

BOONE COUNTY FAIRGROUNDS
ARENA/AMPHITHEATER

FINANCING PROPOSAL

*Stifel, Nicolaus & Company
Incorporated*

June 23, 1999

Community Benefits of Multi-Purpose Public Venues

- ❖ ***Economic Impacts.*** The team and the arena will generate the following types of economic impacts:
 - ❖ Spending by the team for payroll (player and non-player personnel) and various other goods and services in the local and regional economy such as advertising, supplies and equipment, professional services and the like;
 - ❖ Spending by the concessionaire for payroll as well as with wholesale food and merchandise suppliers;
 - ❖ Spending by the arena management for payroll, equipment, supplies, contracted services and the like;
 - ❖ Spending by other event sponsors in similar categories;
 - ❖ Spending by fans and spectators outside of the arena, principally at restaurants and hotels. This can be particularly beneficial to a core city if it brings people in from surrounding communities and captures dollars that might be spent elsewhere; and
 - ❖ Spending by visiting teams, performers and other event sponsors.

- ❖ ***Jobs and Associated Payroll.*** The above spending, or economic activity, supports numerous jobs and generates measurable personal income. These are not just player positions, as noted. They include full-time as well as part-time jobs. These part-time jobs can become very important to many members of the community as sources of secondary income needed for their households.

- ❖ ***Fiscal Impacts.*** The direct fiscal impacts are very dependent on local, regional, and state tax structures. Typical tax streams can include:
 - ❖ Admissions tax;
 - ❖ Personal and corporate income taxes;
 - ❖ Sales and use tax;
 - ❖ Meals and lodging tax;
 - ❖ Personal property taxes.

There also may be certain expenses related to increased public services required by an arena, but these are usually nominal and are sometimes handled by event sponsors (such as traffic and crowd control).

- ❖ ***Development Impacts.*** An arena can also have a major positive impact on the development and improvement of surrounding properties. An arena needs to be very carefully sited and planned, however, to achieve these objectives. Such development creates additional economic activity, jobs, and tax revenues.

- ❖ **Multiplier Effects.** As these impacts are generated in a local or regional economy, they create additional impacts through the multiplier impact. The indirect, or second round, impacts are usually equal to or slightly greater than the direct impacts depending on the size and complexity of the economy under consideration.
- ❖ **Substitution Effect.** There is often the argument that sports facilities or teams do not create any net new economic activity. The theory is that if a local fan did not buy a ticket to a game, he/she would simply spend that money elsewhere. There is some truth to this, but it tends to be a very oversimplified argument. It is important to note that:
 - ❖ Significant spending can come from fans or spectators outside the city or the county or even the state;
 - ❖ The same is true with visiting teams and performers;
 - ❖ Not all of the economic activity is generated by fan spending. Some of it relates to significant corporate spending for premium seating and sponsorships. These are large expenditures; the alternative for such corporate spending might well not be in the local economy;
 - ❖ The "substitution" argument implicitly assumes no growth and no current leakage of entertainment dollars out of the local economy. To the extent there is a recapture of entertainment spending or a retention of new demand growth then the argument does not hold.
- ❖ **Arena Anchor.** Perhaps the principal benefit of having a minor league hockey team is the value as a prime tenant of an arena. Without a principal user, such as a minor league hockey team, booking 35-40 events with good attendance, it is very difficult to make the economics of an arena work. With the arena, a community has the opportunity to book numerous other community and entertainment events. A typical calendar of events would encompass perhaps 120 to 150 event days. It is this total calendar which should be kept in mind as driving benefits to the community.
- ❖ **Arena Economics.** The presence of a minor league hockey team also makes a premium seating program (suites and club seats) viable. This is becoming a very important revenue source for "minor league" arenas even where some of this revenue is usually shared with the team. Similarly, the value of naming rights would be greatly enhanced with a minor league hockey team. The terms of an agreement with a concessionaire will also improve. In general, the values of several arena revenue streams are improved thus making it easier to put together a capital financing strategy.

BOONE COUNTY FAIRGROUNDS ARENA/AMPHITHEATER PROJECT

BOONE COUNTY, MISSOURI

Proposed Elements

Project:

Stifel, Nicolaus & Company has prepared the following proposal in response to inquiries from individuals involved in both the public and private sector. This proposal outlines a public/private partnership that could be formed to acquire the land and develop an arena and/or amphitheater for family sports and entertainment. We believe the interest in such a project is very strong.

The analyses presented in this proposal are provided for illustrative purposes only and should not be considered final. The costs of this project can vary widely and will ultimately be negotiated by the County and other interested parties.

Timing:

1. Feasibility study, facility design, site agreement, intergovernmental agreement, management agreement, hockey agreement and construction contract (*completion date—November 1, 1999*).
2. Issuance of approximately \$40 million in Taxable Leasehold Revenue Bonds (*completion date—December 31, 1999*).
3. Site preparation, construction of arena/amphitheater parking (*completion date—August, 2001*).

Ownership of Facility and Issuer of Bonds:

The Boone County Public Arena/Amphitheater Authority (Authority), a non-profit corporation organized and existing under the laws of the State of Missouri will be created to own the facility and issue the Bonds.

Financing Structure:

The Authority will issue approximately \$50 million in Taxable Leasehold Revenue Bonds to: (1) finance the cost of the acquisition of land, the construction of a public sports and entertainment arena/amphitheater and related improvements and the acquisition of machinery, equipment, furnishings and related property; (2) pay interest on the Bonds during the acquisition, construction

and installation of the project; (3) fund a debt service reserve fund to secure the payment of principal of and interest on the Bonds and to be held by the Trustee; and (4) pay the costs of issuance of the bonds.

The Authority will lease the project to the County pursuant to a lease agreement by and between the Authority and the County. The payment of the principal of, premium, if any, and interest on the Bonds will be secured by a Deed of Trust from the Authority to the Trustee. The County will assign its right, title and interest to certain contracts to which the County is a party, relating to the project from the County to the Authority.

The Bonds and the interest thereon will be special, limited obligations of the Authority, payable solely and only from the lease rental payments and additional payments to be made by the County pursuant to the lease, the proceeds from the sale of the Bonds and the income from the temporary investment thereof and certain funds and accounts held by the Trustee. **The Bonds and the interest thereon will not constitute a debt or liability of the County, the State of Missouri or any other political subdivision.**

The Bonds are taxable and subject to federal and state income tax. The Bonds are exempt securities from registration. It is anticipated that the Bonds will receive a rating of "A-" or better by one of the primary rating agencies (Standard & Poor's or Moody's). The Bonds will have a final maturity of approximately 30 years.

Developer:

A qualified manager (Manager) will develop the Project, manage the arena and secure a family arena license agreement between the manager and a professional minor league hockey franchise.

*Project Agreements/
Contracts:*

The Lease:

The County will lease the Project from the Authority for the term of the Bonds in exchange for lease payments sufficient to service the debt in a timely manner and various covenants regarding the use and maintenance of the

Project. Lease payments are subject to annual appropriation.

The Intergovernmental Agreement:

The City of Columbia, Missouri may pledge to pay the County an agreed upon amount per year for 30 years to support the Project (subject to certain conditions which include annual appropriation). This is a way to strengthen the financing and lessen the burden on Boone County. If the City of Columbia does not participate, the Project could proceed anyway.

Management Agreement:

The Manager will pay the County an agreed upon amount per year paid semi-annually after completion of the construction of the Project for 30 years for the exclusive licensing right to manage the Project. This payment will make up the majority of debt service. The management agreement will require the Manager to make supplemental payments to the County should the Project's net income exceed certain objectives. The Manager will enter into a "Project Use Agreement" with an owner of a prospective professional minor league hockey team. Additionally, the management agreement will be supported by one or more letters of credit to be maintained for 10 years.

Construction Contract:

The Authority will enter into a construction contract with a contractor prior to the issuance of bonds. The construction contractor will require completion of the construction of the Project and the issuance of a Certificate of Occupancy for the Project. The contractor will be responsible for completing all work associated with the construction of the Project as set forth in a design/build proposal of the selected contractor. The construction contract will have a fixed contract price for the Project.

All agreements/contracts between the County and other parties discussed above will be assigned to the Authority for the benefit of the bondholders.

FAIRGROUNDS ARENA/AMPHITHEATER PROJECT
BOONE COUNTY, MISSOURI

Schedule of Activities

<u>Date</u>	<u>Activity</u>
6/14/99	Agreement Among Parties with Project Concept
7/5/99	Identify Project Developer, Begin Agreement Negotiation (Management, Hockey and Intergovernmental)
8/2/99	Begin Market and Feasibility Study
8/11/99	Confirm Financing Structure
8/17/99	Begin Draft Ordinance Forming Arena/ Amphitheater Authority
9/17/99	Finalize Intergovernmental Cooperation Agreement, Management Agreement and Hockey Agreement
10/15/99	Market and Feasibility Study Completed
10/22/99	File Articles of Incorporation for the Boone County Arena/Amphitheater Authority (BCAAA)
12/10/99	BCAAA Awards Construction Contract
12/17/99	Issue Bonds
1/2000	Purchase Land and Begin Site Preparation/Construction
8/2001	Arena/Amphitheater Completed

BOONE COUNTY FAIRGROUNDS ARENA/AMPHITHEATER PROJECT

BOONE COUNTY, MISSOURI

PROJECT PARTICIPANTS

BOONE COUNTY ARENA/AMPHITHEATER
AUTHORITY (BCAAA)

- Not-for-Profit
- Issuer of Bonds
- Owner of Facility
- Receives Stream of Revenue for Debt Service from Lease with County

BOONE COUNTY, MISSOURI

- All Revenues Flow through County to BCAA
- County Makes Contributions and Annually Appropriates Lease Payment Equal to Debt Service

FACILITY MANAGER

- Manage Facility
- Promote Facility
- Attract Events/Tenants to Facility
- Make Annual Lease Payment to County Equal to Large Majority of Debt Service
- Provide Letter of Credit to Back Lease Payment for First Several Years of Operation

HOCKEY TEAM

- Provide Professional Minor League Hockey Team

CITY OF COLUMBIA

- May Contribute to Debt Service by Annual Appropriation

CONSTRUCTION
CONTRACTOR

- Provide Guaranteed Maximum Price Contract

FEASIBILITY STUDY

- Market and Financial Analysis of Arena/ Amphitheater
Prepared by
Nationally Known
Firm