STUDY UPDATE FOR A

Proposed Arena and Iowa Fitness & Sports Performance Institute

MAY 19, 2015

CONVENTIONS SPORTS & LEISURE

May 19, 2015

Mr. Kelly Hayworth
City Administrator
City of Coralville
1512 7th Street
Coralville, Iowa 52241

Dear Mr. Hayworth:

Conventions, Sports & Leisure International ("CSL") is pleased to present an update to our 2008 preliminary assessment for a proposed multi-use arena at the Iowa River Landing. Since this time, the arena project has been expanded to include the 68,000 square foot Iowa Fitness & Sports Performance Institute. The attached report serves to update selected portions of our 2008 assessment and is intended to assist in the planning activities associated with the potential development and should not be used for any other purposes.

The information contained in this report is based on estimates, assumptions, and other information developed from research of the market, knowledge of the public assembly facility industry and other factors, including certain information provided by the City of Coralville and others. All information provided to us by others was not audited or verified and was assumed to be correct. Because the procedures were limited, we express no opinion or assurances of any kind on the achievability of any projected information contained herein and this report should not be relied upon for that purpose. Furthermore, there will be differences between projected and actual results. This is because events and circumstances frequently do not occur as expected and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We sincerely appreciate the opportunity to assist you with this project, and would be pleased to be of further assistance in the interpretation and application of the study's findings.

Very truly yours,

CSL International

CSL International

Conventions, Sports & Leisure International
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1. Introduction

1. INTRODUCTION

The Iowa River Landing has served as the gateway to the Coralville community since the mid-1980's when it was first identified by City officials who sought to transform the industrial area along Interstate 80 into opportunities for community growth and economic redevelopment. Today, the Iowa River Landing consists of 54 acres of mixed-use development that has enhanced the quality of life for the Coralville community through a variety of recreational, commercial, cultural and residential spaces, and is a model for sustainable development through a variety of environmentally conscious practices.

As an outgrowth of the success of the Iowa River Landing, the City of Coralville has launched a new phase of development to transform a 23-acre area into the $185.3 million Iowa River Landing Reinvestment District that is envisioned to include the $45.9 million 7,000-seat Iowa Arena, the $17.6 million 68,000 square foot Iowa Fitness & Sports Performance Institute, and a variety of other mixed-use development. The following presents a summary of each project component:

Iowa Arena

- $45.9 million in total project costs
- Total capacity of 7,000 seats
- Full-size ice sheet
- Services:
    - Ice hockey;
    - Other sporting events;
    - Concerts;
    - Family shows;
    - Community events; and,
    - Other miscellaneous events.

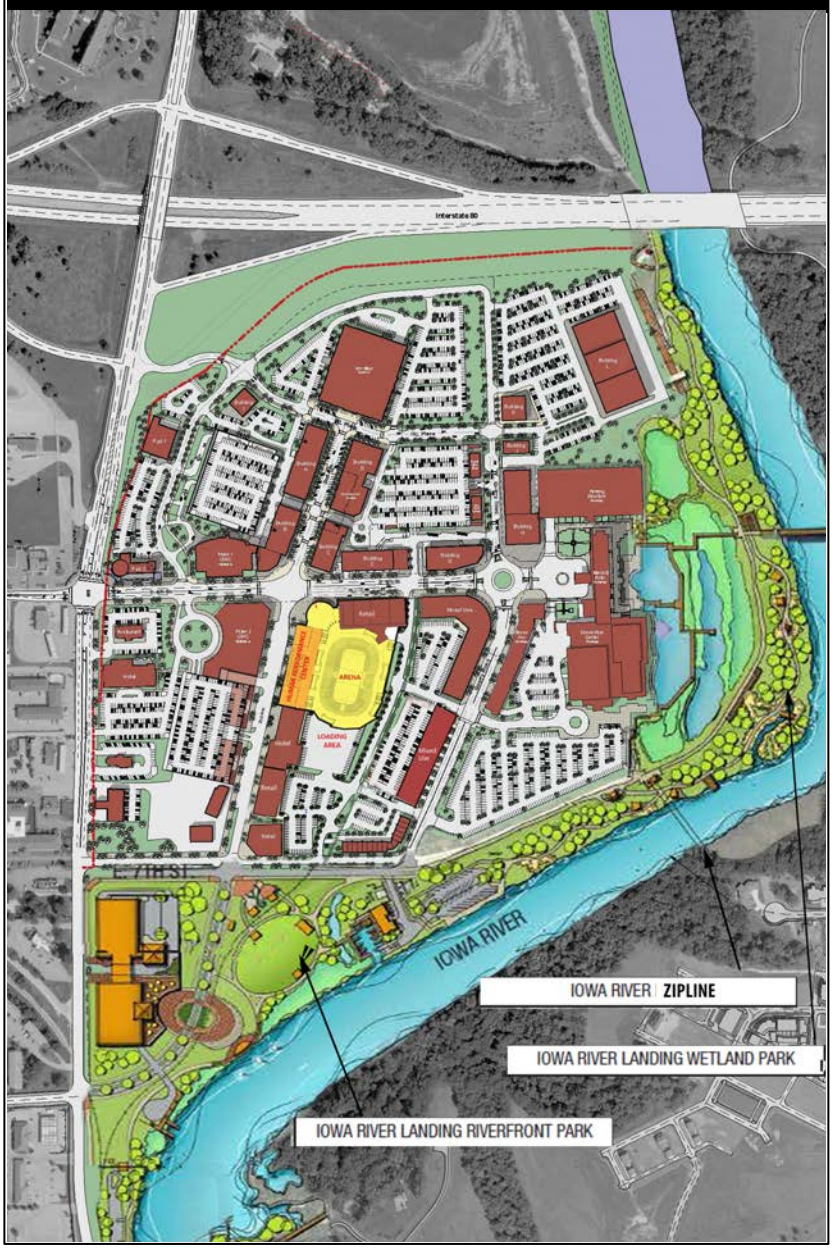
Iowa Fitness & Sports Performance Institute

- $17.6 million in total project costs
- 68,000 total square feet
- Level 1 – Fieldhouse
    - 4 basketball courts
    - Locker rooms
    - Kitchen
    - Referee space
- Services:
    - Regional & state tournaments
    - Private/group instruction
    - Summer camps
- Level 2 – Human Performance Lab
    - Biomechanics lab (throwing/hitting motion analysis)

- Strength training & track
- Endurance lab
- Physical therapy offices

As a means of bringing the project to fruition, the City is seeking to direct new sales and excise taxes generated within the district towards funding of the development, as well as requesting approximately $12 million in funding from the Iowa State Economic Development Authority.

Proposed Iowa River Landing Reinvestment District



1. INTRODUCTION

In order to understand the financial impact and resulting economic and fiscal benefits associated with the proposed arena and Iowa Fitness & Sports Performance Institute, the City of Coralville ("City") engaged Conventions, Sports, & Leisure International ("CSL") to update portions of our 2008 preliminary assessment Specific tasks undertaken by CSL in this update include:

- Review project plans and consult with project representatives, including Global Spectrum, to fully understand the goals and objectives of the study update, review current project plans, discuss operating structure, etc.;

- Update income and expense projections for the multi-use arena and comparable arenas used in the benchmarking analysis to reflect the current building program, operating philosophy, industry trends, and current and expected local market dynamics;

- Incorporate the Iowa Fitness & Sports Performance Institute financial impact into the arena's income and expense projections;

- Estimate an annual capital or replacement reserve;

- Perform sensitivity analyses to determine the impact of varying assumptions on the ability of the facilities to operate at a breakeven or profitably levels; and,

- Estimate the economic and fiscal impacts of the construction and on-going operations of the planned facilities.

The following report update focuses on the study methods and results of an update to the 2008 preliminary assessment conducted by CSL, and is presented to the City of Coralville in order to assist in making informed decisions regarding the development of the Iowa River Landing Reinvestment District.

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2. Market Conditions

2. MARKET CONDITIONS

The proposed Iowa Arena and Iowa Fitness & Sports Performance Institute's future market potential is impacted, to a large degree, by the conditions of the local and regional market. This section provides an overview of the local and regional market in order to provide a foundation in evaluating the market conditions under which the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute will operate, and highlights some of the changes that have occurred since our 2008 market assessment was conducted. The assessment of market conditions includes the following:

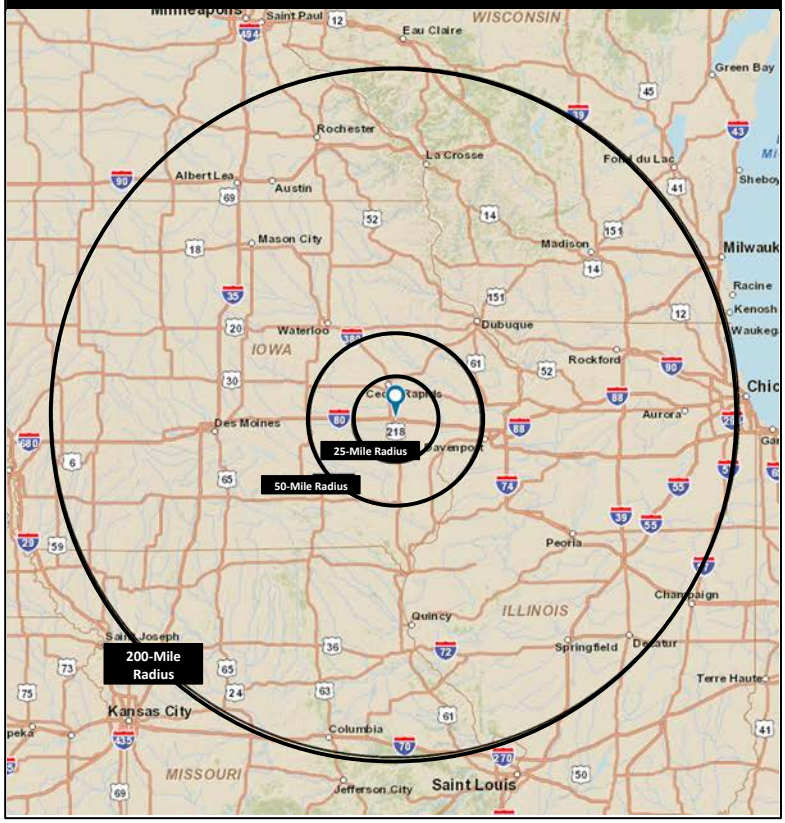
- Demographic Characteristics; and,
- Industry Trends.

Demographic Characteristics

An important component in assessing the potential success of the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute is the demographic and socioeconomic profile of the local market. The strength of a market in terms of its ability to attract events, attract patrons or participants and generate revenues is measured, to some extent, by the size of the regional market area population and its income characteristics.

The demographic and socioeconomic data presented in this report is based on the anticipated *primary* and *secondary* markets of the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute. The primary market is the geographic area in which it is anticipated that a large portion of attendees and corporate partners for the arena are expected to originate. For purposes of this analysis, the primary market for the arena is assumed to be a 25-mile radius from the proposed Iowa Arena and Iowa Arena and Iowa Fitness & Sports Performance Institute, as illustrated in the map to the right. In addition to the assessment of the primary market area, the

Primary and Secondary Market Areas



analysis presented herein includes an assessment of the combined primary and secondary market. The combined primary and secondary market encompasses a 50-mile radius surrounding the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute. This represents a market area from which most of the facility attendees are expected to be drawn. Given the anticipated nature of facility programming, it is assumed that the Iowa Fitness and Sports Institute could also attract a limited number of users from a 200-mile radius from the Iowa River Landing site, as shown.

Specific demographic and socioeconomic information that can provide an indication of the ability of a market to support a multi-purpose arena includes population, age, household income and corporate base. The following table presents a summary of these demographic and socioeconomic characteristics.

Summary of Market Demographics

Demographic Variable	2015	2007	% Change
	25-Mile Analysis		
Population	331,331	306,800	**8.0%**
Expected Annual Population Growth Rate	0.9%	0.6%	**56.9%**
Median Age	34.4	34.5	**0.3%**
Percentage of Population Age 35 to 54	24.1%	27.6%	**-12.7%**
Median HH EBI	$44,051	$40,500	**8.8%**
% HH's with EBI $50,000+	44.1%	37.0%	**19.3%**
Corporate Inventory (Coralville/IA City)(1)	217	138	**57.2%**
Corporate Inventory (Including Cedar Rapids)(1)	609	470	**29.6%**
	50-Mile Analysis		
Population	604,684	575,100	**5.1%**
Expected Annual Population Growth Rate	0.7%	0.5%	**31.5%**
Median Age	37.1	36.6	**-1.4%**
Percentage of Population Age 35 to 54	25.1%	28.6%	**-12.2%**
Median HH EBI	$44,625	$41,000	**8.8%**
% HH's with EBI $50,000+	44.7%	37.0%	**20.8%**
	200-Mile Analysis		
Population	14,191,584	N/A	N/A
Expected Annual Population Growth Rate	0.4%	N/A	N/A
Median Age	38.5	N/A	N/A
Percentage of Population Age 35 to 54	26.1%	N/A	N/A
Median HH EBI	$45,865	N/A	N/A
% HH's with EBI $50,000+	46.4%	N/A	N/A
	Total U.S.		
Population	318,536,439	301,045,500	**5.8%**
Expected Annual Population Growth Rate	0.8%	0.9%	**-17.2%**
Median Age	37.9	36.6	**-3.6%**
Percentage of Population Age 35 to 54	26.0%	28.8%	**-9.6%**
Median HH EBI	$43,530	$41,300	**5.4%**
% HH's with EBI $50,000+	44.5%	39.2%	**13.5%**

Source: Esri, 2015; Hoover's, 2015; Claritas, Inc., 2007; Dun and Bradstreet, 2007.
(1) Corporate inventory reflects the number of corporations with the entire metropolitan statistical areas.

2. MARKET CONDITIONS

The following are key findings and demographic changes of the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute's market:

- The expected primary market area (25-mile radius) of the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute has a population of approximately 331,000 and the combined primary and secondary market area (50-mile radius) has a population of over 600,000.

- The expected primary market area (25-mile radius) of the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute has experienced significant population growth since 2007, growing 8.0 percent from 2007 to 2015, while the United States population grew 5.8 percent over that same time period.

- The projected growth rate over the next five years of the facility's primary market area is higher than the national average, which will serve to enhance the area's future market population.

- The median age of the local market is younger than the national average and has remained relatively stable over time.

- The portion of residents within the prime ages for sports and entertainment event attendance (age 35 to 54) has declined 13 percent since 2007 within 25 miles of the proposed facility. The proportion of U.S. residents aged 35 to 54 has decreased approximately 10 percent over the same time period.

- The household effective buying income in the primary and secondary markets of the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute ranks above the national average and has grown at a rate of approximately nine percent since 2007. This indicates that the primary market may have a higher propensity to allocate discretionary dollars to entertainment activities associated with the proposed Arena.

- The proportion of high-income households (households with EBI above $50,000) has gone up 19.3 percent within 25 miles of the proposed facility, nearly six percent higher than the national average.

- Local corporations typically play a significant role in the overall success of a multi-purpose arena by purchasing tickets, premium seating and/or advertising or sponsorship opportunities. The Coralville/Iowa City metropolitan area is home to 217 corporate headquarters with at least 25 employees and $5 million in annual sales and branches with at least 25 employees. This represents a 57.2 percent increase in the corporate base within the Coralville/Iowa City market area since 2007.

- The combined Coralville/Iowa City and Cedar Rapids metropolitan areas are home to 609 headquarters and branches, representing a 29.6 percent growth in the regional corporate base since 2007.

- The anticipated area from which the proposed Iowa Fitness & Sports Performance Institute could attract a limited number of visitors (200-mile radius) has a population of approximately 14.2 million residents with a median age of 38.5 years.

- The household effective buying income in the 200-miles surrounding the proposed facility ($45,865) is above the national average of $43,530.

Overall, the demographic and socioeconomic characteristics of the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute's market have improved over time. Specifically, the proposed arena's local market area is characterized as a young and growing area with an increasing commercial base. Though growing, the Coralville/Iowa City market's corporate inventory remains low with just over 200 local corporations. The proposed Iowa Arena and Iowa Fitness & Sports Performance Institute's potential ability to generate corporate spending on areas such as premium seating, advertising and sponsorships may be dependent on its ability to market these offerings to the Cedar Rapids corporate market as well.

Industry Trends

Since completing our initial feasibility report in May 2008, there have been a number of trends that have emerged in the spectator arena, live entertainment, and recreation industries, and were considered as part of this study update. The following presents a summary of spectator arena, live entertainment, and recreation industry trends that have emerged since 2008 that could potentially impact the operations of the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute:

Spectator Arena Industry Trends

In recent years, the spectator arena industry has placed a greater emphasis on enhancing the patron experience, and identifying new and innovative ways to generate more revenues and reduce operating costs.

- New venues are typically designed to include state-of-the art curtaining systems that allow arena management to effectively reduce seating capacity of the venue by curtaining off sections or levels of the seating bowl to provide half-house or theater-style configurations within a larger arena.

- Some communities and developers are moving forward with arena development projects without major anchor tenants. Several new, redeveloped or planned

arenas are focusing on maximizing non-tenant sports and entertainment events with flexible date offerings that are often more profitable for an arena than tenant events which often require lease terms favorable to the team.

- The rigging capacity requirements for sports and entertainment venues are increasing as concert and other entertainment event shows become more elaborate, requiring more sound and lighting equipment to be hung from the structural support. Modern arenas typically have rigging capacities often exceeding 100,000 to 125,000 lbs.

- Technology is evolving at sports and entertainment venue. Expanded and reliable cellular, data and Wi-Fi service via a robust Distributed Antennae System (DAS) are becoming standard requirements to entice customers to experience live sporting events instead of staying home and watching it on TV in the comfort of their own home. The technology requires a well-planned backbone that is integrated with other building systems and technologies including telecommunications, security, Point-of-Sale (POS) systems, Internet Protocol Television (IPTV) and digital displays.

- Food service is continually evolving. All-inclusive "loaded" tickets that include admission, parking and various levels of food and beverages are being offered in more venues and are typically associated with premium seating environments. Mobile apps are being used to order food and beverage from your seat or suite that may be either delivered by the arena staff or picked-up in a special line, bypassing the general concession crowds. Digital menu boards are being used to employ dynamic pricing and/or food offerings depending on demand as well as in-venue messaging and advertising. The menu items being offered at sports and entertainment arenas have expanded considerably from hot dogs, hamburgers, popcorn, nachos, sodas and beer. Today, sports and entertainment arenas are offering a much more diverse food and beverage menu that offers farm-to-table concepts, local craft beers, partnerships with famous chefs and other concepts to drive value for the food and beverage experience.

- Diversification of premium seating products from more traditional suites and club seats to include loge boxes, theater boxes, ledge tables, courtside clubs and other products that provide a broader spectrum of experiences and price points to more effectively penetrate the market and maximize revenues. This necessitates the evolution in venue design to create these new neighborhoods or zones conducive to facilitating different levels of seating, price points and amenities.

- Past conventional wisdom designed premium seating on an exclusive mezzanine-level seating area. Now premium seating patrons are demanding the best seats in the house and premium inventory is being designed in the lower seating bowl and at courtside/on-ice (event floor) locations. Bunker suites, courtside clubs, and clubs seats in the lower bowl are all designed to bring the highest-paying customers closer to the on-court or on-ice (event floor) action.

- Current arena design standard for restrooms typically include a minimum of one (1) water closet per 50 seats and one (1) urinal per 100 seats.

- Sufficient concession points of sale should be provided to maximize food and beverage revenue opportunities with industry standards dictating that a minimum of one point-of-sale be provided for every 250 seats in general public seating areas and one point-of-sale for every 175 premium seats. These points of sales should be provided by a combination of permanent concessions stands and portable concession carts.

- Modern arenas are generally more spacious than older arenas including wider concourses, larger seats widths with more leg room and more back of house space. Modern arenas typically encompass 28 to 30 square feet per seat (assuming a basketball seating configuration).

Live Entertainment Industry Trends

Concerts are typically the most profitable events that an arena or similar entertainment venue can host. The live entertainment industry has undergone significant changes over the past several years, which has impacted the operations of arenas and live entertainment venues nationwide. A summary of key trends that have emerged from the concert industry include:

- According to *Pollstar*, the size of the North American concert market hit a record $6.2 billion in ticket sales in 2014. This represents a 22 percent increase over the previous year.

- The Top 100 Tours accounted for $2.7 billion in ticket sales in 2014, a slight decline (4 percent) from 2013, which indicates that smaller shows are becoming more popular.

- Concert tickets sold by the Top 100 Tours totaled 38.2 million in 2014, a decrease from 2013 of approximately five percent, and another indication of a preference towards smaller-sized shows.

- Talent costs have increased substantially, resulting in an upward trend in ticket prices and a downward trend in attendance. As a result, the margins generated to promoters and concert venues have decreased.

- Venue operators have increasingly relied on revenue from rent, facility fees, ticket sales rebates, concessions, merchandise, parking and advertising/sponsorships to generate operating profits.

- The average concert ticket price for the Top 100 North American tours hit a record $71.44 in 2014, an increase of approximately three percent over the previous year.

- The concert industry has experienced a significant consolidation of promoters, with fewer promoters controlling more artists than ever before. The proposed management agreement with Global Spectrum will allow for maximum exposure to host potential events.

Sports Participation Rates & Trends

Given that the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute includes a variety of components that are envisioned to accommodate various recreational or sports uses, it is important to understand sports and recreational participation trends in the United States.

- On a national level, the sports with the highest participation rates that represent potential utilization of the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute include basketball (23.7 million participants), baseball (13.0 million participants), and volleyball (6.4 million participants). Sports with the lowest number of national participants include cheerleading (3.2 million participants), ice hockey (2.4 million participants each), and wrestling (1.9 million participants).

- On a national level, ice hockey has reports the biggest growth in participation of the targeted sports over the past five years (5.2 percent increase), while cheerleading has remained relatively the same (0.1 percent decline. Several sports have reported a material decrease in participation over the past five years including wrestling (9.8 percent decline), baseball (4.2 percent decline), basketball (1.8 percent decline) and volleyball (1.6 percent decline).

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3. Comparable Venue Benchmarking

3. COMPARABLE VENUE BENCHMARKING

An analysis of the physical and operational characteristics of existing arenas can provide valuable information in assessing the potential operations of the proposed Iowa Arena. Comparable facilities were identified based on the following criteria: (a) venues with facility characteristics similar to the proposed Iowa Arena and (b) venues located in markets with a population comparable to the Coralville area. As a result, a number of comparable venues were identified. To update this analysis, current information from each of the following seven (7) comparable facilities was obtained:

- American Bank Center (Corpus Christi, TX);
- Covelli Center (Youngstown, OH);
- Huntington Center (Toledo, OH);
- Independence Events Center (Independence, MO);
- Prescott Valley Event Center (Prescott Valley, AZ);
- Toyota Center & Toyota Arena (Kennewick, WA); and,
- Tyson Events Center (Sioux City, IA).

Utilization

The ability of the proposed Iowa Arena to accommodate a variety of events that generate revenues to support venue operations will be critical to the facility's success. The table below illustrates total events and attendance hosted by comparable venues in similar markets in a recent year of operations.

EVENTS & ATTENDANCE
Comparable Venues

Facility	Location	Annual Events	Average Attendance	Annual Attendance
Prescott Valley Event Center	Prescott Valley, AZ	150	2,500	375,000
Toyota Center & Toyota Arena	Kennewick, WA	150	2,060	309,000
American Bank Center	Corpus Christi, TX	120	2,471	296,516
Covelli Center	Youngstown, OH	104	2,019	210,000
Independence Events Center	Independence, MO	104	2,959	307,774
Huntington Center	Toledo, OH	82	4,894	401,342
Tyson Events Center	Sioux City, IA	81	2,605	211,000
Average		**113**	**2,800**	**302,000**
Median		**104**	**2,500**	**308,000**

Note: Sorted by number of annual events.

Overall, annual event activity at comparable arenas averaged 113 events (median of 104) per year, ranging from 81 events at the Tyson Events Center to 150 events at the Prescott Valley Events Center and Toyota Center. Annual attendance at comparable venues averaged approximately 302,000 (median of 308,000) ranging from a low of approximately 210,000 at the Covelli Center to a high of approximately 401,000 at the Huntington Center.

Most comparable venues have one or more tenants that provide a stable base of event activity and attendance each year, accounting, on average for approximately 30 percent of venue utilization.

Common non-tenant events hosted at comparable venues included concerts, family shows, non-tenant sporting events, graduations, and trade shows.

Financial Operations

The historical financial operations of comparable venues in similar-sized markets provides a framework from which to evaluate the potential financial operations of the proposed Iowa Arena. The table below summarizes the financial operations of comparable venues.

FINANCIAL OPERATIONS
Comparable Venues

Facility	Location	Operating Revenues	Operating Expenses [1]	Net Profit/(Loss)	Operating Margin
Covelli Center	Youngstown, OH	1,784,000	1,485,000	$299,000	16.8%
American Bank Center	Corpus Christi, TX	2,993,000	2,760,000	233,000	7.8%
Huntington Center	Toledo, OH	2,072,000	2,059,000	13,000	0.6%
Prescott Valley Event Center	Prescott Valley, AZ	1,350,000	1,500,000	(150,000)	-11.1%
Independence Events Center	Independence, MO	3,913,000	4,118,000	(205,000)	-5.2%
Toyota Center & Toyota Arena	Kennewick, WA	3,181,000	3,427,000	(246,000)	-7.7%
Tyson Events Center	Sioux City, IA	3,522,000	3,912,000	(390,000)	-11.1%
Average		**$2,688,000**	**$2,752,000**	**($64,000)**	**-1.4%**
Median		**$2,993,000**	**$2,760,000**	**($150,000)**	**-6.5%**

Note: Sorted by net profit.

(1) Before interest, depretiation, taxes, amortization and capital reserve.

As shown, three of seven comparable venues operate profitably, while the remainder sustain operating losses. Comparable venues generated annual revenues averaging approximately $2.7 million, ranging from $1.4 million to $3.9 million. Operating expenses at comparable arenas averaged $2.8 million, ranging from $1.5 million to $4.1 million. The average comparable venue sustained a loss of approximately $64,000, ranging form a profit of $299,000 to a loss of $390,000.

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4. Financial Analysis

4. FINANCIAL ANALYSIS

The purpose of this section is to present estimates of the potential operating revenues and expenses anticipated to be associated with the proposed Iowa Arena at the Iowa River Landing. The estimated financial operating results are based on the results of market analysis, industry trends and historical financial operating results from comparable facilities.

This presentation is designed to assist in estimating the financial operations of the proposed arena. Therefore, this analysis may not be useful for any other purpose. The assumptions disclosed herein are not all inclusive, but are those deemed significant to the operations of the facility. However, there will be differences between estimated and actual results, due to the fact that events and circumstances frequently do not occur as expected, and these differences may be material.

Estimated Utilization

The table below summarizes the estimated utilization of the proposed Iowa Arena in a stabilized year of operations based on the market analysis performed in 2008 and adjusted to reflect new assumptions and current industry trends.

ESTIMATED UTILIZATION
Proposed Iowa Arena

	2015			2008		
	Event Days	Average Attendance	Total Attendance	Event Days	Average Attendance	Total Attendance
Ice Hockey	32	2,800	89,600	29	3,000	87,000
Concerts	12	4,000	48,000	12	4,000	48,000
Family Shows	12	2,250	27,000	10	1,500	15,000
U of I Athletics	0	0	0	13	2,100	27,300
Iowa IceHawks	20	500	10,000	N/A	N/A	N/A
High School Sports	8	3,000	24,000	8	3,000	24,000
Collegiate Sports	3	2,500	7,500	3	2,500	7,500
Other Amateur Sports	24	400	9,600	18	400	7,200
Community Events	10	1,000	10,000	10	1,000	10,000
Motorsports/Rodeo	6	3,500	21,000	8	2,800	22,400
Miscellaneous	8	500	4,000	8	500	4,000
Total	**135**	**1,900**	**251,000**	**119**	**2,100**	**252,000**

It is estimated that the proposed arena could host approximately 135 event days in a normalized year of operations versus 119 event days projected in 2008. Total attendance at these events is estimate to approximate 240,000 per year as compared to 252,000 in 2008. The estimated total of 135 annual event days is higher than the average utilization among the comparable arenas, which attract an average of 113 events per year.

Based on the results of the feasibility study conducted by CSL in 2008, it was estimated that a new arena in Coralville could host approximately 119 event days that could draw approximately 252,000 total attendees in a normalized year of operations. A total of 31 additional events over the 2008 estimates were added including three tenant hockey games, two family shows, 20 University of Iowa club hockey games (IceHawks) and six amateur sporting events (due to events hosted in cooperation with the Iowa Fitness & Sports Performance Institute fieldhouse operations). A total of 15 events are estimated to be lost from the 2008 analysis including 13 University of Iowa athletic events and two motorsport/rodeo events.

Operating Revenues

Revenues anticipated to be generated by the proposed Iowa Arena include rental income, service income, facility fees, convenience charge rebates, box office fees, premium seating, concessions, advertising/sponsorships, merchandise and other income. A brief description of each revenue source is provided below.

Rental Income

Rental income is typically based on a daily rental fee or, in some cases, a percentage of gross ticket sales. Rental rates will likely vary depending on the type of event (i.e. university, commercial, not-for-profit, community events, etc.) and the portion of the facility used (i.e. full-house, half-house, etc.).

The number of events, rental rates, paid attendance and ticket prices assumed in this study are based on an analysis of events, ticket prices, attendance and rental rates at comparable venues, results of prior market analysis and industry trends. Rental income for other events are estimated to range from $1,500 for smaller events to $30,000 for a concerts with most event rentals around $1,500 to $4,000 per event. Certain ticketed events may charge a flat fee versus a percentage of ticket sales (eight to ten percent), whichever is greater.

Service Income (Loss)

Service income represents the net effect of event-related expenses either paid by the event promoter or absorbed by the Iowa Arena as part of the rent deal. Event-related costs typically include expenses associated with ticket takers, ushers, security, event changeover crews, materials, supplies, equipment and other such expenses. In some cases where competition is high, the venue may absorb all or a portion of event day costs for a particular event. In other cases, the venue may make a profit by providing event services at a rate exceeding its cost to provide those services. For purposes of this analysis, it is assumed that the venue will recoup 75 percent of event costs through chargebacks to the events.

Concessions

Concessions revenue consists of food and beverage sales during events hosted at the proposed Iowa Arena. Gross food and beverage sales are estimated based on projected general admission turnstile (or actual) attendance and per capita concession revenue assumptions by event type. Per capita concession spending assumptions were based on an analysis of per capita spending at comparable facilities, discussions with national concessionaires and industry averages. For spectator events, gross per capita concessions spending is assumed to range from $0.75 for community events to $12.00 for collegiate sports. It is assumed that food and beverage service would be outsourced to an experienced arena food service provider and that commissions paid to the arena are estimated to be 35 to 45 percent of gross food and beverage sales.

Catering

Catering revenue consists of upscale food and beverage sales in the club seat and suite seating areas during events hosted at the arena. Gross catering sales are estimated based on projected premium seating turnstile (or actual) attendance and per capita catering revenue assumptions. Per capita catering spending assumptions were based on an analysis of per capita spending at comparable facilities, discussions with national concessionaires and industry averages. Gross per capita catering spending is assumed to range from $15.00 to $25.00 per person, depending on the event type. It is assumed that catering services would be outsourced to an experienced catering company and that commissions paid to the arena are estimated to be 10 to 30 percent of gross sales.

Parking

Based on conversations with project representatives, it is assumed that no parking spaces would be controlled by the arena. Parking for arena patrons would be accommodated by parking lots and structures planned as part of the overall Iowa River Landing development. Therefore, no parking revenue has been included in the estimated pro forma for the arena.

Novelties

Novelties revenue consists of clothing, souvenirs, programs and other merchandise item sales. Gross merchandise revenues are estimated based on projected turnstile (or actual) attendance and per capita merchandise spending by event type. Per capita merchandise spending assumptions were based on an analysis of per capita spending at comparable facilities, discussions with national merchandisers and industry standards. Gross per capita merchandise spending assumptions ranged from $0.00 for community

events to $7.00 for concerts. After accounting for product, labor costs and event share, a 15 percent profit margin has been assumed for merchandise sales at all events except family shows and tenant ice hockey events.

Convenience Charges

Arenas often utilize a third party ticket seller, such as Ticketmaster or New Era Tickets, to handle ticket sales for certain events at the venue. The ticket seller generally collects a convenience charge on each ticket sold, a portion of which is oftentimes shared with the venue. It is estimated that the average convenience charge per ticket will range from $5.00 to $6.00 for each ticket sold by the venue's ticketing system, depending on the event. The proposed Iowa Arena is estimated to retain one-third of the gross revenues generated by these convenience charges.

Facility Fees

Arenas facilities often assess a facility fee on tickets sold for events at the facility as a means of generating additional revenue. For purposes of this analysis, it is assumed that a facility fee of $0.00 to $2.00 per ticket will be assessed on all tickets sold for ticketed events at the proposed Iowa Arena.

Box Office Fees

Arenas typically collect a fee or commission on tickets sold through their box office. For purposes of this analysis, it is assumed that a box office fee $0.00 to $1.50 per ticket will be assessed on tickets sold at the proposed Iowa Arena's box office. It is estimated that 25 percent of tickets to ticketed events would be sold through the venue box office, depending on the event type.

Advertising & Sponsorships

Advertising and sponsorship revenues are derived from the sale of signage related to scoreboards, scorer's table, concourse, interior and exterior fascia, courtside (dorna signage), vomitories, outdoor marquee displays and promotions. Ultimately, the rates charged for advertising and sponsorships at the proposed Iowa Arena will be determined by factors such as the number events and attendance at the facility, the number of broadcasted (television, radio, etc.) events at the facility, and the amount of tie-ins such as program advertising and public address announcements that are included with advertising packages.

It is estimated that the proposed Iowa Arena could generate approximately $300,000 in gross advertising and sponsorships revenues annually. A 10 percent reduction in gross

advertising and sponsorship revenues has been applied to account for sales commissions and fulfillment costs.

Naming Rights

Facility naming rights are increasingly becoming an important source of arena revenue. The table on the following page summarizes naming rights agreements for arenas with concert seating capacity of 7,500 or more that opened since 2000, excluding facilities that are university-owned or have an NBA or NHL tenant.

NAMING RIGHTS AGREEMENTS AT SELECTED COMPARABLE ARENAS (1)

Venue	MSA Population	Concert Seating Capacity	Buyer	Industry	Total Price	Term	Annual Average
Intrust Bank Arena	643,582	15,004	Intrust Bank	Bank/Finance	8,750,000	25	350,000
Huntington Center	607,585	9,341	Huntington Bancshares	Finance/Insurance	2,100,000	6	350,000
Wells Fargo Arena	605,072	15,654	Wells Fargo	Bank/Finance	11,500,000	20	575,000
CenturyLink Center	450,834	13,200	CenturyLink (formerly CenturyTel)	Communications	5,000,000	10	500,000
Santander Arena	417,126	9,000	Sovereign Bank (subsidiary of Santander)	Bank/Finance	2,675,000	10	267,500
Ford Park Event Center	414,140	9,100	Ford Motor Co.	Automotive	1,250,000	5	250,000
Verizon Wireless Arena	405,008	11,000	Verizon Wireless	Communications	11,400,000	15	760,000
Ford Center	315,894	11,000	Tri-State Ford Dealers	Auto Dealer	4,200,000	10	420,000
Pinnacle Bank Arena	313,962	15,900	Pinnacle Bank	Bank/Finance	11,250,000	25	450,000
Resch Center	312,434	10,000	KI	Manufacturing	3,500,000	20	175,000
Laredo Energy Arena	262,762	9,622	Laredo Energy	Oil & Gas	1,240,000	4	310,000
Denny Sanford Premier Center	243,473	12,000	Sanford Health, First PREMIER Bank and PREMIER Bankcard	Health Care & Bank/Finance	20,750,000	25	830,000
US Cellular Coliseum	190,517	8,000	US Cellular	Communications	2,000,000	10	200,000
Gateway Arena	170,853	10,000	Gateway Inc.	Computer Hardware	750,000	10	75,000
Average					**$6,169,000**	**14**	**$394,000**

(1) Comparable arenas include new arenas opened since 2000 with concert seating capacity of 7,500 or more, excluding university-owned or NBA/NHL facilities.

As shown, naming rights agreements have ranged in total value from $750,000 to $20.75 million and range from four years to 25 years in length. The average naming rights agreement is for $6.2 million over 14 years, averaging approximately $394,000 in annual revenue.

For purposes of this analysis, it is assumed that the proposed Iowa Arena could generate $300,000 annually in gross naming rights revenue. A sales commission of 10 percent is applied to gross naming rights to estimate net naming rights proceeds.

Premium Seating

Based on current project plans, it is assumed that the proposed Iowa Arena will offer 11 private suites. It is assumed that one (1) suite will be non-revenue generating (held back for building use) with the remaining ten (10) suites offered at an annual cost of $40,000 per suite. It is assumed that nine suites would be leased in a typical year.

It is also assumed based on current project designs that the proposed Iowa Arena will feature 120 clubs seats. It is estimated that an average of 110 club seats could be sold at a price of $850 per year, which would include season tickets for a hockey tenant.

Other Income

Other income includes revenues generated from credit card fees, equipment rentals and other miscellaneous sources. Other income is estimated to be $150,000 per year.

Operating Expenses

Expenses incurred in the operation of the proposed Iowa Arena are anticipated to include salaries, wages & benefits, utilities, general & administrative, insurance and management fees. A brief description of each expense source is provided below.

Salaries, Wages and Benefits

Salary and wage estimates are based on estimated staffing levels, industry average salaries and wages and local demographic characteristics. Estimated salaries and wages are assumed to account for full- and part-time operating staff for which expenses are not directly reimbursed by facility users.

Utilities

Utilities often represent one of the largest expenses incurred by arena operators. Costs estimates for Iowa Arena utilities include electricity, gas, water and steam. Based on expenses incurred at comparable facilities and the anticipated size and utilization of the proposed Iowa Arena, utilities expenses are estimated to be approximately $340,000 per year.

General & Administrative

General and administrative expenses include a variety of other expenses anticipated to be incurred to operate the proposed Iowa Arena including advertising, bank fees, cable/internet, data processing, dues and subscriptions, equipment rental, landscape, licenses and permits, materials and supplies, postage and freight, printing and stationary, professional fees, repairs and maintenance, service agreements, telecommunications, trash removal/pest control, travel and entertainment and other such costs. Based on expenses incurred at comparable venues, general and administrative expenses are estimated to be approximately $500,000.

Insurance

Insurance expense represents the premiums paid for various insurance policies including but not limited to property, liability, casualty, auto and business interruption insurance policies. Based on expenses incurred at comparable arenas, insurance expenses are estimated to approximate $120,000 per year.

Repairs and Maintenance

General maintenance and service of a facility, equipment and surrounding areas are primarily the responsibility of facility operations personnel, and are often performed by in-house personnel. More specialized needs, such as HVAC system maintenance, electrical work, and maintenance of other mechanical systems often must be contracted out to specialized third parties.

Materials and Supplies

Includes items needed for administrative duties, cleaning and general maintenance throughout the facility. While event specific expenses are often billed directly to event organizers and promoters, general materials and supplies are necessary for day-to-day upkeep and operation of the facility.

Management Fee

In order to maximize the utilization and revenue-generating potential of the proposed Iowa Arena and ensure the building is operated and maintained according to industry best practices, it is assumed that an experienced private facility management company, such as AEG, Global Spectrum, SMG or VenuWorks, would operate the facility. Based on analysis of management agreements for comparable event centers, it is assumed that private management fees would approximate $250,000 per year, inclusive of any base or incentive management fees.

Other Expense

Includes various miscellaneous expenses estimated to be incurred by the arena in addition to the specific expenses discussed above.

Pro Forma

Based on these key assumptions, the table below summarizes the estimated financial operations for the proposed Iowa Arena.

PROJECTED FINANCIAL OPERATIONS
Proposed Iowa Arena
Stabilized Year of Operations

	2018	2019	2020	2021	2022
Number of Events	135	135	135	135	135
Annual Turnstile Attendance	250,700	250,700	250,700	250,700	250,700
Annual Paid Attendance	219,070	219,070	219,070	219,070	219,070
OPERATING REVENUES					
Event Revenue					
Rent	$758,000	$780,000	$804,000	$828,000	$853,000
Service Income (Loss)	($180,000)	($185,000)	($191,000)	($197,000)	($203,000)
Net Rental Income	**$578,000**	**$595,000**	**$613,000**	**$631,000**	**$650,000**
Ancillary Revenue					
Facility Fee	$343,000	$353,000	$364,000	$375,000	$386,000
Convenience Charge Rebates	$149,000	$153,000	$158,000	$163,000	$168,000
Box Office Fees	$80,000	$83,000	$85,000	$88,000	$90,000
Premium Seating	$246,000	$254,000	$261,000	$269,000	$277,000
Naming Rigths	$291,000	$300,000	$309,000	$318,000	$328,000
Food & Beverage	$583,000	$601,000	$619,000	$637,000	$656,000
Parking	$0	$0	$0	$0	$0
Advertising	$270,000	$278,000	$286,000	$295,000	$304,000
Merchandise	$64,000	$66,000	$68,000	$70,000	$72,000
Other Revenue	$150,000	$155,000	$159,000	$164,000	$169,000
Total Ancillary Revenue	**$2,176,000**	**$2,243,000**	**$2,309,000**	**$2,379,000**	**$2,450,000**
TOTAL ARENA OPERATING REVENUE	**$2,754,000**	**$2,838,000**	**$2,922,000**	**$3,010,000**	**$3,100,000**
OPERATING EXPENSES					
Salaries & Wages	$1,100,000	$1,133,000	$1,167,000	$1,202,000	$1,238,000
Repairs & Maintenance	$150,000	$155,000	$159,000	$164,000	$169,000
Materials & Supplies	$60,000	$62,000	$64,000	$66,000	$68,000
Utilities	$340,000	$350,000	$361,000	$372,000	$383,000
Insurance	$120,000	$124,000	$127,000	$131,000	$135,000
Management Fee	$250,000	$258,000	$265,000	$273,000	$281,000
General & Administrative	$500,000	$515,000	$530,000	$546,000	$563,000
Other	$250,000	$258,000	$265,000	$273,000	$281,000
TOTAL OPERATING EXPENSES	**$2,770,000**	**$2,855,000**	**$2,938,000**	**$3,027,000**	**$3,118,000**
INCOME (LOSS) FROM OPERATIONS	**($16,000)**	**($17,000)**	**($16,000)**	**($17,000)**	**($18,000)**
Non-Arena Operating Revenue/(Expense)					
Iowa Fitness and Sports Performance Institute	$600,000	$600,000	$600,000	$600,000	$600,000
Capital Reserve	($320,000)	($330,000)	($340,000)	($350,000)	($360,000)
Total Non-Arena Operating Revenue/(Expense)	**$280,000**	**$270,000**	**$260,000**	**$250,000**	**$240,000**
Net Income/(Loss)	**$264,000**	**$253,000**	**$244,000**	**$233,000**	**$222,000**

As shown, it is estimated that the proposed Iowa Arena will generate approximately $2.8 million in operating revenues and incur operating expenses of approximately $2.8 million, resulting in a net operating loss of approximately $16,000. The Iowa Fitness & Sports Performance Institute that will sit adjacent to the Iowa Arena has been projected to lessen the loss of the arena operations as it is leased out to operators of the Fieldhouse (Level 1) and Human Performance Lab (Level 2). In the first year of operations, lease revenues have been estimated to be $600,000. After a capital reserve payment of $320,000, the addition of the lease revenues will bring the first year net operating results to a profit of approximately $239,000.

Based on the results of the feasibility study conducted by CSL in 2008, it was estimated that the new arena could generate approximately $1.87 million in total operating revenue and incur approximately $1.83 million in total operating expenses, resulting in a positive net cash flow of approximately $43,000 in a normalized year of operations.

The anticipated operating expenses for the proposed Iowa Arena at the Iowa River Landing have increased over time and are in line with the average operating expenses incurred at comparable arenas, which average approximately $2.8 million in expenses. Additionally, estimates for a more significant capital reserve account have been included in current financial projections. These increased expenses are offset by new business components, the Iowa Fitness & Sports Performance Institute, which will contribute rental revenue to the arena.

Estimated Iowa Sports & Fitness Performance Institute Operations

As previously mentioned, plans for the $185.3 million Iowa River Landing Reinvestment District include the $17.6 million Iowa Fitness & Sports Performance Institute. It is envisioned that the 68,000 square foot facility will offer a variety of recreation and performance-related programming that will be operated by a private entity. Discussions with the private management company provided CSL with an overview of the proposed business operating model and programming, but detailed utilization and financial assumptions were unavailable given the early stages of project planning. To this end, CSL drew on confidential information obtained from comparable facilities located throughout the country, as well as its extensive experience on projects of a similar size and scope to estimate the operating margins that could potentially be sustained by the proposed Iowa Fitness & Sports Performance Institute. The table below presents a summary of the estimated operating performance of the proposed Iowa Fitness & Sports Performance Institute.

Iowa Sports & Fitness Performance Institute Estimated Operating Margin	
Facility Operations	**Potential Range**
Estimated Revenues	$1.5M to $2.0M
Estimated Expenses	$900k to $1.1M
Rent	$600k
Total Operating Income/(Loss)	**$100k to $300k**
Operating Margin	*7% to 15%*

Note: Based on confidential information obtained from comparable facilities throughout the country.

As shown, it is estimated that the proposed facility could generate approximately $1.5 million to $2.0 million in annual revenue, while incurring approximately $900,000 to $1.1 million in operating expenses in a stabilized year of operations. Based on confidential information obtained from comparable facilities located throughout the country, facility management could pay the City rent totaling approximately $600,000 per year, while also operating at a seven to 15 percent profit margin annually.

Sensitivity Analysis

To gain an understanding of the potential impact of changes in key study assumptions on the proposed arena's financial projections, several sensitivity analyses have been completed. Sensitivity analysis compares the operating revenue, operating expenses and net income from operations that could result based on certain differing assumptions. The chart on the following page summarizes the potential net operating results under arena scenarios that vary from those presented above.

Fluctuations in estimated events and estimated attendance at arena events will have an impact on the amount of revenue generated by the proposed Iowa Arena. Concessions, merchandise and rent-related income in particular would increase or decrease depending on the number of events and actual paid attendance in the proposed arena. As shown, it is estimated that a 10 percent decrease in events hosted would result in a net profit of approximately $106,000, while a 10 percent increase in the number of arena events would result in a net profit of $423,000. It is also shown that a 10 percent across-the-board decrease in annual attendance would lead to a net operating income of $131,000. Alternately, a 10 percent increase in attendance would lead to an estimated net operating income of $398,000.

Arena operating expenses include salaries, wages & benefits, utilities, general & administrative, insurance and management fees. Fluctuations in operating expenses would have a direct affect on the arena's bottom line. As shown, a 20 percent increase in operating expenses is estimated to produce a net operating loss of approximately $290,000.

Facility rental rates represent the daily rental fee for arena events. As illustrated on the following page, a 25 percent decrease in the facility rental rates charged for arena events is projected to produce a net operating profit of approximately $98,000.

A naming rights agreement represents payments that are owed to the arena on an annual basis for an established term for naming rights to the arena. If a naming rights deal is not achieved, the arena is projected to produce a net operating loss of approximately $27,000.

Changes in the number and type of arena tenant could have an impact on the financial operations of the arena. As previously stated, some current communities and developers are moving forward with arena development projects without major anchor tenants. If the proposed Iowa Arena did not secure a hockey tenant, it is estimated that the facility will incur a net operating loss of approximately $162,000.

SENSITIVITY ANALYSIS
Proposed Iowa Arena

Variable	2018	2019	2020	2021	2022
Base Analysis					
Total Operating Revenues[1]	$3,354,000	$3,438,000	$3,522,000	$3,610,000	$3,700,000
Total Operating Expenses[2]	$3,090,000	$3,185,000	$3,278,000	$3,377,000	$3,478,000
Net Income (Loss) From Operations	$264,000	$253,000	$244,000	$233,000	$222,000
Reduced Events - 10 percent reduction					
Total Operating Revenues	$3,196,000	$3,273,000	$3,352,000	$3,435,000	$3,520,000
Total Operating Expenses	$3,090,000	$3,185,000	$3,278,000	$3,377,000	$3,478,000
Net Income (Loss) From Operations	$106,000	$88,000	$74,000	$58,000	$42,000
Increased Events - 10 percent increase					
Total Operating Revenues	$3,513,000	$3,601,000	$3,691,000	$3,783,000	$3,878,000
Total Operating Expenses	$3,090,000	$3,185,000	$3,278,000	$3,377,000	$3,478,000
Net Income (Loss) From Operations	$423,000	$416,000	$413,000	$406,000	$400,000
Reduced Attendance - 10 percent reduction					
Total Operating Revenues	$3,221,000	$3,301,000	$3,380,000	$3,464,000	$3,551,000
Total Operating Expenses	$3,090,000	$3,185,000	$3,278,000	$3,377,000	$3,478,000
Net Income (Loss) From Operations	$131,000	$116,000	$102,000	$87,000	$73,000
Increased Attendance - 10 percent increase					
Total Operating Revenues	$3,488,000	$3,577,000	$3,664,000	$3,756,000	$3,851,000
Total Operating Expenses	$3,090,000	$3,185,000	$3,278,000	$3,377,000	$3,478,000
Net Income (Loss) From Operations	$398,000	$392,000	$386,000	$379,000	$373,000
Increased Operating Expenses - 20 percent					
Total Operating Revenues	$3,354,000	$3,438,000	$3,522,000	$3,610,000	$3,700,000
Total Operating Expenses	$3,644,000	$3,753,000	$3,866,000	$3,983,000	$4,102,000
Net Income (Loss) From Operations	($290,000)	($315,000)	($344,000)	($373,000)	($402,000)
Reduced Facility Rental Rates - 25 percent					
Total Operating Revenues	$3,188,000	$3,267,000	$3,346,000	$3,428,000	$3,513,000
Total Operating Expenses	$3,090,000	$3,185,000	$3,278,000	$3,377,000	$3,478,000
Net Income (Loss) From Operations	$98,000	$82,000	$68,000	$51,000	$35,000
No Naming Rights Agreement					
Total Operating Revenues	$3,063,000	$3,138,000	$3,214,000	$3,292,000	$3,372,000
Total Operating Expenses	$3,090,000	$3,185,000	$3,278,000	$3,377,000	$3,478,000
Net Income (Loss) From Operations	($27,000)	($47,000)	($64,000)	($85,000)	($106,000)
No Hockey Tenant					
Total Operating Revenues	$2,928,000	$2,999,000	$3,069,000	$3,144,000	$3,221,000
Total Operating Expenses	$3,090,000	$3,185,000	$3,278,000	$3,377,000	$3,478,000
Net Income (Loss) From Operations	($162,000)	($186,000)	($209,000)	($233,000)	($257,000)

(1) Includes lease payment from Iowa Fitness and Sports Performance Institute.

(2) Inclusive of annual capital reserve payment.

Capital Reserve Account Analysis

In addition to these operating expenses, it is important to consider the future capital repair needs associated with the proposed arena. Based on conversations with sports facility architects and experience with comparable arenas, an annual capital reserve contribution approximately equal to 0.5 percent of construction cost is typically sufficient to meet a facility's long-term capital needs. A 30-year capital reserve fund schedule is included to the right.

Capital Reserve Account Analysis
Proposed Iowa Arena

Year	Beginning Balance	Capital Reserve Deposit (1)	Interest Earned (2)	Total Capital Reserve Balance
Year 1	N/A	$320,000	$2,400	$322,400
Year 2	$322,400	$329,600	$7,308	$659,308
Year 3	$659,308	$339,488	$12,436	$1,011,232
Year 4	$1,011,232	$349,673	$17,791	$1,378,695
Year 5	$1,378,695	$360,163	$23,382	$1,762,240
Year 6	$1,762,240	$370,968	$29,216	$2,162,423
Year 7	$2,162,423	$382,097	$35,302	$2,579,822
Year 8	$2,579,822	$393,560	$41,649	$3,015,031
Year 9	$3,015,031	$405,366	$48,266	$3,468,663
Year 10	**$3,468,663**	**$417,527**	**$55,161**	**$3,941,352**
Year 11	$3,941,352	$430,053	$62,346	$4,433,751
Year 12	$4,433,751	$442,955	$69,828	$4,946,534
Year 13	$4,946,534	$456,243	$77,620	$5,480,397
Year 14	$5,480,397	$469,931	$85,730	$6,036,059
Year 15	$6,036,059	$484,029	$94,171	$6,614,258
Year 16	$6,614,258	$498,550	$102,953	$7,215,761
Year 17	$7,215,761	$513,506	$112,088	$7,841,355
Year 18	$7,841,355	$528,911	$121,587	$8,491,853
Year 19	$8,491,853	$544,779	$131,464	$9,168,095
Year 20	**$9,168,095**	**$561,122**	**$141,730**	**$9,870,947**
Year 21	$9,870,947	$577,956	$152,399	$10,601,302
Year 22	$10,601,302	$595,294	$163,484	$11,360,080
Year 23	$11,360,080	$613,153	$175,000	$12,148,233
Year 24	$12,148,233	$631,548	$186,960	$12,966,741
Year 25	$12,966,741	$650,494	$199,380	$13,816,615
Year 26	$13,816,615	$670,009	$212,274	$14,698,898
Year 27	$14,698,898	$690,109	$225,659	$15,614,667
Year 28	$15,614,667	$710,812	$239,551	$16,565,030
Year 29	$16,565,030	$732,137	$253,966	$17,551,133
Year 30	**$17,551,133**	**$754,101**	**$268,923**	**$18,574,157**

(1) Capital reserve account assumes an annual depost of 0.5% of total project costs ($63,510,114) in the first year, increasing at 3% per year thereafter.
(2) Assumes beginning capital reserve balance earns 1.5% for the full year, while annual capital reserve deposit will earn a total of 0.75% as full balance will not be contributed to the account at the beginning of the year.

1. Introduction
2. Market Conditions
3. Comparable Venue Benchmarking
4. Financial Analysis
5. Economic & Fiscal Impacts

5. Economic & Fiscal Impacts

5. ECONOMIC AND FISCAL IMPACTS

The construction and annual operations of the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute ("Complex") could provide significant quantifiable benefits to the City of Coralville. Typically, quantifiable effects are characterized in terms of economic impacts and fiscal impacts. Economic impacts are conveyed through measures of direct spending, total output, personal earnings, and employment, while fiscal impacts denote changes in tax revenues.

Overview of Economic Impacts

Economic impacts are typically conveyed through measures of direct spending, total output, personal earnings and employment. Each of the measures of economic impact is defined below:

- **Direct spending** represents spending generated by the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute including construction-related spending on labor and materials as well as spending during annual operations consisting of in-facility expenditures on tickets, rentals, and registration fees, premium seating, concessions, merchandise, sponsorships, etc.; out-of-facility spending on hotels, food and beverages, retail, transportation, entertainment and other expenditures.

- **Total output** represents the total direct, indirect and induced spending effects generated by the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute.

- **Personal earnings** represent the wages and salaries earned by employees of businesses involved with the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute and potential tenants.

- **Employment** is expressed in terms of person years of employment and is based on project spending. Person years are defined as one year of employment, or 2,080 annual hours, and may be full- or part-time.

Direct Spending

The operation of the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute can impact the local economy in a variety of ways. As outlined in the exhibit below, initial direct spending is generated during construction on materials and labor and during operations at events on tickets, rentals and registration fees, premium seating, concessions, merchandise, sponsorships, etc., as well as before and after events throughout local hotel, restaurant, retail and other establishments.

In order to estimate the incremental economic and fiscal impact benefits generated to the local economy, certain adjustments must be made to initial direct spending to reflect the fact that all spending is not likely to impact the local economy. The following exhibit summarizes the adjustments made to initial direct spending in order to determine net new direct spending impacting the local economy.

As illustrated in the exhibit, adjustments must be made to account for the fact that a certain amount of spending associated with the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute will be made by local residents and, therefore, likely represents money already spent in the economy in another form. This is called displacement and reduces the overall net new impacts. This type of spending is not considered net new to the local economy. Additionally, not all spending associated with the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute will take place in the local economy. A portion of this spending is likely to occur outside the immediate area. This is called leakage and reduces the overall impact. The economic and fiscal impacts presented in this section represent the estimated net new impacts associated with the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute.

Multiplier Effects

Economic impacts associated with the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute will likely be further increased through re-spending of the net new direct spending. The total impact is estimated by applying an economic multiplier to initial direct

spending to account for the total economic impact. The total output multiplier is used to estimate the aggregate total spending that takes place beginning with the direct spending and continuing through each successive round of re-spending.

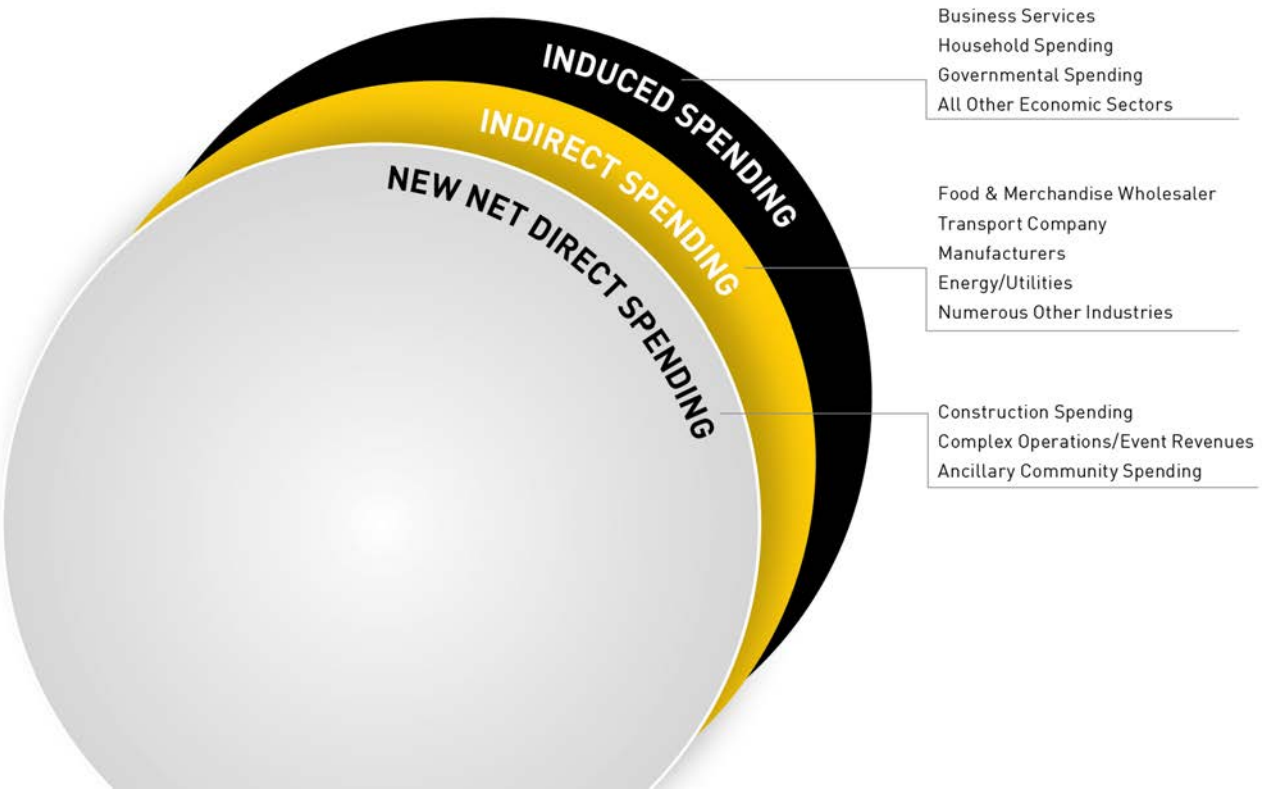
Successive rounds of re-spending are generally discussed in terms of their indirect and induced effects on the area economy. Each is discussed in more detail as follows:

- **Indirect effects** consist of the re-spending of the initial or direct expenditures. These indirect impacts extend further as the dollars constituting the direct expenditures continue to change hands. This process, in principle, could continue indefinitely. However, recipients of these expenditures may spend all or part of it on goods and services outside the market area, put part of these earnings into savings, or pay taxes. This spending halts the process of subsequent expenditure flows and does not generate additional spending or impact within the community after a period of time. This progression is termed leakage and reduces the overall economic impact. Indirect impacts occur in a number of areas including the following:

    - wholesale industry as purchases of food and merchandise products are made;
    - transportation industry as the products are shipped from purchaser to buyer;
    - manufacturing industry as products used to service the sports complex, vendors and others are produced;
    - utility industry as the power to produce goods and services is consumed; and,
    - other such industries.

- **Induced effects** consist of the positive changes in spending, employment, earnings and tax collections generated by personal income associated with the operations of the Complex. Specifically, as the economic impact process continues, wages and salaries are earned, increased employment and population are generated, and spending occurs in virtually all business, household and governmental sectors. This represents the induced spending impacts generated by direct expenditures.

The concept of direct, indirect and induced spending is further illustrated in the graphic on the following page.



The appropriate multipliers to be used are dependent upon certain regional characteristics and also the nature of the expenditure. An area which is capable of producing a wide range of goods and services within its border will have high multipliers, a positive correlation existing between the self-sufficiency of an area's economy and the higher probability of re-spending occurring within the region. If a high proportion of the expenditures must be imported from another geographical region, lower multipliers will result.

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

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

5. ECONOMIC AND FISCAL IMPACTS

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

The focus of this analysis is to estimate the potential net new impacts generated from the construction and annual operations of the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute. This section includes the following components:

- Construction & Annual Operations Impacts; and,
- Fiscal Impacts.

Construction & Annual Operations Impacts

The following table summarizes the net new economic impacts anticipated to be generated to the City of Coralville by the construction and on-going operations of the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute.

ECONOMIC IMPACT TO THE CITY OF CORALVILLE
Construction & Annual Operations

Net New Construction Impacts:	Proposed Iowa Arena	Iowa Fitness & Sports Performance Institute	2015 Update Total	2008 Analysis Total
Direct Spending	$28,695,000	$10,998,000	$39,693,000	$11,250,000
Total Output	$41,498,000	$15,906,000	$57,404,000	$16,336,000
Jobs (FTEs)	295	113	408	180
Earnings	$15,135,000	$5,801,000	$20,936,000	$6,641,000
Net New Annual Operations Impacts:				
Direct Spending	$6,951,000	$6,318,000	$13,269,000	$4,725,000
Total Output	$9,820,000	$9,231,000	$19,051,000	$6,275,000
Jobs (FTEs)	204	135	338	220
Earnings	$2,461,000	$2,668,000	$5,129,000	$2,495,000
30-Year NPV Construction & Operations Impacts:				
Direct Spending	$183,409,000	$152,338,000	$335,747,000	N/A
Total Output	$260,013,000	$222,434,000	$482,447,000	N/A
Jobs (FTEs)	499	247	746	N/A
Earnings	$69,663,000	$65,443,000	$135,106,000	N/A

- The one-time net new economic impacts estimated to be associated with the construction of the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute include approximately $39.7 million in direct spending, $57.4 million in total output, 408 full and part-time jobs and $20.9 million in personal earnings to the City of Coralville.

- Based on the 2008 analysis, one-time construction impacts to the City of Coralville were estimated to total $11.3 million in direct spending, $16.3 million in total output, 180 full and part-time jobs and $6.6 million in personal earnings.

- Net new impacts from annual operations of a new arena and institute are estimated to generate $13.3 million in net new direct spending, $19.1 million in total output, 338 full and part-time jobs and $5.1 million in earnings to the City of Coralville.

- Based on the 2008 analysis, net new impacts to the City of Coralville from the annual operations of a new arena were estimated to include $4.7 million in direct spending, $6.3 million in total output, 220 full- and part-time jobs and $2.5 million in personal earnings.

- Over a 30-year period, the net present value of one-time construction and annual operations of a new arena and institute is estimated to provide the following net new impacts to the City of Coralville: $335.7 million in total direct spending, $482.4 million in total output, 746 annual full and part-time jobs and $135.1 million in personal earnings.

It should be noted that differences in the annual operations impacts can be attributed to the addition of the Iowa Fitness & Sports Performance Institute, inflation and changes in the industry.

Fiscal Impacts

In addition to the economic impacts generated by the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute throughout the market area, the public sector also benefits from increased tax revenues. In preparing estimates of fiscal impacts, total tax revenues attributable to the direct spending generated by the Complex were estimated. In addition, estimates of the effect of total output and earnings on the tax collections have been estimated. Tax revenues are based on the current applicable tax rates. Future changes in these rates would have an impact on the resulting tax collections. The sources of tax revenue focused on in this report are outlined below:

- State Sales Tax – assessed at a total rate of 6 percent, 5 percent of which is available to reinvestment program
- Hotel/Motel Tax – 7 percent, retained by the City of Coralville

Overall, it is estimated that construction of a new arena and performance institute located at the Iowa River Landing could generate approximately $794,000 in sales taxes to the State of Iowa.

On an annual basis, the operations of the proposed Iowa Arena and Iowa Fitness & Sports Performance Institute could generate approximately $222,000 in new hotel tax revenue to the City of Coralville and $572,000 in State sales tax revenue within the District.

Over 30 years, it is estimated that the net present value of cumulative construction and operations impacts generated by the proposed facility could generate a total of $5.2 million in new hotel tax revenue to the City of Coralville and $13.6 million in State sales tax revenue within the District.

The following table provides a detailed summary of the net new fiscal impacts estimated to be genrated to the local area on an annual basis by type.

FISCAL IMPACT SUMMARY
Construction & Annual Operations

Construction Impacts:	**Proposed Iowa Arena**	**Iowa Fitness & Sports Performance Institute**	**Total**
State Sales Tax	$574,000	$220,000	$794,000
Annual Operations Impacts:			
State Sales Tax	$492,000	$80,000	$572,000
Hotel Tax	$64,000	$158,000	$222,000
Total	**$556,000**	**$238,000**	**$794,000**
30-Year NPV Construction & Operations Tax Impacts:			
State Sales Tax	$11,602,000	$2,043,000	$13,645,000
Hotel Tax	$1,426,000	$3,772,000	$5,198,000
Total	**$13,028,000**	**$5,815,000**	**$18,843,000**