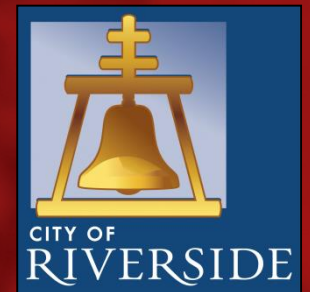




# Feasibility Study for a Proposed New Event Center in Downtown Riverside

Submitted: May 18, 2016





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# EXECUTIVE SUMMARY



# EXECUTIVE SUMMARY - INTRODUCTION

**Victus Advisors** was engaged by the **City of Riverside** in 2015 to conduct an independent, objective, and research-based study of the potential market demand and financial feasibility of a proposed new downtown event center in Riverside.

Certain preliminary event center plans were developed prior to Victus Advisors' engagement, including:

- Downtown location connected to the Riverside Convention Center
- Upwards of 5,000 fixed seats, to be based on site constraints
- Shared operations with the Riverside Convention Center
- Multi-purpose use, including concerts, sporting events, flat floor shows, community events, convention support, etc.
- No plans for a full-time minor league or collegiate sports tenant
- Addition of on-site parking and a potential convention center hotel

Victus Advisors' feasibility study goals included:

- Estimate market demand for a new event center (events, attendance)
- Recommend a market-supportable building program (seating capacity, VIP areas, parking, hotel keys, etc.)
- Project the potential financial operations of a new event center, assuming shared operations with the convention center
- Perform a funding options analysis
- Evaluate the potential economic & fiscal impacts of construction and operations of a new event center
- Site analysis and preliminary layout (via DLR Group)
- Construction cost estimates (via Construction Control)



# EXECUTIVE SUMMARY - MARKET ANALYSIS

**Demographic & Socioeconomic Analysis** - The Riverside MSA (a.k.a. “Inland Empire”) is the 13th largest metropolitan statistical area in the country, with nearly 1.9 million people living within the primary market area for a new downtown event center (15-mile radius). The Riverside MSA population’s median age of 33.6 also indicates a market that is likely to support sports and entertainment events, due to the presence of a large working-age population and young families. In addition, the market’s corporate and commercial base indicates that Riverside area has moderate potential for businesses to purchase premium seating amenities and sponsorship opportunities, however the relatively high cost of living could indicate that some individual households may have less discretionary income for entertainment spending.

**Comparable Event Centers** - Comparable new event centers in similar markets had an average of approximately 100 annual events with 400,000 annual attendees, and offered approximately 25-30 luxury suites (priced at \$25K each) and 700 club seats (\$1,200 each).

**Interviews with Potential Users** - Based on interviews conducted with regional and national promoters and organizers of arena events, Victus Advisors found that a new event center in Riverside should warrant addition of extra shows (concerts, family shows, etc.) to the Inland Empire marketplace, rather than a transfer from existing event venues in the region. In addition, several interviewees suggested Live Nation’s involvement with this project could be crucial to its success, and at this preliminary juncture, Live Nation has expressed interest in discussing a potential long-term relationship with the City to serve as concert/entertainment booking agent for the event center.

Finally, many promoters felt that 4,000 to 6,000 fixed seats would be an ideal capacity for the market, and many also felt that a new downtown event center in Riverside should be designed first and foremost as a high-quality concert venue that also is capable of hosting sporting events (basketball, ice events, etc.).

**Surveys with Local Business Community** - 73% of Greater Riverside Chamber members indicated that their general attitude towards building a new multi-purpose event center in downtown Riverside was “Positive”, whereas just 8% indicated a “Negative” attitude towards the project. In addition, 97% of Chamber members indicated some level of interest in attending entertainment or sports events at a new event center in downtown Riverside, with 59% of respondents expressing interest in premium seating options and 78% expressing interest in advertising and sponsorship opportunities at a new downtown event center.



# EXECUTIVE SUMMARY - BUILDING PROGRAM

**Seating Capacity** - At least 5,000 fixed seats in a U-shaped arrangement. Significant consideration should be given to arranging seating to drive maximum value for concert and entertainment performances.

**Premium Seating** - Private Suites: 12 suites with 12 seats each - leased annually; Party Suites: 2 large suites with 20+ seats - rented nightly; Loge Boxes: 20 loge boxes with 4 seats per box - leased annually; Club Seats: 500 in-bowl club seats - leased annually; at least one (1) upscale lounge area for premium seat buyers, meeting/banquet rentals, and convention support on non-event nights.

**Multi-Use Floor Space** - A typical arena floor has approximately 17,000 ft<sup>2</sup> of event floor space, however the use of retractable seating systems could expand the available floor space to 30,000 ft<sup>2</sup> or more, doubling the size of current available convention space and potentially accommodating as many as 150 ten-by-ten foot booths for trade show-type events.

**Hotel & Parking Garage** - Based on site analysis conducted by DLR Group, it is also expected that the convention/event center site could also accommodate a new convention hotel and parking garage. DLR Group's preferred site configuration places a new 280-key hotel atop a 1,340 stall parking garage, both situated at the northern corner of the site. The desired program could be contained in 8 stories of parking, plus 7 stories of hotel plus ground floor lobby, service, and possible restaurant, retail, or other guest amenities.

As shown below, DLR has configured the hotel tower in an 'L-shape' toward the interior of the site to maximize efficiency and views. In addition, the hotel lobby and parking garage are connected directly to the event center's concourse level, which bridges over a new pedestrian 'street' which negotiates the elevation change from 3rd Street to existing plaza level. This new public space should be well designed and landscaped to encourage pedestrian connections between the site and future development to the north on Main Street.







# EXECUTIVE SUMMARY - UTILIZATION & FINANCIALS

## PROJECTED EVENT CENTER UTILIZATION

As shown below, it is estimated that a new downtown event center in Riverside, operated in conjunction with the convention center, could host approximately 105 events per year, with estimated annual attendance of 310,000 people.

Event Type	Event Days	Average Attendees per Event	Total Attendees
Concerts & Entertainment Acts	20	4,500	90,000
Family Shows & Ice Shows	15	3,000	45,000
Basketball Games/Tournaments	10	4,000	40,000
Other Sports (Boxing, MMA, etc.)	10	4,000	40,000
Flat Floor Shows & Community Events	30	2,500	75,000
Convention Support (General Sessions, Speakers, etc.)	20	1,000	20,000
<b>Annual Total</b>	<b>105</b>	<b>2,952</b>	<b>310,000</b>

## PROJECTED FINANCIALS - COMBINED OPERATIONS

In a stabilized year of operations, it is estimated that the combined operations of the proposed event center and existing convention center could generate approximately \$1.2 Million in net operating income, prior to any management fees or capital reserves. It should be noted that the current management fee for the convention center exceeds \$400,000 annually, and is likely to be higher with combined operations.

	Current Convention Center*	Increment from New Event Center	Combined Operations
<b>Revenues:</b>			
Rent & Reimbursements	\$416,592	\$683,000	\$1,099,592
Food & Beverage / Merchandise (net)**	\$1,776,898	\$834,500	\$2,611,398
A/V, Internet Access & Other (net)***	\$308,551	-	\$308,551
Parking (net)***	\$77,978	-	\$77,978
Luxury Seating Premiums	-	\$860,000	\$860,000
Naming Rights & Sponsorships	-	\$500,000	\$500,000
Convenience Charge Rebates	-	\$300,000	\$300,000
<b>Total - Net Revenue:</b>	<b>\$2,580,019</b>	<b>\$3,177,500</b>	<b>\$5,757,519</b>
<b>Expenses:</b>			
Payroll & Benefits	\$1,308,836	\$1,035,250	\$2,344,086
Administrative & General	\$334,006	\$280,000	\$614,006
Utilities	\$296,450	\$767,000	\$1,063,450
Maintenance & Supplies	\$176,725	\$120,000	\$296,725
Insurance	\$61,200	\$143,000	\$204,200
<b>Total - Expenses:</b>	<b>\$2,177,217</b>	<b>\$2,345,250</b>	<b>\$4,522,467</b>
<b>Net Operating Income:****</b>	<b>\$402,802</b>	<b>\$832,250</b>	<b>\$1,235,052</b>



# EXECUTIVE SUMMARY - CONSTRUCTION & FUNDING

## PRELIMINARY CONSTRUCTION COST ESTIMATES

The following cost estimates were developed by Construction Control Corporation based upon analysis of the initial concept information provided by Victus Advisors and DLR Group. This is a preliminary estimate only. The costs are based upon analysis of similar-type new construction projects and are estimated in 2016 dollars. The estimate assumes typical bidding conditions, and market stresses can cause fluctuations in bidding results.

- **Building Cost Estimate - Event Center** - The total building cost estimate for the event center is \$87,428,054
- **Building Cost Estimate - Parking Structure & Hotel** - The total cost estimates for the parking structure and hotel are \$45,531,741 (parking) and \$71,558,292 (hotel).

## FUNDING OPTIONS ANALYSIS

Victus Advisor analyzed various debt vehicles and revenue sources that could potentially be utilized to fund development of a new downtown event center in Riverside. This analysis was based upon a review of comparable venues across the country, as well as unique financing vehicles that may be available within the State of California. The vast majority of comparable event centers that we reviewed were owned by the public sector and developed via municipal capital project funding (general obligation bonds, revenue bonds, tax increment financing, general funds, etc.), with debt service paid via public sources.

As shown below, if the City of Riverside wishes to fund the event center project via incremental revenues, and does not wish to use General Obligation bonds, a local-option sales tax increase appears to be the only individual option that could fund the project in its entirety. However, assuming a local sales tax increase is not currently viable, it is likely that the project funding model could rely on a mixture of sources, potentially including parking surcharges, ticket surcharges, and revenue from sale or ground lease of the hotel site.

POTENTIAL REVENUE SOURCES	ESTIMATED PROJECT FUNDING AMOUNT*
<b>Parking Surcharge - Arena Events Only:</b>	
\$1 per car	\$930,160
\$2 per car	\$1,860,320
\$3 per car	\$2,790,480
\$4 per car	\$3,720,640
\$5 per car	\$4,650,800
<b>Ticket Surcharge - Arena Events Only:</b>	
\$1 per ticket	\$2,906,750
\$2 per ticket	\$5,813,500
\$3 per ticket	\$8,720,250
\$4 per ticket	\$11,627,000
\$5 per ticket	\$14,533,750
<b>Sales Tax - Citywide:</b>	
.25% increase	\$172,768,000
.50% increase	\$345,537,000
<b>Transient Occupancy Tax - Citywide:</b>	
.50% increase	\$1,873,000
1.00% increase	\$3,747,000
<b>Hotel Site:</b>	
Property Sale or Ground Lease	n/a**
* Assumes 30-year bonds, 5.5% interest rate, 1.25x debt coverage ratio	
** If the City wishes to pursue this funding option, a qualified real estate professional should be consulted regarding the potential market value of the hotel site	





# EXECUTIVE SUMMARY - ECONOMIC IMPACTS

## EVENT CENTER ECONOMIC & FISCAL IMPACT ANALYSIS

The one-time construction and on-going operations of a new downtown event center in Riverside are estimated to generate incremental direct spending within the City of Riverside by outside businesses and visitors. Over the course of the estimated useful life of the arena (30 years), it has been estimated that approximately 100 annual jobs could be sustained. In addition, the Net Present Value (NPV) of incremental economic/fiscal benefits within the City over the estimated useful life of the event center have been estimated to include more than \$665 million in total economic output, approximately \$242 million in labor income, and nearly \$27.2 million in City tax revenues, as shown below.

### SUMMARY OF NET NEW IMPACTS OVER 30 YEARS: ARENA CONSTRUCTION & ON-GOING OPERATIONS

<u>Net New Impacts</u>	<u>30-Year Cumulative</u>	<u>Net Present Value (NPV)</u>
Direct Spending:	\$838,592,000	\$397,066,000
Total Output:	\$1,407,937,000	\$665,342,000
Employment:	100 ( <i>annual</i> )	n/a
Labor Income:	\$512,991,000	\$241,765,000
City Tax Revenue:	\$58,355,000	\$27,174,000



# SECTION 1 INTRODUCTION



## PROJECT BACKGROUND

**Victus Advisors** was engaged by the **City of Riverside** in 2015 to conduct an independent, objective, and research-based study of the potential market demand and financial feasibility of a proposed new downtown event center in Riverside.

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**Certain preliminary event center plans were developed prior to Victus Advisors' engagement, including:**

- Downtown location connected to the Riverside Convention Center
- Upwards of 5,000 fixed seats, to be based on site constraints
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- Multi-purpose use, including concerts, sporting events, flat floor shows, community events, convention support, etc.
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## PROJECT BACKGROUND (CONT'D)

### Victus Advisors' study goals included:

- Estimate market demand for a new event center (events, attendance)
- Recommend a market-supportable building program (seating capacity, VIP areas, parking, hotel keys, etc.)
- Project the potential financial operations of a new event center, assuming shared operations with the convention center
- Perform a funding options analysis
- Evaluate the potential economic & fiscal impacts of construction and operations of a new event center

In addition, DLR Group and Construction Control Corporation completed the following tasks as subcontractors to Victus Advisors:

- Site analysis and site concept development
- Preliminary construction cost estimates





# FEASIBILITY STUDY PROCESS

1. MARKET ANALYSIS



2. DEMAND ESTIMATES



3. FINANCIAL PROJECTIONS



4. SITE ANALYSIS & COST ESTIMATES



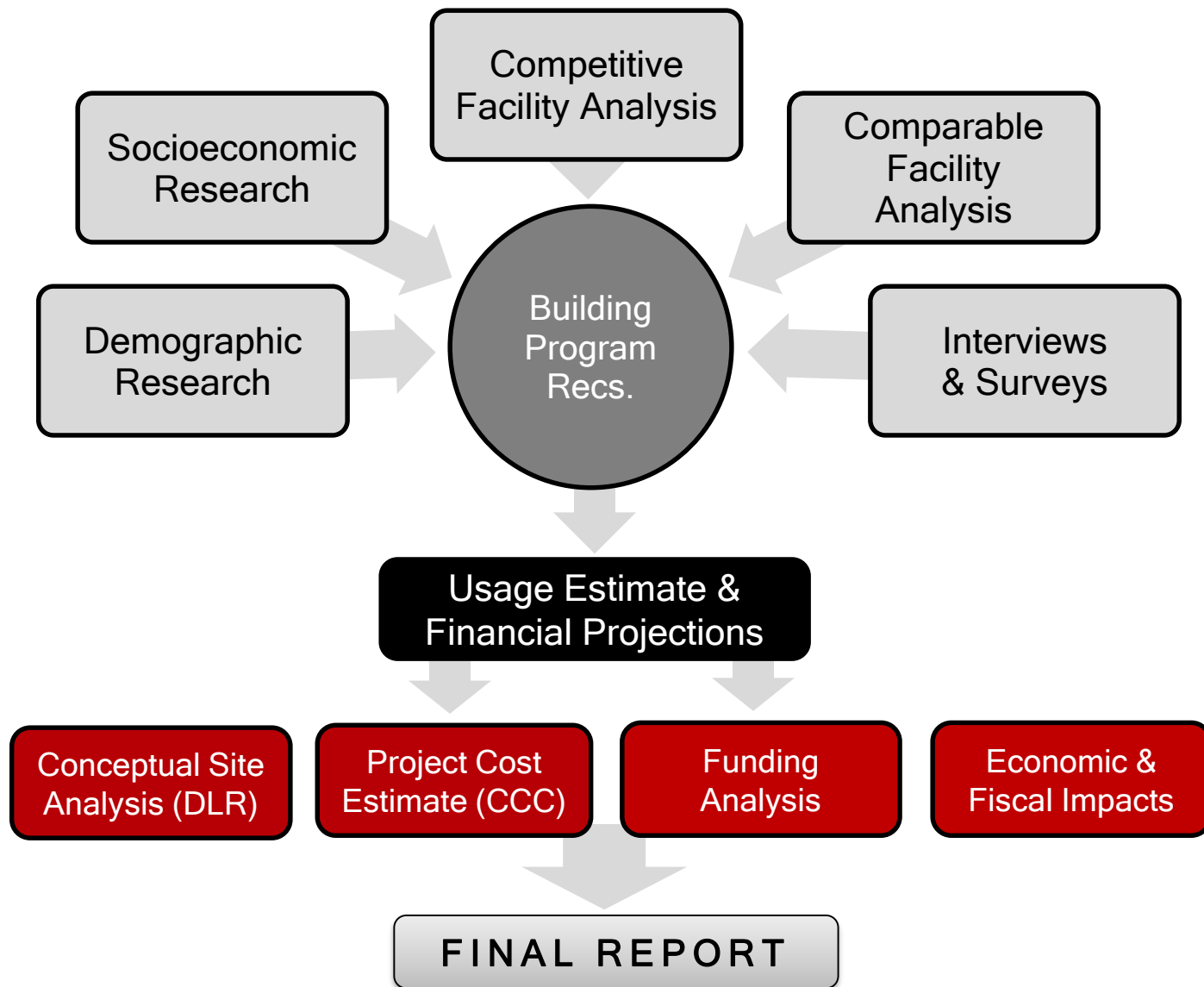
5. FUNDING ANALYSIS



6. ECONOMIC IMPACT ANALYSIS



7. FINAL REPORT





SECTION 2-A  
DEMOGRAPHIC &  
SOCIOECONOMIC ANALYSIS





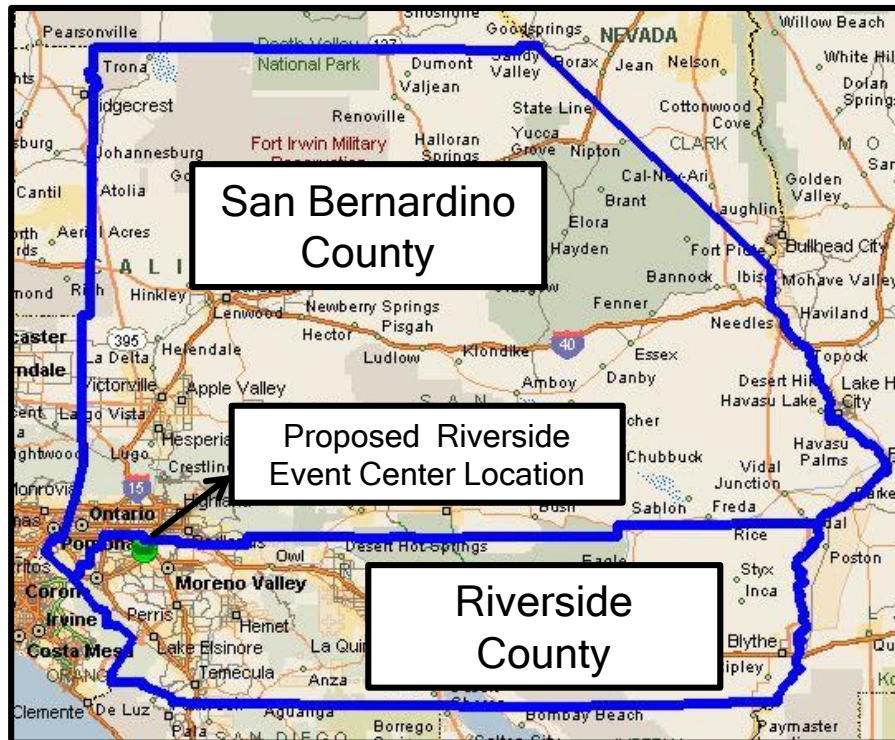
# METROPOLITAN STATISTICAL AREA (MSA)

Metro.  
Statistical  
Areas

- MSA's are defined by U.S. Office of Management & Budget
- Adjacent counties with high degree of social/economic integration with urban core of 50,000 people or more.

Riverside-  
San  
Bernardino-  
Ontario  
MSA

- Geographically defined as San Bernardino and Riverside counties
- Riverside - San Bernardino - Ontario MSA (a.k.a. "Inland Empire") has a population of more than 4.3 Million people

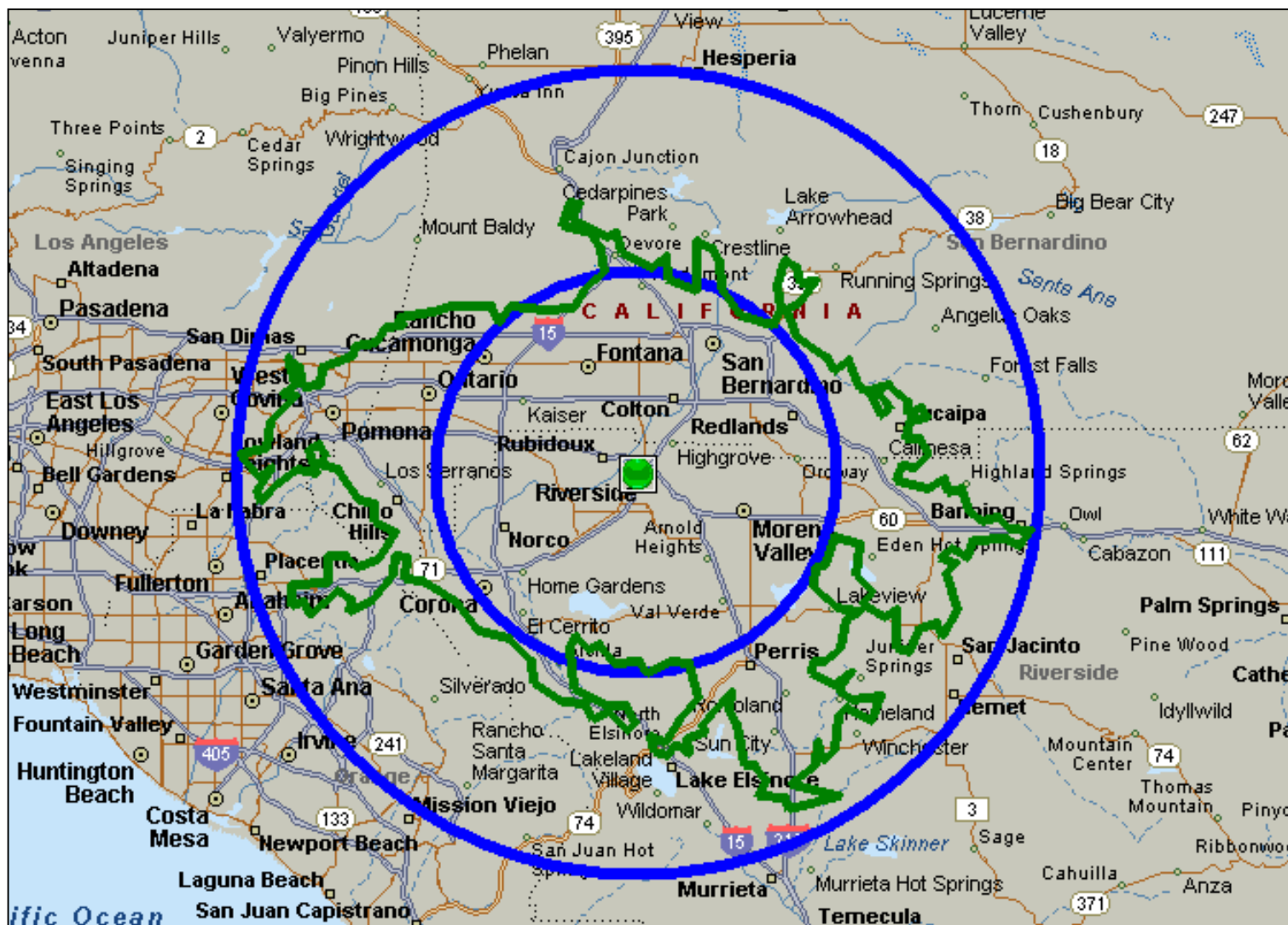




# OTHER MARKET SEGMENTS - RADIUS & DRIVETIME

Blue lines represent 15 and 30 mile radius around Downtown Riverside.

Green line represents estimated 30 minute drive time from Downtown Riverside



Source: Microsoft MapPoint



# RIVERSIDE MSA DEMOGRAPHICS

The Riverside-San Bernardino-Ontario, CA MSA is the 13<sup>th</sup> largest MSA in the country, surpassing the MSA's of Detroit, Seattle, San Diego, Baltimore, Denver, Charlotte, Pittsburgh and Portland, among others.

	MSA	(15 Mile) Primary Market	(30 Mile) Primary/Secondary Market	(30 Minute) Drive Time Market
<b>Population</b>	4,431,306	1,879,920	4,217,763	3,049,078
<b>Population Growth:</b>				
Annual Pop. Growth (2000 to 2015)	2.1%	1.8%	1.6%	1.6%
Annual Pop. Growth (5-year Projection)	0.9%	0.8%	0.8%	0.8%
Projected Population (2020)	4,643,200	1,953,964	4,394,491	3,167,434
<b>Median Age</b>	33.6	31.5	34.1	32.8
<b>Median Household Income</b>	\$51,888	\$53,924	\$61,234	\$57,036
<b>Corporate Base*</b>	1,734	N/A	N/A	N/A

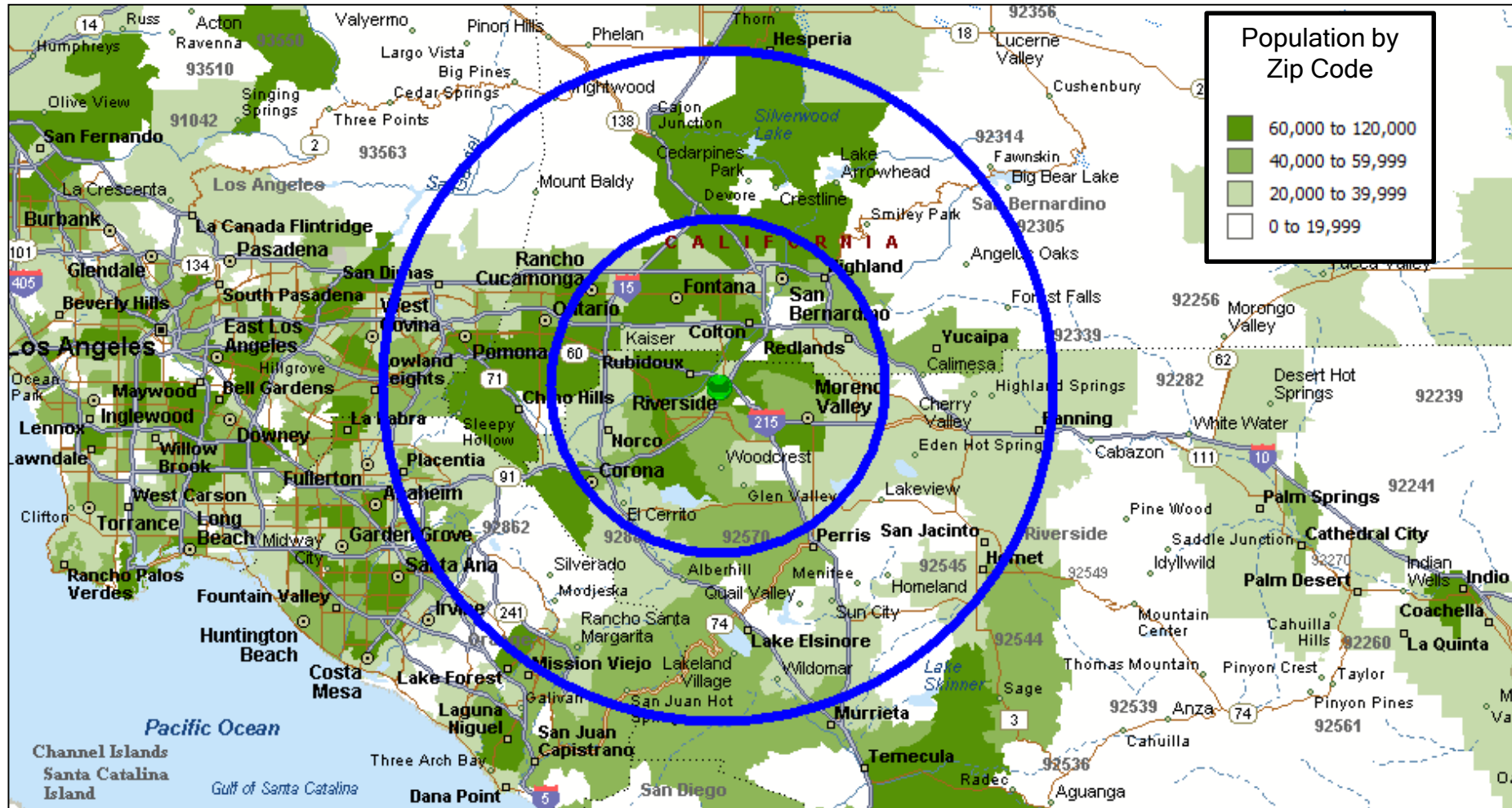
Sources: Nielsen, Hoovers, United States Census Bureau

\* Represents headquarters and branches with \$5+ million annual sales and 25+ employees



# POPULATION DISTRIBUTION

Within a 15-mile radius of downtown Riverside, there is a population of nearly 1.9 million people. Within 30 miles, the population grows to more than 4.4 million people.



Source: Microsoft MapPoint

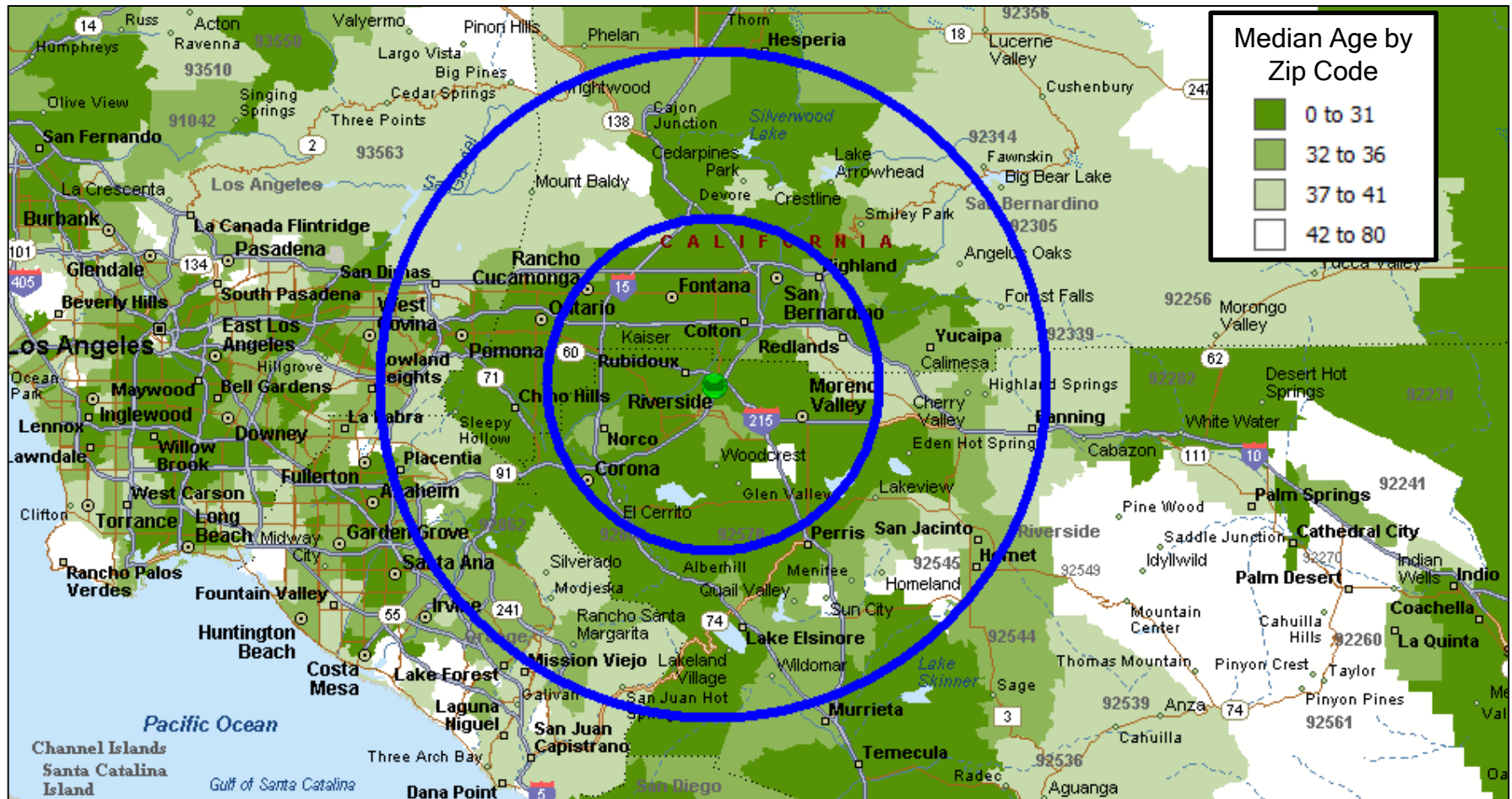
Note: Blue circles represent 15 and 30 mile radii





# AGE DISTRIBUTION

A lower median age of a population tends to be a positive market indicator for an event center due to the presence of a large working age population and young families. As with the population distribution, younger median ages tend to be clustered within a 15-mile radius around Riverside.



Source: Microsoft MapPoint

Note: Blue circles represent 15 and 30 mile



# INCOME DISTRIBUTION

Median Household income levels within 15 miles of Riverside (especially to the south) skew to the medium and high ends, which should have a direct positive effect on entertainment spending.



Source: Microsoft MapPoint

Note: Blue circles represent 15 and 30 mile radii





## COMPARITIVE MARKET SELECTION CRITERIA

### Highly Populated Market Areas with Secondary Arena\*:

- MSA population of at least 1 million people
- Multi-purpose event center opened in past 15 years, with:
  - Seating capacity between 5,000 and 10,000 people
  - Municipal venue, not owned/operated by a University
  - \*No major professional sports tenant (NBA/NHL)



# COMPARATIVE MARKETS - POPULATION

Riverside-San Bernardino-Ontario MSA's population of 4,381,000 people represents the 4<sup>th</sup> most populated out of the 10 markets selected for comparative analysis.

<u>Arena/Event Center</u>	<u>City, State</u>	<u>MSA</u>	<u>MSA Population</u>	<u>Year Open</u>	<u>Seating Capacity</u>	<u>Cost (\$M)</u>
Sears Centre	Hoffman Est., IL	Chicago-Naperville-Elgin	9,537,000	2006	9,700	\$62.0
Allen Event Center	Allen, TX	Dallas-Arlington-Fort Worth	6,426,000	2009	6,275	\$52.6
Infinite Energy Arena	Duluth, GA	Atlanta-Sandy Springs-Roswell	5,523,000	2003	11,355	\$91.5
<b><i>Proposed Event Center</i></b>	<b><i>Riverside, CA</i></b>	<b><i>Riverside-San Bernardino-Ontario</i></b>	<b><i>4,381,000</i></b>	-	-	-
Citizens Business Bank Arena	Ontario, CA	Riverside-San Bernardino-Ontario	4,381,000	2008	9,740	\$130.0
Xfinity Arena	Everett, WA	Seattle-Tacoma-Bellevue	3,610,000	2003	8,150	\$71.5
ShoWare Center	Kent, WA	Seattle-Tacoma-Bellevue	3,610,000	2009	6,500	\$84.5
Independence Events Center	Independence, MO	Kansas City	2,054,000	2009	5,800	\$60.0
Cedar Park Center	Cedar Park, TX	Austin-Round Rock	1,883,000	2009	7,200	\$55.0
Webster Bank Arena	Bridgeport, CT	Bridgeport-Stamford-Norwalk	940,000	2001	8,525	\$56.3
<b>Average</b>			<b>4,218,222</b>	<b>2006</b>	<b>8,138</b>	<b>\$73.7</b>
<b>Median</b>			<b>3,610,000</b>	<b>2008</b>	<b>8,150</b>	<b>\$62.0</b>

Source: Nielsen

Note: Sorted by MSA Population in descending order.



# COMPARATIVE MARKETS - POPULATION (CONT'D)

Riverside's primary market (15 mile) population of 1,879,920 people represents the 2<sup>nd</sup> most populated out of the 10 markets selected for comparative analysis.

<u>Arena/Event Center</u>	<u>City, State</u>	<u>MSA</u>	<u>15 MILE Primary Market Population</u>	<u>30 MILE Secondary Market Pop.</u>	<u>30 MINUTE Drive Time Population</u>
Citizens Business Bank Arena	Ontario, CA	Riverside-San Bernardino-Ontario	1,957,654	5,825,616	3,311,789
<b><i>Proposed Events Center</i></b>	<b><i>Riverside, CA</i></b>	<b><i>Riverside-San Bernardino-Ontario</i></b>	<b><i>1,879,920</i></b>	<b><i>4,217,763</i></b>	<b><i>3,049,078</i></b>
Infinite Energy Arena	Duluth, GA	Atlanta-Sandy Springs-Roswell	1,445,206	3,813,948	2,293,438
Sears Centre	Hoffman, Est., IL	Chicago-Naperville-Elgin	1,421,231	5,675,903	2,108,654
Allen Event Center	Allen, TX	Dallas-Arlington-Fort Worth	1,280,787	3,640,452	2,472,111
Showare Center	Kent, WA	Seattle-Tacoma-Bellevue	1,255,846	3,230,839	2,256,956
Cedar Park Center	Cedar Park, TX	Austin-Round Rock	819,847	1,685,412	900,845
Independence Events Center	Independence, MO	Kansas City	781,809	1,834,827	1,398,898
Xfinity Center	Everett, WA	Seattle-Tacoma-Bellevue	733,926	2,019,945	1,447,617
Webster Bank Arena	Bridgeport, CT	Bridgeport-Stamford-Norwalk	690,142	2,960,020	1,276,538
<b>Average</b>			<b>1,226,637</b>	<b>3,490,473</b>	<b>2,051,592</b>
<b>Median</b>			<b>1,268,317</b>	<b>3,435,646</b>	<b>2,182,805</b>

Source: Nielsen

Note: Sorted by (15 Mile) Primary Market Population in descending order.



# COMPARATIVE MARKETS - POPULATION (CONT'D)

Although the growth rate of the Riverside MSA is expected to be slower in future years, the historical growth rate over the past 15 years has been one of the highest among comparable event center markets.

Arena/Event Center	MSA	MSA Population 2000	MSA Population 2015	MSA Population 2020	Annualized Growth Rate Since 2000	Projected 5-Yr Annual Growth Rate
Cedar Park Center	Austin-Round Rock	1,249,777	1,927,989	2,107,262	2.9%	1.8%
<b><i>Proposed Events Center</i></b>	<b><i>Riverside-San Bernardino-Ontario</i></b>	<b><i>3,254,531</i></b>	<b><i>4,431,306</i></b>	<b><i>4,643,200</i></b>	<b><i>2.1%</i></b>	<b><i>0.9%</i></b>
Citizens Business Bank Arena	Riverside-San Bernardino-Ontario	3,254,531	4,431,306	4,643,200	2.1%	0.9%
Allen Event Center	Dallas-Arlington-Fort Worth	5,204,324	6,951,575	7,446,320	1.9%	1.4%
Infinite Energy Arena	Atlanta-Sandy Springs-Roswell	4,263,447	5,629,693	5,962,664	1.9%	1.2%
Showare Center	Seattle-Tacoma-Bellevue	3,043,881	3,662,992	3,888,798	1.2%	1.2%
Xfinity Center	Seattle-Tacoma-Bellevue	3,043,881	3,662,992	3,888,798	1.2%	1.2%
Independence Events Center	Kansas City	1,811,256	2,076,290	2,139,471	0.9%	0.6%
Webster Bank Arena	Bridgeport-Stamford-Norwalk	882,567	949,354	976,420	0.5%	0.6%
Sears Centre	Chicago-Naperville-Elgin	9,098,311	9,570,110	9,679,808	0.3%	0.2%
<b>Average</b>		<b>3,510,651</b>	<b>4,329,361</b>	<b>4,537,594</b>	<b>1.5%</b>	<b>1.0%</b>
<b>Median</b>		<b>3,149,206</b>	<b>4,047,149</b>	<b>4,265,999</b>	<b>1.6%</b>	<b>1.0%</b>

Source: Nielsen

Note: Sorted by MSA Population 2000 in descending order.



# COMPARATIVE MARKETS - MEDIAN AGE

The Riverside MSA's median age of 33.6 indicates a market that is likely to support sports and entertainment events, due to the presence of a large working-age population and young families.

Arena/Event Center	City, State	MSA	MSA Median Age
<i>Proposed Events Center</i>	<i>Riverside, CA</i>	<i>Riverside-San Bernardino-Ontario</i>	33.6
Citizens Business Bank Arena	Ontario, CA	Riverside-San Bernardino-Ontario	33.6
Cedar Park Center	Cedar Park, TX	Austin-Round Rock	34.0
Allen Event Center	Allen, TX	Dallas-Arlington-Fort Worth	34.8
Infinite Energy Arena	Duluth, GA	Atlanta-Sandy Springs-Roswell	36.1
Sears Centre	Hoffman Est., IL	Chicago-Naperville-Elgin	36.9
Independence Events Center	Independence, MO	Kansas City	37.4
Showare Center	Kent, WA	Seattle-Tacoma-Bellevue	37.8
Xfinity Center	Everett, WA	Seattle-Tacoma-Bellevue	37.8
Webster Bank Arena	Bridgeport, CT	Bridgeport-Stamford-Norwalk	40.0
<b>Average</b>			<b>36.2</b>
<b>Median</b>			<b>36.5</b>

Source: Nielsen

Note: Sorted by Median Age in ascending order.



# COMPARATIVE MARKETS - HOUSEHOLD INCOME

When adjusted for cost of living, the Riverside MSA's median household income ranks last among comparable arena markets. Relative to other large markets, this data indicates that Riverside MSA households may have less discretionary income for entertainment spending.

Arena/Event Center	City, State	MSA	MSA Median HH Income	Adjusted Median HH Income*
Showare Center	Kent, WA	Seattle-Tacoma-Bellevue	\$68,280	\$65,215
Cedar Park Center	Cedar Park, TX	Austin-Round Rock	\$61,610	\$65,127
Xfinity Center	Everett, WA	Seattle-Tacoma-Bellevue	\$68,280	\$63,575
Allen Event Center	Allen, TX	Dallas-Arlington-Fort Worth	\$58,865	\$59,400
Infinite Energy Arena	Duluth, GA	Atlanta-Sandy Springs-Roswell	\$55,755	\$57,598
Independence Events Center	Independence, MO	Kansas City	\$56,762	\$56,762
Webster Bank Arena	Bridgeport, CT	Bridgeport-Stamford-Norwalk	\$80,998	\$55,784
Sears Centre	Hoffman Est., IL	Chicago-Naperville-Elgin	\$61,244	\$52,480
Citizens Business Bank Arena	Ontario, CA	Riverside-San Bernardino-Ontario	\$51,888	\$44,693
<b><i>Proposed Events Center</i></b>	<b><i>Riverside, CA</i></b>	<b><i>Riverside-San Bernardino-Ontario</i></b>	<b><i>\$51,888</i></b>	<b><i>\$44,693</i></b>
<b>Average</b>			\$61,560	\$56,530
<b>Median</b>			\$60,050	\$57,180

\* Adjusted for cost of living, according to ACCRA Cost of Living Index.

Sources: Nielsen, ACCRA

Note: Sorted by Adjusted Median HHI in descending order.





# COMPARATIVE MARKETS - CORPORATE BASE

Among comparable markets, the Riverside-San Bernardino-Ontario MSA has the 6<sup>th</sup> largest corporate base, indicating that the market has moderate potential for businesses to purchase event tickets, premium seating amenities, and sponsorship opportunities.

Arena/Event Center	City, State	MSA	MSA Corporate Base*
Sears Centre	Hoffman Est., IL	Chicago-Naperville-Elgin	7,008
Allen Event Center	Allen, TX	Dallas-Arlington-Fort Worth	3,999
Infinite Energy Arena	Duluth, GA	Atlanta-Sandy Springs-Roswell	2,909
Xfinity Arena	Everett, WA	Seattle-Tacoma-Bellevue	2,199
ShoWare Center	Kent, WA	Seattle-Tacoma-Bellevue	2,199
<b><i>Proposed Event Center</i></b>	<b><i>Riverside, CA</i></b>	<b><i>Riverside-San Bernardino-Ontario</i></b>	<b><i>1,734</i></b>
Citizens Business Bank Arena	Ontario, CA	Riverside-San Bernardino-Ontario	1,734
Independence Events Center	Independence, MO	Kansas City	1,432
Cedar Park Center	Cedar Park, TX	Austin-Round Rock	958
Webster Bank Arena	Bridgeport, CT	Bridgeport-Stamford-Norwalk	763
<b>Average</b>			<b>2,494</b>
<b>Median</b>			<b>1,967</b>

\* Corporate Base was defined as headquarters and branch locations with at least 25 employees and \$5M+ annual sales.

Source: Hoover's

Note: Sorted by Corporate Base in descending order.



## SECTION 2-B LOCAL MARKET VENUES



## PRIMARY ENTERTAINMENT & EVENT VENUES IN INLAND EMPIRE MARKET:

### Local Riverside Entertainment Venues:

- Fox Performing Arts Center - Riverside, CA
- Riverside Municipal Auditorium - Riverside, CA
- Riverside Convention Center - Riverside, CA

### Other Regional Inland Empire Entertainment Venues:








- Citizens Business Bank Arena - Ontario, CA
- San Miguel Amphitheater - San Bernardino, CA
- California Theatre - San Bernardino, CA
- National Orange Show Events Center - San Bernardino, CA

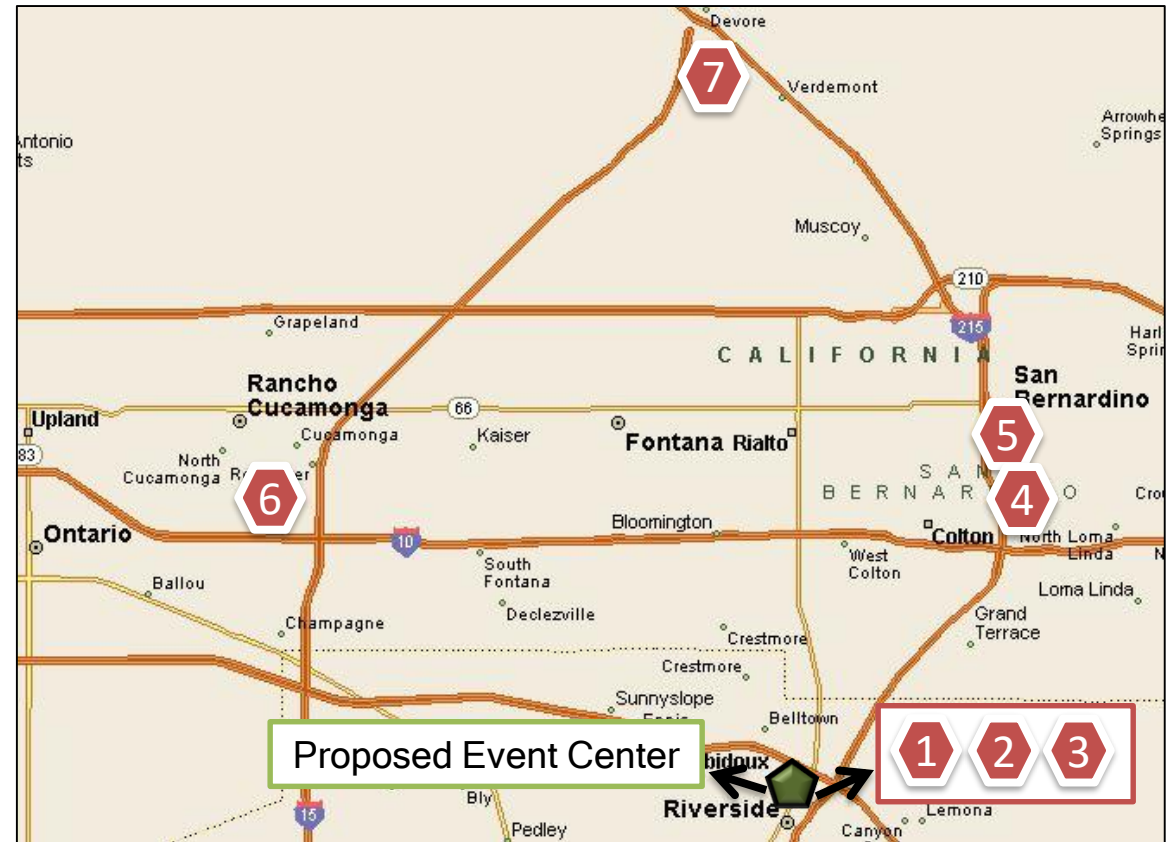
### Major Arenas (18,000+ Seats) within 60 Miles:


- Honda Center - Anaheim, CA
- Staples Center - Los Angeles, CA




# LOCAL/REGIONAL FACILITY MAP

-  Riverside Convention Center (0.3 miles)
-  Fox Performing Arts Center (0.3 miles)
-  Riverside Municipal Auditorium (0.5 miles)
-  National Orange Show Events Center (9.4 miles)
-  California Theatre (10.7 miles)
-  Citizens Business Bank Arena (16.5 miles)
-  San Miguel Amphitheater (22.5 miles)



 Honda Center - *not shown* (43.8 miles)

 Staples Center - *not shown* (56.2 miles)



## Fox Performing Arts Center:

- Regional performing arts facility; Capacity: 1,646
- Opened in 1929; Renovation (\$35M) completed in 2009
- Owned by City of Riverside
- Operated by Live Nation



## Pre & Post Live Nation:

- 2010-2013: Fox Performing Arts Center was managed by FX Arts Management
- 2013: Under 30 shows held at Fox Performing Arts Center
- December 2013: Due to underperformance, Live Nation takes over as operator of Fox Performing Arts Center
- 2014: 95 events, 84,000 attendees
- 2015: 118 events, 70,000 attendees



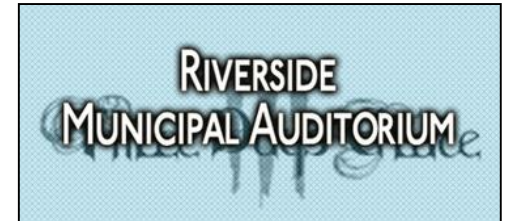
## Financials:

- In fiscal year 2014/2015:
  - Fox PAC generated \$3,668,581 in revenue netting a \$889,056 loss
- Loss includes \$500,000 management fee



## Riverside Municipal Auditorium:

- Owned by City of Riverside
- Operated by Live Nation in conjunction with the Fox
- Capacity: Mix of GA and balcony seating - max 1,600
- National Register of Historic Places
- Opened in 1928; Renovation (\$9.5M) completed in 2012



## Annual event programming:

- More than 30 concerts held in 2014
- Primarily General Admission
- Typically a lower price point than Fox PAC



## Financials:

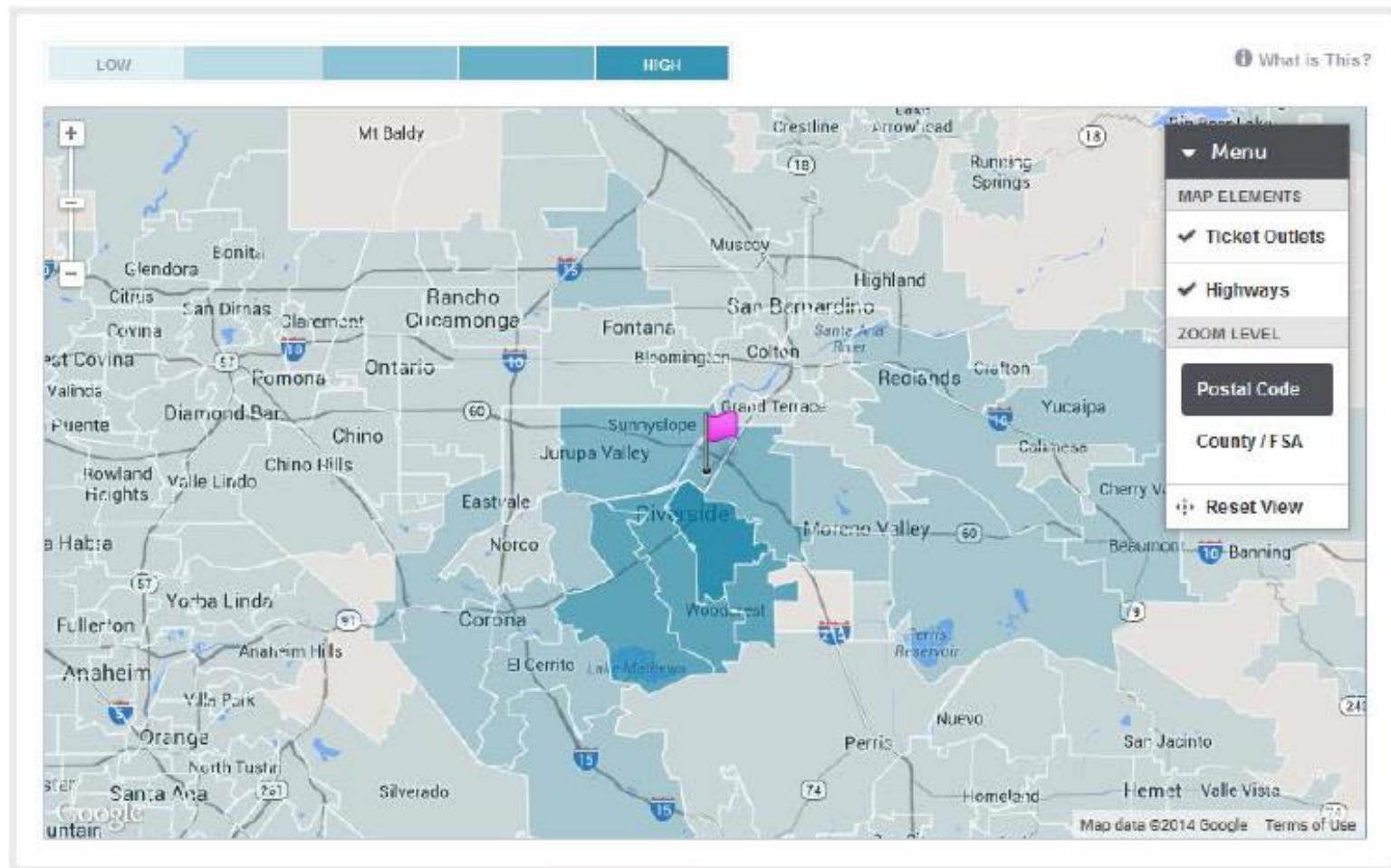
- Fiscal year 2013/2014 (partial year for Live Nation):  
Auditorium generated \$519,697 in revenue netting a \$18,773 loss
- Loss includes a portion of estimated \$245,000 “one time transition costs” from FX Arts to Live Nation





# THEATER/AUDITORIUM ATTENDANCE PATTERNS

According to data provided by Live Nation the majority of event attendees tend to travel from a within a 5 - 10 mile radius from downtown



Source: Live Nation



# THEATER/AUDITORIUM - TICKET PRICING

Event Type	Fox Performing Arts Center		Riverside Municipal Auditorium	
	Ticket Price Range		Ticket Price Range	
	Low	High	Low	High
Broadway in Riverside	\$38.17	\$125.33	-	-
Musical	\$38.50	\$85.00		
Comedy	\$20.00	\$99.50	-	-
Concert	\$21.00	\$101.00	\$10.00	\$25.00
Dance	\$12.00	\$44.00	-	-
Other Sports			\$10.00	\$10.00
<b>Average</b>	<b>\$25.93</b>	<b>\$90.97</b>	<b>\$10.00</b>	<b>\$17.50</b>
<b>Median</b>	<b>\$21.00</b>	<b>\$99.50</b>	<b>\$10.00</b>	<b>\$17.50</b>

Source: [www.livenation.com](http://www.livenation.com)



# LOCAL - RIVERSIDE CONVENTION CENTER

## Riverside Convention Center:

- Renovated and expanded in 2014 (\$43 million)
- Building Footprint: 65,000 ft<sup>2</sup> (Main Hall: 29,800 ft<sup>2</sup>)
- Owned by City of Riverside and operated by Raincross Hospitality Corporation (also operates CVB)



## Annual Event Programming:

- Over 334 annual events (269 Local, 65 via CVB)
- Facility is carpeted, no concrete “flat floor” space
- Due to size of main hall, most groups cannot meet and dine (banquet set-up) at the same time
- Primarily used for conferences, meetings, job fairs, trade shows, banquets, etc. (i.e. carpeted events)



## Financials:

- In the 2014-15 Fiscal Year, the convention center generated net operating income (NOI) of approximately \$474,000, prior to management fees.
- Raincross Hospitality is paid a base management fee of \$400,000 per year, with potential annual fee increases tied to incremental revenue.



# REGIONAL FACILITIES

## San Manuel Amphitheater:

- Opened in 1982; Largest outdoor music venue in the US
- 10,900 fixed seating capacity + lawn seating (max: 65,000)
- Owned and operated by Live Nation
- 11 shows held in 2014 including: Blake Shelton, Rascal Flatts, Sheryl Crow



## National Orange Show Events Center (NOS Events Center):

- Venues on site built over 60 year period
- Nine on-site event venues for concerts, exhibitions, etc.
- Primarily used for the National Orange Show Festival
- Also holds occasional concert/festivals (2 or 3 per year) including: “Self Help Festival”, “Chalice”, and “Escape All Hallows’ Eve”



## California Theatre of the Performing Arts:

- Opened in 1928
- 1,718 seat capacity
- Owned by City of San Bernardino
- Operated by Theater Arts International
- Primarily features plays, musicals, symphony, and other theatrical productions and stage performances.





# REGIONAL - CITIZENS BUSINESS BANK ARENA

## Citizens Business Bank Arena:

- Opened in 2008 (Cost \$150 million); Footprint: 225,000 ft<sup>2</sup>
- Funding: 100% public cash via property sales & surplus funds
- Owned by City of Ontario, operated by AEG
- Arena Capacities: 10,832 basketball; 9,736 hockey/ice
- Concert Configurations: Wide range from approximately 1,500 seats (Theater) to 11,089 (Full-House + GA Floor)
- Tenants: Reign (ECHL), Fury (MASL), Defenders (NBADL), Legends Football



## Annual Operations::

- 125 arena events and 500,000+ attendees
- 36 Reign hockey games (8,158 average attendance)
- 10 Fury soccer games (2,503 average attendance)
- 3 Defenders games (1,150 average attendance)
- 3 Legends Football League games
- 36 other events: 18 family, 15 concert, and 3 other sports
- Approximately 35 other events, such as banquets, corporate events, etc.



## Premium Seating:

- 36 Luxury Suites and 704 Club Seats
- Suite lease ranges from \$30,000-\$60,000 per year
- Club seat lease ranges from \$1,665-\$2,648 per year





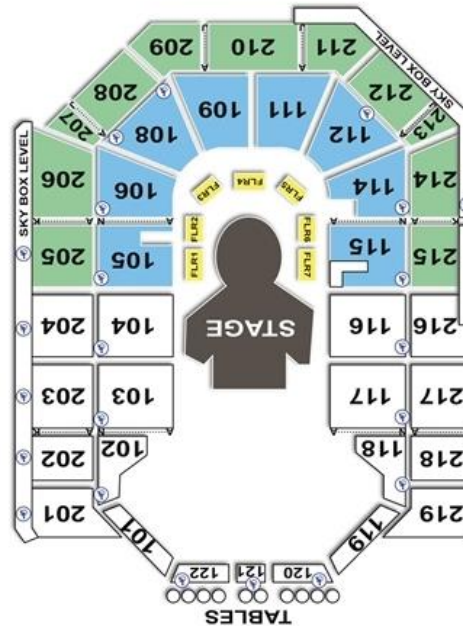
# CITIZENS BUSINESS BANK ARENA - Sample Configs.

The majority of events held at the arena have a seating capacity ranging from 1,500 to 9,000 seats.

## THEATER



## HALF-HOUSE



## END-STAGE



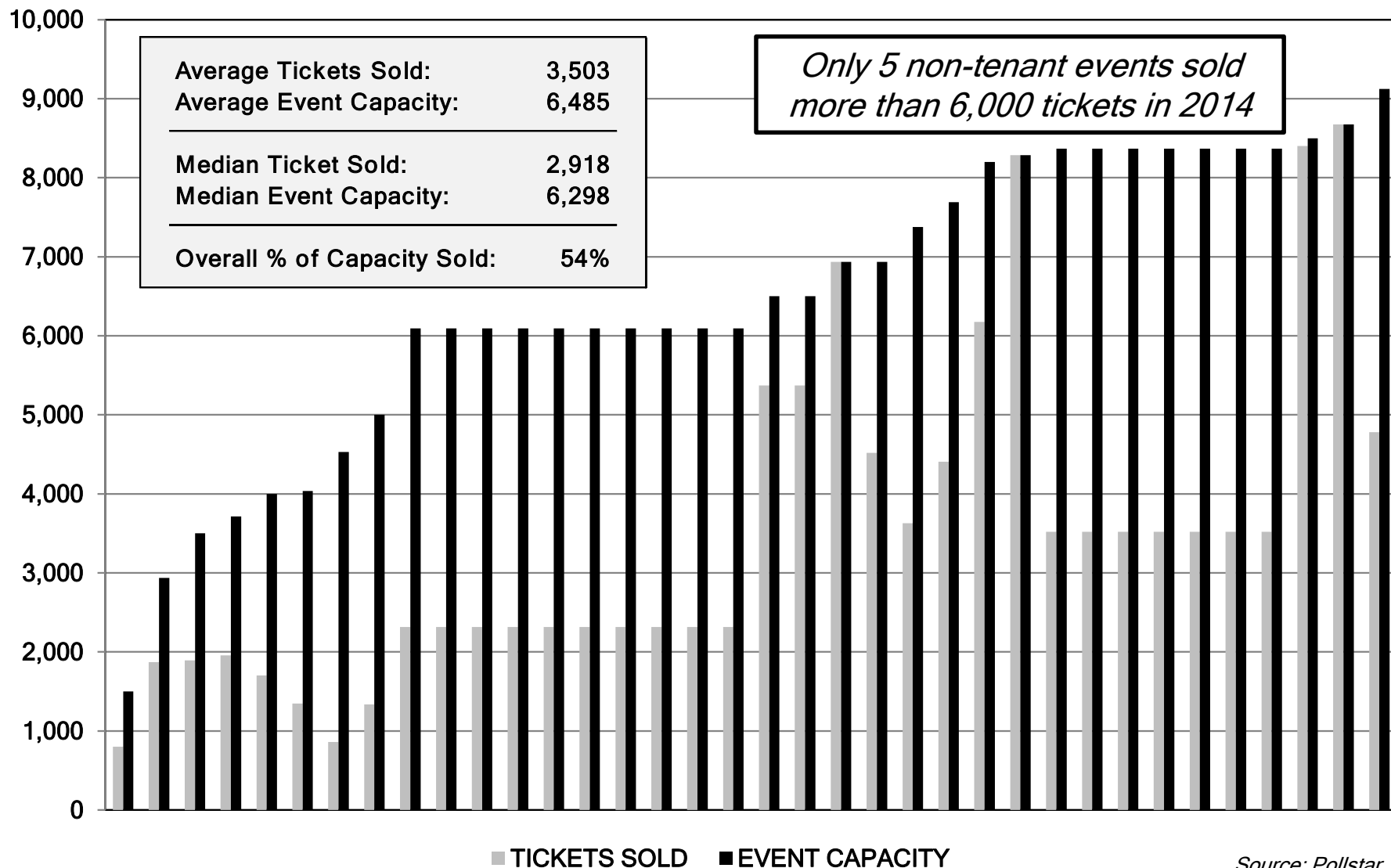
## CENTER / BOXING





# CITIZENS BUS. BANK ARENA - Non Tenant Events

## 2014 Concerts, Family Shows & Entertainment: 36 events



Source: Pollstar





## SECTION 2-C COMPARABLE FACILITIES



# LIST OF COMPARABLE EVENT CENTERS

As previously stated, comparable event centers (as shown below) were selected based upon the following criteria: municipally-owned multi-purpose event center opened in past 15 years, with seating capacity between 5,000 and 10,000 people, located in an MSA with a population of at least 1 million.

Arena/Event Center	City, State	MSA Population	Year Open	Cost (\$M)	Fixed Seats	Primary Sports Tenants
Sears Centre	Hoffman Est., IL	9,537,000	2006	\$62.0	9,700	MASL - Soccer
Allen Event Center	Allen, TX	6,426,000	2009	\$52.6	6,275	ECHL - Hockey, CIF - Football, MASL - Soccer
Infinite Energy Arena*	Duluth, GA	5,523,000	2003	\$91.5	11,355	ECHL - Hockey, LFL - Legends Football
Citizens Business Bank Arena	Ontario, CA	4,381,000	2008	\$130.0	9,740	ECHL - Hockey, LFL - Legends Football, MASL - Soccer
Xfinity Arena*	Everett, WA	3,610,000	2003	\$71.5	8,150	WHL - Hockey, Roller Derby League
ShoWare Center	Kent, WA	3,610,000	2009	\$84.5	6,500	WHL - Hockey, LFL - Legends Football, WFTDA - Roller Derby
Independence Events Center	Independence, MO	2,054,000	2009	\$60.0	5,800	ECHL - Hockey, MISL - Soccer
Cedar Park Center	Cedar Park, TX	1,883,000	2009	\$55.0	7,200	AHL - Hockey, D- League Basketball
Webster Bank Arena	Bridgeport, CT	940,000	2001	\$56.3	8,525	AHL - Hockey, NCAA DIV 1 Basketball
<b>High</b>		<b>9,537,000</b>	<b>2009</b>	<b>\$130.00</b>	<b>11,355</b>	
<b>Low</b>		<b>940,000</b>	<b>2001</b>	<b>\$52.6</b>	<b>5,800</b>	
<b>Average</b>		<b>4,218,222</b>	<b>2006</b>	<b>\$76.9</b>	<b>8,218</b>	

*Note: Data sources for the comparable arena info presented in this section include Victus' primary research, ALSD, Billboard, RSV, etc.*

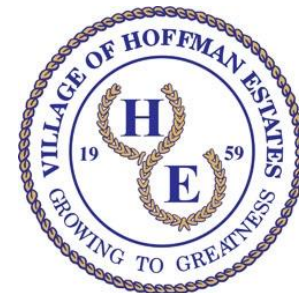
*Note: Citizens Business Bank Arena has already been reviewed in the previous section, but is presented in this chart for reference.*

*Event center is part of a greater complex also containing a convention center.*



# SEARS CENTRE - HOFFMAN ESTATES , IL (CHICAGO)

- Opened in 2006; Footprint: 252,000 ft<sup>2</sup>
- Cost: \$62 million; Funding: Ryan Companies via public loan
- Capacity: 9,400 soccer; 10,000 basketball; 11,800 concerts
- Owned by Village of Hoffman Estates (via 2009 foreclosure)
- Operated by Global Spectrum (since 2010)
- Original tenants all folded (UHL Hockey, MISL Soccer, IFL Football)



## Annual Operations:

- Up to 90 events per year / 300,000 attendees
- 10 MASL Mustangs regular season games (1,672 average attendance)
- Events include concerts, graduations, & sports (skating, volleyball, basketball, gymnastics)
- Sears Centre broke even for the first time (2011)



## Premium Seating and Parking :

- 43 Private Suites, 2 Party Suites, 22 Loge Boxes and 1,000 Club Seats
- Annual luxury suite leases start at \$15,000; Nightly suite rentals start at \$450
- Loge seats and club seats average \$1,250 per seat per year
- 3,200 on-site parking stalls



# ALLEN EVENT CENTER - ALLEN, TX (DALLAS)

- Opened in 2009; Footprint: 188,000 ft<sup>2</sup>
- Cost: \$52.6M (Total Infrastructure \$70M)
- Funding: 67% Public (TIF), 33% Private Investment
- Capacity: 6,275 hockey; 6,006 soccer; 8,600 concerts
- Owned and operated by: City of Allen
- CIF Football: Texas Revolution
- ECHL Hockey: Allen Americans (formerly CHL)
- MASL Soccer: Dallas Sidekicks



## Annual Operations:

- 36 Americans hockey games (4,217 average attend.)
- 10 Sidekicks soccer games (4,002 average attend.)
- 7 Revolution football games
- Approx. 95 annual events & 400,000 attendees
- Part of The Village at Allen mixed-use development



## Premium Seating:

- 24 Luxury Suites, 382 Club Seats
- Annual suite leases start at \$15,000, club seat leases start at \$1,110



# INFINITE ENERGY ARENA - DULUTH, GA (ATLANTA)

- Opened in 2003; 380,000 ft<sup>2</sup>
- Cost: \$91.5 million
- Funding: 100% Public via hotel tax revenues
- Capacity: 13,000 concerts; 12,000 basketball; 11,000 hockey
- Owned by Gwinnett County Convention & Visitors Bureau
- Operated by AEG, in conjunction with Convention/Theater
- ECHL Hockey: Gwinnett Gladiators
- Legends Football League: Atlanta Steam



## Annual Operations:

- 36 Gladiators home games (5,171 avg. attend.)
- 3 Steam home Games
- 60-65 Other Events: convention support, trade shows, concerts, meetings, etc.
- Total annual attendance: Over 600,000



## Premium Seating:

- 36 Corporate Suites, 6 Executive Suites, 2 Party Suites, and 1,300 club seats
- Annual suite leases start at \$50,000, club seat leases start at \$669



# XFINITY ARENA - EVERETT, WA (SEATTLE)

- Opened in 2003; 300,000 ft<sup>2</sup>
- Cost: \$71.5 million; Funding: 100% Public (lodging tax, sales tax rebates, facility revenues)
- Capacity: 10,000 concerts, 8,200 hockey
- Owner: Everett Public Facilities District (City)
- Operator: Global Spectrum, along with Conference Center
- WHL Hockey: Everett Silvertips
- Roller Derby : Tilted Thunder Rail Birds



## Annual Operations:

- 36 Silvertips home games (4,901 average attendance)
- Approximately 5 Tilted Thunder Rail Birds events
- 22 additional events planned for 2015
- Operated in conjunction with Hansen Conference Center (more than 200 meetings/events per year)



## Premium Seating:

- 20 Luxury Suites, 750 Club Seats
- Annual suite leases start at \$30,000, club seat leases start at \$595





# SHOWARE CENTER - KENT, WA (SEATTLE)

- Opened in 2009; 154,000 ft<sup>2</sup>
- Cost: \$84.5 million
- Funding: 100% Public (sales tax rebates & arena revenue)
- Capacity: 7,600 concerts, 6,500 hockey
- City owned; Operated by SMG
- WHL Hockey: Seattle Thunderbirds
- Legends Football League: Seattle Mist



## Annual Operations:

- 36 Seattle Thunderbirds games (4,427 avg. attend.)
- Approximately 100 additional events including concerts, family shows, trade shows, meeting
- Total annual attendance of only 335,000 people (less than 2,500 per event)
- Annual operating losses up to \$500,000



## Premium Seating:

- 20 Luxury Suites, 500 Club Seats
- Annual suite leases start at \$16,200, club seat leases start at \$975
- Only six (6) suites leased on annual basis





- Opened in 2009; 150,000 ft<sup>2</sup>
- Cost: \$60 million; Funding: 100% Public via TIF bonds
- Capacity: 7,000 concerts, 5,800 hockey
- City owned, operated by Global Spectrum
- ECHL Hockey: Missouri Mavericks
- MISL Soccer: Missouri Comets



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## Annual Events & Attendance:

- 36 Mavericks games (5,273 average attendance)
- 10 Comets games (4,172 average attendance)
- Approximately 95 total events per year
- Annual attendance of approximately 300,000



---

## Premium Seating and Parking:

- 25 Luxury Seats, 500 Club Seats
- Annual club seat leases start at \$1,210
- 2,200 on-site parking stalls



# CEDAR PARK CENTER - CEDAR PARK, TX (AUSTIN)

- Opened in 2009; 180,000 ft<sup>2</sup>
- Cost: \$55 million;
- Funding: 78% Public (sales tax) - 22% Private (Hicks Sports)
- Capacity: 8,700 concerts, 7,200 basketball, 6,800 hockey
- City owned, operated by Texas Stars L.P. (formerly Hicks)
- AHL Hockey: Texas Stars
- NBADL Basketball: Austin Spurs
- World TeamTennis: Austin Aces

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## Annual Events & Attendance:

- 38 Stars home games (4,994 average attendance)
- 24 Spurs home games (3,210 average attendance)
- 7 Aces games
- More than 60 additional events including sports, concerts, and family shows



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## Premium Seating:

- 20 Luxury Suites, 4 Party Suites, and 541 Club Seats
- Annual suite leases start at \$50,000, club seats start at \$1,512



# WEBSTER BANK ARENA - BRIDGEPORT, CT (NYC)

- Opened in 2001
- Cost: \$56.3 million
- Funding: 61% Public (State grant) - 39% Private (Bridgeport Sound Tigers, Volume Services/Centerplate)
- Capacity: 10,000 concerts, 9,000 basketball, 8,525 hockey
- City owned, operated by Bridgeport Sound Tigers
- AHL Hockey: Bridgeport Sound Tigers
- NCAA Basketball: Fairfield Stags (ft), UConn WBB (pt)



## Annual Events & Attendance:

- 38 Tigers home games (4,860 average attendance)
- 14 Stags home games (1,700 average attendance)
- 1-2 Huskies home games
- Approximately 95 annual events, with up to 500,000 attendees (sports, concerts, trade shows , etc.)



## Premium Seating:

- 41 Luxury Suites, 1,300 Club Suites
- Annual suite leases start at \$16,000, club seats start at \$1,295



# COMPARABLE EVENT CENTERS - SUMMARY

Comparable event centers had an average around 100 annual events with 400,000 annual attendees, and offered approximately 25-30 suites (priced at \$25K each) and 700 club seats (\$1200 each).

Arena	EVENTS & ATTENDANCE			SUITES		CLUB SEATS	
	Annual Events	Estimated Attendance	Average Attendance	Suite Inventory	Annual Price	Club Inventory	Annual Price
Citizens Business Bank Arena	125	500,000	4,000	36	\$30,000	704	\$1,665
Sears Centre	90	300,000	3,333	43	\$14,000	1,000	\$1,250
Allen Event Center	95	400,000	4,211	24	\$15,000	382	\$1,110
Infinite Energy Arena	105	600,000	5,714	42	\$50,000	1,300	\$669
Xfinity Arena	65	205,000	3,154	20	\$30,000	750	\$595
Showare Center	135	335,000	2,481	20	\$16,200	500	\$975
Independence Events Center	95	300,000	3,158	25	n/a	500	\$1,210
Cedar Park Center	130	450,000	3,462	20	\$50,000	541	\$1,512
Webster Bank Arena	95	500,000	5,263	41	\$16,000	1,300	\$1,295
<b>AVERAGE</b>	<b>104</b>	<b>398,900</b>	<b>3,860</b>	<b>30</b>	<b>\$27,650</b>	<b>775</b>	<b>\$1,140</b>
<b>MEDIAN</b>	<b>95</b>	<b>400,000</b>	<b>3,460</b>	<b>25</b>	<b>\$23,100</b>	<b>704</b>	<b>\$1,210</b>



## SECTION 2-D INTERVIEW SUMMARY & SURVEY RESULTS



# 1-ON-1 MEETINGS & TELEPHONE INTERVIEWS

Victus Advisors held meetings in Riverside with representatives of:

- City of Riverside - Mayor Rusty Bailey, Council Members, Staff
- Riverside County - Office of Economic Development
- Fox Performing Arts Center / Live Nation
- Riverside Convention Center / Convention & Visitors Bureau
- Greater Riverside Chambers of Commerce
- Riverside Downtown Partnership
- UC Riverside Athletics
- Riverside Unified School District

Victus Advisors also conducted telephone interviews with operators, promoters, and influencers of sports, entertainment, and arts events:

- Live Nation (Corporate Office)
- Feld Entertainment
- Harlem Globetrotters
- Cardenas Marketing Network
- KCXX FM (X103.9)
- Riverside Community College
- Riverside Arts Council



## MEETINGS & INTERVIEWS - KEY TAKEAWAYS

*Based on the interviews conducted with project stakeholders and event promoters, Victus Advisors has developed the following key takeaways and general conclusions:*

- A new event center would be expected to compete directly with Citizens Business Bank Arena, however most promoters we spoke to indicated that a new event center in Riverside would warrant addition of extra shows (concerts, family shows, etc.) to the Inland Empire marketplace, rather than a transfer from existing venues.
- Several interviewees suggested Live Nation's involvement with this project could be crucial to its success, since AEG operates Citizens Business Bank Arena, and Live Nation/AEG are widely considered the most influential firms in the concert industry.
- At this preliminary juncture, Live Nation has expressed interest in this project, and should the project move forward, they would be open to discuss a potential long-term relationship with the City to serve as concert/entertainment booking agent for the event center.
- UC Riverside (and to an extent, Riverside Community College) expressed interest in playing a small amount of higher-demand basketball games in the new event center each year. They primarily expressed interest in conference tournaments, holiday tournaments, or one-off games against major Division 1 programs.
- Many promoters felt that 4,000-6,000 fixed seats would be an ideal capacity for the market.
- Many promoters felt that a new downtown event center should be designed first and foremost as a high-quality concert venue, that also is capable of hosting sporting events (basketball, ice, etc.). They felt that the lack of a sports tenant could be an opportunity to build a venue that is acoustically superior to a typical multi-purpose sports arena.





In addition to meetings and interviews, Victus Advisors also conducted online surveys with 204 members of the Greater Riverside Chambers of Commerce.

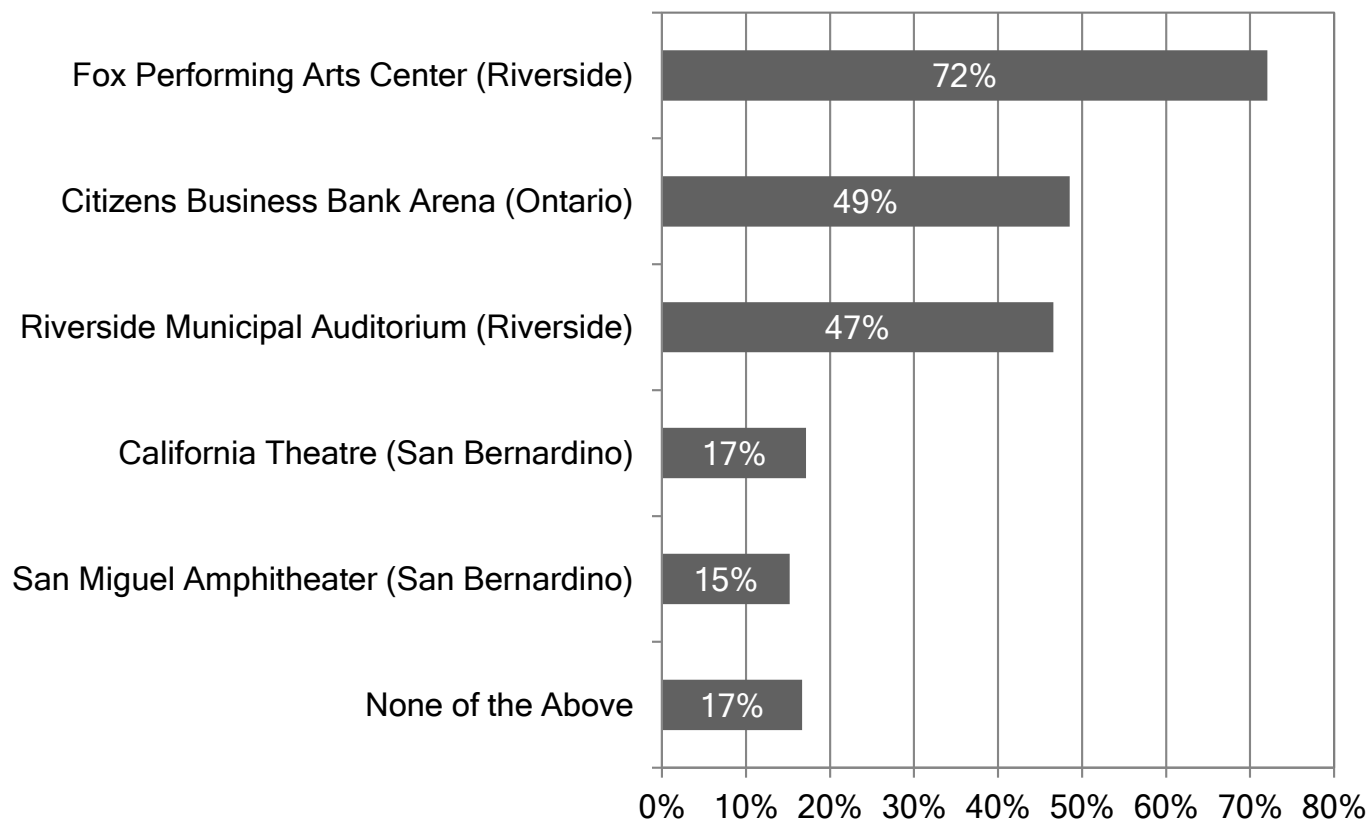
Survey topics included:

- Entertainment/event venues frequented in the Inland Empire market
- Entertainment/event venues frequented in Orange County or Los Angeles
- General attitudes toward the downtown Riverside multi-purpose event center project
- Interest in attending various types of entertainment or sports events at a new event center in downtown Riverside
- Potential interest in various premium seating amenities at a new downtown event center
- Potential interest in advertising/sponsorship opportunities in a new downtown event center



# ATTENDANCE AT INLAND EMPIRE VENUES

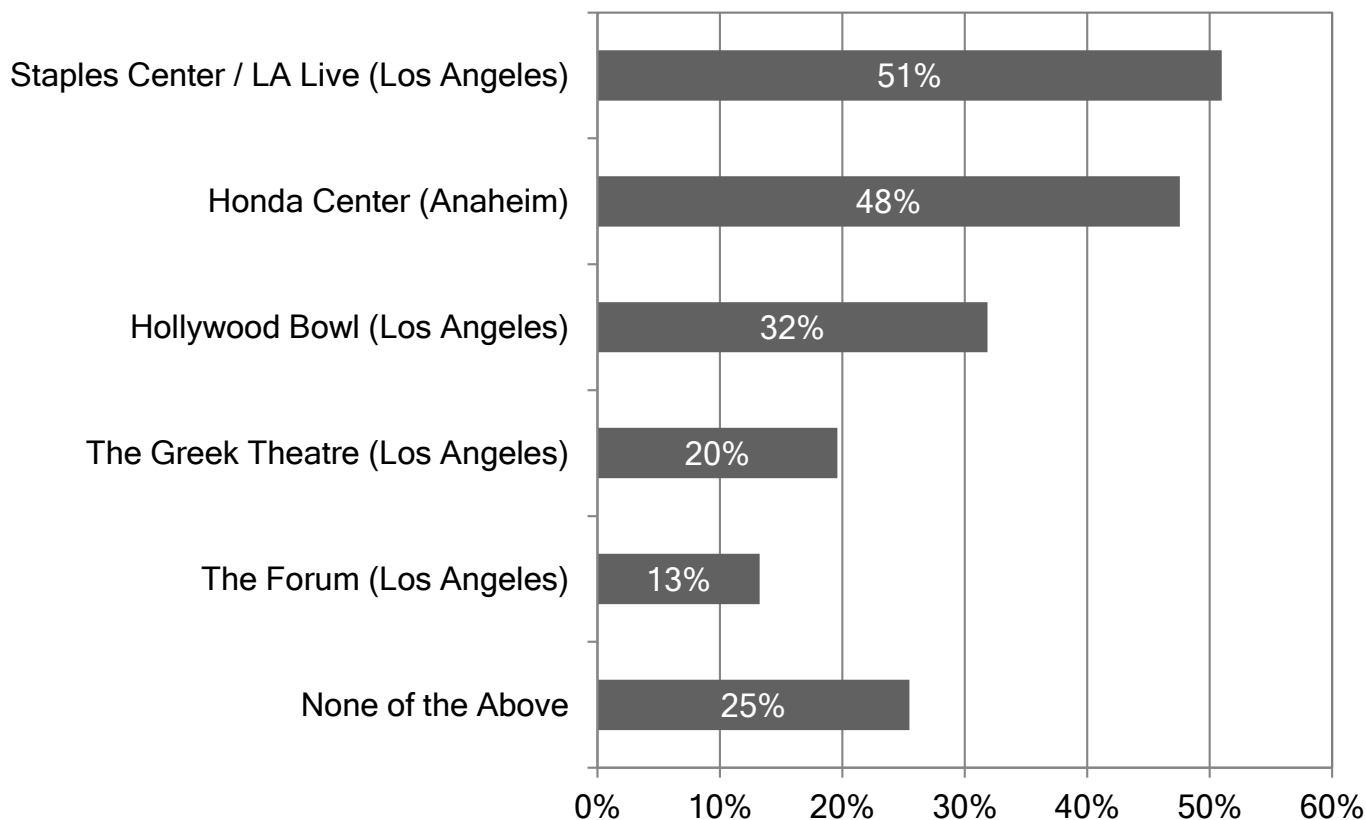
Within the past few years, nearly three-quarters of Chamber Members have visited the Fox Performing Arts Center, and nearly half have attended events at the Riverside Municipal Auditorium and Citizens Business Bank Arena (Ontario). However, only a limited number (15-17%) have traveled to San Bernardino to attend events.





# ORANGE COUNTY OR L.A. VENUES

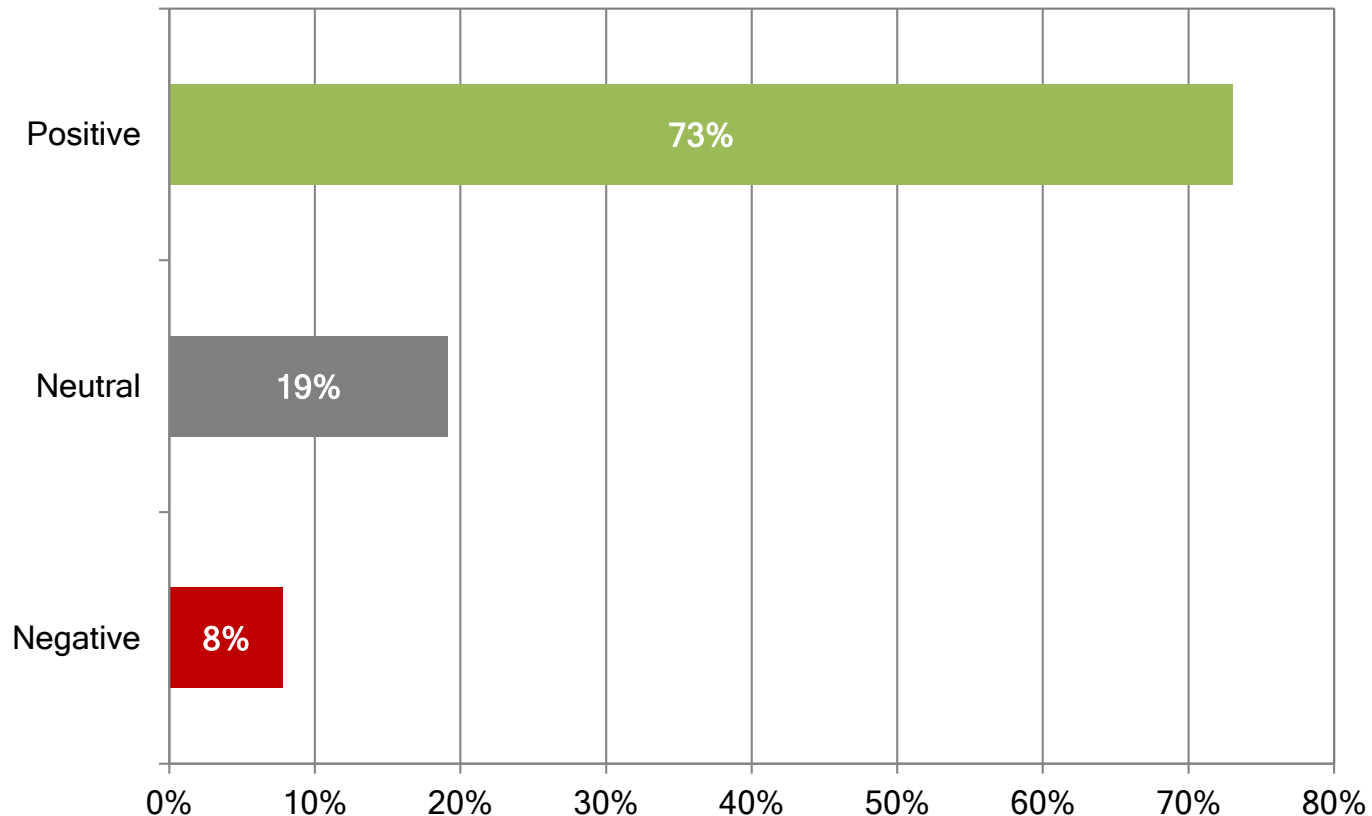
Within the past few years, approximately 50% of Chamber Members have visited the primary sports/entertainment arenas within the greater regional market place (Staples Center and Honda Center). Based on anecdotal feedback, it is our finding that many residents of Riverside will travel to LA or Anaheim for major concerts or sporting events that are not available within the Inland Empire.





# ATTITUDES TOWARD RIVERSIDE EVENT CENTER

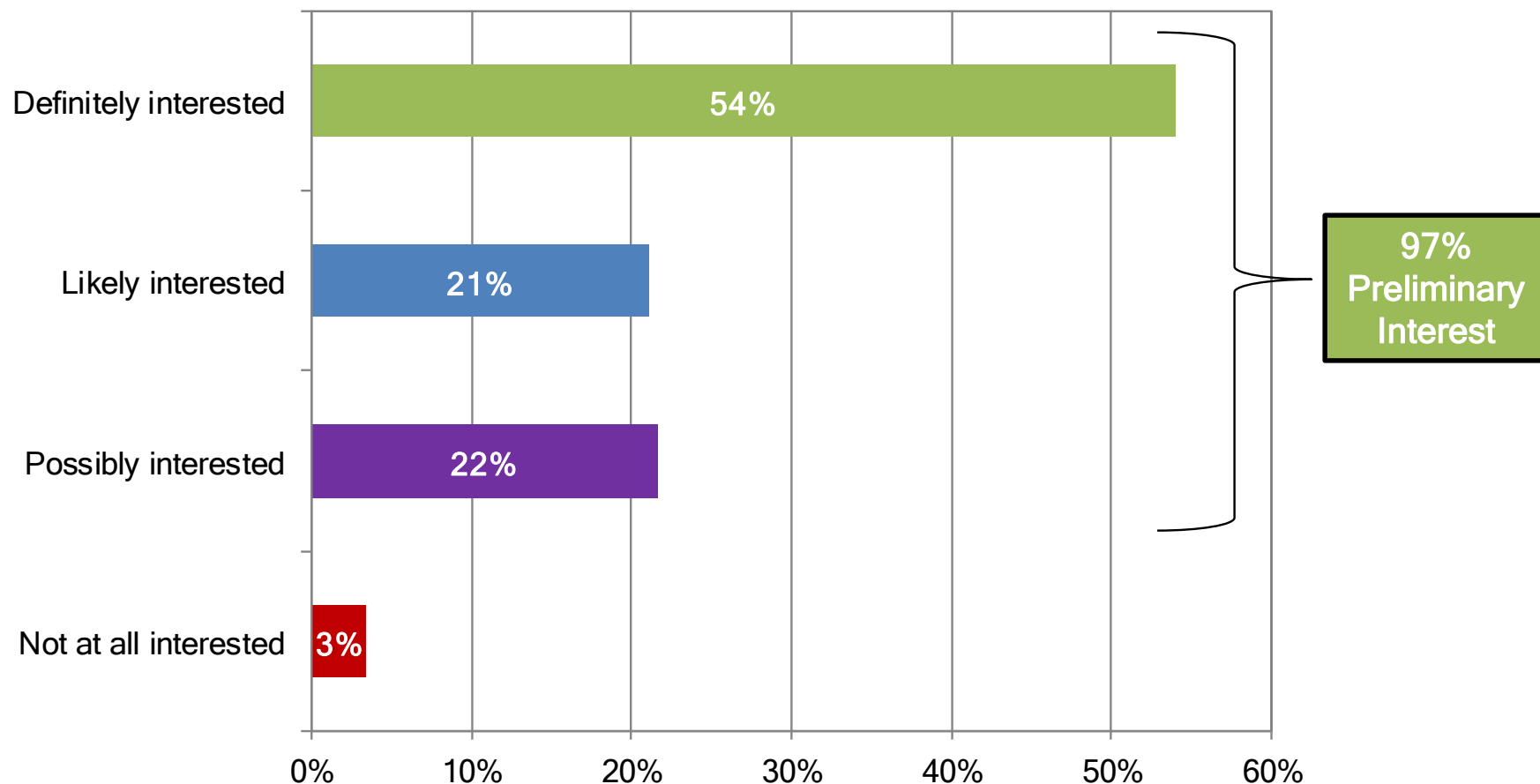
73% of Chamber Members indicated that their general attitude towards building a new multi-purpose event center in downtown Riverside was “Positive”. Whereas just 8% indicated a “Negative” attitude towards the project.





# INTEREST IN ATTENDING EVENTS AT NEW CENTER

97% of Chamber Members indicated some level of interest in attending entertainment or sports events at a new event center in downtown Riverside.





# INTEREST IN ATTENDING PARTICULAR EVENT TYPES

On a scale of 1 to 5 (with 1 being “not interested”, 3 being “neutral”, and 5 being “definitely interested”), Chamber Members were asked to rate their personal interest in attending various types of events that could potentially be held at a new downtown event center.

EVENT TYPE	AVERAGE INTEREST	
Mainstream Concerts (Pop, Rock, Country, etc.)	4.33	5 - Definitely Interested
Consumer/Trade Shows (garden, home, auto, etc.)	3.76	
Performing Arts Concerts (Classical, Symphony, Choral, etc.)	3.71	
Figure Skating & Ice Shows (Stars on Ice, Disney on Ice, etc.)	3.49	
College Basketball	3.37	
Professional Minor League Hockey	3.19	3 - Neutral
Professional Minor League Basketball	3.11	
Circus	2.98	
Western Events (Bullriding, Horse Shows, etc.)	2.91	
Family Shows (Sesame Street, Wiggles, Walking with Dinosaurs, etc.)	2.88	
High School Sports (basketball, volleyball, etc.)	2.80	
Motor Sports (motocross, monster trucks, etc.)	2.72	
Professional Indoor Soccer	2.64	
Extreme Sports (BMX, Skateboarding, etc.)	2.59	
Ultimate Fighting / Mixed Martial Arts	2.25	
Professional Wrestling (WWE, TNA, etc.)	2.04	1 - Not Interested



# PREMIUM SEATING AMENITIES

Chamber Members were introduced to several premium seating amenities that could be available in a new downtown event center. Premium seating is typically sold on an annual basis and includes access to all ticketed events at the venue (sports, concerts, shows, etc.)

## LUXURY SUITE

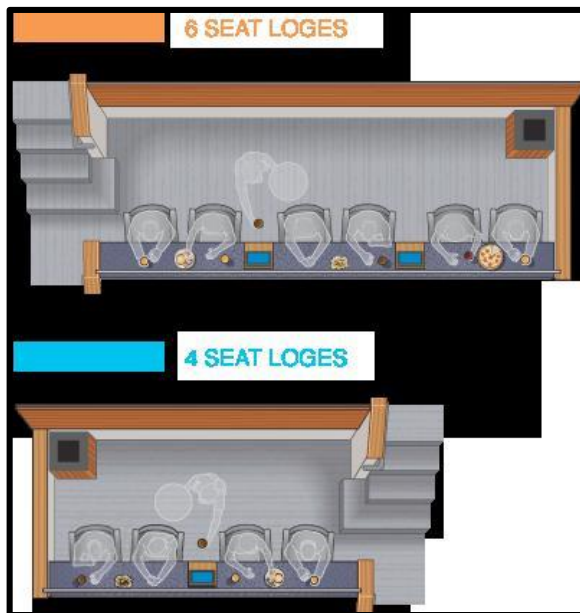
10-12 people  
Private setting  
Full catering

## LOGE BOX

4-6 people  
“Opera box” setting  
In-seat wait service

## CLUB SEATS

Sold in sets of 2  
Wider seats  
VIP club access

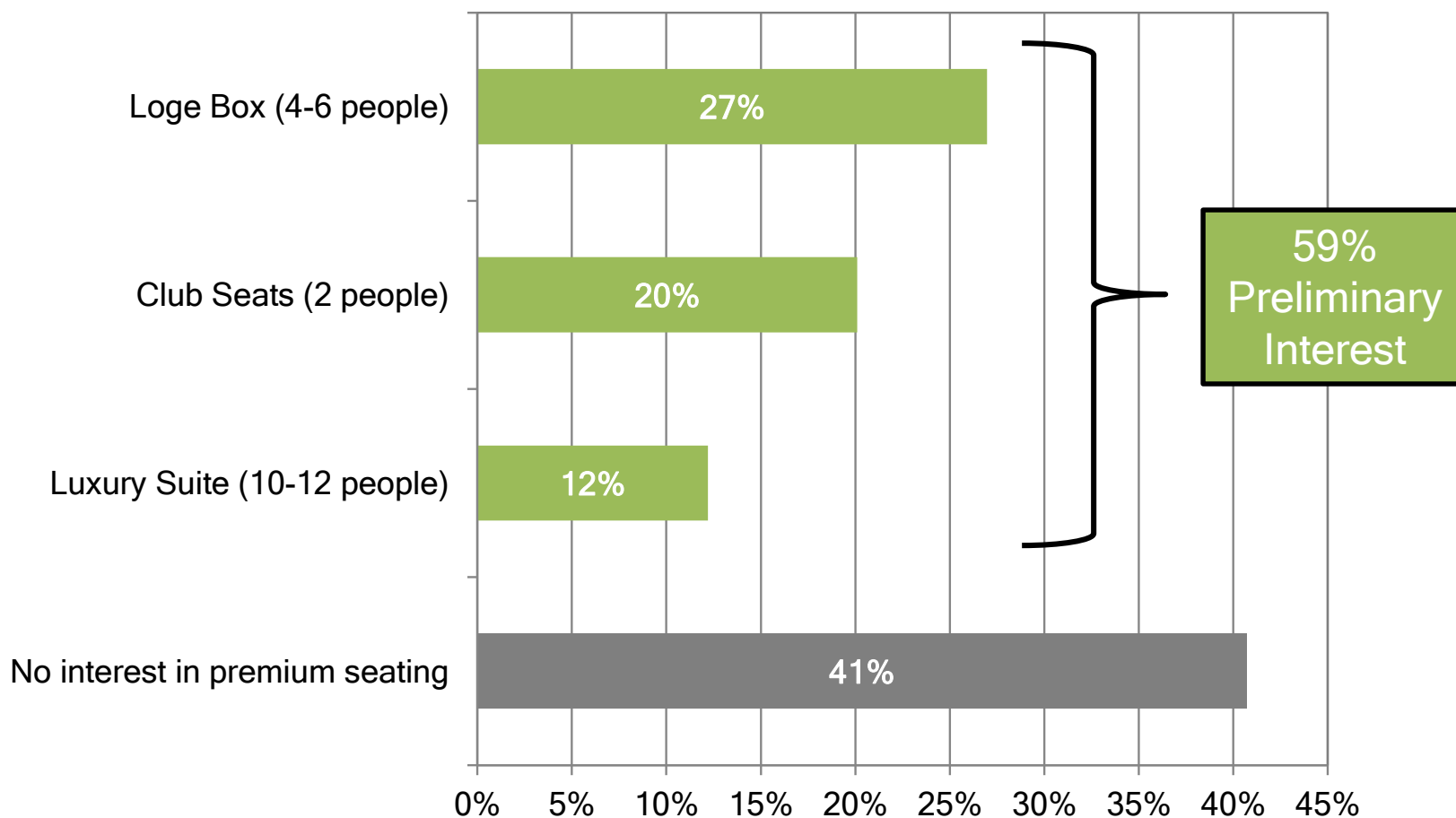






# PRELIMINARY INTEREST IN PREMIUM SEATING

Chamber Members were asked if their business would have any level of potential interest in purchasing premium seating amenities at a new downtown event center, and if so, which ONE seat type would they be most interested in?

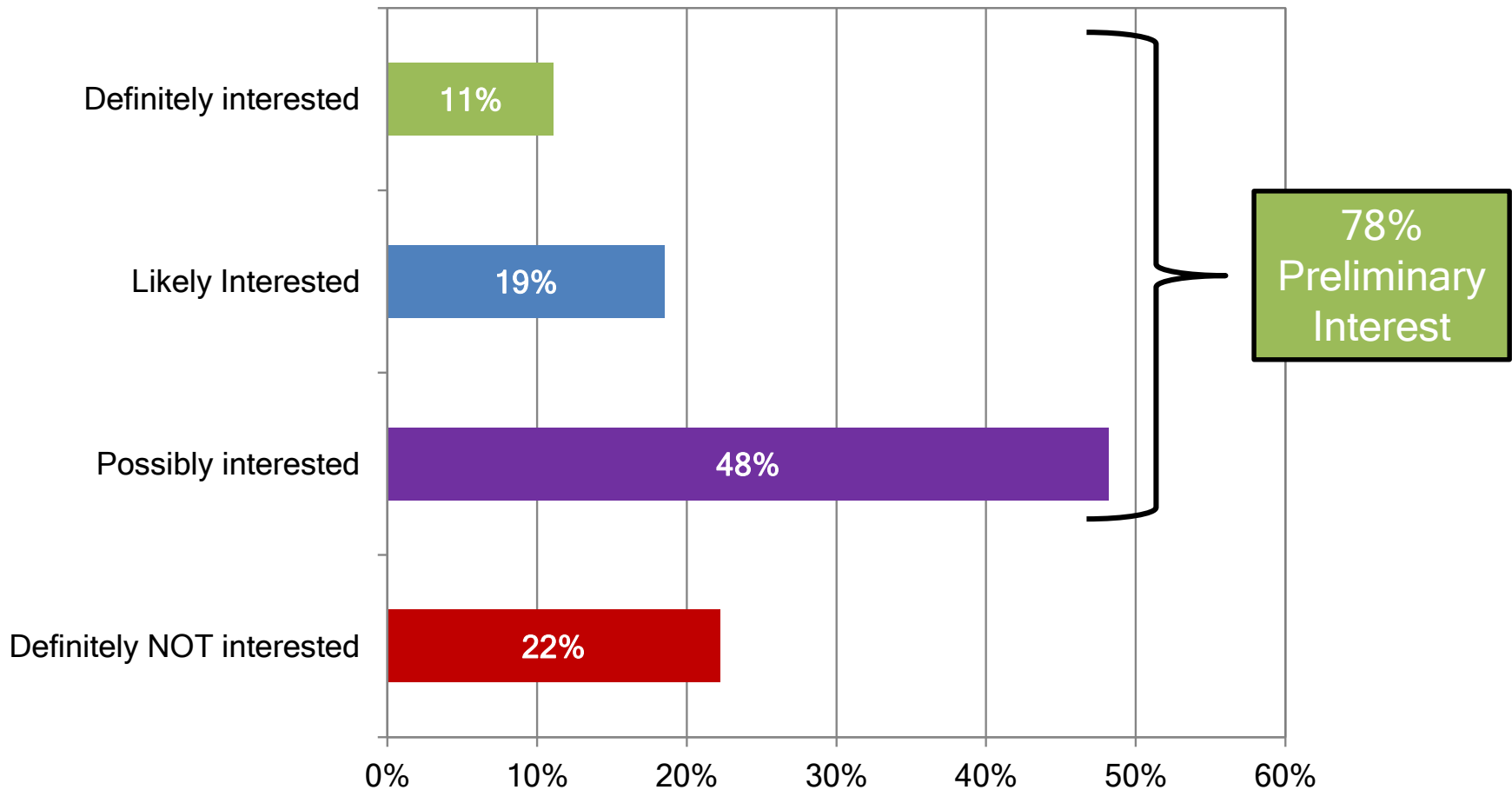


*Note: Represents preliminary interest, prior to introduction of pricing.*



# PRELIMINARY INTEREST IN ADVERTISING/SPONSORSHIP

Chamber Members were also asked if their business would be interested in advertising or sponsorship opportunities at a new downtown event center...



*Note: Represents preliminary interest, prior to introduction of pricing.*



SECTION 3  
UTILIZATION ESTIMATES &  
BUILDING PROGRAM RECS.



# EVENT CENTER UTILIZATION ESTIMATES

As shown below, it is estimated that a new downtown event center in Riverside, operated in conjunction with the convention center, could host approximately 105 events per year, with estimated annual attendance of 310,000 people.

<b>Event Type</b>	<b>Event Days</b>	<b>Average Attendees per Event</b>	<b>Total Attendees</b>
Concerts & Entertainment Acts	20	4,500	90,000
Family Shows & Ice Shows	15	3,000	45,000
Basketball Games/Tournaments	10	4,000	40,000
Other Sports (Boxing, MMA, etc.)	10	4,000	40,000
Flat Floor Shows & Community Events	30	2,500	75,000
Convention Support (General Sessions, Speakers, etc.)	20	1,000	20,000
<b>Annual Total</b>	<b>105</b>	<b>2,952</b>	<b>310,000</b>

*Notes:*

- Represents a stabilized year of operations.
- Estimates are intended to represent a conservative, base-case scenario.



# RECOMMENDED EVENT CENTER PROGRAM

## Seating Capacity:

- At least 5,000 fixed seats in a U-shaped arrangement
  - Significant consideration should be given to arranging seating to drive maximum value for concert and entertainment performances
- 

## Premium Areas:

- Private Suites: 12 suites with 12 seats each - leased annually
  - Party Suites: 2 large suites with 20+ seats - rented nightly
  - Loge Boxes: 20 loge boxes with 4 seats per box - leased annually
  - Club Seats: 500 in-bowl club seats - leased annually
  - At least one (1) upscale lounge area to be used by premium seat buyers, as well as meeting rentals and convention support on non-event nights
- 

## Floor Space:

- A typical arena floor has approx. 17,000 ft<sup>2</sup> of event floor space, however the use of retractable seating systems could expand the available floor space to 30,000 ft<sup>2</sup> or more, doubling the size of current available convention space
- It is estimated that 30,000 ft<sup>2</sup> of event floor space could accommodate as many as 150 ten-by-ten foot booths for trade show-type events



## Other Event Center Components:

- At least one (1) concessions point of sale for every 250 seats
- At least one (1) toilet stall per 50 seats and one (1) urinal per 100 seats
- At least two (2) full-sized locker rooms for sports use, and at least four (4) additional dressing rooms for use by officials, performers, etc.
- Video scoreboard, digital/LED signage, A/V and lighting equipment, storage and marshalling areas, rigging grid and stage capabilities, ice making capabilities, box office, office space for event center personnel, etc.

## Connectivity:

- In order to accommodate shared operations with the Riverside Convention Center and enable cross-usage by certain convention events, the event center should be physically connected to the convention center
- In addition, if a convention center hotel (with parking garage) is built on the site, the hotel and garage should also be physically connected to the event/convention complex



# HOTEL RECOMMENDATION

## Hotel Requirements:

Based on site analysis conducted by DLR Group, it is also expected that the convention/event site could also accommodate a new convention hotel. According to information provided by convention center staff, there is an existing need for a headquarter hotel attached to the convention center (even without addition of an arena):

- The convention center is responsible for bringing approximately 30,000 hotel nights per year to the City.
- Convention center staff estimates they have access to less than 500 downtown rooms, with no more than 350 of those rooms committable for any convention. Staff provided us with the following list of committable downtown hotel rooms:
  - Marriott Riverside: 200
  - Mission Inn Hotel & Spa: 124
  - Comfort Inn: 80
  - Courtyard by Marriott: 70
  - Hampton Inn: 50
  - Hyatt Place: 40
- Convention center staff requests that a new convention hotel be attached directly to the convention/event centers, with at least 300 full-service rooms





# ON-SITE PARKING REQUIREMENTS

## Parking Garage:

- An event center typically requires at least one available parking spot within walking distance for every three attendees. For example, it is estimated that 5,000 concert attendees could require nearly 1,700 total parking spots within a 10-minute walk. However, *please note*, only a portion of these 1,700 spots would need to be located within an adjacent parking garage, as encouraging attendees to park within walking distance can help promote economic impact via engagement with local businesses.
- Adjacent to the proposed event center, approximately 500 on-site parking spots should be provided for premium seat customers, customers with disabilities, and staff.
- The convention center currently has approximately 494 surface lot parking spots, however these spots are likely to be displaced by the new event center. Based upon discussions with convention center executives, they would ideally require at least 650 parking spots in a new on-site garage.
- For the hotel, at least 350 parking spots would be required for a 300 room hotel.
- Therefore it is estimated that at peak usage times (arena event, convention event, and sold out hotel) up to 1,500 on-site spots could be required, however at most times a parking garage of 1,000 spots would suffice. Ultimate determination of spots contained within an on-site garage will be based on DLR Group's site analysis, but capacity should ideally range from approximately 1,000 to 1,500 spots.



## SECTION 4 FINANCIAL OPERATING PROJECTIONS



# KEY ASSUMPTIONS

**In addition to the event/attendance assumptions developed earlier in this report, the following key assumptions were utilized by Victus Advisors in order to develop financial operating projections for a new downtown event center in Riverside:**

- The event center will be owned by the public sector and exempt from property taxes.
- The event center will be operated by Raincross Hospitality in conjunction with the Riverside Convention Center, and a 3<sup>rd</sup>-party agent (such as Live Nation) will be responsible for booking premier national touring events with major concert promoters.
- No assumptions have been made yet for debt service or capital improvement funds.
- The facility will offer competitive rental rates and aggressively market to 3<sup>rd</sup>-party events.
- The event center will not have a primary sports tenant. As such, the facility should be designed foremost with concerts/entertainment events in mind, however it should be capable of also hosting basketball, other sports, and ice shows, as demand warrants.
- The event center will have approximately 5,000 fixed seats.
- The event center will have approximately twelve (12) private suites, two (2) party suites, twenty (20) loge boxes, and 500 club seats... with 90% of inventory leased annually.
- Up to 500 adjacent parking spots will be dedicated for event center use (VIPs, staff, etc.), and the remainder of garage spots would be under control of other entities/authorities.
- These projections are based on current market circumstances, and therefore assume that there will be no major changes to the Inland Empire event market or available facilities.



# FINANCIAL PROJECTIONS - COMBINED OPERATIONS

In a stabilized year of operations, it is estimated that the combined operations of the proposed event center and existing convention center could generate approximately \$1.2 Million in net operating income, prior to any management fees or capital reserves.

It should be noted that the current management fee for the convention center exceeds \$400,000 annually, and is likely to be higher with combined operations.

	Current Convention Center*	Increment from New Event Center	Combined Operations
<b>Revenues:</b>			
Rent & Reimbursements	\$416,592	\$683,000	\$1,099,592
Food & Beverage / Merchandise (net)**	\$1,776,898	\$834,500	\$2,611,398
AV, Internet Access & Other (net)***	\$308,551	-	\$308,551
Parking (net)***	\$77,978	-	\$77,978
Luxury Seating Premiums	-	\$860,000	\$860,000
Naming Rights & Sponsorships	-	\$500,000	\$500,000
Convenience Charge Rebates	-	\$300,000	\$300,000
<b>Total - Net Revenue:</b>	<b>\$2,580,019</b>	<b>\$3,177,500</b>	<b>\$5,757,519</b>
<b>Expenses:</b>			
Payroll & Benefits	\$1,308,836	\$1,035,250	\$2,344,086
Administrative & General	\$334,006	\$280,000	\$614,006
Utilities	\$296,450	\$767,000	\$1,063,450
Maintenance & Supplies	\$176,725	\$120,000	\$296,725
Insurance	\$61,200	\$143,000	\$204,200
<b>Total - Expenses:</b>	<b>\$2,177,217</b>	<b>\$2,345,250</b>	<b>\$4,522,467</b>
<b>Net Operating Income:****</b>	<b>\$402,802</b>	<b>\$832,250</b>	<b>\$1,235,052</b>

*Note: Represents a stabilized year of operations. Shown in 2016 dollars.*

*\* Represents 2015-16 Fiscal Year budget provided by CC staff*

*\*\* Represents gross F&B sales less direct cost of sales and direct labor costs*


*\*\*\* Represents gross sales less direct cost of sales. Note: VIP parking is assumed to be included in premium seat cost.*

*\*\*\*\* NOI is shown prior to management fees, as it is assumed that current management fee would be renegotiated with addition of Event Center. It should also be noted that NOI is shown prior to funding of Capital Improvement Reserve.*



SECTION 5  
CONCEPTUAL SITE PLAN  
& COST ESTIMATES



 **DLR Group** DLR Group - a leader in sports, hospitality, retail, and mixed-use design - was engaged by Victus Advisors to conduct an analysis of the existing site's capacity to introduce additional program elements. These elements include:

- A 5,000 seat event center capable of hosting concerts, trade shows, ice events and other sporting events.
- Also, to increase the number of hotel rooms committable to conventions and trade shows, the test fit considered whether a second, 250-to-300-key hotel could be built adjacent to the event center and convention center.
- Finally, because the new development would require the loss of the large surface parking lot, a parking garage holding between 1000 and 1500 cars was considered.

## KEY FINDINGS

The results of the study showed that the existing site would be able to accommodate the additional program, albeit without much room to spare. The preferred arrangement places the event center in the eastern corner of the super-block, allowing it the possibility of direct connections to both the existing convention center and the new hotel and parking garage.

The event center is situated so as to allow for a generous and welcoming entry atrium facing the existing central plaza, Main Street, and downtown Riverside. This arrangement also aligns the event center's back-of-house functions with the existing convention center service yard, loading docks and marshaling area along Orange Street.

Existing site topography could be used to the project's advantage, aligning the event center's event level with the lower level of the convention center, and the event center's concourse level with the convention center upper level and 3rd Street frontage. This would also allow better screening of the slightly sunken service yard, and bridged, indoor connections to both the convention center and new hotel and parking garage.





## PREFERRED SITE CONFIGURATION

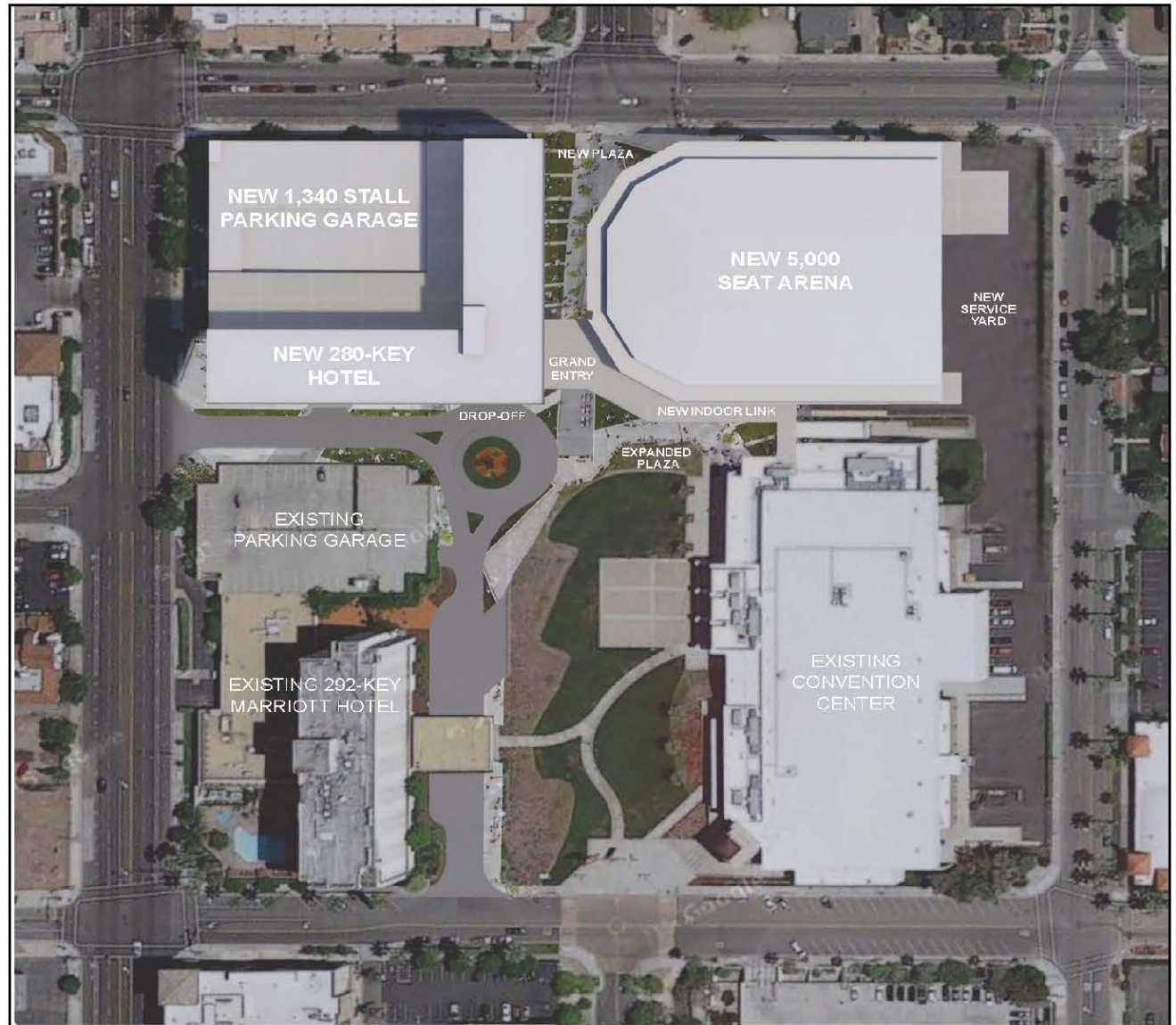
The preferred site configuration places a new 280-key hotel atop a 1,340 stall parking garage, both situated at the northern corner of the site. The desired program could be contained in 8 stories of parking (2 below ground and 6 above), plus 7 stories of hotel plus ground floor lobby, service, and possible restaurant, retail, or other guest amenities.

The hotel tower is configured in a 'L-shape' toward the interior of the site to maximize efficiency and views, which also positions the lower parking garage podium to better scale with the surrounding neighborhood context.

The hotel lobby and parking garage are connected directly to the event center's concourse level, which bridges over a new pedestrian 'street' which negotiates the elevation change from 3rd Street to existing plaza level. This new public space should be well designed and landscaped to encourage pedestrian connections between the site and future development to the north on Main Street.



# OVERALL SITE PLAN





# EVENT LEVEL PLAN & VEHICULAR CIRCULATION



 DLR Group





# CONCOURSE LEVEL PLAN & PEDESTRIAN CIRCULATION





# CONCEPT MASSING STUDY







# CONCEPT MASSING STUDY (cont'd)





# CONCEPT MASSING STUDY (cont'd)

 DLR Group







# CONCEPT MASSING STUDY (cont'd)





# CONCEPT MASSING STUDY (cont'd)

 DLR Group







# CONCEPT MASSING STUDY (cont'd)

 DLR Group





# COST ESTIMATE - OVERVIEW



The following cost estimates were developed by Construction Control Corporation (CCC) and based upon analysis of the initial conceptual information provided by the DLR Group. This is a preliminary estimate only.

The costs are based upon analysis of similar-type new construction projects, and not on detailed quantity takeoffs. Construction costs are estimated in 2016 dollars. Escalation has not been factored into the costs of the estimate. The estimate assumes typical bidding conditions, and market stresses can cause fluctuations in bidding results.



# COST ESTIMATE - OVERVIEW (cont'd)

Based upon information provided to CCC by DLR, the scope of the project has been assumed to include the following:

1. Parking structure and site work
2. Hotel building incorporated with the parking structure
  - a. 280 hotel rooms
  - b. Exterior terrace and pool
  - c. Kitchen/bar equipment
3. Multi-use event center
  - a. Ice capabilities within the event center
  - b. Athletic court within the event center
  - c. 5,000 fixed audience seats

Please note, there are a few items that have been specifically excluded from the estimate. These include the following:

1. Food service equipment in the event center (based on industry best practices, assumed to be built-out by food service operator to their specifications)
2. Stage/theatrical equipment in the event center (assumed touring acts provide their own)
3. Substantial off-site utility improvements



# BUILDING COST ESTIMATE - EVENT CENTER

The total building cost estimate for the event center is \$87,428,054.

DESCRIPTION	ARENA	DESCRIPTION	ARENA
BUILDING COST ESTIMATE		GENERAL CONDITIONS	\$4,853,823
EXISTING CONDITIONS	\$70,866	OVERHEAD & PROFIT	\$2,426,912
CONCRETE	\$6,112,744	DESIGN CONTINGENCY	\$9,100,919
MASONRY	\$3,921,567		
METALS	\$8,876,860	<b>TOTAL CONSTRUCTION COST</b>	<b>\$77,054,444</b>
WOODS & PLASTICS	\$420,750		
THERMAL & MOISTURE PROTECTION	\$4,652,150	BUILDING PERMIT	\$376,317
DOORS & WINDOWS	\$6,693,966	PLAN CHECK FEES	\$252,133
FINISHES	\$4,280,363	PERMIT SURCHARGE	\$3,763
SPECIALTIES	\$720,000	A/E FEES	\$4,623,267
EQUIPMENT	-	IMPACT/ CONNECTION FEES	
FURNISHINGS	\$2,287,440	TESTING & INSPECTION	\$385,272
SPECIAL CONSTRUCTION	\$1,470,413	OWNER'S CONTINGENCY	\$3,852,722
CONVEYING SYSTEMS	\$633,600	FURNISHINGS, FIXTURES, AND EQUIPMENT	\$687,500
FIRE SUPPRESSION	\$575,000	COMMISSIONING	\$192,636
PLUMBING	\$1,320,000	PROJECT MANAGEMENT FEES	TBD
HVAC	\$5,775,000	SURVEY	
ELECTRICAL	\$4,814,256	GEOTECHNICAL	
COMMUNICATION	\$1,320,000		
ELECTRONIC SAFETY AND SECURITY	\$594,000		
EARTHWORK	-	<b>TOTAL PROJECT COST</b>	<b>\$87,428,054</b>
EXTERIOR IMPROVEMENTS	\$5,984,312		
SITE UTILITIES	\$149,504		
<b>SUBTOTAL</b>	<b>\$60,672,790</b>		

*Note: Additional detail has been provided under separate cover*



# BUILDING COST ESTIMATE - PARKING STRUCTURE & HOTEL

The total cost estimates for the parking structure and hotel are \$45,531,741 (parking) and \$71,558,292 (hotel), respectively.

DESCRIPTION	PARKING STRUCTURE	HOTEL	DESCRIPTION	PARKING STRUCTURE	HOTEL
BUILDING COST ESTIMATE			GENERAL CONDITIONS	\$2,652,162	\$3,902,196
EXISTING CONDITIONS	\$52,892	\$14,605	OVERHEAD & PROFIT	\$1,326,081	\$1,951,098
CONCRETE	\$12,563,326	\$7,063,344	DESIGN CONTINGENCY	\$3,315,203	\$7,316,617
MASONRY	\$393,718	\$2,333,088			
METALS	\$700,880	\$1,637,899	<b>TOTAL CONSTRUCTION COST</b>	<b>\$40,445,475</b>	<b>\$61,947,357</b>
WOODS & PLASTICS	-	\$2,745,438	BUILDING PERMIT	\$198,764	\$303,048
THERMAL & MOISTURE PROTECTION	\$5,227,200	\$3,127,599	PLAN CHECK FEES	\$133,172	\$203,042
DOORS & WINDOWS	-	\$4,458,289	PERMIT SURCHARGE	\$1,988	\$3,030
FINISHES	\$3,002,880	\$5,919,095	A/E FEES	\$2,426,728	\$3,716,841
SPECIALTIES	\$12,000	\$705,672	IMPACT/ CONNECTION FEES		
EQUIPMENT	-	\$2,019,480	TESTING & INSPECTION	\$202,227	\$309,737
FURNISHINGS	-	\$339,844	OWNER'S CONTINGENCY	\$2,022,274	\$3,097,368
SPECIAL CONSTRUCTION	-	\$324,000	FURNISHINGS, FIXTURES, AND EQUIPMENT		\$1,823,000
CONVEYING SYSTEMS	\$1,267,200	\$1,108,800	COMMISSIONING	\$101,114	\$154,868
FIRE SUPPRESSION	\$1,259,520	\$956,280	PROJECT MANAGEMENT FEES	TBD	TBD
PLUMBING	\$115,506	\$2,548,554	SURVEY		
HVAC	-	\$6,562,800	GEOTECHNICAL		
ELECTRICAL	\$3,393,938	\$4,962,084			
COMMUNICATION	-	\$875,040	<b>TOTAL PROJECT COST</b>	<b>\$45,531,741</b>	<b>\$71,558,292</b>
ELECTRONIC SAFETY AND SECURITY	\$153,600	\$787,536			
EARTHWORK	\$4,897,143	-			
EXTERIOR IMPROVEMENTS	-	-			
SITE UTILITIES	\$112,225	\$288,000			
<b>SUBTOTAL</b>	<b>\$33,152,028</b>	<b>\$48,777,446</b>			

*Note: Additional detail has been provided under separate cover*





# SECTION 6 FUNDING OPTIONS ANALYSIS



# FUNDING ANALYSIS - OVERVIEW

The purpose of this analysis is to provide an overview of the various debt vehicles and revenue sources that could potentially be utilized to fund construction and development costs for a new downtown event center in Riverside. This analysis is based upon a review of comparable venues across the country, as well as unique financing vehicles that may be available within the State of California. The vast majority of comparable event centers that we reviewed were owned by the public sector and developed via municipal capital project funding (general obligation bonds, revenue bonds, tax increment financing, general funds, etc.).

The analysis in this section is organized into two primary sections, with debt-related financing vehicles presented at the beginning, followed by a summary of various revenues streams that are often used to pay event center debt service. Please note, the options in these two sections are presented in alphabetical order:

## Debt Financing Tools:

- AB 2 Community Revitalization & Investment
- Ad Valorem Taxes
- Certificates of Participation
- Community Facilities Districts
- Enhanced Infrastructure Financings Districts
- General Obligation Bonds
- Revenue Bonds

## Potential Revenue Streams to Pay Debt Service:

- Business Improvement District
- Contractually Obligated Revenue Streams
- Excise Taxes
- General Funds
- Government Grants
- Operator and/or Concessionaire Participation
- Parking Surcharges
- Ticket Surcharges
- Public Private Partnerships
- Local-Option Sales Tax
- Visitor Taxes



# COMPARABLE VENUES - FUNDING SUMMARY

Based on a review of comparable arenas/event centers in similar markets, common public financing vehicles used to fund development of comparable venues have included Tax Increment Financing, Public Loans, Property Sales, General Funds, Hotel Tax, Sales Tax, Arena Revenues, and State Grants. It is worth noting, that only three of the comparable venues utilized private financing sources, and in all three cases those funds were contributed via the primary sports tenant (a minor league hockey franchise) for whom the arena was being constructed. As such, it is not likely that the proposed event center in Riverside would be constructed via private financing, although it is worth noting that public-private partnership opportunities may exist for a potential on-site hotel.

Event Center	Year Opened	Fixed Seats	Construction Cost (\$M)	Financing Vehicles Used	Location
Citizens Business Bank Arena	2008	9,740	\$130.0	Property Sales and Surplus Funds (100%)	Ontario, CA
Infinite Energy Arena	2003	11,355	\$91.5	Hotel Tax Revenues (100%)	Duluth, GA
ShoWare Center	2009	6,500	\$84.5	Sales Tax Rebates and Arena Revenues (100%)	Kent, WA
Xfinity Arena	2003	8,150	\$71.5	Lodging Tax, Sales Tax Rebates, and Facility Revenues (100%)	Everett, WA
Sears Centre	2006	9,700	\$62.0	Public loan	Hoffman Est., IL
Independence Events Center	2009	5,800	\$60.0	Tax Increment Financing (TIF) Bonds (100%)	Independence, MO
Webster Bank Arena	2001	8,525	\$56.3	State Grant (61%); Private Financing (39%)	Bridgeport, CT
Cedar Park Center	2009	7,200	\$55.0	Sales Tax (78%); Private Financing (22%)	Cedar Park, TX
Allen Event Center	2009	6,275	\$52.6	Tax Increment Financing (67%); Private Financing (33%)	Allen, TX



## Description

AB 2 Community Revitalization & Investment Authorities (CRIA) are a form of tax increment financing in the State of California. A CRIA is intended to use tax increment revenue to improve infrastructure, assist business, and support affordable housing in disadvantaged communities.

There are two different types of CRIAs:

1. Single member authority with only a city or a county as the initiating agency, or a city and a county working together to create the CRIA.
2. Joint powers authority (JPA) that can be created by one or more special districts, however no schools or redevelopment successor agencies are allowed to participate in a CRIA.

## CRIA Plan Requirements

Each CRIA must develop a community revitalization and investment authority plan, which must include a description of the principal goals and objectives of the plan. The boundaries of a CRIA are restricted to areas with high unemployment, and 80% of the district must be designated as being or having low income, inadequate infrastructure, dilapidated residents, or areas of high crime. There is also a requirement that 25% of the proceeds must be expended on affordable housing. In order to adopt the plan, the CRIA must hold a series of public hearings and votes. The plan must also include...



## CRIA Plan (cont'd)

The plan must also include:

- Description of how the deteriorated or inadequate infrastructure within the revitalization area will be improved
- Housing program, with estimated housing revenues and expenditures
- Program to remedy or remove hazardous materials where needed
- Program to provide funding or to facilitate economic revitalization

## Annual Reporting Requirements

The CRIA is also required to perform an annual review of the plan and an annual independent financial audit paid for from revenues to the authority.

## Recommendation for Riverside

The CRIA approach is not likely to be utilized by the City of Riverside for this project, as the proposed location of the event center is not likely to qualify as a dilapidated, low income and high crime area.



# DEBT - AD VALOREM TAXES

## Description

The City of Riverside has recently implemented two successful ballot initiatives to increase **ad valorem taxes**, which are taxes based on the value of property. The first is Measure I (Library Funding) and the second is Measure G (Fire Facilities Construction).

These specials taxes are collected on the property tax bill and spent on specific infrastructure projects. The special property tax rate repays bonds that were issued to build the infrastructure.

## Recommendation for Riverside

The City of Riverside could choose to utilize a special property tax for funding bonds to build an Events Center project, however, this would require a ballot measure and be dependent upon a 2/3 majority vote for the issuance of bonds.



## Description

Another option for financing to be considered are **Certificates of Participation (COP)**. COPs are financial instruments whereby investors purchase shares of the lease revenues rather than a fixed bond payment being secured by those revenues. COPs typically do not require the government entity to repay the certificate holders beyond the annual appropriations, and thus do not typically require voter approval. The City of Riverside utilized COPs in 2006, 2008 and 2010 for a variety of projects.

## Pros and Cons

Although COPs can offer greater flexibility for the issuer, the marketability of COPs depends on investors' perceptions of the risk and reliability associated with the dedicated lease revenues. As a result, COPs usually have a higher interest rate than traditional GO bonds, and in some cases, in order to reduce investor risk a public sector entity issuing COPs has had to provide a commitment to back the COPs in the case of project default. It should also be noted that COPs can prove to be more administratively complicated for the issuer, as they typically rely on a trustee for handling payments and distributing payments to certificate holders.

## Recommendation for Riverside

For the proposed event center, it is not likely that COPs would be a viable funding instrument, as it will be a public sector facility that does not generate significant lease payments.





## Description

A **Community Facilities District (CFD)**, otherwise known as a Mello-Roos Community Facilities District, allows for the financing of public improvements and services through the levy of voter approved special taxes. The ability to form a CFD was established with the adoption of the Mello-Roos Community Facilities Act of 1982.

The Act allows any county, city, special district, school district or joint powers authority to establish a CFD, which allows for the development of public improvements with a useful life of five years or more, and allows for financing of facilities by issuing bonds or other debt. Passage of the formation of a CFD requires a two-thirds approval by the voters.

## Recommendation for Riverside

Within the City of Riverside, it could be a potential challenge to get two-thirds voter approval.



## Description

**Enhanced Infrastructure Financing Districts (EIFD)** were authorized with the adoption of SB 628 (Beall) and AB 313 and were intended to fill the hole that was left by the dissolution of redevelopment agencies in California. This legislation upgraded existing Infrastructure Districts (IFD), a mechanism rarely utilized. The old IFDs had shorter time periods and served a narrower focus than the new EIFD concept.

To form an EIFD, a goal must be established by a city or a county or a group of cities, counties or other local agencies. An EIFD can be a few blocks, or a large regional project. With consent of the other relevant taxing agencies within the district, EIFDs may be used to fund facilities and infrastructure improvements with the annual property tax increment, however EIFDs cannot divert annual property tax increment from schools or from any non-consenting agency. Any facility or infrastructure to be financed with an EIFD must have a useful life of 15 years or longer and must have community-wide benefit.

It should also be noted that if a prior redevelopment agency existed within the area considered for the EIFD, there are specific State requirements that must be met, including preparation of an Infrastructure Financing Plan (IFP) and replacement/relocation of low income housing.



### Other Requirements

To implement an EIFD, the city or county would be required to create a Public Financing Authority (PFA) to govern the EIFD. This PFA would be comprised of 3 legislative members of the initiating entity (or entities) plus two members of the public.

Prior to approval of the plan, public hearings must be held to provide an opportunity for comments from landowners within the district, taxing agencies and members of the public.

In order to issue bonds under the PFA, there is a requirement to have voter approval (by registered voters within the EIFD) of 55%. With approval from a vote, the EIFD may establish a bond period of up to 45 years from the date of bonding approval.

### Recommendation for Riverside

The EIFD approach may be a more viable option for the City than other tax increment financing approaches, as in order to issue bonds via a PFA that governs an EIFD, the voter approval requirements are: a) lower (at 55%) than the 2/3 majority required for a Mello-Roos District, and b) only subject to registered voters within the EIFD, rather than City-wide.



# DEBT - GENERAL OBLIGATION BONDS

## Description

The City of Riverside could use the full faith and credit of the City to issue General Obligation (GO) bonds for all or part of the Events Center. GO bonds are secured by the issuing government entity's pledge to use all legally available resources, including tax revenues, to pay debt service.

## Pros and Cons

The primary advantage of GO bonds is that they typically carry a lower interest rate, assuming the issuing government entity carries a strong credit rating. Generally speaking, the better the issuer's credit rating, the lower the interest rate.

The primary disadvantage associated with GO bond financing is that the GO indebtedness reduces the available bonding capacity for other capital projects the City may be planning.

## Recommendation for Riverside

A GO bond issue for this event center project could be difficult for City Council to pass if it is perceived as taking away funds that could be allocated to other uses that the public favors, such as other capital projects, improvements to services or infrastructure, etc.



# DEBT - REVENUE BONDS

## Description

**Revenue Bonds** are payable solely from the revenues of the project that is being financed. Since debt service is tied to the success of the project, revenue bonds are considered to have a much higher risk of default than GO bonds and thus carry a higher interest rate.

Revenue bonds are typically a funding option for event facility development projects where the net incremental income from the project is conservatively estimated to exceed annual debt service requirements. Investment banks that would issue the debt typically require an independent market analysis that shows net income streams from the project could be conservatively estimated to cover debt service, thus lowering the risk of default and making the bonds more marketable to investors.

As shown below, depending on the interest rate and debt coverage ratio, it is generally estimated that for every \$1M of project income that is applicable to debt service, 30-year revenue bonds could fund anywhere from \$7M to \$14M in project costs:

Interest Rate	Bond Term (Yr)	Funding Capacity per \$1M of Available Project Income			
		Debt Coverage Ratio:			
		1.25x	1.5x	1.75x	2.0x
4%	30	\$13,833,627	\$11,528,022	\$9,881,162	\$8,646,017
5%	30	\$12,297,961	\$10,248,301	\$8,784,258	\$7,686,226
6%	30	\$11,011,865	\$9,176,554	\$7,865,618	\$6,882,416



## DEBT - REVENUE BONDS (cont'd)

### Pros and Cons

One advantage to revenue bonds is that they are project specific, and thus do not diminish the City's bonding capacity for General Obligation bonds.

One disadvantage to revenue bonds is that they typically carry a higher interest rate than GO bonds, and due to debt service reserve requirements and other credit enhancements, the bonds are usually larger with higher payment terms.

### Recommendation for Riverside

As shown in the calculation on the prior page, a \$100 Million project financed via 30-year revenue bonds with a 5% interest rate and a 1.5x debt coverage ratio would likely require annual debt service payments of more than \$10 Million. Given that the combined operation of the proposed event center and the existing convention center is only expected to generate a small annual operating income after management fees, event center revenues are not likely to be a viable funding source.

That said, it should be considered that other revenue streams associated with the downtown Event/Convention site could potentially be dedicated to pay off revenue bonds, such as parking garage revenues or convention hotel development revenues.



## Description

The City could facilitate the development of a **Business Improvement District (BID)** with businesses and property owners that would look for a positive economic impact from an Events Center. With this structure, the private businesses within the district could choose to fund specific services or promote specific events at the Events Center.

Utilizing the Property and Business District Law of 1994, a BID is initiated by the private sector, providing services financed by a self-imposed and self-governed assessment. Services financed by a BID are intended to enhance, not replace existing City services. The services that can be provided are extensive and include public safety, maintenance, marketing, economic development, special events, and parking management. There is an “owners association” of property/business owners to govern the district, ensuring that the district is directed by those who are paying for the district.

## Cons

To form a district requires a petition with support from private property owners paying more than 50% of proposed assessments, and the district must also comply with a mail ballot process. In addition, there is a limit for how long the district can exist. It has a maximum of 5 years, with a new petition process to renew for up to 10 years.

## Recommendation for Riverside

A Business Improvement District is not likely to be a significant funding source for this project.



## Description

**Contractually Obligated Revenue (COR)** is event center-related revenue that is typically generated by multi-year contracts on commercial leases, naming rights, and premium seating:

- **Commercial Leases:** If the project includes any commercial store, office and/or restaurant lease space, those spaces can provide lease income to go toward the payment of debt service, and/or cover maintenance and operations expenses.
- **Naming Rights:** Private sector corporations frequently purchase long-term naming rights on large public assembly venues. However, it should be noted that naming rights revenue is typically vital to the successful annual operations of the facility.
- **Premium Seating:** Suites, boxes and club seats can be sold on multi-year leases. However, it should be noted that premium seat revenues are usually vital to the successful operations of the facility.

## Recommendation for Riverside

For this project, Contractually Obligated Revenue associated with the event center is not likely to be a viable revenue source for paying debt service, as commercial lease space is not expected to be a component of the project, and removal of naming rights and premium seating from facility operating revenues could threaten the operating viability of the facility.





# REVENUE - EXCISE TAXES

## Description

**Excise Taxes** are traditionally taxes on products that are considered undesirable or harmful. The most common excise taxes are on tobacco or alcohol, although recent excise taxes have been proposed on sugary drinks and junk foods. Excise taxes would be levied in addition to sales taxes. Currently in California, the State-levied excise tax on tobacco is \$0.87 per pack. Currently, the City of Riverside does not have local excise taxes, however, if local excise taxes were established it could bring significant revenue into local jurisdictions. In many areas across the country, the tobacco excise tax is comprised of State, County and City taxes. For example, in Chicago, the City (\$1.18), Cook County (\$3.00) and Illinois (\$1.98) generate a combined total excise tax on Tobacco of \$6.16 per pack. Whereas, the State of California currently has some of the lowest excise taxes on cigarettes, liquor, wine and beer per capita. In 2014, California collected \$751,496,000 in tobacco excise tax.

## Recommendation for Riverside

In order to consider this option, the City of Riverside would need the State legislature to give excise taxing authority to cities and counties, which would require passage of legislation. Senate Bill SBX2-9 was submitted in August of 2015 to provide that ability, however while it passed in the Senate, it has not been voted on in the Assembly.



# REVENUE - GENERAL FUNDS

## Description

The City of Riverside could choose to support the proposed Events Center project with general funds from the City's budget. Allocation of general funds typically requires available funds (or an unexpected revenue windfall) that is free and clear of any other municipal obligation.

In most cases where general funds have been used to develop comparable event centers, general funds have not been used to pay for the entire capital project, but rather used to pay a portion of development costs and thus reduce the amount of debt that needs to be issued.

## Recommendation for Riverside

If the City has available general funds that could be dedicated to this project, general funds could be considered as a component of the overall project plan, added together with other debt-funded sources to increase project feasibility.



## Description & Riverside Recommendation

Although community enrichment grants and environmental grants could theoretically be used to offset a small portion of the development costs associated with a large capital project such as the proposed event center, it is difficult at this time to know what government grants (if any) might be available to be used for project funding. The possibility of qualifying or winning a grant should be kept in mind as the project is developed, as grant programs are not likely to award grants at this early stage of planning. It should also be noted that identifying and securing grants would likely require an experienced grant-writing professional to search for available grants and apply for appropriate grants (if any).

## Case Study

An example of a recent grant would be a grant from the U.S Economic Development Administration (EDA), which is a bureau within the U.S. Department of Commerce. During February 8th - 12th of 2016, the EDA provided a grant to the City of Lake Worth and the Palm Beach County Board of County Commissioners, Florida, to fund critical infrastructure improvements to support development of a 375-acres commerce park in Lake Worth. Approximately \$1.4M was granted to supplement approximately \$5.4M in municipal funds dedicated to the project and leverage \$19.3 million in private investment. The improvements will support expansion of existing manufacturing businesses and will help strengthen and enhance diversification of the region's manufacturing cluster.



## Description

Certain operations of a public assembly venue, potentially including concessions, catering, and merchandise sales, are frequently performed by third-party vendors. In some cases, an upfront sale of the rights to operate concessions/merchandise within a sports/entertainment facility (including retention of all profits) has been used as a means of raising capital funds for development of the facility. However, it should be noted that these deals are relatively rare, because the loss of concessions revenues from future operations of the venue can have a significantly negative impact on the ability of the facility to cover operating costs.

## Riverside Recommendation

An upfront sale of operating rights (and/or third-party vendor rights) is not likely in this case, as Raincross Hospitality Corporation is currently under contract with the City of Riverside to manage day-to-day operations (including food service) at the existing convention center and would also be the likely operator of a combined convention center and event center.



# REVENUE - PARKING SURCHARGES

## Description & Recommendation for Riverside

Since the City is a majority owner of parking garages in the City of Riverside, there is potential to leverage these parking structures to generate revenue for the event center project via:

- a) City-Wide Parking: If the City of Riverside reviewed downtown parking fees and hours, they could increase revenues by increasing hours of meters, parking lots and parking structures. For example, if the current fee schedule of 90 minutes free and no fee assessed after 6:00pm were modified, the City could realize a significant increase in revenue.
- b) Project-Specific Parking : If the event center project includes a new parking garage, a specific surcharge could be applied to all cars parked in that garage. The analysis below estimates the potential project funding that could be generated from a per-car parking surcharge charged for cars parked in a new garage on the Event/Convention site (Note: this analysis is only based on levels of incremental parking driven in the downtown core by events hosted in the event center):

Annual Cars Parked	Estimated Funding Potential via Per Car Surcharge*				
	\$1.00	\$2.00	\$3.00	\$4.00	\$5.00
60,000	\$697,620	\$1,395,240	\$2,092,860	\$2,790,480	\$3,488,100
70,000	\$813,890	\$1,627,780	\$2,441,670	\$3,255,560	\$4,069,450
80,000	\$930,160	\$1,860,320	\$2,790,480	\$3,720,640	\$4,650,800
90,000	\$1,046,430	\$2,092,860	\$3,139,290	\$4,185,720	\$5,232,150
100,000	\$1,162,700	\$2,325,400	\$3,488,100	\$4,650,800	\$5,813,500

*\* Assumes 30-year bonds, 1.25x coverage ratio, 5.5% interest*



## Description

Although public funding sources are important components for most large community-wide capital projects, some public assembly venue projects recently have been funded with a combination of public and private funds. These Public-Private Partnerships, commonly referred as P3 development, usually involve a contract between a public sector agency and a private party, and the contract is typically structured so the private party assumes substantial project development and/or financial operations risk (in exchange for profit opportunity).

There are a variety of ways to structure a P3 development, depending upon the profit opportunity and parties involved. The most important part of establishing a P3 project is finding private sector investors that are interested in working with the public agency on the particular proposed project. The City of Riverside would need to identify potential partners early in the project, likely via issuance of an RFI or RFQ, in order to construct an effective partnership.

Typical incentives for a City to utilize a P3 model for development include:

- Preservation of city debt capacity for other projects,
- Reduction of the City's risk associated with the project by transferring operational risk and debt service risk to the private sector, and/or
- Expedited project delivery by moving responsibility for purchasing and procurement from governmental processes to the private sector.





## Recommendation for Riverside

As mentioned on the previous page, in order for a P3 approach to be viable, the profit opportunity must be attractive to a private sector development partner. In the case of an event center, the net operating income available from the proposed event center is not likely to attract a P3 partner.

That said, the potential opportunity to develop and/or operate a convention center hotel on the site could be an attractive private-sector opportunity. It is likely that a P3 arrangement for a new hotel could be structured in one of the following ways:

- **Property Sale of the hotel/parking garage site to a private-sector developer:**
  - *Pros* - funds generated by the sale could be applied towards the event center project
  - *Cons* - the City would lose control over the development and operations of the hotel, which may not be ideal for a convention center hotel that is attached to City venues
- **Ground Lease of the hotel/parking garage site to a private sector developer:**
  - *Pros* - City could help fund event center project via debt backed by ground lease payments
  - *Cons* - As lessor, the City could exert more control over hotel development/operations
- **Operating Lease of the hotel (once developed by the City) to a private-sector operator:**
  - *Pros* - City would have the most control over the development/operations of the hotel
  - *Cons* - This level of P3 would not likely fund project costs, and would thus require the City to identify additional capital sources to fund both the event center and hotel projects



# REVENUE - LOCAL OPTION SALES TAX

## Description

The City could consider a ballot measure to increase the local-option sales tax within the City of Riverside from its current level of 1.00%. With the approval of voters, the City could dedicate the increment from a special purpose sales tax to pay the debt service related to the event center/hotel district project. A local-option sales tax measure typically can be approved with a simple majority vote (50% plus one vote).

## Riverside Tax Rate

Currently, an 8.00% sales tax rate is levied within the City of Riverside, of which 1.00% is collected by the City of Riverside's general fund, as shown at right. 8.00% is typical of most cities in Riverside County, however Cathedral City, Coachella, and Palm Springs have 9.00% sales tax rates, and cities in Los Angeles County are between 9.00% and 10.00%, due to local-option sales taxes that are higher than the 1.00% collected by the City of Riverside.

### Sales Tax Breakdown - City of Riverside

6.25%	State of California
0.25%	Riverside County (general fund)
0.50%	Riverside County Transport. Commission
1.00%	City of Riverside (general fund)
<b>8.00%</b>	<b>Total Sales Tax Assessed Within City</b>

## Riverside Recommendation

Pursuing a local-option sales tax increase would be dependent on the City's assessment of voter interest in increasing sales taxes for an event center/hotel project, as well as the City's political appetite for moving forward with such a ballot initiative. However, as shown below, even a 1/4 cent (0.25%) sales tax increase could generate sufficient funds to build an event center.

	Current City of Riverside Sales Tax Collections	Scenario 1: 0.25% Increase	Scenario 2: 0.50% Increase	Scenario 3: 1.00% Increase
2015 City Sales Tax Collections <sup>1</sup>	\$59,437,000	\$74,296,250	\$89,155,500	\$118,874,000
City Sales Tax Rate	1.00%	1.25%	1.50%	2.00%
2015 Estimated Total Taxable Sales in City	\$5,943,700,000	\$5,943,700,000	\$5,943,700,000	\$5,943,700,000
Est. Annual Local-Option Sales Tax Increment	-	\$14,859,250	\$29,718,500	\$59,437,000
<b>Estimated Project Funding Potential of Tax Increment*</b>		<b>\$172,768,000</b>	<b>\$345,537,000</b>	<b>\$691,074,000</b>

<sup>1</sup>Source: City of Riverside Comprehensive Annual Financial Report Year Ended June 30, 2015

\*Assumes 30-year bonds, 1.25x coverage ratio, 5.5% interest



# REVENUE - TICKET SURCHARGES

## Description

In order to generate a revenue stream off of the event center that could be used to pay debt service without negatively impacting the operating revenues of the venue, a ticket surcharge could be levied on each admission ticket purchased for all events held at the Events Center. Such ticket surcharges levied by the building owner are now standard within the event center industry and commonplace at most of the comparable venues we reviewed.

## Recommendation & Analysis

It is recommended that the City implement an event center ticket surcharge. The analysis below estimates the potential project funding that could be generated from a per-attendee ticket surcharge, based upon varying surcharge amounts and numbers of tickets sold per year:

Annual Tickets Sold	Estimated Funding Potential via Per Ticket Surcharge*				
	\$1.00	\$2.00	\$3.00	\$4.00	\$5.00
100,000	\$1,162,700	\$2,325,400	\$3,488,100	\$4,650,800	\$5,813,500
150,000	\$1,744,050	\$3,488,100	\$5,232,150	\$6,976,200	\$8,720,250
200,000	\$2,325,400	\$4,650,800	\$6,976,200	\$9,301,600	\$11,627,000
250,000	\$2,906,750	\$5,813,500	\$8,720,250	\$11,627,000	\$14,533,750
300,000	\$3,488,100	\$6,976,200	\$10,464,300	\$13,952,400	\$17,440,490

*\* Assumes 30-year bonds, 1.25x coverage ratio, 5.5% interest*



# REVENUE - VISITOR TAXES

## Description

Currently the City of Riverside maintains a 13% Transient Occupancy Tax (TOT) on rent charged by the operator of a hotel/motel. This tax was increased from 11% to 13% by the voters in Measure V in 2010. In order to utilize this revenue stream for an Events Center, either current revenue could be shifted to debt service payments for a new Events Center, or the city would need to initiate another ballot measure to increase the TOT to raise additional revenue to fund the new Events Center.

## Riverside Recommendation & Analysis

Other cities in Riverside County have TOT rates ranging from 10-13.5%, therefore it is possible that the City of Riverside could harm its ability to attract regional/national events to the City if it continues to raise the TOT rate above its competitors. That said, according to the analysis shown below, it is estimated that an additional increase to the TOT could generate approximately \$1.9M-\$3.8M of project funding:

	Current City of Riverside TOT Collection	Scenario 1 0.5% Increase	Scenario 2 1% Increase
Total Taxable Sales <sup>1</sup>	\$32,225,769	\$32,225,769	\$32,225,769
TOT Rate	13%	13.5%	14.0%
TOT Collections	\$4,189,350	\$4,350,479	\$4,511,608
Annual Incremental TOT Revenues		\$161,129	\$322,258
<b>Estimated Funding Potential</b>		<b>\$1,873,000</b>	<b>\$3,747,000</b>

<sup>1</sup>FY 2013-2014

*\* Assumes 30-year bonds, 1.25x coverage ratio, 5.5% interest*



# QUANTIFIED OPTIONS FOR RIVERSIDE EVENT CENTER

## COMMENTS ON POTENTIAL FUNDING PLAN:

As shown at right, if the City of Riverside wishes to fund the event center project via incremental revenues, and does not wish to use General Obligation bonds, a local-option sales tax increase appears to be the only individual option that could fund the project in its entirety.

However, assuming a local sales tax increase is not currently viable, it is likely that a project funding model could rely on a mixture of sources, potentially including parking surcharges, ticket surcharges, and revenue from sale or ground lease of the hotel site.

POTENTIAL REVENUE SOURCES	ESTIMATED PROJECT FUNDING AMOUNT*
<b>Parking Surcharge - Arena Events Only:</b>	
\$1 per car	\$930,160
\$2 per car	\$1,860,320
\$3 per car	\$2,790,480
\$4 per car	\$3,720,640
\$5 per car	\$4,650,800
<b>Ticket Surcharge - Arena Events Only:</b>	
\$1 per ticket	\$2,906,750
\$2 per ticket	\$5,813,500
\$3 per ticket	\$8,720,250
\$4 per ticket	\$11,627,000
\$5 per ticket	\$14,533,750
<b>Sales Tax - Citywide:</b>	
.25% increase	\$172,768,000
.50% increase	\$345,537,000
<b>Transient Occupancy Tax - Citywide:</b>	
.50% increase	\$1,873,000
1.00% increase	\$3,747,000
<b>Hotel Site:</b>	
Property Sale or Ground Lease	n/a**
* Assumes 30-year bonds, 5.5% interest rate, 1.25x debt coverage ratio	
** If the City wishes to pursue this funding option, a qualified real estate professional should be consulted regarding the potential market value of the hotel site	



SECTION 7  
EVENT CENTER ECONOMIC &  
FISCAL IMPACT ANALYSIS





Please note the following key sources for the data utilized in developing this economic and fiscal impact analysis:

- *CONSTRUCTION IMPACTS* - Construction cost estimates displayed in this analysis were developed by Construction Control Corporation and reflect only the event center, not the parking area or hotel.
- *OPERATIONAL IMPACTS* - Operational estimates for the event center were developed by Victus Advisors.

Our economic/fiscal impact analysis was conducted in four (4) steps:

- 1) Estimate Gross Direct Spending
- 2) Identify the Local Economy
- 3) Estimate Net Impacts Occurring within Local Economy
- 4) Estimate the Multiplier Effect



# 1. ESTIMATE GROSS DIRECT SPENDING

The first step in projecting the potential economic and fiscal impacts of a new downtown event center is estimating the Gross Direct Spending activity that could occur due to both the one-time construction and on-going operations of the event center.

Gross Direct Spending represents all of the direct spending that could be associated with the project, regardless of income source or spending location.

## Primary Sources of Direct Spending from Event Center

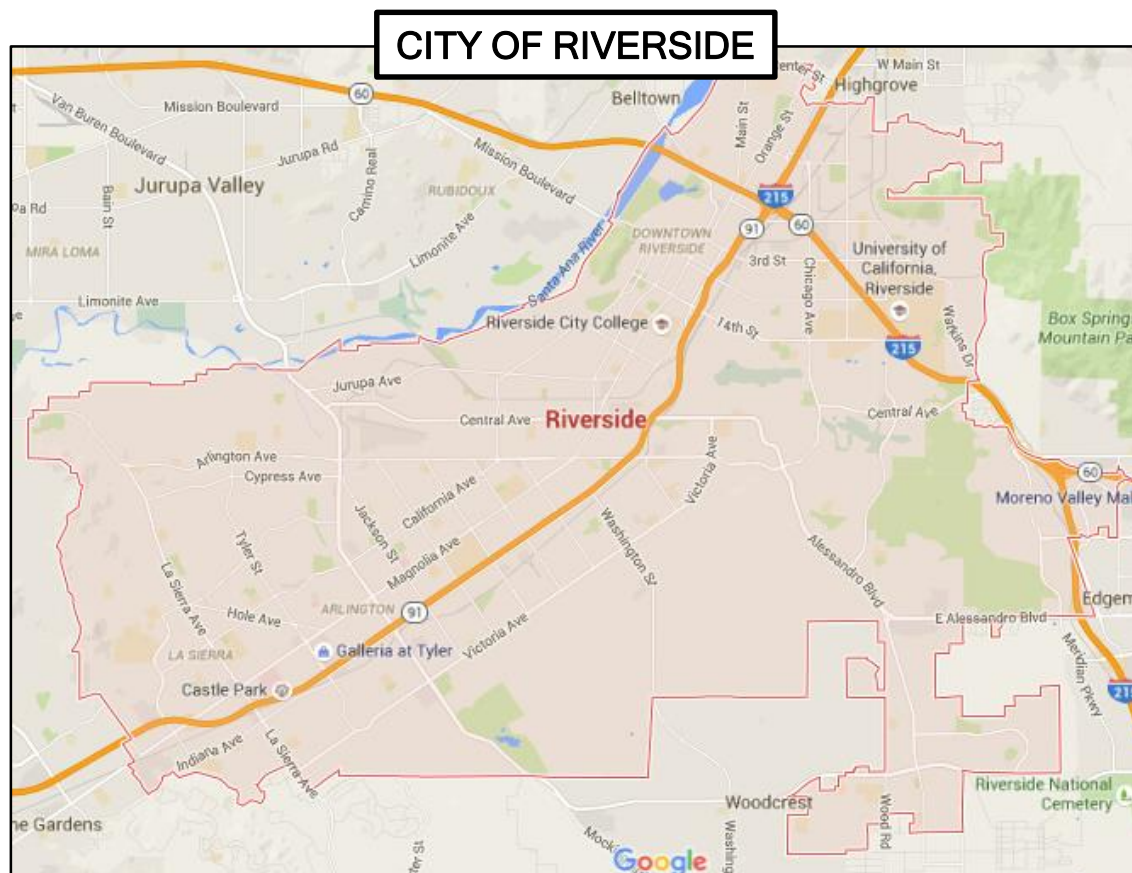
One-Time Construction Expenditures	On-Going Facility Operations	
Supplies & Materials Labor Costs Service Fees	<i>In-Facility Revenues:</i> Ticket Sales Premium Seating Concessions/Catering Sponsorships/Advertising	<i>Visitor Spending:</i> Lodging Restaurants/Bars Entertainment Retail Transportation



## 2. IDENTIFY “LOCAL” ECONOMY

For purposes of this study, Victus Advisors has been tasked with identifying the potential economic and fiscal impacts on the City of Riverside. Therefore, the local economy studied in this analysis is the physical area solely within the City limits of Riverside (as shown at right).

As described on the next page, “Net” Direct Spending only occurs when the spending source originates outside of City limits and occurs within the City’s limits.



*Source: Google Maps*



### 3. IDENTIFY GROSS VS. NET IMPACTS

After estimating the “Gross” economic activity associated with the sports park, Victus Advisors estimated the portion of Gross Direct Spending that could represent incremental (or “Net”) spending within the City’s economy. Net Direct Spending accounts for the phenomenon of “displacement”, as described below.

**DISPLACEMENT** is the economic principle that assumes a household (or business) entertainment and recreation budget would be spent within the local economy with or without development of a new sports/recreation venue.



For purposes of this study, we have assumed that local entertainment spending would be displaced (i.e. spent elsewhere within the Riverside economy) without the presence of the downtown event center. Therefore...

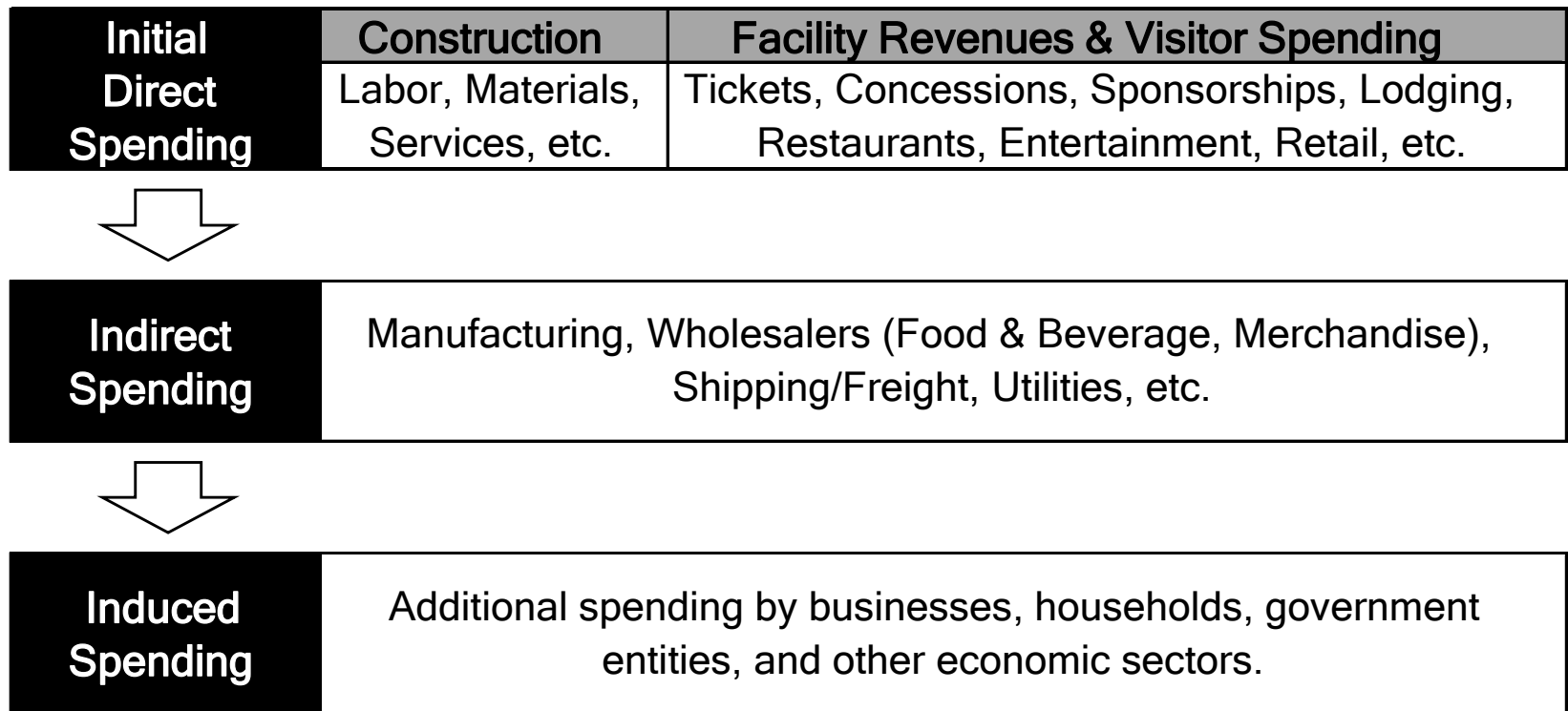


**NET IMPACTS** will only include the estimated dollars spent within City limits by non-resident visitors and businesses located outside of Riverside.



## 4. THE MULTIPLIER EFFECT

Net Direct Spending that is captured in Riverside is subsequently re-spent, both inside and outside the local economy. The cumulative impact of the re-spending cycles that occur within City limits is called the “Multiplier Effect”.





## 4. THE MULTIPLIER EFFECT (CONT'D)

Victus Advisors utilized IMPLAN Multipliers specific to Riverside (shown below) to estimate the following Net Economic Impacts:

- **TOTAL OUTPUT** (direct, indirect & induced spending in Riverside)
- **EMPLOYMENT** (full-time & part-time jobs in Riverside)
- **LABOR INCOME** (salaries & wages associated with Riverside jobs)
- **CITY TAX REVENUES** (associated with the net total output)

IMPLAN MULTIPLIERS - CITY OF RIVERSIDE, CA*			
Industry	Total Output Multiplier	Employment Multiplier	Labor Income Multiplier
Construction - Non Res.	1.55716	$1.1461 \times 10^{-5}$	0.50604
Transit & Ground Transport.	1.67533	$2.2641 \times 10^{-5}$	0.52591
Retail Stores	1.59033	$1.7612 \times 10^{-5}$	0.62217
Commercial Sports & Performing Arts	1.86272	$1.8627 \times 10^{-5}$	0.58596
Amusement & Recreation	1.63161	$1.6316 \times 10^{-5}$	0.65345
Hotels & Motels	1.54324	$1.5432 \times 10^{-5}$	0.51356
Food Services & Drinking Places	1.58203	$1.5820 \times 10^{-5}$	0.67146

*Multipliers are specific to the following City of Riverside zip codes:*

*95201-95209, 95213-95219, 95221-95222*

*Note: IMPLAN stands for IMpacts for PLANning and is a registered trademark of the IMPLAN Group.*



# ESTIMATED CONSTRUCTION IMPACTS (ONE-TIME)

ONE-TIME IMPACTS OF EVENT CENTER CONSTRUCTION	
Estimated Project Cost:	\$87,428,054
Estimated Direct Spending within Riverside:	\$21,769,585
<i>Projected Economic Impacts:</i>	
Total Output	\$33,898,642
Employment	250
Labor Income	\$11,016,239
<i>Projected Fiscal Impacts:</i>	
Local Earned Income Tax (City)	\$165,244
Sales Tax (City)	\$339,614
Hotel Tax (City)	\$81,218

Notes: a) Impacts are presented for the economic area of the City of Riverside in 2016 dollars.  
b) Sales Tax has only been applied to estimated taxable portion of Total Output, as it has been assumed that construction materials purchases would not be taxable.





# ESTIMATED OPERATIONAL IMPACTS (ANNUAL)

## NET NEW ANNUAL IMPACTS OF ONGOING EVENT CENTER OPERATIONS

Estimated Net New Annual Direct Spending:	\$17,169,000
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*Projected Economic Impacts:*

Total Output	\$28,881,258
Employment	394
Labor Income	\$10,551,144

*Projected Fiscal Impacts:*

Earned Income Tax (City)	\$55,394
Hotel Tax (City)	\$81,218
Sales Tax (City)	\$1,077,644

Notes: a) Impacts are presented for the economic area of the City of Riverside in 2016 dollars.  
b) "Net New" impacts represent the incremental impacts after adjusting for displacement.



# COMBINED IMPACTS OVER 30 YEARS

## SUMMARY OF NET NEW IMPACTS OVER 30 YEARS: ARENA CONSTRUCTION & ON-GOING OPERATIONS

<u>Net New Impacts</u>	<u>30-Year Cumulative</u>	<u>Net Present Value (NPV)</u>
Direct Spending:	\$838,592,000	\$397,066,000
Total Output:	\$1,407,937,000	\$665,342,000
Employment:	100 ( <i>annual</i> )	n/a
Labor Income:	\$512,991,000	\$241,765,000
City Tax Revenue:	\$58,355,000	\$27,174,000

*Assumptions: 3% annual inflation and 5% discount rate. NPV presented in \$2016.  
Construction spending assumed to occur during Year 1.*



## CONTACT INFORMATION



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