



FEASIBILITY STUDY:

# PROFESSIONAL SOCCER STADIUM

August 2016





August 2016

Mr. Jeff Mosley  
Louisville Metro Government  
Office of the Mayor  
527 W. Jefferson Street  
Louisville, KY 40202

Dear Mr. Mosley:

Conventions, Sports & Leisure International (“CSL”) and Legends are pleased to present this report addressing the feasibility of developing a professional soccer stadium in Louisville. The attached report summarizes our research and analyses and is intended to assist the Louisville Metro Government and other project stakeholders with making informed decisions.

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 that the Louisville Metro Government, Louisville City FC and others have provided. All information provided to us by others was not audited or verified and was assumed to be correct. Because 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.

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,

CSL International

# TABLE OF CONTENTS

1. INTRODUCTION .....	1
2. OVERVIEW OF PROFESSIONAL SOCCER & LOUISVILLE CITY FC.....	3
3. LOCAL MARKET CHARACTERISTICS .....	14
4. SOCCER-SPECIFIC STADIUM CASE STUDIES.....	27
5. ESTIMATED DEMAND AND BUILDING PROGRAM RECOMMENDATIONS.....	40
6. FINANCIAL PRO FORMA .....	47
7. ECONOMIC AND FISCAL IMPACTS .....	59
8. FUNDING OPTIONS .....	66
APPENDIX A: MLS OPPORTUNITY AND IMPACT .....	76
APPENDIX B: SITE ANALYSIS .....	81



# 1. Introduction

# 1. INTRODUCTION

In 2013, a local investor group with minority ownership ties to the third division United Soccer League’s (“USL”) Orlando City Soccer Club bought a majority stake in the team in 2014 and moved it to Louisville after Orlando was awarded a Major League Soccer (“MLS”) franchise.

The 2015 season marked Louisville City FC’s (“LCFC”) inaugural year in USL. LCFC plays its home games at Louisville Slugger Field in downtown Louisville. The 13,131-seat Louisville Slugger Field is a minor league ballpark that has been home to the Louisville Bats, a Triple-A affiliate of the Cincinnati Reds, since 2000. Owned by the Louisville Metro Government, Louisville Slugger Field is operated by the Bats under a 20-year lease. LCFC serves as a secondary tenant under a five (5) year lease with the Bats through December 2019.

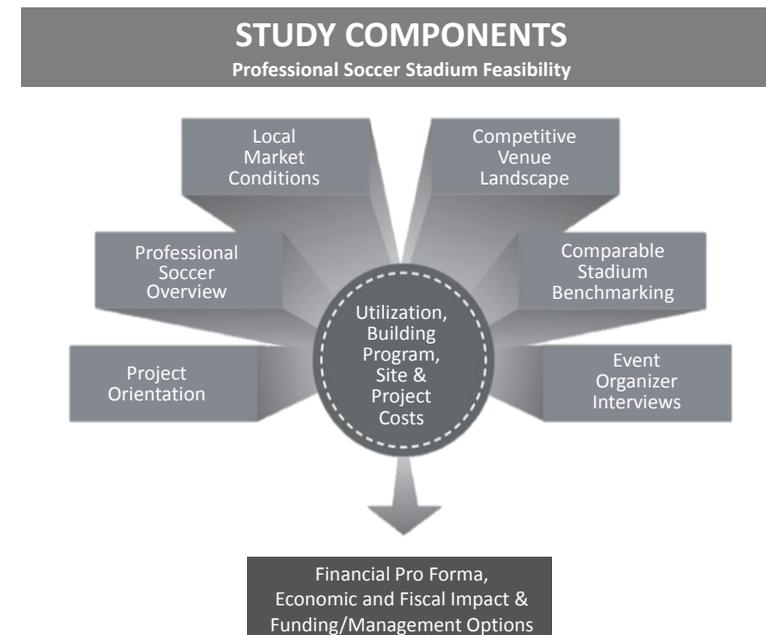
LCFC’s inaugural 2015 season was met with much success as the team averaged 7,032 fans per game, ranking second highest among 24 USL teams and more than double the league average attendance. The team also achieved on-field success by making the playoffs and reaching the Eastern Conference finals. Entering its second season of play in 2016, LCFC has increased its season ticket base from its inaugural season and has achieved higher attendance in its initial home games this season compared to the same number of initial games during last season.

Despite its initial success in the stands and on the field, LCFC’s long-term viability in Louisville is dependent on the development of a soccer-specific stadium. Under current conditions, LCFC sustains a sizeable operating loss due to the current facility configuration and lease agreement which limits the revenue opportunities for the team, limits its ability to schedule additional soccer matches and other revenue generating events, and results in higher than normal game-day costs due to the conversion of the field between baseball and soccer. Further, it is a stated goal of USL and MLS league representatives to have every franchise play in a soccer-specific stadium in which they are the prime tenant in order to achieve financial stability.

As a result, the Louisville Metro Government is evaluating the merits of developing a soccer-specific stadium to better accommodate the needs of LCFC and ensure its long-term sustainability in the marketplace. Through stadium development, the Louisville Metro Government is also seeking to spur additional development in a manner consistent with the positive impacts created by Louisville Slugger Field and the KFC Yum! Center.

As the community assesses the viability of a soccer-specific stadium to meet USL standards, the Louisville Metro Government is also considering the long-term potential that a successful USL franchise could lead to the market being considered for an MLS franchise (the first division of professional soccer) in the future, similar to other newly-minted MLS markets that proved themselves in second or third division professional soccer such as Orlando, Montreal, Portland and Vancouver. Based on Louisville’s population and media market size relative to other markets and lack of competition from other professional teams in the market, many community leaders believe MLS is Louisville’s most realistic opportunity at landing a major professional sports franchise.

As a next step in evaluating the merits of developing a soccer-specific stadium, the Louisville Metro Government engaged Conventions, Sports & Leisure (“CSL”) and Legends to conduct a feasibility study for the initial development of stadium meeting USL standards with longer-term considerations of expanding to accommodate MLS should the opportunity arise.



# 1. INTRODUCTION

In order to evaluate the feasibility of a new soccer-specific stadium, CSL met with City and team officials, toured the community and potential stadium sites, reviewed LCFC's historical operations, reviewed USL and MLS league operations, assessed local market conditions, researched comparable new soccer-specific stadiums, conducted interviews with potential stadium users and evaluated potential stadium sites.

Research results were used to estimate potential demand, identify general stadium programming elements necessary to accommodate demand and meet USL standards, estimate stadium development costs, develop a financial pro forma, quantify potential economic and fiscal impacts and identify potential funding options.

The study's findings are presented in the following sections:

1. Introduction
  2. Overview of Professional Soccer & Louisville City FC
  3. Local Market Characteristics
  4. Soccer-Specific Stadium Case Studies
  5. Estimated Demand and Building Program Recommendations
  6. Financial Pro Forma
  7. Economic and Fiscal Impacts
  8. Funding Options
- Appendix A: MLS Opportunity and Impact  
Appendix B: Site Analysis

The remainder of this report outlines the key findings of the market and financial feasibility study for a new soccer-specific stadium in Louisville. The report should be read in its entirety to obtain the background, methods and assumptions underlying the findings.





## 2. Overview of Professional Soccer & Louisville City FC

## 2. OVERVIEW OF PROFESSIONAL SOCCER & LOUISVILLE CITY FC

The purpose of this section of the report is to provide an overview of professional soccer in the United States and an assessment of the operations of LCFC during its inaugural 2015 season to provide context in evaluating the feasibility of a soccer-specific stadium in Louisville. Accordingly, this section is presented in the following components:

- Professional Soccer Overview:
  - Major League Soccer;
  - North American Soccer League;
  - United Soccer League;
- LCFC Overview:
  - Team History;
  - Louisville Slugger Field;
  - Fan Profile;
  - Attendance;
  - Youth Academy; and,
  - Financial Performance.

### PROFESSIONAL SOCCER OVERVIEW

In the United States, professional men’s outdoor soccer leagues are sanctioned by the United States Soccer Federation (“USSF”) into one of three divisions: Division I, Division II or Division III. The following table summarizes the professional leagues comprising this hierarchy.

PROFESSIONAL OUTDOOR SOCCER U.S. Men's Leagues				
League	Division	Inaugural Season	Current Teams	2015 Average Attendance
Major League Soccer	Division I	1996	20	21,574
North American Soccer League	Division II	2011	12	6,052
United Soccer League	Division III	2011	29	3,218

### Major League Soccer

Major League Soccer (“MLS”) is the only sanctioned USSF Division I men’s outdoor soccer league in the United States. MLS traces its roots back to 1988 when U.S. Soccer promised the Fédération Internationale de Football Association (“FIFA”) it would establish a professional soccer league as part of the United States’ successful bid to host the 1994 World Cup. MLS’ inaugural season occurred in 1996. Over the past 20 years, MLS has grown from 10 initial teams to 20 current teams.

The league has awarded four additional expansion franchises (the most recent expansion fee was \$110 million up from \$5 million for the original founding teams) that will bring the total teams in MLS to 24 in the next few years. In 2016, the MLS Commissioner announced the intent to expand to 28 teams by 2020.

As shown in the chart on the following page, the MLS average league attendance per game was 21,574 with most teams playing in modern, soccer-specific stadiums with seating capacities typically ranging from 18,000 to 25,000 seats that can cost anywhere from \$100 million to more than \$200 million to construct. As a result, the cost to move from USL to MLS, including both expansion fees and stadium development costs, could exceed a \$200 million investment.

Based on Louisville’s rank as the 49<sup>th</sup> largest Designated Market Area (“DMA”) in the U.S. and the demographics of cities that have publicly declared their interest in MLS, it may prove challenging for Louisville to be part of the next round of expansion by 2020, but could become more plausible if MLS expands to 32 or more teams in the future. Other cities that have publicly expressed interest in MLS include Austin, Charlotte, Cincinnati, Detroit, Indianapolis, Nashville, Phoenix, Sacramento, San Antonio, San Diego, and St. Louis, among others.

A general outlook and other planning considerations that Louisville community leaders and soccer stakeholders should consider with respect to seeking an MLS franchise in the future is provided in the appendix to this report.

## 2. OVERVIEW OF PROFESSIONAL SOCCER & LOUISVILLE CITY FC

MLS STADIUMS Capacity & Attendance				
Team	Stadium	Year Opened	Seating Capacity	2015 Average Attendance
Seattle Sounders FC	CenturyLink Field	2002	39,115	44,247
Orlando City SC <sup>1</sup>	Citrus Bowl	1936	30,000	32,847
New York City FC	Yankee Stadium	2009	33,444	29,016
Toronto FC	BMO Field*	2007	40,000	23,451
Los Angeles Galaxy	StubHub Center*	2003	27,000	23,392
Portland Timbers	Providence Park*	2011	22,000	21,142
San Jose Earthquakes	Avaya Stadium*	2015	16,400	20,979
Houston Dynamo	BBVA Compass Stadium*	2012	22,039	20,658
Vancouver Whitecaps FC	BC Place	1983	21,000	20,507
Real Salt Lake	Rio Tinto Stadium*	2008	20,000	20,160
Sporting Kansas City	Children's Mercy Park*	2011	18,467	19,687
New York Red Bulls	Red Bull Arena*	2010	25,189	19,657
New England Revolution	Gillette Stadium	2002	22,385	19,627
Montreal Impact	Saputo Stadium*	2008	20,801	17,750
Philadelphia Union	Talen Energy Stadium*	2010	18,500	17,451
Columbus Crew	Mapfre Stadium*	1999	19,968	16,985
D.C. United <sup>2</sup>	Buzzard Point Stadium*	2019	19,467	16,244
FC Dallas	Toyota Stadium*	2005	20,295	16,013
Chicago Fire	Toyota Park*	2006	20,000	16,003
Colorado Rapids	Dick's Sporting Goods Park*	2007	18,061	15,657
Atlanta United FC <sup>o</sup>	Mercedes-Benz Stadium	2017	29,322	n/a
LAFC <sup>o</sup>	LAFC Stadium*	2018	22,000	n/a
Minnesota United FC <sup>o</sup>	Minnesota United FC Stadium*	2018	20,000	n/a
Miami <sup>o</sup>	Miami Stadium*	n/a	n/a	n/a
<b>AVERAGE</b>		<b>2005</b>	<b>23,715</b>	<b>21,574</b>

<sup>o</sup>Expansion franchise  
<sup>\*</sup>Soccer-specific stadium  
(1) Orlando City SC is planning the construction of a 25,500-seat soccer-specific stadium to open in 2016. Attendance averages reflect totals at the Citrus Bowl during the 2015 season.  
(2) D.C. United is planning the construction of a 19,200-seat soccer-specific stadium to open in 2019. Attendance averages reflect totals at RFK Stadium during the 2015 season.

### North American Soccer League

The North American Soccer League (“NASL”) is sanctioned by USSF as a Division II men’s outdoor soccer league. Founded in 2009, NASL began play with eight teams in 2011. Currently, NASL consists of 12 teams (nine in the U.S., two in Canada and one in Puerto Rico). An expansion 13<sup>th</sup> team, the San Francisco Deltas, is slated to join the league in 2017.

In 2015, the average attendance in NASL was 6,052 per game with teams playing in a variety of venues including high school, collegiate or municipal stadiums with seating capacities varying significantly from 5,000 to 24,000 seats. Expansion franchise fees are reported to be approximately \$3.0 million to \$3.5 million per team.

NASL operates as a group of independent club owners in contrast to the single-entity structure of MLS. Each team is a shareholder in the league and has an equal vote on league rules, contracts and expansion plans. NASL requires each team to have a lead shareholder that holds at least 35 percent ownership in the club. In order to maintain second-tier status within the U.S. soccer pyramid, all owners must have at least a five percent share in the team.

NASL does not have a formal affiliation with MLS, but league officials intend to follow a similar expansion timeline as the first division and have revealed plans to expand the league to 20 teams by the 2018 season. Other potential NASL markets include Hartford, Chicago, Orange County, San Diego and Las Vegas.

The table on the following page provides an overview of NASL stadiums and average attendance totals during the 2015 season. As shown, the average attendance during the 2015 season was 6,052, ranging from a low of 2,889 (FC Edmonton) to a high of 9,809 (Indy Eleven – a team that has stated its desire to be considered for MLS). The majority of teams play in multi-purpose stadiums, including football stadiums and high school athletic facilities. Two teams play in soccer-specific stadiums, which have an average seating capacity of 16,000.

## 2. OVERVIEW OF PROFESSIONAL SOCCER & LOUISVILLE CITY FC

NASL STADIUMS Capacity & Attendance				
Team	Stadium	Year Opened	Seating Capacity	2015 Average Attendance
Indy Eleven	Carroll Stadium	1982	12,100	9,809
Minnesota United FC	National Sports Center	1990	8,500	8,748
Jacksonville Armada FC	Community First Park	2003	11,000	7,927
Tampa Bay Rowdies	Al Lang Stadium	1947	7,227	5,648
Ottawa Fury FC	TD Place Stadium	2008	24,000	5,406
New York Cosmos	James Shuart Stadium	1963	11,929	4,984
Carolina RailHawks	WakeMed Soccer Park*	2006	10,000	4,539
Fort Lauderdale Strikers	Lockhart Stadium	1959	20,450	4,518
FC Edmonton	Clarke Stadium	2001	5,000	2,889
Miami FC <sup>1</sup>	FIU Stadium	1995	20,000	n/a
Puerto Rico FC <sup>1</sup>	Juan Ramon Loubriel Stadium*	1974	22,000	n/a
Rayo OKC <sup>1</sup>	Miller Stadium	2011	6,000	n/a
San Francisco Deltas <sup>2</sup>	Kezar Stadium	1990	10,000	n/a
<b>AVERAGE</b>		<b>1987</b>	<b>12,939</b>	<b>6,052</b>

\*Soccer-specific stadium  
 (1) 2016 season is first season in NASL.  
 (2) The San Francisco Deltas will join NASL for the 2017 season.

### United Soccer League

The United Soccer League (“USL”) began its inaugural season in 2011 and is designated by the USFF as the third tier of American professional soccer, behind MLS and NASL. The league has 29 teams and is expected to grow to 40 teams by the end of the decade as part of the league’s Destination 2020 strategic plan. LCFC is a member of USL.

The USL is divided between two (2) conferences (Eastern and Western). Each team plays 30 games (15 home and 15 away) during the regular season from March to September. The top eight (8) teams from each conference participate in the USL Playoffs in a single-elimination tournament. USL teams also compete against MLS Reserve teams to accelerate player development and strengthen ties between the professional soccer leagues in the United States. During the 2016 season, 11 USL teams are owned and operated by MLS clubs and nine (9) are affiliated with MLS teams through reserve teams and training centers.

The map below depicts the location of USL franchises.



## 2. OVERVIEW OF PROFESSIONAL SOCCER & LOUISVILLE CITY FC

Similar to NASL, USL operates as a group of independent club owners with the right to vote on league rules and contracts. Each year, USL teams must renew their league status and expansion franchises can apply for inclusion. It is estimated that USL expansion fees range from \$1 million to \$ 2 million.

During the 2015 season, all USL matches were broadcast on YouTube. For the 2016 season, ESPN will broadcast 20 matches and the championship game will be telecasted on ESPN3, the network's online platform.

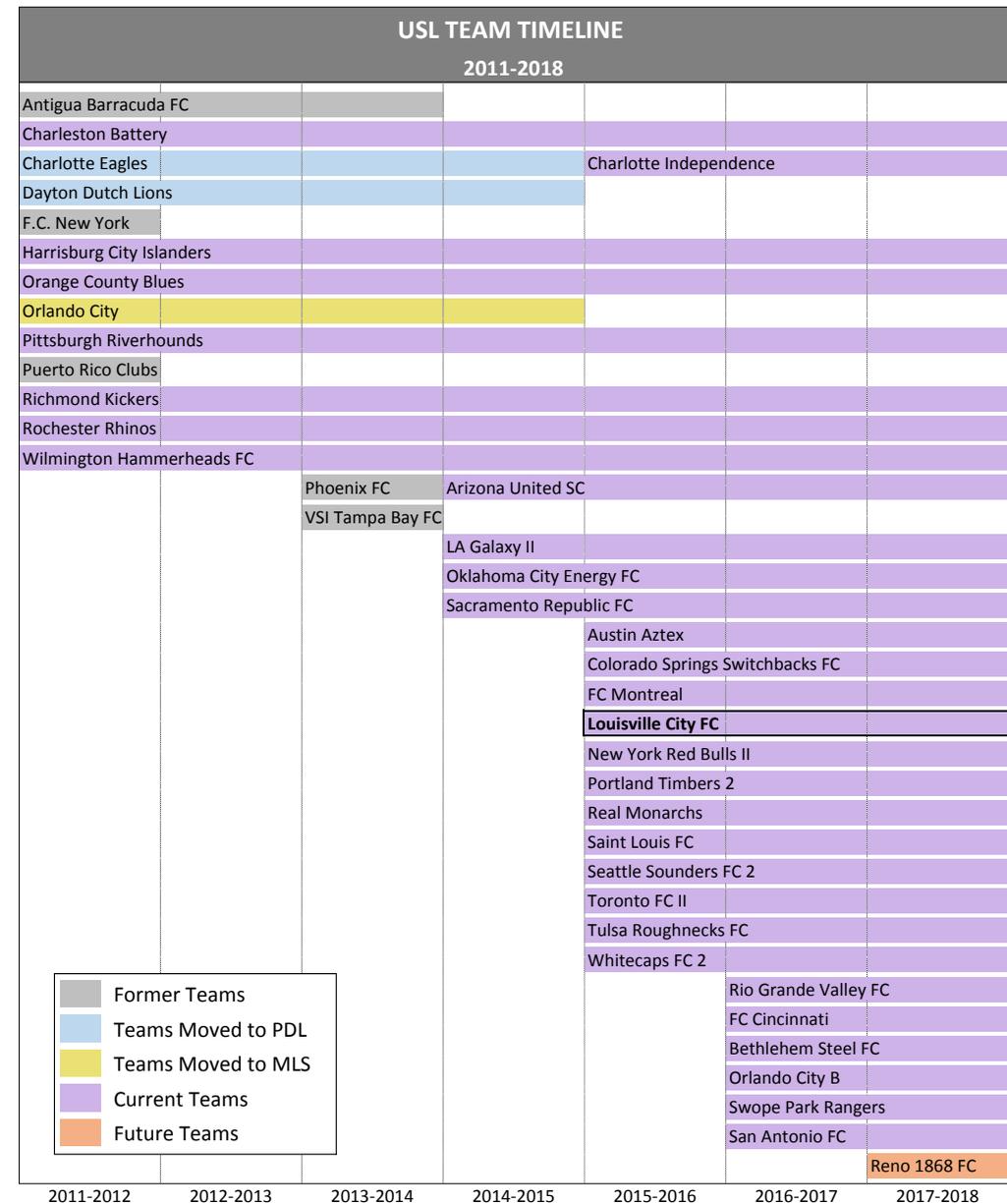
### League Growth/Stability

USL is the successor of the USL First Division and USL Second Division, which were founded in 1995. Following a dispute between both USL divisions and NASL, USL team owners formed USL in 2011 to resolve legal issues and solidify the league's position in the North American professional soccer pyramid. Since its inception in 2011, there have been 39 total members of the USL, 29 of which remain in the league in 2016. The graphic on the right represents the timeline of present and former USL teams from 2011 to 2018.

Orlando City FC transitioned to MLS in 2015, while the Charlotte Eagles and the Dayton Dutch Lions moved to the Premier Development League (PDL), a 65-team league considered to be the unofficial fourth tier of U.S. professional soccer.

Antigua Barracuda FC, F.C. New York, the Puerto Rico Clubs (Puerto Rico United, River Plate Puerto Rico and Sevilla Puerto Rico), Phoenix SC and VSI Tampa Bay have gone defunct for a variety of reasons, including financial and management difficulties and trouble attracting fans. Phoenix FC was replaced in its market by Arizona United SC soon after folding. The Charlotte Independence became the city's sole USL franchise in 2015 when the Charlotte Eagles moved from USL to the PDL.

Reno 1868 FC is expected to join the league in 2017 and the Austin Aztex will resume league play after a yearlong hiatus in 2016.



## 2. OVERVIEW OF PROFESSIONAL SOCCER & LOUISVILLE CITY FC

In 2013, USL announced a multi-year partnership with MLS designed to develop professional players in North America. Since 2014, eight MLS teams have created USL franchises in order to strengthen their youth player system and decrease costs associated with MLS academy operations.

### Stadiums

For the 2016 USL season, 15 out of 29 teams play in soccer-specific stadiums. The chart on the right summarizes current and future USL teams and facilities.

As shown, the average USL stadium has a seating capacity of approximately 9,400, ranging from a low of 2,000 at the StubHub Center Track & Field Stadium (LA Galaxy II) to a high of 40,000 at Nippert Stadium (FC Cincinnati). The average soccer-specific stadium has a capacity of approximately 8,000. During the 2015 season, LCFC drew 7,032 fans per home game ranking second-highest in the league and over twice the league average of 3,218.

In the last five years, five soccer-specific stadiums have been constructed in USL markets, ranging from \$4 million to \$25 million in total project costs. Detailed case studies on these soccer-specific USL stadiums, including information on ownership, funding and premium seating, is provided later in the report.

### Ticket Prices

The table on the following page shows the range of season ticket package and single-match ticket prices for USL teams in 2016.

On average, season ticket packages for USL teams range from \$130 to \$291 and include approximately 15 games. Individual tickets range from \$12 to \$23 on average. LCFC ranks roughly in the top third of USL teams in terms of season ticket package price.

USL STADIUMS Capacity & Attendance				
Team	Stadium	Year Opened	Stadium Capacity	2015 Average Attendance
Sacramento Republic FC	Bonney Field*	2014	11,242	11,308
<b>Louisville City FC</b>	<b>Louisville Slugger Field</b>	<b>2000</b>	<b>13,131</b>	<b>7,032</b>
Rochester Rhinos	Rhinos Stadium*	2006	13,768	5,669
Saint Louis FC	Marshall Wireless Stadium*	1982	5,500	4,885
Tulsa Roughnecks FC	ONEOK Field	2010	7,833	4,714
Real Monarchs SLC	Rio Tinto Stadium*	2008	20,213	4,698
Oklahoma City Energy FC	Taft Stadium	1934	7,500	4,210
Charleston Battery	MUSC Health Stadium*	1999	5,100	3,784
Wilmington Hammerheads FC	Legion Stadium	2011	6,000	3,328
Portland Timbers 2	Merlo Field*	1990	4,892	3,122
Arizona United SC	Peoria Sports Complex	1994	12,339	2,850
Richmond Kickers	City Stadium	1929	22,000	2,775
Colorado Springs Switchbacks FC	Sand Creek Stadium*	2015	4,000	2,723
Seattle Sounders FC 2	Starfire Sports Complex	2005	4,500	2,221
Pittsburgh Riverhounds	Highmark Stadium*	2013	4,000	2,193
Charlotte Independence	Ramblewood Soccer Complex*	2015	4,300	1,800
Harrisburg City Islanders	FNB Field	2010	6,187	1,762
Vancouver Whitecaps FC 2	Thunderbird Stadium	1967	3,500	1,682
Orange County Blues FC	Antheater Stadium	2000	2,500	1,082
LA Galaxy II	StubHub Center Track & Field Stadium	2003	2,000	783
New York Red Bulls II	Red Bull Arena	2010	25,000	595
Toronto FC II	Ontario Soccer Centre*	2003	3,500	479
FC Montreal	Complexe sportif Claude-Robillard	1993	3,500	313
Rio Grande Valley FC Toros <sup>o</sup>	RGVFC Stadium*	2016	9,600	n/a
San Antonio FC <sup>o</sup>	Toyota Field*	2013	8,296	n/a
Swope Park Rangers KC <sup>o</sup>	Swope Soccer Village*	2014	3,557	n/a
Orlando City B <sup>o</sup>	Titan Soccer Complex*	2013	3,500	n/a
FC Cincinnati <sup>o</sup>	Nippert Stadium	1924	40,000	n/a
Bethlehem Steel FC <sup>o</sup>	Goodman Stadium	1988	16,000	n/a
<b>AVERAGE</b>		<b>1996</b>	<b>9,430</b>	<b>3,218</b>

<sup>o</sup>Expansion franchise  
\*Soccer-specific stadiums

## 2. OVERVIEW OF PROFESSIONAL SOCCER & LOUISVILLE CITY FC

USL TICKET PRICES 2016 Season					
Rank	Team	Season Ticket Price - Low	Season Ticket Price - High	Single Ticket Price - Low	Single Ticket Price - High
1	Oklahoma City Energy FC	\$135	\$600	\$14	\$37
2	Sacramento Republic FC	\$237	\$594	\$20	\$40
3	Charleston Battery	\$175	\$575	\$10	\$20
4	Tulsa Roughnecks FC	\$120	\$500	\$10	\$45
5	Real Monarchs SLC	\$150	\$490	\$15	\$25
6	Louisville City FC	\$180	\$480	\$15	\$39
7	Charlotte Independence	\$180	\$375	\$15	\$35
8	Colorado Springs Switchbacks FC	\$135	\$375	\$9	\$25
9	Saint Louis FC	\$150	\$315	\$14	\$21
10	San Antonio FC	\$150	\$300	\$10	\$25
11	Harrisburg City Islanders	\$180	\$300	\$14	\$14
12	Arizona United SC	\$150	\$300	\$10	\$20
13	FC Montreal	\$120	\$300	\$11	\$22
14	FC Cincinnati	\$50	\$295	\$5	\$25
15	Rochester Rhinos	\$107	\$280	\$12	\$22
16	Pittsburgh Riverhounds	\$150	\$265	\$11	\$22
17	Bethlehem Steel FC	\$176	\$256	\$13	\$20
18	Wilmington Hammerheads FC	\$120	\$225	\$8	\$12
19	Swope Park Rangers KC	\$105	\$225	\$12	\$20
20	Orlando City B	\$108	\$216	\$15	\$30
21	Seattle Sounders FC 2	\$100	\$180	\$15	\$20
22	Portland Timbers 2	\$143	\$169	\$10	\$20
23	Vancouver Whitecaps FC 2	\$118	\$150	\$12	\$20
24	Orange County Blues FC	\$100	\$150	\$10	\$18
25	Richmond Kickers	\$60	\$150	\$12	\$20
26	Toronto FC II	\$75	\$120	\$10	\$10
27	New York Red Bulls II	\$90	\$90	\$10	\$10
28	LA Galaxy II	\$65	\$65	\$10	\$10
29	Rio Grande Valley FC Toros	n/a	n/a	n/a	n/a
High		\$237	\$600	\$20	\$45
Low		\$50	\$65	\$5	\$10
Average		\$130	\$298	\$12	\$23

Note: Sorted by Season Ticket Price - High. Analysis excludes premium seating prices.

Prices for LCFC tickets are competitive within the Louisville marketplace. General season ticket prices for Louisville Bats games average \$435 and season tickets for University of Louisville Men's Basketball average \$600. It is also important to note that the University of Louisville requires an additional annual donation (which varies depending on location) to the Cardinal Athletic Fund in order to have the right to purchase Men's Basketball tickets.

### LCFC OVERVIEW

The remainder of this section presents an overview of the historical operations of LCFC at Louisville Slugger Field in order to provide a baseline from which to assess the potential for a new soccer-specific stadium in Louisville. This section is presented in the following components:

- Team History;
- Louisville Slugger Field;
- Fan Profile;
- Attendance;
- Financial Performance; and,
- Youth Academy.

### Team History

While 2015 was LCFC's inaugural season in Louisville, the history of the franchise traces its roots back to Orlando City SC, one of the original USL teams that began play in 2011. The team in Orlando achieved much success in its three seasons in USL, leading the league in home attendance each season and winning the USL championship twice.

Based on its early success in USL, the Orlando market was awarded an expansion MLS franchise that began play in 2015. In 2014, a Louisville-based investor group with minority ownership ties to Orlando City SC bought a majority stake in its USL franchise and relocated the team to Louisville for the 2015 season. During its inaugural season, LCFC maintained an affiliation with the MLS Orlando City club, serving as the Division I club's reserve team. LCFC's purple and gold kit pays homage to its ties to Orlando City.

## 2. OVERVIEW OF PROFESSIONAL SOCCER & LOUISVILLE CITY FC

Beginning with the 2016 season, Orlando City SC ended its affiliation with LCFC in order to field its own USL team in the Orlando area. This decision was made in order to locate the reserve team in close proximity to the MLS franchise and facilitate easier movement of players between teams as part of an effective player development program. Currently, LCFC does not have an affiliation with an MLS club.

### Louisville Slugger Field

LCFC plays its home games at the 13,131-seat Louisville Slugger Field in downtown Louisville under a five (5) year sublease agreement with the Louisville Bats and Louisville Metro Government. The venue, while not ideal for soccer matches, is the best short-term alternative for LCFC when balancing venue location, size and amenities relative to other alternatives in the greater Louisville area. The use of a minor league ballpark to host professional soccer matches is not unprecedented in the USL, with Arizona United SC, Harrisburg City Islanders and Tulsa Roughnecks FC playing in minor league ballparks, among others.

While the overall capacity of Louisville Slugger Field is 13,131 seats for baseball, the seating capacity for LCFC games is generally limited to approximately 8,000 seats due to poor sightlines caused by placing a soccer field within a seating bowl designed for baseball.

USL recently developed facility standards for its member clubs that indicates the ideal venue for member clubs is a soccer-specific stadium with the ability to seat up to 10,000 seats (immediately or through expansion justified by attendance growth) with the ultimate capacity driven by local market dynamics. A soccer-specific stadium would bring the sightlines for fans closer to the pitch and create a better game-day environment for patrons.

In addition to poor sightlines, another disadvantage of playing home games in a minor league ballpark is the cost to convert the field to a soccer setup and back to baseball and the negative impacts that a temporary conversion has on field quality and player safety. A soccer-specific stadium with a permanent field designed for soccer would eliminate the game-day costs associated with conversion from baseball to soccer and improve the playing surface quality and player safety.

Further exacerbating the financial challenges associated with field cost conversion is the fact that LCFC is a secondary tenant to the Bats at Louisville Slugger Field. The Bats serve as the venue's primary tenant under a 20-year lease with the Louisville Metro Government, which provides the Bats operating control of the stadium and rights to certain revenue streams that would normally be available to LCFC if they were playing in a soccer-specific stadium as the primary tenant. The table below summarizes key lease terms for LCFC games at Louisville Slugger Field.

LEASE TERMS Louisville City FC		
Lease Commencement	September 2014	
Term <sup>1</sup>	5 Years	
Lease Expiration	December 2019	
Rent	\$5,000 per game	
<b>Revenue Allocation</b>	<b>LCFC</b>	<b>Bats</b>
Tickets	100%	0%
Concessions	0%	100%
Merchandise	100%	0%
Parking	100%	0%
Suites:		
Annual Suite Sales	0%	100%
Annual Suite Sales - LCFC Tickets	50%	50% up to \$15k
Unsold Annual Suites - LCFC Games	100%	0%
Sponsorships:		
Naming Rights	0%	100%
Fixed Signage / Building Sponsors	0%	100%
Temporary Field Signage	100%	100%
Broadcast	100%	0%
<b>Expense Allocation</b>	<b>LCFC</b>	<b>Bats</b>
Game-Day Costs	100%	0%
Team Facilities <sup>2</sup>	100%	0%
Stadium Operations <sup>3</sup>	0%	100%
<small>(1) Lease can be terminated early if a new soccer-specific stadium is developed in Louisville.                      (2) Utilities, maintenance and janitorial services related to LCFC locker rooms, offices and storage area.                      (3) LCFC pays for all game-day stadium operations costs including security, announcers, etc.                      Source: Sublease agreement between Louisville Bats, Louisville Metro Government and LCFC.</small>		

## 2. OVERVIEW OF PROFESSIONAL SOCCER & LOUISVILLE CITY FC

LCFC's sublease with the Bats and Louisville Metro Government is for an initial five (5) year term, expiring in December 2019. LCFC has the right to terminate the lease early if a new soccer-specific stadium is constructed in Louisville in which LCFC would be the primary tenant.

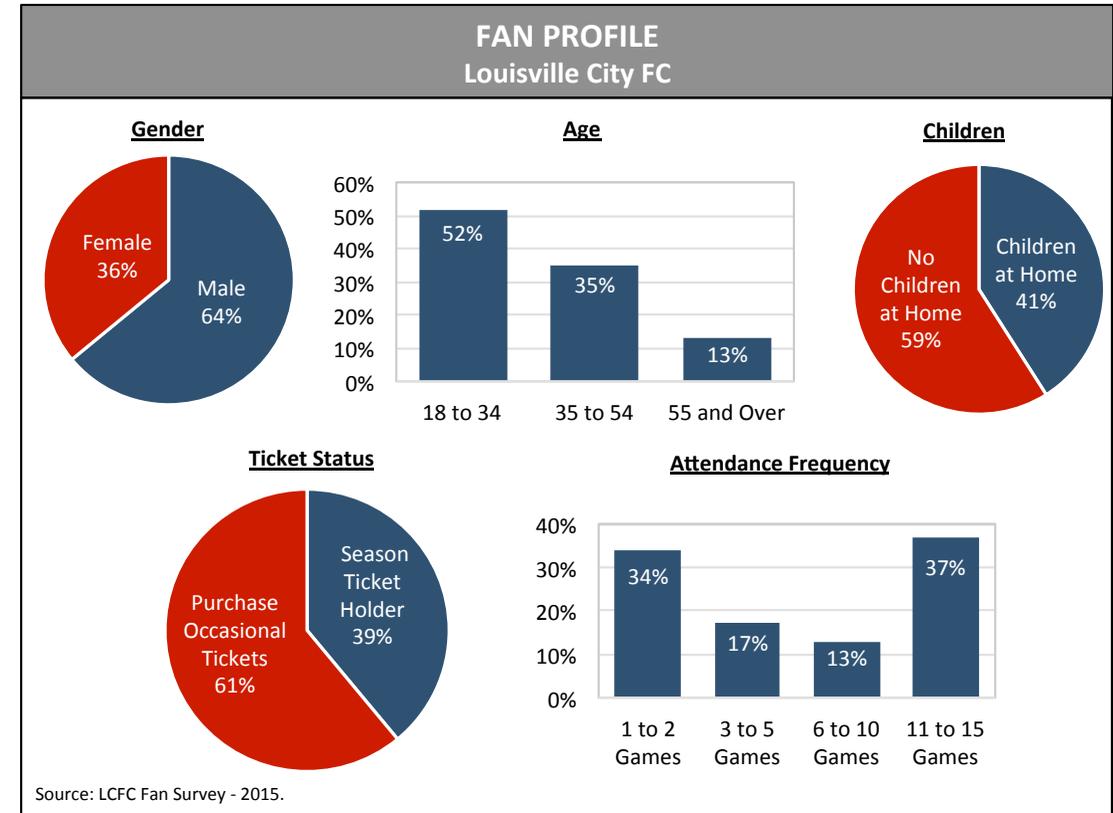
With seasons that overlap, the Bats receive scheduling priority over LCFC games for key dates. Under the terms of the lease, LCFC must play a minimum of 15 and a maximum of 20 games plus all playoff games at Louisville Slugger Field each year. LCFC cannot practice at Louisville Slugger Field without the approval of the Bats.

LCFC pays rent equal to \$5,000 per game to the Bats. LCFC pays for Game-day expenses including field conversion costs, ticket takers, ushers, security, first aid, gate bag checkers, public address announcers, broadcast staff, scoreboard operators, video board operators, etc. The Bats pay the vast majority of ballpark operations and maintenance costs not affiliated with LCFC's game-day related expenses. LCFC is responsible for all utilities, maintenance and janitorial services associated with soccer team facilities at the ballpark including the team locker room, offices and storage area.

LCFC retains ticket sales, merchandise sales and parking revenue generated from LCFC games and 50 percent of suite tickets sold to baseball suite holders for soccer games. LCFC has the right to sell unsold suites for LCFC soccer games and to sell and retain revenue from temporary signage around the pitch. The Louisville Bats retain venue naming rights, building sponsorships and advertising (except field signage), food and beverage revenues generated at LCFC games and revenues generated from other third party events hosted in the ballpark.

### Fan Profile

In 2015, LCFC conducted a fan-intercept survey at a home game in July to gain an understanding of their fan base. The table on the right provides an overview of key statistics from the survey.



Consistent with U.S. soccer fan in general, the average LCFC fan skews toward a young male with no children at home that purchases tickets to five games or less each season.

Specifically, the LCFC fan profile includes:

- LCFC fans are more likely to be male than female with 64 percent of LCFC fans identifying as male. In comparison, the gender make-up of the U.S. population is 51 percent female and 49 percent male.

## 2. OVERVIEW OF PROFESSIONAL SOCCER & LOUISVILLE CITY FC

- LCFC fans tend to be millennials, representing a younger age demographic. The majority of LCFC fans are between the ages of 18 and 34. Specifically, 52 percent of the LCFC fan base reported being between the ages of 18 and 34, 35 percent reported being between the ages of 35 and 54 and only 13 percent reported being 55 years or older. In comparison, approximately 24 percent of the U.S. population is between the ages of 18 to 34, 26 percent between 35 and 54 years of age, and 28 percent are 55 and older.
- The majority of LCFC fans do not have children at home. Specifically, 59 percent of fans have no children at home, which closely mirrors the average of the U.S. population as a whole at 58 percent.
- The majority of LCFC fans choose to purchase tickets to select home games versus purchasing season tickets. Specifically, 61 percent of fans indicated purchasing tickets to select games and 39 percent reported purchasing season tickets.
- The median number of games LCFC fans planned to attend during the team's inaugural season was 3 to 5 games. Overall, approximately 37 percent of fans planned to attend 11 to 15 games, 13 percent planned to attend 6 to 10 games, 17 percent planned to attend 3 to 5 games and 34 percent planned to attend 1 to 2 games.

### Attendance

The table on the right summarizes game-by-game attendance for LCFC during the 2015 season. Paid attendance refers to the number of tickets sold for a particular event, turnstile attendance reports the number of tickets scanned at the gates on the day of the event, including both complimentary and paid tickets, and announced attendance figures include all distributed tickets, as well as game-day vendors, security, staff and volunteers. The average paid attendance during the 2015 season was approximately 5,700 while turnstile attendance was approximately 4,700, or 81 percent of paid attendance. The average announced attendance was approximately 7,000, representing 54 percent of stadium capacity. Over the course of the season, average announced attendance for LCFC matches

increased from 5,983 during the first eight home matches to 8,082 during the last eight home matches.

LCFC ranked second highest in terms of reported attendance during the 2015 season, trailing only Sacramento Republic FC (a market that is being strongly considered for MLS). Overall, USL reported attendance per match for the 2015 season was approximately 3,200 or 54 percent below average reported attendance for LCFC.

LCFC ATTENDANCE 2015 Season				
	Tickets			
	Paid	Issued	Turnstile	Announced
Game 1	5,757	6,035	4,693	6,067
Game 2	3,764	4,027	2,865	4,722
Game 3	3,950	4,186	2,318	4,877
Game 4	4,129	4,374	3,342	4,911
Game 5	5,205	5,586	3,830	6,099
Game 6	6,214	6,670	3,830	7,185
Game 7	6,337	6,943	5,412	7,454
Game 8	5,527	6,136	4,550	6,546
Game 9	7,162	7,730	6,159	8,254
Game 10	6,528	7,121	5,380	7,649
Game 11	5,620	6,279	4,449	6,836
Game 12	6,540	7,351	5,550	7,850
Game 13	6,886	8,933	6,354	9,434
Game 14	7,110	7,860	6,153	8,414
Game 15	5,007	7,156	4,485	7,702
Game 16	6,220	7,979	5,467	8,517
<b>AVERAGE</b>	<b>5,747</b>	<b>6,523</b>	<b>4,677</b>	<b>7,032</b>
<b>MAX</b>	<b>7,162</b>	<b>8,933</b>	<b>6,354</b>	<b>9,434</b>
<b>MIN</b>	<b>3,764</b>	<b>4,027</b>	<b>2,318</b>	<b>4,722</b>

Source: LCFC

## 2. OVERVIEW OF PROFESSIONAL SOCCER & LOUISVILLE CITY FC

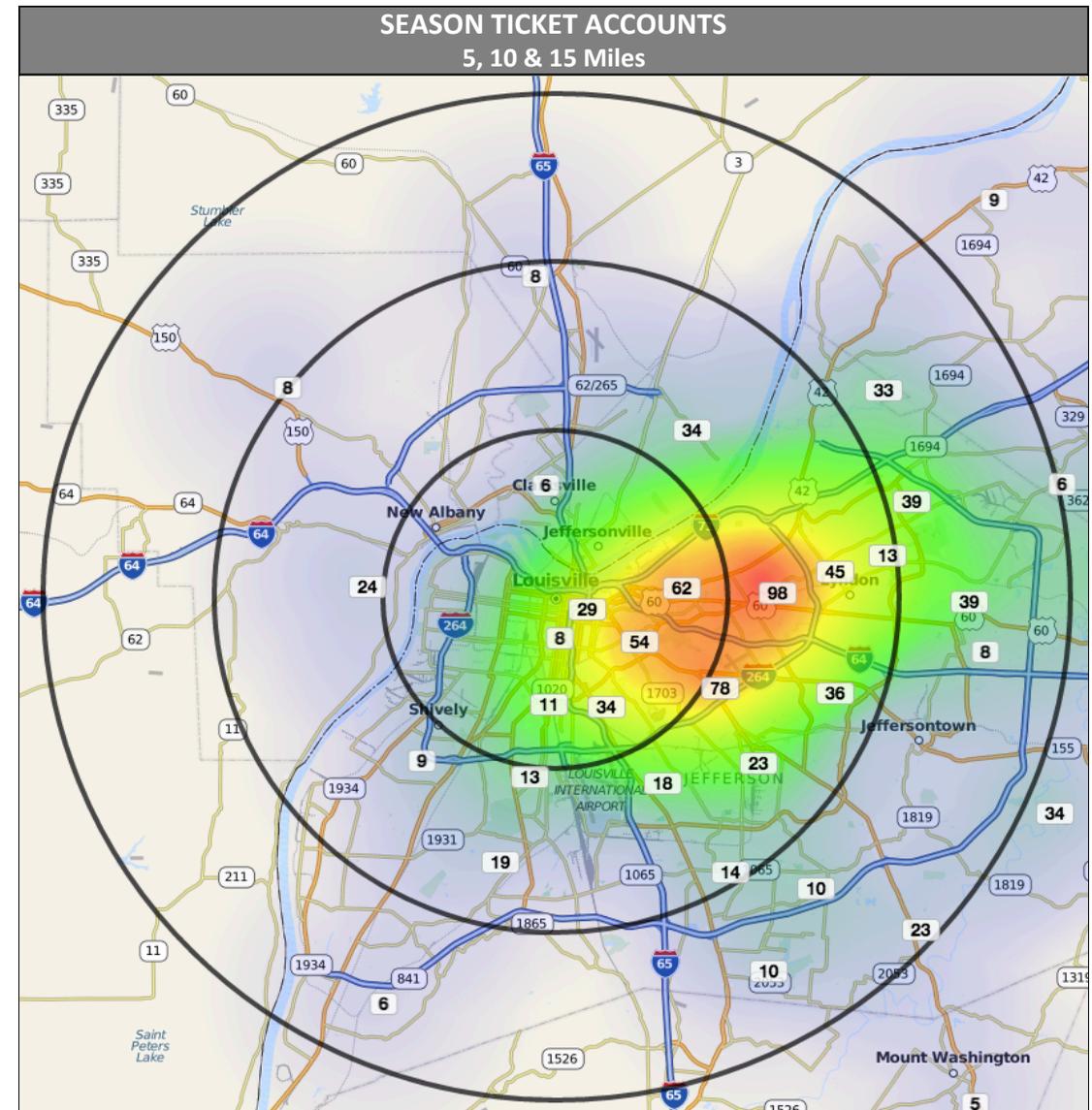
During its inaugural 2015 season, LCFC reported a season ticket base of 1,097 season ticket accounts comprising 2,642 tickets, or approximately 2.4 tickets per account. The table below summarizes season ticket holder accounts for LCFC in 2015 based on their place of residence relative to Louisville Slugger Field.

LCFC SEASON TICKET ACCOUNTS 2015 Season			
Distance from Louisville Slugger Field	# of Accounts	% of Total Accounts	% Cumulative
0 to 5 miles	204	19%	19%
5 to 10 miles	440	40%	59%
10 to 15 miles	168	15%	74%
15 to 25 miles	102	9%	83%
25 to 50 miles	33	3%	86%
50 to 100 miles	10	1%	87%
100+ miles	140	13%	100%
<b>TOTAL ACCOUNTS 1,097</b>			

Source: LCFC (2015 Season), Mapline

As shown in the table above and the map on the right, the majority of season ticket holders (59 percent) are located within 10 miles from Louisville Slugger Field. Nearly 83 percent of season ticket holders live within 25 miles of the ballpark.

Based on discussions with LCFC management the number of season ticket holders has increased for the 2016 season by over 100 accounts.



## 2. OVERVIEW OF PROFESSIONAL SOCCER & LOUISVILLE CITY FC

### Financial Performance

During its inaugural 2015 season, LCFC generated \$2.3 million in operating revenues and incurred \$3.0 million in operating expenses, resulting in a net operating loss of approximately \$700,000 despite the team's success in drawing attendees during its inaugural year (second highest in the league). It should be noted that the financial performance of the team is anticipated to improve somewhat during 2016 as team management expands its staff and marketing efforts. The 2015 season was challenged by a short lead time to market the team based on its relocation from Orlando.

In terms of revenues, LCFC generated nearly 80 percent of its revenue from ticket sales, 15 percent from merchandise, five percent from sponsorships, and one percent from both parking and other revenue sources in 2015. The level and mix of revenues generated by LCFC are not consistent with teams that play in right-sized, soccer specific stadiums in which the team has greater control over stadium operations and various other revenue streams such as concessions, naming rights and sponsorship, thereby decreasing reliance solely on attendance/ticket sales for revenues.

### Youth Academy

LCFC does not currently support a youth academy. However, based on discussions with team management, LCFC intends to develop a youth academy with several boys and girls teams in the near future. Currently, 19 other USL teams have affiliations with MLS youth academies.

It is anticipated that the development of a youth academy will serve to create more awareness and exposure for LCFC in the local and regional community, help grow grass roots soccer participation in the area and generate additional revenues to LCFC to help supports its operations.

The overview of professional soccer and the historical operations of Louisville City FC, are considered together with an assessment of local market conditions and the historical operations of comparable soccer stadiums in order to draw conclusions regarding the market potential for a soccer-specific stadium in Louisville.

\*\*\*\*\*



### 3. Local Market Characteristics



# 3. LOCAL MARKET CHARACTERISTICS

## POPULATION

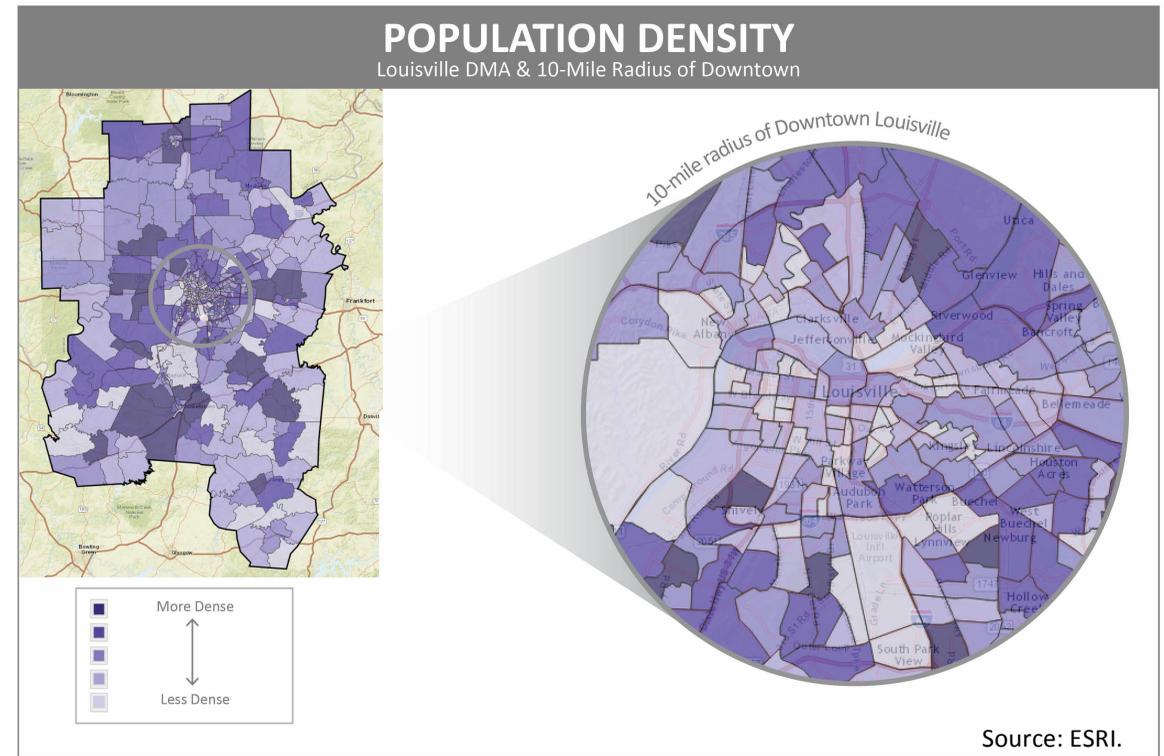
The size of a market, in terms of population, can provide an indication of the depth and breadth of a localized area to support professional soccer and a soccer-specific stadium. The table below provides historical, current and projected population of the Louisville DMA compared to the United States as a whole.

POPULATION Historical, Current & Projected		
	<b>Louisville DMA</b>	<b>United States</b>
2010 Population	1,703,944	308,745,540
2015 Population	1,740,041	318,536,440
2020 Population	1,788,137	327,981,320
Historical CAGR (2010 to 2015)	0.4%	0.6%
Projected CAGR (2015 to 2020)	0.6%	0.8%

Note: CAGR = Compounded Annual Growth Rate.  
Source: ESRI.

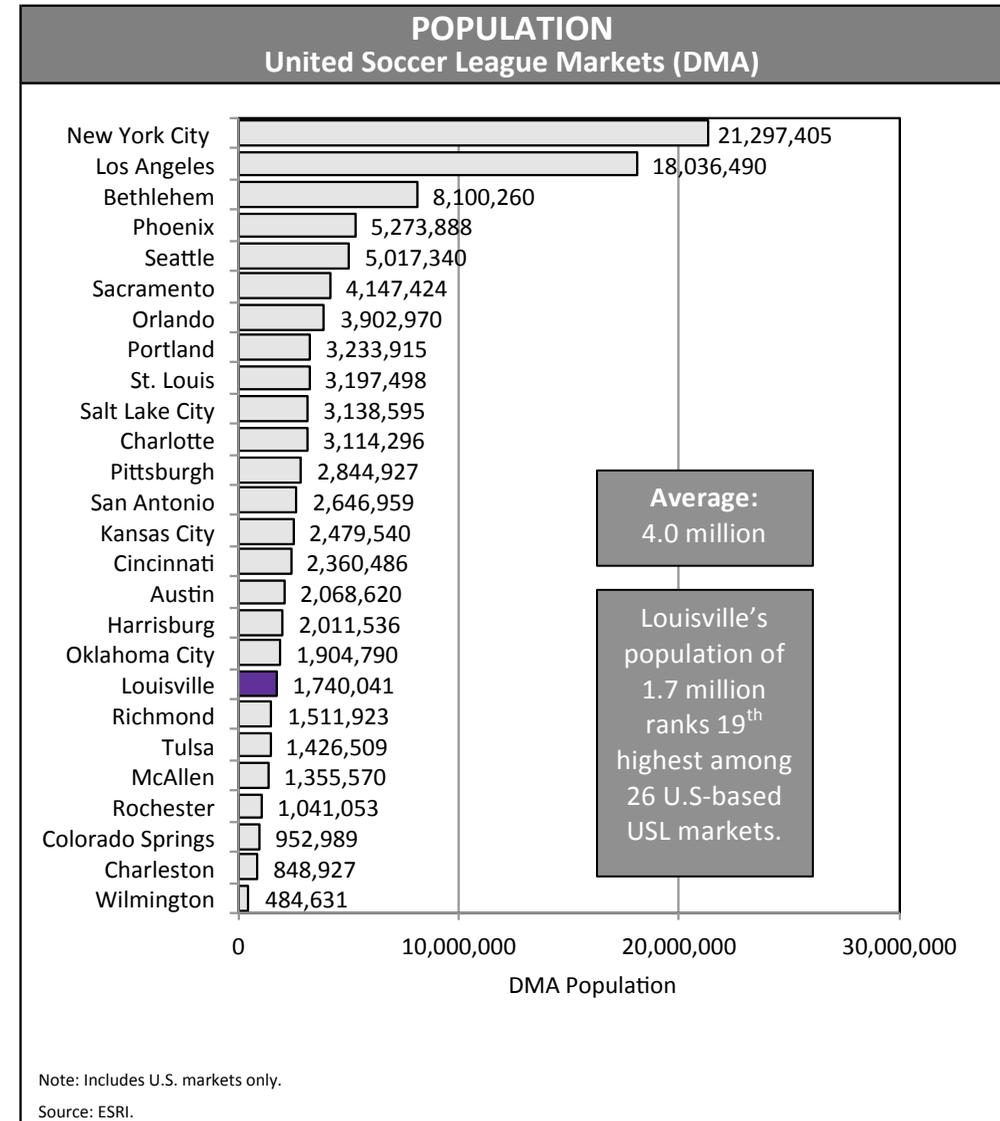
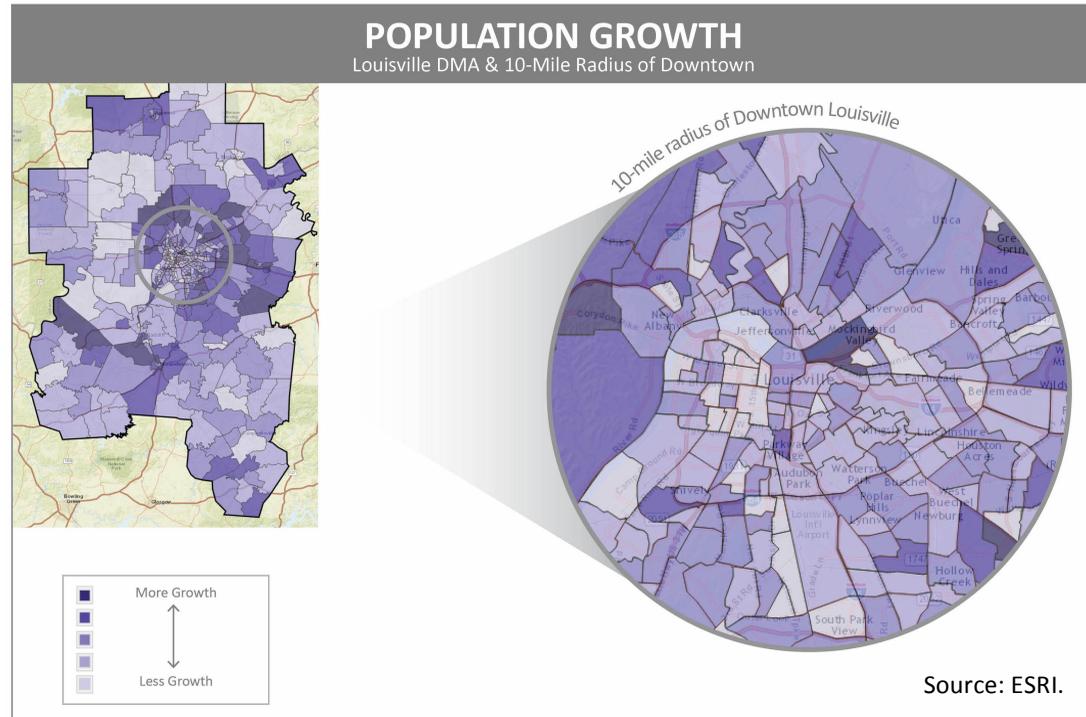
As of 2015, the Louisville DMA comprised approximately 1.7 million residents and is expected to grow to nearly 1.8 million residents by 2020. The Louisville DMA's anticipated annual population growth 0.6 percent per year is slightly less than the anticipated annual population growth of 0.8 percent for the United States as a whole.

The graphic on the right illustrates the population density for each zip code within the Louisville DMA, highlighting the area within 10 miles of Louisville's city center. More densely populated areas are characterized by darker shading while less densely populated areas are characterized by lighter shading.



The graphic on the following page illustrates the projected population growth rate for each zip code within the Louisville DMA, highlighting the area within 10 miles of Louisville's city center. Higher population growth rates are characterized by darker shading while lower population growth rates are characterized by lighter shading.

# 3. LOCAL MARKET CHARACTERISTICS



It is important to understand the Louisville’s DMA population in the context of other USL markets to assess its relative strengths and/or weaknesses. The chart on the right presents the population of the Louisville DMA in comparison to other DMAs with USL teams based in the United States.

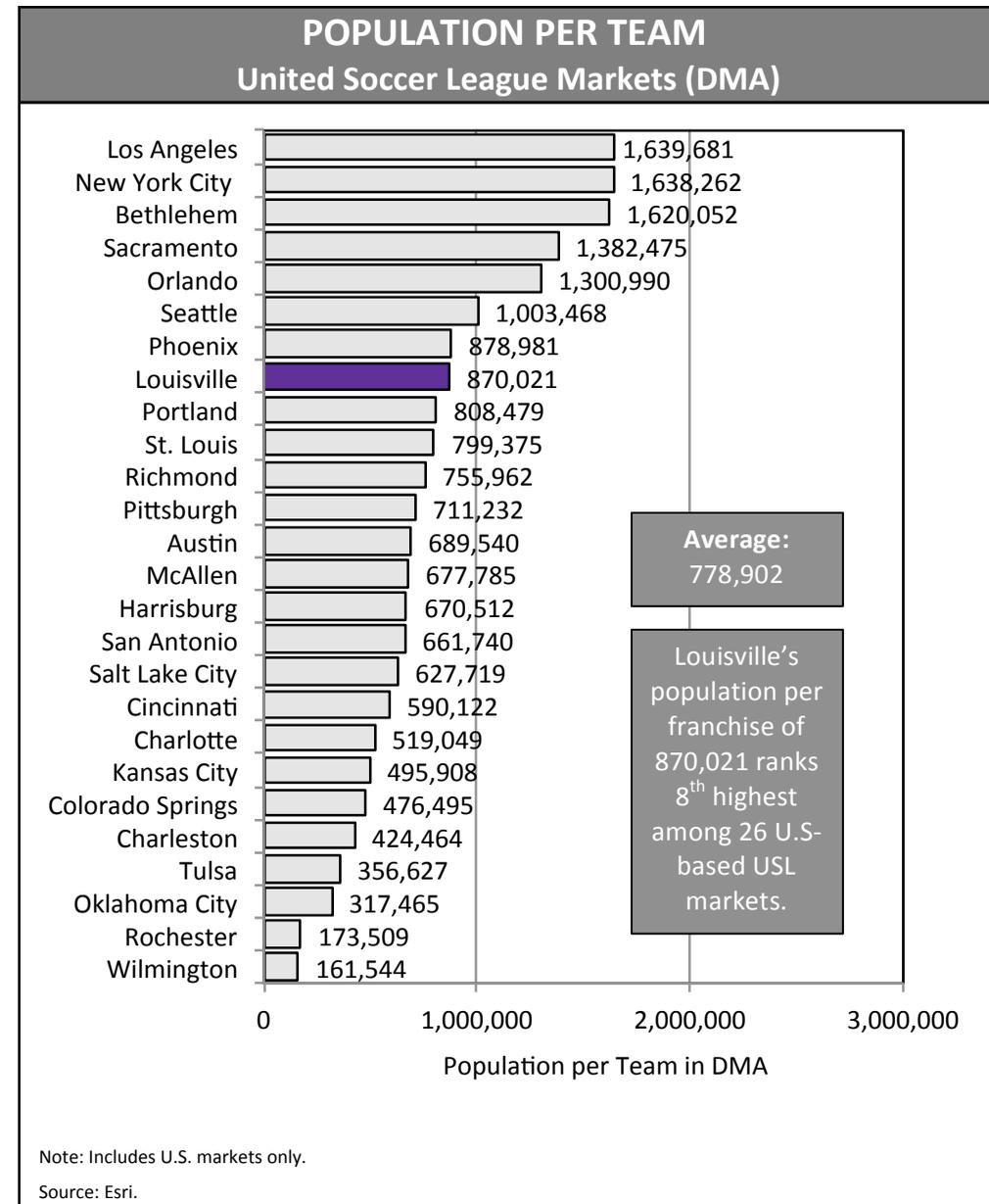
### 3. LOCAL MARKET CHARACTERISTICS

As illustrated in the previous chart, the population of the Louisville DMA ranks 19<sup>th</sup> largest among 26 USL markets based in the United States. At 1.7 million people, Louisville’s population approximates 43 percent of the USL average market population of 4.0 million. Excluding the impacts of USL market population outliers (New York and Los Angeles), the median USL market has a DMA population of 2.6 million. Louisville’s DMA population is approximately 68 percent of the median USL market population.

It is important to note that smaller market soccer clubs can draw comparatively strong attendance levels relative to markets with significantly larger population bases. Louisville’s average attendance per game during LCFC’s inaugural season ranked second best in the league and was more than double the league average, despite ranking as the 19<sup>th</sup> largest U.S.-based market in USL. Conversely, the New York City market has 21.3 million people, but the average home game attendance for the New York Red Bulls II during the team’s inaugural season was 595, ranking 21<sup>st</sup> out of 23 teams that competed during the 2015 season. The ability to draw strong attendance levels is dependent on a variety of factors beyond the market’s size including the overall marketing efforts of team management, stadium location, game-day environment, cost of attendance, team performance and competition within the local market for entertainment spending.

The chart on the right compares the DMA population for each U.S.-based USL market on a population per team basis as a method to normalize the relative competition each USL team faces in its respective home market. For purposes of this analysis, sports teams include both professional and minor league sports teams.

As shown, the Louisville DMA has a population of approximately 870,000 per sports franchise, ranking 8<sup>th</sup> highest among 26 USL markets or approximately 12 percent above the league average. The average USL market has five (5) major professional or minor professional teams that are competing for the entertainment dollars of local residents. The Louisville market has two (2) teams, including Louisville City FC (USL) and the Louisville Bats (International League). It is important to note that the University of Louisville football and basketball programs have strong fan bases and also compete for the entertainment dollars of Louisvillians. However, it should be noted that many other USL markets also have Division I collegiate athletic programs that compete for entertainment dollars in their respective markets.



# 3. LOCAL MARKET CHARACTERISTICS

## MEDIAN AGE / AGE DISTRIBUTION

The USL soccer fan base skews towards a younger demographic. Based on data supplied by USL, nearly two-thirds of USL fans are between the ages of 18 and 44. As a result, the distribution of the local market’s population’s age can provide an indication of the depth and breadth of the target demographic for professional soccer as well as other sports and entertainment events that could be hosted at the new soccer-specific stadium.

The table below summarizes the median age and age distribution of the Louisville DMA compared to the age characteristics of the nation’s population as a whole.

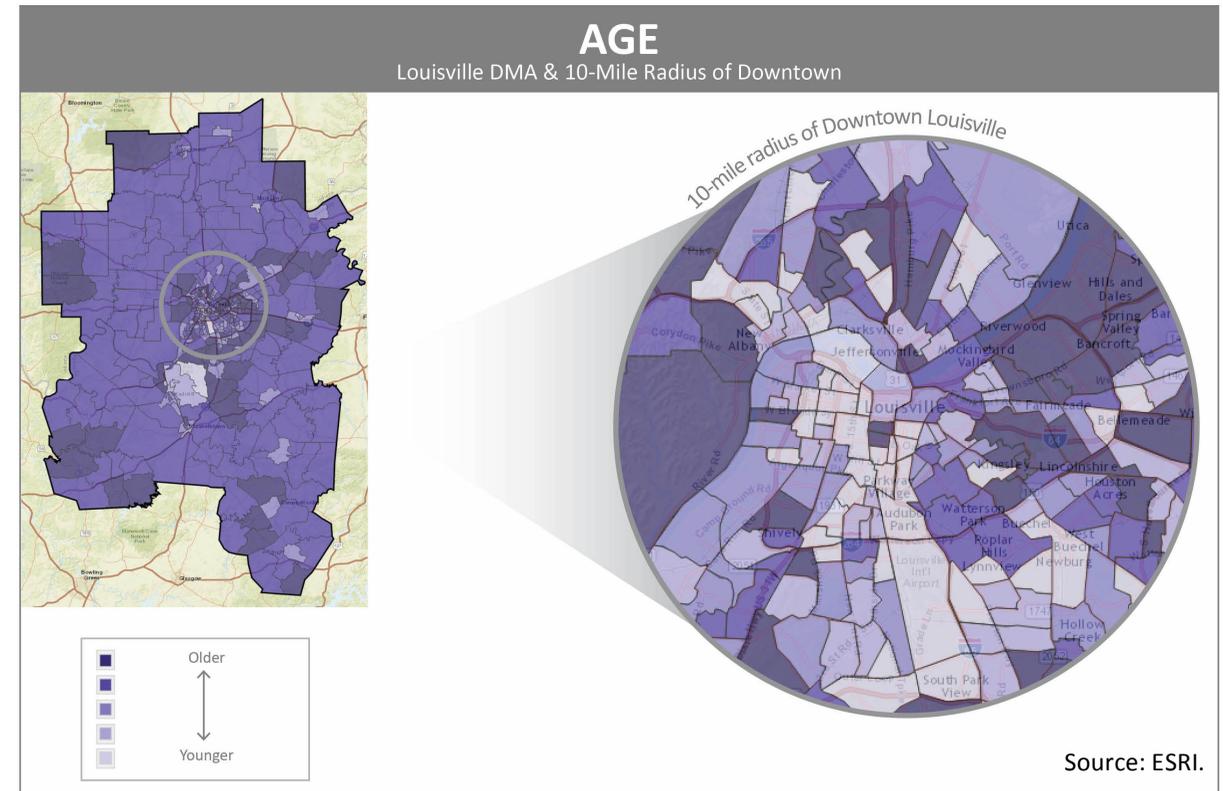
MEDIAN AGE / DISTRIBUTION Louisville DMA		
	Louisville DMA	United States
Median Age	39.2	37.9
Under 18 Years Old	22.7%	22.8%
18 to 24 Years Old	8.9%	10.0%
25 to 34 Years Old	11.8%	13.6%
35 to 44 Years Old	12.9%	12.6%
45 to 64 Years Old	27.5%	26.3%
65 or Older	15.0%	14.7%

Source: ESRI.

Approximately 21 percent of the Louisville population is between the ages of 18 and 34, which approximates the U.S. average. By comparison, approximately 52 percent of LCFC fans are within this age bracket.

It is anticipated that a stadium site in or around the downtown urban core would enhance the market potential for LCFC based on proximity to a younger fan base aided by proximity to the University of Louisville and the areas where younger, professional Louisvillians live, work and play (e.g. Butchertown, NuLu and Clifton).

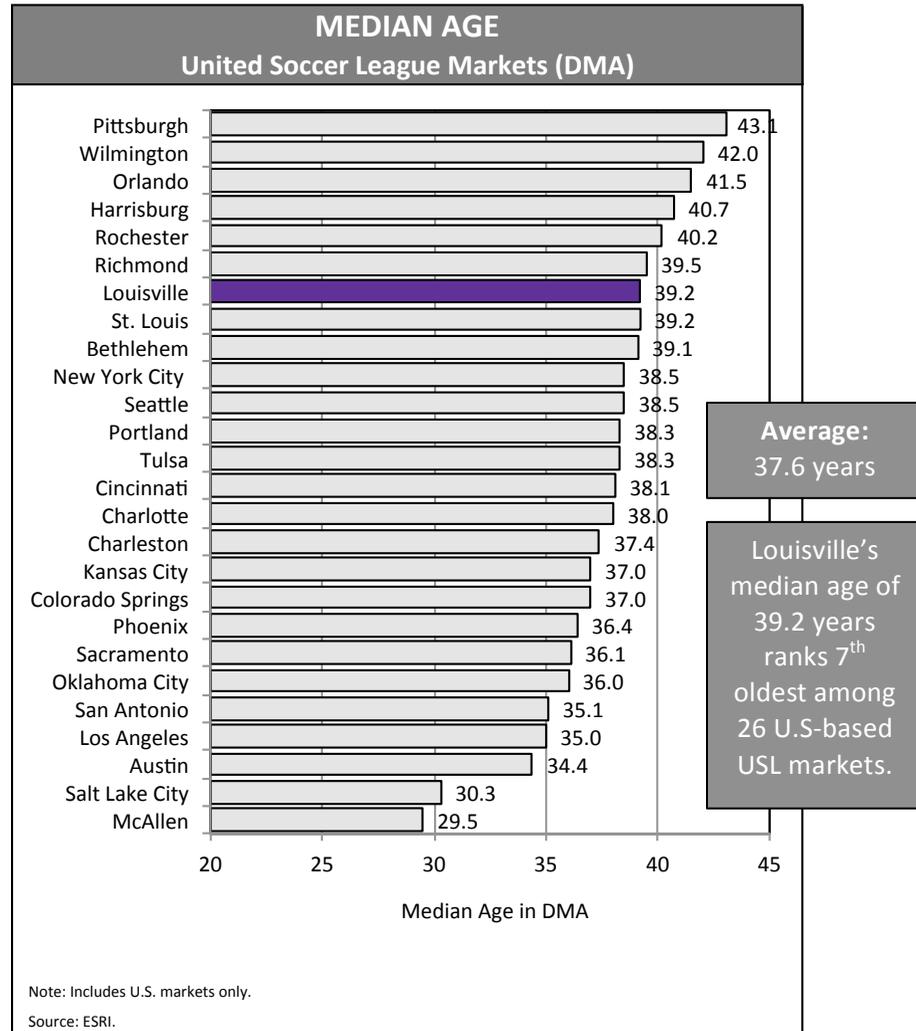
The graphic below illustrates the age profile of each zip code within the Louisville DMA, highlighting the area within ten miles of downtown Louisville.



As shown, older segments of the population are based in the suburbs of Louisville while younger demographic is based closer to the urban center.

# 3. LOCAL MARKET CHARACTERISTICS

The graphic below compares the median age of the Louisville DMA to other U.S.-based USL DMAs.



As shown, the median age of the Louisville DMA is 39.2 years, which is 7<sup>th</sup> oldest among U.S.-based USL markets and slightly higher than the USL average of 37.6 years.

## HOUSEHOLD INCOME

Household income can be used as a measure of the ability of local market residents to allocate discretionary spending towards the purchase of tickets, concessions, merchandise, parking and other such items associated with attending professional soccer matches or other events hosted at a new stadium. USL soccer fans tend to have high household incomes with 42 percent having a household income in excess of \$100,000, according to league studies.

The table below summarizes the income characteristics of the Louisville DMA relative to the United States as a whole in terms of median household income and household income distribution.

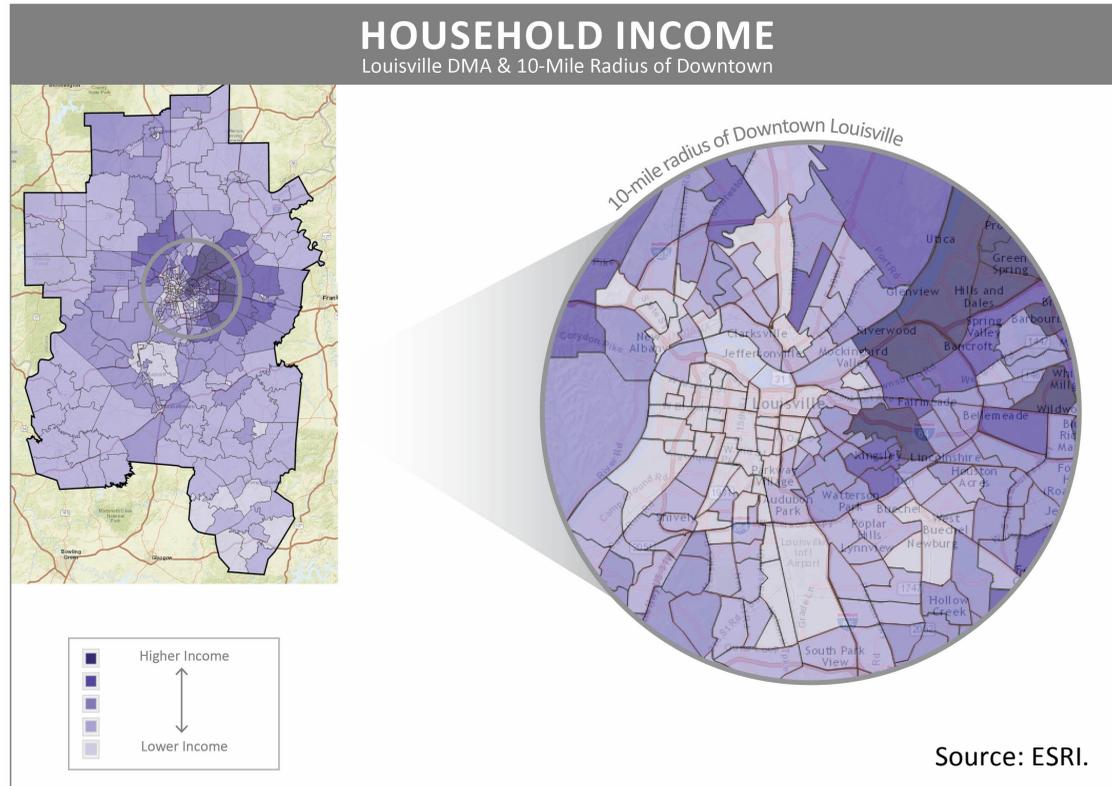
	Louisville DMA	United States
Median	\$48,498	\$53,220
\$0 to \$24,999	25.1%	23.6%
\$25,000 to \$49,999	25.5%	24.8%
\$50,000 to \$74,999	19.3%	17.6%
\$75,000 to \$99,999	12.6%	12.7%
\$100,000 to \$149,999	11.0%	11.9%
\$150,000 & over	6.5%	9.4%

Source: ESRI.

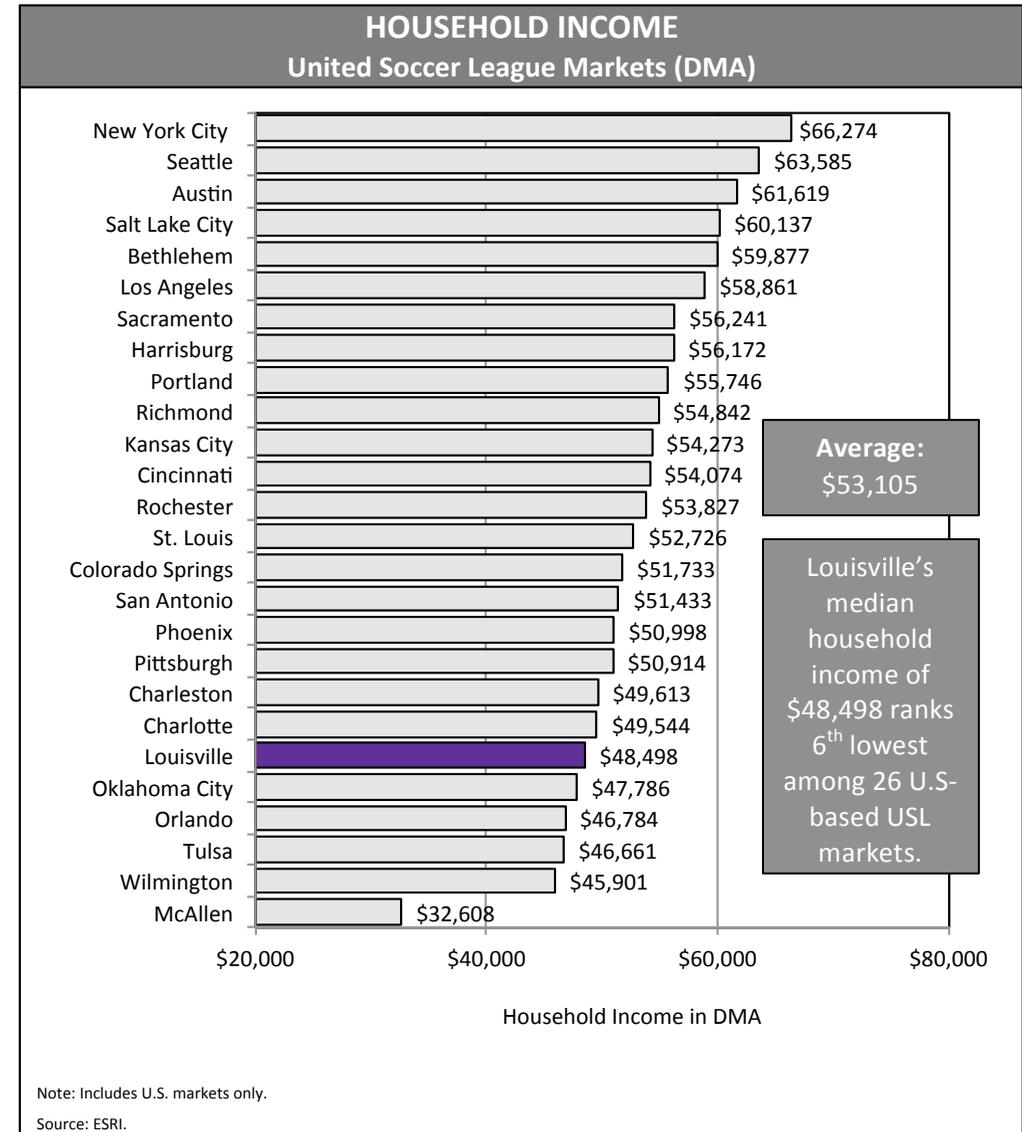
The median household income in the Louisville DMA is \$48,498, which is approximately nine percent less than the national median household income of \$53,200. In terms of household income distribution relative to the national average, the Louisville DMA has a notably higher percentage of households making \$75,000 or less and notably fewer households making \$150,000 or more.

# 3. LOCAL MARKET CHARACTERISTICS

The chart below shows the household income distribution in the Louisville market. As shown, households with higher incomes tend to be located in suburban neighborhoods east of downtown Louisville.



The chart on the right compares the median household income of the Louisville DMA to other U.S.-based USL markets. As illustrated, the Louisville DMA has a median household income of approximately \$48,500, ranking sixth lowest among comparable USL markets and below the league average of \$53,105.



# 3. LOCAL MARKET CHARACTERISTICS

## SOCCER PARTICIPATION

USL studies indicate that the majority of USL fans actively participate or have participated in soccer activities in the last year. The table below compares the percentage of individuals in the Louisville DMA who have participated in soccer in the past year, regularly watch MLS on television or watched the 2014 World Cup on television in comparison to the United States as a whole.

SOCCER PARTICIPATION Louisville DMA		
	Louisville DMA	United States
% Played Soccer in Last 12 Months	2.4%	2.9%
% Watch MLS on TV	3.4%	4.2%
% Watched 2014 World Cup	6.0%	7.4%

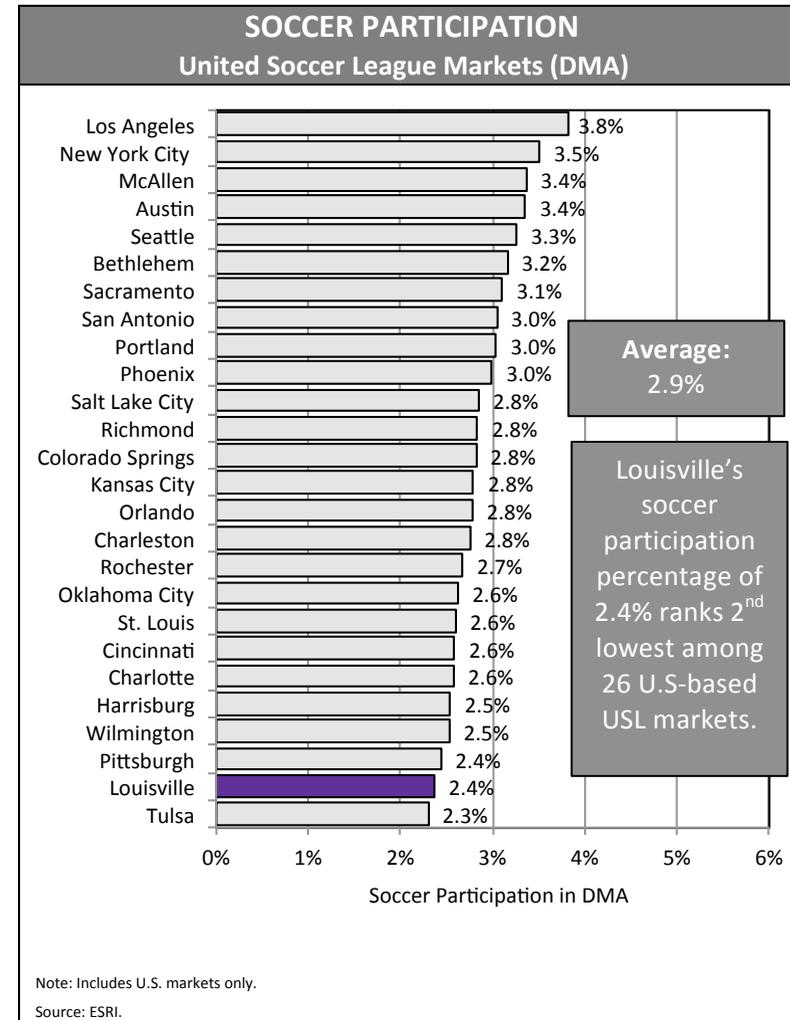
Source: ESRI.

As shown, soccer participation and television viewership rates associated with the Louisville DMA are less than the United States as a whole.

The chart on the right compares the percentage of individuals in the Louisville DMA who have played soccer in the past 12 months to the percentages in other USL markets based in the U.S. Louisville ranks second lowest among U.S.-based USL markets, or about 17 percent below the average USL market, in terms of the percentage of the market population that has played soccer in the past year.

Although soccer participation rates in Louisville are lower, studies indicate that interest in soccer is growing. A National Sporting Goods Association study determined that soccer participation rates among 10 to 18 year olds in Louisville increased by 15 percent from 2010 to 2015. Youth soccer participation rates in Kentucky have also grown by three percent over the past five years. US Youth Soccer had approximately 37,600 youth soccer registrants in Kentucky last year, ranking sixth highest among 13 states in the Midwest region and 27<sup>th</sup> highest among 55 state associations (states can have multiple associations) in the United States.

The presence of LCFC in the market has also encouraged local interest in soccer. LCFC initiated a youth soccer program in January 2016, whereby youth clubs will receive access to professional clinics, discounted tickets to LCFC games and visits by team personnel, which should serve to positively impact soccer interest in the local community.



# 3. LOCAL MARKET CHARACTERISTICS

## CORPORATE BASE

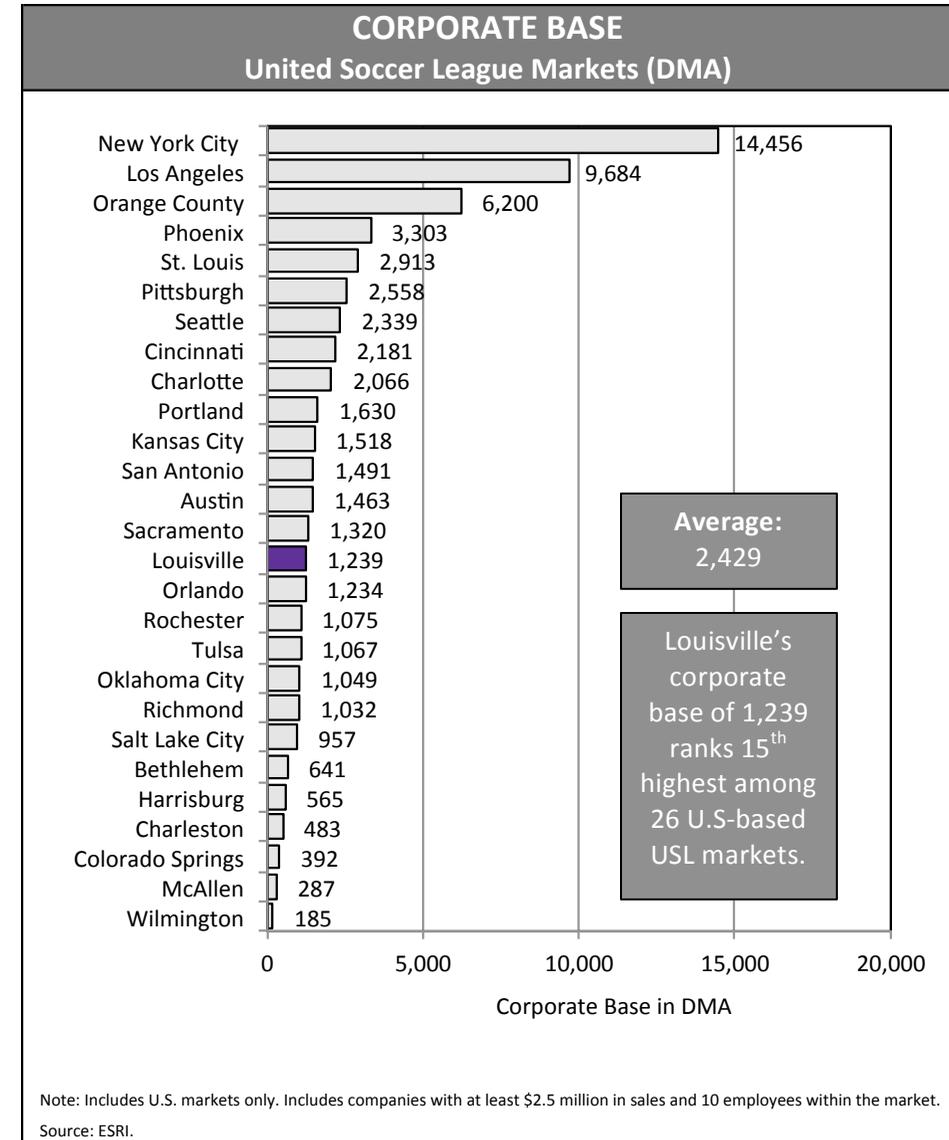
The corporate inventory in a market can serve as an indicator of potential support for a new stadium through group tickets, season tickets, premium seating and sponsorship sales. The table below summarizes the corporate inventory and distribution within the Louisville market in comparison to the United States as a whole based on companies with at least \$2.5 million in sales and 10 employees (i.e. prequalified to have a higher propensity for entertainment spending).

CORPORATE BASE Louisville DMA		
	Louisville DMA	United States
Corporate Base	1,239	1,340,826
\$2.5M to \$5M	32.0%	39.7%
\$5M to \$10M	17.8%	26.9%
\$10M to \$20M	16.1%	15.3%
\$20M to \$50M	16.3%	10.0%
\$50 to \$100M	6.9%	3.7%
\$100M+	10.9%	4.3%

Source: ESRI.

The pre-qualified corporate base in the Louisville DMA consists of 1,239 companies with 11 percent generating annual sales over \$100 million during the last fiscal year (compared to the national average of 4.3 percent).

The chart on the right summarizes the corporate inventories of U.S.-based USL markets. As shown, Louisville’s corporate inventory of 1,239 corporations is 15<sup>th</sup> highest among U.S. USL markets and 43 percent below the league average. However, it should be noted that New York City and Los Angeles skew the league average above the median of 1,280 corporations per market, which is comparable to Louisville’s corporate market. The average number of corporations in U.S.-based USL markets when New York and Los Angeles are excluded is 1,375, which is approximately 10 percent above Louisville’s corporate base.



# 3. LOCAL MARKET CHARACTERISTICS

*DRAFT*  
For Discussion Purposes Only  
Subject to Change

Top industries among the corporate base are skewed towards business services, consulting services, residential construction and healthcare. The largest employers include UPS, Ford, Humana, GE, Yum Brands, Kindred Healthcare and ResCare Inc., among others.

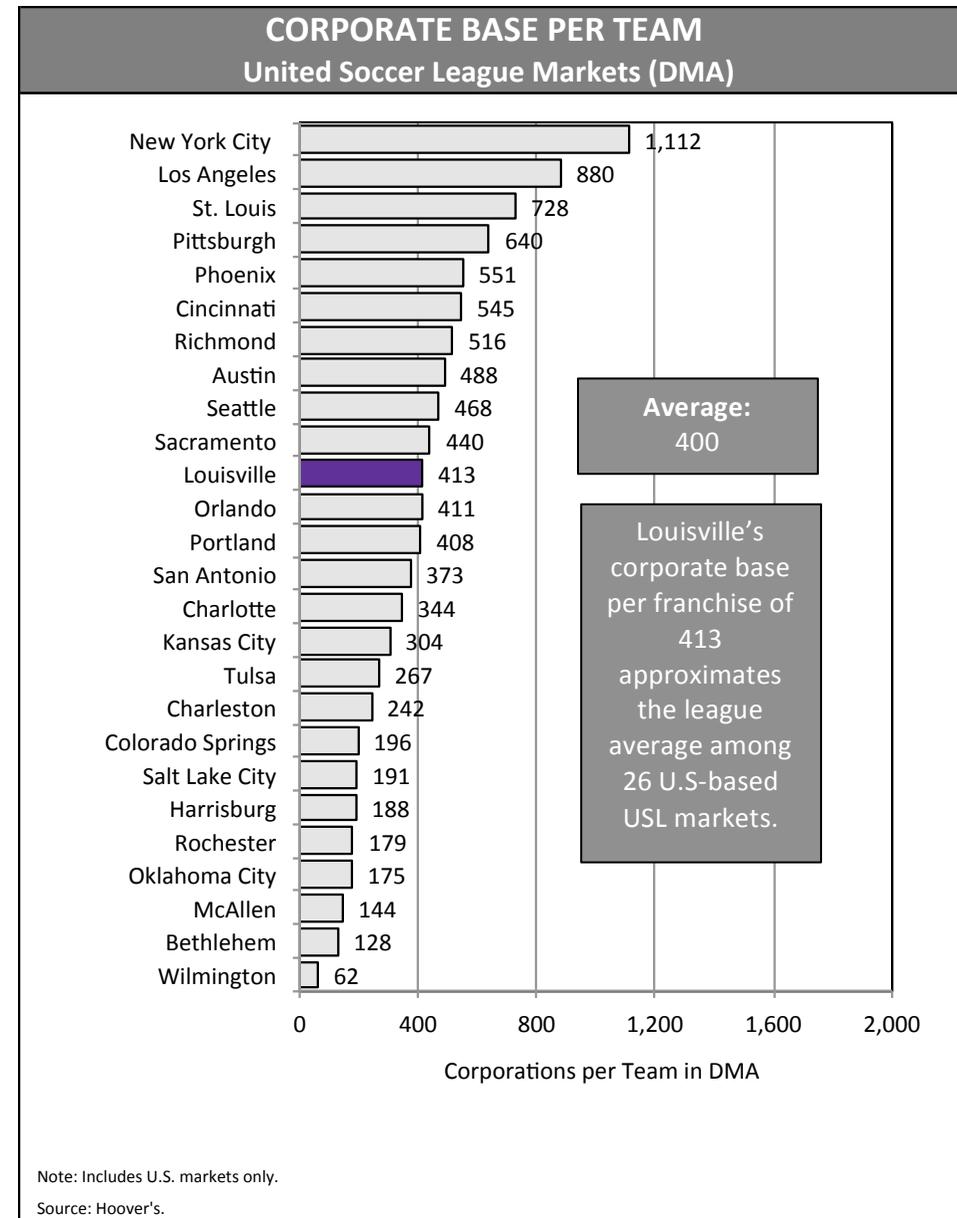
In order to understand the relative competition for corporate entertainment and marketing budgets, it is also important to consider the corporate inventory in relation to the number of major and minor professional teams playing within a market. The chart on the right displays the number of corporations with at least \$2.5 million in annual sales and corporate branches with at least 10 employees per team in each U.S. USL market.

As illustrated in the chart, Louisville has a corporate inventory of 413 per team. This ranks 11<sup>th</sup> highest when compared to U.S.-based USL markets and approximates the league average of 400.

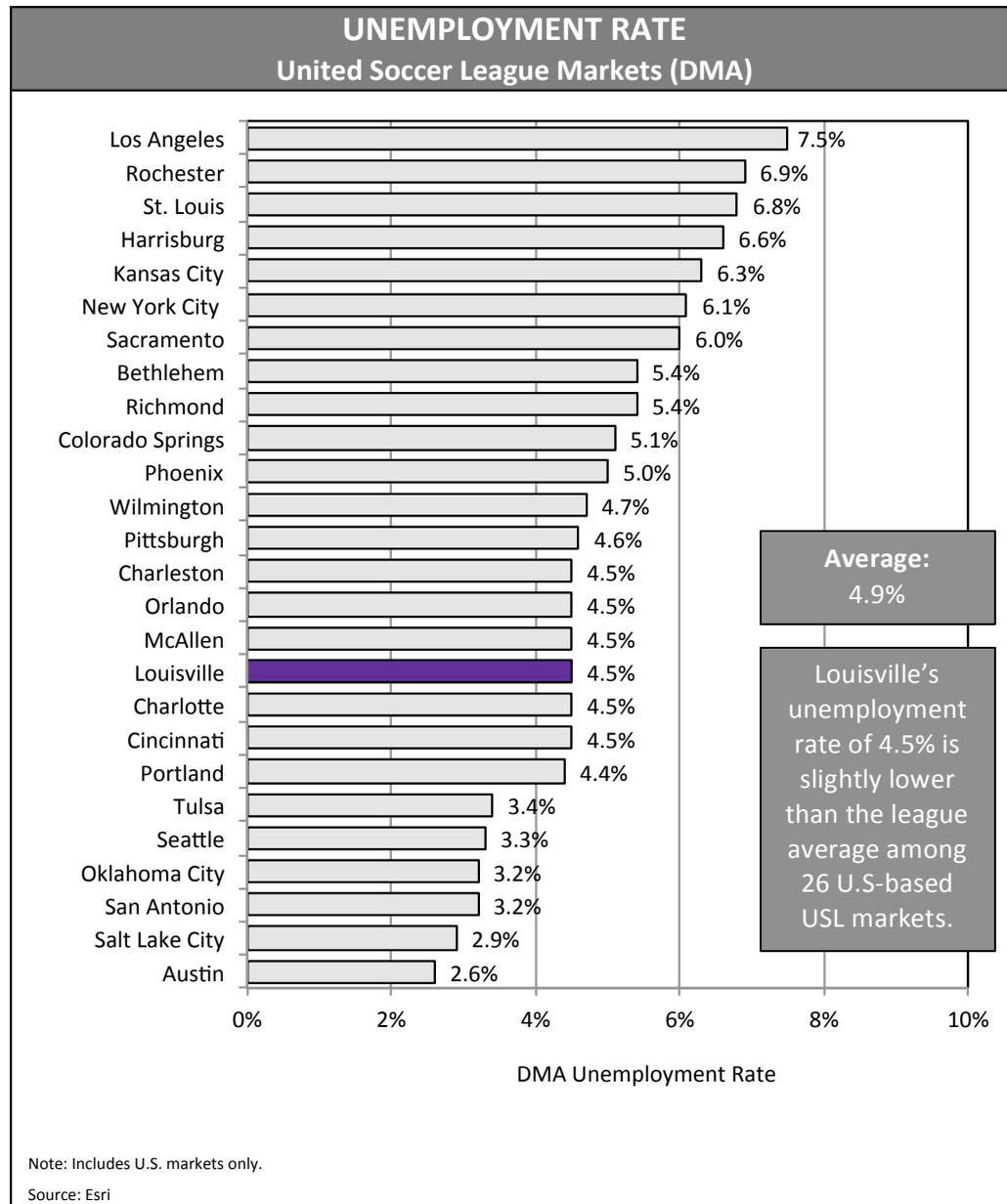
## UNEMPLOYMENT RATE

A market's unemployment rate can be another indicator of the relative strength of the local economy, which will have an impact on the level of support within a market for a new stadium. The table on the next page shows the unemployment rates of Louisville and current U.S.-based USL markets as of April 2016.

As shown on the following page, Louisville has an unemployment rate of 4.5 percent, which ranks 10<sup>th</sup> lowest among the league and is slightly lower than the league average of 4.9 percent. By comparison, the U.S. unemployment rate is five percent.



# 3. LOCAL MARKET CHARACTERISTICS



## COMPETITION

The operations of a soccer-specific stadium in Louisville will be affected, to some degree, by the number and type of local facilities that could compete for the limited supply of events, spectators and corporate dollars within the marketplace. The multipurpose nature of the stadium indicates that the facility will likely compete, to some degree, with a variety of local and regional sports and entertainment facilities.

As such, it is important to assess existing facilities in the Louisville market and surrounding regional area that could provide some level of competition to a new soccer-specific stadium in Louisville in terms of its ability to attract events and/or the discretionary spending of local and regional residents and corporations.

The chart below shows competitive venues in the market with capacities of at least 5,000 seats.

LOCAL COMPETITIVE FACILITIES			
Louisville Market			
Venue	Venue Type	Market Focus	Seating Capacity
Papa John's Cardinal Stadium	Stadium	UL Football	55,000
Churchill Downs	Racetrack	Thoroughbred Racing	50,000 <sup>1</sup>
Kentucky Exposition Center	Multi-purpose	Conventions, Trade Shows	26,000
KFC Yum! Center	Arena	UL Basketball, Entertainment	22,090
Louisville Slugger Field	Multi-purpose	Minor League Baseball, USL Soccer	13,131
Kentucky International Convention Center	Multi-purpose	Conventions, Trade Shows	7,000
Louisville Gardens	Multi-purpose	Conventions, Sporting Events	6,850
Lynn Stadium	Stadium	UL Soccer	5,300
<b>AVERAGE</b>			<b>23,171</b>

(1) Includes standing room  
Source: CSL research.

### 3. LOCAL MARKET CHARACTERISTICS

As shown, local venues host a variety of events including sporting, musical, entertainment and other events that could compete with a new soccer-specific stadium to attract the same events.

Overall, the KFC Yum! Center is the primary competitive venue in the Louisville metropolitan area and attracts major touring concerts and indoor sporting events. Churchill Downs, another major market venue, hosts the Kentucky Derby, the first leg of the American Triple Crown thoroughbred racing competition on the first Saturday in May. The Kentucky Derby attracts over 150,000 attendees per year and LCFC typically schedules its games around the venue to avoid direct competition.

Louisville Slugger Field will also represent competition if LCFC moves to a soccer-specific venue. Louisville Slugger Field is home to 72 baseball games from April to September, which overlaps with the USL season, and could lead to both baseball games and soccer games being played on the same day. Additionally, Louisville Slugger Field also hosts occasional concerts, festivals and other events that could be hosted at a soccer-specific stadium.

Despite some level of competition from other venues in the Louisville metropolitan area (a similar situation faced by other soccer-specific stadiums in other markets as well), a new 10,000-seat soccer-specific stadium in Louisville would fulfill a niche that is not currently being met in the marketplace and would provide the best long-term solution to LCFC as a home venue. Lynn Stadium, a soccer-specific venue that is home to the University of Louisville soccer teams, does not have the seating capacity or venue amenities to effectively accommodate LCFC games.

#### SUMMARY

The demographic and socioeconomic characteristics of the regional marketplace are important in assessing the long-term success of LCFC and a new soccer-specific stadium in Louisville. The strength of the market in terms of its ability to attract spectators and generate revenues is predicated on the size of the regional market area population and its spending characteristics in the context of competition.

The following are key conclusions of the local market for professional soccer and a new soccer-specific stadium in Louisville:

- The Louisville market has 1.7 million residents and is anticipated to grow at an annual rate of 0.6 percent over the next five years, slightly lower than the projected U.S. annual growth rate of 0.8 percent. Over the next five years, the population is anticipated to grow most quickly in areas located east of downtown Louisville.
- Approximately 52 percent of LCFC fans are between the ages of 18 and 34. By comparison, approximately 21 percent of residents within the Louisville DMA fall within this age bracket, which is slightly lower than the nation as a whole (24 percent).
- Over the past five years, the number of college educated, affluent individuals living in downtown Louisville has increased by three percent, and neighborhoods such as Butchertown and Portland are becoming increasingly attractive to millennials.
- The median household income is \$48,498 in the Louisville DMA. Adjusting for the slightly lower-than-average cost of living within the Louisville metropolitan area, the adjusted median household income within the Louisville DMA is \$55,300, which is slightly higher than the national median household income (\$53,220).
- The majority of USL fans play or have played soccer on a recreational basis. Approximately 2.5 percent of residents in the Louisville DMA played soccer during the past year, which ranks among the lower soccer participation rates in U.S.-based USL markets. However, approximately six percent of the population in the Louisville market watched the 2014 World Cup and three percent regularly watch MLS on television, which are comparable rates to the United States as a whole.
- Recent growth in the participation of soccer within the local area and the state as well as the exposure, awareness and participation opportunities afforded by LCFC's future youth programming will help to increase the pool of residents with a direct connection to soccer.

### 3. LOCAL MARKET CHARACTERISTICS

- The Louisville-area corporate base approximates the league median in corporate base (15<sup>th</sup>), corporate base per franchise (11<sup>th</sup>) and unemployment rate (10<sup>th</sup> lowest). The number of large companies with revenue exceeding \$100 million annual exceeds the national average by a margin of over 2 to 1.
- Despite the competition in the market for the entertainment dollars of residents, there is no appropriate soccer-specific stadium in the Louisville area that can effectively accommodate professional soccer over the long-term.

\*\*\*\*\*

An assessment of local market conditions are considered together with an overview of professional soccer and the historical operations of Louisville City FC and the historical operations of comparable soccer stadiums in order to draw conclusions regarding the market potential for professional soccer and a new soccer-specific stadium in Louisville.



## 4. Soccer-Specific Stadium Case Studies

## 4. SOCCER-SPECIFIC STADIUM CASE STUDIES

An assessment of the physical, operational and financial characteristics of comparable soccer-specific venues operating in markets similar to Louisville is important in understanding the potential feasibility of a new soccer-specific stadium.

Stadiums identified for benchmarking purposes meet the majority of the following criteria: (i) soccer-specific stadium, (ii) built since 2000, (iii) host soccer team playing in the second division (NASL) or third division (USL) of professional soccer and (iv) located in markets comparable in size to Louisville.

Six soccer-specific stadiums were identified for benchmarking purposes including:

- Toyota Field (San Antonio, TX);
- Highmark Stadium (Pittsburgh, PA);
- RGVFC Stadium (Edinburg, TX);
- Bonney Field (Sacramento, CA);
- Rhinos Stadium (Rochester, NY); and,
- WakeMed Soccer Park (Cary, NC).

The remainder of this section provides detailed cases studies for comparable new soccer-specific stadiums in the second division (NASL) or third division (USL) of professional soccer, including the year built, construction costs, project funding sources, stadium ownership and operations, lease terms, seating capacity, utilization, financial operations, best practices and lessons learned.



**Bonney Field**  
Sacramento, CA



**Rhinos Stadium**  
Rochester, NY



**Highmark Stadium**  
Pittsburgh, PA



**Toyota Field**  
San Antonio, TX



**RGVFC Stadium**  
Edinburg, TX



**WakeMed Park**  
Cary, NC

## 4. SOCCER-SPECIFIC STADIUM CASE STUDIES

### TOYOTA FIELD

San Antonio, Texas

Opened in 2013, the \$24 million Toyota Field is home to San Antonio FC of the USL. The stadium seats 8,296 for soccer matches and up to 13,000 for concerts and festivals, including capacity of approximately 5,000 on the field during concerts. Located approximately 12 miles northeast of downtown San Antonio, Toyota Field is adjacent to the 13-field South Texas Area Regional (STAR) Soccer Complex, Morgan's Wonderland (a 25-acre amusement park for children and adults with special cognitive and physical needs) and Heroes Stadium, an 11,000-seat football stadium serving North East ISD.

Toyota Field features a contemporary industrial design through the use of ribbed and perforated metal structures. Lower bowl chair back seats are also located just 17 feet from the natural grass field, which provides attendees with an intimate soccer-viewing experience. The 17.5-acre stadium site also contains 550 parking spaces controlled by the stadium operator with an additional 3,000 parking spaces located nearby that are associated with the aforementioned sports and amusement venues. The stadium contains 864 club seats and 16 luxury suites. Club seats cost \$525 per year and 20-seat luxury suites cost \$25,000 per year, which includes tickets to all stadium events. In 2015, Toyota Field hosted 26 events including 18 NASL games, five other soccer events, two other sporting events and one concert.

Toyota Field was originally owned and operated by Sports Outdoor and Recreation, Inc. (S.O.A.R. Inc.), a non-profit organization founded by local developer and philanthropist Gordon Hartman. Any profits from the operations of Toyota Field were dedicated to helping support the operations of Morgan's Wonderland. The NASL San Antonio Scorpions, owned by Mr. Hartman, played in the venue for three seasons before ceasing operation after the 2015 season due to a change in stadium ownership.

As part of a collaborative strategy to land an MLS team in San Antonio, the City of San Antonio and Bexar County announced the purchase of the Toyota Field and STAR Soccer Complex from S.O.A.R. Inc. for \$18 million. Spurs Sports & Entertainment ("SS&E") also made a \$3 million donation to Morgan's Wonderland as part of the deal. SS&E then entered into a lease to operate the stadium and announced that San Antonio FC (owned by SS&E) would play its inaugural season in USL at Toyota Field in 2016.



## 4. SOCCER-SPECIFIC STADIUM CASE STUDIES

### TOYOTA FIELD – CONT'D San Antonio, Texas

SS&E has a 50-year lease agreement with the City of San Antonio to manage the grounds. The lease stipulates that SSE is responsible for \$100,000 in base rent. However, SS&E uses all revenues from STAR soccer complex rental fees, naming rights of Toyota Field, sponsorship agreements and concession sales to reinvest in maintenance, renovation and operations.

Toyota Field was built for the purpose of expansion should San Antonio secure an MLS franchise. The facility can be expanded up to 18,000 seats to meet MLS minimum requirements through two additional phases of construction. City representatives estimate that the additional phases of construction necessary to meet MLS minimum standards would cost between \$38 and \$45 million (bringing the total potential investment in the stadium to \$62 to \$69 million). SS&E will be required to pay \$2.5 million to both the City and County if San Antonio does not receive an MLS expansion franchise by 2021.

In 2014, under the control of previous ownership, Toyota Field generated a loss of approximately \$476,000. Contributing factors for the deficit included an unfavorable third-party concessionaire agreement and nominal rent payments from the San Antonio Scorpions (both owned by the original stadium owner). However, an independent valuation study conducted on behalf of the City projected that Toyota Field will earn a profit of approximately \$622,000 in 2016 during a stabilized year of operations under new ownership.



## 4. SOCCER-SPECIFIC STADIUM CASE STUDIES

### HIGHMARK STADIUM Pittsburgh, PA

Opened in 2014, Highmark Stadium is a 4,000-seat soccer-specific stadium located on a 7.5-acre site in downtown Pittsburgh. The stadium is home to the USL Pittsburgh Riverhounds. The stadium is owned by a private ownership group and operated by the team.

Highmark Stadium is known for its scenic views of downtown Pittsburgh and location along the Monongahela River. The stadium features chair back seats in the main stand and bleacher seating in the supporters section on the east side. Highmark Stadium contains 200 club seats and 15 luxury suites (16 seats each). Club seats cost \$560 per season and luxury suites cost \$28,000 per season, which includes tickets to all Riverhounds home matches and other stadium events. During the 2015 season, Highmark Stadium hosted 25 events including 18 USL games, three other soccer events, two concerts and two festivals.

Architects designed the stadium to enable expansion of the seating areas and main concourse level, which would meet minimum MLS standards should the Riverhounds secure promotion to MLS. However, given the proximity of the Monongahela River and railroad tracks, construction experts anticipate that expansion beyond 18,000 seats would not be feasible at this location. Although team owners have not announced plans for ancillary development, the stadium was built in close proximity to Station Square, a 52-acre indoor and outdoor entertainment district with a conference center and over 60 retail stores and restaurants. The stadium does not have on-site parking, but there are over 3,500 parking spaces located within walking distance.

The \$10.2 million stadium was funded with both private and public funds. Federal New Market Tax Credits provided \$2.2 million, or about 22 percent, of project funding. A Pittsburgh Urban Redevelopment Authority loan provided \$500,000, or about 5 percent, of project funding. The team debt-financed the remaining \$7.5 million of project costs which was inclusive of cost overruns that were the responsibility of team.



# 4. SOCCER-SPECIFIC STADIUM CASE STUDIES

## HIGHMARK STADIUM – CONT'D Pittsburgh, PA

Due to cost overruns related labor cost increases and an expedited construction timeline process, the ownership group filed for Chapter 11 Bankruptcy in March 2014, before the team's inaugural season at Highmark Stadium

The federal courts of Western District of Pennsylvania approved a debt restructuring plan and team owners were out of bankruptcy by the end of 2014. The ruling was made based on an anticipated increase in Riverhounds attendance as well as the scheduling of other stadium events.

Although average attendance for Riverhounds games increased from 1,000 to 3,400 from the inaugural season, a feasibility study conducted estimated that the Pittsburgh Riverhounds would lose \$750,000 during the 2015 season. In general, the 4,000 seat capacity of Highmark Stadium limits revenues from tickets and other game day purchases.

Despite the limits on potential attendance, the study estimated that the team would earn a profit of \$130,000 by 2017 based on the expansion of the youth academy and summer sports camps. In 2013, Highmark, a health insurance provider, signed a 5-year naming rights agreement at an annual cost of \$100,000. The team intends to pursue additional sponsorship opportunities in the future to increase revenues.

Highmark Stadium is operated by the team and lease terms were not available at this time.



## 4. SOCCER-SPECIFIC STADIUM CASE STUDIES

### RGVFC STADIUM

Edinburg, TX

RGVFC Stadium is currently under construction and will be the home of the Rio Grande Valley Toros, which joined USL for the 2016 season. On an interim basis, the Toros play at the UTRGV Soccer and Track Complex located on the campus of the University of Texas - Rio Grande Valley until construction of the new stadium is complete. The Toros are owned by Alonzo Cantu, the owner of the Rio Grande Valley Vipers, a NBA Development League team. The 9,600-seat soccer-specific stadium will be owned and operated by the team.

RGVFC Stadium will feature two covered stands with chair back seating as well as standing room areas on the north and south ends of the field. The stadium will also feature field level tables, which will provide fans with optimal views of the game. The natural grass surface will comply with FIFA match standards in order to accommodate U.S. national team games, international friendlies and elite soccer academy events. In addition to soccer games, it is anticipated that the stadium will host other events including concerts, festivals and family shows. The team anticipates that the site will contain approximately 3,200 parking spaces to accommodate demand for events at the stadium and adjacent soccer complex. RGVFC Stadium will contain 600 club seats and 24 luxury suites. Club seats will cost \$580 per season and the suites will cost \$22,000 per season.

Based on discussions with league officials, project costs are estimated to total \$35 to \$40 million. The stadium is situated on a 37-acre site near downtown Edinburg, TX and U.S. Route 281. The project is part of a series of downtown development projects initiated by the Edinburg Economic Development Corporation, including the construction of retail stores, restaurants, grocery stores and cinemas. The Rio Grande Valley Toros ownership group will fund \$14.3 million of project costs. The City of Edinburg has made a verbal commitment to fund up to 15 percent of project costs, including costs related to the development of an adjacent youth soccer complex featuring five full-size soccer fields. The City does not intend to increase taxes to fund their portion of the project. Lease terms are being finalized during the final phases of construction.

The Toros will serve as the hybrid affiliate of the Houston Dynamo (MLS). The teams will share a youth academy system and compete in preseason friendlies in order to strengthen the relationship between USL and MLS.



## 4. SOCCER-SPECIFIC STADIUM CASE STUDIES

### BONNEY FIELD Sacramento, CA

Opened in 2014, Bonney Field is located in Sacramento, CA and is the home stadium for Sacramento Republic FC (USL). The 11,242-bleacher-seat stadium is owned by a consortium including the team, Cal Expo and Ovations Food Service. The stadium is operated by Sacramento Republic FC.

Bonney Field is located five miles northeast of downtown Sacramento on the fairgrounds owned by Cal Expo. Bonney Field features metal bleacher stands on the north, east and wide sides of the stadium. Bonney Field also features enhanced concession stands, fan zones and a beer garden near the south gate entrances. Attendees have access to over 15,000 lighted parking spaces that already serves the entire fairgrounds and pre-existed stadium development. The stadium has 200 club seats located near midfield, which cost \$825 per season. Club seat holders have access to a pre-game buffet and drink service in a temporary tent situated behind the north goal. The stadium does not have luxury suites. In 2015, Bonney Field hosted 32 events including soccer games, concerts, other sporting events, family shows and political rallies.

Initial construction of the \$3.0 million, 6,742-seat Bonney Field began in March of 2014 and was completed by the end of June 2014. Following the success of Sacramento Republic FC's inaugural season, a \$1.6 million expansion was completed to increase seating capacity to 11,242 seats (added an upper deck on one side). The stadium construction and subsequent expansion was entirely funded through a private partnership between Sacramento Republic FC, Cal Expo and Ovations Food Service. In 2014, Bonney Plumbing & Heating purchased naming rights for \$800,000 over a 5-year term (\$160,000 per year).

Team owners built Bonney Field to serve as an interim facility while they determined a path to MLS. Following Bonney Field's expansion in 2015, it is estimated that the team and stadium earned approximately \$500,000 in combined operating income, driven in part by the team's ability to sell the prospect of MLS to sponsors and ticket buyers. Team owners have released plans for the construction of a \$180 million, 25,000-seat stadium in downtown Sacramento and the MLS Commissioner has listed Sacramento as one of the frontrunners to be granted a franchise during the next expansion to 24 teams. Team owners intend to add 5,000 seats to

Bonney Field if Sacramento Republic FC transitions to MLS prior to the completion of a new soccer-specific stadium.



## 4. SOCCER-SPECIFIC STADIUM CASE STUDIES

### RHINOS STADIUM Rochester, NY

Opened in 2006, Rhinos Stadium is a 13,768-seat urban stadium that is home to the Rochester Rhinos (NASL) and Western New York Flash of the National Women's Soccer League (NWSL). The stadium is owned by the City of Rochester and operated by the Rochester Soccer Corporation.

Located near downtown Rochester, Rhinos Stadium features chair back seating, metal bleacher seating and expansive concourses. The stadium seating capacity is 13,768, but is designed to be expandable to 20,000 seats. There are 400 on-site parking spaces and an additional 2,000 spaces located walking distance of the stadium. Rhinos Stadium features 250 club seats and 14 suites. Annual costs for club seats and suites are \$1,000 and \$17,500, respectively. Rhinos Stadium hosted 37 events during 2015, including NASL and NWSL matches, concerts and other sporting events.

In 2000, team owners created the Greater Rochester Sports Authority to secure funding for a soccer-specific stadium project. The Authority outlined a \$44 million proposal, which included a capital grant of \$15 million from the State Legislature. However, the Authority downsized the project to \$24.8 million after determining that it would not be able to sell \$22 million in bonds for stadium construction.

The Rhinos Stadium project was funded through \$15 million from the Empire State Development Corporation, \$3.8 million from the City of Rochester and \$6.0 million from the team. The City of Rochester agreed to use taxpayer funds for stadium construction on the condition that Rhinos owners build the stadium in a lower-income neighborhood near downtown Rochester. It was also anticipated that the development of a new urban stadium was the initial step toward securing a MLS franchise. However, due to safety concerns about the neighborhood surrounding the stadium and decreases in attendance for Rhinos games since 2006, Rochester is not currently considered as a major contender for an MLS expansion franchise.



## 4. SOCCER-SPECIFIC STADIUM CASE STUDIES

### RHINOS STADIUM – CONT'D Rochester, NY

Cost overruns also caused architects to decrease the number of permanent seats from 17,500 to 13,768. After stadium opening, the Stadium LLC began to default on loan payments to the bank and team owners lost the Rhinos franchise. The City of Rochester claimed ownership of the stadium and has since contributed approximately \$360,000 in stadium maintenance and personnel costs each year.

Local Rochester residents Wendy and David Dworkin became majority owners of the Rhinos in March 2016 and signed a 10-year lease agreement for Rhinos Stadium with the City. The Dworkins have promised significant upgrades to Rhinos Stadium, including the addition of a new high-definition scoreboard, replacement of the artificial turf playing surface and addition of improved concession stands throughout the main concourses.

Team owners are also seeking a new title naming rights partner after the 10-year, \$2.0 million (\$200,000 per year) naming rights agreement with Sahlen's expired before the start of the 2016 season. Team owners have also met with City representatives to discuss potential ancillary development projects near the stadium.



## 4. SOCCER-SPECIFIC STADIUM CASE STUDIES

### WAKEMED SOCCER PARK

Cary, NC

WakeMed Soccer Park is a 10,000-seat stadium located in Cary, NC that is home to the Carolina RailHawks of NASL. The stadium is owned by Wake County and operated by the Town of Cary.

The 150-acre multi-use complex includes a 10,000-seat main stadium, two lighted, match-only soccer fields, five additional multi-purpose fields, a cross country course capable of hosting 5K, 6K, 8K, and 10k races, concession and restroom facilities, meeting space, and approximately 2,600 on-site parking spaces. The stadium at WakeMed Soccer Park contains chair back and bleacher seating and a main grandstand with six luxury suites. Suites for the Carolina RailHawks cost \$25,500 per season.

In addition to RailHawks' matches, the complex hosts approximately 73 events on an annual basis, including international friendlies, collegiate and high school soccer matches and tournaments, amateur cross country training, competitions and cause runs, among other events. Although total attendance increased from 87,000 in 2013 to approximately 129,000 in 2014, WakeMed Soccer Park operated at increasing losses both years (\$473,000 and \$625,000 respectively).

WakeMed Soccer Park was built in 2002 on 150 acres of land provided by Wake County. Total project costs approximated \$14.5 million, which was entirely funded through county-wide hotel and food taxes.

In 2004, following two years of management by Capital Area Soccer League and Wake County, the Town of Cary assumed the operational management of the stadium and began to transform the Park into a state-of-the-art complex capable of hosting major events. After minor improvements were completed in 2007 and 2009 that added 500 seats to Field 2 and enhanced the Park's concession capabilities through the construction of Building A, the Town embarked on an approximate \$6.3 million expansion in 2013 that increased the main stadium capacity from 7,000 to 10,000 seats and enhanced the concession, restroom and club spaces on the east side of the stadium.

In 2015, WakeMed Health & Hospitals signed a two-year naming agreement for \$900,000 (\$450,000 per year). The RailHawks signed a three-year lease agreement in 2012 with the option to negotiate a six-year renewal term in 2015. The Railhawks must pay \$90,000 to the County in annual base rent.



# 4. SOCCER-SPECIFIC STADIUM CASE STUDIES

SUMMARY							
New Soccer-Specific Stadiums							
	Toyota Field	Highmark Stadium	RGVFC Stadium	Bonney Field	Rhinos Stadium	WakeMed Soccer Park	
City, State	San Antonio, TX	Pittsburgh, PA	Edinburg, TX	Sacramento, CA	Rochester, NY	Cary, NC	
Team	San Antonio FC	Pittsburgh Riverhounds	RGV Toros FC	Sacramento Republic FC	Rochester Rhinos	Carolina RailHawks	
League	USL	USL	USL	USL	NASL	NASL	
Year Opened	2013	2014	2016	2014	2006	2002	<b>2011</b>
Owner	Bexar County, City of San Antonio	Terry Shallenberger	RGV Toros FC	Sacramento Republic FC, Cal Expo, Ovations Food Service	City of Rochester	Wake County	<b>Public</b>
Operator	Spurs Sports & Entertainment	Pittsburgh Riverhounds	RGV Toros FC	Sacramento Republic FC	Rochester Soccer Corporation	Town of Cary	<b>Team</b>
Location Type	Suburban	Urban	Suburban	Urban	Urban	Suburban	
Soccer Capacity	8,296	4,000	9,600	11,242	13,768	10,000	<b>9,484</b>
Total Capacity	13,000	10,000	9,600	15,000	15,000	10,000	<b>12,100</b>
Seating Type	Chair-Back	Chair-Back/Bleacher	Chair-Back	Bleacher	Chair-Back/Bleacher	Chair-Back/Bleacher	<b>Chair-Back/Bleacher</b>
Field Type	Natural Grass	Natural Grass	Natural Grass	Natural Grass	Turf	Natural Grass	<b>Natural Grass</b>
Total On-Site Parking Spaces	3,500	-	3,200	15,000	400	2,600	<b>4,940</b>
Controlled On-Site Parking Spaces	550	-	3,200	-	400	2,600	<b>1,688</b>
Total Capacity	13,000	10,000	9,600	15,000	15,000	10,000	<b>12,100</b>
Project Cost (\$MM)	\$24.0	\$10.2	\$35 - \$40	\$4.6	\$24.8	\$20.8	<b>\$20.3</b>
% Public Funding	0%	26%	N/A	0%	76%	100%	<b>50%</b>
% Private Funding	100%	74%	N/A	100%	24%	0%	<b>50%</b>
Lease Term (years)	50	5	-	2	10	3	<b>14</b>
Club Seats	864	200	600	200	250	-	<b>423</b>
Average Annual Cost	\$525	\$560	\$580	\$825	\$1,000	-	<b>\$698</b>
Luxury Suites	16	15	24	-	14	6	<b>15</b>
Average Annual Cost	\$25,000	\$28,000	\$22,000	-	\$17,500	\$25,500 <sup>1</sup>	<b>\$23,125</b>
Total Annual Events	26	25	-	32	37	34	<b>31</b>

Source: CSL research.

(1) WakeMed Soccer Park has a total of six (6) suites. Three (3) of the suites are sold for \$25,500 per year and the remaining three (3) suites are sold as season tickets with access to the suites for \$699 per season.

(2) Total annual events at WakeMed Park include 28 charity runs and 11 cross country events hosted at the complex, in addition to the 34 main stadium events, for 73 total events.

# 4. SOCCER-SPECIFIC STADIUM CASE STUDIES

## SUMMARY

Key findings from a benchmarking analysis of comparable soccer-specific venues include:

- The average comparable stadium was built in 2011 and has a soccer seating capacity of approximately 9,500, ranging from a low of 4,000 at Highmark Stadium (Pittsburgh Riverhounds) to a high of 13,768 at Rhinos Stadium (Rochester Rhinos). All stadiums can accommodate other events (e.g. concerts, festivals, other sporting events) and have an average total capacity of approximately 12,100.
- Three of the stadiums feature both chair-back and bleacher seating. Chair-back seats are typically located in prime areas of the stadium while bleacher seats are reserved for supporter sections behind the goals. Bonney Field only features metal bleacher seating, but it was designed as a temporary facility as Sacramento Republic FC determines a path to MLS.
- Four of the selected comparable stadiums feature natural grass surfaces. Rhinos Stadium is the only stadium with a synthetic turf field. The new Rhinos owners plan to replace the decade-old turf with FIFA 2-Star level turf to comply with new USL stadium standards.
- The median stadium has approximately 3,500 on-site parking spaces on-site or within walking distance. Highmark Stadium and Bonney Field were built near existing parking lots in order to decrease project costs. WakeMed Soccer Park is the only venue that controls the entirety of its on-site parking.
- Although they accommodate USL and NASL teams, Rhinos Stadium, Toyota Field and RGVFC Stadium were built to attract an MLS franchise and have the built-in infrastructure required for additional expansion to meet MLS minimum requirements of 18,000 to 20,000 seats.
- Historically, the project costs for comparable stadiums averaged \$20.3 million. Three of the comparable stadiums were funded through a public-private partnership (Rhinos Stadium and Highmark Stadium). In these scenarios, the public funded an average of 50 percent of total project costs. WakeMed Soccer Park was funded entirely through municipal sources while Toyota Field and Bonney Field were funded entirely by private sources.
- Comparable stadiums have an average lease term of 14 years ranging from a low of two years at Bonney Field to a high of 50 years at Toyota Field. It is important to note that lease terms reflect the uses of the stadium. Sacramento Republic FC signed a short-term lease agreement as a temporary measure as it considers a transition to MLS. Toyota Field's operator, SS&E, assumed control of the 50-year lease with the City of San Antonio and Bexar County in an effort to bring an MLS team to San Antonio.
- In the majority of cases, the team operates the stadium, retaining all or a vast majority of stadium operating revenues and paying all or a vast majority of stadium operating expenses.
- The majority of comparable stadiums hosted a range of 14 to 24 events each year, with the outlier being WakeMed Park which hosted 73 events at various facilities including their stadium, soccer fields and cross country course.
- Comparable stadiums have an average of 367 club seats ranging from a low of 90 seats at WakeMed Soccer Park to a high of 864 club seats at Toyota Field. The average club seat cost among comparable stadiums is approximately \$698. Comparable stadiums have an average of 17 suites, which cost \$23,600 per season and typically include tickets to all stadium events.
- There is a wide variation in the financial performance of teams playing in new soccer-specific stadiums dependent on a variety of various factors including the quality of the team, ownership and its front office staff, attendance, the revenue opportunities afforded by the building program, lease terms and financial obligations related to facility financing.

\*\*\*\*\*

## 4. SOCCER-SPECIFIC STADIUM CASE STUDIES

An assessment of historical operations of comparable soccer stadiums are considered together with an overview of professional soccer and the historical operations of Louisville City FC and local market conditions in order to draw conclusions regarding the market potential for a soccer-specific stadium in Louisville.



## 5. Estimated Demand and Building Program Recommendations

## 5. ESTIMATED DEMAND AND BUILDING PROGRAM RECOMMENDATIONS

The purpose of this section is to present estimates of the potential events and attendance that could be attracted to a new soccer-specific stadium in Louisville and identify the building program elements necessary to accommodate anticipated demand. The demand and building program recommendations presented herein are based on local market characteristics, historical LFCF operations, comparable soccer-specific stadium benchmarks, USL stadium standards and input from project stakeholders, event organizers and LCFC management.

The analysis of estimated demand and recommended building programming has been divided into the following sections:

### Estimated Demand:

- Louisville City FC;
- Other Events: and,
- Annual Stadium Utilization.

### Building Program Recommendations:

- Seating Capacity;
- Premium Seating;
- Other Building Program Elements;
- Estimated Project Costs; and,
- Summary.

### Louisville City FC

Based on the USL regular season schedule, playoff format and discussions with LCFC officials, it is estimated that LCFC will play 15 regular season home matches, two exhibitions, one playoff match and one U.S. Open cup match (a 19 total matches per year) at a new soccer-specific stadium in Louisville each year.

During the most recent USL season, LCFC's average announced attendance was 7,032 per match. It is important to note that attendance information announced is not considered paid or turnstile attendance, but rather a drop count (total tickets out) or combination of drop count and estimate of the number of people in the facility (including spectators, players, coaches, media referees, cheerleaders, support staff, etc.). Paid attendance and turnstile attendance during the most recent USL season averaged 5,747 and 4,677 (81 percent of paid attendance), respectively. Relative to other USL teams, LCFC ranked second in reported attendance during the 2015 season, trailing only Sacramento Republic FC whose reported average attendance totaled 11,308.

On average, USL reported attendance for the 2015 season averaged approximately 3,300 per match ranging from a low of 313 (FC Montreal) to a high of 11,323 (Sacramento Republic FC). It should be noted that six USL expansion franchises starting in 2016 are not included in the 2015 attendance statistics. FC Cincinnati, for instance, who is playing its inaugural season at the 40,000-seat Nippert Stadium on the University of Cincinnati's campus, recently set a single match USL attendance record with a reported attendance of 23,000.

Based on an assessment of historical reported, paid and turnstile attendance, discussions with LCFC management and an analysis of league attendance, it is estimated that paid attendance at LCFC regular season home matches will average approximately 6,500, which is an increase of 13 percent over the 2015 season average and two percent below the highest paid attendance figure from the same season.

Turnstile attendance is anticipated to represent 80 percent of paid attendance or approximately 5,200 per match. Turnstile attendance as a percentage of paid is consistent with the historical team average as presented previously. For LCFC exhibitions, it is estimated that a new soccer-specific stadium would draw slightly smaller crowds than LCFC regular

## 5. ESTIMATED DEMAND AND BUILDING PROGRAM RECOMMENDATIONS

season home matches (6,000 paid attendance per match). Paid attendance for the playoff match and U.S. Open Cup match are estimated to be 7,500 per game.

It is anticipated that ticket prices will also be impacted by the development of a new stadium. The average single-match ticket price among all USL teams ranges from a low of \$5 to a high of \$45. With a new soccer-specific stadium located in Louisville, it is expected that the team could increase current average ticket prices at Louisville Slugger Field to support its business operations and reflect an improved stadium experience. An average ticket price of \$18 has been assumed for LCFC home matches in the new soccer-specific stadium and represents a weighted average of general admission ticket values across different seating areas. For comparison, the current weighted average season ticket price for LCFC at Louisville Slugger Field is approximately \$17 per match.

### Other Events

It is anticipated that a new soccer-specific stadium in Louisville will have the capability to attract and host a number of third-party events. As presented previously, comparable soccer-specific stadiums host an average of 10 events per year in addition to USL or NASL soccer matches, including an average of seven other sporting events, one concert and two other events (e.g. community events, conferences, etc.).

In addition to the projected 19 LCFC matches, it is anticipated that a new soccer-specific stadium in Louisville could host one national or international soccer event (men’s or women’s), likely for an academy team (e.g. Team USA U-21), which typically play in smaller venues similar in size to the proposed soccer-specific stadium in Louisville. It is also estimated that a new soccer-specific stadium in Louisville could host two concerts and seven other events (e.g. high school sporting events, religious services, festivals, and other such events). It should be noted that it is estimated that the two concerts held per year at a new soccer-specific stadium would have an average attendance of 10,000, utilizing the temporary additional seating on the field in an end-stage concert set up to accommodate up to 15,000 patrons for a sold-out concert. Event activity may fluctuate from year-to-year will depend on the number of touring shows in any given year, competition with other venues, scheduling availability, weather and other such factors.

### Estimated Stadium Utilization

Market demand is estimated through analyzing current event and attendance figures for LCFC matches at Louisville Slugger Field and projecting potential event and attendance numbers using industry trends and an analysis of event activity at comparable stadiums, among other factors. The table below summarizes the estimated event and attendance projections for a new soccer-specific stadium in Louisville.

ESTIMATED UTILIZATION Louisville City FC / New Soccer Stadium			
Events	Events	Average Paid Attendance	Annual Paid Attendance
<b>Louisville City FC</b>			
Regular Season	15	6,500	97,500
Exhibition Games	2	6,000	12,000
U.S. Open Cup	1	7,500	7,500
Playoffs	1	7,500	7,500
<b>Subtotal - LCFC</b>	<b>19</b>	<b>6,553</b>	<b>124,500</b>
<b>Other Events:</b>			
National / International Soccer	1	7,500	7,500
Concerts	2	10,000	20,000
Other Events	7	2,000	14,000
<b>Subtotal - Other Events</b>	<b>10</b>	<b>4,150</b>	<b>41,500</b>
<b>TOTAL</b>	<b>29</b>	<b>5,724</b>	<b>166,000</b>

As shown, it is estimated that a new soccer-specific stadium in Louisville could host 29 events and attract total paid attendance of approximately 166,000 per year.

# 5. ESTIMATED DEMAND AND BUILDING PROGRAM RECOMMENDATIONS

## BUILDING PROGRAM RECOMMENDATIONS

The purpose of this section is to define the seating capacity, premium seating inventory and other key elements of a new soccer-specific stadium in Louisville that would be needed to accommodate demand.

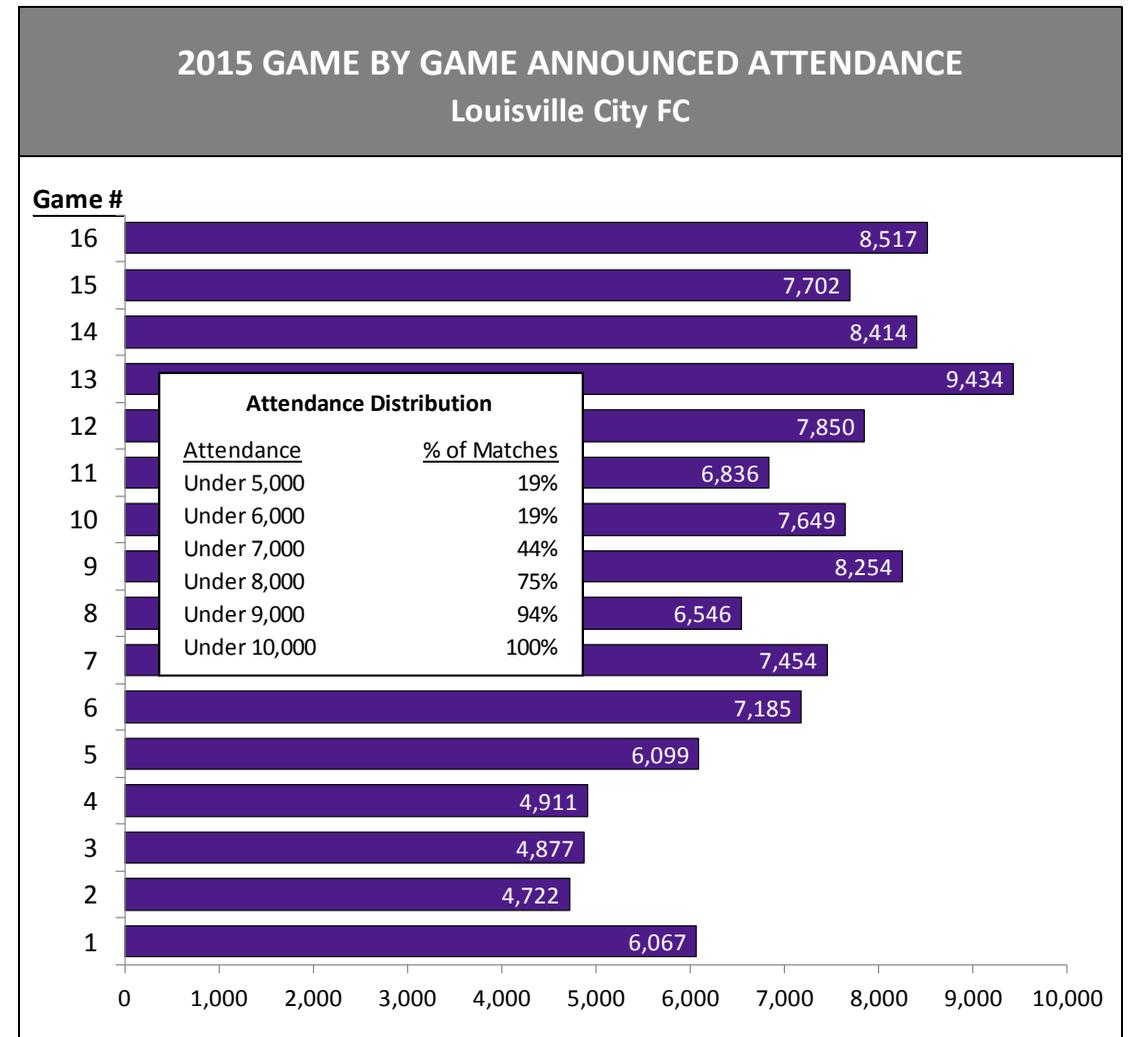
### Seating Capacity

In determining the appropriate seating capacity for a new soccer-specific stadium in Louisville, it is important to assess the historical announced (reported) attendance during LCFC home matches. The chart on the right summarizes the reported attendance levels during LCFC matches.

As shown, the majority (75 percent) of LCFC regular season home matches during the latest season had a reported attendance below 8,000 while 94 percent had a reported attendance below 9,000.

USL’s stated growth plan is to have all member clubs as owners, or primary tenants of, soccer-specific stadiums in the near future. To this end, the league has worked with architects on a prototype 10,000-fixed seat USL stadium, which could be utilized by member clubs when determining the appropriate size and building parameters of new soccer-specific stadiums. While 10,000 seats is the league’s prototypical stadium size, only 30 percent of current USL teams play in stadiums with capacities that exceed 10,000 and only three out of 14 soccer-specific stadiums have capacities exceeding 10,000 spectators. Among soccer-specific USL stadiums, the average stadium capacity is approximately 8,000.

Based on an analysis of historical attendance at LCFC matches and comparable capacities for USL stadiums, it is recommended that a new soccer-specific stadium in Louisville be developed with an initial soccer capacity of 10,000 seats. The facility should be designed to be capable of expanding in phases as demand warrants with the long-term ability to accommodate up to 20,000 seats should MLS become a reality in Louisville.



# 5. ESTIMATED DEMAND AND BUILDING PROGRAM RECOMMENDATIONS

## Premium Seating

Premium seating serves as an important revenue generating component for USL stadiums. The level of premium seating that is supportable in the marketplace is impacted by a variety of factors including the depth and breadth of the local corporate base, the income characteristics of the local population, the drawing power of a facility’s tenant and the facility’s overall event mix. A market penetration analysis was performed to evaluate the depth of Louisville’s corporate market and high-income households and their potential to purchase premium seating products and a new soccer-specific stadium in Louisville.

### Club Seats

Club seats are premium seats traditionally designed in the lower seating bowl. Club seats are typically wider and provide more legroom than standard stadium seating and provide access to an exclusive indoor climate-controlled club lounge, access to upgraded food and beverages and other amenities.

A potential indicator of the market supportable inventory of club seats in a soccer-specific stadium is the number of corporations in the market. In order to estimate club seat demand at a new soccer-specific stadium in Louisville, a penetration analysis was performed which assessed the ratio of companies per club seat in each comparable market and applied the average to the corporate base associated with the Louisville DMA. In order to account for corporations that may not have the capacity to purchase premium seating in a new soccer-specific stadium, the corporate base in each market was pre-qualified to include only companies with at least \$2.5 million in annual sales and 10 employees.

Overall, new comparable stadiums have a median of four pre-qualified corporations per club seat. Applying this ratio to the number of corporations in the Louisville market, the estimated supportable number of club seats in a soccer-specific stadium in Louisville is approximately 300 seats.

CLUB SEAT PENETRATION			
Comparable Stadiums			
Team	Club Seat Inventory	Total Corporate Inventory <sup>1</sup>	Corporations per Club Seat
Highmark Stadium	200	2,558	12.8
Bonney Field	200	1,320	6.6
Rhinos Stadium	250	1,075	4.3
Toyota Field	864	1,491	1.7
RGVFC Stadium	600	287	0.5
<b>MEDIAN</b>	<b>250</b>	<b>1,320</b>	<b>4.3</b>
<b>ESTIMATED LOUISVILLE DEMAND</b>	<b>300</b> ←	<b>1,239</b> ←	<b>4.3</b>
(1) Includes companies with at least \$2.5 million in annual sales and 10 employees. Note: Excludes WakeMed Park due to lack of comparable club seat product.			

### Luxury Suites

In order to estimate suite demand at a new soccer-specific stadium in Louisville, a penetration analysis was also performed which assessed the ratio of the number of companies per luxury suite in each comparable market. The median number of companies per suite in comparable markets was applied to Louisville’s corporate base to gauge potential suite demand.

# 5. ESTIMATED DEMAND AND BUILDING PROGRAM RECOMMENDATIONS

SUITE PENETRATION Comparable Stadiums			
Team	Suite Inventory	Total Corporate Inventory <sup>1</sup>	Corporations per Suite
Highmark Stadium	15	2,558	171
WakeMed Park	6	906	151
Toyota Field	16	1,491	93
Rhinos Stadium	14	1,075	77
RGVFC Stadium	24	287	12
<b>MEDIAN</b>	<b>15</b>	<b>1,075</b>	<b>93</b>
<b>ESTIMATED LOUISVILLE DEMAND</b>	<b>13</b> ←	<b>1,239</b> ←	<b>93</b>

(1) Includes companies with at least \$2.5 million in annual sales and 10 employees.  
 Note: There is no suite inventory at Bonney Field (Sacramento Republic FC) so it has been removed from comparison.

Overall, new comparable stadiums have a median of 93 corporations per luxury suite. Applying this ratio to the Louisville corporate base of 1,239 companies, the supportable number of luxury suites in a soccer-specific stadium is estimated to approximate 13 suites. It is recommended that a soccer-specific stadium in Louisville include 16 suites (three of which would be reserved for non-revenue purposes) with 13 available for sale.

## Parking

The availability of sufficient parking will be important to the success of a new soccer-specific stadium. Based on industry standards, it is recommended that one parking space be available for approximately every 3.5 seats. As a result, a 10,000-seat soccer stadium could require approximately 2,800 parking spaces to serve events held in the stadium.

The required parking spaces can be provided in a combination of on-site spaces directly controlled by stadium management and existing or new parking within a reasonable walking distance (5 to 10 minutes) of the stadium. Dispersing parking throughout the immediate area would serve to encourage patronage of current or future area businesses by stadium attendees in connection with attendance at the stadium.

It should be noted, however, the amount of parking spaces available within this distance will depend heavily on the site selected for new stadium development. Based on a review of Louisville’s off-street parking plan, there is currently limited parking available with a 5 to 10 minute walk of a number of contemplated stadium sites, thus, it will be important for the City to develop as many on-site parking spaces as possible and encourage other forms of transportation for stadium patrons (e.g. public transportation, walking, etc.).

For purposes of this study, it is assumed that half of the required parking spaces (1,400 out of 2,800) will be developed and controlled by the stadium with the remainder of the 2,800 required parking spaces absorbed by existing parking in the surrounding area. Depending on the desired density of development surrounding the proposed stadium, on-site parking could be developed as surface parking or structured parking (multi-level garage). It should be noted that on-site parking could fluctuate depending on site constraints and nearby parking infrastructure.

## Other Building Program Elements

In addition to the recommended seating capacity, premium seating program and parking requirements, the following additional building program elements are recommended:

## 5. ESTIMATED DEMAND AND BUILDING PROGRAM RECOMMENDATIONS

- The recommended playing surface area dimensions include a width of 80 yards and a length of 120 yards.
- It is recommended that the stadium should not combine the playing surface with athletic tracks in order to provide the best sightlines for soccer matches.
- An additional flat grass area six to eight yards wide should surround to perimeter of the field for warm-ups, advertising boards, security and medical attendants.
- The field orientation should be approximately 15 degrees NNW/SSE to adhere to the ideal field orientation as stated by FIFA.
- A soccer-specific stadium should have a natural grass playing surface or FIFA 2-Star level approved synthetic turf.
- It is recommended the stadium include proper drainage, irrigation and ventilation systems to maintain good playing conditions.
- It is recommended that the stadium include a canopy to protect players, spectators and media cameras from the sun.
- Beyond home and visiting team locker rooms, two additional auxiliary locker rooms are recommended to enhance the potential for other stadium events (e.g. doubleheader games, tournaments, high school football games, etc.)
- Including premium seating options, the stadium should include at least four to six price points to appeal to different market segments.
- A supporters section should be created for The Coopers. This section is generally a lower priced general admission ticket with bleacher-type or standing-room-only seating. Typically, the supporter's section is located at one end of the stadium behind the goal.
- One entry position around the perimeter of the stadium should be provided for every 750 patrons.
- Ample restrooms should be provided including a minimum of one toilet for every 100 male patrons and one toilet for every 55 female patrons. In determining the appropriate toilet fixtures, a 50/50 gender split for the stadium capacity should be used.
- Sufficient concession points of sale should be provided to maximize food and beverage revenue opportunities with industry standards dictating that a minimum of one permanent point-of-sale (POS) stand be provided for every 200 patrons, with one portable POS stand for every 500 patrons.
- The soccer-specific stadium should provide sufficient storage space for equipment, materials, supplies and other needs and sufficient administrative offices for full-time and seasonal staff.
- A primary ticket office located near the main entry should be provided with at least six windows.
- A minimum of six acres would be required to accommodate a 10,000-seat stadium footprint, including plaza and circulation space but excluding parking. An expansion to 20,000 seats to accommodate MLS would require an 11 acre site.

### Estimated Project Costs

In order to estimate the potential project costs (excluding land acquisition and parking) associated with the development of a new 10,000-seat soccer-specific stadium in Louisville, CSL worked with project cost experts to arrive at a range of potential project costs based on the type of construction and finish out (e.g. in-ground concrete bowl versus all metal-bleacher seating). The chart on the next page analyzes the various cost ranges.

# 5. ESTIMATED DEMAND AND BUILDING PROGRAM RECOMMENDATIONS

ESTIMATED PROJECT COSTS Louisville City FC / New Soccer Stadium			
	Low Cost Estimate	Mid Cost Estimate	High Cost Estimate
<b>Stadium</b>			
Total Building Sq. Ft.	170,000	170,000	170,000
Cost per Sq. Ft.	\$150.00	\$200.00	\$265.00
Total Building Cost	\$25,500,000	\$34,000,000	\$45,050,000
<b>Parking</b>			
Total On-Site Parking	1,400	1,400	1,400
Cost per Spot	\$3,500	\$3,500	\$3,500
Total Parking Cost	\$4,900,000	\$4,900,000	\$4,900,000
<b>Total Est. Project Costs</b>	<b>\$30,400,000</b>	<b>\$38,900,000</b>	<b>\$49,950,000</b>

Based on this analysis, it is estimated that a new 10,000-seat soccer-specific stadium in Louisville could cost between \$30 million and \$50 million depending on the quality of the stadium and level of finish-out. A \$30 million stadium would consist primarily of metal bleacher seating at grade and could impact the premium seat/amenity building program. This quality of design and construction is consistent with most high school stadiums. The mid-cost scenario offers a more economical, on grade stadium build with the ability to accommodate the premium program estimated herein. The high cost estimate would provide Louisville with a state-of-the-art concrete design where fans would enter the stadium at grade with the main seating bowl depressed below grade. This design would accommodate the premium program estimated herein and is consistent with the quality of Louisville Slugger Field construction. It should be noted that project cost estimates exclude land acquisition and other site-specific costs (e.g. utility relocation).

## Summary

The table on the right summarizes the recommended building program for a new soccer-specific stadium located in Louisville.

It should be noted that the recommendations and cost estimates presented herein are intended to provide a frame-of-magnitude estimate for project representatives and more detailed design work should be completed before more precise recommendations and estimates can be made.

BUILDING PROGRAM AND COST ESTIMATE Louisville City FC / New Soccer Stadium	
<b>Seating Capacity:</b>	
Soccer	10,000
End-Stage Concert <sup>(1)</sup>	15,000
<b>Premium Seating:</b>	
Club Seats	300
Luxury Suites	16
<b>Parking:*</b>	
On-Site Parking	1,400
Off-Site Parking	1,400
Total Parking Spaces	2,800
<b>Total Site Footprint: (including on-site parking)</b>	
Total Square Footage	720,000
Total Acreage	16
<b>Estimated Project Cost Range*</b>	\$30M to \$50M
* Cost varies depending on stadium design and quality and excludes land acquisition or other site-specific costs.	
(1) Based on useable field space of 50,000 square feet and industry standard of 10 square feet / person for a seated concert arrangement.	



## 6. Financial Pro Forma

## 6. FINANCIAL PRO FORMA

The purpose of this section is to present a financial pro forma depicting the potential operating revenues and expenses estimated to be associated with Louisville City FC and a new 10,000-seat soccer-specific stadium in Louisville. This financial analysis was undertaken to provide the Louisville Metro Government with a clear understanding of the potential financial impact that a new soccer-specific stadium would likely have on the operations of LCFC and their long-term viability in the marketplace.

The estimated financial pro forma is based on local market conditions, historical LCFC team operations, comparable USL financial benchmarks and industry trends.

This presentation is designed to assist the City in understanding the financial attributes of LCFC and the proposed soccer-specific stadium and cannot be considered to be a presentation of actual 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. There will likely be differences between estimated and actual results, and these differences could be material.

Key assumptions used to estimate the potential financial operations of the proposed soccer-specific stadium in Louisville include, but are not limited to the following:

- The proposed soccer-specific stadium will open in 2019 and will have a stadium capacity of 10,000 fixed seats.
- The new soccer-specific stadium will be developed as a quality, state-of-the-art venue and would accommodate the needs of LCFC and its fans and meet USL stadium standards.
- The soccer-specific stadium will be owned by the Louisville Metro Government or another public entity (i.e. a building authority) and will be exempt from property taxes.
- USL soccer will continue in its current format and LCFC will continue to be a member of the league and field a competitive team.

- LCFC will operate the proposed soccer-specific stadium under a 20-year lease with the Louisville Metro Government and retain all revenues (subject to any league or third party revenue sharing agreements) except naming rights which have been earmarked towards stadium funding and pay all expenses related to stadium operations.
- Naming rights revenue is assumed to be allocated to project financing and thus has been excluded from the financial operations presented herein.
- LCFC will pay the City \$100,000 per year in base rent.
- Professional competent and experienced personnel will manage the facility in a manner consistent with industry standards and best practices.
- The new soccer-specific stadium will be aggressively marketed to attract other events including, but not limited to national and international soccer matches, concerts and other such events.
- Ample parking (on-site or within walking distance) will be available to accommodate demand during events.
- The stadium site will be conducive to providing a pleasant fan experience (i.e. efficient traffic ingress/egress, convenient, affordable parking, entertainment destination, etc.)
- It is assumed there are no significant or material changes in the supply or quality of existing sports and entertainment venues in the marketplace.
- Unknown future economic conditions will not adversely affect the market and its response to stadium events (i.e. visitation levels, population levels, employment levels, etc.)
- The financial operating projects are presented for the first five years of operations, commencing in 2019.

# 6. FINANCIAL PRO FORMA

The presentation of estimated operating results is comprised of the following components:

- Operating Revenues;
- Operating Expenses;
- Summary; and,
- Sensitivity Analysis

Additional physical development planning must be completed before more precise estimations of LCFC and the proposed soccer-specific stadium’s revenues and operating expenses can be made. Also, upon completion of planning, revenue and expense assumptions should be updated to reflect the changes to the assumptions made herein. These changes would significantly affect the analysis of future operating results.

## OPERATING REVENUES

An assessment of the potential financial operations of LCFC in the proposed soccer-specific stadium includes an assessment of both team-related revenues and stadium-related revenues.

Team and stadium revenues typically include ticket sales, sponsorship and advertising, suites, club seats, general concessions, premium concessions, event rent, merchandise, parking, youth development and ticket rebates.

### Ticket Sales

Ticket sales are a critical revenue source for USL teams and are often one of their largest revenue sources. Ticket sales include a combination of full and partial season tickets, group sales and individual game ticket sales for various seating areas within a stadium including general admission seating, reserved seating, group areas, club seats and luxury suites, among others.

Team ticket sales are calculated as a function of the estimated number of LCFC matches, estimated paid attendance and average ticket prices estimated to be charged in the proposed soccer-specific stadium. Key assumptions were developed based on a review of USL league data and local market conditions.

The table below summarizes the ticket revenue estimated to be generated to LCFC in the proposed soccer-specific stadium in 2019.

TICKET SALES					
Louisville City FC / New Soccer Stadium					
	Regular Season	Exhibition Games	U.S. Open Cup	Playoffs	ALL EVENTS
Events	15	2	1	1	19
Average Paid Attendance:					
General Admission	6,038	5,538	7,038	7,038	6,091
Club Seats	270	270	270	270	270
Suites	192	192	192	192	192
Total Paid Attendance per Game	6,500	6,000	7,500	7,500	6,553
Average Ticket Price:					
General Admission	\$18.00	\$18.00	\$20.00	\$20.00	\$18.24
Club Seats	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Suites	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
<b>Gross Ticket Sales</b>	<b>\$1,803,510</b>	<b>\$222,468</b>	<b>\$152,310</b>	<b>\$152,310</b>	<b>\$2,330,598</b>

Overall, it is estimated that LCFC would play an average of 19 matches per year in the proposed soccer-specific stadium including a variety of competitions such as regular season matches, exhibition matches, U.S. Open Cup matches and playoff matches. Average paid attendance is expected to range considerably based on the type of game and opponent with average paid attendance estimated to range from 7,500 per game for U.S. Open Cup matches to 6,000 for LCFC exhibition games. Total annual paid attendance at LCFC matches is estimated to be 124,500, or about 6,553 per game.

# 6. FINANCIAL PRO FORMA

The average general admission ticket price is estimated to range from \$18.00 to \$20.00 per game, depending on the type of match and seat. Current average ticket prices for LCFC season tickets average \$17 per match. Within these average ticket price estimates there are a variety of price points depending on the seat location within the stadium and type of ticket (season, individual, group, etc.). The average club seat and suite ticket prices are estimated to be between \$25.00 and \$30.00 per game, excluding premiums.

The overall weighted average general admission ticket price for LCFC games is estimated to be \$18.24 in 2019.

Based on these assumptions, LCFC is estimated to generate \$2.3 million in ticket sales for LCFC games in 2019. LCFC ticket sales are estimated to increase three percent annually based on increases in ticket pricing.

## Sponsorship and Advertising

Sponsorship and advertising often comprise one of the largest revenue sources for a USL team and stadium and typically include revenue generated from the sale of revenue sources such as stadium naming rights, pouring rights, exclusive providers, jersey sponsorship and other team sponsorships. Other team sponsorships include the sale of a variety of sponsorship and advertising opportunities associated with LCFC including being the exclusive official supplier or provider of the team in industries such as banking, beverages, financial, medical, etc. as well as in-game promotions, advertising in game-day programs, advertising on the team’s website, etc.

It should be noted that stadium naming rights and other typical stadium related sponsorship and advertising opportunities have been excluded from the financial projections as these have been earmarked for project financing similar to other facility developments in Louisville such as the KFC Yum! Center.

Currently, LCFC has a one-year jersey sponsorship deal with Humana worth \$75,000 and estimates other sponsorship revenue of \$550,000 in 2016 with the goal of \$750,000 by 2017.

Based on the historical team sponsorship levels of LCFC a review of sponsorship revenue generated by other USL teams and soccer-specific stadiums, it is estimated that LCFC could generate approximately \$788,000 in sponsorship and advertising revenues net of fulfillment in a new soccer specific stadium. Sponsorship and advertising revenue is estimated to increase three percent annually.

SPONSORSHIP AND ADVERTISING	
Louisville City FC	
<b>Jersey Sponsorship:</b>	
Gross Annual Revenue	\$100,000
Less: Suite Value	(\$25,000)
Less: Fulfillment Costs	(\$7,500)
Net Revenue	\$67,500
<b>Other Team Sponsorships:</b>	
Gross Annual Revenue	\$750,000
Less: Fulfillment Costs	(\$75,000)
Net Revenue	\$675,000
<b>TOTAL</b>	<b>\$742,500</b>

Team sponsorship projections are comprised of a \$100,000 gross jersey sponsorship that is estimated to net \$67,500 to LCFC and \$750,000 in other team sponsorships that is estimated to net \$675,000.

## Suites

Based on a review of comparable facility penetrations, the proposed soccer-specific stadium design should include 16 suites (16 seats each), totaling 256 suite seats. The suite program at other comparable soccer-specific stadiums consists of an average of 15 suites (ranging from 6 to 24 suites) with an average price of \$27,000 (ranging from \$22,000 to \$32,500 per suite).

## 6. FINANCIAL PRO FORMA

It is envisioned that three suites will be non-revenue suites with the remaining 13 suites available for sale. Non-revenue suites are expected to include two suites dedicated to team sponsors and one dedicated owner's suite. The table on the next page summarizes the suite revenue estimated for the proposed soccer-specific stadium.

SUITES	
Louisville City FC / New Soccer Stadium	
Inventory	16
Less: Non-Revenue Suites	3
Inventory for Sale	13
Percentage Sold	90%
Number Sold	12
Total Annual Price (1)	\$25,000
Less: Tickets	\$6,800
Net Annual Premium	\$18,200
Total Annual Premiums	\$218,400
Plus: Event Sales (2)	\$70,000
<b>Total Annual Suite Revenue</b>	<b>\$288,400</b>
<small>(1) Price includes LCFC season and special games.            (2) Revenue generated from suites sales for other events.            Suite prices are \$1,500 per event for suite lessees and \$2,000 for others.</small>	

Based on the estimated suite inventory at the proposed soccer-specific stadium, suite pricing at other comparable stadiums and cost of living considerations in Louisville, it is estimated that suites could be sold for an average price of \$25,000 annually including tickets to all LCFC regular season matches and exhibitions. For comparison, the KFC Yum! Center charges an annual price of \$85,000 for its 71 suites, Papa John's Cardinal Stadium leases its 63 suites for an average annual price of \$40,000 and Louisville Slugger Field lease their suites for \$25,000 per year.

It is estimated that 90 percent of the available suites in a new soccer-specific stadium would be sold (12 of 13 sellable suites). Overall, the net suite premium after deducting the value of tickets (\$22.50 per seat, each suite seats 16 people), the net annual premium is estimated to be \$18,200 per suite, resulting in total annual suite premiums of \$218,400 for LCFC regular season matches and exhibitions.

It is estimated that suite holders would have the first right to purchase suite tickets to other events hosted at the proposed soccer-specific stadium for an average price of \$1,500 per event. Should a suite holder elect not to purchase suite tickets to other events hosted at the proposed soccer-specific stadium, it is estimated that the suite would be offered publicly at a per event price of \$2,000 per suite. It is estimated that an additional \$70,000 could be generated from event suite sales, resulting in estimated total annual suite revenue of approximately \$288,000 in 2019, increasing three percent annually based on increases in suite prices.

### Club Seats

The proposed soccer-specific stadium design should include 300 club seats. The club seat program at other comparable soccer-specific stadiums consists of a median of 250 club seats (ranging from 200 to 864 club seats) with an average club seat price of \$753 (ranging from \$525 to \$2,000 per club seat).

Based on comparable stadium club seat benchmark data and our knowledge of the Louisville marketplace and USL premium seating market, the table on the next page summarizes the estimated club seat revenue for the proposed soccer-specific stadium.

It is estimated that club seats could be sold for an average price of \$750 annually, based on a review of comparable new stadium club seats. The price of the club seat is estimated to include tickets to all LCFC regular season and exhibition games. It is estimated that 90 percent of available club seats would be sold (270 of 300 club seats). The net club seat premium after deducting the value of tickets (\$22.50 per seat per game), is estimated to be \$325 per club seat, resulting in annual club seat premiums of \$87,750 from LCFC regular and special games.

# 6. FINANCIAL PRO FORMA

CLUB SEATS Louisville City FC / New Soccer Stadium	
Inventory	300
Percentage Sold	90%
Number Sold	270
Total Annual Price (1)	\$750
Less: Tickets	\$425
Net Annual Premium	\$325
Total Annual Premiums	\$87,750
Plus: Event Sales (2)	\$13,500
<b>Total Annual Club Seat Revenue</b>	<b>\$101,250</b>
(1) Price includes LCFC season and special games.	
(2) Revenue generated from club seat sales for other events. Club seats priced at \$50 per event.	

Club seats would be available for sale for other stadium events and are estimated to be sold for per game prices of \$25 per event. It is estimated that an additional \$13,500 could be generated from club seat sales for other events, resulting in estimated annual club seat revenue of approximately \$101,000 in 2019, increasing three percent annually based on increases in club seat prices.

## General Concessions

General concessions revenue consists of food and beverage sales during LCFC games and other stadium events at permanent and portable concession stands on the main concourse as well as service in the general seating bowl from in-seat vendors.

Key assumptions used to estimate general concessions for LCFC matches and other stadium events include the number of events, turnstile (or actual) attendance, average general concessions spending per capita and the general concession commissions expected to be received in the soccer-specific stadium. Key assumptions were developed based on a review of other stadiums, historical LCFC operations, local market conditions and our knowledge of stadium food and beverage operations. The following table summarizes the general concessions revenue estimated to be generated by LCFC matches and other stadium events in 2019.

GENERAL CONCESSIONS Louisville City FC / New Soccer Stadium					
	LCFC Matches	Other Soccer Matches	Other Concerts	Other Events	ALL EVENTS
Events	19	1	2	7	29
Average G.A. Paid Attendance	6,091	7,038	9,538	2,000	5,374
Turnstile Attendance as % of Paid	81.5%	90.0%	90.0%	90.0%	84%
Average G.A. Turnstile Attendance	4,965	6,334	8,584	1,800	4,498
Average G.A. Spending Per Capita	\$8.22	\$8.50	\$12.50	\$4.00	\$8.39
Gross General Concession Sales	\$775,667	\$53,841	\$214,605	\$50,400	\$1,094,512
Commission	45.0%	45.0%	45.0%	45.0%	45.0%
<b>General Concessions Revenue</b>	<b>\$349,050</b>	<b>\$24,228</b>	<b>\$96,572</b>	<b>\$22,680</b>	<b>\$492,530</b>

Based on a review of historical LCFC operations and a knowledge of other USL teams, turnstile attendance was estimated at 80 percent to 95 percent of paid attendance depending on the type of match and represents an estimate of the actual attendance at the stadium. Turnstile attendance reflects the net effect of paid and complimentary tickets issued and no shows. The average general concessions per capita spending is estimated to range from \$8.00 to \$10.00 in 2019, depending on the type of LCFC match.

It is estimated that LCFC will outsource food and beverage operations to a national sport venue concessionaire and will receive an agreed-upon commission based on a percentage of

## 6. FINANCIAL PRO FORMA

gross sales. Based on comparable stadium concessionaire agreements, it is assumed the LCFC would receive a commission equal to 45 percent of gross general concession sales.

Based on these assumptions, LCFC is estimated to generate approximately \$349,000 in general concessions revenue from LCFC games. General concessions revenue is projected to increase three percent per year based on increases in food and beverage pricing.

It is estimated that a new the proposed soccer-specific stadium would generate approximately \$144,000 in net general concessions revenue in 2019 from other stadium events based on per capita spending ranging from \$8.50 to \$12.50 depending on the event and a 45 percent commission on gross sales. General concessions revenue is estimated to increase three percent annually based on increases in concession prices.

Overall, general concessions revenue generated from LCFC matches and other stadium events is estimated to total approximately \$493,000 in 2019.

### Premium Concessions

Premium concessions consist of food and beverage sales during LCFC games and other stadium events to areas dedicated to suite and club seat patrons. Premium concessions are calculated as a function of the estimated number of stadium events, estimated paid/turnstile attendance associated with suites and club seats, average concessions spending per capita and the concessions commissions expected to be received in the proposed soccer-specific stadium.

Key assumptions included an average food and beverage spending of \$30.00 per person for suite patrons and \$15.00 per person for club seat patrons with commissions ranging from 25 percent of gross sales for suite concessions and 35 percent of gross sales for club seat concessions.

The following table summarizes the premium concessions revenue estimated to be generated by LCFC matches and other stadium events in 2019.

LCFC is estimated to generate approximately \$49,000 in 2019 in net premium concessions revenue from suites and club seats during LCFC matches. Premium concessions revenue is projected to increase three percent per year based on increases in food and beverage pricing.

PREMIUM CONCESSIONS					
Louisville City FC / New Soccer Stadium					
	LCFC Matches	Other Soccer Matches	Concerts	Other Events	ALL EVENTS
<b>Suites:</b>					
Events	19	1	2	7	29
Average Paid Attendance	192	192	192	0	146
Turnstile Attendance as % of Paid	90.7%	95.0%	95.0%	95.0%	91%
Average Turnstile Attendance	174	182	182	0	133
Average Spending Per Capita	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00
Gross Suite Concessions Sales	\$99,216	\$5,472	\$10,944	\$0	\$115,632
Commission	25.0%	25.0%	25.0%	25.0%	25.0%
<b>Subtotal - Suite Concessions</b>	<b>\$24,804</b>	<b>\$1,368</b>	<b>\$2,736</b>	<b>\$0</b>	<b>\$28,908</b>
<b>Club Seats:</b>					
Events	19	1	2	7	29
Average Paid Attendance	270	270	270	0	205
Turnstile Attendance as % of Paid	90.7%	95.0%	95.0%	95.0%	91%
Average Turnstile Attendance	245	257	257	0	187
Average Spending Per Capita	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Gross Club Seat Concessions Sales	\$69,761	\$3,848	\$7,695	\$0	\$81,304
Commission	35.0%	35.0%	35.0%	35.0%	35.0%
<b>Subtotal - Club Seat Concessions</b>	<b>\$24,416</b>	<b>\$1,347</b>	<b>\$2,693</b>	<b>\$0</b>	<b>\$28,456</b>
<b>TOTAL PREMIUM CONCESSIONS</b>					<b>\$57,364</b>

Premium concessions revenue generated during other stadium events is estimated to approximate \$8,000 in 2019, increasing three percent annually based on increases in concession pricing.

Overall, premium concessions revenue generated from LCFC matches and other stadium events is estimated to total approximately \$57,000 in 2019.

# 6. FINANCIAL PRO FORMA

## Event Rent

In addition to hosting LCFC games, the proposed soccer-specific stadium is expected to host a variety of other soccer matches, concerts and other events. These events are estimated to pay a flat rental fee to host events at the proposed soccer-specific stadium.

The table below summarizes the number and type of other events (in addition to LCFC matches) expected to be hosted at the proposed soccer-specific stadium and the estimated rental charges per event.

EVENT RENT				
Louisville City FC / New Soccer Stadium				
	Other Soccer Matches	Concerts	Other Events	ALL EVENTS
Annual Events	1	2	7	10
Average Rent per Event	\$30,000	\$40,000	\$10,000	\$18,000
Total Annual Rent	<b>\$30,000</b>	<b>\$80,000</b>	<b>\$70,000</b>	<b>\$180,000</b>

Overall, it is estimated that the proposed soccer-specific stadium would host 10 events in addition to LCFC matches on an annual basis. These events include national and international soccer matches, concerts and other events.

While the analysis herein assumes a flat rental fee per event for simplicity, stadium rent can be based on a flat fee or percentage of ticket sales and may require LCFC to share a portion of the risk on events co-promoted with outside parties.

Overall, it is estimated that the proposed soccer-specific stadium could generate a total of \$180,000 annually in event rental income in 2019, increasing three percent annually.

## Merchandise

Merchandise revenue includes the sale of jerseys, shirts, jackets, scarves, hats, balls, game-day programs and other miscellaneous souvenir items during LCFC games and other stadium events as well as online sales and non-game day team store sales at the proposed soccer-specific stadium.

Game-day merchandise revenue is calculated as a function of the estimated number of events in the soccer-specific stadium, estimated turnstile (or actual) attendance, and average merchandise spending per capita, net of the cost of sales. Online sales and non-game day team store sales are based on historical LCFC data and a review of league-wide USL team data.

Gross merchandise spending per capita is estimated to range from approximately \$2.50 to \$7.00 per turnstile attendee, depending on the event, with commissions ranging from 10 percent to 45 percent depending on the event.

The table of the following page summarizes the merchandise revenue estimated to be generated by LCFC matches and other stadium events in 2019.

# 6. FINANCIAL PRO FORMA

MERCHANDISE					
Louisville City FC / New Soccer Stadium					
	LCFC Matches	Other Soccer Matches	Concerts	Other Events	ALL EVENTS
<b>Game-Day Sales:</b>					
Events	19	1	2	7	29
Average Turnstile Attendance	5,384	6,773	9,023	1,800	4,818
Average Spending Per Capita	\$2.58	\$3.00	\$7.00	\$0.00	\$2.94
Gross Merchandise Sales	\$263,422	\$20,319	\$126,323	\$0	\$410,065
Commission	30.0%	15.0%	10.0%	0.0%	23.1%
<b>In-Stadium Merchandise Revenue</b>	<b>\$79,027</b>	<b>\$3,048</b>	<b>\$12,632</b>	<b>\$0</b>	<b>\$94,707</b>
<b>Online Sales:</b>					
Gross Sales	\$50,000				\$50,000
Cost of Sales	45.0%				45.0%
<b>Net Sales</b>	<b>\$27,500</b>				<b>\$27,500</b>
<b>Non-Game Day Team Store Sales:</b>					
Gross Sales	\$50,000				\$50,000
Cost of Sales	45.0%				45.0%
<b>Net Sales</b>	<b>\$27,500</b>				<b>\$27,500</b>
<b>TOTAL MERCHANDISE REVENUE</b>					<b>\$149,707</b>

Based on the projected number of LCFC matches and estimated turnstile attendance, it is estimated that the team can generate approximately \$79,000 in net merchandise revenues after deducting the cost of sales.

In addition to game day merchandise sales, it is estimated that LCFC could generate approximately \$27,500 in net revenues from online sales through the team's website as well as another \$27,500 in net revenues from team store sales on non-game days.

In total, it is estimated that LCFC could generate a combined \$134,000 in net merchandise revenues at the proposed soccer-specific stadium and through online sales.

Based on the estimated number of other stadium events and expected turnstile attendance, it is estimated that \$147,823 in gross merchandise sales could be generated, resulting in approximately \$16,000 in net revenues after deducting the cost of sales in 2019, increasing three percent annually based on increases in merchandise prices.

Overall, merchandise revenue generated from LCFC matches and other stadium events is estimated to total approximately \$150,000 in 2019.

## Parking

For purposes this study, it is assumed that 1,400 parking spaces will be developed and controlled by the stadium and the remaining parking spaces needed for events could be absorbed by existing parking in the surrounding areas of the stadium. Depending on the desired density of development surrounding the proposed stadium, the on-site parking could be developed as surface parking or structured parking (multi-level garage).

It is estimated that 40 percent of stadium attendees will arrive by foot or public transportation while the remaining stadium attendees will arrive by car, averaging an industry standard of 3.5 people per car.

Based on parking charges for other large-scale events in the City and historical Louisville Slugger Field parking charges, it is assumed that parking charges for stadium events will range from \$5 per car to \$15 per car depending on the event. It is estimated that the stadium would retain 80 percent of total parking revenue.

The table on the following page summarizes the parking revenue estimated to be generated by LCFC matches and other stadium events in 2019.

# 6. FINANCIAL PRO FORMA

PARKING					
Louisville City FC / New Soccer Stadium					
	LCFC Matches	Other Soccer Matches	Other Concerts	Other Events	ALL EVENTS
Events	19	1	2	7	29
Average G.A. Turnstile Attendance	4,965	6,334	8,584	1,800	4,498
Arriving via Public Transit or Foot	40%	40%	40%	40%	40%
Turnstile Attendance Arriving by Car	2,979	3,801	5,151	1,080	2,699
Average People per Car	3.5	3.5	3.5	3.5	3.5
Parking Demand per Event	851	1,086	1,472	309	771
Parking Spaces Under Stadium Control	1,400	1,400	1,400	1,400	1,400
Parking Charge per Car	\$15.00	\$15.00	\$15.00	\$5.00	\$5.00
Net Parking Revenue	\$180,476	\$16,288	\$42,000	\$10,800	\$249,564
Share	80.0%	80.0%	80.0%	80.0%	80.0%
<b>Parking Revenue</b>	<b>\$144,381</b>	<b>\$13,030</b>	<b>\$33,600</b>	<b>\$8,640</b>	<b>\$199,651</b>

It is estimated that LCFC could receive approximately \$144,000 in net parking revenue annually associated with LCFC matches in 2019. Parking revenues generated to LCFC are estimated to increase annually by three percent.

It is estimated that the stadium could receive approximately \$56,000 in net parking revenue annually associated with other stadium events in 2019. Parking revenues generated are estimated to increase annually by three percent.

Overall, parking revenues generated from LCFC matches and other stadium events is estimated to total approximately \$200,000 in 2019.

## Youth Development

LCFC does not currently support a youth academy. However, based on discussions with team management, it is estimated that LCFC will develop an academy in the near future. Based on a review of other USL youth development programs, youth development revenues are estimated to approximate \$100,000 per year and increase three percent annually.

## Ticket Rebates

It is expected that a third party ticket seller, such as Ticketmaster, would handle a portion of ticket sales for all stadium events, including LCFC matches. The ticket seller generally collects a convenience charge on each ticket sold, a portion of which is typically rebated to the team or host venue.

The table below presents a summary of the estimated ticket rebates that could be generated in a new the proposed soccer-specific stadium in 2019.

TICKETING REBATES					
Louisville City FC / New Soccer Stadium					
	LCFC Matches	Other Soccer Matches	Other Concerts	Other Events	ALL EVENTS
Events	19	1	2	7	29
Average Paid Attendance	6,553	7,500	10,000	2,000	5,724
% Tickets Sold by TM	10%	65%	75%	0%	26%
TM Fees per Ticket	\$5.00	\$5.50	\$8.00	\$0.00	\$6.62
Total Ticketing Fees	\$62,250	\$26,813	\$120,000	\$0	\$209,063
Rebate	50.0%	50.0%	70.0%	0.0%	61.5%
<b>Team Ticketing Rebates</b>	<b>\$31,125</b>	<b>\$13,406</b>	<b>\$84,000</b>	<b>\$0</b>	<b>\$128,531</b>

# 6. FINANCIAL PRO FORMA

It is estimated that a third party ticket seller would sell approximately 10 percent of LCFC tickets (remaining ticket sales would be handled directly by LCFC through its ticket sales staff and stadium box office), with an average convenience charge of \$5.00 per ticket. It is estimated that LCFC would be rebated 50 percent of total convenience fee charges for LCFC matches, resulting in approximately \$31,000 in ticketing rebates each year. Ticketing rebate revenues are estimated to increase three percent annually.

A third party ticket seller is estimated to sell 65 percent to 75 percent of other stadium event tickets, depending on the event and excluding other events. Average convenience charges are estimated to range from \$5.50 to \$8.00 per ticket. It is estimated that the proposed soccer-specific stadium would be rebated 50 to 70 percent of total convenience fee charges for other stadium events, resulting in approximately \$97,000 in ticketing rebates in 2019, increasing three percent annually.

Overall, ticket rebate revenue generated from LCFC matches and other stadium events is estimated to total approximately \$129,000 in 2019.

## OPERATING EXPENSES

It is estimated that LCFC will operate the proposed soccer-specific stadium and will be responsible for the day-to-day management of the venue and paying all operating expenses. As a result, an assessment of operating expenses in the proposed soccer-specific stadium includes and assessment of both team and stadium expenses.

Operating expense estimates are based on a review of LCFC’s historical team operating expenses and historical stadium expenses incurred by other teams operating new soccer-specific stadiums and adjusted to the Louisville marketplace for cost of living and 2019 dollars.

## Team Expenses

Team expenses consist of expenditures related to the operation of LCFC, including general and administrative, team operations, advertising and marketing, ticket sales, corporate sales, communications youth development, game day expenses and stadium rent.

The table below summarizes the estimated team operating expenses for LCFC playing in the proposed soccer-specific stadium in 2019.

TEAM OPERATING EXPENSES	
Louisville City FC / New Soccer Stadium	
Team Operations	\$1,500,000
General & Administrative	\$400,000
Game Day Expenses	\$170,000
Ticket Sales	\$260,000
Stadium Rent	\$100,000
Advertising & Marketing Expenses	\$170,000
Corporate Sales	\$150,000
Youth Development	\$50,000
Communications	\$25,000
<b>TOTAL</b>	<b>\$2,825,000</b>

It is estimated that total team operating expenses would approximate \$2.8 million in 2019. This level of expenditures represents an approximate six percent decrease over current LCFC expenditures at Louisville Slugger Field.

Team operations expenses comprise the largest estimated expense category for LCFC and include costs associated with coaching staff salaries, team travel (pre-season, regular season and post season), training, development, relocation and other expenses. Team expenses are estimated to increase three percent annually.

# 6. FINANCIAL PRO FORMA

## Stadium Expenses

Stadium expenses include the estimated cost to operate the proposed soccer-specific stadium. Stadium operating revenues typically include general and administrative, operations, utilities, insurance, sales and marketing, client services, ticketing, event services and other such expenses.

The table below summarizes the estimated soccer-specific stadium annual operating expenses. Overall, it is estimated that stadium operating expenses will approximate \$1.7 million per year. The largest expense items include general and administrative at \$550,000, event services and expenses at \$350,000, utilities at \$250,000 and operations at \$225,000. Stadium operating expenses are estimated to increase three percent annually.

STADIUM OPERATING EXPENSES Louisville City FC / New Soccer Stadium	
General & Administrative	\$550,000
Event Services & Expenses	\$350,000
Utilities	\$250,000
Operations	\$225,000
Ticketing	\$140,000
Insurance	\$100,000
Sales & Marketing	\$100,000
<b>TOTAL</b>	<b><u>\$1,715,000</u></b>

## SUMMARY

The table on the right summarizes the estimated operating revenues and expenses associated with the proposed soccer-specific stadium during the first five years of operations. The selected years are presented for report presentation purposes only and a full-detailed

financial model estimating revenues, expenses and net profit (losses) for each of the five years underlies this analysis.

OPERATING PRO FORMA Louisville City FC / New Soccer Stadium					
	2019	2020	2021	2022	2023
<b>REVENUES</b>					
Ticket Sales	\$2,330,598	\$2,400,516	\$2,472,531	\$2,546,707	\$2,623,109
Sponsorship & Advertising	\$742,500	\$764,775	\$787,718	\$811,350	\$835,690
Suites	\$288,400	\$297,052	\$305,964	\$315,142	\$324,597
Club Seats	\$101,250	\$104,288	\$107,416	\$110,639	\$113,958
General Concessions	\$492,530	\$507,306	\$522,526	\$538,201	\$554,347
Premium Concessions	\$57,364	\$59,085	\$60,858	\$62,684	\$64,564
Event Rent	\$180,000	\$185,400	\$190,962	\$196,691	\$202,592
Merchandise	\$149,707	\$154,198	\$158,824	\$163,589	\$168,496
Parking	\$199,651	\$205,641	\$211,810	\$218,164	\$224,709
Youth Development	\$100,000	\$103,000	\$106,090	\$109,273	\$112,551
Ticket Rebates	\$128,531	\$132,387	\$136,359	\$140,450	\$144,663
<b>TOTAL REVENUES</b>	<b>\$4,770,532</b>	<b>\$4,913,648</b>	<b>\$5,061,058</b>	<b>\$5,212,889</b>	<b>\$5,369,276</b>
<b>EXPENSES</b>					
Team Operations	\$2,825,000	\$2,909,750	\$2,997,043	\$3,086,954	\$3,179,562
Stadium Operations	\$1,715,000	\$1,766,450	\$1,819,444	\$1,874,027	\$1,930,248
<b>TOTAL EXPENSES</b>	<b>\$4,540,000</b>	<b>\$4,676,200</b>	<b>\$4,816,486</b>	<b>\$4,960,981</b>	<b>\$5,109,810</b>
<b>NET INCOME (LOSS) BEFORE DEBT</b>	<b>\$230,532</b>	<b>\$237,448</b>	<b>\$244,572</b>	<b>\$251,909</b>	<b>\$259,466</b>

As depicted, the total revenues generated by the proposed soccer-specific stadium are estimated to be approximately \$4.8 million in 2019 dollars (year 1), increasing to \$5.4 million in year 5.

The combined operations of LCFC and the proposed soccer-specific stadium are estimated to generate approximately \$231,000 in net operating income in 2019 dollars (year 1), increasing to \$259,000 in year five.

# 6. FINANCIAL PRO FORMA

## SENSITIVITY ANALYSIS

The operations associated with a 10,000-seat soccer-specific stadium in Louisville for Louisville City FC will be dependent on rapidly changing interests in soccer, LCFC, local entertainment options and other such factors.

Various risks associated with the development of a 10,000-seat soccer-specific stadium can adversely affect its financial performance, including decreases in attendance for LCFC games, the loss of a key LCFC sponsor, fewer than projected other stadium events, worsening general economic conditions leading to decreased discretionary spending from consumers, and other such factors.

To gain an understanding of the potential impact to the operations of a new 10,000-seat soccer-specific stadium as a result of fluctuations in key study assumptions, a sensitivity analysis has been completed. The sensitivity analysis compares revenues and expenses and the resulting net income before any applicable debt service that could result based on differing levels of LCFC attendance, sponsorship and other events.

The table on the right summarizes the results of the sensitivity analysis. As shown, variations in several key study assumptions can result in material impacts to net income before debt service. For instance, if LCFC achieves paid attendance of only 5,000 patrons per game, the stadium will lose approximately \$193,000 in its first year of operations. However, if the stadium has a larger than anticipated positive impact on paid attendance and the average accelerates to 7,500, then the team would generate \$503,000 in its first year of operations.

Similarly, if there were no other stadium events hosted (i.e. national/international soccer, concerts and other events) the stadium would lose approximately \$312,000 in its first year of operations. If the stadium was able to book four concerts instead of the two estimated herein, the stadium would generate approximately \$571,000 in its first year of operations.

SENSITIVITY ANALYSIS					
Louisville City FC / New Soccer Stadium					
VARIABLE	2019	2020	2021	2022	2023
<b>Base Analysis</b>					
Total Revenues	\$4,770,532	\$4,913,648	\$5,061,058	\$5,212,889	\$5,369,276
Total Expenses	\$4,540,000	\$4,676,200	\$4,816,486	\$4,960,981	\$5,109,810
<b>Net Income / (Loss)</b>	<b>\$230,532</b>	<b>\$237,448</b>	<b>\$244,572</b>	<b>\$251,909</b>	<b>\$259,466</b>
<b>5,000 Paid Attendees Per LCFC Match</b>					
Total Revenues	\$4,256,921	\$4,384,629	\$4,516,168	\$4,651,653	\$4,791,203
Total Expenses	\$4,450,000	\$4,583,500	\$4,721,005	\$4,862,635	\$5,008,514
<b>Net Income / (Loss)</b>	<b>(\$193,079)</b>	<b>(\$198,871)</b>	<b>(\$204,837)</b>	<b>(\$210,982)</b>	<b>(\$217,312)</b>
<b>7,500 Paid Attendees Per LCFC Match</b>					
Total Revenues	\$5,112,939	\$5,266,327	\$5,424,317	\$5,587,047	\$5,754,658
Total Expenses	\$4,610,000	\$4,748,300	\$4,890,749	\$5,037,471	\$5,188,596
<b>Net Income / (Loss)</b>	<b>\$502,939</b>	<b>\$518,027</b>	<b>\$533,568</b>	<b>\$549,575</b>	<b>\$566,063</b>
<b>Only \$500K in Sponsorship (No Shirt Partner)</b>					
Total Revenues	\$4,478,032	\$4,612,373	\$4,750,744	\$4,893,267	\$5,040,065
Total Expenses	\$4,470,000	\$4,604,100	\$4,742,223	\$4,884,490	\$5,031,024
<b>Net Income / (Loss)</b>	<b>\$8,032</b>	<b>\$8,273</b>	<b>\$8,521</b>	<b>\$8,777</b>	<b>\$9,040</b>
<b>Allocate Naming Rights to Operations</b>					
Total Revenues	\$4,995,532	\$5,145,398	\$5,299,760	\$5,458,753	\$5,622,515
Total Expenses	\$4,540,000	\$4,676,200	\$4,816,486	\$4,960,981	\$5,109,810
<b>Net Income / (Loss)</b>	<b>\$455,532</b>	<b>\$469,198</b>	<b>\$483,274</b>	<b>\$497,772</b>	<b>\$512,705</b>
<b>Only LCFC Events</b>					
Total Revenues	\$4,227,951	\$4,354,789	\$4,485,433	\$4,619,996	\$4,758,596
Total Expenses	\$4,540,000	\$4,676,200	\$4,816,486	\$4,960,981	\$5,109,810
<b>Net Income / (Loss)</b>	<b>(\$312,049)</b>	<b>(\$321,411)</b>	<b>(\$331,053)</b>	<b>(\$340,985)</b>	<b>(\$351,214)</b>
<b>4 Concerts</b>					
Total Revenues	\$5,111,166	\$5,264,501	\$5,422,436	\$5,585,109	\$5,752,662
Total Expenses	\$4,540,000	\$4,676,200	\$4,816,486	\$4,960,981	\$5,109,810
<b>Net Income / (Loss)</b>	<b>\$571,166</b>	<b>\$588,301</b>	<b>\$605,950</b>	<b>\$624,128</b>	<b>\$642,852</b>



## 7. Economic and Fiscal Impacts

# 7. ECONOMIC AND FISCAL IMPACTS

In evaluating the potential impact of a new, 10,000-seat soccer-specific stadium that would be home to LCFC, it is important to consider the benefits that could accrue to the Louisville Metro Government. The remainder of this analysis summarizes the estimated economic and fiscal impacts anticipated to be associated with the development and operations of a 10,000-seat soccer-specific stadium in Louisville.

## METHODOLOGY

Quantifiable measurements of the effects that a soccer-specific stadium could have on the local economy are characterized in terms of economic and fiscal impacts. Economic impacts are conveyed through measures of direct spending, total output, personal earnings and employment.

### Direct Spending

Direct spending represents the initial primary spending that would occur as a result of the construction and operations of the soccer-specific stadium. Direct spending generally occurs in three ways:

- **Construction Spending** – Construction materials, supplies, labor, professional fees and other soft cost spending will be generated during the planning and construction of a soccer-specific stadium. The construction-related impacts are based on cost estimates presented previously in this report.
- **Facility Operations Spending** – Operating spending associated with a new soccer-specific stadium and LCFC will include tickets, concessions, merchandise and parking to patrons attending events at the stadium. The operations of the stadium and team would also generate direct spending through premium seating, naming rights, sponsorships and other sources.
- **Ancillary Community Spending** – Direct spending will also be generated off-site within the City by stadium patrons, event personnel, hotel guests, housing residents, retail patrons and others. Ancillary community spending will likely

include spending on lodging, food and beverages, retail, entertainment, transportation and other items in connection with the construction and operations of a new soccer-specific stadium.

The graphic below illustrates the primary sources of direct spending anticipated to be associated with the one-time construction and on-going annual operations of a soccer-specific stadium in Louisville.

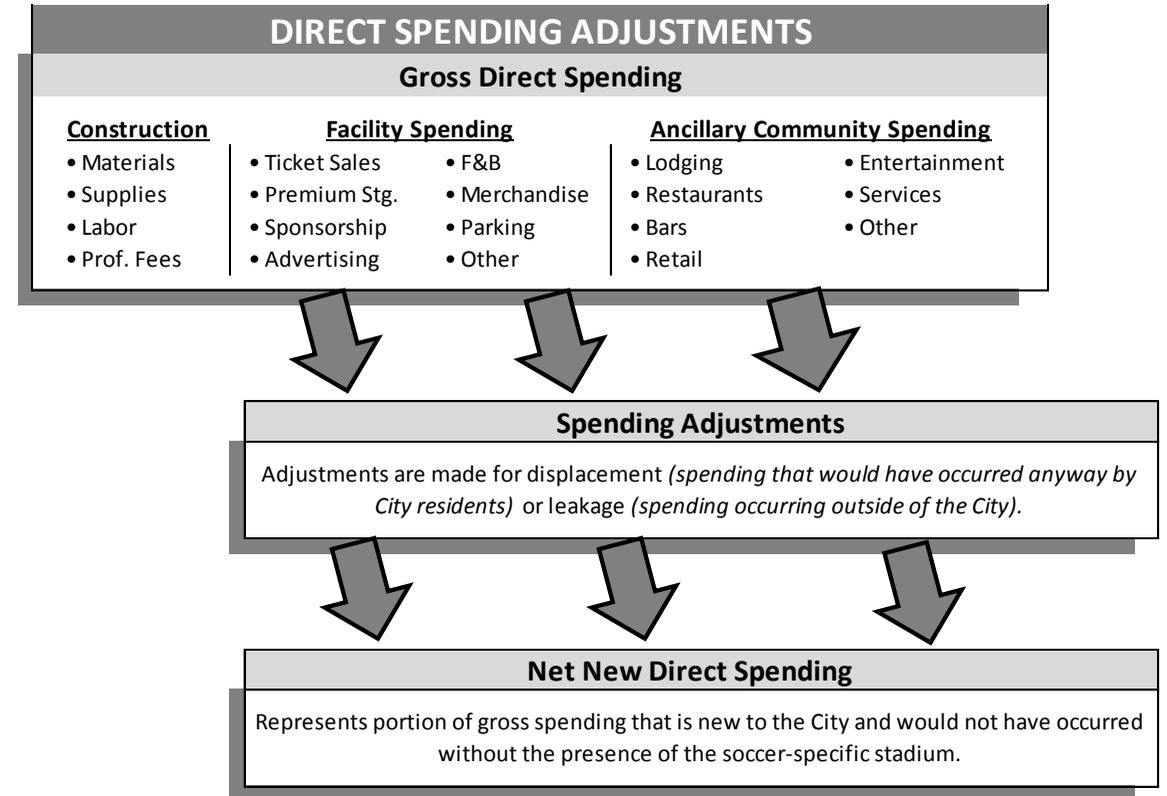


# 7. ECONOMIC AND FISCAL IMPACTS

Gross direct spending would flow to various economic entities, including the stadium, hotel operators, retail businesses, real estate landlords, service providers, and other entities. However, some of the spending that occurs in connection with the ongoing operations of a soccer-specific stadium would not fully impact the City’s economy. As such, adjustments must be made to gross direct spending to reflect only the amount of direct spending associated with a soccer-specific stadium that is considered net new to the economy. These adjustments include:

- Leakage** – Leakage represents the portion of gross spending estimated to occur outside of the City. Immediate leakage occurs when initial direct expenditures occur outside the City, such as an out-of-town fan that patronizes a hotel or restaurant located in Southern Indiana. Leakage also occurs when initial local spending is used immediately to pay for non-local goods, services, etc. Examples of this type of secondary leakage include ticket sales allocated to non-local promoters or artists, or concessionaire profits retained by companies based outside of the City.
- Displacement** – Displacement refers to spending that would have likely still occurred in the local market without the presence of the soccer-specific stadium. Examples of displaced spending would include spending by Louisville residents in connection with their attendance at a new soccer-specific stadium that would have been spent within the City anyway on other items (e.g. movies, restaurants, shopping, etc.). The concept of displacement is oftentimes referred to as the substitution effect.

As illustrated in the graphic on the right, the flow of gross direct spending is adjusted to reflect only the spending that is estimated to be net new to the Louisville Metro Government. The resulting spending after all adjustments, as summarized on the right, is referred to throughout the remainder of this analysis as net new direct spending.



## Multiplier Effects

Economic impacts are further increased through re-spending of initial 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 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:

# 7. ECONOMIC AND FISCAL IMPACTS

**Indirect effects** consist of 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 of the City, put part of these expenses into savings or pay taxes. This spending halts the process of subsequent expenditure flows and does not generate additional spending or impact within the City after a period of time. This progression is termed leakage, as previously described, and reduces the overall economic impact.

Indirect impacts occur in a number of areas including:

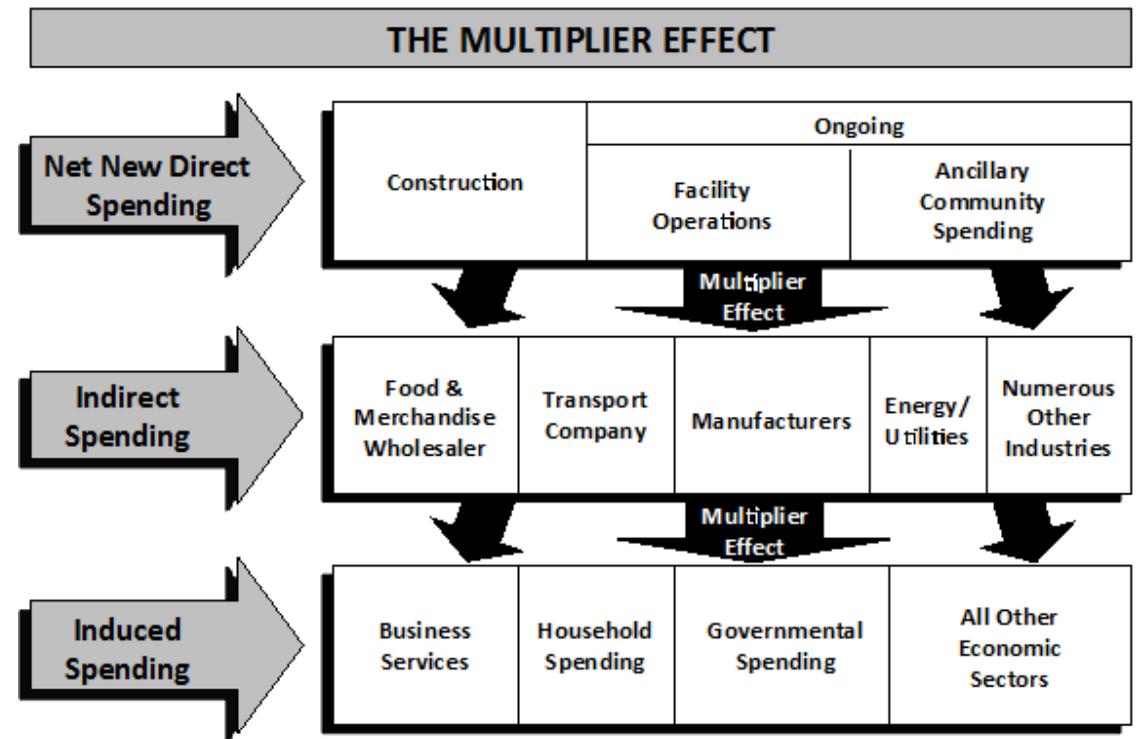
- wholesale industry as purchases of food and merchandise products are made;
- transportation industry as the products are shipped from purchaser to buyer;
- manufacturing industry as products used to service the venue, vendors and others are produced;
- utility industry as the power to produce goods 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 construction and operations of the soccer-specific 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 government sectors. This represents the induced spending impacts generated by direct expenditures.

Indirect and induced effects are calculated by applying the appropriate multipliers to the net new direct spending estimates. The appropriate multipliers to be used are dependent upon certain regional characteristics and also the nature of the expenditure.

Generally, 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 graphic below illustrates the flow of direct spending through the successive rounds of re-spending including indirect and induced effect.



# 7. ECONOMIC AND FISCAL IMPACTS

The multiplier estimates used in this analysis are based on the IMPLAN system. IMPLAN, which stands for Impact Analyses and Planning, is a computer software package that consists of procedures for estimating local input-output models and associated databases. Input-output models are a technique for quantifying interactions between firms, industries and social institutions within a local economy.

IMPLAN was originally developed by the U.S. Forest Service in cooperation with the Federal Emergency Management Agency and the U.S. Department of the Interior's Bureau of Land Management to assist in land and resource management planning. Since 1993, the IMPLAN system has been developed under exclusive rights by the Minnesota IMPLAN Group, Inc. which licenses and distributes the software to users. Currently, there are thousands of licensed users in the United States including universities, government agencies and private companies.

The economic data for IMPLAN comes from the system of national accounts for the United States based on data collected by the U. S. Department of Commerce, the U.S. Bureau of Labor Statistics and other federal and state government agencies. Data is collected for 440 distinct producing industry sectors of the national economy corresponding to the Standard Industrial Categories (SICs).

Industry sectors are classified on the basis of the primary commodity or service produced. Corresponding data sets are also produced for each county and zip code in the United States, allowing analyses at both the city and county level and for geographic aggregations such as clusters of contiguous cities, counties, individual states or groups of states.

Data provided for each industry sector includes outputs and inputs from other sectors; value added, employment, wages and business taxes paid; imports and exports; final demand by households and government; capital investment; business inventories; marketing margins; and inflation factors (deflators). This data is provided both for the 440 producing sectors at the national level and for the corresponding sectors at the local level. Data on the technological mix of inputs and levels of transactions between producing sectors is taken from detailed input-output tables of the national economy. National and local level data are the basis for IMPLAN calculations of input-output tables and multipliers for geographic areas. The

IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a local economic area.

The multiplier effects estimated in this analysis include:

- **Total Output** represents the total direct, indirect and induced spending effects generated by the soccer-specific stadium. Total output is calculated by multiplying the appropriate total output industry multiplier by the estimated net new direct spending within each industry.
- **Employment** is expressed in terms of total full-time equivalent jobs (FTEs) and includes both full and part-time jobs. Employment is calculated by dividing the appropriate employment multiplier by one million and then multiplying by the estimated direct spending within each industry. Because new jobs are not generally created as a result of inflation, it is necessary to deflate projected spending in future years before applying the jobs multiplier.
- **Personal Earnings** represent the wages and salaries earned by employees of businesses impacted by the soccer-specific stadium. Personal earnings are calculated by multiplying the appropriate personal earning multiplier by the estimated direct spending within each industry.

## Fiscal Benefits

In addition to the potential economic benefits from the construction and operations of a soccer-specific stadium, the City is also expected to realize incremental tax revenues. The sources of tax revenue focused on in this report are outlined below:

- **Personal income taxes** are estimated based on the total earnings generated by net new direct, indirect and induced jobs created by the soccer-specific stadium. 90 percent of total net new earnings estimated (to account for allocable income to taxes) is applied to a local tax rate of 1.45 percent consisting of a 1.25 percent local occupational license tax and a 0.2 percent transient tax assessed on

# 7. ECONOMIC AND FISCAL IMPACTS

resident/non-resident employees for work done and services performed or rendered in the Louisville Metro Government.

- **Hotel taxes**, excluding the sales tax rate of six percent, are assessed at various rates including a one percent State transient room tax and a 9.5 percent local transient room tax. To determine the hotel taxes generated by the construction and operations of the soccer-specific stadium, only the local 9.5 percent transient room tax rate was applied to the corresponding taxable net revenues generated by the increase in hotel room nights in the market.

In preparing estimates of fiscal benefits, tax revenues attributable to the direct, indirect and induced spending generated by a 10,000-seat soccer-specific stadium was estimated. Tax revenue estimates are based on current applicable tax rates.

## KEY STATISTICS AND ASSUMPTIONS

Key statistics and assumptions used to estimate the net new economic and fiscal benefits of a new 10,000-seat soccer-specific stadium in Louisville include:

- Total development costs for a soccer-specific stadium in Louisville are estimated to be between \$30 million and \$50 million, depending on finish-out and excluding any land acquisition or other site related costs. For purposes of this analysis, the mid cost estimate presented previously of \$40 million was used to estimate total project costs.
- It is estimated that 75 percent of construction labor expenditures will occur in the City. Additionally, it is estimated that 50 percent of material spending on construction will occur in the City.
- A new soccer-specific stadium is estimated to host 29 events annually and attract 166,000 paid attendees and approximately 141,000 turnstile attendees.

- It is estimated that 62 percent of gross in-stadium and team spending would be net new to the City after accounting for displacement and leakage.
- In addition to in-stadium and team spending, it is anticipated that the City will realize new economic activity from ancillary community spending outside the stadium from stadium patrons and visiting team/event personnel. Based on the historical ticket buyer zip code reports from LCFC, it is estimated that 65 percent of attendees will be Louisville residents, 25 percent will be non-Louisville resident day trippers and 10 percent will be non-Louisville resident overnight visitors.
- Based on previous fan-spending surveys completed in other markets adjusted to the Louisville marketplace, per capita ancillary community spending is estimated to be \$10.00 for local residents, \$20.00 for non-Louisville resident day trippers and \$140.00 for non-Louisville resident overnight visitors during their entire stay in the City. Net new ancillary community spending was adjusted to exclude spending by Louisville residents. Approximately 60 percent of ancillary community spending by visiting fans and teams/event personnel in connection with stadium events is estimated to occur within the City.

## SUMMARY OF ECONOMIC AND FISCAL BENEFITS

Based on these key assumptions, the **net economic and fiscal benefits** to Louisville of a new 10,000-seat soccer-specific stadium were estimated and are summarized on the following page. It should be noted that there are benefits that are expected to accrue to the Commonwealth of Kentucky and other tax jurisdictions but those have not been analysed herein.

# 7. ECONOMIC AND FISCAL IMPACTS

NET NEW SPENDING	
Louisville City FC / New Soccer Stadium	
	Louisville Metro Government
<b>One-Time Construction Spending:</b>	
Direct Spending	\$25,000,000
Indirect & Induced Spending	<u>\$16,122,115</u>
Total Construction Spending	\$41,122,115
<b>Annual Operations Spending:</b>	
Direct Spending:	
Commercial Sports	\$1,002,752
Lodging	\$631,577
Food and Beverage	\$987,309
Retail	\$467,912
Entertainment	\$335,314
Transportation	\$206,728
Other	<u>\$107,494</u>
Subtotal	\$3,739,088
Indirect & Induced Spending	<u>\$1,998,565</u>
Total Operations Spending	\$5,737,652
<b>Cumulative Net New Spending from Construction &amp; 20 Years of Operations thru 2038</b>	
Direct Spending	\$125,477,079
Indirect & Induced	<u>\$69,827,278</u>
<b>TOTAL</b>	<u><u>\$195,304,356</u></u>

NET NEW JOBS & WAGES	
Louisville City FC / New Soccer Stadium	
	Louisville Metro Government
<b>One-Time Construction Jobs:</b>	
Direct Jobs	153
Indirect & Induced Jobs	<u>113</u>
Total Construction Jobs	266
Average Construction Wages	
	\$55,089
Total Construction Earnings	\$14,647,930
<b>Annual Operations Spending:</b>	
Direct Jobs:	
Commercial Sports	20
Lodging	6
Food and Beverage	23
Retail	12
Entertainment	5
Transportation	3
Other	<u>3</u>
Subtotal	72
Indirect & Induced Jobs	<u>24</u>
Total Operations Jobs	95
Average Operations Wages	
	\$31,615
Total Operations Earnings	\$3,012,351
<b>Cumulative Net New Jobs and Wages from Construction &amp; 20 Years of Operations thru 2038</b>	
Direct Jobs	1,584
Indirect & Induced Jobs	<u>588</u>
<b>TOTAL JOBS</b>	<u><u>2,172</u></u>
Average Wages	\$44,022
Total Earnings	\$95,595,148

NET NEW TAX REVENUES	
Louisville City FC / New Soccer Stadium	
	Louisville Metro Government
<b>One-Time Construction Tax Revenues:</b>	
Personal Income	\$195,403
Hotel	<u>\$0</u>
Total	\$195,403
<b>Annual Operations Tax Revenues:</b>	
Personal Income	\$35,063
Hotel	<u>\$53,091</u>
Total	\$88,155
<b>Cumulative Net New Tax Revenues from Construction &amp; 20 Years of Operations thru 2038</b>	
Personal Income	\$1,247,517
Hotel	<u>\$1,426,587</u>
<b>TOTAL</b>	<u><u>\$2,674,104</u></u>

# 7. ECONOMIC AND FISCAL IMPACTS

Total net new spending (direct, indirect and induced) associated with the soccer-specific stadium for LCFC in Louisville is estimated to be \$41.1 million during construction and \$5.7 million annually during operations (increasing three percent annually thereafter). Total net new spending during operations represents an approximate 50 percent increase over the annual estimated spending impact from LCFC's current operations at Louisville Slugger Field.

Over the term of the construction period and the first 20 years of operations, the cumulative net positive spending impacts estimated to be generated within the City is estimated to be \$195.3 million.

It is estimated that net new spending in the Louisville Metro Government associated with the development of a soccer-specific stadium could support 266 new full-time equivalent (FTE) jobs during construction and an average of 95 FTEs during operations. Over the term of the construction period and the first 20 years of operations, these new full and part-time jobs are estimated to generate approximately \$95.6 million in personal earnings with an average annual compensation of \$44,022 per FTE within the City.

In addition to the economic benefits anticipated to be generated by the construction and operations of a soccer-specific stadium in Louisville, the City will also benefit from increased tax revenues. Overall it is estimated that \$2.7 million in cumulative net new tax revenues could be generated by the Louisville Metro Government over the term of the construction period and the first 20 years of operations.

## NON-QUANTIFIABLE BENEFITS

In addition to the quantifiable benefits generated from the construction and operations of a new soccer-specific stadium in Louisville, some benefits cannot be quantitatively measured. Potential qualitative benefits for the local area could include:

- Expanding Louisville's ability to accommodate and attract various sports, entertainment and other events;

- Providing new advertising and business development opportunities for local corporations;
- Enhancing community pride, self-image, exposure and reputation;
- Spurring ancillary private development in the area surrounding the new soccer-specific stadium;
- Aiding in the grass-roots youth soccer development within the Louisville community and promoting health and wellness among the City's youth;
- Providing diversified, affordable entertainment alternatives for Louisville residents;
- Creating additional opportunities to retain Louisville's young professionals; and,
- Other such benefits.



## 8. Funding Options

# 8. FUNDING OPTIONS

It is estimated that a new 10,000-seat soccer-specific stadium in Louisville could cost approximately \$30 million to \$50 million to develop depending on construction quality, excluding land acquisition or other site related costs. The purpose of this section is to summarize the potential funding sources that could be available to pay for project costs.

As mentioned previously, the Louisville Metro Government is considering facilitating the development of a soccer-specific stadium to serve as the home for LCFC, believing it can be used as a tool for redevelopment within the City’s downtown core that will result in added economic activities that will increase tax revenues and enhance the quality of life for its citizens.

While the operating revenues anticipated to be generated by a soccer-specific stadium are expected to be sufficient to cover its operating costs, the net income from operations will not be able to fund a material amount of stadium project costs, which is typical of most soccer-specific stadiums that have been built for teams in USL, NASL and other similar leagues. Historically, the development of soccer-specific stadiums has generally involved varying degrees of public-private partnerships.

The remainder of this section presents a summary of the funding options that could be available to pay for the development of a soccer-specific stadium in Louisville. It should be noted that the funding sources assessed herein are not intended to be an exhaustive evaluation of all potential funding sources, but rather a description of the most likely sources of project funding available in the local market.

Accordingly, potential funding options are summarized in the following sections:

- Comparable Soccer-Specific Stadium Funding Benchmarks;
- Facility Funding Benchmarks in Kentucky;
- Private Funding Sources;
- Public Funding Contributions;
- Other Potential Funding Sources;
- Summary of Hypothetical Funding Sources: and,
- Other Considerations.

For the purposes of the analysis, it is assumed that the Louisville Metro Government will finance the development of a new 10,000-seat soccer-specific stadium through the use of 20-year bonds at a 3.0 percent tax-exempt rate, which will be repaid by the private and public funding sources analyzed herein.

## COMPARABLE SOCCER-SPECIFIC FUNDING BENCHMARKS

In identifying possible funding sources for a new 10,000-seat soccer-specific stadium in Louisville, it is useful to review the historical funding of comparable soccer-specific stadiums. The following exhibit presents an overview of the total cost and the percentage public and private funding participation for the development of comparable soccer-specific stadiums identified earlier in this report.

SOCCER-SPECIFIC STADIUM FUNDING COMPARABLES						
Public vs. Private Sector Participation						
Stadium	Year Opened	Project Cost	Funding Participation			
			Amount		Percentage	
			Public	Private	Public	Private
WakeMed Soccer Park	2011	\$20.8	\$20.8	\$0.0	100%	0%
Rhinos Stadium	2006	\$24.9	\$18.9	\$6.0	76%	24%
Highmark Stadium	2014	\$10.2	\$2.7	\$7.5	26%	74%
Toyota Field	2013	\$24.0	\$0.0	\$24.0	0%	100%
Bonney Field	2014	\$4.6	\$0.0	\$4.6	0%	100%
<b>AVERAGE</b>	<b>2014</b>	<b>\$16.9</b>	<b>\$8.5</b>	<b>\$8.4</b>	<b>50%</b>	<b>50%</b>

Note: Sorted by public participation.

# 8. FUNDING OPTIONS

As depicted above, the average comparable soccer-specific stadium cost an average of \$17 million to develop.

The public sector contributed to the funding in half of the comparable facilities ranging from 15 percent for RGVFC stadium to 100 percent of total project and renovation costs for WakeMed Soccer Park. On average, the public sector contributed 44 percent of total project costs while the private sector contributed 56 percent towards development.

## FACILITY FUNDING BENCHMARKS IN KENTUCKY

In addition to understanding comparable soccer-specific stadium funding in other markets, it is important for project stakeholders to also understand historical funding for sports and entertainment facilities in Kentucky that highlight the funding opportunities and challenges that are reflective of the local economic and political environment. The table below summarizes the public-private funding participation associated with selected sports and recreation facilities in Kentucky.

KENTUCKY FUNDING BENCHMARKS Public vs. Private Sector Participation							
Stadium	Location	Year Opened	Project Cost	Funding Participation			
				Amount		Percentage	
				Public	Private	Public	Private
E-Town Sports Park	Elizabethtown	2012	\$31.0	\$31.0	\$0.0	100%	0%
Bowling Green Ballpark	Bowling Green	2009	\$25.0	\$25.0	\$0.0	100%	0%
Louisville Slugger Field	Louisville	2000	\$25.0	\$25.0	\$0.0	100%	0%
KFC Yum! Center	Louisville	2010	\$349.0	\$312.0	\$37.0	89%	11%
BB&T Arena	Highland Heights	2008	\$68.9	\$54.0	\$14.9	78%	22%
Applebee's Park	Lexington	2001	\$17.0	\$0.0	\$17.0	0%	100%
<b>AVERAGE</b>		<b>2006</b>	<b>\$86.0</b>	<b>\$75.0</b>	<b>\$11.0</b>	<b>87%</b>	<b>13%</b>

Note: Sorted by public participation.

On average, the selected sports and entertainment facilities used as benchmarks cost \$88 million to develop. Unlike the comparable soccer-specific stadiums, the selected facilities analyzed herein involved substantially higher public sector funding participation.

Overall, the public sector contributed funding in five out of six facility projects in Kentucky. The average public contribution was \$75 million, ranging from \$25 million for Bowling Green Ballpark and Louisville Slugger Field to \$312 million for the KFC Yum! Center.

Detailed summaries of the funding for each of these facilities are provided below:

- KFC Yum! Center (Louisville)** – The \$349 million KFC Yum! Center was funded through a \$75 million grant from the Commonwealth of Kentucky, \$115 million from the Louisville Metro Government, \$122 million in tax increment financing (TIF) revenues and \$37 million in arena revenues.
- BB&T Arena (Highland Heights)** – Formerly the Bank of Kentucky Center, BB&T Arena was funding through a \$54.0 million state appropriation, naming rights revenue of \$6.0 million and \$8.9 million from Northern Kentucky University's general funds.
- Louisville Slugger Field (Louisville)** – Louisville Slugger Field was funded through a \$25 million general obligation bond.
- E-Town Sports Park (Elizabethtown)** – E-Town's project costs of \$31 million was financing entirely through a restaurant tax assessed at two percent within the City limits.
- Bowling Green Ballpark (Bowling Green)** – The City of Bowling Green issued \$25 million in general obligation bonds backed by TIF financing to pay for the construction of the ballpark.
- Applebee's Park (Lexington)** – Applebee's park was privately financed.

# 8. FUNDING OPTIONS

## PRIVATE FUNDING SOURCES

Based on a review of local facility and comparable facility funding sources and our experience with private sources used to fund stadium construction costs, the most likely potential sources of private sector funding for a new 10,000-seat soccer-specific stadium in Louisville could include but are not limited to:

- Stadium Naming Rights;
- Team Rent;
- Facility Fees;
- Founder’s Suites;
- Ownership Contributions; and,
- Other Private Sources.

A description of each potential funding source is presented in the following pages. It should be noted that total funding potential for each annual revenue source is calculated as the net present value of future cash flows over 20 years assuming a 3 percent discount rate.

### Stadium Naming Rights

The majority of new soccer-specific stadium developments involve securing a title naming rights agreement for the facility. It is anticipated that the development of a soccer-specific stadium in Louisville will require a stadium naming rights deal in order for the project to come to fruition. The table on the right summarizes a sampling of naming rights deals associated with recent USL and NASL soccer-specific stadiums.

TITLE NAMING RIGHTS Comparable Stadiums					
Stadium	Team	League	Total Naming Rights Value	Term (years)	Annual Naming Rights Value
Rhinos Stadium	Rochester Rhinos	USL	\$2,000,000	10	\$200,000
WakeMed Soccer Park	Carolina RailHawks	NASL	\$900,000	2	\$450,000
Bonney Field	Scramento Republic FC	USL	\$800,000	5	\$160,000
Highmark Stadium	Pittsburgh Riverhounds	USL	\$500,000	5	\$100,000
<b>AVERAGE</b>			<b>\$1,100,000</b>	<b>6</b>	<b>\$230,000</b>

Note: Sorted by Total Naming Rights Value.

As shown, the total amount of naming rights revenue toward project construction for selected soccer-specific stadium comparables ranged from \$500,000 to \$2 million, averaging \$1.1 million total. With average comparable naming rights agreement terms of six years, the average annual naming rights value of comparable soccer-specific stadiums was approximately \$230,000. For purposes of this analysis, it is assumed that the title naming rights agreement for a soccer-specific stadium will generate \$250,000 annually over a 20-year term. It should be noted that the naming rights value will be largely dependent on the visibility of the site to traffic (pedestrian and vehicular).

The table on the next page summarizes the estimated funding potential of a title naming rights deal for a new 10,000-seat soccer-specific stadium in Louisville.

# 8. FUNDING OPTIONS

<b>NAMING RIGHTS FUNDING POTENTIAL</b>	
Louisville City FC / New Soccer Stadium	
<b>Naming Rights:</b>	
Gross Annual Revenue	\$250,000
Less: Suite Value	(\$25,000)
Less: Fulfillment Costs	(\$22,500)
Net Revenue	\$202,500
<b>TOTAL FUNDING POTENTIAL</b>	<b><u>\$3,000,000</u></b>
Note: Funding assumes tax-exempt 20-year bonds at 3.0%	

Overall, it is estimated that approximately \$3 million in funding potential could be generated through a \$250,000 annual naming rights agreement. The assumption of using naming rights revenue to fund facility project costs is similar to the strategies employed to fund a portion of the KFC Yum! Center.

To the extent the decision is made not to dedicate stadium naming rights to facility funding, the proceeds could be used to enhance the operations of the team/stadium (i.e. include them in the financial pro forma projections) or establish a capital reserve for the facility.

### Team Rent

It is anticipated that the Louisville Metro Government would require an annual guaranteed rent payment from LCFC to serve as the facility’s primary tenant. For purposes of this analysis, it is assumed that the revenues associated with this rental payment would go directly to repay long-term debt issued by the Louisville Metro Government. Currently, LCFC pays a \$5,000 per-game rental fee to the Metro Development Authority for the use of Louisville Slugger

Field, without the benefit of certain key revenue sources including concessions, non-ticket suite revenue and permanent signage. In addition, the team is responsible for game day expenses including the cost to convert the field from a baseball playing surface to a soccer playing surface. Based on an average USL season of 15 regular season home matches, LCFC pays \$75,000 annually (excluding game day expenses) for use of Louisville Slugger Field.

As mentioned previously, it is anticipated that LCFC will operate a new soccer-specific stadium and retain all revenues and pay all expenses related to stadium operations. As such, given more favorable economic conditions in a new soccer specific stadium (e.g. no field conversion costs, control of all revenue streams, new stadium built with modern amenities), it is anticipated that the rental rate for LCFC would increase from historical levels for use of the new soccer-specific stadium.

Based on LCFC’s historical rental agreement at Louisville Slugger Field and comparable rental agreements for other soccer-specific USL facilities, it is estimated that LCFC would pay \$100,000 annually to the Louisville Metro Government. Overall, it is estimated that approximately \$1 million in funding potential could be generated through a \$100,000 annual rental agreement between LCFC and the Louisville Metro Government.

### Facility Fees

Stadiums and other public assembly facilities often assess a facility fee on tickets sold for events at the facility. In some cases, this revenue source is dedicated towards project financing as opposed to going towards the stadium’s operating profit. For purposes of this analysis, it is assumed that an average facility fee of \$2.00 per paid attendee would be assessed on all tickets sold for ticketed events at the new 10,000-seat soccer-specific stadium. For comparison, the KFC Yum! Center currently assesses a \$2.00 ticket surcharge on each ticket sold for men’s basketball games.

The table below summarizes the estimated funding potential of assessing facility fees on each ticket sold at a new stadium.

# 8. FUNDING OPTIONS

FACILITY FEES FUNDING POTENTIAL	
Louisville City FC / New Soccer Stadium	
<b>Facility Fees</b>	
Total Annual Paid Attendees	166,000
Facility Fee	\$2.00
Net Revenue	\$332,000
<b>TOTAL FUNDING POTENTIAL</b>	<b><u>\$5,000,000</u></b>
Note: Funding assumes tax-exempt 20-year bonds at 3.0%	

Overall, it is estimated that approximately \$5 million in funding potential could be generated through a \$2.00 per paid ticket facility fee.

### Founder’s Suites

As a means of generating additional private investment for the funding of a new soccer-specific stadium, the Louisville Metro Government or LCFC could identify four-to-six key corporate partnerships that have shown a commitment to the community by aiding in the funding of the stadium through a founder’s suite partnership program. This type of corporate sponsorship has been utilized by other teams and municipalities to fund new stadiums. The founder’s suite sponsorship program would require that each selected partner purchase a luxury suite up front with a long-term rights agreement (e.g. 20 years), the proceeds of which would go to offset project costs for the soccer-specific stadium.

For instance, LCFC could offer four-to-six of its 13 sellable suites as part of a founder’s suite sponsorship program. If these suites were sold for a range of \$1.0 million to \$1.5 million each,

the founder’s suite program could generate between \$4 million and \$9 million towards upfront project costs. It should be noted, however, that these suites would no longer be counted towards LCFC’s operating pro forma and would negatively impact the net operating income presented herein by over \$100,000 per year.

### Private Contributions

A number of new soccer-specific stadiums have utilized private equity investments from investors and ownership groups to help fund a portion of stadium project costs. For instance, Toyota Field was financed entirely by a residential developer in San Antonio, Highmark Stadium was financed primarily through equity contributions from the team’s investor group and Los Angeles Football Club is building a new MLS facility slated to open in 2019, which will be financed, in part, through equity contributions from the team’s investors.

### Other Private Sources

Other potential private sources of revenues could come from parking surcharges, one-time capital gifts towards project development in exchange for recognition opportunities in the stadium, land contribution, investment income, concessionaire / vendor rights and other such sources.

### PUBLIC FUNDING CONTRIBUTIONS

In addition to private revenue streams generated by the team and stadium to help fund project costs associated with a new 10,000-seat soccer-specific stadium, public participation may be required to bring the project to fruition. Oftentimes, public participation in such projects includes site acquisition, site improvements, financing costs, parking facilities, utilities remediation and other potential project costs.

Any potential investment by the public sector must be viewed as an investment in the quality of life of local residents. Further, a return on public investment could be realized through the

## 8. FUNDING OPTIONS

incremental economic impacts and tax revenues generated by the construction and operations of a soccer-specific stadium as demonstrated previously.

Based on discussions with project stakeholders, the most likely potential sources of public sector financing for a new 10,000-seat soccer-specific stadium in Louisville could include but are not limited to:

- Tax Increment Financing; and,
- Other Public Sources;

Each potential funding source is discussed in more detail below.

### Tax Increment Financing

Tax increment financing (TIF) is an economic development tool used by government agencies to finance capital projects by earmarking future tax gains (often sales and property taxes) related to a particular development or developments within a defined area (i.e. TIF district). Developments within the TIF district increase property values and sales in the defined area which provide incremental tax revenues which can be dedicated to towards capital projects. In essence TIF districts create a vehicle by which the public sector can finance current project costs through the future value of improvements to the defined area.

Assuming statutory requirements can be met, the City can allocate 100 percent of incremental property and occupation taxes or fees to project financing and the State may pledge up to 80 percent of incremental property and sales taxes.

While the State may pledge up to 80 percent of the incremental tax lift, the total pledged amount is dependent on an economic impact analysis performed by an independent consultant, appointed by the Commonwealth, who analyses the net new economic impact to the Commonwealth of Kentucky. In practice, this results in pledged totals lower than anticipated, as was the case with the development of a boutique hotel in downtown Louisville which received only \$4 million of the \$11 million requested from the program.

Regardless, the creation of a TIF district in Louisville is an attractive funding source for a soccer-specific stadium because it does not increase property or sales tax rates and diversifies the public sector investment among the taxing entities that are anticipated to benefit from the soccer-stadium development.

Depending on site selection, it is envisioned that the stadium development could be part of a larger mixed-use TIF district development that includes hotels, restaurants, retail, residential and/or commercial developments to provide additional contributions towards project costs beyond the incremental tax revenues generated from the construction and operations of the soccer-specific stadium.

The table on the following page summarizes the estimated funding potential derived from a TIF district that is assumed to realize a range of incremental development ranging from \$20 million to \$60 million.

It should be noted that a 50 percent “Commonwealth Factor” was used to estimate the actual Commonwealth pledge of financing relative to the 80 percent of incremental property and sales tax lift as stipulated in the TIF guidelines. While the development of a soccer-specific stadium in Louisville and the development of a boutique hotel in downtown do not share many similarities, and while there is no indication that the Commonwealth would pledge less than 80 percent of incremental tax revenue lifts towards stadium project financing, the Commonwealth Factor has been added to the analysis to remain conservative.

Overall, it is estimated that between \$2.5 million and \$6.3 million in funding potential could be generated through a TIF district depending on the incremental lift in property and sales tax revenues as a result of the development of a new 10,000-seat soccer-specific stadium.

# 8. FUNDING OPTIONS

## FUNDING POTENTIAL - TAX INCREMENT FINANCING Louisville City FC / New Soccer Stadium

Estimated Incremental Property Value <sup>(1)</sup>	\$20,000,000	\$30,000,000	\$40,000,000	\$50,000,000	\$60,000,000
<b>Property Tax Rates (Per \$100):</b>					
Commonwealth of Kentucky	0.1220	0.1220	0.1220	0.1220	0.1220
Louisville Metro Government	0.4792	0.4792	0.4792	0.4792	0.4792
<b>Total</b>	<b>0.6012</b>	<b>0.6012</b>	<b>0.6012</b>	<b>0.6012</b>	<b>0.6012</b>
<b>Estimated Annual Property Tax Revenue:</b>					
Commonwealth of Kentucky	\$24,400	\$36,600	\$48,800	\$61,000	\$73,200
Louisville Metro Government	\$95,840	\$143,760	\$191,680	\$239,600	\$287,520
<b>Total</b>	<b>\$120,240</b>	<b>\$180,360</b>	<b>\$240,480</b>	<b>\$300,600</b>	<b>\$360,720</b>
Capture % for TIF District (Commonwealth)	80%	80%	80%	80%	80%
Commonwealth Factor <sup>(2)</sup>	50%	50%	50%	50%	50%
Capture % for TIF District (Metro)	100%	100%	100%	100%	100%
<b>Funding Potential <sup>(3)</sup></b>					
Commonwealth of Kentucky	\$150,000	\$220,000	\$290,000	\$360,000	\$440,000
Louisville Metro Government	\$1,400,000	\$2,200,000	\$2,900,000	\$3,600,000	\$4,300,000
<b>Total</b>	<b>\$1,550,000</b>	<b>\$2,420,000</b>	<b>\$3,190,000</b>	<b>\$3,960,000</b>	<b>\$4,740,000</b>
<b>Estimated Incremental Sales Revenue <sup>(1)</sup></b>					
	<b>\$2,500,000</b>	<b>\$3,000,000</b>	<b>\$3,500,000</b>	<b>\$4,000,000</b>	<b>\$4,500,000</b>
<b>Sales Tax Rate</b>					
Commonwealth of Kentucky	6.00%	6.00%	6.00%	6.00%	6.00%
<b>Estimated Annual Sales Tax Revenue:</b>					
Commonwealth of Kentucky	\$150,000	\$180,000	\$210,000	\$240,000	\$270,000
Capture % for TIF District (Commonwealth)	80%	80%	80%	80%	80%
Commonwealth Factor <sup>(2)</sup>	50%	50%	50%	50%	50%
<b>Funding Potential <sup>(2)</sup></b>					
Commonwealth of Kentucky	\$900,000	\$1,100,000	\$1,300,000	\$1,400,000	\$1,600,000
<b>Total</b>	<b>\$900,000</b>	<b>\$1,100,000</b>	<b>\$1,300,000</b>	<b>\$1,400,000</b>	<b>\$1,600,000</b>
<b>TOTAL FUNDING POTENTIAL</b>	<b>\$2,450,000</b>	<b>\$3,520,000</b>	<b>\$4,490,000</b>	<b>\$5,360,000</b>	<b>\$6,340,000</b>

Note: Incremental property and sales tax value estimates shown for illustrative purposes.  
 (1) Assumes 100% of fair cash value pursuant to the Constitution of Kentucky and applicable statutes.  
 (2) Conservative factor to estimate actual Commonwealth pledge versus TIF guidelines.  
 (3) Funding assumes tax-exempt 20-year bonds at 3.0% .

It should be noted that incremental property and sales tax assumptions presented herein are shown for illustrative purposes and are based on conservative estimates. As a means of comparison, CSL performed an economic impact study on the KFC Yum! Center in 2014, which concluded that the arena generated \$22 million in net new sales tax revenue to the Commonwealth of Kentucky during its first four years of operations, or approximately \$5.5 million annually.

### Other Public Sources

While the funding analysis presented herein provides project stakeholders with an overview of potential public funding options to realize the development of a soccer-specific stadium in Louisville, there are a variety of other funding sources that could be explored further, including but not limited to:

- Kentucky Tourism Development Incentive Program** - The Kentucky Tourism Development Incentive Program is a state sales tax incentive program awarded to eligible projects that spur increased levels of tourism within a community. Once a project meets the stipulated criteria, project stakeholders can recover 25 percent of development costs over 10 years.
- Public Grants** – A variety of grants and funding programs are available in Kentucky including those focused on health and wellness, public infrastructure, transportation, and job creation, among others. For instance, the Humana Foundation offers grants for projects the promote community health and well-being. Louisville Slugger Field was partially funded with \$40 million through a Humana Foundation grant.
- New Market Tax Credits** – New Market Tax Credits (NMTC) are a federal program designed to spur revitalization efforts of low-income and impoverished communities. The NMTC program provides tax credit incentives to investors for equity investments in certified Community Development Entities, which invest in low-income communities. The credit equals 39 percent of the investment paid

## 8. FUNDING OPTIONS

out (5 percent in each of the first three years, then 6 percent in the final four years, for a total of 39 percent) over seven years. In order to qualify for NMTC, the stadium site must be located in a qualified census tract.

- **EB-5 Visa Program** - The Immigrant Investor Program, also known as “EB-5,” was created by Congress in 1990 to stimulate the U.S. economy through job creation and capital investment by immigrant investors by creating a new commercial enterprise or investing in a troubled business. An investor seeking an EB-5 immigrant visa through a designated regional center must generally make a qualifying investment of \$1 million and demonstrate that at least 10 jobs were directly or indirectly created through the investment. Certain rural, high unemployment or Targeted Employment Areas (TEA) qualify for a lesser capital investment of \$500,000. TEA is defined by law as “a rural area or an area that has experienced high unemployment of at least 150 percent of the national average.”

### SUMMARY OF HYPOTHETICAL FUNDING SOURCES

An analysis was conducted to evaluate specific funding sources for a 10,000-seat soccer-specific stadium in Louisville. It should be noted that the funding sources assessed herein are not intended to be an exhaustive evaluation of all potential funding sources, but rather the most typical or likely sources of project funding based on comparable projects, discussions with local community officials and the resources available in the local market.

Given the magnitude of potential capital costs required to develop a 10,000-seat soccer-specific stadium, it is likely that funding will require a combination of public and private contributions to bring the project to fruition. In addition, given that the net income from stadium operations will not be able to fund any material amount of stadium project costs, it is estimated that funding could require an increased portion of public funding, similar to the ways in which other Kentucky-based sports and entertainment facilities were financed.

The table on the following page summarizes three hypothetical funding scenarios based on the range of potential project costs estimated herein. The ultimate funding structure for the stadium will be dependent on political, economic and other factors unique to the community.

It should be noted that total project costs estimated herein exclude land acquisition and other site related costs.

The first hypothetical funding scenario under the low cost estimate (\$30 million) assumes a new 10,000-seat soccer-specific stadium receives 50 percent in private sources including stadium naming rights, LCFC rental fees, facility fees, founder’s suite revenue and other private contributions. The remaining 50 percent of project funding is assumed to come from public sector sources including \$6.0 million in TIF financing, \$2.5 million in public grants and an additional \$6.5 million from the Louisville Metro Government’s General Fund or other public sources.

The second hypothetical funding scenario under the mid cost estimate (\$40 million) assumes a new 10,000-seat soccer-specific stadium receives 46 percent in private sources including stadium naming rights, LCFC rental fees, facility fees, founder’s suite revenue and other private contributions. The remaining 54 percent of project funding is assumed to come from public sector sources including \$6.0 million in TIF financing, \$2.5 million in public grants and an additional \$13.0 million from the Louisville Metro Government’s General Fund or other public sources.

The third hypothetical funding scenario under the high cost estimate (\$50 million) assumes a new 10,000-seat soccer-specific stadium receives 46 percent in private sources including stadium naming rights, LCFC rental fees, facility fees, founder’s suite revenue and other private contributions. The remaining 54 percent of project funding is assumed to come from public sector sources including \$6.0 million in TIF financing, \$2.5 million in public grants and an additional \$18.5 million from the Louisville Metro Government’s General Fund or other public sources.

It should be noted that there is more risk imposed on the long-term viability of the franchise as the proportion of private funding contributions from the team increases. Specifically, the more private funding sources that can be used by the team to offset operating expenses, the higher the likelihood of sustainable success over the life of the stadium.

# 8. FUNDING OPTIONS

## HYPOTHETICAL FUNDING SCENARIO

Louisville City FC / New Soccer Stadium

TOTAL PROJECT COSTS - \$30,000,000			TOTAL PROJECT COSTS - \$40,000,000			TOTAL PROJECT COSTS - \$50,000,000		
HYPOTHETICAL FUNDING SCENARIO Low Cost Estimate			HYPOTHETICAL FUNDING SCENARIO 2 Mid Cost Estimate			HYPOTHETICAL FUNDING SCENARIO 3 High Cost Estimate		
	Amount	%		Amount	%		Amount	%
<b>SOURCES:</b>			<b>SOURCES:</b>			<b>SOURCES:</b>		
<i>Private Funding Contributions:</i>			<i>Private Funding Contributions:</i>			<i>Private Funding Contributions:</i>		
Stadium Naming Rights	\$3,000,000	10%	Stadium Naming Rights	\$3,000,000	8%	Stadium Naming Rights	\$3,000,000	6%
LCFC Rental Agreement	\$1,000,000	3%	LCFC Rental Agreement	\$1,000,000	3%	LCFC Rental Agreement	\$1,000,000	2%
Facility Fees	\$5,000,000	17%	Facility Fees	\$5,000,000	13%	Facility Fees	\$5,000,000	10%
Founder's Suites <sup>(1)</sup>	\$4,000,000	13%	Founder's Suites <sup>(1)</sup>	\$6,500,000	16%	Founder's Suites <sup>(1)</sup>	\$9,000,000	18%
Private Contributions	\$2,000,000	7%	Private Contributions	\$3,000,000	8%	Private Contributions	\$5,000,000	10%
<b>Subtotal - Private</b>	<b>\$15,000,000</b>	<b>50%</b>	<b>Subtotal - Private</b>	<b>\$18,500,000</b>	<b>46%</b>	<b>Subtotal - Private</b>	<b>\$23,000,000</b>	<b>46%</b>
<i>Public Funding Contributions:</i>			<i>Public Funding Contributions:</i>			<i>Public Funding Contributions:</i>		
TIF Financing <sup>(2)</sup>	\$6,000,000	20%	TIF Financing <sup>(2)</sup>	\$6,000,000	15%	TIF Financing <sup>(2)</sup>	\$6,000,000	12%
Public Grants	\$2,500,000	8%	Public Grants	\$2,500,000	6%	Public Grants	\$2,500,000	5%
Metro General Funds / Other Sources	\$6,500,000	22%	Metro General Funds / Other Sources	\$13,000,000	33%	Metro General Funds / Other Sources	\$18,500,000	37%
<b>Subtotal - Public</b>	<b>\$15,000,000</b>	<b>50%</b>	<b>Subtotal - Public</b>	<b>\$21,500,000</b>	<b>54%</b>	<b>Subtotal - Public</b>	<b>\$27,000,000</b>	<b>54%</b>
<b>TOTAL SOURCES</b>	<b>\$30,000,000</b>	<b>100%</b>	<b>TOTAL SOURCES</b>	<b>\$40,000,000</b>	<b>100%</b>	<b>TOTAL SOURCES</b>	<b>\$50,000,000</b>	<b>100%</b>

Note: Funding assumes tax-exempt 20-year bonds at 3.0%.

(1) Suites for founder's program would impact net operating income for LCFC.

(2) Assumes between \$50 - \$60 million of ancillary development.

Note: Funding assumes tax-exempt 20-year bonds at 3.0%.

(1) Suites for founder's program would impact net operating income for LCFC.

(2) Assumes between \$50 - \$60 million of ancillary development.

Note: Funding assumes tax-exempt 20-year bonds at 3.0%.

(1) Suites for founder's program would impact net operating income for LCFC.

(2) Assumes between \$50 - \$60 million of ancillary development.

# 8. FUNDING OPTIONS

## OTHER CONSIDERATIONS

Prudent financial planning, and potentially a lender requirement, stipulates that a capital reserve be established to fund major capital projects for the new 10,000-seat soccer-specific stadium. Based on industry standards, a capital reserve should be funded in an annual amount equal to 0.5 percent of the stadium's project costs, escalating annually for changes in the consumer price index. As such, a capital reserve fund of approximately \$100,000 per year should be strongly considered and a source for funding be identified.

Depending on the type of debt issued by the Louisville Metro Government (e.g. general obligation bonds, revenue bonds, etc.), a lender could require the establishment of a debt service reserve fund equal to one or two years debt payments that must be funded at the time the debt is issued which could increase the project costs estimated herein or require additional funding sources to be identified. Further, the City or team/stadium could be required to pledge additional resources beyond those estimated herein or to secure project financing.

Oftentimes, depending on the type of debt issue and the lender's recourse options, a lender may require that a certain debt coverage ratio be established to reduce project financing risk. This debt coverage ratio can range anywhere from 1.25 to 2.0 or more times the annual debt payment.



## Appendix A: MLS Opportunity and Impact

# APPENDIX A: MLS OPPORTUNITY AND IMPACT

This study focused on the market and financial feasibility of a 10,000-seat soccer-specific stadium in Louisville to host LCFC matches and other stadium events. The Louisville Metro Government and LCFC are also considering the long-term potential that a successful USL franchise could lead to the market being considered for an MLS franchise. Many community leaders believe an MLS franchise is Louisville's most realistic opportunity at landing a major professional sports franchise.

MLS started in 1996 with 10 teams and has grown to 20 franchises located in the United States and Canada. The MLS Board of Governors has also announced four expansion franchises to begin play by 2020, including Atlanta United FC, Minnesota United FC, Los Angeles Football Club and Miami. The Board has also approved total league expansion to 28 clubs in the next decade but there is no further official communication as to the potential for expansion beyond 28 teams.

In addition to the 20 current members and four expansion franchises by 2020, a total of 10 markets have publicly stated their intent to bid for a MLS franchise in the next round of expansion including Austin, Charlotte, Cincinnati, Detroit, Indianapolis, Phoenix, Sacramento, San Antonio, San Diego and St. Louis. Based on preliminary public indications from the league, it may be challenging for Louisville to be awarded an expansion franchise within the league's expansion to 28 teams. This is largely due to the City's below average demographic and socioeconomic characteristics relative to current and potential MLS market. In addition, the relative proximity of Indianapolis and Cincinnati to Louisville presents another obstacle in the City's bid for a professional sports franchise as it is likely that only one of these markets would be awarded an expansion MLS franchise.

While there has been no official word on the potential for expansion beyond 28 teams, many industry analysts believe the league will eventually expand beyond this cap, particularly if MLS can secure a long-term media rights deal to capitalize on the growth and success of the sport. As such, it is important to analyze the long-term considerations of accommodating a MLS franchise in Louisville should the opportunity arise in the future.

The analysis of the MLS opportunity and its implications on soccer-specific stadium development in Louisville has been divided into the following sections:

- MLS Structure
- MLS Stadium Overview
- MLS Stadium Funding
- Demographic Comparison
- Summary

## MLS STRUCTURE

MLS teams are divided between two conferences (Eastern and Western) and play 34 regular season games from March to October. The top six teams from each conference compete in the MLS Cup Playoffs in November and December. MLS teams also participate in regional competitions such as the CONCACAF Champions League and U.S. Open Cup.

EASTERN CONFERENCE	
Chicago Fire	New York City FC
Columbus Crew SC	New York Red Bulls
D.C. United	Orlando City SC
Montreal Impact	Philadelphia Union
New England Revolution	Toronto FC

WESTERN CONFERENCE	
Colorado Rapids	Real Salt Lake
FC Dallas	San Jose Earthquakes
Houston Dynamo	Seattle Sounders FC
Los Angeles Galaxy	Sporting Kansas City
Portland Timbers	Vancouver Whitecaps FC

EXPANSION	
Atlanta United FC (2017)	LAFC (2018)
Minnesota United FC (2018)	Miami (2020)

# APPENDIX A: MLS OPPORTUNITY AND IMPACT

Significantly different from the current USL league structure in which soccer clubs are owned by individuals or corporate entities, MLS operates as a single-entity limited liability company in which the league owns the team and an investor(s) owns a financial stake in the league and manages the day-to-day operations of an individual franchise. The league negotiates and executes player contracts, pays each team’s players who fall under a salary cap (approximately \$3.3 million in 2015) and controls several key centralized revenue streams which are redistributed to investors effectively as dividends including multi-media rights revenue, apparel contracts and national sponsorship agreements.

The league considers several criteria when awarding expansion franchises, including the size of the metropolitan market, existing fan base, status of home stadium plans and the financial strength of the team owners, as demonstrated through the currently estimated franchise expansion fee of approximately \$100 million. As a result, a majority of new MLS franchises are often owned by high net worth individuals or investment groups (“whales”) capable of carrying the franchise fee burden.

In the event that Louisville bids for a MLS expansion franchise in the future, it will be imperative that the Louisville Metro Government work with LCFC and other potential investors on an ownership group capable of paying the MLS expansion fee, which is estimated to continue to escalate as the league develops.

## MLS STADIUM OVERVIEW

Including expansion franchises, 19 of 24 teams play, or will play in soccer-specific stadiums by 2020. The chart on the right provides a summary of current and future MLS facilities.

Overall, the average MLS stadium was opened in 2010 and has a seating capacity of approximately 24,000. The average soccer-specific MLS stadium has a seating capacity of approximately 22,000 ranging from a low of 16,400 at Avaya Stadium (San Jose, California) to a high of 40,000 at BMO Field (Toronto, Ontario). By comparison, the average soccer-specific stadium is 2.4 times larger than the recommended 10,000-seat soccer-specific stadium for LCFC analyzed herein.

MLS STADIUM OVERVIEW			
Current and Planned MLS Stadiums			
Facility	Team	Year Opened	Capacity
BMO Field	Toronto FC	2007	40,000
CenturyLink Field	Seattle Sounders FC	2002	39,115
Yankee Stadium	New York City FC	2009 <sup>(1)</sup>	33,444
Mercedes-Benz Stadium	Atlanta United FC	2017	29,322
StubHub Center	Los Angeles Galaxy	2003	27,000
Orlando SC Stadium	Orlando City SC	2017	25,500
Red Bull Arena	New York Red Bulls	2010	25,189
Gillete Stadium	New England Revolution	2002 <sup>(1)</sup>	22,385
BBVA Compass Stadium	Houston Dynamo	2012	22,039
LAFC Stadium	LAFC	2018 <sup>(2)</sup>	22,000
Providence Park	Portland Timbers	2010 <sup>(3)</sup>	22,000
BC Place	Vancouver Whitecaps FC	2011 <sup>(4)</sup>	21,000
Saputo Stadium	Montreal Impact	2008	20,801
Toyota Stadium	FC Dallas	2005	20,295
Toyota Park	Chicago Fire	2006	20,000
Rio Tinto Stadium	Real Salt Lake	2008	20,000
Minnesota United FC Stadium	Minnesota United FC	2018	20,000
Mapfre Stadium	Columbus Crew	1999	19,968
Buzzard Point Stadium	D.C. United	2018 <sup>(2)</sup>	19,200
Talen Energy Stadium	Philadelphia Union	2010	18,500
Children’s Mercy Park	Sporting Kansas City	2011	18,467
Dick’s Sporting Goods Park	Colorado Rapids	2007	18,061
Avaya Stadium	San Jose Earthquakes	2015	16,400
Miami Stadium	Miami	n/a	n/a
<b>AVERAGE</b>		<b>2010</b>	<b>23,508</b>

(1) New York City FC and New England Revolution are currently looking to secure soccer-specific

(2) Based on most recent estimates.

(3) Originally constructed in 1926, Providence Park underwent a major renovation that was completed in 2010.

(4) BC Place was built in 1983 but underwent a transformative renovation in 2011.

# APPENDIX A: MLS OPPORTUNITY AND IMPACT

One important consideration when analyzing MLS implications for Louisville is the stadium capacities and building programs of teams that transitioned from NASL and USL to MLS, similar to the envisioned route for LCFC. Most of these MLS clubs completed major stadium renovations or are building new soccer-specific stadiums to comply with current MLS stadium standards. The Portland Timbers, for instance, added 5,000 seats, upgraded the playing surface and installed a state-of-the-art video screen as part of a \$36.0 million renovation to Providence Park for the team’s inaugural season in MLS. The Montreal Impact, following their promotion to MLS in 2011, increased stadium capacity of Saputo Stadium from 13,034 to 20,801 seats. Orlando City FC, who played its inaugural MLS season at the Citrus Bowl in 2015, is currently constructing a \$155 million soccer-specific stadium in downtown Orlando. High attendance levels in the first season (32,847 per game) encouraged owners to adjust the initial building program from 18,000 seats to 25,500 seats.

In addition to current MLS franchises, several teams that are bidding for inclusion during the next MLS expansion period have announced soccer-specific stadium plans or are planning to expand current stadium facilities to comply with MLS stadium requirements. Sacramento Republic FC (USL) announced plans to construct a \$180 million, 25,000-seat soccer-specific stadium as part of a redevelopment of the Railyards district in downtown Sacramento. In order to expedite a transition to MLS, Indy Eleven (NASL) team owners are working on a proposal for the construction of an 18,500-seat downtown soccer stadium funded through a public/private partnership. Toyota Field, home to San Antonio FC (USL), can be expanded from its current soccer capacity of 8,296 to 18,000 seats, if needed, to accommodate an MLS expansion franchise.

## SOCCER-SPECIFIC STADIUM FUNDING

A review of stadium funding in other MLS markets can be useful in identifying the various levels of public and private participations that have been required to construct new soccer-specific stadiums that meet MLS requires. The table below summarizes total project cost and mix of public and private funding of MLS soccer-specific stadiums. As shown, the average soccer-specific MLS stadium cost \$128.9 million (approximately \$100 more than the 10,000-seat stadium analyzed herein), with the public sector funding an average of 42.6 percent of development costs and the private sector funding an average of 57.4 percent.

It will be important for the Louisville Metro Government to develop a thorough stadium development and funding plan if the City wishes to pursue an MLS franchise in the future.

PUBLIC-PRIVATE FUNDING PARTICIPATION New or Proposed Soccer-Specific Stadiums				
Facility	Team	Total Cost		
		(\$ in millions)	% Public	% Private
Children's Mercy Park	Sporting KC	\$167.5	88.0%	12.0%
Dick's Sporting Goods Park	Colorado Rapids	\$182.5	82.4%	17.6%
Toyota Stadium	FC Dallas	\$103.0	73.0%	27.0%
Talen Energy Stadium	Philadelphia Union	\$122.1	59.8%	40.2%
Saputo Stadium*	Montreal Impact	\$35.7	57.5%	42.5%
Toyota Park	Chicago Fire	\$98.0	56.0%	44.0%
Buzzard Point Stadium	D.C. United	\$300.0	50.0%	50.0%
Rio Tinto Stadium	Real Salt Lake	\$110.0	40.9%	59.1%
BBVA Compass Stadium	Houston Dynamo	\$101.1	40.2%	59.8%
Red Bull Arena	New York Red Bulls	\$245.0	34.7%	65.3%
Providence Park	Portland Timbers	\$36.0 <sup>(1)</sup>	31.0%	69.0%
BMO Field*	Toronto FC	\$91.2 <sup>(2)</sup>	25.0%	75.0%
Orlando City SC Stadium	Orlando City SC	\$155.0	0.0%	100.0%
StubHub Center	LA Galaxy	\$95.0	0.0%	100.0%
Avaya Stadium	San Jose Earthquakes	\$91.0	0.0%	100.0%
LAFC Stadium	LAFC	n/a	n/a	n/a
<b>AVERAGE</b>		<b>\$128.9</b>	<b>42.6%</b>	<b>57.4%</b>

(1) 2010 renovation cost.

(2) 2016 renovation cost.

\* Converted from Canadian to U.S. dollars using 1 to 0.76 conversion rate.

Note: Sorted by public participation percentage.

# APPENDIX A: MLS OPPORTUNITY AND IMPACT

## DEMOGRAPHIC COMPARISON

The likelihood of the MLS Board of Governors awarding an MLS expansion franchise to Louisville will be heavily dependent on the key demographic and socioeconomic characteristics. As mentioned previously, the league utilizes key demographic and socioeconomic characteristics such as population, median household income and the number of corporations in a market when determining whether to award a MLS expansion franchise. In addition the viability of a MLS franchise and MLS soccer stadium will also be dependent on the local market to generate the vast majority of spending on season tickets, premium seating, naming rights and sponsorship opportunities.

The chart on the right benchmarks the Louisville DMA to current and potential MLS markets according to key demographic and socioeconomic characteristics.

As shown, Louisville ranks near the bottom on each critical demographic and socioeconomic variable, whether compared to current MLS markets or markets with which Louisville would compete for an expansion franchise.

## SUMMARY

Based on an analysis of the MLS league structure, MLS stadium building program and project costs and a review of key demographic and socioeconomic characteristics of current and potential MLS markets, it is improbable that Louisville would be awarded an MLS franchise during the league's expansion to 28 teams. However, should the Louisville Metro Government consider a bid in the future, CSL has developed a preliminary building program and cost analysis for a soccer-specific MLS stadium in Louisville as demonstrated in the chart on the following page.

POPULATION		MEDIAN HOUSEHOLD INCOME		CORPORATE BASE	
<b>Current Markets</b>		<b>Current Markets</b>		<b>Current Markets</b>	
1 New York City	21,297,405	1 Washington D.C.	\$85,860	1 New York City	14,456
2 Los Angeles	18,036,490	2 San Jose	\$79,604	2 Los Angeles	9,684
3 Chicago	9,727,379	3 Boston	\$71,702	3 Chicago	7,557
4 Philadelphia	8,100,260	4 New York City	\$66,274	4 Washington D.C.	4,743
5 Dallas	7,498,210	5 Seattle	\$63,585	5 Dallas	4,491
6 San Jose	7,289,673	6 Minneapolis	\$62,372	6 Houston	4,474
7 Houston	6,820,783	7 Chicago	\$62,372	7 Boston	4,428
8 Washington D.C.	6,729,398	8 Denver	\$61,647	8 Philadelphia	4,342
9 Atlanta	6,609,632	9 Salt Lake City	\$60,137	9 Miami	3,636
10 Boston	6,473,689	10 Houston	\$59,951	10 Atlanta	3,350
11 Seattle	5,017,340	11 Philadelphia	\$59,877	11 Minneapolis	3,119
12 Minneapolis	4,630,153	12 Los Angeles	\$58,861	12 Seattle	2,339
13 Miami	4,482,727	13 Dallas	\$55,860	13 Denver	1,881
14 Denver	4,260,500	14 Portland	\$55,746	14 San Jose	1,656
15 Orlando	3,902,970	15 Kansas City	\$54,273	15 Portland	1,630
16 Portland	3,233,915	16 Atlanta	\$54,178	16 Kansas City	1,518
17 Salt Lake City	3,138,595	17 Columbus	\$51,744	17 Columbus	1,241
18 Columbus	2,480,905	18 Louisville	\$48,498	18 Louisville	1,239
19 Kansas City	2,479,540	19 Miami	\$47,616	19 Orlando	1,234
20 Louisville	1,740,041	20 Orlando	\$46,784	20 Salt Lake City	957
<b>AVERAGE</b>	<b>6,697,480</b>	<b>AVERAGE</b>	<b>\$60,347</b>	<b>AVERAGE</b>	<b>3,899</b>
<b>Potential Markets</b>		<b>Potential Markets</b>		<b>Potential Markets</b>	
1 Phoenix	5,273,888	1 San Diego	\$62,468	1 Detroit	8,303
2 Detroit	4,808,377	2 Austin	\$61,619	2 San Diego	5,586
3 Sacramento	4,147,424	3 Sacramento	\$56,241	3 Indianapolis	3,497
4 San Diego	3,206,272	4 Cincinnati	\$54,074	4 Phoenix	3,303
5 St. Louis	3,197,498	5 Detroit	\$53,079	5 Nashville	3,048
6 Charlotte	3,114,296	6 St. Louis	\$52,726	6 St. Louis	2,913
7 Indianapolis	2,971,008	7 San Antonio	\$51,433	7 Cincinnati	2,181
8 Nashville	2,844,311	8 Phoenix	\$50,998	8 Charlotte	2,066
9 San Antonio	2,646,959	9 Charlotte	\$49,544	9 San Antonio	1,491
10 Cincinnati	2,360,486	10 Louisville	\$48,498	10 Austin	1,463
11 Austin	2,068,620	11 Nashville	\$48,486	11 Sacramento	1,320
12 Louisville	1,740,041	12 Indianapolis	\$47,748	12 Louisville	1,239
<b>AVERAGE</b>	<b>3,198,265</b>	<b>AVERAGE</b>	<b>\$53,076</b>	<b>AVERAGE</b>	<b>3,034</b>

# APPENDIX A: MLS OPPORTUNITY AND IMPACT

- A standard MLS stadium should accommodate 18,500 to 20,000 patrons, which is nearly double the recommended stadium capacity for a soccerp specific stadium to host LCFC matches and other stadium events (10,000).
- A statep ofp thep art MLS stadium would significantly increase the recommended premium seating program (750 to 1,000 club seats and 25 to 30 suites).
- As a result of an increase in capacity, the amount of parking required for accommodate patrons will more than double from this study’s recommendations (5,700 spaces for MLS versus 2,800 for USL).
- An additional five acres of land would be required to accommodate the increased stadium size and additional parking requirements for an MLS stadium. This acreage increase could not be accommodated on a majority of potential sites currently under consideration for the development of a soccerp specific stadium in Louisville.
- Total project costs for a MLS franchise will include both the development of a new stadium, estimated at \$125 million, and the current estimated franchise fee of \$100 million, which could significantly increase over time. As such, an expansion MLS franchise would require significant additional investment from both the private and public sector to find the appropriate funding sources to bring the project to fruition.

## USL AND MLS BUILDING PROGRAM COMPARISON

### Louisville City FC / New Soccer Stadium

	USL	MLS
<b>Seating Capacity:</b>		
Soccer	10,000	18,500 - 20,000
End-Stage Concert	15,000	23,500 - 25,000
<b>Premium Seating</b>		
Club Seats	300	750 - 1000
Luxury Suites	16	25 - 30
<b>Parking</b>		
On-Site Parking	1,400	1,400
Off-Site Parking	1,400	4,300
Total Parking Spaces	2,800	5,700
<b>Total Site Footprint (including on-site parking)</b>		
Total Square Footage	720,000	890,000
Total Acreage	16	21
<b>Project Cost:</b>		
Soccer-Specific Stadium <sup>(1)</sup>	\$30M to \$50M	\$125,000,000
Franchise Fee <sup>(2)</sup>	\$0	\$100,000,000
Total	\$30M to \$50M	\$225,000,000

(1) MLS stadium costs based on historical costs to build new soccer-specific MLS stadiums and adjusted to Louisville in 2019 dollars.

(2) Based on current estimates and anticipated to increase over time.