

_____, 2020

Metro Parks Tacoma

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City of Tacoma

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RE: Letter of Intent to Proceed to Due Diligence, Financing, Development Agreement and Lease Negotiation

Dear _____:

This Letter of Intent (“LOI”) confirms the principal understandings and intent to date by and between The Soccer Club of Tacoma, LLC (“TSCOT”), the Metropolitan Park District of Tacoma (“MPT”) and the City of Tacoma (“City”) (collectively, the “Parties”), concerning a Heidelberg Sports Village project (“Project”) that would include a professional class soccer specific stadium (“Stadium”) and a mixed use sports village development (“Development”).

The Tacoma City Council and the MPT Board of Park Commissioners each adopted resolutions in late 2017 expressing support for the Project and, pursuant to which, the Parties subsequently agreed to commission a comprehensive professional feasibility study to evaluate it. A team of highly respected consultants to undertake the study was selected by the Parties through a competitive process. The consultant team published the Heidelberg Sports Village Feasibility Study (“Study”) in May of 2019. This LOI is premised on the conclusions and recommendations of the Study.

This LOI reflects the Parties' preliminary agreements to date regarding the Project's scope, capital and operational funding, contracting and project delivery, and roles and responsibilities of the Parties.

1. **Project Scope Principles.** The Parties concur in the following principles, as provided in the Study:

- a. *Overall Project Scope:* The Study evaluated a Project with three interrelated components, including the Stadium, the Development between the new Stadium and existing Cheney stadium, and the Sports Fields. The Stadium was identified by the Study as a lynchpin for the Project as a whole, and is therefore the principal focus of work to date addressed in this LOI.
- b. *Stadium Scope:* The Stadium includes a program that will support the operating of one first division professional women's soccer franchise (currently Reign FC), and one USL-Championship professional soccer franchise (currently the Tacoma Defiance), and additional professional sports franchises; to wit, a 5,000 fixed seat facility which meets US Soccer professional soccer stadium standards.
- c. *Development Scope:* The Study identified the potential for a Development featuring up to approximately 520 multifamily residential units, including affordable housing, and an approximately 70,000 square foot retail destination that serves the adjacent Stadium to create a dynamic sports and entertainment neighborhood in Central Tacoma. The Development is intended to have a cohesive identity and relationship between the sports-focused elements at Cheney and the new Stadium and the other elements.

The Development is anticipated to follow a phased design and construction approach that would accommodate all regulatory requirements.

- d. *Sport Fields*: There will be no net loss of available fields due to displacement of existing fields for development of the Stadium. TSCOT will provide for field capacity to offset lost use of the Heidelberg fields until field capacity is restored, and will assist with the long term solution for field replacement.
- e. *Feasibility*. The Study concluded that all three components of the Project are feasible.
- f. *Cost Estimating, Financing and Revenue*. The Study proposed approaches to all three components of the Project for construction and development costs, funding, financing and revenue generation from activities after construction. The Parties acknowledge that this LOI is premised on the accuracy of those conclusions but concur that confirmation is required prior to any formal agreements among the Parties.
- g. *The Baseball Club of Tacoma Lease*. The Baseball Club of Tacoma (“TBCOT”), an affiliate of TSCOT, is a master tenant and operator pursuant to a current lease with the City of Tacoma for Cheney Stadium. That lease provides TBCOT the right to use the City-owned parcels between Cheney and the new Stadium, which are contemplated for the Development for parking purposes in service to Cheney activities. The City and TSCOT acknowledge that any future Development must include sufficient parking to accommodate Cheney Stadium activities.

2. **Funding and Financing Plan.** This LOI does not include a fully vetted funding or financing plan for the Stadium. The Parties will exercise their best reasonable efforts to complete an agreed upon funding and financing plan (“Funding Plan”) to fully fund the cost to construct a \$60 million Stadium no later than March 31, 2020 after which the Parties will commence meaningful pre-construction planning and development in 2020. Such matters include negotiation of the Development Agreement and Lease consistent with the requirements herein and commencing the processes identified in Section 5(b) regarding the Development. The Parties understand that all MPT and City commitments under the Funding Plan will require (i) confirmation of the availability of all sources of funding identified in the Funding Plan prior to commencement of Stadium construction, and (ii) the consideration and approval of their respective governing bodies, initially in the form of resolutions approving this LOI and the Funding Plan and, eventually, of actions approving legal documents, such as financing agreements, a development agreement and a lease, among others. Release of funding from COT, MPT and TSCOT identified in such Funding Plan for construction shall be contingent upon confirmation of the availability of all other proposed funding sources required to complete the Stadium when construction is scheduled to commence, as well as approval of a Lease and Development and other agreements consistent with the requirements of this LOI. The Parties agree that at a minimum the Funding Plan for the new Stadium shall include:
- a. *Stadium Cost.* The Parties assume a Stadium capital cost of \$60 million, based on the conclusions of the Study.
 - b. *New Markets Tax Credits.* TSCOT, MPT and COT will jointly support Congressional reauthorization of the New Markets Tax Credits (“NMTC”)

program, recognizing its importance to the Funding Plan. TSCOT shall serve as the guarantor to any NMTCs. If available, NMTCs should provide approximately 20 percent of eligible capital costs toward Stadium construction. If NMTCs are not reauthorized or otherwise unavailable for the Stadium, the Parties will endeavor to identify alternative funding sources to replace NMTC proceeds or other measures to fund the cost to construct the Stadium.

- c. *Other Public Funding.* TSCOT, the City of Tacoma and Metro Parks will jointly lead the process to identify other sources of public investment from other public entities including the State of Washington. Specifically, TSCOT should pursue State support in the form of a credit of the State's share of local taxes to fund Stadium construction costs, consistent with the State's historical role in funding the construction of major league sports venues in Seattle. These commitments represent a total of \$7 million. If \$7 million of other public funds is not secured, TSCOT will make up the difference up to a maximum of \$2 million. The Parties will share in a proportional decrease based on their respective cash investments in the Stadium in any additional funds secured above \$7 million.

- d. *TSCOT Investment.*

- i. TSCOT agrees to provide \$2.5 million up front cash toward the Stadium project costs which will be expended first towards master planning and design.
- ii. TSCOT agrees to fund at least \$16 million of the construction cost through guaranteed and secured annual debt service payments (estimated at \$900,000 per year, at 3.5% interest for 30 years), over the term of any

bonds issued to fund Stadium construction costs. This commitment is not dependent on Stadium revenues.

iii. While Stadium revenues will be pledged to debt service, TSCOT will also provide reasonably sufficient security, such as guarantees, for debt service payments.

- e. *Financing.* At such time as all sources of cash and debt-service identified in the Funding Plan are furnished and obligated, either or both MPT or the City will issue debt, which in combination with the available cash, is sufficient to fund construction of a \$60 million Stadium.
- f. TSCOT agrees to fund any Stadium-related project costs (including any costs associated with state and local regulatory requirements) that exceed the \$60 million total cost estimate.
- g. *City of Tacoma Investment.* The City will undertake authorization to fund a maximum capped investment of \$15 million, with \$10 million cash up front and \$5 million paid over two (2) years toward the Stadium project costs.
- h. *Metro Parks Investment.* MPT will undertake authorization to fund a maximum capped investment of \$7.5 million in cash up front toward the Stadium project costs.
- i. *No Additional City or MPT Funding.* Neither the City nor MPT will provide any funding to the extent the NMTCs or Other Public Funding is not available, nor for any costs in excess of the \$60 million cost of construction.
3. **Stadium Project Delivery.** The Parties shall negotiate a Development Agreement for the Stadium under which TSCOT shall procure design professionals and construction

contractors and manage construction of the Stadium. In material part, the Development Agreement will provide for:

- a. procurement, contractual and payment requirements that comply with all requirements applicable to public funding sources and will include Women and Minority Business Enterprises and a Project Labor Agreement, including a local employment program.
 - b. design and construction document approval by the Stadium site owner/landlord and/or the entity or entities issuing bonds.
 - c. TSCOT to be responsible for all costs for Stadium design and construction (including any costs associated with state and local regulatory requirements) in excess of the amounts agreed in the Funding Plan. TSCOT shall be permitted to secure those funds from any source, provided that TSCOT shall be required to maintain as primary and not subordinate its debt service obligations under the publicly issued bonds, including any required guaranties and security.
4. **Stadium Lease.** TSCOT will execute a lease with the City of Tacoma, to become the master tenant and operator of the Stadium.
- a. At minimum the lease will be for an initial term not less than thirty (30) years, the length of time required by the bond financing repayment term or as might be required by NMTCs, whichever is longer.
 - b. TSCOT intends to secure a first division professional women's soccer franchise (currently Reign FC), and one USL-Championship professional soccer franchise (currently the Tacoma Defiance), as initial anchor tenants

of the Stadium. Stadium development is entirely dependent on and would not be considered by the Parties absent those soccer franchises being secured as initial anchor tenants of the Stadium.

- c. TSCOT shall be permitted to sublease portions of the Stadium footprint, including permitting build-out of subtenant facilities that may or may not provide public facing amenities or services. Any subtenant leases (other than for concessions) are subject to review and approval by the Lessor.
- d. TSCOT shall retain all revenues from operating the Stadium, except as otherwise agreed by the Parties during subsequent lease negotiations.
- e. The Lease will require TSCOT to pay rent and be responsible for regular ongoing maintenance and operations consistent with standards to be negotiated by TSCOT and the City. TSCOT shall prepare (i) maintenance and management and (ii) long term major maintenance, capital repair and replacement and upgrade plans to be approved by the City.
- f. In Lease negotiations, the Parties will address the magnitude and use of any Stadium specific admissions or other taxes, charges and fees; public use rights and allocation of revenues generated by any such events; and responsibility for and identification of Stadium or Project revenue to support long term Stadium major maintenance, capital repair and replacement and upgrades.
- g. The Lease and subtenant leases will collectively include discrete and specific public benefits derived from the Stadium, including a minimum of 100 rent-free days and other activities to be determined for public use of the

Stadium, reasonably proportional to the public investment, such as those reflected on Exhibit 1.

5. **Outstanding Issues.** In addition to the Stadium and Funding Plan, the parties agree to work in good faith to resolve the following issues:

- a. Stadium Site. The Stadium is intended to be constructed on the easterly portion of relevant parcel J-1 and the “Supporters Green” is intended to be constructed on the westerly portion of parcel J-1, which is owned by MPT (See Exhibit 2). The Parties agree that the City of Tacoma and MPT will work to arrive, in principle, at a formal agreement whereby the City of Tacoma shall become the owner or long-term lessee of all or a portion of the Stadium parcel J-1 site. The Supporters Green is intended to be a public park subject to an agreement for the periodic use by the Stadium tenant during game and event days.
- b. Development Site. By March 31, 2020, MPT and the City in consultation with TSCOT will work to arrive, in principal, at an agreement regarding the process for determining the eventual ownership and use of the MPT (J2) parcel. The process would consider MPT's comprehensive parks and recreation plan, necessity for loss/replacement of park land, future revenue to support park operations, opportunity for affordable housing, and the parking for Cheney Stadium and the new Stadium. If no such agreement is achieved, then MPT property will continue to be used for parking until a future agreement can be negotiated and adopted.
- c. COT commits to develop an appropriate process through which TSCOT may acquire some or all of the parcels it owns in and around Cheney

Stadium, specifically including parcels F, G and H, to ensure that Cheney Stadium and the proposed new Stadium continue to have access to adequate parking and to facilitate the Development.

- d. The Parties will use best efforts to complete the processes identified in Subsections 5(a) and (c) by mid-2020.

6. **Time Is of the Essence.** TSCOT, MPT and City acknowledge and agree that time is of the essence and commit their good faith and best reasonable efforts to the timely completion of the matters identified in this LOI.

7. **Preliminary Commitments.** This Letter of Intent is not intended to create, nor shall it create, any obligation on the part of TSCOT, MPT or the City with respect to the proposed Project, and shall only serve as the basis for collectively proceeding to the next step of securing the necessary financing for the Stadium, and then the negotiations to consummate a mutually acceptable Funding Plan, Stadium design, Development Agreement, lease agreement and other related agreements as contemplated herein. The terms stated herein are not binding on any party unless and until they are formally incorporated into a mutually acceptable agreement and executed by the appropriate parties. Prior to consideration of any final agreements by the City of Tacoma City Council or the MPT Board of Park Commissioners, the parties will engage the public through public meetings and public process.

EXHIBIT 1

Public Benefits

Economic

The relocation of the Tacoma Defiance and Reign FC professional soccer clubs and owner investment in the community has fueled the efforts to construct a new soccer stadium. The soccer stadium development in turn has attracted potential new private capital investment with MultiCare prepared to invest \$20 + million dollars in a new health facility to be embedded in the stadium.

As identified in the feasibility Study, a mixed use development located between the Stadium and Cheney Stadium could provide affordable housing, jobs and economic development on a currently underused parking lot.

The potential construction of the Stadium has led to discussions around a future educational partnership between TSCOT and the University of Washington at Tacoma for a sports management education program for students in the local area.

Public Use, Access and Community Benefits

TSCOT's commitment to a minimum of 100 rent free days at the new Stadium for the community will provide for community access and youth sports/cultural opportunities with rent waivers valued at \$ 400,000.00 annually. The Tacoma Defiance and Seattle Sounders FC will commit to at least 35 professional soccer camps and clinics days annually at the Stadium and the adjacent Supporters Green Park, or at community centers (7 Camp Weeks, about 100 kids per camp) to support Community programming.

The Rave Foundation would consider working in partnership with the local community to build multiple small soccer fields and/or mini-pitches for rent free use in Tacoma, and provide soccer balls through the ONE Ball program, as well as supporting programs (which would include aforementioned free clinics) on an equitable and free basis, consistent with Rave's mission, vision and strategic plan to economically disadvantaged neighborhoods and children.

TSCOT, the City of Tacoma and MPT are committed to the achievement of equity in sport, service delivery, decision making and community engagement.

EXHIBIT 2

Exhibit 2

Pierce County PublicGIS

Find address or place

