

CITY OF ALBUQUERQUE



Proposed Arena Project

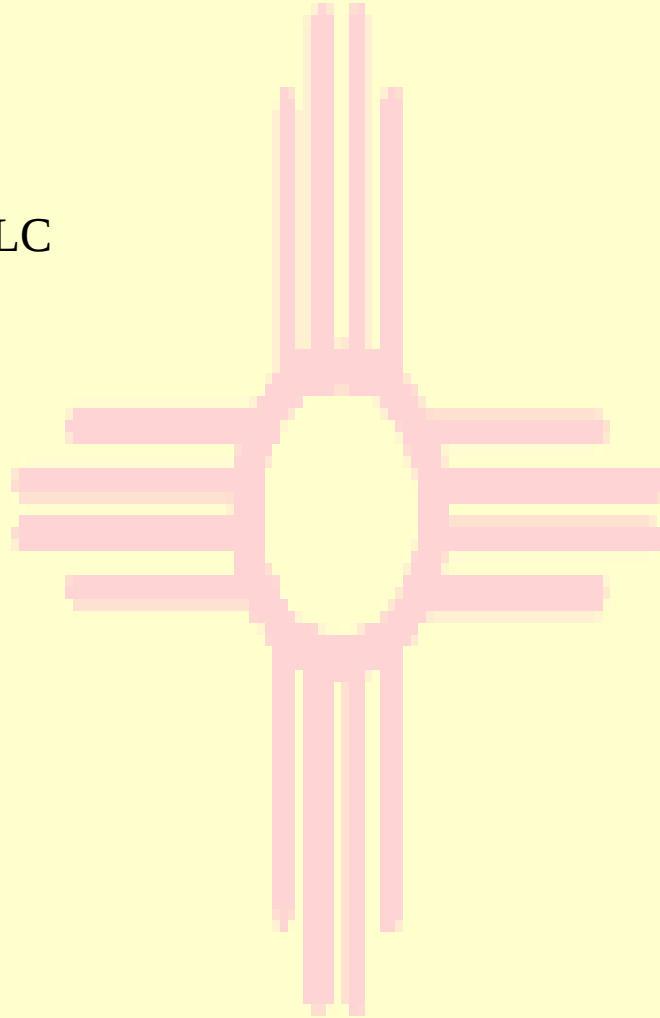
Limited Review of Feasibility Reports

Prepared By:
Barrett Sports Group, LLC

August 25, 2004

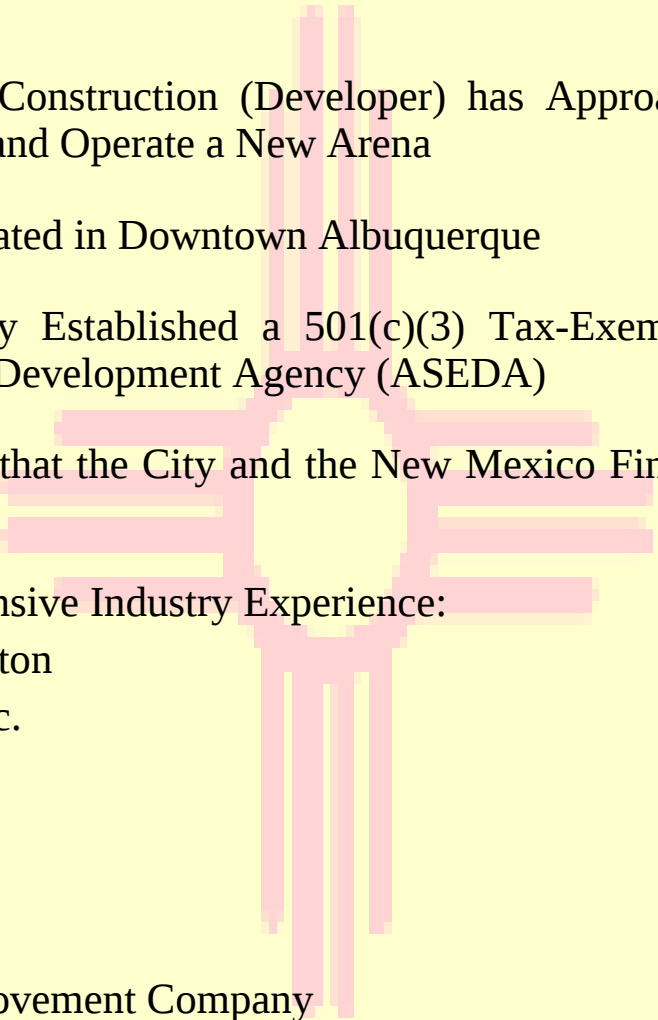
Presentation Outline

- I. Introduction
- II. Barrett Sports Group, LLC
 - Overview
 - Key Personnel
 - Experience
- III. Scope of Services
- IV. Project Overview
- V. Summary of Findings
- VI. Recommendations



I. Introduction

Our Understanding

- 
- Arena Management and Construction (Developer) has Approached the City of Albuquerque (City) to Plan, Construct, and Operate a New Arena
 - Proposed Arena to be Located in Downtown Albuquerque
 - Developer has Reportedly Established a 501(c)(3) Tax-Exempt Corporation – Albuquerque Sports and Entertainment Development Agency (ASEDA)
 - Developer has Requested that the City and the New Mexico Finance Authority Provide Conduit Financing
 - Developer Team has Extensive Industry Experience:
 - ✓ Zev Buffman/Bill Dutton
 - ✓ Hunt Construction, Inc.
 - ✓ Global Spectrum
 - ✓ Rossetti Architects
 - ✓ Kutak Rock LLP
 - ✓ Piper Jaffray
 - ✓ Historic District Improvement Company
 - Barrett Sports Group, LLC was Retained to Review Feasibility Reports Completed to Date (and Other Materials), and Comment on Potential Risks Associated with the Project

II. Barrett Sports Group, LLC

Overview

- Strategic Consulting Services Specifically to the Sports Industry – Broad Range of Services
 - ✓ Facility Planning
 - Market and Financial Feasibility
 - Premium Seating Demand
 - Evaluation of Naming Rights and Other Sponsorships
 - ✓ Facility Financing
 - Financial Advisory
 - Development of Financing Plans
 - Public/Private Partnerships
 - ✓ Strategic Planning
 - Negotiation Advisory
 - Return Analysis
 - Risk Mitigation Strategies
 - ✓ Transaction Due Diligence
 - Acquisition/Disposition Due Diligence
 - Identification of Acquisition Candidates
 - Identification of Qualified Buyers

II. Barrett Sports Group, LLC

Overview

- 
- Strategic Consulting Services Specifically to the Sports Industry – Broad Range of Services (Continued)
 - ✓ Valuation
 - Sports Franchise Valuation
 - Lease Valuation
 - Arena/Stadium Valuation
 - ✓ Other
 - Economic and Fiscal Impact Studies
 - Franchise Financing Support
 - Benchmarking Studies
 - We Understand the Complexities of the Sports Industry
 - ✓ Political
 - ✓ Financial
 - ✓ Operational
 - Successful Track Record of Delivering Quality Advice to Private and Public Sector Clients
 - Extensive Sports Industry Contacts/Relationships

II. Barrett Sports Group, LLC

Key Personnel

➤ Our Team

- ✓ Daniel S. Barrett
- ✓ Joshua C. Cohen
- ✓ Daniel N. Kantrovitz
- ✓ S. Donald Sims, Ph.D.

➤ Daniel S. Barrett – Summary of Experience

- ✓ 15 Years Experience – Over 400 Industry Projects
- ✓ Formerly Managing Director for Western Region Sports and Entertainment Investment Banking Division of A.G. Edwards & Sons, Inc.
- ✓ Formerly Lead Western Region Hospitality Sports and Leisure Consulting Practice for Deloitte & Touche LLP
- ✓ Sports Industry Expert Witness
- ✓ UCLA B.A. – Economics/International Studies
- ✓ USC M.B.A. – Real Estate/Finance

II. Barrett Sports Group, LLC

Experience

- Selected Arena Related Projects
 - ✓ Allen County War Memorial Coliseum
 - ✓ Ascent Entertainment – Pepsi Center
 - ✓ California State University, Sacramento Arena Project
 - ✓ City of Atlanta-Fulton County Recreation Authority – Phillips Arena
 - ✓ City of Auburn Hills – The Palace at Auburn Hills
 - ✓ City of Dallas – American Airlines Center
 - ✓ City of Edmonton – Edmonton Coliseum
 - ✓ City of Oklahoma City – Ford Center
 - ✓ Franklin County Convention Facilities Authority Arena Project
 - ✓ Gwinnett County Arena Project
 - ✓ Hillsborough County Property Appraiser – Ice Palace
 - ✓ Maryland Stadium Authority Arena Project
 - ✓ New Jersey Sports and Exposition Authority
 - ✓ New Orleans Hornets
 - ✓ Oakland-Alameda County Coliseum Authority Arena Project
 - ✓ Los Angeles County Fair, Hotel, and Exposition Complex Arena Project

II. Barrett Sports Group, LLC

Experience

➤ Selected Franchise Related Projects

- ✓ Anaheim Angels
- ✓ Arena Football League (AFL) Franchise Investor Group
- ✓ Boston Bruins/New England Sports Network
- ✓ Canadian Minor League Franchise
- ✓ Charlotte Checkers (ECHL)
- ✓ Cleveland Indians
- ✓ Denver Broncos
- ✓ Fleet Bank (New York Islanders)
- ✓ International Hockey League (IHL) – Milwaukee Admirals
- ✓ Mudville Nine Baseball Club
- ✓ New England Patriots
- ✓ New Orleans Hornets
- ✓ Oakland A's Investor Group
- ✓ Philadelphia Eagles
- ✓ Rogers Communications – Toronto Blue Jays
- ✓ Sacramento River Cats
- ✓ St. Louis Blue Investor Group
- ✓ San Francisco 49ers
- ✓ Tampa Bay Lightning
- ✓ Fresno Grizzlies
- ✓ Vancouver Canucks
- ✓ Visalia Oaks Baseball Club
- ✓ Western Hockey League Investor Group



III. Scope of Services

Tasks Completed

- Reviewed C.H. Johnson Consulting, Inc. Report (8/04)
- Reviewed BDO Seidman, LLP Report (6/30/04)
- Reviewed KPMG Feasibility Report (9/00)
- Reviewed Cash Flow Model Prepared by Developer (12/30/03)
- Reviewed Operating and Financial Characteristics for:
 - ✓ Comparable Arenas (15)
 - ✓ New Mexico Scorpions
 - ✓ Central Hockey League (CHL)
 - ✓ ECHL
 - ✓ AF2
- Reviewed Proposed Memorandum of Understanding (6/25/04)
- Our Analysis is Limited in Nature as a Result of Time Constraints

III. Scope of Services

Comparable Arenas

- Reviewed Operating and Financial Characteristics of the Following 15 Arenas:
 - ✓ Sovereign Bank Arena – Trenton, New Jersey (1)
 - ✓ Budweiser Events Center – Loveland, Colorado (1)
 - ✓ Dodge Arena – Hidalgo, Texas (1)
 - ✓ John Labatt Centre – Ontario, Canada (1)
 - ✓ Everett Events Center – Everett, Washington
 - ✓ Wachovia Arena – Wilkes Barre, Pennsylvania
 - ✓ Spokane Arena – Spokane, Washington (1)
 - ✓ Sovereign Center – Reading, Pennsylvania
 - ✓ Verizon Wireless Arena – Manchester, New Hampshire
 - ✓ Laredo Entertainment Center – Laredo, Texas
 - ✓ The Mark of the Quad Cities – Moline, Illinois (1)
 - ✓ Van Andel Arena – Grand Rapids, Michigan
 - ✓ Pepsi Arena – Albany, New York
 - ✓ Ford Center – Oklahoma City
 - ✓ Alltel Arena – Little Rock, Arkansas

(1) – Arenas referenced in C.H. Johnson Consulting, Inc. report.

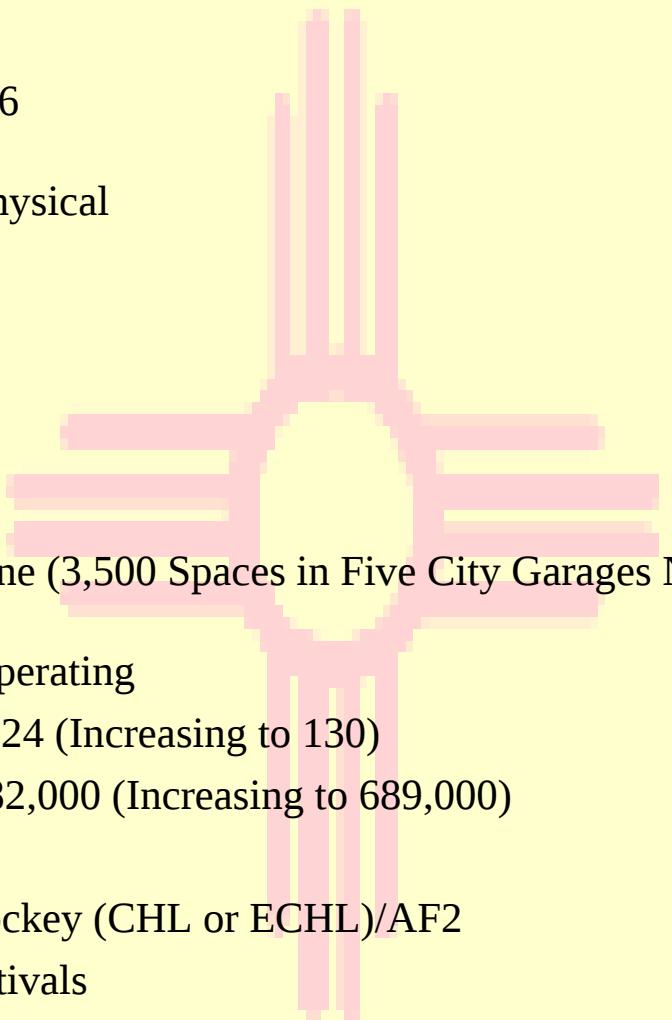
III. Scope of Services

Comparable Arenas

- Net Operating Income – 15 Comparable Arenas
 - ✓ High \$2,300,000
 - ✓ Low \$50,000
 - ✓ Average \$975,000
- KPMG Report (2000) Findings Within Range Above

IV. Project Overview

Project Description

- 
- Arena Opening – Fall 2006
 - Arena Characteristics – Physical
 - ✓ Fixed Seating – 8,545
 - ✓ Luxury Suites – 44
 - Sellable – 38
 - Party/Other – 6
 - ✓ Club Seats – 700
 - ✓ On-Site Parking – None (3,500 Spaces in Five City Garages Nearby)
 - Arena Characteristics – Operating
 - ✓ Number of Events – 124 (Increasing to 130)
 - ✓ Total Attendance – 682,000 (Increasing to 689,000)
 - ✓ Major Tenants
 - Minor League Hockey (CHL or ECHL)/AF2
 - ✓ Broadway Shows/Festivals
 - ✓ Other Events (Concerts/Family Shows/Sporting Events/Community Events/Consumer Shows)
 - Proposed Project Reflects a Unique Approach to Arena Development, Financing, and Operation

IV. Project Overview

Sources and Uses of Funds

Sources of Funds:		Uses of Funds:	
Project Revenue Bonds	\$36,340,000	Deposit to Project Construction Fund	\$49,899,992
Surcharge Revenue Bonds	31,995,000	Deposit to Capitalized Interest (CIF) Fund	7,103,790
City Contribution of Land, Infrastructure	5,500,000	Land, Infrastructure	5,500,000
Subordinated Loans	4,500,000	Deposit to Debt Service Reserve Fund (DSRF)	5,220,747
Food and Beverage Equipment	1,200,000	Developers Fee	3,000,000
Interest Earnings on Project Construction Fund	939,423	Pre-Opening/Marketing Expenses	2,997,000
Global Spectrum - Equity Contribution	500,000	Costs of Issuance	1,634,115
		Hockey Team Franchise Cost	1,500,000
		Coverage Account	1,500,000
		Food and Beverage Equipment	1,200,000
		Gross Bond Insurance Premium	712,939
		AF2 Franchise Cost	700,000
		Rounding Amount	5,841
Total Sources	\$80,974,423	Total Uses	\$80,974,423

V. Summary of Findings

Market Analysis – Methodology

- Key Market Characteristics – General/Demographic (U.S./Comparable Size/CHL/ECHL/AF2)
 - ✓ Population
 - ✓ Estimated Population Growth
 - ✓ Total Households
 - ✓ Total Effective Buying Income
 - ✓ Median Household Effective Buying Income
 - ✓ Total Households with a Median Effective Buying Income Over \$50,000
 - ✓ Buying Power Index
 - ✓ Large Companies
 - ✓ Television Households/Population
 - ✓ Radio Population
- Key Market Characteristics – Competitive Facilities
 - ✓ Current and Planned Seat Inventory
 - ✓ Current and Planned Luxury Suite Inventory
 - ✓ Current and Planned Club Seat Inventory
 - ✓ Population Per Seat
 - ✓ High Income Households Per Seat/Club Seat
 - ✓ Large Companies Per Luxury Suite/Club Seat

V. Summary of Findings

Market Analysis – Key Observations

- General/Demographic
 - ✓ Population – Adequate
 - ✓ Estimated Population Growth – Moderate
 - ✓ Income – Moderate
 - ✓ High Income Households – Moderate
 - ✓ Corporate Base
 - Relatively High Number of Large Corporations
 - Several of Large Companies in Following Industries:
 - ❖ Government
 - ❖ Education
 - ❖ Military
- Competition
 - ✓ Competitive Attractions – Limited
 - ✓ Competitive Facilities – Limited
 - Existing Inventory (Tingley Coliseum/Isotopes Park/The Pit/Journal Pavilion)
 - Rio Rancho Arena (Potential Major Issue)

V. Summary of Findings

Market Analysis – Key Observations

- Premium Seating
 - ✓ Luxury Suites
 - Isotopes Park – Strong Support (\$28,000 Price Includes Tickets)
 - Proposed Price Does Not Include Tickets (\$34,000 Price Plus Tickets) – No On-Site Parking for Premium Seat Holders
 - ✓ Club Seats
 - Isotopes Park – Limited Success/Market Support
 - Industry Trends – Club Seat Demand Issues
 - Price High at \$1,200
- General Conclusion: Market Should Support Proposed Arena and Event Schedule

V. Summary of Findings

Financial Analysis – Key Assumptions

- Number of Events – Aggressive, But Achievable
 - ✓ Concerts
 - ✓ Other Sporting Events
 - ✓ Other Entertainment/Festivals/Broadway Shows
- Attendance – Aggressive, But Achievable
 - ✓ Hockey/Football Drop Should be Higher After “Honeymoon” Period
 - ✓ Family and Ice Shows
 - ✓ Concerts
 - ✓ Other Sporting Events
- Rent – Aggressive, Additional Surcharge Issue
 - ✓ Add 10% Surcharge (Versus 7% Sales Tax)
 - ✓ Add \$1.50 Ticket
 - ✓ Key Events – Concerts (18%)/Other Sporting Events (13%)

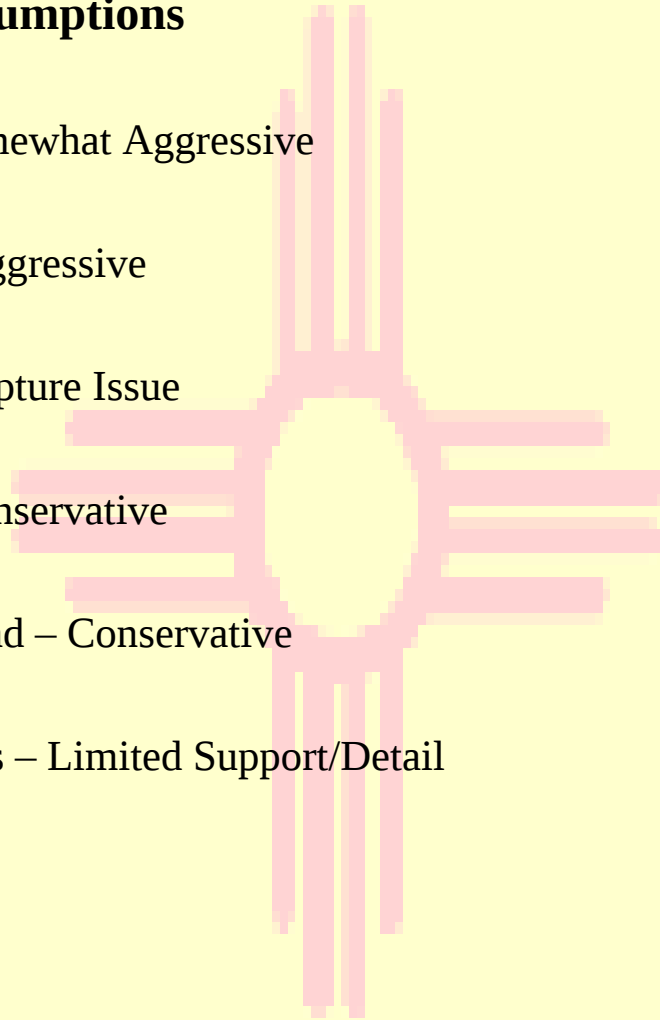
Note: Rent has been Adjusted Down by \$600,000.

- Average Ticket Price – Mixed
 - ✓ Family and Ice Shows
 - ✓ Concerts

V. Summary of Findings

Financial Analysis – Key Assumptions

- Food and Beverage – Somewhat Aggressive
- Novelties – Somewhat Aggressive
- Parking – Aggressive, Capture Issue
- Operating Expenses – Conservative
- Maintenance Reserve Fund – Conservative
- Team Revenues/Expenses – Limited Support/Detail



V. Summary of Findings

Financial Analysis – Summary of Findings

C.H. Johnson Consulting, Inc.

➤ Original Report

Project Net Operating Income (After Maintenance Reserve Deposit)	\$5,323,000
Estimated Surcharge Revenue	\$2,817,000

➤ Revised (Cash Flow Correction)

Project Net Operating Income (After Maintenance Reserve Deposit)	\$4,725,000
Estimated Surcharge Revenue	\$2,817,000

➤ Sensitivity #1

Project Net Operating Income (After Maintenance Reserve Deposit)	\$3,196,000
Estimated Surcharge Revenue	\$2,749,000

BDO Seidman Report

➤ Original Report

Project Net Operating Income (After Maintenance Reserve Deposit)	\$4,970,000
Estimated Surcharge Revenue	\$2,121,000

V. Summary of Findings

Financial Analysis – Summary of Findings

➤ C.H. Johnson Consulting, Inc. – Revised (Cash Flow Correction)

Project Net Operating Income (After Maintenance Reserve Deposit)	\$4,725,000
Estimated Debt Service (Non-Rated Bond Issue)	\$2,778,000
Debt Coverage Ratio	1.70x

Estimated Surcharge Revenue	\$2,817,000
Estimated Debt Service (Credit Enhancement to be Provided)	\$2,123,000
Debt Coverage Ratio	1.33x

➤ C.H. Johnson Consulting, Inc. – Sensitivity #1

Project Net Operating Income (After Maintenance Reserve Deposit)	\$3,196,000
Estimated Debt Service (Non-Rated Bond Issue)	\$2,778,000
Debt Coverage Ratio	1.15x

Estimated Surcharge Revenue	\$2,749,000
Estimated Debt Service (Credit Enhancement to be Provided)	\$2,123,000
Debt Coverage Ratio	1.29x

V. Summary of Findings

Financial Analysis – Key Observations

- Financial Variance between Traditional Arena and Proposed Project to be Offset by:
 - ✓ Minor League Tenants – Common Ownership
 - ✓ Broadway Shows/Theatrical Productions/Festivals – Self Promoted
 - ✓ Economies of Scale

- Minor League Franchise Estimated Values (Per Financing Plan)

✓ Minor League Hockey Cost	\$1,500,000
✓ AF2 Cost	\$700,000

- General Conclusions
 - ✓ Project Financing Likely to Require Credit Enhancement for Both Bond Issues
 - ✓ Proposed Project Unlikely to Meet Base Case Projections
 - ✓ Debt Coverage Ratios for C.H. Johnson, Inc. Sensitivity #1 Relatively Low
 - Future Shortfalls May Occur

V. Summary of Findings

Other Comments and Observations

- 
- Unique and Creative Approach
 - Proposed Arena Could be a Catalyst for Downtown Redevelopment/Revitalization
 - Proposed Project to Generate Significant Economic and Fiscal Impacts (KPMG Report – 2000)
 - ✓ Construction
 - ✓ Operations
 - Minor League Hockey
 - ✓ Central Hockey League (Scorpions) – Handshake Agreement
 - ✓ ECHL – Market Cannot Support Two Teams
 - ✓ Confirm Acquisition Cost
 - AF2
 - ✓ Final Approval Required (Expected to be Provided)
 - ✓ Confirm Acquisition Cost
 - ✓ League History
 - Announced Attendance (Declined from 7,239 to 4,982)
 - Dormant Franchises (9 Folded After 2002 – 3 Added in 2003)

V. Summary of Findings

Other Comments and Observations

- Broadway/Theatrical Productions/Festivals
 - ✓ Unique Concept – Limited Experience in Arena Setting
 - ✓ Relies on Experience of Zev Buffman

- City Should Consider Impact on Other Facilities
 - ✓ Tingley Coliseum – Non-Fair Events (Family Shows/Concerts/Etc.)
 - ✓ Journal Pavilion – Concerts
 - ✓ Convention Center – Consumer Shows/Trade Shows
 - ✓ Popejoy Arts Center – Broadway Shows/Theatrical Productions
 - ✓ Isotopes Park – Advertising/Sponsorships

- Equity Investment
 - ✓ Subordinated Loan Includes:
 - Developer Fee
 - Franchise Acquisition Costs
 - ✓ Team Management Fee

VI. Recommendations

Potential Next Steps

- Refine/Revise Cash Flow Model
- Consider Additional Mechanisms to Protect City
 - Priority/Relationship of Debt Issues
 - Reserve Funds
- Consider Alternative Deal/Financing Structures
- Identify Additional Private Sector Partners
 - ✓ Corporations
 - ✓ Individuals
- Identify Additional Public Sector Partners
 - ✓ Credit Enhancement
 - ✓ Equity Investment

