



MEMORANDUM TO PROPOSERS

ACQUISITION OF THE CIVIC STADIUM PROPERTIES

April 27, 2011

Dear Save Civic Stadium:

As you know, presentation of your proposal to the Board in executive session has been scheduled for May 16, 2011, at 2:00 pm. The order of presentations was determined by the screening committee scores forwarded to the Board (in reverse order, lowest to highest). You will have a total of 1 hour and 30 minutes for the total length of your time with the Board. We anticipate 10 minutes for set-up, 20 minutes for introductions and proposal overview, 30 for response to questions (see below), and 30 minutes for additional questions and answers, and presentation “take-down”.

Since the Board members have each received and have had opportunity to review the individual proposals, your presentation should be geared toward an audience that has a high level of familiarity with the property, the issues, and your proposal and subsequent clarifications. Due to the limitations of time, we are requesting that you provide only a brief overview without getting into the proposal details with which the Board should already be familiar. We do request that you focus an appropriate amount of time to a) summarize and quantify your proposal’s specific additional benefits to SD 4J, b) summarize and quantify your proposal’s specific benefits to the community, c) summarize significant schedule and task milestones associated with your proposal and what needs to happen to meet them.

With the exception to question 1 below, we are asking all proposers to provide a written response to the questions below by no later than 3:00 pm Thursday, May 12, 2011. Please provide your responses via email to Larry Massey. As previously requested, if you desire limited disclosure of your responses, please include them as a separate document or attachment, clearly identified as “confidential”. Please plan to respond to question 1 during your presentation.

PLEASE KEEP THESE ANSWERS CONFIDENTIAL. THANK YOU.

1. What is your best and final offer for Fee Simple Purchase and for Ground-Lease Terms?

SCS hereby amends its offer as follows:

On page 10, the lease period is changed from 25 years to 40 years.

The fourth paragraph on page 10 of proposal is to be replaced with the following language:

“Save Civic Stadium would pay SD 4J \$70,000 in annual rent for the first two years of the lease. In year three (OpYear 1), rent will escalate to \$300,000 per year. Further increases in rent would be tied to the rate of inflation.”

The summary P & L from page 22 is reproduced here showing effects of the offer change.

SUMMARY (in thousands)

	OpYear 1	OpYear 2	OpYear 3	OpYear 4	OpYear 5
Event Revenue (1)	\$991	\$1,020	\$1,051	\$1,082	\$1,115
Food and Beverage (2)	\$752	\$774	\$797	\$821	\$846
Merchandise (3)	\$53	\$54	\$56	\$57	\$59
Contractual (4)	\$675	\$695	\$716	\$738	\$760
Facility Charge (5)	\$72	\$74	\$76	\$79	\$81
Restaurant Rental \$1.50/sqft/mo	\$90	\$90	\$90	\$90	\$90
TOTAL	\$2,632	\$2,708	\$2,786	\$2,867	\$2,951

note: no debt service included. Maximum annual debt service will be limited to net operating income

G&A front office (6)	\$498	\$512	\$528	\$544	\$560
Sales/Mktg (7)	\$270	\$278	\$286	\$295	\$304
Venue Operations (8)	\$1,095	\$1,127	\$1,161	\$1,196	\$1,232
Contingency (9)	\$50	\$52	\$53	\$55	\$56
Net Site Lease (10)	\$150	\$155	\$159	\$164	\$169
TOTAL	\$2,062	\$2,124	\$2,188	\$2,253	\$2,321
10% renewal reserve	\$57	\$58	\$60	\$61	\$63
Net Operating Income	\$512	\$584	\$599	\$614	\$630

Footnote 10 on page 24 will change to “\$300,000 per year less \$150,000 anticipated sublease of additional site development.” Footnote 11 is eliminated.

It is important to note that though the rent in the first two years is low, it will exceed rent that would be received in that period from the other two proposers. This is because, unless those offers change, contingencies exist in the offers require that SD 4J obtain entitlements such as appropriate zoning, land use changes, and revised traffic systems prior to a deal being completed. There will certainly be major obstacles to overcome to obtain these entitlements, including neighborhood protests

which have been promised. It could be years before the deal is completed, during which time rental revenue will not be received.

You might question how we could reasonably increase our rent offer as much as we did. We merely replaced the “surplus sharing” component (it was 15%) with a fixed amount. Then we increased the rent asked of our site development partner/neighbor to approximately equal ours.

2. What risks do you see your proposal/development presenting to SD 4J and what steps, if any, do you propose to reduce or eliminate those risks?

SCS sees little risk being borne by SD 4J. By leasing the property, the district is earning income while ownership is maintained. As lessee, SCS will be responsible for maintenance, insurance and all other facets of managing the property. And the purchase option gives SD 4J upside potential should property values move upward in the future, as most would predict.

3. Please clarify what you are willing to pay the District during your period of gaining entitlements, and state whether this includes maintenance, insurance, property taxes, etc. (if applicable).

Unlike the other proposals, ours has no contingencies that could delay the district receiving funds. Once we negotiate a lease, SCS will begin paying rent immediately. We expect no need to gain entitlements. Regarding maintenance, etc., we will be responsible immediately. We will either contract with a local company or call on our vast network of committed volunteers to mow and landscape the lawns, clean the parking areas, paint the fences and generally restore the property to presentable form while we begin our development work.

Once again, we point out that the SCS proposal will result in SD 4J receiving funds from the property before it would if one of the other two proposals is selected. This is because of the contingencies associated with those offers. There will be many delays in satisfying these contingencies which could delay any revenue stream for years.

The nearby neighborhood associations have indicated there will be massive protests conducted if any proposal is accepted that results in stadium demolition. The city values neighborhood input and these objections will be seriously considered. Zoning, land use, traffic and other issues will be difficult to satisfy for the other proposers.

4. Please provide the Board with a summary of the amounts of current funds available to meet your financial obligations, should you be the successful proposer.

We have approximately \$10,000 in funds right now. This is low because we have not asked people to honor their pledges prior to us having control of the property. We have a total of about \$70,000 in contingent pledges that we will attempt to collect immediately if our proposal is selected. There are many other donors who have agreed to support us financially if and when our proposal has been chosen.

Please indicate the amount of funds currently at your disposal, source of funds, and if you do not have the funds currently available, please provide your plans on how you are going to raise the funds, including sources, professional fund raisers involved, timelines for achieving funding goals, etc. Please be specific as this is a critical determinant in the Board's final decision.

Our fundraising will have two components. First will be funding our startup expenses and second will be capital project fund acquisition.

First, regarding startup, we plan to earn no significant revenue during the first two years, so we will need to cover our expected costs of approximately \$1.2 million during that period.

This money will be raised in primarily two ways, charitable contributions and grants.

Charitable contributions will be broken down into several classifications. We will solicit funds from individuals and businesses. Individual gifts will be classified as "major gifts" and "family support."

We are blessed in this community with many successful people who have philanthropic natures. In my 20 plus years in non-profit board management, I am continually overwhelmed with the generosity shown by our community's wealthy individuals in making major gifts. We have received letters and pledges of support letter from Jon Jaqua among others.

There will be at least one campaign within this period towards the rank and file citizens of this area to achieve family support. For example, we intend to conduct a sale of seats in the renovated stadium. For a reasonable \$200 donation, people can "buy a stadium seat" and have their name placed on a small plaque on the back of it. If we sell out our 6,500 seats, we will have raised \$1.3 million. Other campaigns of this sort will be planned and conducted as well.

Business contributions will be a substantial source of funds as well. Our proposal transforms SCS into a business entity, even though it is a non-profit corporation. This is similar to other non-profits like Food for Lane

County, Relief Nursery, and Pearl Buck Center that generate revenue to fund its services.

SCS, like any operation, will purchase products and services from local businesses. We have many local and regional philanthropic business owners who constantly donate money to various important causes and agencies, but our requests for support may be particularly appealing because of our need to purchase from among selected suppliers.

Grants will also be sought to fund our startup expenses. Oregon Community Foundation is well known for supporting non-profits in this stage of development. Capacity building grants will be sought. Economic development funds from the city, county and state will be applied for as well. We are already assessing the applicability of various tax credit, foreign investor, and revenue bond programs among other resources.

Who will do the fundraising? Our first task as a board will be to hire a qualified consultant or consultants to assist us in building the specific plan. We have already engaged Abe Farkas of ECONorthwest, one of the country's best consultants of this type. Mr. Farkas formerly lived and worked in Eugene as city Planning Director. We will also hire full time staff (as budgeted) to execute the plan. A volunteer campaign chairperson will be appointed to lead our fundraising committee.

The SCS board has several members skilled in grant writing and grant searches. They will provide guidance to staff in finding and applying for the grants we need.

In year three, we expect our operations to begin. The soccer team will play a full schedule, the stadium will be used by area youth, etc. Revenues from these operations will pay for all associated operating expenses (see pro forma.)

5. How long do you anticipate negotiations will take to come to an agreement with the District in finalizing an agreement to convey the property?

We don't anticipate the process being long or drawn out. SCS has engaged a corporate attorney and since there are no contingencies regarding zoning or land use changes, de-listing the historic stadium and the like, forging an agreement should be relatively easy. One way to expedite is to work toward a Memorandum of Understanding (MOU) which can be one or two pages illuminating key deal points and obligations. Once that is agreed to, a development disposition agreement – which is legally binding can be prepared.

6. If you are unsuccessful in either your fundraising or land use efforts, within your projected timelines, what do you plan on doing with regards to paying for extensions, interim rents etc?

These questions would have to be negotiated during the lease process. We would need to know SD 4J's position on these issues. Most likely, we would continue to honor our commitments to 4J while seeking other sources of funding. Failing that, we would have every intention of returning the property to 4J in better condition than it was received.

Proposal-specific questions for Save Civic Stadium (same response deadline as above questions):

- A. Why do you think your business plan will succeed when the Glickman report indicated it was not financially feasible, without a significant public bond measure?

Quite simply, Glickman's plan was much more expensive and expansive. His plan included generating funds for building the new Y on site in addition to the stadium renovation. It also included two parking garages. Our project is scaled down, a more practical plan for a community of this size.

Since Glickman had limited time to generate his study, he probably relied on his extensive experience gleaned from redeveloping Portland's civic stadium. A bond measure might be the simplest way to do this, but we don't feel in the present economic environment, this would be a good way to proceed.

SCS has been more deliberate in researching other methods of funding capital needs. We plan for our project to be financed by a combination of five different sources other than a public bond measure. Loans are only one source. (see chart below)

One key component of this strategy is the Oregon Facilities Authority (<http://www.ost.state.or.us/About/OFA/>).

The OFA is part of the Oregon State Treasury and it ... "helps charities of all sizes secure low-cost financing to remodel, expand, construct, or purchase new facilities, through the use of tax-exempt conduit revenue bonds."

The "snap" program, for which this project could qualify, has been around only since 2007 and it is not widely known, although OFA's been around since 1989. The application process takes about 3- 6 months. A Letter of Credit would be required possibly from the city or a consortium of local banks, and then an underwriter would prepare a prospectus and offer the bonds for sale. The underwriter would help determine the bond denomination, bond term, and interest rate. The bonds could be sold to institutional investors, and could also

be sold "retail" to the public. For example, bonds could be available in \$5,000 unit increments, for a 20-25 year term, at a prevailing interest rate. This would allow citizens of Eugene to actually invest in the reinvention of Civic Stadium.

Another key component is tax credits. These improvements are eligible for Historic Tax Credits and New Market Tax Credits, which can finance 20% of a project. If effectual, these credits would essentially bring equity to the equation which doesn't have to be repaid.

Capital Needs

<u>Facilities</u>	<u>Amount \$</u>	<u>Phase 1</u>	<u>Phase 2</u>
East Grandstand	\$4,981,000	\$4,981,000	
Field & Scoreboard	\$1,800,000	\$1,800,000	
Historic Grandstand	\$2,299,875	\$2,299,875	
Field House	\$3,222,275		\$3,222,275
Restaurant	\$1,191,300		\$1,191,300
Service Building	\$1,906,707		\$1,906,707
Plaza & Park	\$1,156,500		\$1,156,500
Subtotal	\$16,557,657	\$9,080,875	\$7,476,782
Contingency (25%)	\$4,139,414	\$2,270,219	\$1,869,196
Total	\$20,697,071	\$11,351,094	\$9,345,978

<u>Source</u>	<u>In millions</u>			
	<u>Phase 1</u>	<u>Phase 2</u>		
Grants	\$1.5	\$1.5		
Loan/Bonds/Tax Credits	\$5.0	\$4.0		
In-Kind Donations	\$1.3	\$1.0		
Sponsorships	\$1.5	\$1.0		
Gifts/Donations	\$2.0	\$1.8		
TOTAL	\$11.3	\$9.3		

Our grant application strategy includes accessing available grants in the areas of

- 1) historic preservation (Kinsman, NTCIC, Lowes, OCF, and Oregon SHPO).
- 2) economic development (NB Giustina, Murdock Charitable Trust, and Meyer Memorial Trust).
- 3) youth health and development (Collins, Bill Healy, and Spirit Mountain).

We have identified dozens of small and large granting organizations for whom we may qualify. There are grants available for hundreds of dollars and hundreds of thousands of dollars.

- B. In your projections where do players salaries, the purchase of the franchise, debt service on the 20 million dollars in improvements and property taxes come into the financial equation?

Players salaries, as forecast by the USL and Glickman, are shown in our pro-forma, on page 24, footnote (8). Franchise fees are part of our startup expenses, see page 11, IV. We note that debt service is not yet known since we do not know how much we need to borrow, the term of the loans, the interest rate and other terms. But we also note that we have a surplus projected, which would be used to pay that debt service. Indeed that surplus will help us project how much debt service we can afford. So we would not borrow more than we could afford to make payments on.

- C. If this semi-pro soccer plan is financially feasible in conjunction with salvaging a building that requires considerable expenditure, why do you think no one has done this business plan in another location where, presumably, the costs of operations are less and the returns would be much greater?

Actually, this is not a semi-pro soccer plan, but high level professional soccer, one step below Major League Soccer.

Soccer is booming in the United States. This is a relatively recent trend that shows no signs of being short-lived. USL President Tim Holt has played a part in that growth and sees Eugene and Civic Stadium as a perfect fit for a successful professional minor league soccer team. As for examples of repurposing a baseball stadium for soccer, we need look no further than Portland, where PGE Park (now Jeld-Wen field), which is even older than Civic Stadium, is now thriving as a pro soccer venue.

In addition, there are many examples across the country of old stadiums being saved and repurposed. We have a trove of information available on these if the board is interested in seeing it.

- D. You indicated that you only have a portion of your first year's ground rent payments. What will you do if you cannot come up with the rest of the first year's ground rent payments?

The enthusiasm of our donor base makes us confident that this will not happen. We have a specific plan of action to raise our funds. We have experts to execute our plan. Rent amounts to less than 20% of our first years projected expenses, and less than 10% of our second year's. We will prioritize ground rent so we are confident we will have little trouble with making rent payments.

- E. If the Stadium facility is not able to be used in its current condition due to liability issues for SD 4J (as 4J will still be the Fee owner), how do you expect to conduct fundraising, etc.? If the Stadium cannot be used until it is renovated, can your plan still work? If so, how?

We do not anticipate or budget specific use of the stadium for our first two years of operation, except perhaps to house our offices. Our goal will be to make the site presentable in appearance and correct any liability issues in case

opportunities arise where we can generate unbudgeted revenue to help our cause.

- F. How many new jobs do you project at full build-out, as a result of the development of the entire site? What is your projected payroll and what ripple effect do you believe this payroll will have on the overall local economy?

Our business plan calls for 75 full and part time jobs within SCS. There will be more, however, associated with the restaurant operation within the complex, which will be leased. We expect the total will be well over 100. And these are new jobs, not jobs moved from other locations. If you add to that indirect and induced jobs, we total over 200 jobs.

Our direct payroll projection, not including restaurant staff, is \$1,266,400 beginning in year three and escalating. We expect that our proposal will provide the most NEW jobs of any of the three proposals.

- G. The attendance projections indicated in your proposal would seem to have significant impact on local traffic infrastructure. Do you anticipate requirement for off-site traffic infrastructure improvements? If so, how would you plan to pay for any required improvements?

Our attendance projections and seating capacity are very similar to what the Eugene Emeralds drew while they occupied Civic Stadium. There were no significant traffic problems over the many years they were there. And like the U of O during major events, we would work with Lane Transit to enhance mass transit service on event days.

With a partner on the site as well, there could be need to improve the local traffic infrastructure. Until we know more about how exactly the entire site will be used, it is difficult to discuss this issue. Nonetheless, we are committed to addressing them responsibly.