

City of Palm Coast, Florida Agenda Item

Agenda Date: February 13, 2024

Department CITY ADMINISTRATION Division	Amount Account #
Subject: PRESENTATION - SPORTS ACTIVITIES CENTER	
Presenter: Lauren Johnston, Assistant City Manager	
Attachments: 1. Presentation	
Background: Council Priority: A. Strong Resilient Economy <u>UPDATED BACKGROUND FROM THE DECEMBER 12, 2023, WORKSHOP:</u> Per Council direction at the December 12, 2023, Workshop, staff will present on the Sports Complex Assessment conducted by Synergy Sports. Synergy Sports Global is a full-service sports facility development and management company. <u>ORIGINAL BACKGROUND FROM DECEMBER 12, 2023, WORKSHOP:</u> City Council will review a comprehensive presentation on the feasibility study for a proposed sports complex. The study aims to assess the viability of such a facility, considering factors such as economic impact, community engagement, and potential benefits for residents and visitors alike. The study includes a regional gap analysis, with similar facilities across the Southeast. The presentation will be an integral part of the City Council's decision-making process regarding the development of this significant community asset. City Council continues to prioritize economic development as a key driver of prosperity for the community. Recognizing the importance of securing additional funding to diversify the city without competing with private businesses, the City Council will assess and discuss alternative funding sources. The goal is to identify sustainable revenue streams, including grants, partnerships, and collaborative initiatives that can support City Council's priorities. As Palm Coast experiences smart managed growth, the City Council acknowledges the increasing need for recreation amenities. On December 5 th City Council approved the Parks Master Plan. This plan set goals and strategies, on the development of facilities that not only meet the demands of our growing community but also position the city as a destination for sports enthusiasts, events, and tournaments. <u>UPDATED BACKGROUND FROM OCTOBER 18, 2022, WORKSHOP:</u> In 2022, City Council adopted a Strategic Action Plan priority for the westward expansion. A5. The westward expansion is guided by master planning for smart, managed, growth. Economic development is driven by Town Center regional destination initiatives. Economic	

growth and community marketing are supported by competitive youth sport activity centers catering to young athletes, families, and fans from regional and distant locations.

Several projected outcomes were determined for this priority: create a conceptual master plan for Matanzas Woods Fly over, secure funding through legislative appropriations and conduct a youth sports activity center feasibility study.

City Council approved a contract with Sports Facilities Companies at the October 18, 2022, business meeting to conduct a youth sports activity center. The completed Sports Complex feasibility study will showcase the market demand and feasibility of developing a sports complex in Palm Coast.

**Recommended Action:
FOR PRESENTATION ONLY**

City of Palm Coast

Sports Complex Assessment
February 13, 2024





Synergy Sports

- National sports consulting firm
- Expertise in creating public/ private sports partnerships with municipalities, colleges, and universities
- Currently over 30 sports complex projects in development nationally as public private partnerships

Executive Summary

- Synergy was contracted after the initial study was presented to City Council to provide next-step consulting
 - The Parks Master Plan recommended developing additional flat fields as well as indoor sports and recreation opportunities
 - Initial Study was well done. We reviewed it and noted revisions to City staff
 - The conceptual site plan was revised to a more realistic design
 - Cost estimate was reviewed
 - A more detailed financial model was created based on actual rights holder information, fees, currently operating facilities, etc.
 - Funding options were determined, and a funding pathway was identified
 - A development path and timeline was created



Feasibility Study Assessment

The initial study recommended:

- Twenty flat fields (16 turf/ 4 grass)
- Outdoor Stadium
- Indoor Facility (approx. 112,000 sqft)
- Support Spaces & Buildings
- 180 acres

The initial study projected:

- Cost estimate of \$93M
- Year 1 Economic Impact: \$30M
- 75,000 room nights (Yr. 1)
- Projected loss of \$500,000 in year 1, loss of \$110,000 in year 2

Feasibility Study Review

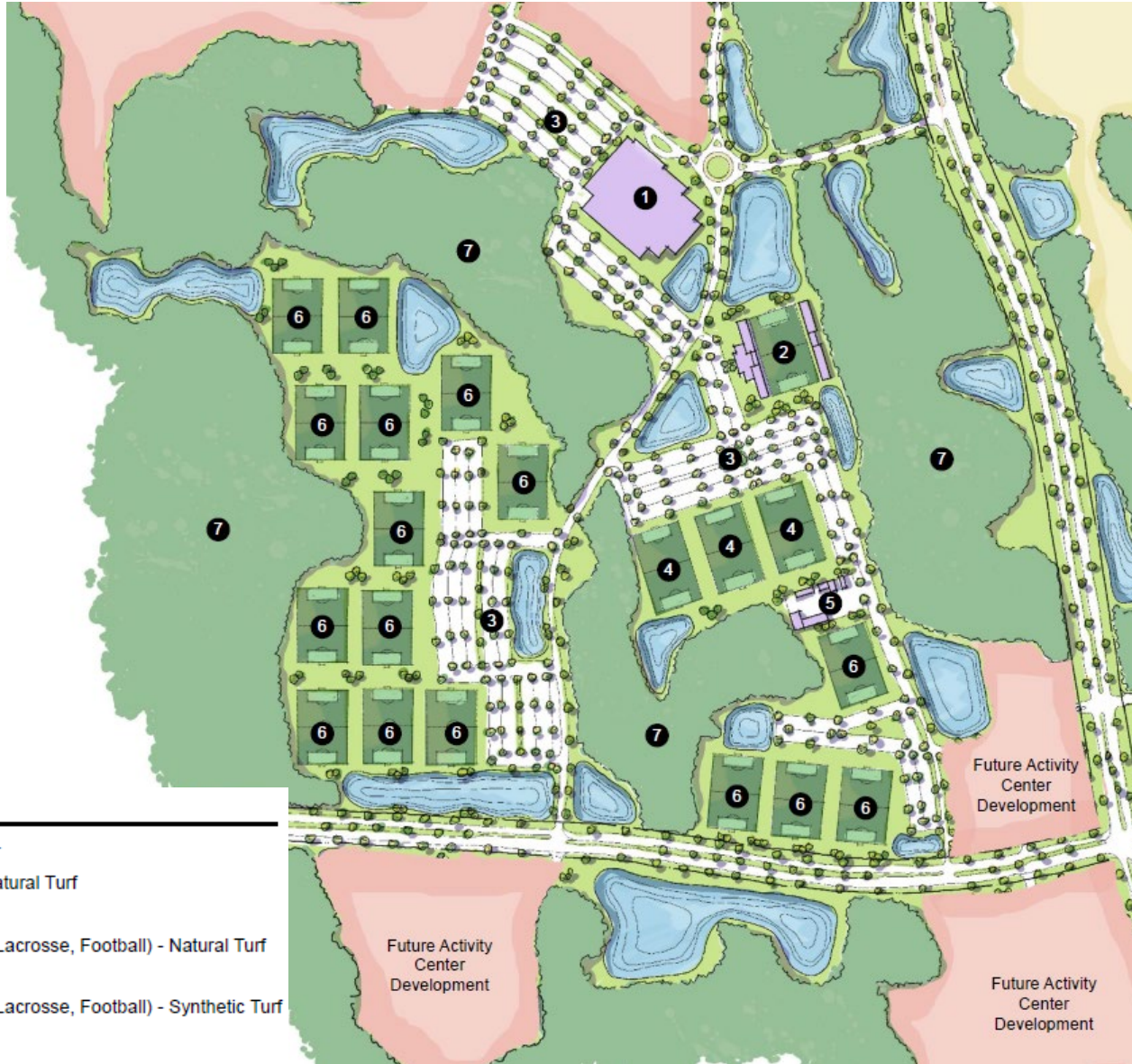
Facility Components

- Field recommendation is appropriate
- Outdoor Stadium is appropriate
- Indoor Facility may be inadequate for larger tournaments. Add leasable spaces, community spaces, etc. (~140,000 sqft).
- Support Spaces & Buildings are sufficient
- 180 acres is sufficient for current needs + some growth

Financial Review

- Cost estimate is realistic
- Year 1 Economic Impact (\$30M) is considered low.
- 75,000 room nights (Yr. 1) is low
- Study only estimated overnight spending; did not include spending by day visitors
- Did not include TDC participation, impact of USL (additional 1 cent), or capital raised by naming rights
- Revenues can support operations and financing obligation

Revised Site Plan



LEGEND

- 1 Indoor Recreation Center
- 2 Tournament Stadium - Natural Turf
- 3 Parking Area
- 4 Multi-Use Field (Soccer, Lacrosse, Football) - Natural Turf
- 5 Maintenance Complex
- 6 Multi-Use Field (Soccer, Lacrosse, Football) - Synthetic Turf
- 7 Preservation Area

Rendering provided by ETM

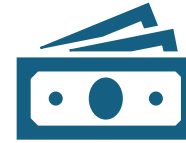
Funding Options



Issue Bonds



Capital Improvement
Budget



Developer Funded/
Private



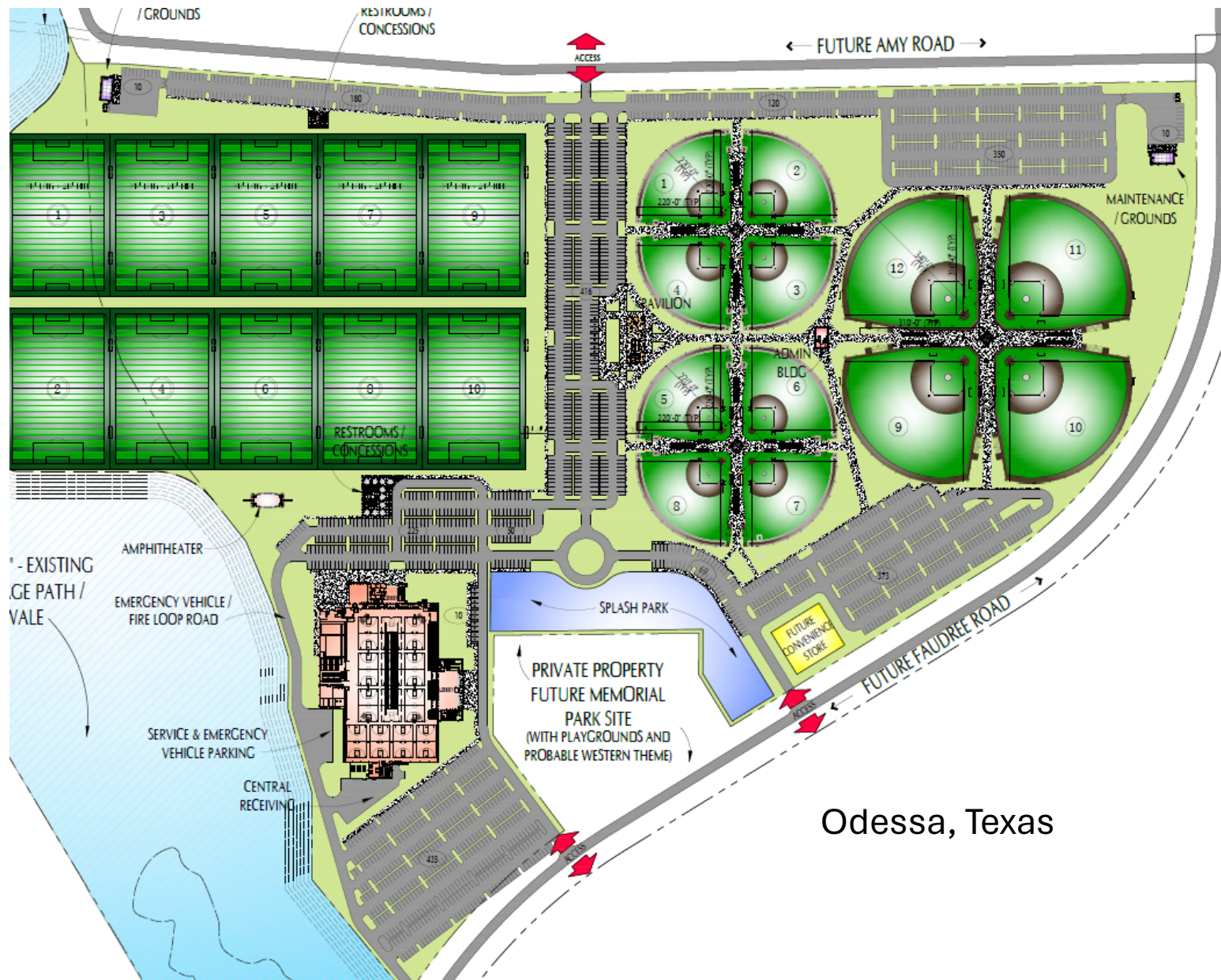
Public Private
Partnership/ Municipal
Lease

What is a P3 Municipality Lease?

1. The municipality and the private sector each bring value to the project
2. The City brings land, possibly some capital, possible tax incentives or economic development incentives, TDC support, etc.
3. The private side brings the balance of the capital required to fund the project along with development expertise, sports experience, vendor relationships, and operating expertise
4. The land is leased by the City to the private side for \$1
5. The private side then develops the project as a private project with an agreement to lease the improved facility back to the City for a pre-determined amount
6. Doesn't use City's bond capacity and ensures the City maintains control of the use of the facility (as Master Leaseholder)
7. The private side operates the complex

How Does A P3 Municipality Lease Work?

1. Municipality funds Feasibility Study/ Economic Impact Assessment, Financial Modeling/ Budget
2. Municipality funds pre-development architecture, engineering, site surveys, etc. (managed by Synergy). Last out of pocket cost that the City is required to pay
3. Synergy engages private funding partners. Private funding provides the capital to develop the project; up to 100% of project costs +7% for Professional Services
4. Developed as a private project utilizing local firms when possible; Allows for faster, more efficient, and more affordable development
5. Municipality leases the facility back from the private side
6. Externally operated (fee + incentive)
7. All revenues go to the municipality
8. Creates economic impact, regional spending, and supports development (visitors pay the bulk of the costs)
9. Allows for ideal mix of community use and sports tourism
10. Only recommended if the financial model supports positive cash flow (facility can support itself)



Odessa, Texas

Case Study

- 100-acre site
- 12 diamonds
- 10 flat fields
- 140,000 square foot indoor facility
 - 10 Full-size courts/ 24 volleyball courts
 - Ability to house a 200m banked, indoor competitive track
 - Leasable medical space
 - Leasable fitness space
 - 2,400 parking spots
- Community amphitheater
- Splash park
- Walking trails
- **\$90M cost estimate**
- City committed land + pre-development costs (\$1M)
- **Private funding/ municipal lease is providing all \$90M**
- Privately operated

Palm Coast Financial Model

Revenue	YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	YR10
Basketball	424,000	424,000	488,000	561,000	645,000	710,000	781,000	820,000	861,000	904,000
Volleyball	508,000	508,000	584,000	672,000	773,000	850,000	935,000	982,000	1,031,000	1,083,000
Soccer	733,000	733,000	843,000	969,000	1,114,000	1,225,000	1,348,000	1,415,000	1,486,000	1,560,000
Football	228,000	228,000	262,000	301,000	346,000	381,000	419,000	440,000	462,000	485,000
Lacrosse	135,000	135,000	155,000	178,000	205,000	226,000	249,000	261,000	274,000	288,000
Fitness	150,000	150,000	173,000	199,000	229,000	252,000	277,000	291,000	306,000	321,000
Summer Camp	135,000	135,000	155,000	178,000	205,000	226,000	249,000	261,000	274,000	288,000
Sponsorship	176,000	176,000	202,000	232,000	267,000	294,000	323,000	339,000	356,000	374,000
Food and Beverage	726,000	726,000	835,000	960,000	1,104,000	1,214,000	1,335,000	1,402,000	1,472,000	1,546,000
Facility Rental	230,000	230,000	265,000	305,000	351,000	386,000	425,000	446,000	468,000	491,000
Vendor Rental Income	17,000	17,000	20,000	23,000	26,000	29,000	32,000	34,000	36,000	38,000
Total Income	\$ 3,462,000	\$ 3,462,000	\$ 3,982,000	\$ 4,578,000	\$ 5,265,000	\$ 5,793,000	\$ 6,373,000	\$ 6,691,000	\$ 7,026,000	\$ 7,378,000
Gross Profit	\$ 3,462,000	\$ 3,462,000	\$ 3,982,000	\$ 4,578,000	\$ 5,265,000	\$ 5,793,000	\$ 6,373,000	\$ 6,691,000	\$ 7,026,000	\$ 7,378,000

Tournament Potential- 20 Fields

	# Tournaments	Total Spending	Total Room Nights	Hotel Tax Generated	Sales Tax Generated	Spending + Taxes
Full Calendar Year	46	\$32,740,033.67	82,308	\$535,001.86	\$2,291,802.36	\$35,566,837.89
50% Capture	23	\$16,370,016.84	41,154	\$267,500.93	\$1,145,901.18	\$17,783,418.95
35% Capture	16	\$11,459,011.79	28,808	\$187,250.65	\$802,130.82	\$12,448,393.26
25% Capture	12	\$8,185,008.42	20,577	\$133,750.47	\$572,950.59	\$8,891,709.47

Source: Huddle Up Group

This impact represents a single sport on a single asset.

Palm Coast Financial Model

Expenses											
General Manager	75,000	79,000	83,000	87,000	91,000	96,000	101,000	106,000	111,000	117,000	
Taxes	30,660	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	
Labor	182,000	187,000	193,000	199,000	205,000	211,000	217,000	224,000	231,000	238,000	
FOH Payroll	58,000	60,000	62,000	64,000	66,000	68,000	70,000	72,000	74,000	76,000	
Maintenance	45,000	46,000	47,000	48,000	49,000	50,000	52,000	54,000	56,000	58,000	
Total Administrative & General Payroll	\$ 390,660	\$ 403,000	\$ 416,000	\$ 429,000	\$ 442,000	\$ 456,000	\$ 471,000	\$ 487,000	\$ 503,000	\$ 520,000	
Basketball	140,000	129,000	137,000	143,000	148,000	163,000	180,000	189,000	198,000	208,000	
Soccer	168,000	155,000	164,000	171,000	178,000	196,000	215,000	226,000	237,000	249,000	
Soccer	242,000	224,000	236,000	247,000	256,000	282,000	310,000	325,000	342,000	359,000	
Football	75,000	70,000	73,000	77,000	80,000	88,000	96,000	101,000	106,000	112,000	
Lacrosse	45,000	41,000	43,000	45,000	47,000	52,000	57,000	60,000	63,000	66,000	
Fitness equipment	2,000	2,000	2,000	2,100	2,200	2,300	2,400	2,500	2,600	2,700	
Fitness Payroll	75,000	75,000	87,000	100,000	115,000	126,000	139,000	146,000	153,000	161,000	
Summer Camp Expense	68,000	68,000	78,000	89,000	103,000	113,000	125,000	131,000	137,000	144,000	
Accounting	46,720	47,090	47,480	47,870	48,260	48,680	49,130	49,610	50,090	50,600	
Marketing/Promotional	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	
Facility Supplies	181,000	181,000	208,000	239,000	275,000	303,000	333,000	350,000	368,000	386,000	
Office Expenses	20,000	20,000	23,000	26,000	30,000	33,000	36,000	38,000	40,000	42,000	
Insurance	400,000	400,000	400,000	400,000	440,000	484,000	532,400	585,640	644,204	708,624	
Taxes & Licenses	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
Utilities	600,000	600,000	690,000	794,000	913,000	1,004,000	1,104,000	1,159,000	1,217,000	1,278,000	
Food and Beverage	363,000	333,960	350,700	364,800	375,360	364,200	400,500	420,600	441,600	463,800	
Total Expenses	\$ 2,294,720	\$ 2,228,050	\$ 2,412,180	\$ 2,611,770	\$ 2,869,820	\$ 3,100,180	\$ 3,401,430	\$ 3,594,350	\$ 3,799,494	\$ 4,018,724	
Net Operating Income	\$ 1,167,280	\$ 1,233,950	\$ 1,569,820	\$ 1,966,230	\$ 2,395,180	\$ 2,692,820	\$ 2,971,570	\$ 3,096,650	\$ 3,226,506	\$ 3,359,276	
Other Expenses											
Management Fee (10%)	\$ 346,000	\$ 346,000	\$ 398,000	\$ 458,000	\$ 527,000	\$ 579,000	\$ 637,000	\$ 669,000	\$ 703,000	\$ 738,000	
Replacement Reserve (5%)	\$ 173,100	\$ 173,100	\$ 199,100	\$ 228,900	\$ 263,250	\$ 289,650	\$ 318,650	\$ 334,550	\$ 351,300	\$ 368,900	
Income Before Debt Service	\$ 821,280	\$ 887,950	\$ 1,171,820	\$ 1,508,230	\$ 1,868,180	\$ 2,113,820	\$ 2,334,570	\$ 2,427,650	\$ 2,523,506	\$ 2,621,276	

Economic Impact

*Economic Impact does not include impact during the construction period or of additional commercial development to support facility

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Non-Local Participant Days		108,696	114,130	119,837	125,829	132,120	138,726	145,663	152,946	160,593	168,623
Non-Local Spectator Days		141,304	148,370	155,788	163,577	171,756	180,344	189,361	198,829	208,771	219,209
Total Non-Local Days		250,000	262,500	275,625	289,406	303,877	319,070	335,024	351,775	369,364	387,832
Average Daily Spending Per Non-Local Person		\$ 195.00	\$ 204.75	\$ 214.99	\$ 225.74	\$ 237.02	\$ 248.87	\$ 261.32	\$ 274.38	\$ 288.10	\$ 302.51
Direct Spending by Type:											
Hotel	50%	\$ 24,375,000	\$ 26,873,438	\$ 29,627,965	\$ 32,664,831	\$ 36,012,976	\$ 36,012,976	\$ 36,012,976	\$ 36,012,976	\$ 36,012,976	\$ 36,012,976
Restaurant / Meals	30%	\$ 14,625,000	\$ 16,124,063	\$ 17,776,779	\$ 19,598,899	\$ 21,607,786	\$ 23,822,584	\$ 26,264,399	\$ 28,956,500	\$ 31,924,541	\$ 35,196,806
Entertainment/Leisure	10%	\$ 4,875,000	\$ 5,374,688	\$ 5,925,593	\$ 6,532,966	\$ 7,202,595	\$ 7,940,861	\$ 8,754,800	\$ 9,652,167	\$ 10,641,514	\$ 11,732,269
Retail/Shopping	7%	\$ 3,412,500	\$ 3,762,281	\$ 4,147,915	\$ 4,573,076	\$ 5,041,817	\$ 5,558,603	\$ 6,128,360	\$ 6,756,517	\$ 7,449,060	\$ 8,212,588
Transportation	1%	\$ 487,500	\$ 537,469	\$ 592,559	\$ 653,297	\$ 720,260	\$ 794,086	\$ 875,480	\$ 965,217	\$ 1,064,151	\$ 1,173,227
Other	2%	\$ 975,000	\$ 1,074,938	\$ 1,185,119	\$ 1,306,593	\$ 1,440,519	\$ 1,588,172	\$ 1,750,960	\$ 1,930,433	\$ 2,128,303	\$ 2,346,454
Total	100%	\$ 48,750,000	\$ 53,746,875	\$ 59,255,930	\$ 65,329,662	\$ 72,025,953	\$ 75,717,283	\$ 79,786,974	\$ 84,273,809	\$ 89,220,545	\$ 94,674,320
Annual Direct Economic Impact		\$ 48,750,000	\$ 53,746,875	\$ 59,255,930	\$ 65,329,662	\$ 72,025,953	\$ 75,717,283	\$ 79,786,974	\$ 84,273,809	\$ 89,220,545	\$ 94,674,320
Indirect/Induced Spending	63%	\$ 30,712,500	\$ 33,860,531	\$ 37,331,236	\$ 41,157,687	\$ 45,376,350	\$ 47,701,888	\$ 50,265,794	\$ 53,092,500	\$ 56,208,943	\$ 59,644,822
Total Annual Economic Impact		\$ 79,462,500	\$ 87,607,406	\$ 96,587,165	\$ 106,487,350	\$ 117,402,303	\$ 123,419,171	\$ 130,052,768	\$ 137,366,309	\$ 145,429,488	\$ 154,319,142
State Sales Tax	6%	\$ 4,738,500	\$ 5,224,196	\$ 5,759,676	\$ 6,350,043	\$ 7,000,923	\$ 7,357,505	\$ 7,750,637	\$ 8,184,066	\$ 8,661,920	\$ 9,188,755
County Sales Tax	0.5%	\$ 394,875	\$ 435,350	\$ 479,973	\$ 529,170	\$ 583,410	\$ 613,125	\$ 645,886	\$ 682,005	\$ 721,827	\$ 765,730
Hotel Occupancy Tax/ TDC											
Sponsorship	1.0%	\$ 243,750	\$ 268,734	\$ 296,280	\$ 326,648	\$ 360,130	\$ 360,130	\$ 360,130	\$ 360,130	\$ 360,130	\$ 360,130
Gas tax capture	5 c / gal	\$ 24,375	\$ 26,873	\$ 29,628	\$ 32,665	\$ 36,013	\$ 39,704	\$ 43,774	\$ 48,261	\$ 53,208	\$ 58,661
Tax Impact to County		\$ 663,000	\$ 730,958	\$ 805,881	\$ 888,483	\$ 979,553	\$ 1,012,959	\$ 1,049,790	\$ 1,090,396	\$ 1,135,164	\$ 1,184,521
Operating Income Before Lease		\$ 821,280	\$ 887,950	\$ 1,171,820	\$ 1,508,230	\$ 1,868,180	\$ 2,113,820	\$ 2,334,570	\$ 2,427,650	\$ 2,523,506	\$ 2,621,276
Naming Rights Capital		\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Total Available for Leaseback Payment		\$ 6,484,280	\$ 6,618,908	\$ 6,977,701	\$ 7,396,713	\$ 7,847,733	\$ 6,126,779	\$ 6,384,360	\$ 6,518,046	\$ 6,658,670	\$ 6,805,796
Municipal Lease		\$ (6,000,000)	\$ (6,000,000)	\$ (6,000,000)	\$ (6,000,000)	\$ (6,000,000)	\$ (6,000,000)	\$ (6,000,000)	\$ (6,000,000)	\$ (6,000,000)	\$ (6,000,000)
Net Income		\$ 484,280	\$ 618,908	\$ 977,701	\$ 1,396,713	\$ 1,847,733	\$ 126,779	\$ 384,360	\$ 518,046	\$ 658,670	\$ 805,796

Development Process



Roles & Responsibilities



FAQs

Q: What are the terms of the lease?

A: The lease is amortized over 30 years at a 6% IRR. Typically, municipalities can pay off the lease within ~17 years

Q: Who owns the facility?

A: The funding group would own the facility until the last lease payment is made. It's then turned over to the City

Q: How are non-appropriations handled?

A: Non-appropriation risk is factored in. Ultimately, if the City does not appropriate funds, the funding group would take possession of the facility and operate it to secure its ROI

Q: Who operates the facility?

A: We have several operators we work with that are well-vetted and have a proven track record. A private operator is better suited to manage the day-to-day operations, balance community use, and partner with the TDC to bring in a variety of events, both sport and non-sport

Q: Who's responsible for repairs & maintenance?

A. The operator handles all daily operations, maintenance, repairs, etc. A deferred maintenance account is established for capital improvements in the future

FAQs

Q: How do naming rights and corporate donations work?

A: We suggest creating a Sports Foundation- a non-profit that will house any donations and act as an intermediary between the City and the sports complex itself

Q: Does municipal leasing impact our credit rating?

A: No, unless funds are not appropriated. Underwriting is based on the credit rating of the municipality, it's balance sheet, and the projected financial performance of the complex

What's Next



City Council Consensus to move forward to structure the P3 framework

- Legal
- Financial
- Professional Services
- Development/ Construction
- Present structure to Council for approval



Begin pre-development

- 6-10 month process
- Architecture/ Construction Documents
 - MEP
- Environmental/ Site Civil
 - Surfacing
- Construction Manager



Construction

- 18-24 month process
- Fields can come online before indoor facility
- Secure naming rights and advertising sponsorships
 - Operator Identified
- Secure tournaments & events



Grand Opening