



# NEW DOWNTOWN RICHMOND ARENA MARKET & FINANCIAL FEASIBILITY STUDY

FEBRUARY 7, 2018





February 7, 2018

Mr. Michael Hallmark  
Capital City Partners, LLC  
2701 Prosperity Avenue  
Suite 220  
Fairfax, VA 22031

Dear Mr. Hallmark:

Conventions, Sports & Leisure International ("CSL") is pleased to present this report to Capital City Partners, LLC ("CCP" or "Client") related to an independent market and financial feasibility study for a new arena ("Arena") that could be constructed in Richmond, Virginia, as part of the Broad/Downtown Neighborhood Redevelopment Project. The attached report summarizes our research and analyses and is intended to assist project stakeholders in making informed decisions regarding the development of a new Arena in downtown Richmond.

The information contained in this report is based on estimates, assumptions and other information developed from a review of the market, knowledge of the sports and entertainment industries and other factors, including certain information provided by you and others. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

Very truly yours,

*CSL International*

Table of Contents

---

1. INTRODUCTION .....1

2. LOCAL MARKET CHARACTERISTICS.....4

3. COMPARABLE ARENA BENCHMARKING .....12

4. FINANCIAL PROJECTIONS .....21



# INTRODUCTION



## 1. Introduction

---

The City of Richmond (“Richmond” or “City”) has served as the center of culture, commerce, innovation, and decision-making power in the Commonwealth of Virginia (“Virginia” or “Commonwealth”) since its founding in 1607. In addition to serving as the State capital, Richmond and the surrounding area is home to six universities and colleges, eight Fortune 500 corporations, the headquarters of the Fifth District of the Federal Reserve Bank and the United States Court of Appeals for the Fourth Circuit, and has been a major population center in the Southern United States throughout its history.

Currently ranked as the 44<sup>th</sup> largest Metropolitan Statistical Area (“MSA”) in the country with approximately 1.26 million residents, Richmond has experienced steady population growth since 2000. From 2000 to 2010, the Richmond MSA population grew by 12.43 percent, and the U.S. Census Bureau estimates that the area will experience an additional growth in population of 15 percent between 2010 and 2020.

As the area continues to grow, both the public and private sectors have made significant investments to improve and revitalize local arts and entertainment venues and museums throughout the area. Since 2006, major construction and revitalization projects have included:

- \$150 million expansion of the Virginia Museum of Fine Arts;
- \$74 million revitalization of the 179,000 square foot Richmond CenterStage, which includes the Dominion Energy Center that consists of the 1,800-seat Carpenter Theater, 400-seat Libby S. Gottwald Playhouse, Rhythm Hall, and Showcase Gallery;
- \$63 million renovation of the 3,565-seat Altria Theater;
- \$37 million expansion of the American Civil War Museum;
- \$15 million renovation of the 1,500-seat National Theater; and,
- \$13 million transformation of the Leigh Street Armory into the Black History Museum and Cultural Center of Virginia.

Although a number of major construction and revitalization projects have been completed over the past 10 years, the City’s largest entertainment venue, the 13,500-seat Richmond Coliseum (“Coliseum”), has undergone minimal capital re-investment since opening in 1971.

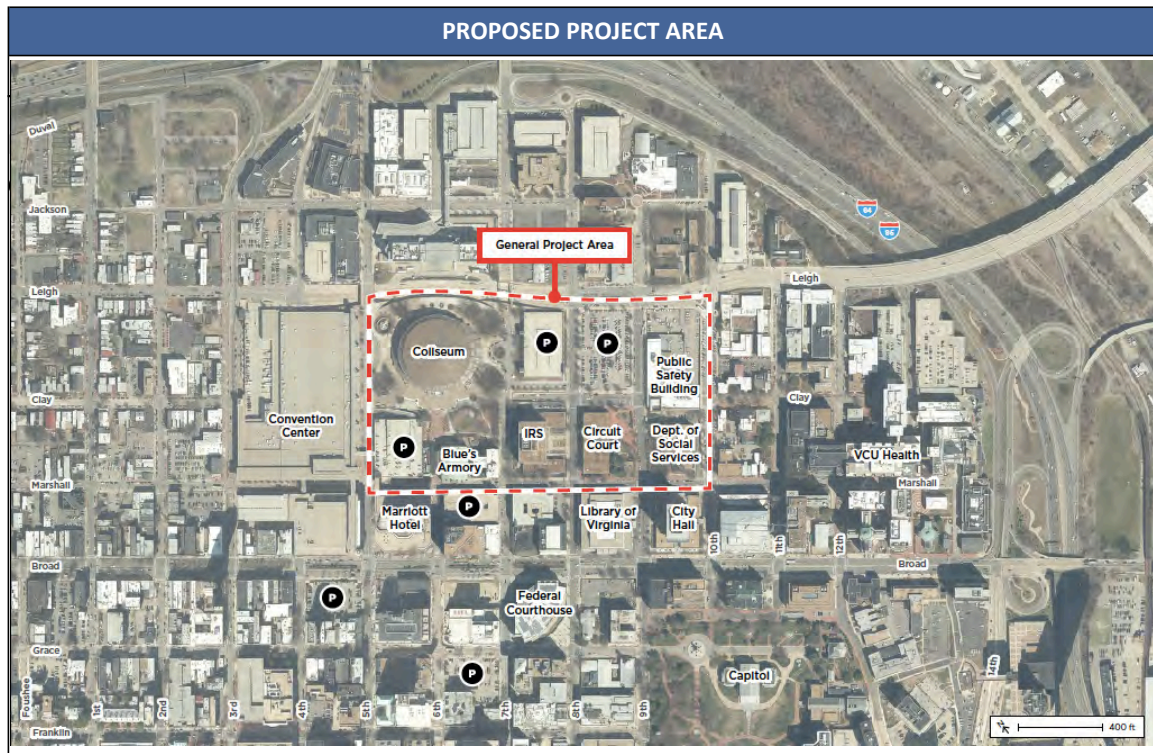
For nearly 48 years, the Coliseum has served as the primary sports and entertainment venue in the City, playing host to all of the major concert, entertainment, and sporting events that have come to the market, as well as a number of minor league sports tenant franchises. Although the Coliseum has had a steady stream of event activity over the years, its outdated condition and lack of revenue-generating spaces have rendered the facility economically obsolete. What was once a marginally profitable or break-even

## 1. Introduction

---

operation, has turned into a loss that has ranged between approximately \$400,000 and \$800,000 in recent years.

As a means of capitalizing on the area's current and projected future growth, as well as spurring the redevelopment of a significant portion of the City's downtown, the City recently released a Request for Proposals ("RFP") for the North of Broad /Downtown Neighborhood Redevelopment Project ("Project"), which seeks the highest and best use of a roughly 10-block area east of the Richmond Convention Center in downtown.



Based on its understanding of the RFP, the project team of Capital City Partners, LLC and SMG ("Project Team") has created an approximate \$1.1 billion plan to redevelop the Project Area, that includes the following:

- Construction of a new 17,500-seat arena;
- Renovation of the Blues Armory;
- New 527-room hotel with 40,000 square feet of conference space and ballroom;
- 2,400 new residential units;
- 540,000 square feet of new research facilities;
- 196,000 square feet of retail and an additional 200,000 square feet of office space;
- 40,000 square foot public market;
- 400 units of student housing; and,
- Other mixed-use development.



## 1. Introduction

---

The Project Team seeks to create a public/private partnership through the utilization of incremental ad valorem taxes generated within a newly formed TIF district to help fund the costs of the new arena development. As a means of assessing potential demand in the local and regional marketplace for a new arena, the RFP requires the completion of the market and financial feasibility study by an independent, nationally recognized entity.

To this end, the Project Team engaged Conventions, Sports & Leisure International (“CSL”) to conduct an independent feasibility analysis to assess potential demand and develop financial operating projections for the Arena. As a means of determining potential demand for a new arena, CSL met with members of the Project Team in Richmond to discuss their goals, objectives, and vision for the development, reviewed the demographic and socioeconomic characteristics of the Richmond market and compared them to other markets supporting similar arena developments, and evaluated the operations of other similar-sized arenas to provide a benchmark from which to assess the potential physical, operational, and financial characteristics of the new arena development.

The information gathered was then utilized to estimate potential annual arena utilization and develop financial operating projections for the Arena. The Study’s findings are presented in the following sections:

1. Introduction
2. Local Market Characteristics
3. Comparable Arena Benchmarking
4. Financial Projections

This report outlines the key findings of a new arena program and business plan verification analysis. The report should be read in its entirety to obtain the background, methods and assumptions underlying the findings.

# LOCAL MARKET CHARACTERISTICS



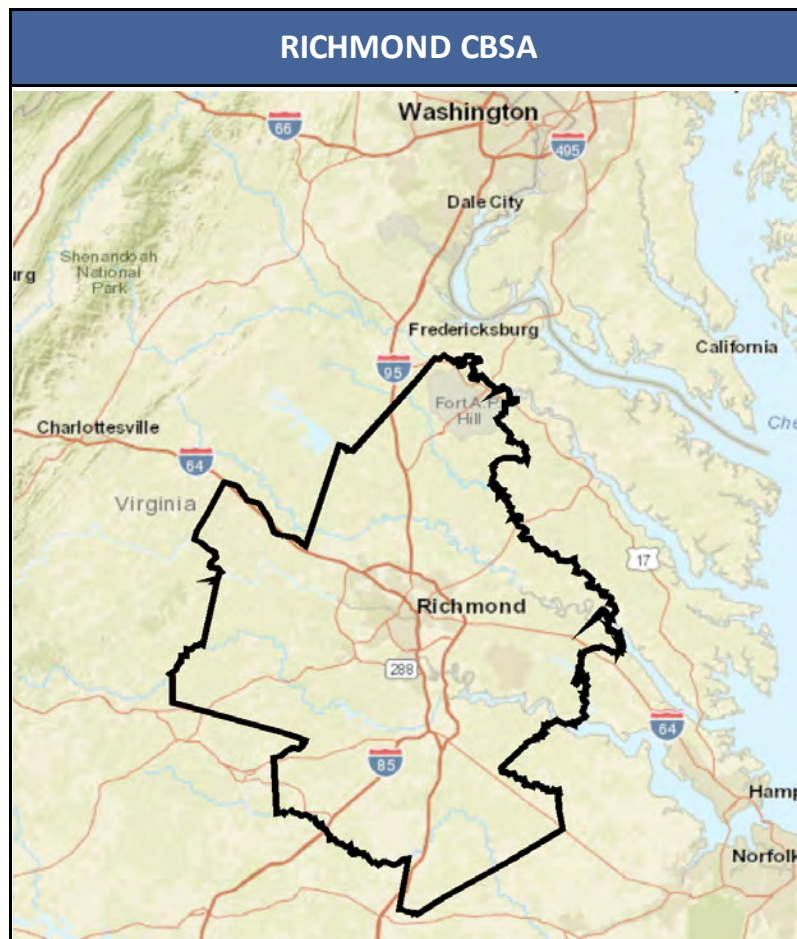


## 2. Local Market Characteristics

---

A review of current and expected future local market conditions is important in assessing the feasibility of the proposed Arena. The strength of a market in terms of its ability to attract events, attract attendees, and generate revenues is measured, to some extent, by the local and regional market population, age distribution, household income, cost of living, unemployment rate, and corporate base. In evaluating the demographic and socioeconomic characteristics of the Arena's anticipated market area, it is useful to make a comparison to other markets with arenas of a similar size and scope to provide a benchmark from which to assess the market potential for a new Arena in Richmond.

This analysis of demographic and socioeconomic market data is based on data reflecting the Core Based Statistical Area ("CBSA") where each arena is located. A CBSA is a geographic area defined by the U.S. Office of Management and Budget based around an urban center of at least 10,000 people and adjacent areas that are socioeconomically tied to the urban center by commuting. The general concept of a CBSA is that of a core area containing a substantial population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. The Richmond CBSA includes 13 counties and the four principal cities of Richmond, Petersburg, Hopewell, and Colonial Heights. The following map shows the Richmond CBSA in relation to the greater regional market.



## 2. Local Market Characteristics

In order to provide a means of comparison, CSL analyzed the market characteristics of nine (9) similar-sized venues to assess the feasibility of a new Arena in Richmond. The comparable arenas are summarized in the table below.

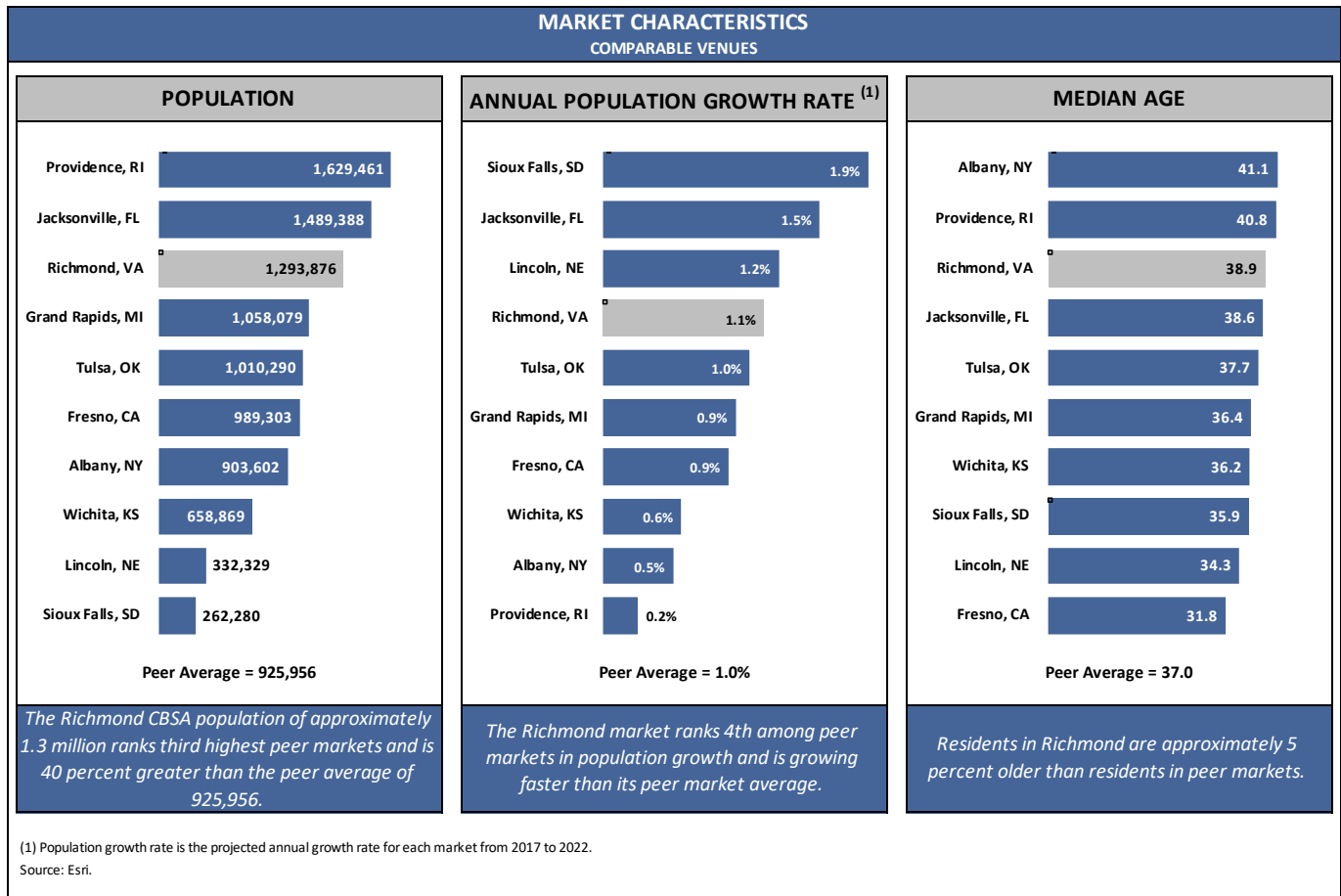
COMPARABLE ARENAS				
Facility	Location	Metropolitan Population	Year Opened	Basketball Seating Capacity
Dunkin Donuts Center	Providence, RI	1,629,461	2008 <sup>(1)</sup>	12,410
Jacksonville Veterans Memorial Arena	Jacksonville, FL	1,489,388	2003	14,091
<b>Richmond Coliseum</b>	<b>Richmond, VA</b>	<b>1,293,876</b>	<b>1971</b>	<b>11,992</b>
Van Andel Arena	Grand Rapids, MI	1,058,079	1996	11,500
BOK Center	Tulsa, OK	1,010,290	2008	17,839
Save Mart Center	Fresno, CA	989,303	2003	15,544
Times Union Center	Albany, NY	903,602	1990	15,229
Intrust Bank Arena	Wichita, KS	658,869	2010	15,004
Pinnacle Bank Arena	Lincoln, NE	332,329	2013	15,500
Denny Sanford Premier Center	Sioux Falls, SD	262,280	2014	12,000
<b>AVERAGE</b>		<b>925,956</b>	<b>2005</b>	<b>14,346</b>
(1) Dunkin Donuts Center opened in 1972 and underwent an \$80 million renovation in 2008. Note: Ranked in descending order by market population.				

The remainder of this section presents a summary of key demographic and socioeconomic statistics for the Richmond CBSA as compared to other markets with similar arenas.

### Population & Median Age

The level of population from which to draw can impact the ability of a new Arena in Richmond to attract events and draw attendees. Event promoters often consider population of a market as key criteria in determining which cities to route their acts. The age of the local population is another key demographic characteristic that is important to consider. Generally, sports and entertainment events attract patrons of various ages with the core group of patrons clustered between the ages of 15 to 54. The chart on the following page presents a summary of population and age statistics for Richmond and nine other markets supporting comparable venues. These characteristics provide an overview of the size and growth of a market in addition to the age of potential arena attendees.

## 2. Local Market Characteristics



Key findings related to the population and age characteristics include:

- There are approximately 1.3 million residents in the Richmond CBSA, which ranks as the third largest among 10 markets supporting comparable venues. The average CBSA population for markets with comparable venues is 925,956 residents, ranging from a low of 262,280 (Sioux Falls, SD) to a high of approximately 1.6 million (Providence, RI). Overall, the Richmond market is approximately 40 percent larger than the average market supporting a comparable facility.
- Over the next five years, the population of the Richmond market is projected to grow by approximately 1.1 percent, ranking fourth-highest rate among 10 markets supporting comparable venues. The projected annual population growth rate for markets with comparable arenas ranges from a low of 0.2 percent (Providence, RI) to a high of 1.9 percent (Sioux Falls, SD), with an average growth rate of approximately 1.0 percent.
- The median age of residents in the Richmond market is 38.9 years, ranking third-oldest among 10 markets supporting comparable venues. The average median

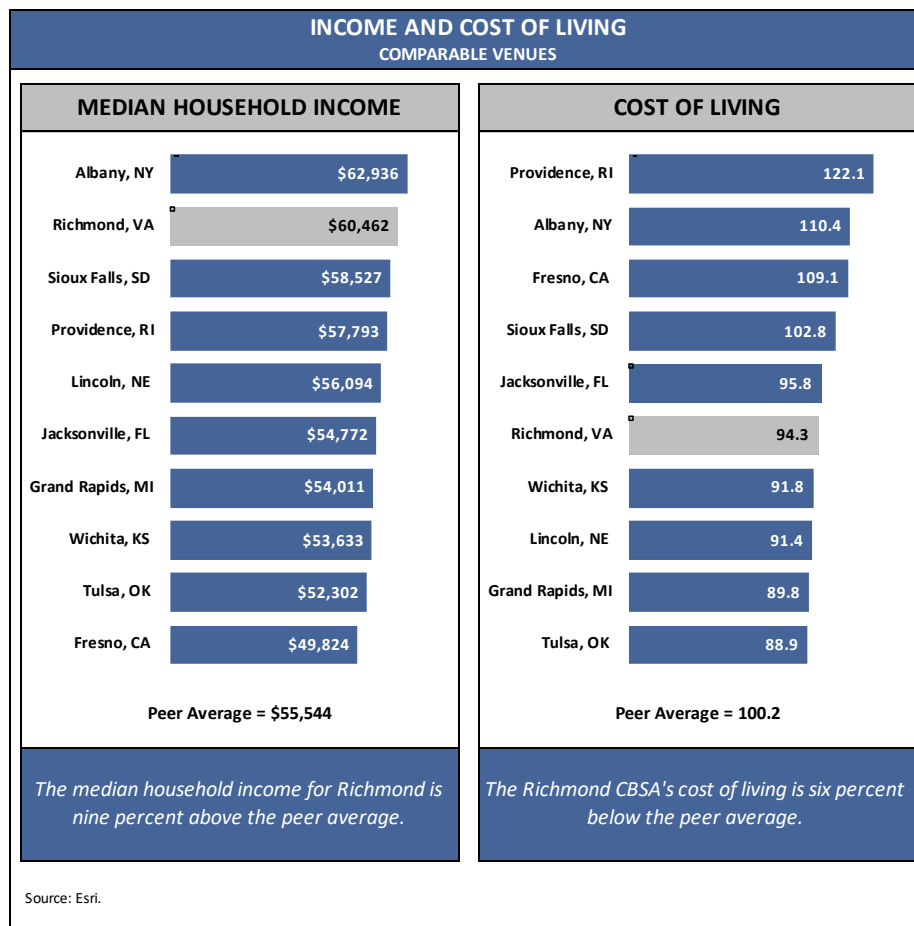


## 2. Local Market Characteristics

age among markets with similar arena developments is 37.0 years, ranging from a low of 31.8 years (Fresno, CA) to a high of 41.1 years (Albany, NY). It should be noted that the median age of residents within the City of Richmond is much younger (approximately 32 years old) than the entirety of the CBSA. The median age of the Richmond market falls within the range of core sports and entertainment patrons, and a slightly more mature population could indicate the financial wherewithal and propensity to spend on entertainment activities.

### Income & Cost of Living

The median income level, in conjunction with the cost of living index, in a local market can provide an indication of a market's level of total and discretionary income available to spend on attending live entertainment events. The following table provides a summary of these key characteristics for Richmond and nine markets supporting comparable venues.



## 2. Local Market Characteristics

---

Key findings regarding the income and cost of living index of the Richmond market include:

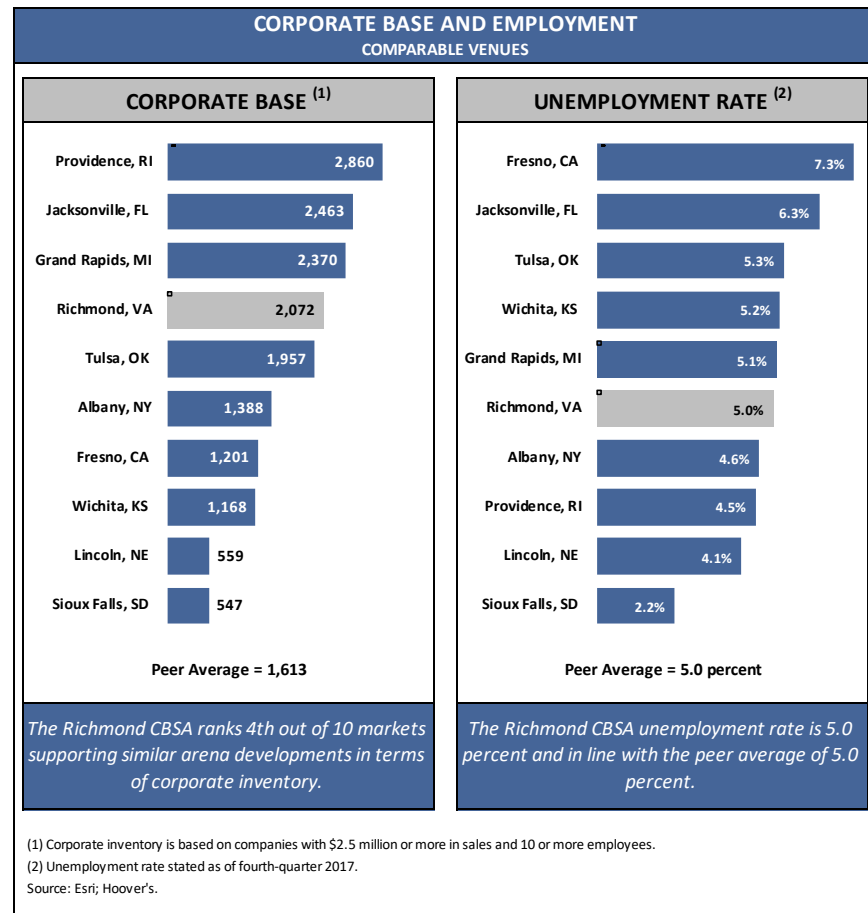
- Households in the Richmond market have a median income of \$60,462 per year, ranking second-highest among 10 markets supporting comparable venues. The average median household income of markets with similar arena developments is \$55,544, ranging from a low of \$49,824 (Fresno, CA) to a high of \$62,936 (Albany, NY).
- While households in the City of Richmond have a median household income of approximately \$41,000 annually, the median household income in Richmond is nine percent higher than the average among markets supporting comparable facilities. Although income levels within the City of Richmond are lower than those within the CBSA, the construction of a new mixed-use development in downtown Richmond could create a significant number of new employment opportunities, which could raise the income levels of residents of nearby neighborhoods where unemployment rates are highest.
- It is important to consider the cost of living index when comparing household incomes of different regions. The Richmond market has the fifth-lowest cost of living among 10 markets supporting comparable venues analyzed herein. Specifically, the cost of living index for the Richmond CBSA is 94.3 versus the average among market supporting comparable facilities of 100.2 (ranging from 88.9 to 122.1) and the national average of 100. Overall, the cost of living associated with the Richmond market is approximately six percent lower than the national average.
- A comparatively low cost of living combined with a higher median income indicates the relative strength of the Richmond market in terms of a new arena's potential to attract the discretionary spending of local residents.
- It will be important to consider household income characteristics and cost of living when setting ticket prices, concession prices, parking, and other price points associated with attending events at the proposed Arena in order to effectively penetrate the local market, attract attendees, and generate revenues similar to those generated at comparable facilities.

### **Corporate Base & Employment**

The corporate base and unemployment rate in a market provide an indication of the health of the local economy. The chart on the following page summarizes the corporate

## 2. Local Market Characteristics

base and unemployment rate for the Richmond market and the nine markets supporting comparable venues.



Key findings regarding corporate base and employment characteristics of the Richmond CBSA include:

- The depth and breadth of the local corporate market will impact the Arena's financial performance. Local corporations purchase tickets, premium seating, advertising, sponsorships and venue naming rights that provide key revenue sources to support operations. Additionally, companies book spaces for meetings, trade shows, job fairs, team building, training and other activities.
- Richmond ranks fourth among 10 markets supporting comparable venues with approximately 2,072 companies with annual sales of at least \$2.5 million and at least 10 employees. This excludes industries that are unlikely to purchase tickets and premium opportunities, such as government entities, membership, religious and non-profit organizations.



## 2. Local Market Characteristics

---

- The average corporate base for the markets analyzed under this criteria is 1,613, ranging from a low of 547 (Sioux Falls, SD) to a high of 2,860 (Providence, RI).
- The unemployment rate in Richmond of 5.0 percent is fifth-lowest among 10 markets supporting comparable venues and lower compared to the national average of 5.5 percent. The average unemployment rate of markets supporting comparable venues is 5.0 percent, ranging from a low of 2.2 percent (Sioux Falls, SD) to a high of 7.3 percent (Fresno, CA). In addition to income levels, the construction of a new mixed-use development in downtown Richmond could create a significant number of new employment opportunities, which would be easily accessible to residents of nearby neighborhoods where unemployment rates are highest.

### **Local & Regional Competition**

The operations of the proposed Arena will be affected, to some degree, by the number and type of local and regional sports and entertainment facilities that could compete for the limited supply of events, spectators, disposable income, and corporate support within the marketplace. Although the local and regional market includes several sports and entertainment facilities, including the 7,201-seat Robins Center (University of Richmond), the 7,637-seat Stuart C. Sigel Center (Virginia Commonwealth University), The Diamond, which seats 9,560 and is home to the Class AA Richmond Flying Squirrels, and a number of other performing arts venues, it currently lacks a modern, state-of-the-art venue with the capability to host indoor sports and entertainment events in excess of 8,000 attendees.

In addition to an overall lack of competition to host indoor sports and entertainment events in excess of 8,000, the market is also well positioned within the regional area in terms of the typical routing pattern of national touring acts. Richmond is located further enough away from several regional markets supporting or considering the development of similar-sized facilities, including Charlottesville, VA (70 miles), Virginia Beach, VA (105 miles), Washington D.C. (110 miles), and Charlotte, NC (290 miles), and has the overall market strength to serve as a destination for national touring acts rather than having to compete with other markets to host the majority of events.

### **Summary**

The demographic and socioeconomic characteristics of a market are an important component in assessing the potential success of a proposed arena. The ability of an arena to attract spectators, sell tickets, secure corporate partners, and generate revenues is predicated, somewhat, on the size of the regional market area population

## 2. Local Market Characteristics

---

and corporate base, and its spending characteristics in the context of competition within the market.

Overall, the demographic and socioeconomic characteristics of the Richmond market are favorable for supporting a proposed Arena. The area is characterized by a large, growing population with high household incomes relative to its peers, an ample corporate base, and a lack of significant competition in the marketplace to host events.

\*\*\*\*\*

The demographic and socioeconomic characteristics of the Richmond market and compared to other markets supporting similar arena developments are considered together with an assessment of the physical, operational, and financial characteristics of other similar-sized facilities to assess the potential operations of the proposed Arena.

# COMPARABLE ARENA BENCHMARKING





### 3. Comparable Arena Benchmarking

---

An assessment of the physical, operational, and financial characteristics of comparable arenas is important in understanding the potential feasibility of a new Arena in Richmond. CSL analyzed the key building characteristics (seating capacity, premium seating) and financial data from nine (9) similar-sized venues in order to provide a benchmark from which to assess the potential physical, operational, and financial characteristics of a new Arena in Richmond.

The comparable arenas studied include:

- BOK Center (Tulsa, OK);
- Denny Sanford Premier Center (Sioux Falls, SD);
- Dunkin Donuts Center (Providence, RI);
- Intrust Bank Arena (Wichita, KS);
- Jacksonville Veterans Memorial Arena (Jacksonville, FL);
- Pinnacle Bank Arena (Lincoln, NE);
- Save Mart Center (Fresno, CA);
- Times Union Center (Albany, NY); and,
- Van Andel Arena (Grand Rapids, MI).

The table on the following page summarizes key building program elements associated with comparable venues. Key elements include:

- Four of the nine comparable venues have collegiate tenants. Seven of the nine comparable venues have minor league sports tenants, some with multiple tenants.
- The average seating capacity for comparable venues to a new Arena in Richmond is 13,010 for hockey events (ranging from 10,678 to 17,096), 14,346 for basketball events (ranging from 11,500 to 17,839), and 15,311 for center stage events (ranging from 13,000 to 19,199).
- The average comparable venue comprises a total of 370,841 square feet, ranging from a low of 187,315 to a high of 565,000, while the current Richmond Coliseum totals less than 180,000 square feet.
- Comparable arenas hosted an average of 134 events and drew an average total attendance of 582,511 versus the Richmond Coliseum, which hosted 82 events and 398,225 attendees in a recent year of operations.
- All of the comparable facilities have private suites, featuring an average of 31 luxury suites, while the Richmond Coliseum offers 12 private suites.

### 3. Comparable Arena Benchmarking

- Four of the nine comparable venues have loge boxes, with an average of 23 boxes.
- Seven of the nine comparable facilities offer club seats, with an average of 956 club seats available.

BUILDING PROGRAM COMPARISON						
	Dunkin Donuts Center	Jacksonville Veterans Memorial Arena	Richmond Coliseum	Van Andel Arena	BOK Center	
Year Opened:	2008	2003	1971	1996	2008	
Location:	Providence, RI	Jacksonville, FL	Richmond, VA	Grand Rapids, MI	Tulsa, OK	
Seating Capacity:						
Hockey	11,075	13,141	11,088	10,834	17,096	
Basketball	12,410	14,091	11,992	11,500	17,839	
Center-Stage Events	14,000	15,000	13,553	13,184	19,199	
Square Footage:	324,000	435,000	179,810	294,000	565,000	
Premium Seating:						
Luxury Suites	20	30	12	44	47	
Loge Boxes	--	--	--	--	18	
Club Seats	--	1,164	--	1,800	728	
Tenants:	AHL/NCAA	ABA/AFL	AAL	AHL	ECHL	
Events:						
Tenant Events	56	15	7	48	55	
Non-Tenant Events	80	91	75	70	144	
Total Events:	136	106	82	118	199	
Total Attendance:	654,573	500,184	398,225	732,286	746,032	
	Save Mart Center	Times Union Center	Intrust Bank Arena	Pinnacle Bank Arena	Denny Sanford Premier Center	Average
Year Opened:	2003	1990	2010	2013	2014	2005
Location:	Fresno, CA	Albany, NY	Wichita, KS	Lincoln, NE	Sioux Falls, SD	
Seating Capacity:						
Hockey	13,876	14,236	13,450	12,700	10,678	13,010
Basketball	15,544	15,229	15,004	15,500	12,000	14,346
Center-Stage Events	16,182	15,357	15,750	16,130	13,000	15,311
Square Footage:	430,000	187,315	329,850	470,400	302,000	370,841
Premium Seating:						
Luxury Suites	40	26	20	36	20	31
Loge Boxes	--	--	40	18	16	23
Club Seats	1,196	--	487	800	520	956
Tenants:	NCAA	AHL/NCAA	ECHL/CIF	NCAA	USHL/IFL	
Events:						
Tenant Events	47	58	46	35	40	44
Non-Tenant Events	91	78	56	138	60	90
Total Events:	138	136	102	173	100	134
Total Attendance:	512,678	487,102	319,687	780,539	509,518	582,511

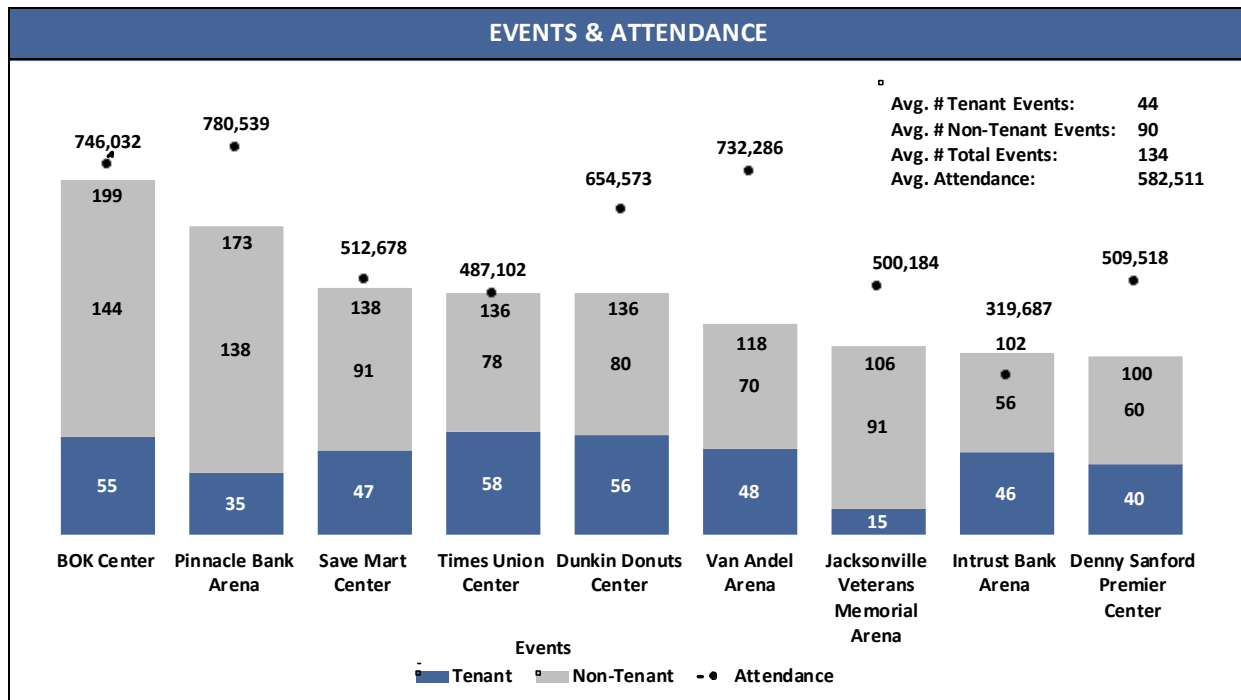
Note: Averages exclude the Richmond Coliseum.

The remainder of this section provides a summary of key building characteristics, utilization levels, event mix and profitability, and financial characteristics of the comparable arenas reviewed.

### 3. Comparable Arena Benchmarking

#### Utilization

The ability of the new Arena in Richmond to accommodate a variety of events that generate revenues to support venue operations will be critical to its success. The following chart summarizes the tenant and non-tenant event activity and total attendance hosted by comparable venues in a recent year of operations.



Overall, annual event activity at similar-sized arenas averaged 134 events (median of 136 events) per year, ranging from a low of 100 events at Denny Sanford Premier Center to a high of 199 events at BOK Center.

All of the comparable venues have one or more tenants that provide a stable base of event activity and attendance each year, accounting for upwards of 30 to 40 percent of venue utilization, on average. In terms of non-tenant events, comparable facilities hosted an average of 90 events, with a low of 56 at Intrust Bank Arena and a high of 144 at BOK Center. Non-tenant events typically included concerts, family shows, sporting events, conventions and trade shows, meetings, and other miscellaneous events.

Annual attendance at comparable arenas averaged 582,511 (median of 512,678), ranging from a low of 319,687 at Intrust Bank Arena to a high of 780,539 attendees per year at Pinnacle Bank Arena, which serves as the home of the University of Nebraska men's and women's basketball and volleyball teams. Comparatively, in a recent year of operations, the Richmond Coliseum held a total of 82 events drawing 398,225



### 3. Comparable Arena Benchmarking

---

attendees, ranking lowest in terms of the number of events held and second-lowest in total attendance among comparable venues.

#### Event Distribution

The total number of events and the type of events attracted to an arena is impacted by local market conditions, the physical building program, and marketing efforts of venue management. The following chart summarizes the average distribution of events history hosted at comparable arenas.

As shown, tenant events, including university and minor league sports teams, comprise the largest segment of event activity at comparable venues, accounting for approximately 34 percent of total event activity. These events provide a stable base of event activity at each arena annually, often taking scheduling priority over other events.

Other key event types attracted to similar-sized arenas include other miscellaneous events (20 percent), concerts (17 percent), other sporting events (10 percent), and family shows (eight percent).



It should be noted that each facility and market is unique and there can be significant variation in the event mix from venue to venue.

#### Event Profitability

The mix of events attracted to an arena can significantly influence the financial performance of a venue. Events can generate revenue to a venue from rent, food and beverage sales, merchandise sales, parking, box office fees, convenience and ticket charges, and/or equipment rental. The table on the following page summarizes the average profitability of events hosted at comparable arenas.

### 3. Comparable Arena Benchmarking

---

As shown, concerts are typically the most profitable events that can be hosted at an arena, driving an average profit of \$91,935 in similar-sized arenas comparable to that being considered in Richmond.

Other events driving higher profitability margins for comparable arenas include entertainment events, other sporting events, family shows, and conventions.

Events generating lower average profitability include other events, meetings, and tenant events.

With no tenant, a new Arena in Richmond has the opportunity to host more highly profitable events on an annual basis.



#### Premium Seating

Premium seating has become prevalent in modern arenas and can serve to generate substantial revenue for a venue. Typical premium seating products that are offered at comparable venues include:

- Private Suites typically accommodate 12 to 16 guests and include a private lounge area with seating overlooking the event floor.
- Loge Boxes consist of a semi-private seating area that typically accommodates four (4) to eight (8) guests. A loge box does not include a private lounge area, but loge box holders often have access to a shared VIP area.
- Club Seats consist of individual seats that are typically wider, padded, and provide more legroom as compared to general seating areas. Club seat holders typically have access to an upscale lounge located near their seats.

### 3. Comparable Arena Benchmarking

The table below summarizes a sampling of premium seating at the comparable arenas.

PREMIUM SEATING						
Facility	Luxury Suites	Average Annual Price	Loge Boxes	Average Annual Price	Club Seats	Average Annual Price
BOK Center	47 <sup>1</sup>	\$70,500 <sup>2</sup>	18	\$27,200 <sup>3</sup>	728	\$1,900 <sup>4</sup>
Save Mart Center	40	\$58,000 <sup>5</sup>	--	--	1,196	\$1,625 <sup>6</sup>
Pinnacle Bank Arena	36	\$59,000 <sup>7</sup>	18	\$20,000 <sup>8</sup>	800	\$750 <sup>9</sup>
Van Andel Arena	44	\$36,000 <sup>10</sup>	--	--	1,800	\$700 <sup>11</sup>
Jacksonville Veterans Memorial Arena	30	\$70,000 <sup>12</sup>	--	--	1,164	\$450 <sup>12</sup>
Intrust Bank Arena	20	\$50,000 <sup>14</sup>	40	\$9,100 <sup>15</sup>	487	\$1,200 <sup>16</sup>
Denny Sanford Premier Center	20	\$39,500 <sup>17</sup>	16	\$18,500 <sup>18</sup>	520	\$850 <sup>19</sup>
Times Union Center	26	\$48,500 <sup>20</sup>	--	--	--	--
Dunkin Donuts Center	20	\$50,000 <sup>21</sup>	--	--	--	--
<b>AVERAGE</b>	<b>31</b>	<b>\$53,500</b>	<b>23</b>	<b>\$18,700</b>	<b>956</b>	<b>\$1,100</b>

<sup>1</sup> Suite inventory includes 6 nightly rental suites and 1 suite that is owned by the naming rights partner.  
<sup>2</sup> Suites include all tickets (shows and hockey) except for 3 events designated as Premium.  
<sup>3</sup> Loge boxes include all tickets (shows and hockey) except for 3 events designated as Premium.  
<sup>4</sup> 678 seats include first right to purchase event tickets and include hockey tickets; the remaining 50 seats include only first right to purchase event tickets.  
<sup>5</sup> Suites include all event tickets and 4 parking passes.  
<sup>6</sup> Club seats include first right to purchase event tickets.  
<sup>7</sup> Suites include all event tickets and parking.  
<sup>8</sup> Loge boxes include all event tickets and parking.  
<sup>9</sup> Club seats include first right to purchase event tickets.  
<sup>10</sup> Suites holder must purchase event tickets. Suite event ticket sales/rental generate over \$650,000 in gross revenue annually.  
<sup>11</sup> Club seats include first right to purchase event tickets.  
<sup>12</sup> Suites include all event tickets and parking.  
<sup>13</sup> Club seats include first right to purchase event tickets.  
<sup>14</sup> Suites include hockey tickets and \$2,000 food and beverage credit.  
<sup>15</sup> Loge boxes include hockey tickets and parking.  
<sup>16</sup> 222 seats include first right to purchase event tickets and include hockey tickets; the remaining 265 seats include only first right to purchase event tickets.  
<sup>17</sup> Suites include all event tickets.  
<sup>18</sup> Loge boxes include all event tickets.  
<sup>19</sup> Club seats include first right to purchase event tickets.  
<sup>20</sup> Suites include hockey, basketball, and concert/event tickets and parking.  
<sup>21</sup> Suites include all event tickets (except for NCAA) and 4 parking passes.

Among comparable facilities, the average number of suites is 31, with BOK Center supporting the most suites (47), and Dunkin Donuts Center, Denny Sanford Premier Center, and Intrust Bank Arena supporting the fewest (20). The average price per suite is \$53,500.

In addition, four of nine comparable arenas offer loge boxes, ranging from a maximum of 40 boxes at Intrust Bank Arena to a minimum of 16 boxes at Denny Sanford Premier Center. Comparable venues with loge boxes have an average of 23 boxes with an average annual price of \$18,700.

### 3. Comparable Arena Benchmarking

Comparable arenas with club seats have 956 on average, with a maximum of 1,800 club seats at Van Andel Arena and a minimum of 487 at Intrust Bank Arena. The average annual fee for club seats is \$1,100.

Another method that may be useful in analyzing the potential premium seating capacity for a new arena in Richmond is penetration analysis. The following table shows the suite, loge box, and club seat inventory for each comparable arena relative to the number of corporate headquarters and branches in the arena's marketplace. Then, as shown, potential premium seating inventories are estimated for a new arena in Richmond, using both average and median penetration estimates as drivers.

PREMIUM SEATING PENETRATION ANALYSIS							
Facility	Corporate Base	Suites		Loge Boxes		Club Seats	
		Suite Inventory	Companies Per Suite	Loge Box Inventory	Companies Per Box	Club Seat Inventory	Companies Per Seat
BOK Center	1,957	47	42	18	109	728	3
Save Mart Center	1,201	40	30	--	--	1,196	1
Pinnacle Bank Arena	559	36	16	18	31	800	1
Van Andel Arena	2,370	44	54	--	--	1,800	1
Jacksonville Veterans Memorial Arena	2,463	30	82	--	--	1,164	2
Intrust Bank Arena	1,168	20	58	40	29	487	2
Denny Sanford Premier Center	547	20	27	16	34	520	1
Times Union Center	1,388	26	53	--	--	--	--
Dunkin Donuts Center	2,860	20	143	--	--	--	--
<b>AVERAGE</b>	<b>1,613</b>	<b>31</b>	<b>56 ↗</b>	<b>23</b>	<b>51 ↗</b>	<b>956</b>	<b>2 ↗</b>
<b>MEDIAN</b>	<b>1,388</b>	<b>30</b>	<b>53 ↗</b>	<b>18</b>	<b>33 ↗</b>	<b>800</b>	<b>1 ↗</b>
<b>Penetration Analysis - Average</b>							
<b>Richmond Arena</b>	<b>2,072</b>	<b>37 ←</b>	<b>56 ←</b>	<b>41 ←</b>	<b>51 ←</b>	<b>1,286 ←</b>	<b>2 ←</b>
<b>Penetration Analysis - Median</b>							
<b>Richmond Arena</b>	<b>2,072</b>	<b>39 ←</b>	<b>53 ←</b>	<b>64 ←</b>	<b>33 ←</b>	<b>1,574 ←</b>	<b>1 ←</b>

Source: Hoover's; SMG facility information.

As shown, the comparable arena penetration analysis indicates that a new arena in Richmond could feature upwards of 37 suites, 41 loge boxes and 1,286 club seats.

### Naming Rights

The sale of naming rights arenas is an important source of revenue that can be used to fund a portion of the construction costs or support annual facility operations. Naming rights can be sold to a corporation as part of a sponsorship package or can be sold to an individual as a philanthropic donation. The table on the following page summarizes naming rights agreements at comparable venues.



### 3. Comparable Arena Benchmarking

NAMING RIGHTS COMPARISON				
Facility	Term Start	Total Fee	Term Length	Average Annual Fee
Save Mart Center	2003	\$40,000,000	20	\$2,000,000
Denny Sanford Premier Center	2014	\$18,750,000	25	\$750,000
Dunkin Donuts Center	2001	\$12,550,000	20	\$627,500
BOK Center	2008	\$11,000,000	20	\$550,000
Pinnacle Bank Arena	2013	\$11,250,000	25	\$450,000
Van Andel Arena	1996	\$11,250,000	25	\$450,000
Intrust Bank Arena	2010	\$8,750,000	25	\$350,000
Times Union Center	2018	\$3,500,000	10	\$350,000
Jacksonville Veterans Memorial Arena	n/a	n/a	n/a	n/a
<b>AVERAGE</b>	<b>2008</b>	<b>\$14,631,250</b>	<b>21</b>	<b>\$690,938</b>

Note: Dunkin Donuts was extended an additional 10 years in 2011 for \$425,000 per year.

Of the nine (9) comparable venues analyzed, eight (8) have title naming rights agreements. The naming rights agreements span 10 to 25 years, have an average annual value of \$690,938, ranging from a low of \$350,000 to a high of \$2.0 million, and a total term value ranging from \$3.5 million to \$40.0 million.

Beyond the title naming rights of the venue, other sub naming categories can be sold for inventory such as the event floor, scoreboard, plazas, entries, hospitality lounges, seating sections, locker rooms and other building assets.

#### Financial Operations

The historical financial operations of similar-sized arenas provide a benchmark from which to evaluate the potential financial operations of the new Arena in Richmond. The table on the following page shows revenues, expenses, and net operating income for nine (9) comparable arenas in a recent year.

### 3. Comparable Arena Benchmarking

FINANCIAL OPERATIONS				
Facility	Operating Revenue	Operating Expenses	Net Profit (Loss)	Operating Margin
Comparable Arena 1	\$11,379,488	\$8,399,237	\$2,980,251	26%
Comparable Arena 2	\$7,139,420	\$4,507,792	\$2,631,628	37%
Comparable Arena 3	\$5,169,684	\$3,023,780	\$2,145,904	42%
Comparable Arena 4	\$4,391,463	\$3,475,829	\$915,634	21%
Comparable Arena 5	\$5,471,122	\$4,790,854	\$680,268	12%
Comparable Arena 6	\$5,403,887	\$4,888,696	\$515,191	10%
Comparable Arena 7	\$5,341,540	\$5,075,333	\$266,207	5%
Comparable Arena 8	\$4,410,014	\$4,959,739	(\$549,725)	(12%)
Comparable Arena 9	\$3,525,494	\$4,531,469	(\$1,005,975)	(29%)
<b>AVERAGE</b>	<b>\$5,803,568</b>	<b>\$4,850,303</b>	<b>\$953,265</b>	<b>16%</b>

As shown, most comparable venues operate profitably, while two venues sustain operating losses. Comparable venues average approximately \$5.8 million in revenue, \$4.9 million in expenses and net operating income of \$953,265. Net operating incomes at comparable venues range from a high of approximately \$3.0 million to a loss of approximately \$1.0 million. Operating margins range from a high of 42 percent to a low operating deficit of 29 percent.

It should be noted that there are a variety of factors effecting each venue's financial operations. Such factors could include various revenue splits with the venue owner, the lack of control over venue parking, naming rights revenues dedicated to construction funding and not annual operations, premium seating revenues that flow to a tenant rather than the building, differences in facility size or square footage, differences in staffing levels or services provided by other municipal departments, local market competition, and other such factors.

\*\*\*\*\*

The review of comparable facilities is considered together with an assessment of local market characteristics to project the financial operating performance of a new Arena in Richmond.

# FINANCIAL PROJECTIONS



## 4. Financial Projections

---

The purpose of this section is to present estimates of the potential operating revenues and expenses anticipated to be associated with a new arena in Richmond. The estimated financial operating results are based on industry trends, knowledge of the Richmond CBSA, and historical financial operating results from comparable facilities. Additional physical development planning must be completed before more precise estimations of revenues and operating costs can be made. Also, upon completion of preliminary planning, revenue and expense assumptions should be updated to reflect changes to the assumptions made herein. These changes could significantly affect the analysis of future operating results.

The financial operating projections presented herein are shown under a stabilized year of operations. Key assumptions used to estimate the potential financial operations of a new arena in Richmond include, but are not limited to the following:

- The arena will be developed as a quality, state-of-the-art venue with the necessary event spaces, amenities, acoustics, stage configuration, rigging capacities, flexible seating configurations, and back-of-house space to accommodate the needs of various types of users;
- The new arena will contain approximately 17,500 total seats (including general admission, 500 club seats, 24 loge boxes, and 36 luxury suites);
- No minor league sports team tenants are assumed in order to maximize the revenue generating capabilities of the arena;
- The arena will be owned by the public sector or non-profit entity and will be exempt from property taxes;
- SMG will operate the new arena and continue to manage other public assembly facilities in Richmond, achieving economies-of-scale and leveraging relationships and resources to maximize arena performance;
- The arena will be aggressively marketed, providing competitive guarantees and, where applicable, rental rates;
- The market will generate spending on tickets, concessions, merchandise, advertising, sponsorships, and premium seating that is consistent with the recent history of similar-sized arenas;
- The mixed-use development will create synergies with the arena and result in an attractive destination to host events that serves to extend and enhance the live entertainment experience;



#### 4. Financial Projections

---

- The critical mass associated with the greater mixed-use district will create additional sponsorship and advertising value for the arena due;
- The arena receives all concession revenue net of costs;
- All tickets sold at arena events are assessed a ticket fee that is retained by the arena;
- There is a maximum of 4,500 revenue-generating parking spots during arena events. Through an agreement with the City, the arena will receive a portion of new parking revenues generated by arena events up to \$500,000 annually;
- There are no significant or material changes in the supply or quality of existing venues in the marketplace or new preferred or exclusive booking arrangements with event promoters at competitive venues; and,
- There are no significant or material changes to current trends in the live entertainment and conference/convention industries.

It should be noted that revenue and expense estimates presented herein are presented in 2021 dollars.

#### **Events & Attendance**

The table on the following page presents a summary of the projected events and attendance for a new arena. These projections are based upon analyses of the local Richmond market and surrounding regional market and the operations of comparable venues.

#### 4. Financial Projections

---

EVENTS & ATTENDANCE			
Events	Annual Events	Average Paid Attendance	Total Paid Attendance
Concert - Full	15	8,500	127,500
Concert - Half	7	6,000	42,000
Family Shows	10	3,250	32,500
Ice Shows	8	2,500	20,000
Motorsports	3	6,500	19,500
Rodeos	2	7,000	14,000
Boxing	1	7,000	7,000
Religious	6	6,500	39,000
Other Sports	10	5,500	55,000
HS Basketball	2	2,000	4,000
Graduations	10	3,500	35,000
Miscellaneous	40	1,000	40,000
Entertainment	6	6,000	36,000
<b>TOTAL</b>	<b>120</b>	<b>3,929</b>	<b>471,500</b>

As shown, it is estimated that a new arena in Richmond could host approximately 120 annual events that could draw 471,500 total attendees, resulting in an average of approximately 3,900 attendees per event.

#### Projected Financial Operations

Based upon the estimated utilization described above, the table on the following page summarizes the estimated operating revenues and expenses associated with a new arena over the first five years of operations.

## 4. Financial Projections

FINANCIAL PRO FORMA					
	2021	2022	2023	2024	2025
<b>REVENUES:</b>					
<i>Event Income</i>					
Net Rent	\$1,965,000	\$2,024,000	\$2,085,000	\$2,147,000	\$2,212,000
Event Reimbursements	705,000	726,000	748,000	770,000	793,000
Less: Event Expenses	(1,479,000)	(1,523,000)	(1,569,000)	(1,616,000)	(1,664,000)
<b>Subtotal - Net Direct Event Income</b>	<b>\$1,191,000</b>	<b>\$1,227,000</b>	<b>\$1,264,000</b>	<b>\$1,301,000</b>	<b>\$1,341,000</b>
<i>Ancillary Revenue:</i>					
Food & Beverage (net)	\$1,199,000	\$1,235,000	\$1,272,000	\$1,310,000	\$1,350,000
Novelty (net)	97,000	100,000	103,000	106,000	109,000
Parking (net)	420,000	433,000	446,000	459,000	473,000
Ticket Incentives	1,531,000	1,577,000	1,624,000	1,673,000	1,723,000
Facility Fees	891,000	918,000	945,000	974,000	1,003,000
Promoter Share	(531,000)	(547,000)	(563,000)	(580,000)	(597,000)
<b>Subtotal - Net Ancillary Revenue</b>	<b>\$3,607,000</b>	<b>\$3,716,000</b>	<b>\$3,827,000</b>	<b>\$3,942,000</b>	<b>\$4,061,000</b>
<i>Other Revenue</i>					
Arena Sponsorships (net)	\$2,210,000	\$2,210,000	\$2,210,000	\$2,210,000	\$2,210,000
Suite Premiums (net)	1,595,000	1,643,000	1,692,000	1,743,000	1,795,000
Loge Box Premiums (net)	183,000	189,000	195,000	200,000	206,000
Club Seat Premiums (net)	363,000	374,000	386,000	397,000	409,000
<b>Subtotal - Net Other Revenue</b>	<b>\$4,351,000</b>	<b>\$4,416,000</b>	<b>\$4,483,000</b>	<b>\$4,550,000</b>	<b>\$4,620,000</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$9,149,000</b>	<b>\$9,359,000</b>	<b>\$9,574,000</b>	<b>\$9,793,000</b>	<b>\$10,022,000</b>
<b>EXPENSES:</b>					
Utilities	\$1,305,000	\$1,344,000	\$1,384,000	\$1,426,000	\$1,469,000
Insurance	212,000	219,000	225,000	232,000	239,000
Labor Costs	2,504,000	2,579,000	2,656,000	2,736,000	2,818,000
General & Administrative	800,000	824,000	849,000	874,000	900,000
Operations	760,000	783,000	806,000	830,000	855,000
<b>TOTAL OPERATING EXPENSES</b>	<b>\$5,581,000</b>	<b>\$5,749,000</b>	<b>\$5,920,000</b>	<b>\$6,098,000</b>	<b>\$6,281,000</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>\$3,568,000</b>	<b>\$3,610,000</b>	<b>\$3,654,000</b>	<b>\$3,695,000</b>	<b>\$3,741,000</b>
Management Fee	\$350,000	\$361,000	\$371,000	\$382,000	\$394,000
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$3,218,000</b>	<b>\$3,249,000</b>	<b>\$3,283,000</b>	<b>\$3,313,000</b>	<b>\$3,347,000</b>

As shown, it is estimated that a new arena in Richmond could generate revenues of approximately \$9.1 million and incur approximately \$5.6 million in operating expenses, resulting in net income from operations of approximately \$3.6 million in the first year of operations. Assuming the payment of an estimated arena management fee of \$350,000, the arena is estimated to generate net operating income of approximately \$3.2 million.

It is important to note that the financial analysis presented herein does not include annual contributions to a capital reserve account. Industry best practice suggests the annual funding of a capital reserve in order to cover the cost of future major capital repairs or improvements beyond routine maintenance and repairs. Revenues earmarked to fund a capital reserve would be subject to negotiation and are generally derived from sources outside of arena operations.

## 4. Financial Projections

---

The remainder of this section provides an in-depth analysis of each source of income and expense that is estimated to be generated by arena operations.

### **Operating Revenues**

Revenues anticipated to be generated by a new arena in Richmond include rental income, service income, food and beverage revenue, novelties, parking, ticket incentives, facility fees, advertising/sponsorships, and premium seating. A brief description of each revenue source is provided below.

#### *Rental Income*

For purposes of this analysis, rental income is based on a daily rental fee. Rental rates will vary depending on the type of event (i.e. concert, family show, community event, etc.) and the portion of the facility used (i.e. full-house, half-house, etc.).

The number of events, rental rates, and paid attendance assumed in this study are based on an analysis of events, attendance, and rental rates at comparable venues and industry trends. Rental income from third-party events is estimated to range from \$1,500 for smaller events (i.e. meetings) to \$50,000 for a full-house concert with most event rentals around \$15,000 per event.

#### *Service Income (Loss)*

Service income represents the net effect of event-related expenses either paid by the event promoter or absorbed by the arena as part of the rental agreement. 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 not recoup event costs during family shows and high school basketball games, while recouping 100 percent of event costs during meetings through chargebacks to the events (with percentages for other events falling between that range). Overall, across all arena events, it is estimated that the facility will recoup approximately 50 percent of total annual service expenses.

#### *Food & Beverage*

Food and beverage revenue consists of concession sales in general admission areas and premium seating locations during events hosted at the arena. Gross food and beverage sales are estimated based on projected turnstile (or actual) attendance and per capita

## 4. Financial Projections

---

spending assumptions by event type. Per capita concession spending assumptions were based on an analysis of per capita spending at comparable facilities and industry averages. For spectator events, gross general admission per capita concessions spending is assumed to range from \$0.00 for religious events and graduations to \$12.00 for large concerts. 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 percent of gross general admission food and beverage sales.

Gross per capita food and beverage spending by club seat, loge box, and suite patrons is assumed to range from \$4.00 to \$36.00 per person, depending on the event type and location of the purchase. Commissions paid to the arena are estimated to be 25 percent of gross premium food and beverage sales.

### *Novelties*

Novelty 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 and industry standards. Gross per capita merchandise spending assumptions ranged from \$0.00 for certain community events (i.e. graduations, high school basketball, etc.) to \$8.00 for major concerts. After accounting for product, labor costs, and event share, the arena is assumed to retain approximately five percent of gross merchandise sales across all arena events.

### *Parking*

For purposes of this analysis, it is assumed that there will be 4,500 City-controlled parking spaces available during arena events. It is estimated that the average charge per car could range between \$5.00 and \$10.00 depending on the type of event. Through an agreement with the City, the arena would retain 30 percent of all parking revenue generated from event attendees on event nights.



## 4. Financial Projections

---

### *Ticket Incentives*

Arenas often utilize a third-party ticket seller, such as Ticketmaster, 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 typically shared with the venue. It is estimated that the average convenience charge per ticket will range from \$0.00 for certain community events (i.e. graduations, high school basketball, etc.) to \$14.00 for major concerts for each ticket sold by the venue's ticketing system. The arena is estimated to retain 40 to 50 of the gross revenues generated by these convenience charges, depending on event type.

### *Facility Fees*

Arenas and other public assembly 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 \$2.00 to \$3.50 per ticket will be assessed on 25 to 85 percent of tickets sold for ticketed events, depending on event type, at a new arena in Richmond.

### *Advertising & Sponsorships*

Advertising and sponsorship revenues are derived from the sale of signage related to scoreboards, concourse, interior and exterior fascia, vomitories, outdoor marquee displays, and promotions. Ultimately, the rates charged for advertising and sponsorships at a new arena in Richmond 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 number of tie-ins such as program advertising that are included with advertising packages.

Advertising and sponsorship revenues were analyzed for other comparable venues. Based on these benchmarks, along with data on the size and breadth of the local and regional corporate market, and the results of conversations between members of the project team and various corporate decision-makers related to potential interest in a variety of partnership opportunities, it is estimated that a new arena in Richmond could generate approximately \$1.6 million in gross advertising and sponsorships revenues annually. A 15 percent reduction in gross advertising and sponsorship revenues has been applied to account for sales commissions and fulfillment costs.

## 4. Financial Projections

---

### *Naming Rights*

Title naming rights for arenas are often sold to a company as part of a sponsorship package that often includes other elements such as a suite, signage, promotional tie-ins, etc. For purposes of this analysis, it is assumed that title naming rights will be sold for the arena and the proceeds will be used towards operating the venue. Gross naming rights are estimated to be \$1.0 million annually. A sales commission of 15 percent is applied to gross naming rights to estimate net naming rights proceeds.

### *Luxury Suites*

It is assumed that a new arena in Richmond will offer 36 private suites. It is assumed that eight (8) suites will be non-revenue generating (held back for building use and sponsors) with the remaining 28 suites available for sale. It is assumed that the 28 suites will be 93 percent sold at an annual cost of \$75,000 per suite (including the cost of tickets, three parking passes, and a \$10.00 per capita all-inclusive buffet). The arena is assumed to retain the suite revenue after deducting five (5) percent for sales commissions.

### *Loge Boxes*

The new arena in Richmond is assumed to have 24 loge boxes (four seats per box) available. It is assumed that the 24 loge boxes will achieve a 92 percent sell-through (22 sold) at an annual price of \$12,500 per box (including the cost of tickets and one parking passes). The arena is assumed to retain the loge box revenue after deducting a promoter share for certain events and five (5) percent for sales commissions.

### *Club Seats*

Premium seating at the new arena is assumed to include 500 club seats. It is assumed that club seats will be 90 percent sold at an annual cost of \$850 (excluding the cost of tickets). The arena is assumed to retain the club seat revenue after deducting five (5) percent for sales commissions.

### **Operating Expenses**

Expenses incurred in the operation of a new arena in Richmond are anticipated to include utilities, insurance, salaries, wages & benefits, general & administrative, operations, and management fees. A brief description of each expense source is provided on the following page.

## 4. Financial Projections

---

### *Utilities*

Utilities often represent one of the largest expenses incurred by arena operators. Costs estimates for arena utilities include electricity, gas, water, and telephone. Based on expenses incurred at comparable arenas and the anticipated size and utilization of the new arena in Richmond, utilities expenses are estimated to be approximately \$1.3 million per year.

### *Insurance*

Insurance expenses represent 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 and adjusted to the Richmond region, insurance expenses are estimated to approximate \$227,000 per year.

### *Salaries, Wages, and Benefits*

Salaries, wages, and benefits include expenses for full- and part-time personnel (excluding event personnel costs passed through to the event promoter or organizer). Based on staffing levels at comparable facilities, it is estimated that approximately 33 dedicated, full-time staff members would be required to effectively operate the arena across various departments. The table on the following page summarizes the recommended staffing and compensations levels for the operations of the arena by department.

SALARIES, WAGES, AND BENEFITS	
Executive Staff	\$370,000
Finance Staff	244,000
Sales & Marketing Staff	384,000
Box Office Staff	185,000
Event Management Staff	268,000
Operations Staff	940,000
<b>Total Compensation</b>	<b>\$2,391,000</b>
Part-Time Wages	\$113,000
<b>TOTAL SALARIES, WAGES, AND BENEFITS</b>	<b>\$2,504,000</b>

Other personnel required to operate the venue are assumed to be derived from part-time employment and outsourcing to contractors or other service providers. It is assumed that functions such as food and beverage, catering, security, landscaping and

## 4. Financial Projections

---

other such services would be outsourced and, therefore, not require full or part-time staff.

Further, part-time event-day employees such as ticket takers, ushers, concession workers, and others are accounted for separately in the financial projections (i.e. concessions revenue is presented net of costs including labor or ticket takers, ushers, etc. is part of the services income (loss) calculation.

### *General & Administrative*

General and administrative expenses include a variety of other expenses anticipated to be incurred to operate the arena including advertising, professional fees, data processing, office supplies, bank and credit card charges, materials and supplies, dues and subscriptions, equipment rental, licenses and permits, postage and freight, printing and stationary, professional fees, service agreements, telecommunications, travel and entertainment, and other such costs. Based on expenses incurred at comparable arenas adjusted for the Richmond region, general and administrative expenses are estimated to be approximately \$800,000.

### *Operations*

Operations expenses are estimated to total \$760,000 and include contracted services, repairs and maintenance, landscaping, trash removal, pest control, equipment rental, and other related expenses.

### *Management Fee*

In order to maximize the utilization and revenue-generating potential of a new arena in Richmond and ensure the building is operated and maintained according to industry best practices, it is assumed that SMG would operate the venue. For purposes of this analysis, it is assumed that private management fees would total \$350,000 per year, inclusive of any base or incentive management fees.

## **Additional Revenue Opportunities**

As previously mentioned, a new arena in Richmond is only part of an approximate \$1.1 billion plan to redevelop the Project Area. Features associated with phase one of the redevelopment plan include, but are not limited to the following:

- The Blues Armory Music Club (special access for arena partners);
- Founders Lounge at the Armory (special access for arena partners);
- 527-room convention center hotel with 40,000 square feet of conference space;

## 4. Financial Projections

---

- 540,000 square foot expansion of the VCU Health System neuroscience research facilities;
- Significant amounts of ground level retail space; and,
- Other mixed-use development.

Given the broad spectrum of additional spaces and uses that will be located within the larger development, a number of additional marketing partnership categories and opportunities could be available beyond arena title naming rights, arena founding partnerships and other arena-specific sponsorship opportunities discussed herein.

The ability to leverage additional sponsorship revenues throughout the mixed-use development will be determined, to a large degree, by the creativity of the development and marketing teams, but are most effective when considered at the outset of the development process and integrated into the design. Examples of potential landmarks, spaces and assets that could be identified within the district includes, but is not limited to:

- Plaza and rotunda areas;
- Social media wall;
- Digital pylons;
- Parking garage;
- Restaurant and bar entitlement rights;
- Media studio naming rights;
- Concert series title sponsorship;
- Light feature title partner;
- Water feature title partner;
- “Hot Zones” with Wi-Fi capabilities and charging stations;
- Various other static and LED signage;
- Special events;
- Brand activation areas; and,
- Other such landmarks and assets.

The development surrounding a new arena in Richmond would not be the first such district to take advantage of these types of assets and generate significant sponsorship and partnership revenue on an annual basis. Nationally, examples of successful district-wide sponsorship programs include:

- |   |                         |
|---|-------------------------|
| • Toyota Music Factory ( <i>Irving, TX</i> )                    | ~\$3.5 million annually |
| • Legends Entertainment District ( <i>Phoenix, AZ</i> )         | ~\$3.5 million annually |
| • Xfinity Live! ( <i>Philadelphia, PA</i> )                     | ~\$1.6 million annually |
| • Ballpark Village ( <i>St. Louis, MO</i> )                     | ~\$1.5 million annually |
| • Kansas City Power & Light District ( <i>Kansas City, MO</i> ) | ~\$1.0 million annually |



#### 4. Financial Projections

---

Based on the proposed redevelopment plan, the multitude of potential landmarks and assets that could be available, the demographic and socioeconomic characteristics of the local and regional market, and the success of other recent mixed-use developments in generating significant annual revenues from district-wide partnership opportunities, it is estimated there is potential to generate approximately \$1.0 million to \$3.0 million in annual revenues in Richmond.