

GAME CHANGER PROJECT

Questions and Answers

1. What is Game Changer?

The Game Changer project will be a year-round sports hub consisting of a 100,000 square foot dome structure connected to a 16,000 square foot building with restrooms, meeting rooms, a restaurant, offices, storage rooms and other support space. There is also an adjacent 20,000 square foot covered turf field for soccer, lacrosse, etc. The dome will include basketball and volley ball courts, a baseball practice field, training areas, a fitness/workout area, and a state-of-the-art active entertainment area.

The programming for the complex is designed to generate revenue from both regional (sports tourism-based) events and local activities including venues for local games, sports and fitness training, and recreation activities.

The sports complex will be co-located with privately built hotels, restaurants, a large travel center, retail stores, and other businesses or offices.

2. Where will the project be built?

The sports complex will be built on a 10 acre site near the Leon-Jefferson County line in the northwest quadrant of the I-10 and SR 59 interchange at Lloyd. The property is owned by the Smith family.

3. How much will the project cost?

The budgeted cost of the sports complex project is about \$10 million. That cost includes the domed facility, a covered sports field, site work and parking areas, the fixtures and equipment for the facility, and startup operating capital to get the project to a breakeven cash flow. In addition, the county will apply for and expects to receive grant funding for roads and storm water to serve the complex (about \$1.5 million) and a sewer main connecting the Lloyd area to the Monticello sewage treatment plant (about \$1.5 million).

4. How will the project be financed and paid for?

The project will be paid for using a capital lease program with a private investor, Municipal Acquisitions (about \$9.3 million) and surplus funds from unanticipated revenues the county has received in the current fiscal year (about \$700,000).

About \$3 million for roads, stormwater facilities, and sewer are anticipated to come from grant funds.

The capital lease payments will be made from multiple sources. Beginning in the second year, facility programming operations will generate net operating revenues to apply to lease payments. These net operating revenues will increase substantially during the first few years as the facility's programming and operations grow. The development springing up around the complex will also quickly add new property taxes, sales taxes, and tourist taxes to county coffers. This will enable the county to make necessary lease payments without affecting other government functions. Additionally, there will be a substantial increase in gas taxes to use for road maintenance and improvements, relieving the county of the need to fund these items from general revenue. These property, sales, and tourism taxes will also grow over time, eventually providing surplus revenues that enable tax rate reductions and additional government services.

5. What is the business model?

The county will own and operate the facility as an enterprise activity. The enterprise business model is commonly used by local governments. Jefferson County has three: solid waste, ambulance, and fire. All are funded by fees or customer charges. The best enterprise activities actually produce a profit for the local governments who sponsor them, helping those governments reduce the tax rates they charge their citizens. A good example is the municipal utilities (electricity and gas) owned and operated by the City of Tallahassee. Tallahassee residents pay much lower taxes than they would pay if their utilities were provided by a private company. The business model will be driven by participant programs for sports, fitness, recreation, and entertainment. Examples of these programs are leagues, camps, clinics, tournaments, fitness classes, climbing, birthday parties, and more.

6. What are the benefits of an enterprise model? Why won't a private investor own and operate the project?

The enterprise model provides a way for the county to have the project pay for itself over time. At the same time, the county receives the benefits of all of the other revenues coming from high value commercial and residential development around an attractive project like Game Changer. While the Game Changer business is expected to produce a modest profit, sports complexes do not generally produce a rate of return that would induce a private investor to fund them. Government, on the other hand, receives not only the profits from the

business enterprise, but also tax revenues from property taxes, sales taxes, gas taxes, and tourist taxes. Such revenues, of course, are not generally available to a private investor, but they dramatically increase returns for a government. The public-private enterprise model is the “best practices” for achieving operational effectiveness through private management and maximizing economic impact for the County.

7. How will the project be operated and who will manage it?

To design the Game Changer project and assess its feasibility, the county contracted with Sports Facilities Advisory (SFA), a Clearwater company with a strong national reputation in the planning and management of sports and recreation facilities. (The feasibility study was delivered in February 2016.) The county anticipates that it will contract with the company’s management arm, Sport Facilities Management (SFM) to manage the complex and its programs. The 13 year old company has built a stellar reputation in the sports management field and has never had a project under its management fail. SFM currently has 15 full-time managed venues that will host over 30 million visits. Every SFM venue had its best financial year to date in 2015.

8. Who will oversee the financial performance and operations of the project for the county?

The Game Changer Project Committee has proposed the formation of a seven member Sport Authority/Commission composed of members with substantial and successful business experience. Among other things, this Authority/Commission would be responsible for monitoring the financial performance of the project and the effectiveness of the contracted professional manager and reporting regularly to the Board of County Commissioners. SFM will handle all day-to-day operations and cash handling procedures.

9. Risk mitigation: How will the county “backstop” the project?

All business enterprises involve risk and uncertainty and should have a plan to see the business through uncertain or difficult times. To mitigate the risk associated with the Game Changer Project, and to fund any unexpected operating deficits, especially in the first few years, the county would establish a Special Projects Fund funded with unanticipated/unbudgeted revenues that the county traditionally receives. Some of these revenues would come from BP funds the county anticipates. This “safety net” fund would be allowed to grow until it reaches a level which the BOCC determines to be comfortable, then the funds could be used for other projects unrelated to the Game Changer Project.

10. What will be the landowners' contribution to the project?

The landowners will donate approximately 10 acres of their 70 acre parcel to the county for the construction of the sports complex and parking. In addition, they will donate the land for the roadways and stormwater structures needed to serve the complex.

11. What will the development around the project look like?

The landowners have committed to develop the balance of their 70 acre site in high value commercial development, adding substantially to the county's taxable property values. This development will include at least one hotel, a high volume travel center with a substantial retail business, restaurants, retail stores, and other businesses. Construction of a hotel, travel center, zip line/adventure course, and retail center (featuring restaurants and other retail) are anticipated to begin in the initial year of the project.

12. What are the intermediate and long term benefits of the project?

In addition to the revenues from the operations of the sports complex, the county will receive revenues from property taxes, sales taxes, gas taxes and tourist taxes. These revenues will be modest for the first couple of years but will grow as new development comes to the interchange around the sports complex. After a few years, these revenues should grow to the point that the county could begin lowering tax rates for the entire county. A substantial increase in local gas tax collections will mean more funds for road maintenance and improvements.

The sports complex and new businesses surrounding it will be a major source of new jobs for Jefferson County residents. The sports complex is anticipated to create 43 jobs in its first year and 69 jobs by year 5. Meanwhile, spending by the new businesses plus the local spending of new salary dollars and spending by non-local visitors (does not include Leon County) to the sports complex will mean increased economic activity for Jefferson County. SFA estimates \$4.5 million in visitor spending in year one, growing to \$9 million by year 5. While some of this spending will, no doubt, spill over into Leon County, as local businesses and residential development grow in the county, attracted by the sports complex, an increasingly larger portion of that spending will occur in Jefferson County. Furthermore, the mid-week activities planned for the sport complex will target many Leon County residents who will spend in Jefferson County rather than at home.

13. Can Jefferson County afford a project like Game Changer?

The short answer is definitely yes. In fact, we cannot afford to let this project slip by. It is a good idea, carefully developed and vetted with Jefferson County's money and time and will be quickly picked up by another community who recognizes its value.

More specifically, Jefferson County is in strong financial condition. It had a reserve of about \$3 million at the beginning of this fiscal year. Tax revenues have increased for the last couple of years and that trend is expected to continue. County departments are well funded and carrying out their respective duties. So, those increased revenues are available for other uses, including possible tax rate reductions and economic development projects. The county continues to receive unanticipated and unbudgeted revenues that can shore up the Game Changer project if needed. In the near future, those revenues may include substantial funds from BP.