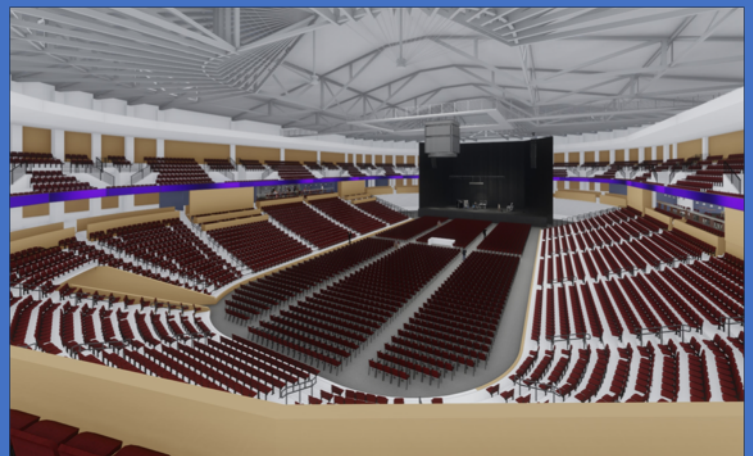




# SUMMARY OF PHASE 2 PLANNING FOR AN EXPANDED/IMPROVED FIVE FLAGS CIVIC CENTER

December 12, 2018





December 12, 2018

Ms. Marie L. Ware  
Leisure Services Manager  
City of Dubuque Leisure Services Department  
2200 Bunker Hill Road  
Dubuque, Iowa 52001

Dear Ms. Ware:

The purpose of this summary report and supporting documents is to outline the findings of requested additional research, analysis and planning work associated with the proposed Five Flags Civic Center (FFCC) improvement and expansion project. The work outlined herein (referred to as "Phase 2") builds on the work and findings reached in the Assessment and Study Regarding the Future of the FFCC, dated June 19, 2018. Conventions, Sports & Leisure International (CSL), with the assistance of subcontractors Betsch Associates and FEH Design, led both the original study and this current Phase 2 planning effort.

It is understood that the City of Dubuque (City) desires to advance planning associated with a potential major renovation/improvement project for the FFCC, in advance of a potential ballot measure in 2019 to secure funding for the project. Specifically, the services to be provided include development of more refined layout, programming and preliminary architectural renderings, along with various research and investigation into estimated development costs and funding issues associated with the proposed FFCC project.

Given the expedited timeframe required to complete this work effort, a summary of our work and findings is presented herein. This report outlines the key research, analysis, and findings associated with the contracted Phase 2 advisory effort, and is organized in the following sections:

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## 1. Background and Previous Work

In 2017, following a competitive bid process, the team of CSL, Betsch Associates and FEH Design was hired by the City to conduct an assessment and study of the FFCC.

CSL has provided feasibility studies and planning advisory services for more than 1,000 event facility projects throughout the country over the past 25 years. Betsch Associates is a full-service design firm created to provide its clients with traditional architectural services, as well as complete pre-design services, including strategic planning, land planning, financial feasibility and market analysis. FEH Design, with offices in Dubuque, has operated since 1958 and offers over 360 years of active staff design experience.

The FFCC has long-served as an important community asset for Dubuque and its residents. Its long history can be traced back to the mid-1800s with the opening of hotel and theater facilities in downtown Dubuque. Over the years, Five Flags has served as a critical gathering place in Dubuque, hosting thousands of entertainment, performing arts, sports, conventions, and civic events. The two primary elements of the current Five Flags Civic Center are the 4,000-seat Arena and the 700-seat historic performing arts Theater.

In the decades since the last major investment in Five Flags, significant changes have occurred within the event facility industry nationwide. At the same time, additional new event, sports and entertainment facilities have been developed elsewhere in Dubuque and in the region. As such, the City was interested in determining the most appropriate path forward as it relates to the Five Flags Civic Center and its ongoing role in Dubuque.

Specifically, the purpose of the 2017 study was to assess the FFCC's current physical state and programmatic orientation, and conduct a study of market demand, supportable program, financial, economic, naming rights/sponsorship and feasible development scenarios relating to the future of the FFCC.

A high-level summary of the primary conclusions reached by the FFCC Study concluded in 2018 includes the following:

1. Market support exists for both improved Arena and Theater facility products in Dubuque.
  - a) The FFCC has long-served as an important community asset for Dubuque and its residents.
  - b) Local quality of life and economic activity would be negatively impacted without a venue serving these roles.
  - c) The FFCC Theater is an historic asset that should be protected.
  - d) The FFCC's current location is ideal for an entertainment/sports/arts complex.
  - e) The FFCC Arena has exceeded its practical life.
  - f) The FFCC Arena physical product and functionality are below industry standards.
  - g) Significant upgrades to the FFCC Arena product are needed to better compete for and serve spectator and entertainment event segments.
  - h) Investment in FFCC enhancements or redevelopment would be expected to drive new activity and positive impacts.
  - i) The highest-and-best-use of the FFCC asset (building and land) is a multipurpose civic/entertainment/arts complex.

2. Four facility scenarios were identified for further high-level analysis for comparison purposes, including preliminary site configuration and layout drawings:
  - Scenario 1: Effectively represents a minimum, status quo scenario, recognizing that a certain level of expenditures will be required in the near term and in the foreseeable future on deferred maintenance and future capital repair/replacement items to keep the FFCC safe and operational by current standards.
  - Scenario 2: Involves a limited FFCC renovation (no expansion of facility footprint).
  - Scenario 3: Represents a renovated complex with an expanded Arena.
  - Scenario 4: Involves a demolition of the existing FFCC Arena, improvements to FFCC Theater, and the development of a new, state-of-the-industry Arena via a northward expansion of the FFCC's footprint.
3. Preliminary order-of-magnitude capital costs (in 2018 dollars) were estimated for each of the four identified scenarios:
  - Scenario 1: \$8.7 million
  - Scenario 3: \$25.8 million
  - Scenario 3: \$49.0 million
  - Scenario 4: \$71.4 million
4. A summary of key estimated annual performance metrics for an assumed stabilized year of operation (assumed third full year of operations, in 2018 dollars) included the following:

KEY PERFORMANCE ESTIMATES	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Events	103	138	194	230
Event Days	152	207	293	333
Utilization Days	261	346	479	536
Total Attendee Days (annual)	155,612	217,348	324,913	386,207
Non-Local Attendee Days	33,863	47,182	73,730	89,122
Hotel Room Nights (annual)	4,427	6,121	10,440	12,820
Operating Revenues	\$410,000	\$570,457	\$1,137,160	\$1,531,060
Operating Expenses	\$1,266,000	\$1,381,603	\$1,798,852	\$2,002,457
Direct Spending	\$2,389,169	\$3,055,223	\$4,753,391	\$5,737,937
Indirect/Induced Spending	\$910,680	\$1,161,888	\$1,806,039	\$2,185,052
Total Output	\$3,299,850	\$4,217,111	\$6,559,429	\$7,922,990
Personal Income (earnings)	\$1,062,529	\$1,357,070	\$2,114,236	\$2,554,431
Employment (full & part-time jobs)	49	63	97	117

A detailed written report was developed and presented to the City in the spring of 2018. CSL presented findings to City Council in May 2018. A revised report was delivered to the City in June 2018. The City Council formally accepted the report in July 2018.



## 2. Scope and Methods

Subsequent to the delivery of the 2017/2018 study report and presentations, additional discussion among City leadership and project stakeholders continued. The project team was approached by City staff in October 2018 to discuss additional planning assistance. An amended contract for these services was executed between the City and CSL in November 2018.

The City directed the project team to focus on Scenario 4 (as conceptualized in the 2017/2018 study) for the purposes of the newly-contracted Phase 2 planning work. The aforementioned Scenario 4 now represents the proposed facility Project of all Phase 2 work outlined throughout the remainder of this document and supporting information. The Project involves a demolition of the existing FFCC Arena, improvements to FFCC Theater, and the development of a new, state-of-the-industry Arena via a northward expansion of the FFCC's footprint.

The Phase 2 effort involved multi-day visits by the project team to Dubuque, as well as the collaboration and participation of a variety of stakeholder and industry experts. CSL and Betsch Associates would like to thank the following individuals for their expertise, assistance, and contributions:

Marie Ware – City of Dubuque	Dennis Jordan - Mortenson Construction Co.
HR Cook – Five Flags Center/SMG	Randy Clarahan - Mortenson Construction Co.
Daniel Holtkamp – Five Flags Center	Jason Hopper - Mortenson Construction Co.
Ali Levasseur – Five Flags Center	Darin Knapp - Mortenson Construction Co.
Kelly Sprietzer– Five Flags Center	Brant Schueller – City of Dubuque
Christy Monk – FEH Design	Steve Sampson Brown – City of Dubuque
Bryan Blair – FEH Design	Wally Wernimont - City of Dubuque
Paula Portz – Legends Project Development	David Johnson - City of Dubuque
Dieter Muhlack– MEP Engineers	Gus Psihoyos - City of Dubuque
Bob Habel – MEP Engineers	Dave Ness – City of Dubuque
David Campbell – Geiger Engineers	Tony Kress – City of Dubuque
Bob Leto – Avant Acoustics	Chris Kohlmann – City of Dubuque
Steve Young – William Caruso and Partners	Renee Tyler – City of Dubuque
Emily Smart – Blackstone Environmental	Brent Giese – Century Link
Travis Haas – Blackstone Environmental	Bryce Parks – Five Flags Civic Center Commission
Jayne Kluesner – Portzen Construction	Lenore Howard - Fly By Night Productions
Andrew Noble – Portzen Construction	Doug Donald - Fly By Night Productions
Ben Roush – Conlon Construction Co.	Nick Schrup – American Trust Bank
Keefe Gaherty – Conlon Construction Co.	Mark Wahlert – Dubuque Symphony
Tionna Pooler – Independent Public Advisors	William Intriligator – Dubuque Symphony
Thierry Gray – SMG	

A primary objective for this current work is to further investigate, evaluate, and define the identified facility concept to provide for the Project:

1. enhanced programmatic and architectural detail;
2. refinements and more detailed estimates of likely capital costs;
3. further evaluation and analysis of parking issues;
4. an updated cost/benefit analysis; and
5. discussion of relevant funding issues.

### 3. Facility Design and Layout

As previously mentioned, the Project involves a demolition of the existing FFCC Arena, improvements to FFCC Theater, and the development of a new, state-of-the-industry Arena via a northward expansion of the FFCC's footprint. The 2017/2018 study identified the following as market supportable for the FFCC Project:

- Arena:
  - State-of-the-industry, spectator arena
  - Seating capacity of between 6,000 and 8,000
  - Some flexible seating to retain access to flat floor space
  - Premium seating and other hospitality areas
  - Enhance patron experience – ingress/egress, WiFi, food & beverage, ADA, etc.
  - Upgraded back-of-house, load-in/out and other support facilities
- Theater:
  - Retention of historic Theater
  - Refurbish seating and make 2nd Balcony seating functional
  - Modest expansion of Bijou Black Box Theater
  - Address capital improvement project items
  - Enhance patron experience – lobby, WiFi, food and beverage options, etc.
  - Upgraded back-of-house facilities

As a starting point for this Phase 2 effort, CSL further defined the market supportable program targets for the Arena component of the Project, as shown below. This does not represent the final program that was determined subsequent to the design and costing process by the project team with collaboration by City staff and the construction professionals previously identified in this report. Final identified seat counts are shown on page 14.

MARKET SUPPORTABLE PROGRAM	Supportable Seating Levels:	
	4,350	Fixed seats (general admission)
	120	Suite seats (12 seats per suite, 24 per party suite)
	112	Loge seats (4 seats per box)
	400	Club seats
	<u>1,500</u>	Removable/bleacher seats
	6,482	Total fixed seats (hockey capacity)
	7,082	Capacity (end stage concert, including floor seating)
	Supportable Premium Areas:	
	6	Private suites (traditional)
Modern	2	Private suites (party)
Multipurpose	28	Loge boxes
Spectator &	400	Club seats
Entertainment	1	Club #1 (suite, loge box & club seat holders)
Arena	1	Club #2 (Everyman's Club)

For the purposes of definition, the following description provides additional clarification concerning premium seating concepts, as they relate to the Dubuque Project and industry best practices:

#### Private Suites

Private (or luxury) suites often feature 12 to 16 seats and include preferred parking, VIP arena entrance, private restrooms, TV monitors, exclusive arena club access and a right of first refusal to purchase tickets for other events in the building. In Dubuque, the suites could be located on one side.

#### Club Seats

Club seats are located in optimal event locations, typically in the lower bowl and/or mezzanine level. Club seats are wider, padded and typically provide more legroom relative to standard arena seating. Club seat amenities typically include preferred parking, a private arena entrance and exclusive access to a private club/lounge with private restrooms, upgraded food and beverage service, casual seating areas and flat screen televisions, among other amenities. In Dubuque, the 400 club seats could be located in the lower bowl on one side adjacent to the private club (i.e., a section stretching from first row to top row of lower bowl as close to mid-court/floor as possible without becoming problematic with end-stage setup.)

#### Loge Boxes

The emergence of a smaller loge box product has also served to meet a market need for a smaller-capacity premium seating product. Loge boxes, for example, typically have seating for 4 people (versus 12 to 16 seats for traditional suites) with chairs on roller casters that are wider and more comfortable than general seating areas. Loge boxes are typically equipped with a drink rail and flat screen television monitor. Loge box amenities typically could include preferred parking, a private arena entrance and exclusive access to a private lounge with private restrooms, upgraded food and beverage service and casual seating areas among other amenities. In Dubuque, there would be flexibility in where the loge boxes are located. Normally, they would be placed at the edges of the club seating area or in the corners.

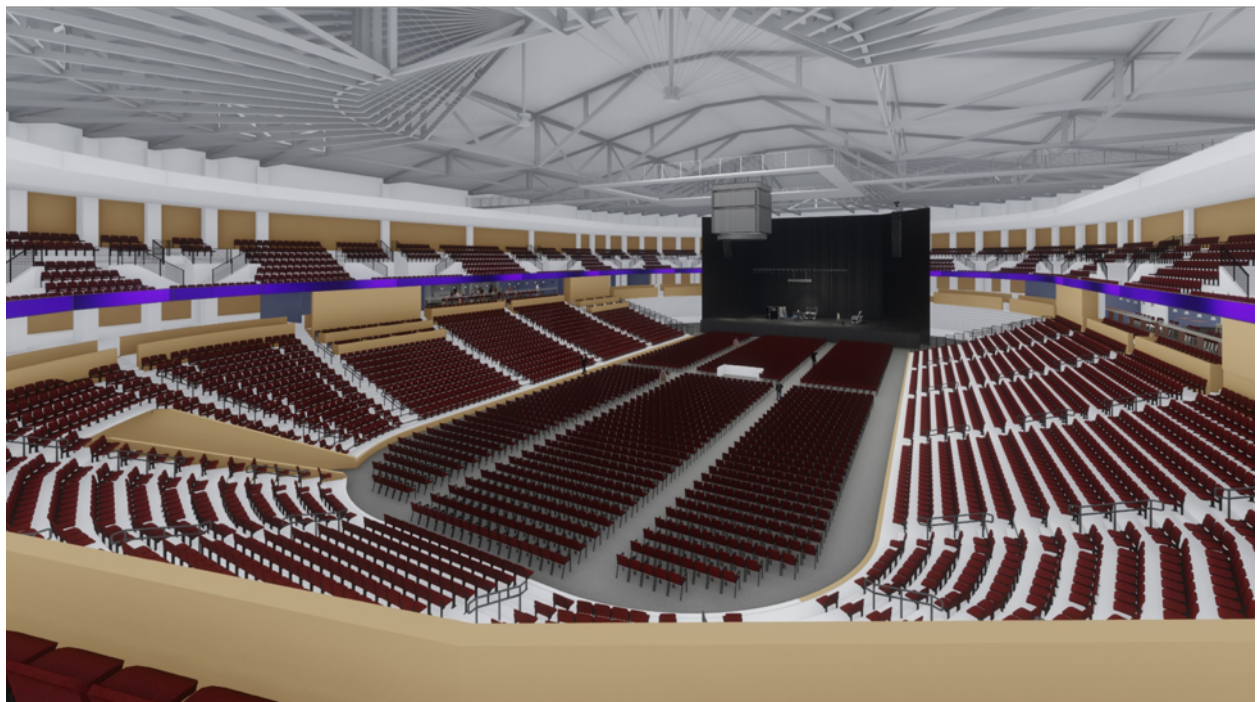
#### Club Rooms/Areas

Normally, modern areas would incorporate multiple private clubs (for instance, one for club seat holders, one for private suite holders, and an additional one or two). In Dubuque, it would probably be appropriate to think in terms of a single private club behind the club seating area that is also accessible by private suite holders. Additionally, a lower finish "Everyman's Club" area could be included at the concourse level on one of the ends. Clubs would have views of the playing surface with drink rails, stool chairs, and other chairs, couches, furniture, and food and drink service.

Over the course of the four-week engagement, including a multi-day site visit, outreach and collaboration with a variety of local stakeholders/participants and national industry professionals, Betsch Associates completed further refinement of the Project's layout, design, programming, and estimated construction costs. The exhibits on the following pages present a selection of some of the new layouts, drawings and renderings developed under this Phase 2 engagement. The full package of architectural documents is provided separately from this report document.







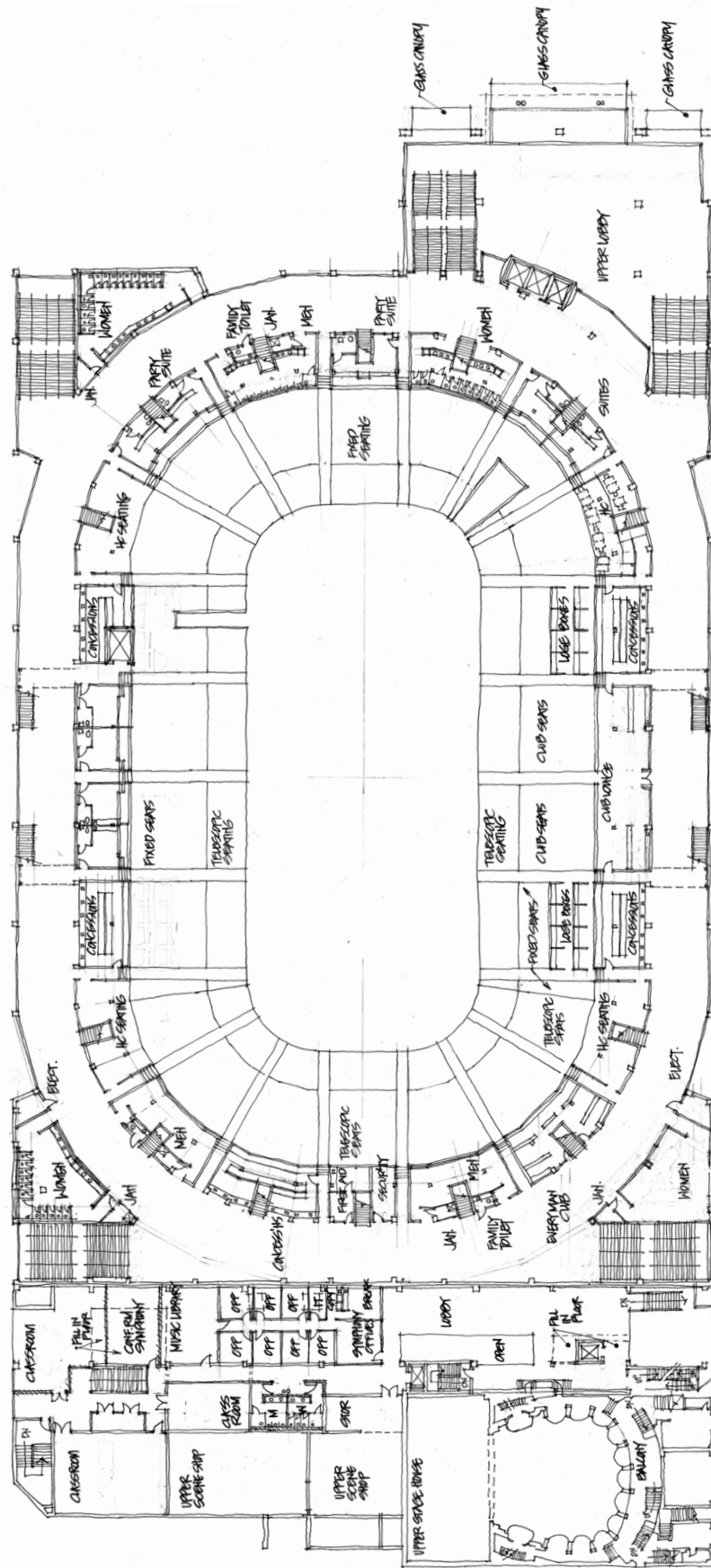




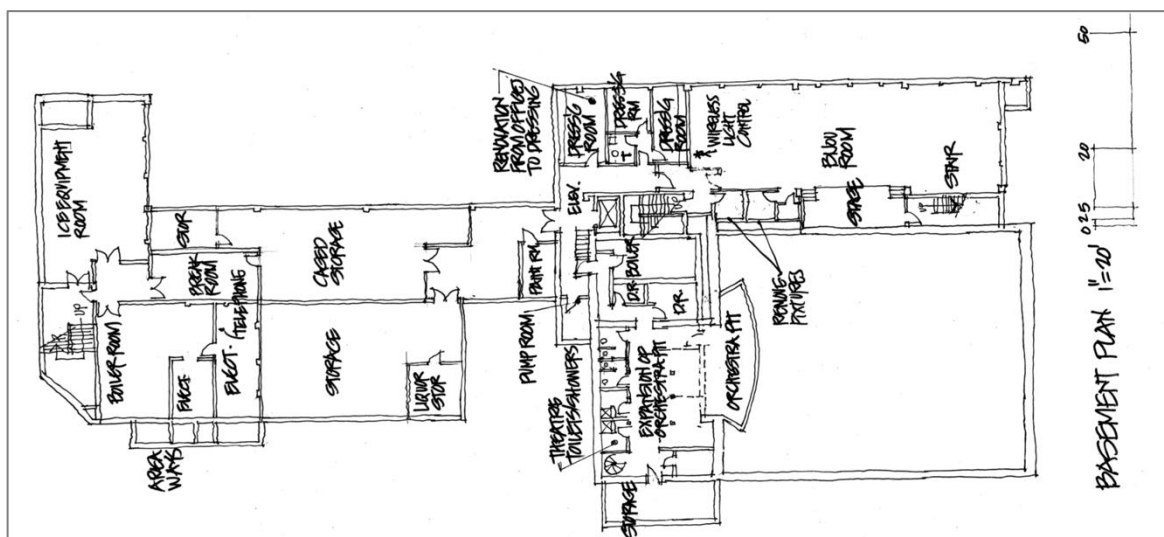
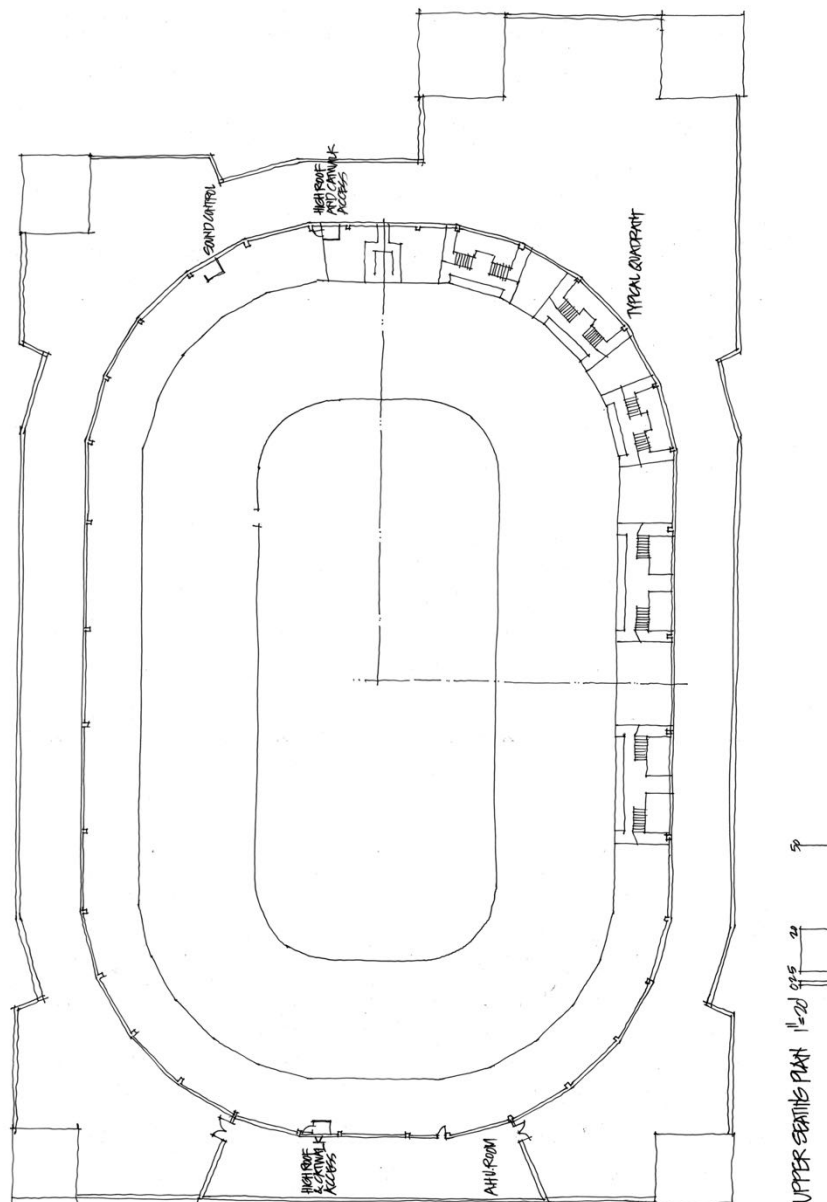


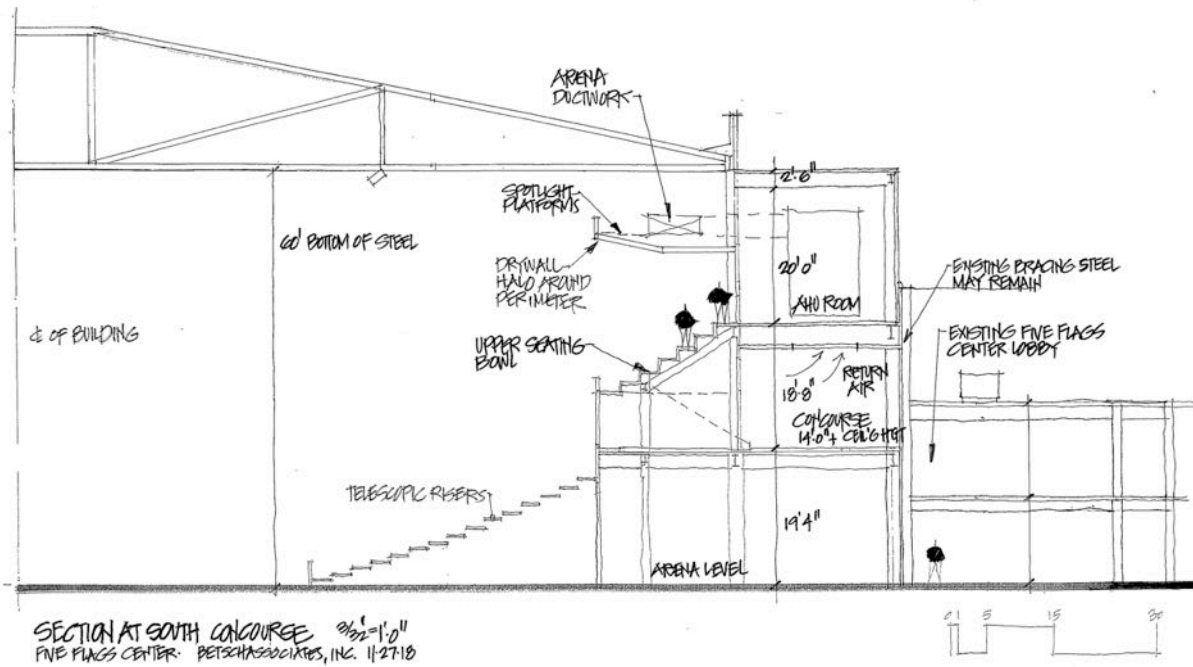
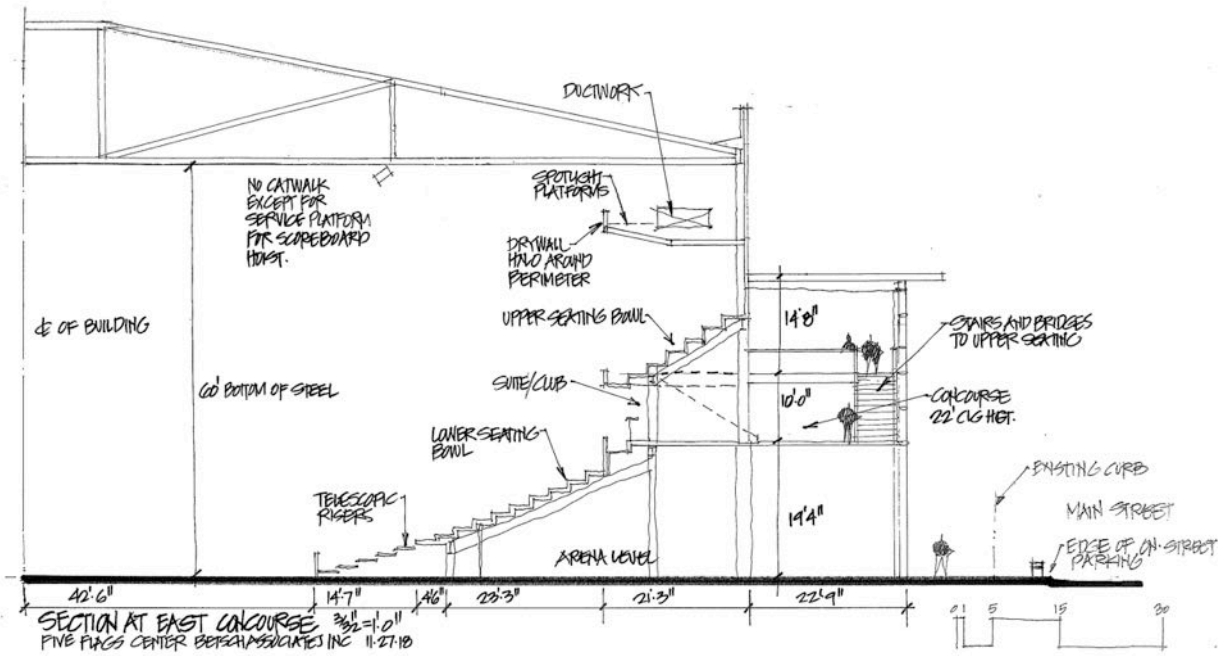






CORCOURSE PLAN





A summary of the Project's seating levels, capacity by primary type of event is presented in the exhibit below. As shown, total seating capacity is 6,398 for a hypothetical end-stage concert event and 6,000 for a hypothetical floor event (i.e., no portable floor seats). The seating count includes six (6) private suites, two (2) party suites, 32 loge boxes, 360 club seats, and general admission seats (through fixed, telescopic and floor seats).

Seating Counts by Type	End-stage Concert	Floor Event
Loge Boxes (32)	64	64
Club Seats (2 sections)	360	360
Suites (6)	72	72
Party Suites (2)	36	36
Telescopic Seating Behind Stage	--	1,182
Fixed Seats Behind Stage (Upper)	--	530
Telescopic Front of Stage (Lower)	982	944
Fixed Seats Front of Stage (Lower)	1,652	1,652
Fixed Seats Front of Stage (Upper)	1,072	1,072
Floor Seats	2,072	--
ADA Seating with Companions	88	88
<b>Totals</b>	<b>6,398</b>	<b>6,000</b>

<b>Fixed Seating Count:</b>	
Fixed Seats (general)	3,254
Fixed Seats (premium)	532
Telescopic Seats (max)	<u>2,126</u>
<b>Total</b>	<b>5,912</b>

<b>Square Footage By Level:</b>	
Arena Level	99,326
Concourse	61,194
Upper Level	20,960
<b>Total GSF</b>	<b>181,480</b>

Estimates related to the total Project gross square footage (in terms of new construction and renovated space) is presented in the exhibit below.

	New Construction	Renovated Areas
<b>Arena</b>	<b>181,480 SF</b>	<b>0 SF</b>
Arena Level	99,326 SF	
Concourse Level	61,194 SF	
Upper Seating Level	20,960 SF	
<b>Theatre</b>	<b>0 SF</b>	<b>3,393 SF</b>
Basement		993
Street Level		
First Balcony		
Second Balcony		
Third Balcony		2,400
<b>Theatre Support Areas</b>	<b>0 SF</b>	<b>25,844 SF</b>
Basement		3,503
Street Level		10,767
Concourse Level		11,574
<b>Total Conditioned Building Area</b>	<b>181,480 SF</b>	<b>29,237 SF</b>
<b>Non-Conditioned Areas</b>	<b>3,957 SF</b>	<b>150 SF</b>
Canopies (at 50%)	360	0
Catwalks (at 50%)	2,704	150
Exterior Ramps (at 50%)	0	0
Overhangs / Arcades (at 50%)	893	0
<b>Total Gross Building Area</b>	<b>185,437 SF</b>	<b>29,387 SF</b>



## 4. Parking Analysis

As there continues to be discussion as to parking impacts and implications associated with the Project, additional research was conducted to lend more support to the conclusion in the 2017/2018 study that existing parking availability nearby the site in downtown Dubuque is sufficient to adequately absorb demand associated with the Project.

Based on industry standards, it is often recommended that one parking space be available for approximately every three (3) seats. Therefore, based on the Project's maximum seating capacity of 6,398 seats, an estimated 2,133 parking spaces could be required to serve the FFCC for high demand events. In a rare situation where all FFCC spaces (Arena, Theater and Meeting Rooms) could theoretically be occupied by maximum-attended activities, total industry standard parking space requirements could rise to an estimated 2,366.

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

Provided by the City's Transportation Services Department, the following map outlines key downtown Dubuque parking proximate to the FFCC.



As shown, there are a number of parking opportunities nearby the FFCC. Specifically, there are nearly 7,000 parking spaces within a 15-minute walk of the FFCC (more than 4,000 of which are free of charge after 5:00pm or 6:00pm—times after which the majority of FFCC attendees will be arriving for most events).

Further, as shown on the map below, even with the loss of approximately 80 existing parking space (Municipal Lot 10) due to the north parcel needed for expansion, there will still be an estimated 2,222 parking spaces through ramps and public surface lots (not including street parking) with approximately two blocks of a FFCC entrance. The northward expansion of the Project site and the creation of a new north end Main Entrance and Plaza will make the 1,000+ parking spaces in the large two nearby ramps to the east much more desirable for FFCC attendees.



While latent downtown Dubuque parking demand may be moderate to high during daytime working hours Monday through Friday for certain lots, ramps, and street spaces, it is important to first recognize that the vast majority of high attendance events are entertainment/spectator events that occur in the evening hours or on weekends. This supply and demand pattern is typical for nearly all entertainment/spectator event venues and tends to benefit event facilities that are located in central business districts of downtowns.

Shown below, a bird's-eye view aerial rendering (looking north to south) gives a sense as to the proximity of the two existing parking ramps (lower left) would be relative to the new positioning of the FFCC Project. Demand at these two ramps is low on the weekends and after the 5:00pm hour midweek—the time periods when most major FFCC events would occur.



Adjusted for seating capacity, the parking supply in downtown Dubuque proximate to the proposed Project is more plentiful and less costly than that associated with most comparable arena venues located in other markets throughout the country. The following exhibit presents the estimated parking supply serving some successful comparable venues, with a comparison to the FFCC:

City, State	Facility	Seating Capacity	Parking Spaces Needed (1)	Estimated Proximate Supply (2)	Coverage Percentage
La Crosse, WI	La Crosse Center	19,100	6,367	5,369	84%
Evansville, IN	Ford Center	11,000	3,667	4,000	109%
Corpus Christi, TX	American Bank Center	10,000	3,333	4,200	126%
Bloomington, IL	Grossinger Motors Arena	9,146	3,049	2,597	85%
Beaumont, TX	Ford Arena	9,000	3,000	5,000	167%
Beaumont, MN	Sanford Center	6,000	2,000	1,200	60%
Prescott Valley, AZ	Prescott Valley Event Center	6,200	2,067	3,000	145%
Dodge City, KS	United Wireless Arena	4,935	1,645	1,600	97%
<b>Average</b>		<b>9,423</b>	<b>3,141</b>	<b>3,371</b>	<b>107%</b>
<b>Median</b>		<b>9,073</b>	<b>3,024</b>	<b>3,500</b>	<b>116%</b>
<b>Dubuque Estimated Supply Within Practical Walking Distance</b>					
Dubuque, IA (2)	FFCC (Existing)	4,000	1,333	6,500	488%
Dubuque, IA (2)	New FFCC (max Arena)	6,398	2,133	6,500	305%
Dubuque, IA (2)	New FFCC (max Arena + Theater)	7,098	2,366	6,500	275%
<b>Dubuque Estimated Supply Ramp/Lot Supply Within 2 Blocks</b>					
Dubuque, IA (3)	FFCC (Existing)	4,000	1,333	2,222	167%
Dubuque, IA (3)	New FFCC (max Arena)	6,398	2,133	2,222	104%
Dubuque, IA (3)	New FFCC (max Arena + Theater)	7,098	2,366	2,222	94%

(1) Extrapolation based on industry typical recommendation of 1 parking space per 3 seats

(2) Estimated parking supply within reasonable walking distance, based on conversations with city officials and/or facility management.

(3) Represents core public ramp and surface parking supply (NOT INCLUDING street parking or private lots) within approximately two blocks of the FFCC.

Based on industry standards and a review of parking supply in downtown Dubuque, it is not believed that the development of additional parking structures or lots will be necessary for any of the identified FFCC development scenarios. Conversely, downtown Dubuque's volume, availability and pricing of parking supply nearby the FFCC is considered a product strength relative to other comparable venues located throughout the region and country.

It would be expected that parking demand with regard to the Project will be further mitigated through the continued expansion and consumer acceptance of ride sharing services (i.e., Uber, Lyft), as well as the much more functional and attractive passenger load/unload areas at the Plaza/Main Entrance for the drop-off and pick-up of FFCC attendees.



## 5. Operating Performance Estimates

The market, financial and economic model developed for the 2017/18 study was expanded and revised to consider the FFCC Project under this Phase 2 effort. Based on the program assumptions discussed herein, the exhibit below presents a summary of the estimated annual event levels, event days, and utilization days (move-in days, event days, and move-out days) by event type for the FFCC Project during the startup period and over a cumulative period of years.

### Estimated FFCC Project Annual Event and Utilization Levels

	Year 1	Year 2	Stabilized Year 3	Year 1-15 Cumulative	Years 1-30 Cumulative
<b>Number of Events</b>					
Community/Religious	5	6	8	115	235
Concerts	21	20	21	314	629
Convention/Tradeshow	5	5	6	88	178
Family/Ice Shows	10	11	12	177	357
Meetings/Banquets	40	50	50	740	1,490
Non-Tenant Performance	18	19	20	297	597
Public/Consumer Show	3	4	5	72	147
Sporting Events	50	55	60	885	1,785
Tenant Performance	26	26	26	390	780
Other	17	21	25	363	738
Total	195	217	233	3,441	6,936
<b>Event Days</b>					
Community/Religious	5	6	8	115	235
Concerts	23	22	23	338	677
Convention/Tradeshow	8	8	9	132	267
Family/Ice Shows	12	13	14	212	428
Meetings/Banquets	40	50	50	740	1,490
Non-Tenant Performance	42	44	47	693	1,393
Public/Consumer Show	5	6	8	108	221
Sporting Events	61	67	74	1,085	2,188
Tenant Performance	96	96	96	1,438	2,876
Other	5	6	8	108	221
Total	295	318	335	4,970	9,996
<b>Utilization Days</b>					
Community/Religious	8	9	12	173	353
Concerts	24	23	24	362	726
Convention/Tradeshow	15	15	18	264	534
Family/Ice Shows	14	15	17	248	500
Meetings/Banquets	60	75	75	1,110	2,235
Non-Tenant Performance	48	51	53	792	1,592
Public/Consumer Show	8	10	13	180	368
Sporting Events	76	83	91	1,342	2,706
Tenant Performance	202	202	202	3,023	6,045
Other	24	30	36	522	1,061
Total	478	513	540	8,015	16,119

The exhibit below presents a summary of the estimated attendee days by event type for the FFCC Project during the startup period and over a cumulative period of years. A portion of the total attendee base represents non-local attendees (i.e., attendees that do not reside in Dubuque) and a modest portion of these non-local attendees represent visitors that require overnight lodging. As such, estimates relative to non-local attendee days and hotel room nights have also been presented.

**Estimated FFCC Project Annual Attendance & Hotel Room Nights**

	Year 1	Year 2	Stabilized Year 3	Year 1-15 Cumulative	Years 1-30 Cumulative
<b>Total Attendee Days</b>					
Community/Religious	11,500	13,800	18,400	264,500	540,500
Concerts	61,062	58,154	61,062	913,015	1,828,938
Convention/Tradeshow	11,250	11,250	13,500	198,000	400,500
Family/Ice Shows	21,000	23,100	25,200	371,700	749,700
Meetings/Banquets	10,000	12,500	12,500	185,000	372,500
Non-Tenant Performance	28,350	29,925	31,500	467,775	940,275
Public/Consumer Show	8,100	10,800	13,500	194,400	396,900
Sporting Events	79,677	87,645	95,613	1,410,290	2,844,484
Tenant Performance	122,241	122,241	122,241	1,833,609	3,667,219
Other	11,156	13,781	16,406	238,219	484,313
Total	364,336	383,196	409,921	6,076,509	12,225,329
<b>Non-Local Attendee Days</b>					
Community/Religious	1,150	1,380	1,840	26,450	54,050
Concerts	18,318	17,446	18,318	273,905	548,682
Convention/Tradeshow	5,625	5,625	6,750	99,000	200,250
Family/Ice Shows	6,300	6,930	7,560	111,510	224,910
Meetings/Banquets	2,500	3,125	3,125	46,250	93,125
Non-Tenant Performance	4,253	4,489	4,725	70,166	141,041
Public/Consumer Show	2,430	3,240	4,050	58,320	119,070
Sporting Events	15,935	17,529	19,123	282,058	568,897
Tenant Performance	24,448	24,448	24,448	366,722	733,444
Other	3,347	4,134	4,922	71,466	145,294
Total	84,306	88,346	94,861	1,405,846	2,828,762
<b>Hotel Room Nights</b>					
Community/Religious	230	276	368	5,290	10,810
Concerts	2,748	2,617	2,748	41,086	82,302
Convention/Tradeshow	1,875	1,875	2,250	33,000	66,750
Family/Ice Shows	420	462	504	7,434	14,994
Meetings/Banquets	500	625	625	9,250	18,625
Non-Tenant Performance	638	673	709	10,525	21,156
Public/Consumer Show	97	130	162	2,333	4,763
Sporting Events	1,062	1,169	1,275	18,804	37,926
Tenant Performance	3,667	3,667	3,667	55,008	110,017
Other	893	1,103	1,313	19,058	38,745
Total	12,130	12,596	13,620	201,787	406,088

The exhibit below presents a summary of the estimated financial operating results for the FFCC during the startup period and over a cumulative period of years. Figures are presented in 2018 dollars. These figures only represent the annual operations of the facility scenarios and do not include construction debt service payments, capital repair/replacement reserve funding obligations, or other non-operating expenses.

**Estimated FFCC Project Financial Operating Results (presented in 2018 dollars)**

	Year 1	Year 2	Stabilized Year 3	Year 1-15 Cumulative	Years 1-30 Cumulative
<b>Operating Revenues</b>					
Facility Rent	\$803,725	\$821,009	\$864,220	\$12,859,594	\$25,822,894
Food & Beverage	447,749	462,192	481,450	7,168,791	14,390,541
Advertising/Sponsorships	233,240	235,620	238,000	3,562,860	7,132,860
Premium Seating	165,645	174,848	184,050	2,733,143	5,493,893
Contract Service & Other	80,750	90,250	95,000	1,406,000	2,831,000
Total Operating Revenue	\$1,731,108	\$1,783,919	\$1,862,720	\$27,730,387	\$55,671,187
<b>Operating Expenses</b>					
Salaries & Benefits	\$1,193,915	\$1,206,223	\$1,230,840	\$18,401,058	\$36,863,658
Contract Labor	72,390	74,676	76,200	1,137,666	2,280,666
Utilities	276,772	279,596	282,420	4,227,827	8,464,127
Repair & Maintenance	66,278	67,735	72,833	1,080,842	2,173,337
General & Administrative	138,594	140,022	142,880	2,136,056	4,279,256
Supplies	65,334	66,710	68,773	1,026,093	2,057,688
Insurance	70,012	70,012	70,012	1,050,180	2,100,360
Other	210,560	215,040	224,000	3,337,600	6,697,600
Total Operating Expenses	\$2,093,854	\$2,120,014	\$2,167,958	\$32,397,322	\$64,916,692
Net Operating Profit/Deficit	(\$362,746)	(\$336,095)	(\$305,238)	(\$4,666,936)	(\$9,245,506)

As shown in the exhibit, upon stabilization of operations (assumed Year 3) and presented in 2018 dollars, the FFCC Project is estimated to generate approximately \$1.9 million in annual operating revenue and \$2.2 million in operating expenses, resulting in an operating deficit of approximately \$305,000. This indicates that the FFCC Project will operate with a significantly lower annual City-paid operating subsidy than the current FFCC facility (an approximate \$500,000 annual improvement over the subsidy provided to maintain FFCC operations today).

To provide context for how these FFCC Project operating projects compare to other similar facilities operating throughout the country, the exhibit shown on the following page presents a recent year summary of the financial operating results (excluding debt service and other non-operating items) at a set of recently-built comparable facilities arena and multipurpose event facilities. Based on requests for confidentiality that are commonly made by facilities providing this type of data, the names of the facilities/cities have not been specifically attributed to the data that are listed. As shown, the majority of comparable facilities annually operate at a financial operating deficit (requiring a public subsidy or other funding support).

Comparable Facility Benchmarking: Comparison of Recent Year Annual Financial Operating Results

	Facility A	Facility B	Facility C	Facility D	Facility E	Facility F	Facility G	Facility H	Facility I	Facility J
<b>REVENUES:</b>										
Rent Income	\$1,245,499	\$2,186,245	\$308,477	\$1,466,695	\$1,130,000	\$440,000	\$240,000	\$271,492	\$2,332,760	\$999,704
Less: Event Services	(\$363,432)	(\$1,645,914)	\$258,813	(\$434,302)	(\$830,000)	\$0	\$0	\$0	\$16,032	\$0
Direct Event Income	\$882,066	\$540,331	\$567,290	\$1,032,393	\$300,000	\$440,000	\$240,000	\$271,492	\$2,348,792	\$999,704
Food & Beverage	\$285,417	\$532,393	\$456,364	\$2,387,808	\$150,000	\$900,000	\$130,000	\$343,477	\$1,075,262	\$155,218
Merchandise	\$17,372	\$29,103	\$37,193	\$35,950	\$20,000	\$20,000	\$0	\$0	\$0	\$133,117
Advertising/sponsorships	\$112,665	\$602,080	\$128,448	\$398,715	\$430,000	\$450,000	\$0	\$301	\$16,900	\$853,708
Premium seating	\$42,346	\$1,074,673	\$297,468	\$223,956	\$390,000	\$20,000	\$0	\$0	\$0	\$300,952
Surcharges/Fees	\$109,558	\$274,733	\$353,249	\$78,751	\$250,000	\$710,000	\$0	\$254,612	\$133,137	\$174,135
Parking	\$0	\$169,112	\$481,888	\$0	\$160,000	\$160,000	\$0	\$0	\$0	\$64,544
Ice Rink	\$0	\$0	\$0	\$309,024	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$188,544	\$12,766	\$103,020	\$9,520	\$80,000	-\$30,000	\$20,000	\$16,679	\$39,204	\$3,438
<b>TOTAL REVENUES</b>	<b>\$1,637,968</b>	<b>\$3,235,191</b>	<b>\$2,424,920</b>	<b>\$4,476,116</b>	<b>\$1,780,000</b>	<b>\$2,670,000</b>	<b>\$390,000</b>	<b>\$886,561</b>	<b>\$3,613,296</b>	<b>\$2,684,815</b>
<b>EXPENSES:</b>										
Salaries & Wages	\$1,211,182	\$1,637,381	\$1,222,759	\$3,091,339	\$690,000	\$1,650,000	\$790,000	\$495,409	\$1,259,202	\$1,446,775
Utilities	\$492,291	\$834,980	\$393,493	\$1,115,168	\$280,000	\$500,000	\$180,000	\$428,973	\$393,131	\$286,805
Insurance	\$46,970	\$491,434	\$103,730	\$0	\$70,000	\$0	\$50,000	\$164,460	\$382,526	\$0
Equipment, Materials & Supplies	\$119,938	\$318,844	\$57,144	\$0	\$100,000	\$50,000	\$20,000	\$207,348	\$140,930	\$0
Repairs & Maintenance	\$106,205	\$41,517	\$251,705	\$897,372	\$180,000	\$0	\$30,000	\$97,904	\$155,711	\$0
Contracted Services	\$67,670	\$84,899	\$147,331	\$18,520	\$0	\$420,000	\$30,000	\$249,964	\$1,132,527	\$817,298
General & Administrative	\$121,252	\$125,489	(\$11,450)	\$80,056	\$130,000	\$30,000	\$80,000	\$180,854	\$333,530	\$628,256
Marketing	\$30,784	\$11,520	\$99,749	\$0	\$0	\$350,000	-	\$380	\$122,224	\$0
Management Fee	\$117,719	\$243,587	\$351,201	\$175,000	\$40,000	\$0	\$80,000	\$0	\$0	\$0
<b>TOTAL EXPENSES</b>	<b>\$2,314,010</b>	<b>\$3,789,651</b>	<b>\$2,615,662</b>	<b>\$5,377,456</b>	<b>\$1,490,000</b>	<b>\$3,000,000</b>	<b>\$1,260,000</b>	<b>\$1,825,293</b>	<b>\$3,919,781</b>	<b>\$3,179,135</b>
<b>NET INCOME (LOSS)</b>	<b>(\$676,042)</b>	<b>(\$554,460)</b>	<b>(\$190,742)</b>	<b>(\$901,340)</b>	<b>\$290,000</b>	<b>(\$330,000)</b>	<b>(\$870,000)</b>	<b>(\$938,732)</b>	<b>(\$306,485)</b>	<b>(\$494,320)</b>
<b>OPERATING MARGIN</b>	<b>-41%</b>	<b>-17%</b>	<b>-8%</b>	<b>-20%</b>	<b>16%</b>	<b>-12%</b>	<b>-223%</b>	<b>-106%</b>	<b>-8%</b>	<b>-18%</b>

## 6. Economic Impact Estimates

An updated economic impact analysis was also conducted for the FFCC Project under this Phase 2 effort. As presented in the 2017/18 study, the following chart outlines key economic impact concepts and metrics.

### Economic Impact Analysis Concepts and Metrics

<b>A) Construction (one-time)</b>  Construction materials, labor, design and professional fees, and other soft cost spending are generated during the planning and construction of the subject facility.	<b>B) In-Facility (ongoing)</b>  Direct spending is generated through the operations of the subject facility (represented through operating revenues) driven by events and patronage. This spending occurs with respect to both event and non-event items, such as rentals, admissions, food and beverage, merchandise, sponsorship and advertising, education, and retail leases.	<b>C) Out-of-Facility (ongoing)</b>  Outside the subject facility itself, additional direct spending is generated in city, county and regional areas by visitors, spectators, attendees, participants, event staff, and exhibitors users on lodging, food and beverages, retail, entertainment, transportation, etc. in connection with their visit to the area.
<ol style="list-style-type: none"> <li>1. Direct Spending               <ul style="list-style-type: none"> <li>• Materials</li> <li>• Labor</li> </ul> </li> <li>2. Indirect &amp; Induced Spending</li> <li>3. Output (direct + indirect + induced spending)</li> <li>4. Employment (full &amp; part-time jobs)</li> <li>5. Earnings (personal income)</li> <li>6. Tax Revenue               <ul style="list-style-type: none"> <li>• Sales &amp; use taxes</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1. Direct Spending               <ul style="list-style-type: none"> <li>• Room &amp; Space Rentals</li> <li>• Food &amp; Beverage</li> <li>• Retail &amp; Merchandise</li> <li>• Entertainment</li> <li>• Sponsorship &amp; Advertising</li> <li>• Contract &amp; Other Services</li> </ul> </li> <li>2. Indirect &amp; Induced Spending</li> <li>3. Output (direct + indirect + induced spending)</li> <li>4. Employment (full &amp; part-time jobs)</li> <li>5. Earnings (personal income)</li> <li>6. Tax Revenue               <ul style="list-style-type: none"> <li>• Sales &amp; use taxes</li> <li>• Excise, gaming &amp; other taxes</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1. Direct Spending               <ul style="list-style-type: none"> <li>• Lodging</li> <li>• Restaurants/Bars</li> <li>• Retail</li> <li>• Entertainment/Gaming</li> <li>• Transit</li> <li>• Services/Other</li> </ul> </li> <li>2. Indirect &amp; Induced Spending</li> <li>3. Output (direct + indirect + induced spending)</li> <li>4. Employment (full &amp; part-time jobs)</li> <li>5. Earnings (personal income)</li> <li>6. Tax Revenue               <ul style="list-style-type: none"> <li>• Lodging taxes</li> <li>• Sales &amp; use taxes</li> <li>• Car rental &amp; transit taxes</li> <li>• Excise, gaming &amp; other taxes</li> </ul> </li> </ol>

For purposes of this analysis, results of the economic impact analyses are measured in terms of the following categories:

- Total output represents the total direct, indirect and induced spending effects generated by the project. This calculation measures the total dollar change in output that occurs in the local economy for each dollar of output delivered to final demand.
- Personal earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the project. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.
- Employment represents the number of full- and part-time jobs. The employment multiplier measures the total change in the number of jobs in the local economy for each additional \$1.0 million of output delivered to final demand.

The initial spending of new dollars into an economy begins a series in which the dollars are cycled through the economy. The re-spending of the dollars is estimated by using the economic multipliers discussed above and applying them to the amount of direct, or initial, spending. The multiplier illustrates that spending in a defined economy will lead to additional spending until that dollar has completed its cycle through leakage. Leakage represents the portion of a dollar spent in areas outside the designated economy.



This analysis only considers “net new” economic impact. This impact is derived solely by visitors attending or participating in FFCC events that do not reside in Dubuque. For conservative purposes, our approach to economic impact estimation does not consider any spending by facility attendees/participants if they reside in Dubuque. It has been assumed that any spending by these local residents would represent “displaced” spending, that would have otherwise been spent locally on other products and services.

The existing FFCC annually generates economic impact in Dubuque associated the attraction of visitors to the city, and their spending in it, that would have not otherwise traveled to Dubuque if it were not for the event they chose to attend at the FFCC. Further, the construction and the subsequent operations of the FFCC Project will generate significant new economic impact in Dubuque particularly when considering aggregate impacts over time. The following exhibit depicts the cumulative net new economic impacts estimated to be generated by the FFCC Project during the startup period and over a cumulative period of years.

### Summary of Estimated Economic Impacts (presented in 2018 dollars)

	Year 1	Year 2	Stabilized Year 3	Year 1-15 Cumulative	Years 1-30 Cumulative
<b>Construction Impacts</b>					
Direct Spending	\$0	\$0	\$0	\$44,550,000	\$44,550,000
Indirect/Induced Spending	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,588,838</u>	<u>30,588,838</u>
Total Output	\$0	\$0	\$0	\$75,138,838	\$75,138,838
Personal Income (earnings)	\$0	\$0	\$0	\$25,303,175	\$25,303,175
Employment (full & part-time jobs)	0	0	0	534	534
<b>In-Facility Impacts</b>					
Direct Spending	\$1,299,135	\$1,330,140	\$1,383,578	\$20,615,783	\$41,369,447
Indirect/Induced Spending	<u>537,269</u>	<u>549,618</u>	<u>571,612</u>	<u>8,517,849</u>	<u>17,092,035</u>
Total Output	\$1,836,405	\$1,879,758	\$1,955,190	\$29,133,632	\$58,461,482
Personal Income (earnings)	\$663,527	\$679,557	\$706,894	\$10,532,707	\$21,136,117
Employment (full & part-time jobs)	29	29	30	454	912
<b>Out-of-Facility Impacts</b>					
Direct Spending	\$4,262,443	\$4,401,665	\$4,716,331	\$69,976,414	\$140,721,383
Indirect/Induced Spending	<u>1,582,267</u>	<u>1,633,690</u>	<u>1,749,915</u>	<u>25,964,858</u>	<u>52,213,590</u>
Total Output	\$5,844,710	\$6,035,355	\$6,466,247	\$95,941,272	\$192,934,973
Personal Income (earnings)	\$1,820,312	\$1,879,288	\$2,012,585	\$29,863,200	\$60,051,969
Employment (full & part-time jobs)	85	88	94	1,398	2,811
<b>Total Economic Impacts</b>					
Direct Spending	\$5,561,579	\$5,731,804	\$6,099,909	\$135,142,198	\$226,640,830
Indirect/Induced Spending	<u>2,119,536</u>	<u>2,183,308</u>	<u>2,321,528</u>	<u>65,071,545</u>	<u>99,894,463</u>
Total Output	\$7,681,115	\$7,915,113	\$8,421,437	\$200,213,743	\$326,535,293
Personal Income (earnings)	\$2,483,839	\$2,558,845	\$2,719,479	\$65,699,082	\$106,491,262
Employment (full & part-time jobs)	114	117	125	2,386	4,256

In addition to the more quantifiable benefits, some anticipated benefits related to the construction and operations of the proposed FFCC Project cannot be quantitatively measured. Beyond the economic activity and jobs indirectly provided, these types of non-quantifiable impacts of a project of this nature and scope can serve to elevate Dubuque's profile and brand as a visitor destination and as a quality place to live, work, learn and play.

In fact, these qualitative benefits tend to be a critical factor in the consideration of public and private investment in projects of this nature, particularly those involving existing venues with a long history of service in the local community. These include issues pertaining to quality of life (through attracting entertainment events that would not otherwise travel to the area and hosting civic and private events), ancillary economic development facilitation, employment opportunities, community pride and other issues.

Potential non-quantifiable benefits could include:

- *Potential Transformative and Iconic Effects* – Elevating the quality, profile, and exposure to national, regional and local audiences of a key local event facility can have important transformative and residual impacts on the Dubuque community and destination, in terms of quality of life, community prestige, perception by visitors and non-locals, and other such effects.
- *Quality of Life for Residents* – New/enhanced event and public assembly facilities provide diversified activities for local residents and families, which can make Dubuque a more attractive and enjoyable place to reside. Quality public assembly facilities can contribute to enhancing community pride, self-image, exposure and reputation. All these items can assist in retaining and attracting an educated workforce, particularly younger adults who often desire quality entertainment, cultural, leisure and recreational amenities.
- *New Visitation* – New visitors will be attracted to the area because of an event in the expanded/improved arena and performing arts facility products. These attendees, in turn, may elect to return to the area later with their families, etc. for a vacation after visiting the area for the first time.
- *Spin-Off Development* – Private sector investment can be induced in the areas surrounding event facilities, such as arenas and performing arts centers, spurred by increased volume of visitors to the event facility, representing additions to the local tax base. Enhanced economic growth and ancillary private sector development near the FFCC could be more likely should the City elect to invest in a major FFCC improvement project.
- *Anchor for Revitalization* – Key event facility project development can often times anchor larger downtown or community-wide master development plans and new development activities.
- *Other Benefits* – Increased synergy with the other local event, entertainment and hospitality facilities can lead to increased tourism activity in communities. Likewise, the proposed FFCC investment would be expected to enhance affordable entertainment, cultural, educational and leisure alternatives for families in Dubuque. Further, this benefit directly links to the economic impact documented in the Arts and Economic Prosperity study which estimated that the Dubuque's nonprofit arts and culture industry generates approximately \$47.2 million in economic activity.

## 7. Construction Cost Estimates

A construction cost analysis was performed, and preliminary construction budget was created by the Project Team, led by Betsch Associates, with assistance by a number of industry experts, including but not limited to: Mortenson Construction Company, Legends Project Management, FEH Design, MEP Engineers, Geiger Engineers, Avant Acoustics, William Caruso and Partners, Blackstone Environmental, Portzen Construction, and Conlon Construction Company.

The exhibit below presents a summary of total hard and soft construction costs for the Project broken down by primary type. Additional detail and supporting calculations are provided in the supporting documents associated with this report. Importantly, as will be discussed in the subsequent section, it should not necessarily be assumed that 100 percent of these costs be borne by the public sector (i.e., City of Dubuque). There will be important opportunities to engage the private sector to assist in defraying the total amount of any hypothetical City funding obligation to execute this type of Project.

These figures represent current estimated all-in costs, assuming a late 2020 construction groundbreaking. Further, it is also important to recognize that construction costs have historically risen at a higher rate than standard cost of living based inflation. For instance, industry construction professionals who collaborated on this Phase 2 effort typically assume between 4.0 to 5.0 percent annual increase in construction costs for planning purposes (as compared to approximately 3.0 percent in typical annual cost of living inflation).

### FIVE FLAGS CENTER EXPANSION PROJECT BUDGET SUMMARY

	TOTALS	ARENA	THEATRE	THEATRE SUPPORT
<b>I. CONSTRUCTION COST</b>	<b>\$68,089,346</b>	<b>\$63,934,268</b>	<b>\$1,706,449</b>	<b>\$2,448,629</b>
A. Sitework	\$6,355,820	\$6,317,817	\$0	\$38,003
B. New Construction	\$51,809,460	\$51,672,448	\$0	\$137,012
C. Renovation	\$3,593,764	\$0	\$1,547,800	\$2,045,965
D. Design/ Bid Contingency (5%)	\$3,087,952	\$2,899,513	\$77,390	\$111,049
E. Subtotal of Items A.- D.	\$64,846,996	\$60,889,779	\$1,625,190	\$2,332,028
F. Construction Contingency (5%)	\$3,242,350	\$3,044,489	\$81,259	\$116,601
<b>III. CONSTRUCT'N RELATED COST</b>	<b>\$5,165,304</b>	<b>\$4,718,004</b>	<b>\$444,675</b>	<b>\$2,625</b>
A. 1% for Art	\$0	\$0	\$0	\$0
B. Furniture, Fixtures, & Equipment	\$4,432,337	\$4,006,337	\$423,500	\$2,500
C. SAC, WAC, Storm Water Fees	\$0	\$0	\$0	\$0
D. Site Survey, Soil Bor'gs, Haz Mat'l	\$157,000	\$157,000	\$0	\$0
E. Construction Testing	\$125,000	\$125,000	\$0	\$0
F. Theatre Structural Study	\$5,000	\$5,000	\$0	\$0
G. IT Consult'g	\$65,000	\$65,000	\$0	\$0
H. Commissioning/ Test Balance	\$75,000	\$75,000	\$0	\$0
I. Special Inspections and Other	\$60,000	\$60,000	\$0	\$0
J. Contingency (5%)	\$245,967	\$224,667	\$21,175	\$125
<b>IV. ADMINISTRATIVE COSTS</b>	<b>\$7,565,524</b>	<b>\$7,105,427</b>	<b>\$195,645</b>	<b>\$264,452</b>
A. Acquisition/ Administration	\$440,000	\$440,000	\$0	\$0
B. Design Fees	\$4,085,361	\$3,836,056	\$102,387	\$146,918
C. Project Management	\$275,000	\$250,000	\$25,000	\$0
D. Expenses	\$0	\$0	\$0	\$0
E. Financing (4%)	\$2,723,574	\$2,557,371	\$68,258	\$97,945
F. Contingency (5%) for Acquisition/Admin, Expenses	\$41,589	\$22,000	\$0	\$19,589
<b>V. ESCALATION</b>	<b>\$3,971,483</b>	<b>\$3,719,796</b>	<b>\$118,278</b>	<b>\$133,409</b>
A. Design Escalation to May 2020		\$0	\$0	\$0
B. Construct'n Escalat'n to May 2021		\$3,719,796	\$118,278	\$133,409
<b>VI. TOTAL PROJECT COST</b>	<b>\$84,791,656</b>	<b>\$79,477,494</b>	<b>\$2,465,047</b>	<b>\$2,849,115</b>

As shown on the previous page, based on the program, design and costing analysis completed for this Phase 2 effort, total hard construction costs for the Project is estimated at \$68.1 million. Of this amount, approximately \$63.9 million in hard construction costs relates to demolition and construction of a new Arena, while approximately \$4.2 million in hard construction costs relates to the Theater renovation/improvements. Total soft costs, considering all estimated soft costs (i.e., FF&E, financing, design fees, site costs, demolition, remediation, consulting, project management, contingency, etc.), are estimated to total approximately \$16.7 million (or 20 percent).

Construction costs tend to vary widely among comparable event facility projects. Many variables exist that influence actual realized construction costs, including type of facility, size, components, level of finish, integrated amenities, costs of goods and services in the local market, location and topography of the site, ingress/egress issues, costs implications related to the existing FFCC site and integration with existing facilities and infrastructure, and other such aspects. Additional architectural costing analysis would be required to refine these estimates during any subsequent full design and schematic phase.

These costs are higher than those preliminary estimated for Scenario 4 in the 2017/2018 study due to a number of factors, including:

- The construction costs estimated in the previous study (along with all cost/benefit figures in the study) were presented in 2018 dollars. As there was no sense at the time of the original study of if, or when, a project would be advanced and any sense of a timeline (i.e., date of referendum, design/schematics, construction bid, groundbreaking and construction end), costs were not escalated to future year dollars. Conversely, the construction cost figures in this Phase 2 work are escalated through an assumed 2021 completion. If the original study's order-of-magnitude cost estimate was escalated through the now identified 2021 completion, it would add an equivalent of nearly \$10.0 million to the assumption in the previous report (using current projected construction cost inflation rates).
- The intent of this Phase 2 analysis was to conduct further investigation and due diligence to provide the City with a maximum figure for construction of the market supportable project apportioned with a modern, industry-typical array of functionality, flexibility and revenue generating amenities, within the identified timeframe. As is typical with many projects of this nature, budgetary considerations could certainly lead the City to direct the ultimately-selected Design and Construction Team to modify or eliminate certain elements to reduce costs and meet certain budget expectations for a final project. Additionally, having a maximum figure allows for an evaluation and consideration of the level of private sector contribution which would be necessary to fill any gap in a capital stack.
- Since a full set of Architectural Designs and Schematics have yet to be commissioned and undertaken for the Project, the contingency cost for this costing exercise was increased materially over the order-of-magnitude assumption included in the original study. This provides an important cushion for certain items that have been preliminarily investigated, but not yet determined with certainty, such final costs associated with site acquisition, environmental remediation, utilities costs, financing and legal costs, and other such items;
- Based on discussions with construction firms that have active arena construction projects underway in other national and regional markets, the most up-to-date projected costs associated with certain construction materials are higher than historical growth would have indicated at the time of the previous study's research.

## 8. Analysis of Funding Issues

The purpose of this section is to provide a summary of the sources of funding that have been used within the event facility industries and to discuss certain opportunities for the FFCC Project. The intent of the analysis is not to produce a financing plan for facility development, but rather to discuss certain financing vehicles, as well as public and private revenue sources that could be utilized to fund the Project.

### Comparable Facility Benchmarking

As the largest cost component of proposed FFCC project, the following exhibit presents an overview of the estimated construction costs associated with a selection of comparable arena facilities that have been built in recent years throughout the country.

**Summary of Comparable Arena Construction Costs & Funding Participation (dollars in millions)**

Arena	Market	Original Const. Cost (in \$ millions)					Year	Capacity	Inflation Adj. Const. Cost (in \$ millions)	Const. Cost Per Seat
		Public \$	Private \$	Public %	Private %					
1 Allen Event Center	Allen, TX	\$52.6	\$47.3	\$5.3	90%	10%	2009	8,600	\$74.9	\$8,705
2 American Bank Center	Corpus Christi, TX	\$49.6	\$49.6	\$0.0	100%	0%	2004	10,323	\$85.9	\$8,320
3 Arena at Gwinnett Center	Duluth, GA	\$91.0	\$91.0	\$0.0	100%	0%	2003	13,000	\$163.9	\$12,607
4 BOK Center	Tulsa, OK	\$178.0	\$146.0	\$32.0	82%	18%	2008	18,041	\$263.5	\$14,605
5 Bon Secours Wellness Arena	Greenville, SC	\$63.0	\$30.0	\$33.0	48%	52%	1998	15,951	\$138.0	\$8,654
6 CenturyLink Center Omaha	Omaha, NE	\$75.0	\$75.0	\$0.0	100%	0%	2003	17,000	\$135.1	\$7,945
7 CenturyLink Center	Bossier City, LA	\$60.0	\$28.0	\$32.0	47%	53%	2000	14,000	\$121.5	\$8,682
8 Chesapeake Energy Arena	Oklahoma City, OK	\$101.0	\$101.0	\$0.0	100%	0%	2002	18,203	\$189.2	\$10,392
9 Citizens Business Bank Arena	Ontario, CA	\$150.0	\$150.0	\$0.0	100%	0%	2008	11,089	\$222.0	\$20,023
10 Covelli Center	Youngstown, OH	\$45.0	\$44.5	\$0.5	99%	1%	2005	7,000	\$74.9	\$10,704
11 Denny Sanford Premier Center	Sioux Falls, SD	\$117.0	\$117.0	\$0.0	100%	0%	2014	12,000	\$136.9	\$11,406
12 Ford Center	Evansville, IN	\$127.5	\$127.5	\$0.0	100%	0%	2011	11,000	\$167.8	\$15,253
13 Giant Center	Hersey, PA	\$85.0	\$50.0	\$35.0	59%	41%	2002	12,000	\$159.2	\$13,267
14 Huntington Center	Toledo, OH	\$100.0	\$100.0	\$0.0	100%	0%	2009	9,341	\$142.3	\$15,237
15 Intrust Bank Arena	Wichita, KS	\$206.5	\$206.5	\$0.0	100%	0%	2010	15,004	\$282.6	\$18,836
16 Iowa River Landing Arena (1)	Coralville, IA	\$92.1	\$82.1	\$10.0	89%	11%	2020	5,100	\$85.2	\$16,701
17 Landers Center	Southaven, MS	\$27.5	\$27.5	\$0.0	100%	0%	2000	10,000	\$55.7	\$5,571
18 Laredo Energy Arena	Laredo, TX	\$35.5	\$35.5	\$0.0	100%	0%	2002	9,622	\$66.5	\$6,910
19 Mid-America Center	Council Bluffs, IA	\$75.0	\$38.3	\$36.8	51%	49%	2002	9,000	\$140.5	\$15,608
20 Pinnacle Bank Arena	Lincoln, NE	\$173.0	\$100.3	\$72.7	58%	42%	2013	15,900	\$210.5	\$13,238
21 Reno Events Center	Reno, NV	\$69.4	\$69.4	\$0.0	100%	0%	2005	7,500	\$115.6	\$15,407
22 Resch Center	Green Bay, WI	\$50.4	\$45.3	\$5.1	90%	10%	2002	10,200	\$94.4	\$9,255
23 Sanford Center	Bemidji, MN	\$78.3	\$78.3	\$0.0	100%	0%	2010	6,000	\$107.2	\$17,860
24 Sanford Coyote Sports Center	Vermillion, SD	\$66.0	\$46.0	\$20.0	70%	30%	2016	6,000	\$71.4	\$11,898
25 Santander Center	Reading, PA	\$36.5	\$34.6	\$1.9	95%	5%	2001	9,146	\$71.1	\$7,774
26 Sears Centre	Hoffman Estates, IL	\$62.0	\$37.2	\$24.8	60%	40%	2006	11,800	\$99.3	\$8,412
27 Stockton Arena	Stockton, CA	\$64.0	\$64.0	\$0.0	100%	0%	2005	11,800	\$106.6	\$9,031
28 Tyson Event Center	Sioux City, IA	\$47.4	\$35.0	\$12.4	74%	26%	2003	10,000	\$85.4	\$8,536
29 Verizon Wireless Arena	Manchester, NH	\$65.0	\$55.0	\$10.0	85%	15%	2001	11,770	\$126.6	\$10,757
30 Webster Bank Arena	Bridgeport, CT	\$60.0	\$52.0	\$8.0	87%	13%	2001	10,000	\$116.9	\$11,687
31 Wells Fargo Arena	Des Moines, IA	\$90.7	\$90.7	\$0.0	100%	0%	2005	16,980	\$151.0	\$8,894
32 XFINITY Arena at Everett	Everett, WA	\$71.5	\$37.6	\$33.9	53%	47%	2003	10,000	\$128.8	\$12,877
<b>Average</b>		<b>\$83.3</b>	<b>\$71.6</b>	<b>\$11.7</b>	<b>85%</b>	<b>15%</b>	<b>2006</b>	<b>11,400</b>	<b>\$130.9</b>	<b>\$11,720</b>

Note: Comparable arenas exclude university-owned arenas and arenas with professional NBA or NHL franchises.

(1) Construction costs represent estimates provided by the construction team of \$375 hard construction costs per gross square foot for a 188,974 gross square foot facility.

As depicted in the exhibit, in 2018 dollars, the average comparable arena facility project costs an average of \$130.9 million to develop with project costs ranging from a low of \$55.7 million for the Landers Center in Southaven, Mississippi to a high of approximately \$282.6 million for the construction cost of Intrust Bank Arena in Wichita, Kansas. The inflation-adjusted construction cost per capacity seat for the average comparable arena was \$11,720 per seat. Extrapolating this the FFCC Project suggests an approximate \$80 million arena project—consistent with the figures generated within this Phase 2 effort (excluding Theater-related costs, and higher than expected construction costs in future years and a large contingency cost, appropriate for planning purposes at this early stage).



The public sector contributed a significant amount of funding towards the development of the arena in each of these comparable markets, ranging from 47 percent to 100 percent of total costs. Nearly half of the projects were funded 100 percent by the public sector.

The following is a summary of the specific funding sources for some of the comparable arenas.

**American Bank Center – Corpus Christi, TX**

Opened in 2004 in Corpus Christi, Texas, the American Bank Center was constructed at a cost of approximately \$49.6 million. To fund the construction of the facility, the City issued \$49.6 million in general obligation bonds. Debt repayment for the facility is derived from the revenue generated from a 0.0125 percent sales tax increase, which was approved by voters in 2000.

**Allen Event Center – Allen, TX**

The Allen Event Center, located in Allen, Texas, opened in 2009. The Arena's development was the result of a private/public partnership between the City of Allen and the MGHerring Group, a Dallas-based developer. Development costs totaled \$70 million, which included infrastructure costs such as a parking garage and street signage. The City of Allen funded \$47 million of the project via a bond issue backed by sales tax revenues. MGHerring, who was the developer responsible for the larger 'The Village at Allen' project, contributed \$23 million to the arena construction. The City of Allen, however, agreed to use additional sales tax revenues to reimburse MGHerring for up to 75 percent of their upfront payment.

**BOK Center – Tulsa, OK**

The \$198 million BOK Center opened in 2008 in downtown Tulsa, Oklahoma. Approximately \$166 million of the BOK Center development costs were funded through Tulsa's Vision 2025 initiative, which is supported by a one percent sales tax increase in Tulsa County for 13 years to fund various projects. Approximately \$32 million in private arena funding was secured through corporate sponsorships and premium seating sales, including the sale of naming rights to Bank of Oklahoma for \$11 million over 20 years.

**Covelli Centre – Youngstown, OH**

Located in Youngstown, Ohio, the Covelli Centre was developed at a cost of approximately \$45.0 million. The majority of the funding came from a \$26.8 million federal Housing and Urban Development (HUD) grant. The State of Ohio contributed \$2.0 million, while Ohio Edison contributed a \$550,000 energy grant. The City also paid approximately \$4.0 million for infrastructure improvements. To complete the funding of the facility, the City borrowed \$11.9 million, which is offset annually by the operating surplus of the arena, food and beverage tax revenue and a 5.5 percent admissions tax the City charges on tickets sold at the facility.

**Denny Sanford Premier Center – Sioux Falls, SD**

The Denny Sanford Premier Center opened in September 2014 at a total cost of approximately \$117 million (approximately \$385 per gross square foot) financed through four sources. The city issued \$102 million in tax-exempt bonds to be paid over 22 years at a 3.21 percent interest and \$12.5 million in taxable bonds to be paid over 11 years at 1.87 percent interest. The bonds will be paid off with second penny sales tax funds, which is estimated to generate more than \$50 million annually. The City of Sioux Falls is expected to pay an average of \$7.9 million in principal and interest per year. The city also contributed \$500,000 of sales tax fund cash from the city's budget in 2012. The fourth source of financing came from a \$2 million donation from Sanford Health.

**Ford Arena – Beaumont, TX**

Ford Arena in Beaumont, Texas was developed as part of Ford Park, a \$55.0 million sports and entertainment complex, which also includes an amphitheater, festival grounds and a

softball/baseball field complex. Arena construction accounted for approximately \$32.0 million of the total development cost. The entire project was funded by Certificates of Obligation issued by Jefferson County. The Certificates are backed by general County revenue, not by a specific tax or revenue stream. County representatives indicated that, while a referendum would have been required to issue general obligation bonds, they did not need a referendum to approve the COO issuance.

#### **Ford Center – Evansville, IN**

Located in Evansville, Indiana, the Ford Center was built in 2011 at a cost of approximately \$127.5 million. The City of Evansville issued bonds to pay for the facility, which are to be repaid through the City's share of casino (riverboat) funds, Downtown Tax Increment Finance District (TIF) funds and food and beverage taxes. In 2013, the Center's debt service was paid from \$3.4 million in riverboat funds, \$3.4 million from Downtown Tax Increment Financing and \$1.2 million in food and beverage tax revenues.

#### **Intrust Bank Arena – Wichita, KS**

The 15,750-seat Intrust Bank Arena opened in 2010 and serves the Wichita region with concerts, family shows and various sporting events. Located in downtown Wichita, the \$206.5 million project was funded without debt through a tax bill authorizing Sedgwick County to collect a one cent sales tax for 30 months while the arena was being constructed.

#### **PPL Center – Allentown, PA**

The \$177 million PPL Center opened in September of 2014 in downtown Allentown, Pennsylvania. The PPL Center was funded through the issuance of municipal bonds, which are backed by tax revenues from the Neighborhood Improvement Zone ("NIZ"). A 10-year naming rights agreement with utilities provider PPL was secured prior to the arena opening.

#### **Reno Events Center – Reno, NV**

Located in Reno, Nevada, the Reno Events Center opened in 2005 at a cost of approximately \$65.0 million. To fund the facility, the City of Reno issued \$120.0 million in 30-year bonds, which are backed by 15 percent of the City's consolidated tax revenues. Of that, \$43.0 million was used to retire the National Bowling Stadium debt, \$7.6 million was used repay the city for the land the Bowling Stadium sits on and approximately \$69.4 million was used to pay for the Reno Events Center.

#### **Resch Center – Green Bay, WI**

The 10,000-seat Resch Center is located in Green Bay, Wisconsin and was built at a cost of \$50.4 million. Approximately \$35.8 million of the project cost is supported through 30-year tax revenue bonds issued through the Community Development Authority of the Village of Ashwaubenon, backed by Brown County. The revenue bonds are backed by a room tax on hotels. The room tax was two percent prior to the project but was increased to eight percent to fund construction of the arena as well as a new convention center in Green Bay.

In 2012, Brown County reached a 15-year agreement with PMI Entertainment Group to continue managing the Resch Center. The deal guarantees an additional \$5.0 million more in capital improvements for the facility. PMI pays for all of the operating costs and utility expenses. In turn, PMI keeps all of the revenue generated from the facility including parking fees. Under the agreement, PMI pays more than \$355,000 annually in rental fees. PMI funded the Convention and Visitors Bureau until 2011 when a two percent increase (now 10 percent) in hotel room taxes was passed to fund the CVB. The money that PWI used to fund the CVB is now used to pay the increased rent to the county to run the facility.

#### **Sanford Center – Bemidji, MN**

Opened in 2010, the Sanford Center and George W. Neilson Convention Center is a 193,000-square foot event center that is part of the 140-acre South Shore mixed-use development in Bemidji, Minnesota. The event center includes the 4,700-seat Sanford Center arena, which serves as the home of the Bemidji State men's and women's hockey teams of the NCAA Division I Western Collegiate Hockey Association. The complex also includes the George W. Neilson Convention Center, which offers 10,000 square feet of ballroom space, divisible into three separate rooms, and 4,000 square feet of meeting space.

Construction of the Sanford Center cost approximately \$78.3 million and was funded entirely by the public sector. Funding of the facility included approximately \$45 million from the extension of a half cent City sales tax, \$20.0 million in state construction bonds, \$3.0 million in state planning funds, approximately \$5.0 million from a Tax Increment Financing district established at the South Shore development, approximately \$4.1 million from the sale of City land, and a \$1.2 million grant from the Department of Employment and Economic Development. In 2010, the City agreed to a 10-year, \$2.0 million naming rights agreement with Sanford Health Systems that will pay the City \$200,000 annually. In 2012, the Sanford Center generated revenues of \$2.3 million and incurred expenses of \$2.8 million, resulting in a net operating loss of approximately \$417,000.

#### **Verizon Wireless Arena – Manchester, NH**

The Verizon Wireless Arena in Manchester, New Hampshire opened in 2001 and was constructed at a cost of \$65.0 million, including \$2.8 million in land acquisition. The majority of the project's funding consisted of \$50.0 million in bonds issued by the Manchester Housing Authority on behalf of the City. The City leases the arena from the Authority with the bonds backed by the City's lease payments to the Authority.

The City's lease payments are derived from the City's share of a state-wide tax on hotel/motel rooms and prepared meals. These taxes had been in place for many years prior to the arena's construction. However, due to changes in the way the State allocates the tax revenues back to local municipalities, the City of Manchester experienced an increase in its annual allocation. The City decided to use this incremental tax revenue to fund arena construction. The City's annual rent payment is based on the anticipated incremental revenue that will be received in each year of the lease, starting with \$1.8 million in year one and increasing by approximately \$450,000 per year thereafter, eventually peaking at \$5.6 million per year. Along with these annual rent payments, an additional \$3.0 million in cash from tax collections prior to and during the construction period and \$2.0 million in interest earnings were contributed toward arena funding.

Private funding for the arena consisted of \$10.0 million in private debt issued by four local banks and backed exclusively by arena cash flows. The arena's management company receives all revenues from arena operations but also pays all event and operating costs. The management fee was \$600,000 plus \$150,000 in potential incentives in year one of the management agreement, increasing at an annual rate of two percent in subsequent years. After the management fee has been paid, the remaining revenue goes to pay off the private bank debt. If there is money left over after the debt payment, it funds a capital reserve or is allocated to other debt payments.

#### **Sanford Coyote Sports Center – Vermillion, SD**

The Sanford Coyote Sports Center is a 6,000-seat indoor arena located on the campus of the University of South Dakota. It opened in 2016 at a cost of approximately \$66 million and houses the University's Men's and Women's basketball and the Women's volleyball teams. The University secured a \$20 million donation from Sanford Health to support a portion of construction costs. According to the construction team, hard costs approximated \$295 per gross square foot for the 186,240-gross square foot project.

**Iowa River Landing Arena – Coralville, IA**

A new 5,100-seat arena at the Iowa River Landing is expected to open in 2020. The \$46 million arena is part of a larger \$190 million development that includes the 53,000-square foot Iowa Fitness and Sports Performance Institute, two hotel projects, a parking ram and multiple retail and mixed-use developments. Funding has included a \$200,000 grant from Johnson County, a \$12 million grant from the Iowa Economic Development Authority, \$4 million from New Market Tax Credits, nearly \$10 million in land sales revenue, naming rights revenue and other sources. According to the construction team, hard costs are expected in the range of \$300 to \$375 per gross square foot for the 188,974-gross square foot project.

Additionally, with respect to performing arts theaters, the following is a summary of the specific funding sources for some comparable theater projects.

**Christopher Cohan Center – San Luis Obispo, CA**

The Christopher Cohan Center opened on the Christopher Cohan Center opened on September 27, 1996 in San Luis Obispo, California. Total development costs for the project reached \$30 million. The Center was developed under a joint agreement between California Polytechnic State University, the City of San Luis Obispo and the Center's Foundation. The Partnership became a 501(c)3 with weighted representation. Agreement terms included: (1) \$20 million was paid for by the State of California for the University through G.O. Bonds as it qualifies as a State-owned instructional building; (2) \$5 million came from the City's General Fund; and (3) \$5 million was secured against the Foundations' assets, with repayment scheduled to come through ticket surcharges earmarked for debt service.

**Kentucky Center for the Performing Arts – Louisville, KY**

The Kentucky Center for the Performing Arts (KCPA) opened on November 19, 1983 after more than ten years of planning and three years of construction. The KCPA was developed through a unique partnership between the state, county, city and private sectors. The \$34.5 million final construction cost was partly funded by \$23.5 million from the Commonwealth of Kentucky and the use of the site and a parking garage (a \$2.5 million benefit) from the City of Louisville. A \$13 million endowment fund was raised almost entirely from local private sources to cover the remaining construction costs and to provide future operating funds. KCPA underwent a \$4.1 million renovation in 2000 that included adding 3,500 square feet to the north and south lobbies and a reconfiguration of the Main Entrance. In 2009, an \$8.9 million renovation included updating the stage floor and the rigging system in Whitney Hall, as well as installing new lighting and dimming systems in its three main venues.

**Gaillard Center – Charleston, SC**

The Gaillard Center, located in Charleston, originally opened in 1968 for approximately \$6 million. The 1,800-seat municipal auditorium has been undergoing renovations for the past three years with plans to open in October 2015. The \$142 million total renovation costs were funded through both public and private investments. Approximately \$71 million was raised by the Gaillard Performance Hall Foundation from private donors. Public funding through the City of Charleston included approximately \$32 million in revenues from a Tax Increment Financing District; \$29 million in accommodations and hospitality taxes and New Market Tax Credits; and \$19 million in general obligation bonds.



**Smith Center for the Performing Arts – Las Vegas, NV**

The Smith Center for the Performing Arts opened in 2012 and is owned by the City of Las Vegas. The \$320 million Center was financed by 53 percent public and 47 percent private funding. The Donald W. Reynolds Foundation donated \$100 million through a grant and \$50 million through a lead gift. The City of Las Vegas funded \$105 million via a City/County/State rental car tax and \$65 million through City land, infrastructure and environmental cleanup.

**Fox Theatre Detroit – Detroit, MI**

Opened in 1928, Fox Theatre Detroit is a 5,174-seat venue located within the Detroit Theater District in downtown Detroit, Michigan. Listed on the National Register of Historic Places in 1985, the theatre was designated a National Historical Landmark in 1989 following a \$12 million renovation in 1988 that was funded by facility owner/operator Olympia Entertainment, which also owns the NHL Detroit Red Wings and the MLB Detroit Tigers.

**Broward Center for the Performing Arts – Ft. Lauderdale, FL**

The Broward Center for the Performing Arts opened in 1991 and is located in Fort Lauderdale, Florida. The Broward Center's presenters include Broadway Across America, the Florida Grand Opera, the Gold Coast Jazz Society, the Miami City Ballet and the Symphony of the Americas. The facility is owned by the Performing Arts Center Authority and has a capacity of 2,700 in its main theater. In 2012, the Center underwent a renovation to add new seating and carpeting, upgrade the light and sound systems, construct a new Club Level and build a pavilion and terraced lounge on the exterior of the building. The Broward Center launched a \$56 million capital campaign to raise funds for the renovation.

**The Tobin Center – San Antonio, TX**

The Tobin Center opened in September 2014, consisting of a 1,740-seat performance hall, 240-seat studio theatre as well as an outdoor performance plaza connected to the River Walk in San Antonio, TX. Totalling approximately \$203 million, the funding for the Center was a public-private partnership between the City of San Antonio, Bexar County, and the Bexar County Performing Arts Center Foundation. A 65 percent majority of voters in Bexar County approved a \$100 million bond initiative in 2008 to provide the public funding through an extension of the hotel and car rental tax as well as \$41 million from the City of San Antonio in land and building donations. The remaining \$54 million was raised through private donations, including a \$10 million reserve fund.

**Dr. Phillips Center for the Performing Arts – Orlando, FL**

The Dr. Phillips Center for the Performing Arts began construction in 2011 at an estimated cost of approximately \$514 million. Phase 1 of the project opened in November 2014 and consists of the 2,700-seat Walt Disney Theater, 300-seat Alexis & Jim Pugh Theater, Seneff Arts Plaza, the Dr. Phillips Center Florida Hospital School of Arts in addition to other ancillary spaces. The cost of Phase I was approximately \$348 million. Phase II of development includes a 1,700-seat performance hall built specifically for music, ballet, dance and other performing arts that depend on the purity of sound, additional work to the Plaza, and rehearsal, classroom and office space. The anticipated completion date for Phase II of the project is set for 2019, at a total estimated cost of approximately \$166 million.

Funding for the performing arts center is a public-private partnership including: (1) \$134 million in corporate, private and philanthropic contributions; (2) \$155 million from the Tourist Development Tax, a 6.0 percent resort tax; (3) \$129 million from Community Redevelopment Agency bonds secured by pledged tax increment revenues on downtown Orlando district properties; (4) \$81 million in City contributions; and (5) \$15 million in State contributions. Approximately \$443 million of the total project budget is being used for gross construction with the remaining \$71 million allocated to land acquisition and site improvement costs.

### Potential Financing Techniques and Vehicles

The development and financing of sports and entertainment facilities throughout the country in recent years has largely relied on a combination of both public and private sector financing. The enhanced revenue-generating capabilities of new and/or renovated facilities have encouraged more public/private partnerships whereby public sector financing vehicles are supplemented with private sector revenue streams. In many cases, a public sector entity will issue some form of bond to wholly or partially finance the construction of the facility. The annual debt service required to retire the bonds is then sourced from a general fund and/or from various tax revenues including sales, hotel/motel, restaurant, entertainment and other taxes, as well as other revenue sources such as facility-related revenues. The types of financing mechanisms typically used in funding sports and entertainment facilities are summarized on the following pages.

#### *General Obligation (GO) Bonds*

General obligation bonds are backed by the full faith and credit of the local government and paid for through general fund property taxes. This pledge is generally supported by a commitment from the issuer to repay the principal and interest through whatever means may be necessary, including levying additional taxes. The advantages associated with general obligations bonds revolve around the strength of the credit. It typically results in a simple financing that lowers the cost of issuance and reduces the bond size, since a debt service reserve fund is often not required. Also, the strength of the pledge provides a higher credit rating and, therefore, a lower cost of financing the project. General obligation bonds are the most common method of primary financing for comparable municipally-owned and operated sports and entertainment facilities such as the FFCC.

General obligation bond financing may also be structured with a lower variable interest rate in the early years of the project with conversion to a fixed rate in later years; however, this could require legislation to be enacted. The primary disadvantage associated with general obligation indebtedness is that the bonding capacity for other capital needs is reduced.

Based on conversations with local representatives and a review of prevalent comparable facility funding structures, the most viable option for financing the renovation/redevelopment of the FFCC may be through General Obligation Bonds, which would require a simple majority approval by local government council, as well as an approval by the State Director of Local Finance.

#### *Revenue Bonds*

Another frequently used method of sports and entertainment facility financing is the issuance of revenue bonds. Revenue bonds are special obligations issued by the respective governmental agency for which payment is dependent upon a particular source of funds, such as revenues generated by the project, to provide the amount needed for bond repayment. The issuer of the bonds pledges to the bondholders the revenues generated by the project being financed. No pledge of state or local ad valorem tax revenues is required; however, other taxes may be assessed and/or pledged in whole or in part by a municipality or by the state, often with legislative approval, to provide funds necessary to pay off the revenue bond offering. It may be the case, however, that any change in tax rates or allocation would have to be approved by public referendum.

The major disadvantage associated with revenue bonds relates to interest rates that are typically higher than those associated with general obligation bonds. This is largely due to the fact that revenue bonds are not backed by the full faith and credit of the issuing entity. In addition, funding of a debt service reserve and other credit enhancement out of bond proceeds makes the required bond size larger with higher annual debt service payments.

Revenue bond financing may be structured in such a way that payments may be tied to a lower variable rate in the initial years of operation and converted to a higher fixed rate in later years. This is often advantageous in situations where the particular revenue stream or streams that are pledged to bond debt service are expected to increase annually.

Based on discussions with City officials, revenue bonds would be expected to be less viable of an option than general obligation bonds to finance construction costs for FFCC Project.

#### *Certificates of Participation*

Certificates of Participation (COPs) represent another financial instrument that has been used to finance sports facilities. COP holders are repaid through an annual lease appropriation by a sponsoring governmental agency. COPs do not legally commit the governmental entity to repay the certificate holder beyond the annual appropriations, and therefore do not typically require voter approval. Further, this type of instrument is not subject to many of the limitations and restrictions typically associated with general obligation bonds. As COPs generally offer the issuing authority less financial risk and more flexibility than other financing instruments, they tend to be more cumbersome due to the reliance of the trustee for appropriations while typically carrying a higher coupon rate relative to traditional general obligation bonds.

COPs could allow a municipal government to enhance a revenue source with a pledge to make up any revenue deficiencies from other funds. This issue would be subject to annual appropriation. The certificates usually imply that some other security, such as revenue from operations or a sales tax, will be relied on as the primary source of credit worthiness.

The primary advantage associated with certificates of participation is that the obligation enhances the issue, resulting in an interest rate more favorable than a standard revenue bond issue. The disadvantage associated with COPs is that primary credit must still be established.

Based on discussions with City officials, COPs have not historically been used by the City for project funding and would not be expected to be a viable option to finance construction costs for a FFCC Project.

#### Public Sector Revenue Sources

Public sector revenue sources are often used to fund the all or a majority of the capital development or renovations of municipally-owned facilities comparable to the FFCC.

#### *City Property Taxes*

While private sector sources could help contribute to the capital stack for the proposed FFCC Project, based on a review of comparable facility funding sources and discussions with local officials, the most likely path forward for public sector funding of a majority of the construction costs associated with the proposed Project would likely need to consist of a general obligation bond supported by property taxes. This would require a greater than 60 percent affirmative vote via a public referendum for an increase in property tax assessment.

### *Additional Public Sector Revenues*

Other taxes that have been used for arena, theater and event facility projects in other communities throughout the country to generate revenues, either locally or at the state level, include:

- Hotel / Motel Taxes
- Sales and Use Taxes
- Amusement / Admissions Taxes
- Tax Increment Financing (TIF)
- Restaurant / Food & Beverage Taxes
- Car Rental Taxes
- Personal Income Taxes
- Corporate Income Taxes and Fees
- Gasoline Taxes
- Insurance Taxes and Fees
- Cigarette / Liquor Taxes
- Estate and Lottery Taxes
- Other Taxes, Fees and Assessments

Most of these are not applicable in Dubuque's case or do not generate significant levels of revenue relative to other taxes (such as property taxes) and would not result in meaningful funding levels if incremental taxes were imposed specifically for the FFCC Project. As a result, proceeds from increases in these taxes have not been estimated as part of this analysis.

### Private Sector Revenue Sources

In addition to public sector funding sources, private sector revenue sources are often used to defray public sector funding obligations for development or renovations of municipally owned facilities comparable to the FFCC. These would be items that are not included in the facility operating budget and are instead used for capital funding purposes.

For instance, naming rights and sponsorship partner agreements can involve contractually-obligated income that can be used to contribute to the capital stack to pay for construction. The revenue shown in the previously presented financial operating estimates herein include advertising and sponsorship revenue, but do not include revenue/income derived from the sale of a naming rights/sponsorship package to a single private partner.

Based on a review of local facility and comparable facility funding sources, the most likely potential sources of private sector funding for the proposed FFCC Project could include the following:

### *Naming Rights & Sponsorship Partnerships*

Naming rights partnerships are agreements in which a company places its name or logo on a specific venue, and in return, pays an annual fee to the venue's owner or manager. Regional examples of naming rights partnerships for arena and civic complex venues include:

- U.S. Cellular Center, Cedar Rapids, Iowa
- Tyson Events Center, Sioux City, Iowa
- TaxSlayer Center, Moline, Illinois
- Grossinger Motors Arena, Bloomington, Illinois
- Dow Event Center, Saginaw, Michigan
- Indiana Farmers Coliseum, Indianapolis, IN
- Huntington Center, Toledo, Ohio
- AMSOIL Arena, Duluth, Minnesota



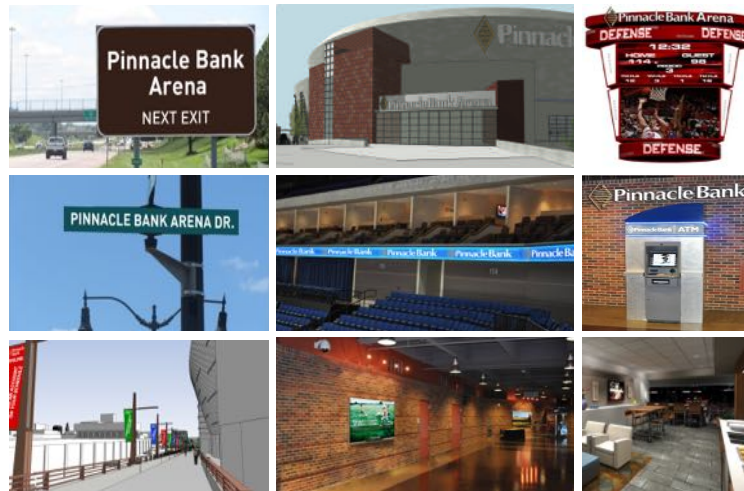
Typically, these types of deals are done on a more intermediate or long-term basis (e.g. 20 to 30 years), while renewals typically are done on shorter terms (i.e. 10 years or less). Along with the naming of the facility, a naming rights partner typically receives a variety of exposure opportunities, including landmarks, scoreboard signage, exterior facility signage, digital marquee signage, directional signage, opportunities for activation and product sampling, hospitality benefits, inclusion in the venue's media buy and editorial media coverage.

The growth in naming rights can be attributed to facilities and teams looking for new revenues. As properties put a greater emphasis on the importance of naming rights, decision-makers at corporations began to see naming rights as an effective method for achieving specific marketing objectives.

Naming rights marketing is particularly valuable because of its effectiveness in introducing new products, helping new or established products contend with competitive brands, and increasing corporate brand awareness. However, the real value lies in the borrowed imagery of a property and the unique media exposure a brand receives through the agreement. A corporation's ability to associate their brand directly to a team, facility or event is an important component in the value of naming rights agreements.

Naming and sponsorship opportunities often present with modern arena and event venues include:

- Facility Entrance
- Façade Landmark
- Arena Roof
- On-Court/Ice Logos
- Static Scoreboard
- Backlit Tunnel Signage
- Scoreboard Underbelly
- Arena Seats
- Concourse Signs
- Exterior Door Decal
- Display Area
- Digital Fascia Signage
- Center-hung Video Boards
- Arena Floor Maps
- Trash Receptacles
- Staff Uniform
- ATM Machines



The naming rights and sponsorship package value that any event venue will be able to command depends, in large part, on the following factors:

1. Profile of sports tenant(s):  
One or more high profile sports tenants (major university or minor league professional team) is typically critical in maximizing naming rights values. The sports teams drive media coverage, which in turn, drives demand and the value of the naming/sponsorship opportunity.
2. Comparable deals:  
A potential partner will analyze comparable deals in collegiate athletics and other sports industries throughout North America.
3. Market size and media coverage:  
Sponsors are willing to pay more for naming rights for arenas that generate a considerable amount of media coverage—from television, radio, print and online. Larger markets typically generate greater exposure for a naming rights partner.

4. Broadcast exposure:  
National and regional broadcast exposure is often available to successful tenant teams and those in large markets. Sponsors are willing to pay a premium for naming rights to facilities that receive a high degree of such broadcast exposure.
5. Newness of the facility:  
New or substantially renovated/expanded arenas can command higher naming rights fees; these tend to be state-of-the-art and architecturally significant. Properties can face obstacles in renaming older facilities that have been known by a certain name for an extended period of time.
6. Number of events:  
The more events hosted at a facility on an annual basis, the greater the attendance, the more value to a naming rights partner. The type of events hosted at an arena can also impact the amount a venue can command for naming rights.
7. Historical success:  
A tenant team's historical success (i.e. number of playoff/tournament appearances) typically has an impact on the overall value of a venue's naming rights.
8. Qualitative value:  
Qualitative facility factors provide corporations opportunities to align their brand with the image, emotions, popularity and lifestyle evoked by a facility property and product.

The term and value of naming rights and sponsorship package transactions associated with comparable arena and civic event facility products have widely varied. To provide some context and understanding of the scope of these deals, the exhibit below presents a summary of 25 comparable facility naming rights transactions.

Facility	Location	CBSA Population	Opened	Arena Capacity	Term Start	Term End	Term Length	Total Fee	Annual Fee
Ricoh Coliseum	Toronto, ON	5,600,000	1921	7,851	2003	2018	15	\$10,000,000	\$1,000,000
Indiana Farmers Coliseum	Indianapolis, IN	1,595,377	1939	8,200	2014	2024	10	\$6,000,000	\$600,000
Santa Ana Star Center	Rio Rancho, NM	764,869	2006	7,500	2006	N/A	5	\$2,500,000	\$500,000
SECU Arena	Towson, MD	2,753,149	2013	5,200	2013	2023	10	\$4,750,000	\$475,000
TaxSlayer Center	Moline, IL	377,277	1993	9,200	2007	2017	10	\$4,250,000	\$425,000
Dow Event Center	Saginaw, MI	209,327	1972	5,500	2014	2024	10	\$4,200,000	\$420,000
U.S. Cellular Center	Cedar Rapids, IA	267,799	1979	9,000	2012	2022	10	\$3,800,000	\$380,000
1stBank Center	Broomfield, CO	2,528,842	2006	6,500	2011	N/A	5	\$1,750,000	\$350,000
Germain Arena	Estero, FL	608,182	1998	7,186	2004	2024	20	\$7,000,000	\$350,000
Huntington Center	Toledo, OH	608,711	2008	9,341	2010	2017	6	\$2,100,000	\$350,000
Angel of the Winds Arena	Everett, WA	3,338,639	2003	8,149	2018	2028	10	\$3,400,000	\$340,000
MassMutual Center	Springfield, MA	688,495	1972	6,900	2005	2020	15	\$5,000,000	\$333,333
ShoWare Center	Kent, WA	3,407,848	2009	6,500	2009	2019	10	\$3,175,000	\$317,500
AMSOIL Arena	Duluth, MN	279,227	2010	6,726	2010	2030	20	\$6,000,000	\$300,000
CenturyLink Center	Boise, ID	637,896	1997	5,732	2005	2020	15	\$4,000,000	\$266,667
WesBanco Arena	Wheeling, WV	144,986	1977	5,400	2003	2023	10	\$2,500,000	\$250,000
Ford Park Event Center	Beaumont, TX	377,991	2003	9,100	2005	N/A	5	\$1,250,000	\$250,000
Mohegan Sun Arena at Casey Plaza	Wilkes-Barre, PA	549,808	1999	9,700	2010	2020	10	\$2,375,000	\$237,500
Santander Arena	Reading, PA	408,000	2001	9,000	2001	N/A	15	\$3,000,000	\$200,000
Grossinger Motors Arena	Bloomington, IL	167,699	2006	8,000	2017	2022	5	\$875,000	\$175,000
Tyson Events Center	Sioux City, IA	143,837	2003	9,000	2014	2024	30	\$4,000,000	\$133,333
Bojangles' Coliseum	Charlotte, NC	1,720,586	1955	9,065	2012	2021	10	\$1,250,000	\$125,000
First Arena	Elmira, NY	90,413	2000	3,700	2005	N/A	10	\$1,000,000	\$100,000
CURE Insurance Arena	Trenton, NJ	5,855,076	1999	8,600	2017	N/A	N/A	N/A	N/A
Big Sandy Superstore Arena	Huntington, WV	286,517	1977	9,000	2013	2017	5	N/A	N/A
AVERAGE		1,336,422	1990	7,602	2010	2022	11	\$3,659,783	\$342,536
MEDIAN		608,711	1999	7,500	2009	2022	10	\$3,800,000	\$350,000
Five Flags Civic Center	Dubuque, IA	99,216	1979	4,000					

It is important to recognize some important factors that will impact the valuation or (or demand for) a possible FFCC opportunity. The value is potentially diminished due to the lack of a high-profile primary sports tenants (that many of the comparable facilities possess). Conversely, the value may be elevated due to (1) the limited number of existing high-profile corporate naming opportunities in the community, and (2) the inclusion of the historic performing arts theater element with the transaction.

Nevertheless, a substantially upgraded and highly visible facility product located in the heart of Dubuque's downtown should present an opportunity for a naming/sponsorship transaction that could either assist in defraying the public sector's funding obligation. For purposes of planning, it would be reasonable to assume that the proposed FFCC Project could secure a naming rights partner for approximately \$5.0 million over a 15-year term.

#### *Ticket Surcharges*

A ticket surcharge could be implemented at the expanded/improved FFCC, with the proceeds dedicated to service construction debt. Typical surcharges range from \$0 to \$4 per ticket sold. It should be noted that the ticket surcharges would be in addition to any facility fees, ticket taxes, convenience or handling charges. Care normally has to be taken to not assess onerous ticket surcharges, as increases in the cost to attend events, even through ticket surcharges, could have negative implications on demand. Any consideration of a new ticket surcharge would need to weigh the total effective impact on the arena event consumer (spectator/attendee) and promoter.

Examples of ticket surcharges implemented by comparable arena facilities as a funding source include:

- CenturyLink Center in Omaha, Nebraska implemented a \$1.50 ticket surcharge set for three years that can be adjusted thereafter.
- Ford Center in Evansville, Indiana imposes a \$2.00 ticket surcharge for all Evansville events.
- Pinnacle Bank Arena in Lincoln, Nebraska has a \$1.00 ticket surcharge that can be increased up to \$3.00 per ticket if deemed "financially necessary".

For purposes of planning for the FFCC Project, it would be reasonable to assume a \$1.50 ticket surcharge with proceeds dedicated to service construction debt. Based on the projected ticketed attendance figures for the Project, it is estimated that this type of ticket surcharge could generate in excess of \$300,000 per year (or a capital stack contribution of more than \$5.0 million).

#### *Contractually-Obligated Income*

Contractually-obligated income has become a popular source of private funding participation. Contractually-obligated income refers to those revenue streams that are secured through multi-year contracts and include revenue sources such as naming rights, advertising/sponsorship agreements, and private boxes. However, given a FFCC Project would be expected to continue to be City-owned, and its estimated financial operating characteristics do not anticipate regular financial operating profitability, it is unlikely that traditional contractually-obligated income streams (other than potentially naming rights and other related sponsorships that were not assumed during

the financial operating analysis conducted for this study) would be available to assist in defraying public sector project costs.

#### *Private Donations/Endowments*

Particularly with respect to performing arts facilities, certain communities have succeeded in historical fundraising efforts for various public projects. In these instances, a few high-profile, community-oriented wealthy individuals have provided private donations of capital and/or land to help defray public sector development costs.

Private donations from philanthropic individuals and organizations are often critical in the fundraising efforts for performing arts theaters. Local capital campaigns (many times via the establishment of a dedicated endowment fund) tend to be instrumental in establishing seed money and demonstrating local interest in a project. The fact that any improved/expanded FFCC will ostensibly continue to be owned by the City and operating by a third-party private management firm (rather than being owned and operated by a nonprofit arts organization) could potentially pose certain challenges for a capital campaign. Nevertheless, attempts should be made to identify seed money of this nature if a determination is made to pursue a major new/renovation project that involves a substantially upgraded Theater.

#### *Other Sources*

Other potential private sources of revenues could come from local foundations, contributions from a primary tenant, other major facility users, parking surcharges, facility operating profits, sale of brick pavers, investment income and other such sources.

With respect to potential parking surcharges, it is understood that a current arrangement has been negotiated between the City and FFCC management to ensure the availability of affordable and convenient parking at specific nearby ramps during certain FFCC events. It is typical throughout the industry to charge for event parking (which often is critical in generating revenue for operations or debt service), and it would not seem unreasonable to consider this in Dubuque should a significant investment be made to substantially upgrade the FFCC product.

To minimize the impact on non-event downtown parking consumers, maintain convenience for event attendee egress, and prevent additional costs for the City, one method that could be considered would be for a small parking charge (i.e., fixed fee of \$5 or less, paid upon entry) be assessed for a few of the ramps closest to the FFCC for ticketed events only that occur after normal parking garage operating hours (i.e., evenings and weekends). The FFCC could provide staff to operate the pay stations for vehicle entry and payment transactions for the period of time after normal parking garage operating hours until one hour after the scheduled event's start time. Exit from the ramp following the event would be unabated and not constrain egressing traffic. This revenue could form a dedicated source of funds to contribute to debt service or operations.

## Conclusions

Based on the analysis of funding options, public sector revenue sources are often used to fund the all or a majority of the capital development or renovations of municipally-owned facilities comparable to the FFCC throughout the region and country. While private sector sources could help contribute to the capital stack for the proposed FFCC Project, based on a review of comparable facility funding sources and discussions with local officials, the most likely path forward for public sector funding of a majority of the construction costs associated with the proposed Project in downtown Dubuque would likely need to consist of a general obligation bond supported by property taxes. This would require a greater than 60 percent affirmative vote via a public referendum for an increase in property tax assessment.

The analysis suggests that planning for the FFCC Project funding structure could have a reasonable target of 80 percent provided by City of Dubuque sources and 20 percent provided by private sector or other sources. Based on the approximate \$85 million estimated hard and soft construction cost estimates (previously discussed herein), a hypothetical structure scenario to meet this 80/20 split might consist of:

- \$65 million from proceeds via City of Dubuque G.O. bonds
- \$5 million in contractually-obligated naming rights fees
- \$5 million in dedicated ticket surcharge revenue (\$1.50 per ticket)
- \$5 million in ticketed event parking fees (in selected nearby ramps)
- \$5 million in private fundraising (corporate donations, donations relating to arts elements, etc.)

Furthermore, as previously presented, it is estimated that the FFCC Project will operate with a significantly lower annual operating subsidy than the current FFCC facility. Specifically, the annual operating subsidy required of the City is estimated to stabilize at approximately \$300,000 per annum in 2018 dollars (an approximate \$500,000 improvement over the subsidy provided to maintain FFCC operations today).

Lastly, it is important to recognize that the design and construction costing exercise performed for this Phase 2 effort considered a near full build-out of all elements that were both market supportable and indicated through the outreach and concepting work. A higher amount of contingency and cushion was included in the preliminary construction budget to account for some of the less certain cost factors, such as environmental and unexpected renovation events that could be found during the more detailed civil engineering, design and schematic phases of work that would be ultimately be required if the Project is pursued. As such, the project team believes that, if required, a FFCC Project budget may be workable at a slightly lower total figure; however, further investigation and/or design compromises would be required.



## 9. Conditions of Work

The information concerning within this document and related supporting documents presents a summary of our work and is intended to assist the City and other related project stakeholders with the information necessary to make informed decisions regarding next planning steps concerning a potential major FFCC renovation/improvement project.

The work and information presented in this report and its various appendices/supporting documents are based on estimates, assumptions and other information developed from industry research, data provided by the City and other local project stakeholders, outreach with existing and potential facility users, discussions with industry participants, and analysis of competitive/comparable facilities and communities. The sources of information, the methods employed, and the basis of significant estimates and assumptions are stated in this report. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur. Therefore, actual results achieved will vary from those described and the variations may be material.

The findings presented herein are based on analysis of present and near-term conditions in the Dubuque area as well as existing interest levels by the potential base of users for an enhanced FFCC product. Any significant future changes in the characteristics of the local community, such as growth in population, corporate inventory, competitive inventory and visitor amenities/attractions, could materially impact the key market conclusions developed as a part of this study. As in all studies of this type, the estimated results are based on competent and efficient management of the FFCC and assume that no significant changes in the event markets or assumed immediate and local area market conditions will occur beyond those set forth in this report. Furthermore, all information provided to us by others was not audited or verified and was assumed to be correct.

This report has been prepared for the internal use of the City and should not be relied upon by any other party. The report has been structured to provide the City with a foundation of research and analysis to provide decision makers with the information necessary to advance planning on a potential FFCC project and should not be used for any other purpose.

\* \* \* \* \*

We hope this information is helpful. Please do not hesitate to contact me should you require any additional information or clarification.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bill Krueger", with a stylized flourish extending from the end.

Bill Krueger  
Principal  
CSL International