other sports facilities throughout the country.

### Merchandise

The new stadium is estimated to generate approximately \$114,960 in net annual merchandise revenue for non-tenant events, as shown on the following page. It is assumed the Elk Grove NASL team would retain all net merchandise revenue associated with their events, but the stadium would retain all net merchandise revenue generated from concerts, international soccer, and other events. The profit margin for merchandise sales is estimated to be 18.8 percent of gross merchandise sales. The profit margin allocation reflects the cost of product, labor to operate merchandise stands, and revenues shared with event promoters.

## Appendix C – VI. Estimated Financial Operations

### Merchandise Revenue Proposed Soccer Stadium

	Concerts	International Soccer	Other Events	Total
Events	3	2	15	34
Average Turnstile Attendance (1)	14,500	10,500	2,500	5,703
Total Annual Attendance	43,500	21,000	38,400	193,900
Merchandise Spending Per Capita	\$10.00	\$3.00	\$2.00	\$3.90
Gross Merchandise Revenue	\$435,000	\$63,000	\$76,800	\$756,800
Profit Margin	20.0%	20.0%	20.0%	18.8%
Net Merchandise Revenue	\$87,000	\$12,600	\$15,360	\$142,260
Stadium Share	100.0%	100.0%	100.0%	80.8%
Stadium Merchandise Revenue	\$87,000	\$12,600	\$15,360	\$114,960

(1) Includes both general admission and premium seating attendance.

The estimated per capita spending range of approximately \$2.00 to \$10.00 per person, depending on event, is based on a review of per capita merchandise spending levels at other soccer-specific stadiums and other sports facilities throughout the country.

### Parking

The proposed soccer stadium is estimated to generate approximately \$376,316 in net annual parking revenue. It is assumed that one parking pass will be included, at no charge, for every four suite seats sold. The average parking charge for the remaining parking spaces to be sold to the general public is estimated to be \$9.72 per car. The average profit margin for parking operations is estimated to be 75.0 percent of gross parking revenue. The profit margin allocation reflects the cost of labor, materials and supplies to operate the parking lots. The estimated net annual parking revenue that could be generated at the proposed NASL stadium is presented below.

### Parking Revenue Proposed Soccer Stadium

	Elk Grove NASL	Concerts	International Soccer	Other Events	Total
Events	14	3	2	15	34
Average G.A. Turnstile Attendance (1)	4,180	14,380	10,380	2,500	4,489
Average Attendees per Car	3.2	2.8	3.0	3.4	3.0
Estimated Parking Demand per Event	1,306	5,136	3,460	735	1,519
Annual Parking Demand	18,288	15,407	6,920	11,029	51,644
Average Parking Charge per Car	\$8.00	\$15.00	\$10.00	\$5.00	\$9.72
Gross Parking Revenue	\$146,300	\$231,107	\$69,200	\$55,147	\$501,754
Operating Margin	75.0%	75.0%	75.0%	75.0%	75.0%
Net Parking Revenue	\$109,725	\$173,330	\$51,900	\$41,360	\$376,316
Stadium Share	100.0%	100.0%	100.0%	100.0%	100.0%
Stadium Parking Revenue	\$109,725	\$173,330	\$51,900	\$41,360	\$376,316

(1) Excludes suite and club seating patrons. It is assumed that parking passes are provided in their annual seat cost.

## **Appendix C – VI. Estimated Financial Operations**

Parking demand is based on an assumption of an average of 3.0 people per car and that sufficient parking is available, under operating control of the stadium, to meet parking demand.

### Naming Rights

A detailed explanation of naming rights agreements can be found in the initial report. For the purposes of this analysis, current NASL naming right agreements were researched.

Toyota recently purchased the naming rights to San Antonio Scorpion's new stadium to be completed by 2013. Only one other NASL franchise, the Carolina RailHawks, has sold the naming rights for its stadium, WakeMed Soccer Park. According to league representatives, Tampa Bay, which plays at Progress Energy Park, does not net any income from that sponsorship.

The naming rights agreement between WakeMed and the City of Cary is for a term of three years and at a cost of \$300,000 per year. The terms of the agreement between Toyota and the San Antonio Scorpions has remained proprietary, it is believed to be in the range of \$300,000 to \$500,000.

Based on a review of these naming rights deals and other naming rights deals for other sports facilities and local market characteristics, it is estimated that gross naming rights revenue could approximate \$350,000 annually. It is estimated that approximately 15 percent of the gross value could be attributed to fulfillment costs, resulting in net naming rights proceeds of approximately \$298,000 per year.

**Appendix C – VI. Estimated Financial Operations**

**Operating Expenses**

As in the initial study, the estimated expenses for the proposed NASL stadium have been allocated among two different areas (team and stadium), consider identical expenditure sources, and are based on discussions with NASL representatives who are familiar with the operations of NASL teams and new soccer-specific stadiums.

*Elk Grove NASL Teams' Expenses*

It is estimated that annual team expenses would approximate \$1.5 million. The table below summarizes the estimated operating expenses for an NASL team in Elk Grove.

**Elk Grove NASL  
Estimated Team Operating Expenses**

Team Operations & Travel	\$250,000
Player & Coaching Salaries	650,000
Corporate Sales	125,000
Advertising	75,000
Broadcasting	42,000
Ticket Sales	91,000
Community Relations	52,000
Ticket Services	78,000
General Admin	75,000
League Subsidy	80,000
<b>Total</b>	<b>\$1,518,000</b>

*Soccer Stadium Expenses*

Below is a summary of the estimated operating expenses for a new soccer stadium in Elk Grove. As depicted, it is estimated that annual stadium expenses would approximate \$1.8 million.

**Operating Expenses  
Proposed Soccer Stadium**

General & Administrative	\$228,500
Operations	123,000
Utilities	170,000
Insurance - Property	45,000
Insurance - Liability/Business Interruption, etc.	25,000
Event Services	25,000
Event Expenses	910,000
Taxes	200,000
Other	25,000
<b>Total</b>	<b>\$1,751,500</b>

## **Appendix C – VII. Economic and Fiscal Impacts**

The focus of this analysis is to estimate the potential net new impacts generated from the construction and operation of the proposed NASL stadium. The following key issues have been previously addressed and explained in detail in the original report:

- Overview of Economic Impacts;
- Construction-Related Impacts;
- Operations-Related Impacts; and,
- Non-Quantifiable Benefits.

CSL applied an identical methodology when determining the economic and fiscal impacts of the proposed NASL stadium. The assumptions underlying the estimates of these impacts are based on the results of a market and financial analysis previously presented in this report, as well as real estate development impacts as provided by the City of Elk Grove.

The construction and operation of the proposed NASL stadium and team, when compared to the previously proposed MLS facility; equivalent economic impacts cannot be expected. Lower building costs, less national visibility, reduced stadium capacity and thus lower total attendance over the course of a season are all significant differences that must be considered when evaluating the economic impacts of both an MLS and NASL facility. The construction and operational impacts presented herein take into account these important differences during the evaluation of the potential impact of the proposed NASL stadium.

### **Construction-Related Impacts**

The table on the following page summarizes the estimated net new economic and fiscal impacts that could be generated to the City of Elk Grove, Sacramento SMSA and the State of California with the construction of an NASL facility. These impacts represent one-time impacts from construction occurring over multi-phased period from 2013 through 2017.

**Net New Economic and Fiscal Impacts  
Construction**

<b>City of Elk Grove - Net New Impacts</b>	
Direct Spending	\$4,286,000
Total Output	\$5,875,000
Jobs	40
Personal Earnings	\$2,334,000
Tax Revenue	\$201,000
<b>Sacramento County - Net New Impacts</b>	
Direct Spending	\$17,228,000
Total Output	\$23,614,000
Jobs	170
Personal Earnings	\$9,380,000
Tax Revenue	\$189,000
<b>State of California - Net New Impacts</b>	
Direct Spending	\$18,824,928
Total Output	\$25,803,000
Jobs	190
Personal Earnings	\$10,249,000
Tax Revenue	\$1,275,000

Of the approximately \$40.3 million in estimated gross construction expenditures, approximately \$4.3 million, or about 10.6 percent, is estimated to be net new to Elk Grove, California. This net new spending in Elk Grove is estimated to generate \$5.9 million in total output, supporting 40 full and part-time jobs during construction that generate approximately \$2.3 million in personal earnings. Total net new tax revenues expected to be generated to Elk Grove is estimated to approximate \$201,000 which accounts for all spending effects (direct, indirect, and induced) related to construction.

Net new direct construction spending expected to occur in the Sacramento SMSA is estimated to be \$17.2 million, or about 42.7 percent of gross construction expenditures. The net new spending in the Sacramento SMSA is estimated to generate \$23.6 million in total output, supporting 170 full and part-time jobs during construction that generate approximately \$9.4 million in personal earnings. It is important to note that the benefits estimated for the Sacramento SMSA are not mutually exclusive of the benefits generated to the City of Elk Grove.



## Appendix C – VII. Economic and Fiscal Impacts

The State of California is expected to realize \$18.8 million in net new direct spending, representing approximately 46.7 percent of total project construction expenditures. Net new spending in the State of California is estimated to generate \$25.8 million in total output, supporting 190 full and part-time jobs during construction that generate approximately \$10.2 million in personal earnings. Total net new tax revenues expected to be generated to the State of California is estimated to approximate \$1.3 million. The benefits estimated for the State of California are not mutually exclusive of the benefits generated to the City of Elk Grove or the Sacramento SMSA as the geography of each of the entities overlap to some degree.

### Operations-Related Impacts

The operations of a NASL team and proposed stadium development in Elk Grove will represent a beneficial source of annual impacts for the City, Sacramento SMSA and the State of California. The graphic below depicts the total annual net new economic and fiscal impacts resulting from the operations of the proposed soccer stadium.

#### Estimated Net New Economic and Fiscal Impacts Operations

	Year 1 Operational Impacts	Net Present Value of 30-year Impacts
<b>City of Elk Grove - Net New Impacts</b>		
Direct Spending	\$4,138,000	\$221,644,000
Total Output	\$5,761,000	\$308,084,000
Jobs <sup>(1)</sup>	67	67
Personal Earnings	\$2,438,000	\$129,628,000
Tax Revenues <sup>(2)</sup>	\$92,000	\$2,444,000
<b>Sacramento County - Net New Impacts</b>		
Direct Spending	\$5,148,000	\$267,895,000
Total Output	\$7,259,000	\$376,995,000
Jobs <sup>(1)</sup>	78	78
Personal Earnings	\$3,253,000	\$166,769,000
Tax Revenues	\$27,000	\$756,000
<b>State of California - Net New Impacts</b>		
Direct Spending	\$2,685,000	\$140,225,000
Total Output	\$3,789,000	\$197,531,000
Jobs <sup>(1)</sup>	41	41
Personal Earnings	\$1,681,000	\$86,586,000
Tax Revenues	\$210,000	\$5,764,000

(1) Includes full and part-time jobs.

(2) Includes projected revenues from Elk Grove Hotel Tax

Note: NPV calculation assumes a 3 percent annual growth rate and a 5 percent discount rate.

## **Appendix C – VII. Economic and Fiscal Impacts**

Annual net new direct spending occurring in Elk Grove from the operations of the proposed soccer stadium is estimated to be \$4.1 million in Year 1. The net new spending in Elk Grove is estimated to generate \$5.8 million in total output, supporting 67 full and part-time jobs that generate approximately \$2.4 million in personal earnings. Tax revenue generated in Elk Grove is estimated to be around \$92,000.

The net present value of net new spending expected to occur in Elk Grove from the operations of the proposed sports stadium is estimated to be \$221.6 million. The cumulative net new spending in Elk Grove is estimated to generate \$308.1 million in total output, supporting 67 full and part-time jobs that generate approximately \$129.6 million in personal earnings over a 30-year period. Total net new tax revenues expected to be generated to Elk Grove over the 30-year period is estimated to approximate \$2.4 million.

Operating impacts generated to the Sacramento SMSA are estimated to include \$5.1 million in direct spending, \$7.3 million in total output, supporting 78 full and part-time jobs that generate approximately \$3.3 million in personal earnings. The counties in the Sacramento SMSA do not levy any county-specific taxes.

The 30-year net present value of net new spending expected to occur in the Sacramento SMSA from the operations of the proposed soccer stadium is estimated to be \$267.9 million. The cumulative net new spending in the Sacramento SMSA is estimated to generate \$377 million in total output, supporting 78 full and part-time jobs that generate approximately \$166.8 million in personal earnings over a 30-year period.

Impacts generated to State of California are estimated to include \$2.7 million in direct spending, \$3.8 million in total output, supporting 41 full and part-time jobs that generate approximately \$1.7 million in personal earnings. Total net new tax revenues expected to be generated to the State of California are estimated to approximate \$210,000. Over a 30-year period, the project is estimated to generate to the State of California approximately \$140.2 million in net new direct spending, \$197.5 million in net new output, support 41 new full and part-time jobs that generate \$86.6 million in earnings. Total net new tax revenues expected to be generated to the State of California over the 30-year period is estimated to approximate \$5.8 million.

It is important to note a few things from the chart above. Tax revenues listed above do not include the potential revenues that could be generated by new taxes implement to subsidize the cost of a new soccer stadium in Elk Grove such as ticket taxes, meal taxes, an increase in hotel tax, or other city or county taxes. Similarly, the table on the previous page does not break out sales taxes collected between City, County, and State. The State of California currently operates with a sales tax rate of 7.75%, of which is distributed to the City of Elk Grove, and an addition 1.00% of which is distributed to Sacramento County.

## **Appendix C – VII. Economic and Fiscal Impacts**

### **Non-Quantifiable Impacts**

The proposed NASL team and stadium present potential qualitative benefits for the City of Elk Grove, Sacramento County and the State of California. These benefits are reflected in enhanced economic growth for the region and ancillary private sector development. The new NASL team and stadium will also improve upon sports and recreational options currently available for local citizens, and provide additional entertainment at affordable prices. It also has the potential to increase tourism to the area, and enhance the regional, national, and even international reach of the Elk Grove and Sacramento area. A sense of community pride and enhanced reputation are also benefits associated with the addition of a new professional sports franchise to an area.

While those are all important qualitative factors to consider when evaluating the proposed NASL team and stadium, it should be noted that it would not provide the exposure and national visibility equivalent to an MLS franchise. With that said, there is also a significantly lower level of investment associated with the development of a Division 2 professional soccer franchise. New MLS stadium expenses are expected to be in excess of \$100 million, which is significantly higher than the proposed NASL stadium with construction costs at approximately \$40.3 million.

Entry into the MLS requires exponentially higher expansion fees of \$50 to 70 million than entry into the NASL, with fees between \$1.5 million to \$3.0 million depending on the case. The addition of an NASL team and stadium can be expected to provide many of the similar non-quantifiable effects at a much lower cost of entry. These, along with the financial analysis and economic and fiscal impacts presented in this report, are all significant factors that must be considered when evaluating the feasibility of the proposed NASL and MLS teams and stadiums.