



MEMORANDUM

TO: Rhode Island Commerce Corporation
FROM: CSL International
SUBJECT: Review of Tidewater Stadium Cost, Funding and Financial Projections
DATE: 7/14/22

CSL was retained by the Rhode Island Commerce Corporation to analyze key planning assumptions related to the development and operations of a 10,500-seat Tidewater Landing Stadium in Pawtucket, Rhode Island.

The key planning assumptions prepared by Fortuitous serve as the basis for partnership negotiations among Fortuitous, the City of Pawtucket and the State of Rhode Island. The stadium project costs and operating projections also serve as basis for anticipated future tax revenues generated from stadium construction and operations including an assumed ticket surcharge that is anticipated to support, in part, public sector debt issued by the City of Pawtucket's Redevelopment Authority to fulfill the public sector's funding commitment to the project.

The scope of this analysis included a review of the following:

- Project costs and value-engineering;
- Public-private partnerships for recent USL stadiums;
- Stadium financial projections; and,
- Ownership's experience and capabilities.

PROJECT COSTS AND VALUE ENGINEERING

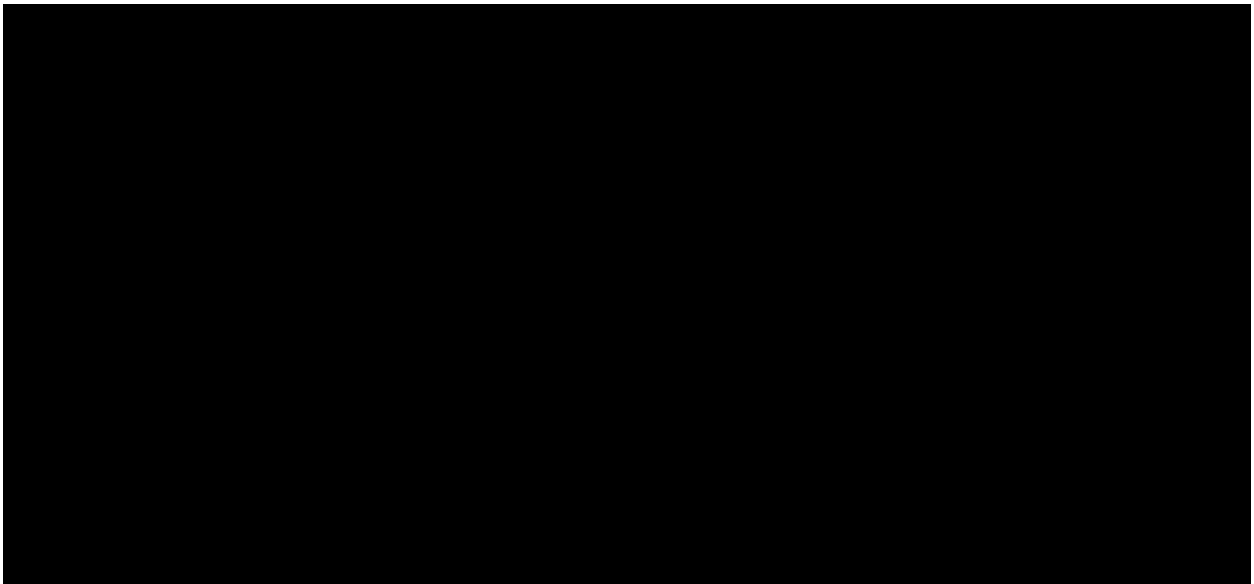
Projects cost estimates were developed by Dimeo Construction based on 100 percent design development documentation and are estimated to be approximately \$124 million for the 10,500 seat stadium.

Due to supply chain issues, inflation and other factors, stadium project costs for Tidewater Landing Stadium increased from \$83 million in June 2021 based on 100% Schematic Design to \$140 million in March 2022 with 100 percent of the construction documents completed and bids from subcontractors.

Legends, the parent company of CSL, has experienced personnel that were involved in various soccer stadium and sports facility construction projects across the country including but not limited to Audi Field (Washington DC), California Bank Stadium (Los Angeles), (Columbus), and SoFi Stadium (Los Angeles), among others.

Legends reviewed stadium design, cost estimates and assisted in identifying value-engineering opportunities to reflect an economical stadium that meets the minimum requirements established by the United Soccer League (“USL”).

Key value engineering modifications that resulted in \$11.0 million in project cost savings and \$4.45 million in cost deferrals to Phase 1B included:



Through a rigorous value engineering process that involved all stakeholders, project costs were reduced to \$124 million in April 2022 while maintaining the stadium revenue generating capabilities necessary for Fortuitous to secure \$31.5 million in bank financing for stadium construction.

It is unlikely that additional value-engineering could materially reduce project costs further without adversely affecting the financial operations of the stadium and the resulting loan proceeds that are budgeted for stadium funding as well as meet USL minimum stadium standards.

Give the recent significant escalation in the construction market, it is difficult to compare the historical cost to build similar USLC soccer stadiums in other markets to the Tidewater Landing Stadium project for changes in time and place. The best comparators would be similar-sized projects that are being planned now. The most comparable soccer stadium being planned in the

country that is at a similar stage in the design process is a 11,500-seat soccer stadium in Kansas City for a professional women’s soccer team. The project cost estimates associated with the stadium in Kansas City is \$120 million (current estimate up from a \$70 million estimate in October 2021). The Kansas City stadium is anticipated to be completed in 2024.

Adjusting the \$120 million stadium cost in Kansas City to the cost to build in Pawtucket based difference in metropolitan market construction cost indices as published by RSMeans (Providence = 250.7 and Kansas City = 236.9) yields an estimated cost of \$127 million to build the Kansas City stadium in Pawtucket. It should be noted this a frame-of-magnitude cost comparison and that there are differences in the sites and building programs for the Kansas City stadium and the Tidewater Landing stadium.

The stadium would be privately constructed, owned and operated by Fortuitous and Fortuitous would be responsible for any cost overruns. To mitigate cost overrun risks, Fortuitous anticipates entering into a Guaranteed Maximum Price (“GMP”) contract with Dimeo Construction.

PUBLIC-PRIVATE FUNDING PARTNERSHIP OF RECENT USL STADIUMS

The \$124 million Tidewater Landing Stadium is anticipated to be funded from a combination of public and private sources. The following table summarizes the requested sources of public and private funds.

**Tidewater Landing Stadium
Public-Private Funding Participation**

	<u>Amount</u>	<u>Percentage</u>
PUBLIC FUNDS:		
Redevelopment Authority Bonds ⁽¹⁾	\$35.5M	29%
RI Rebuild Credits (net)	\$10.0M	8%
SUBTOTAL - PUBLIC FUNDS	\$45.5M	37%
PRIVATE FUNDS		
Team Equity	\$45.5M	37%
F&B Operator Investment	\$1.5M	1%
Construction Loan ⁽²⁾	\$31.5M	25%
SUBTOTAL - PRIVATE FUNDS	\$78.5M	63%
TOTAL	\$124.0M	100%

(1) Total bond issuance amount is estimated to be \$46.1 million inclusive of debt service reserve and financing costs. Repayment of the bonds will be a pledge of the state economic activity taxes that requires an annual appropriation from the General Assembly. The City of Pawtucket will pledge annual cash flows from real property taxes, tangible property taxes, and meals and beverage taxes which will be used to reduce the net amount of the state's share over the term of the bond financing.

(2) Secured by stadium revenues.

As depicted, it is requested that the project be 63 percent privately funded and 37 percent publicly funded. The table below summarizes the public-private funding participation of the most recently-developed comparable USL stadiums to provide context to the Tidewater Landing Stadium project funding.

**Public-Private Funding Participation
Most Recently-Developed USLC Stadiums (1)**

Stadium	Location	Year	Soccer Seating Capacity	Project Costs	Funding Participation Percentage		Funding Participation Amount	
					Public	Private	Public	Private
Trinity Health Stadium *	Hartford, CT	2019 (2)	5,500	\$14.0M	75%	25%	\$10.0M	\$3.5M
Lynn Family Stadium *	Louisville, KY	2020	11,700	\$75.0M	44%	56%	\$33.2M	\$41.8M
Tidewater Landing Stadium *	Pawtucket, RI	2024	10,500	\$124.0M	37%	63%	\$45.5M	\$78.5M
Pro Iowa Stadium *	Des Moines, IA	2025	6,300	\$84.0M	34%	66%	\$28.5M	\$55.5M
Weidner Stadium *	Colorado Springs, CO	2021	8,000	\$42.0M	32%	68%	\$13.5M	\$28.5M
Zions Bank Stadium	Herman, UT	2018	5,000	\$23.0M	0%	100%	\$0.0M	\$23.0M
HEB Park	Edinburg, TX	2017	9,735	\$16.8M	0%	100%	\$0.0M	\$16.8M
AVERAGE - ALL STADIUMS		2021	8,105	\$54.1M	32%	68%	\$18.7M	\$35.4M
AVERAGE - PUBLIC-PRIVATE PARTNERSHIPS *		2022	8,400	\$67.8M	44%	56%	\$26.1M	\$41.6M

(1) Excludes temporary modular stadiums.

(2) Stadium renovation.

Note: Sorted in descending order by public participation percentage.

As depicted, five of the last seven USL stadium projects completed (or in advanced planning stages) involved a public-private partnership with the average funding participation being 44 percent private and 56 percent public. At 37 percent public funding participation, the Tidewater Landing Stadium project would rank in the mid-range of public participation percentage for recent USL stadiums involving public-private partnerships.

Overall, the Tidewater Landing Stadium would be the most expensive USL Stadium developed to date and would have the highest amount of both public (\$45.5 million) and private (78.5 million) funding amounts contributed to recent stadium projects.

It should be noted that two recent USLC stadium projects were completely privately funded. These stadium projects were completed several years ago at costs significantly lower than the Tidewater Landing Stadium project, allowing these projects to be privately funded within the economic generating capabilities of a USLC franchise/team.

STADIUM FINANCIAL PROJECTION REVIEW

Fortuitous has prepared financial operating projections for the stadium that serves as the basis for qualifying for a \$31.5 million bank loan as a portion of the private funding contributions towards the stadium project. Fortuitous' financial projections also serve as the basis for estimating the future net new tax benefits that could be generated to the State of Rhode Island through the on-going operations of the stadium and team.

CSL has reviewed the financial projections and focused on key revenue and expenses to ascertain the reasonableness of the financial projections in the context of anticipated market demand and the operating expertise of Fortuitous Partners which also has experience with the Phoenix Rising (USL Championship) and Tucson FC (USL League One) as well as other sports properties.

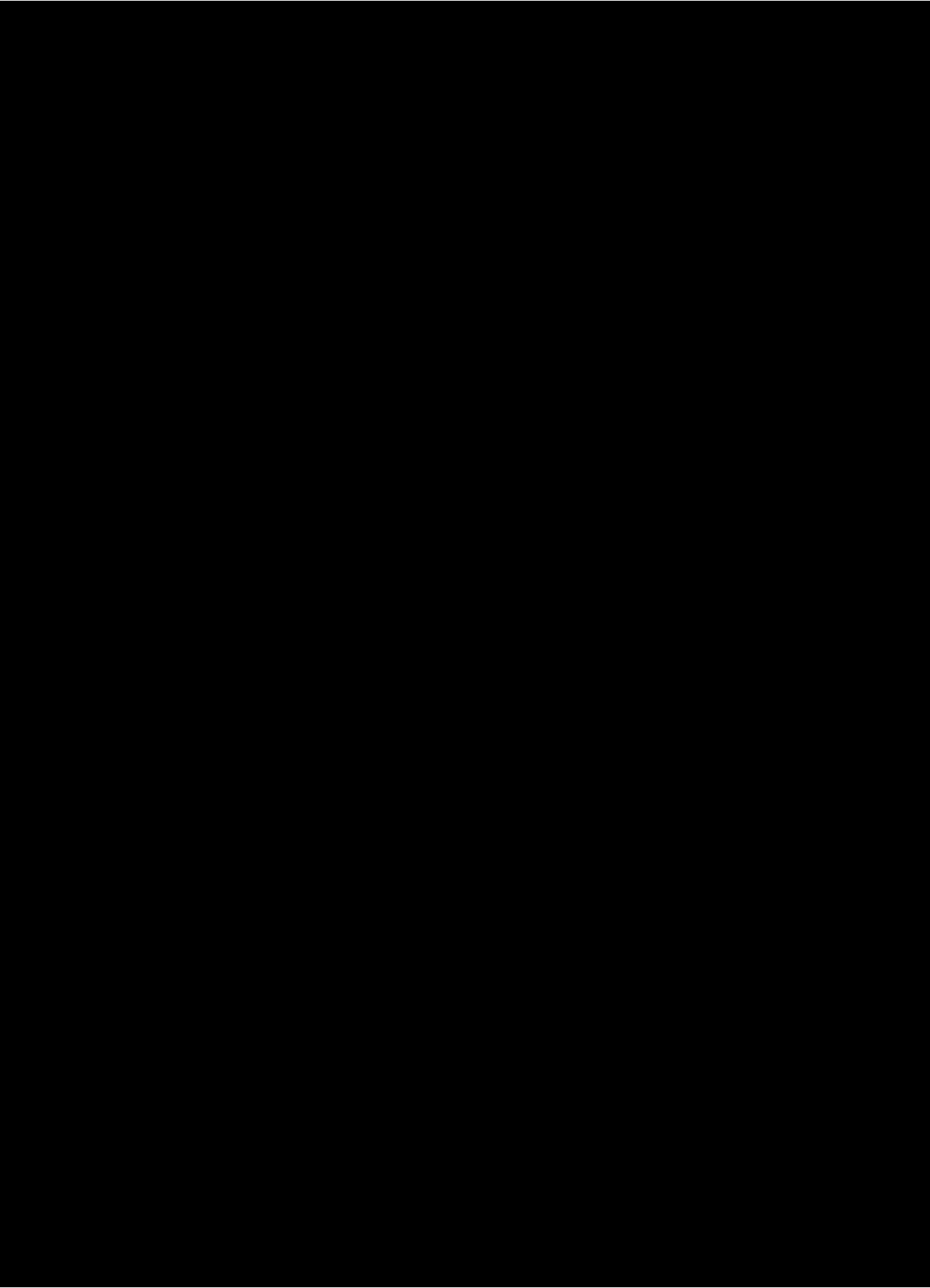
Revenues:

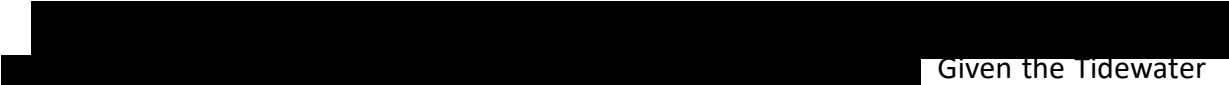
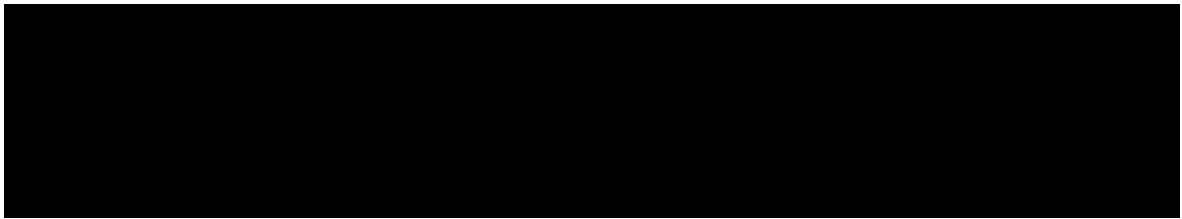
Overall, the stadium is projected by Fortuitous to generate

[REDACTED]

A review of these key revenue streams is provided below:

[REDACTED]



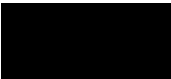


Given the Tidewater Landing Stadium seating capacity and quality relative to the average peer USLC stadium, local market demographics and Fortuitous' experience in operating similar stadiums successfully, the stadium revenue projections are slightly aggressive, but achievable.

Project stakeholders should formalize a parking and transportation plan to ensure ease of access for stadium patrons so as not to adversely affect anticipated attendance levels. A 10,500 seat stadium would need approximately 3,000 parking spaces within walking distance of the stadium.

In addition, the development of the remaining riverfront parcels as part of Phase 1B and other potential future development will be critical important to the long-term success of the stadium by creating an inviting destination and a sense of place.

Expenses:

Overall, the stadium is projected by Fortuitous to incur approximately  in operating expenses in Year 1 (excluding property taxes which will be abated for the stadium). CSL reviewed the operating expense of several comparably sized USLC stadiums and comparable total stadium operating expenses ranged from \$2.7 million to \$3.2 million, averaging \$3.0 million per year.

OWNERSHIP EXPERIENCE AND CAPABILITIES

Brett Johnson is the Founder and Principal Owner of Fortuitous. Mr. Johnson has a demonstrated track record of success across many disciplines, including real estate development, private equity, venture capital and as President and CEO of global public and private companies with hundreds of millions of dollars in sales.

Brett Johnson is the founder and CEO of Benevolent Capital. Benevolent has investments in professional sports, real estate, private equity, venture capital and more. Mr. Johnson is, or has been, an owner/investor in Ipswich Town Football Club, Phoenix Rising FC, FC Helsingor, FC Tucson, USL Rhode Island, TerraCycle, Athletic Brewing, Oura Ring, Damon Motorcycles, Thrasio, NYC Office Suites, Octagon Partners, Glytch, and ArcherDX.

Mr. Johnson is also the Founder and partner of Fortuitous Partners. Fortuitous is an opportunity fund platform investing in pro-sports anchored multi-asset real estate developments in Opportunity Zones, such as the Tidewater Landing development in Rhode Island.

The Fortuitous team has extensive development expertise including the development of the following:

- 50+ athletic facilities ranging from recreational, university and professional facilities;
- 3,000 multifamily units;
- One million square feet of commercial space including office and retail;
- Thousands of spaces of parking from surface and structured to below grade parking.

CONCLUSIONS

Overall, key conclusions reached following a review of the stadium costs, funding partnership and financial projections include:

- The stadium cost of \$124 million will be the most expensive USLC stadium constructed to date. The stadium costs have been value-engineered to reflect a stadium that still meets league standards for USLC and does not materially impact the ability of Fortuitous to generate revenues to support its \$31.5 million bank loan secured by stadium operations.
- The stadium is the most expensive in USLC to date, not because it is lavishly designed, but rather is a reflection of the current construction industry climate that has been hard hit by supply chain issues and inflation. A similar sized stadium being planned in Kansas City for a women's professional sports team has a similar frame-of-magnitude of project costs when adjusted for the differences in local market construction costs. (Pawtucket is more expensive to build than Kansas City).
- Approximately 37 percent of the total stadium project costs, or \$45.5 million, are anticipated to be funded by the public sector including RI Rebuild Tax Credits, City contributions, and Redevelopment Authority Bonds that are anticipated to be partially offset by incremental taxes generated to the State and City from the stadium project and mixed-use development including sales taxes, property taxes, personal income taxes and corporate income taxes as well as a ticket surcharge. General funds, profit sharing, new market tax credits and other backstop mechanisms are being considered and negotiated.
- The 37 percent public funding contribution towards the stadium is in the mid-range (but below average) of the last five USLC stadiums involving public-private partnerships. The average public contribution was 44 percent.

- Privately, Fortuitous is investing the highest amount of nominal dollars - \$78.5 million – in a USLC stadium to date.
- It is important that the stadium funding agreement provide a mechanism to hold Fortuitous accountable for developing Phase 1B as the majority of expected net new tax revenues are anticipated to be generated from it. It should be noted that future public sector financial support to facilitate development of Phase 1B is not defined at this time.
- A review of the financial projections developed by Fortuitous that underlying the underwriting for \$31.5 million in private bank loans are slightly aggressive, but achievable.
- The ability to achieve these projections are enhanced by favorable market conditions relative to other USLC markets, stadium design and the extensive experience of Fortuitous in operating similar USLC teams/stadiums.

CSL BACKGROUND AND QUALIFICATIONS

CSL is a leading advisory and planning firm specializing in providing consulting services to the sports, entertainment and leisure industries. CSL was established for the specific purpose of providing a source of focused research and expertise in these industries.

We assist our clients from the earliest stages of project planning, ensuring that all decisions are informed ones. Our consultants provide in-depth information, creative solutions to underlying issues, a thorough analysis of financial implications, and various measurements of risk and return surrounding alternative courses of action. CSL has built its reputation on meeting client needs by delivering quality services that have credibility in the marketplace. Our firm is able to provide these services by drawing upon over 150 years of experience from its professional staff.

CSL brings the experience of many previous engagements to the planning phase of your project. This experience will help you recognize the issues you will be facing and efficiently identify solutions to each. Our experience will also help to ensure that you are maximizing the potential revenues from your development projects. Members of our firm have been providing these services since the mid-1980's and have been involved in over 2,000 sports, entertainment and facility projects.

Locally, CSL has consulted on a variety of sports, entertainment and public assembly venue projects including several local projects as well as soccer stadium projects through the country including but not limited to:

1. Downtown Ballpark (AAA – Providence, RI);
2. McCoy Stadium Re-Use (Pawtucket, RI);

3. Dunkin Donuts (Providence, RI);
4. Lynn Family Stadium (USLC - Louisville, KY);
5. Highmark Stadium (USLC – Pittsburgh, PA);
6. Pro Iowa Stadium (USLC – Des Moines, IA);
7. Proposed Tacoma Stadium (USLC – Tacoma, WA);
8. OKC Energy Stadium (USLC – Oklahoma City, OK);
9. Wild Horse Pass Stadium (USLC – Chandler, AZ);
10. Audi Field (MLS – Washington D.C);
11. Banc of California Stadium (MLS – Los Angeles, CA);
12. Children’s Mercy Park (MLS – Kansas City, KS)
13. Lower.com Field (MLS - Columbus, OH);
14. PNC Stadium (MLS – Houston, TX);
15. Toyota Stadium (MLS – Frisco, TX)