



Arena Finances

7/5/12



Dan Eder & Rebecca Herzfeld
City Council Central Staff

Overview

- Background Info
- Two Public Funding Scenarios:
 - Scenario A: Two Teams (NBA + NHL)
 - Scenario B: One Team (NBA Only)
- Detailed Financial Analysis
 - Public Funding vs. Private Funding
 - Public Funding by Jurisdiction
 - City's Public Funding

Background Info

Financial Security

Annual Revenue Guarantee

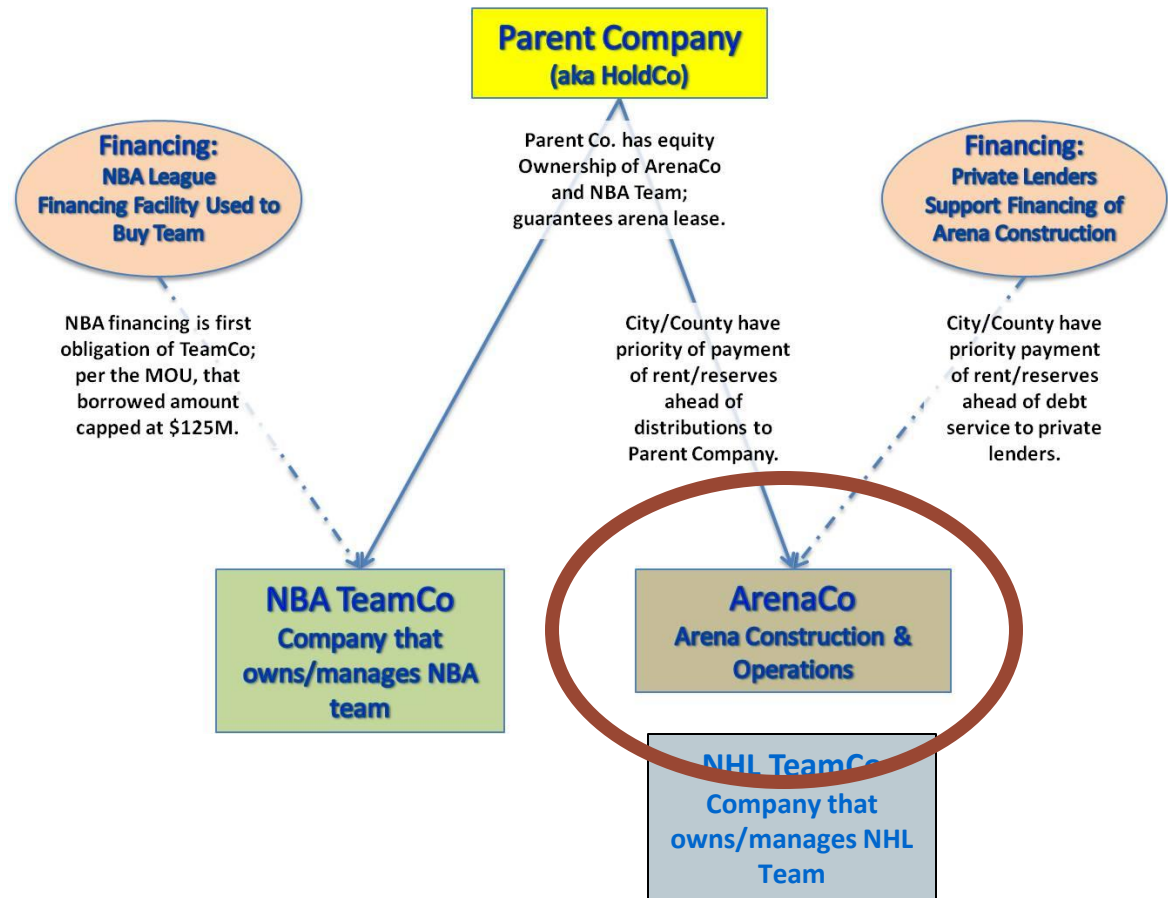
First Position on ArenaCo Revenue

Reserve Account & Coverage Ratio

Parent Company Guaranty

Additional Provisions

ArenaCo and Team Ownership



Annual Reimbursement Amount

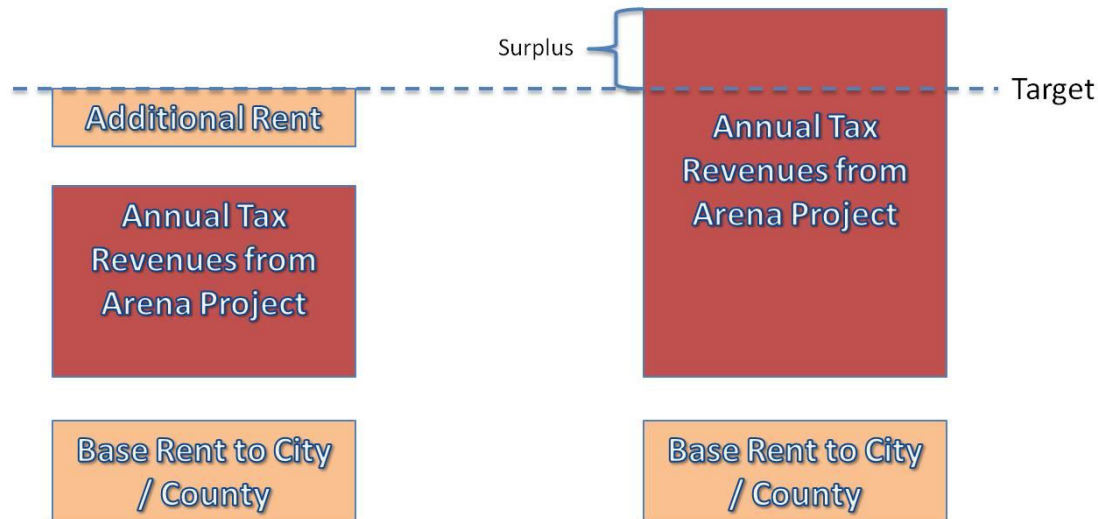
Revenue Guarantee

SHORTFALL SCENARIO

If “Base Rent” plus “Arena Tax Revenues” is not sufficient to cover annual financial obligations to City / County, ArenaCo will pay “Additional Rent”.

SURPLUS SCENARIO

If “Base Rent” plus “Arena Tax Revenues” is more than sufficient to cover annual financial obligations to City / County, the surpluses are used to provide the City / County financial protection.



CBO Financial Model

- City Budget Office (CBO) estimated arena revenues and team revenues for NBA and NHL teams
- CBO's model includes estimates for NBA game attendance, NHL game attendance, major concerts, other events, etc.
- CBO's model allows a basis for estimating the incremental tax revenue that will flow from ArenaCo and TeamCo business activities
- CBO and developer reached different conclusions about estimated level of business activities and tax revenues

Key Findings

- Business activities will generate significant amount of incremental tax revenues; and City will dedicate that stream of taxes to repay some of public's debt service obligations
- Based on CBO projections, there will be no Surplus Tax Revenues
- Based on CBO projections, ArenaCo will owe Additional Rent every year
- Additional Rent is an expected case rather than a “Protection”
- Elevates importance of understanding ArenaCo's ability to pay Additional Rent and for all team entities (ArenaCo, TeamCo, ParentCo) to back up guarantees and other related commitments under the MOU

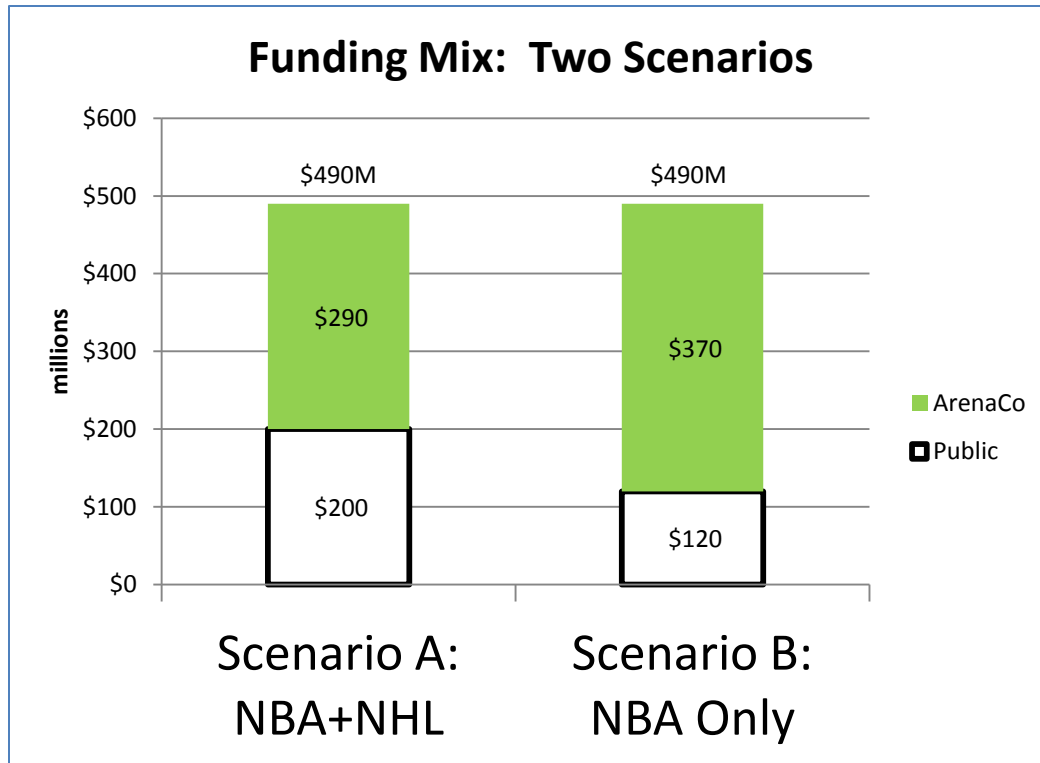
Public Investment Timing

- **Installment #1 (“Closing Date”)**
 - City buys land before construction begins
 - Price will not exceed \$100M

- **Installment #2 (“Transfer Date”)**
 - City and County buy building when construction is completed and building is added to property tax rolls
 - Total public funding is determined at this time
 - City & County funding is determined at this time

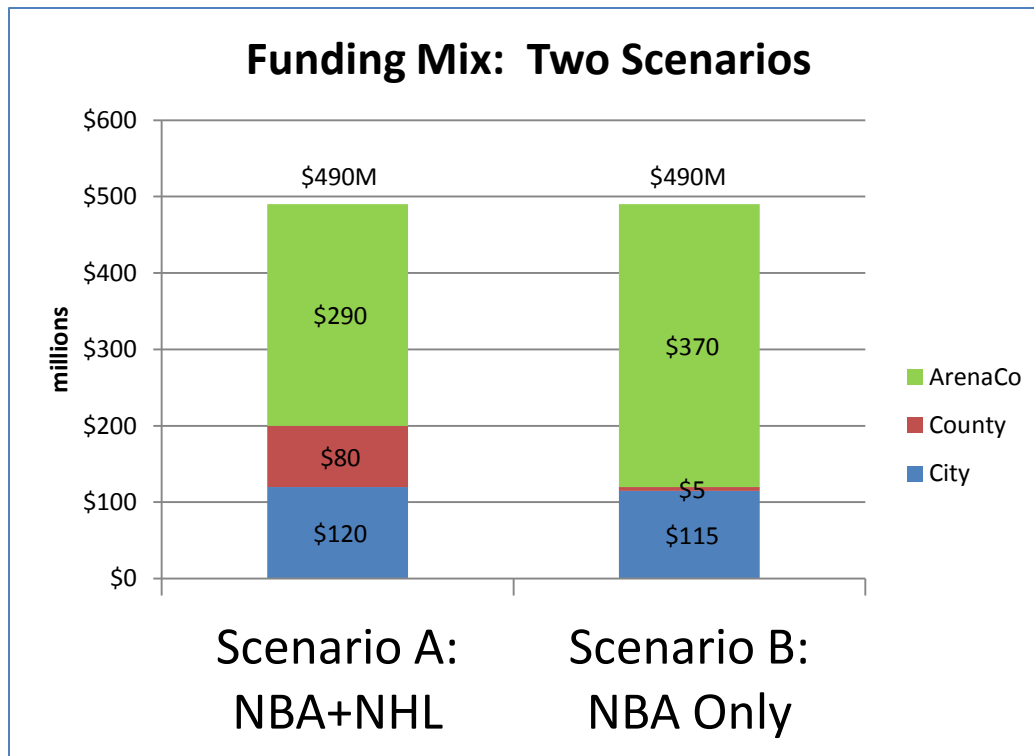
Two Scenarios

Project Development Costs



- Development cost is \$490M with one team or two teams
- ArenaCo's capital cost responsibility increases by \$80M without NHL team
- Some ArenaCo revenues decrease without NHL team (e.g., fewer total events/year, smaller gross retail sales)
- However, some ArenaCo revenues will not need to be shared without NHL team (e.g., naming rights, corporate suite proceeds)

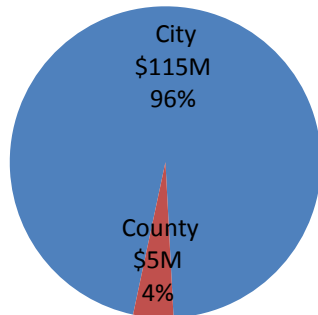
Project Development Costs



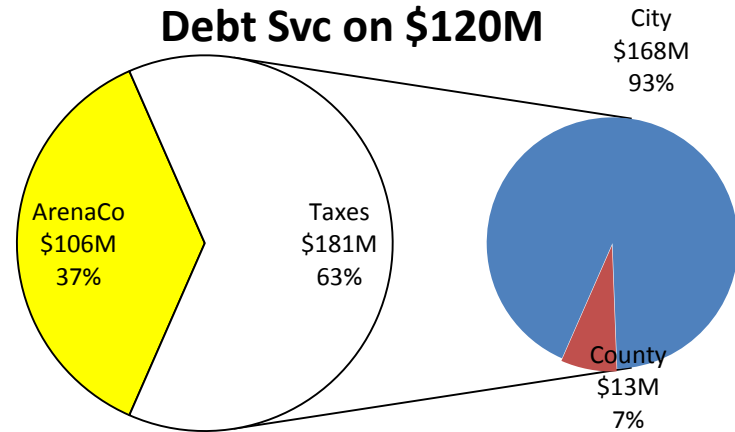
- In Scenario A, City issues 60% of total public debt (\$120M of \$200M total).
- In Scenario B, City issues 96% of total public debt (\$115M of \$120M total).

Public Debt and Debt Service

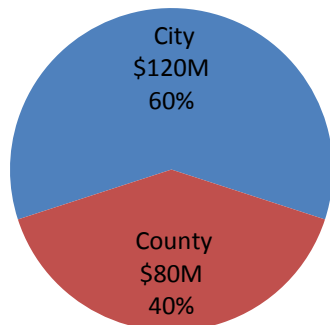
Bonds = \$120M



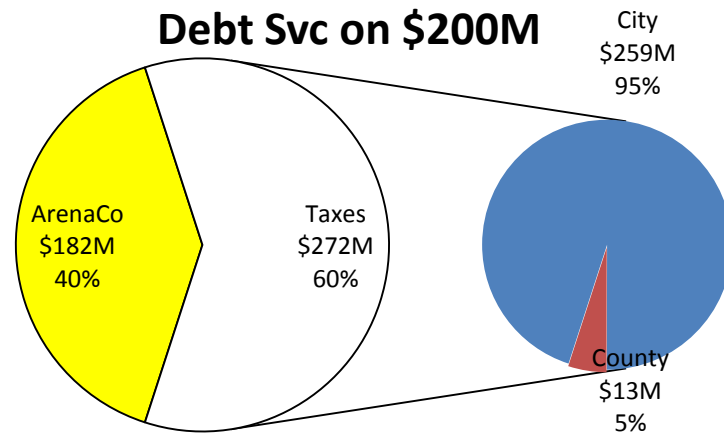
Debt Svc on \$120M



Bonds = \$200M



Debt Svc on \$200M

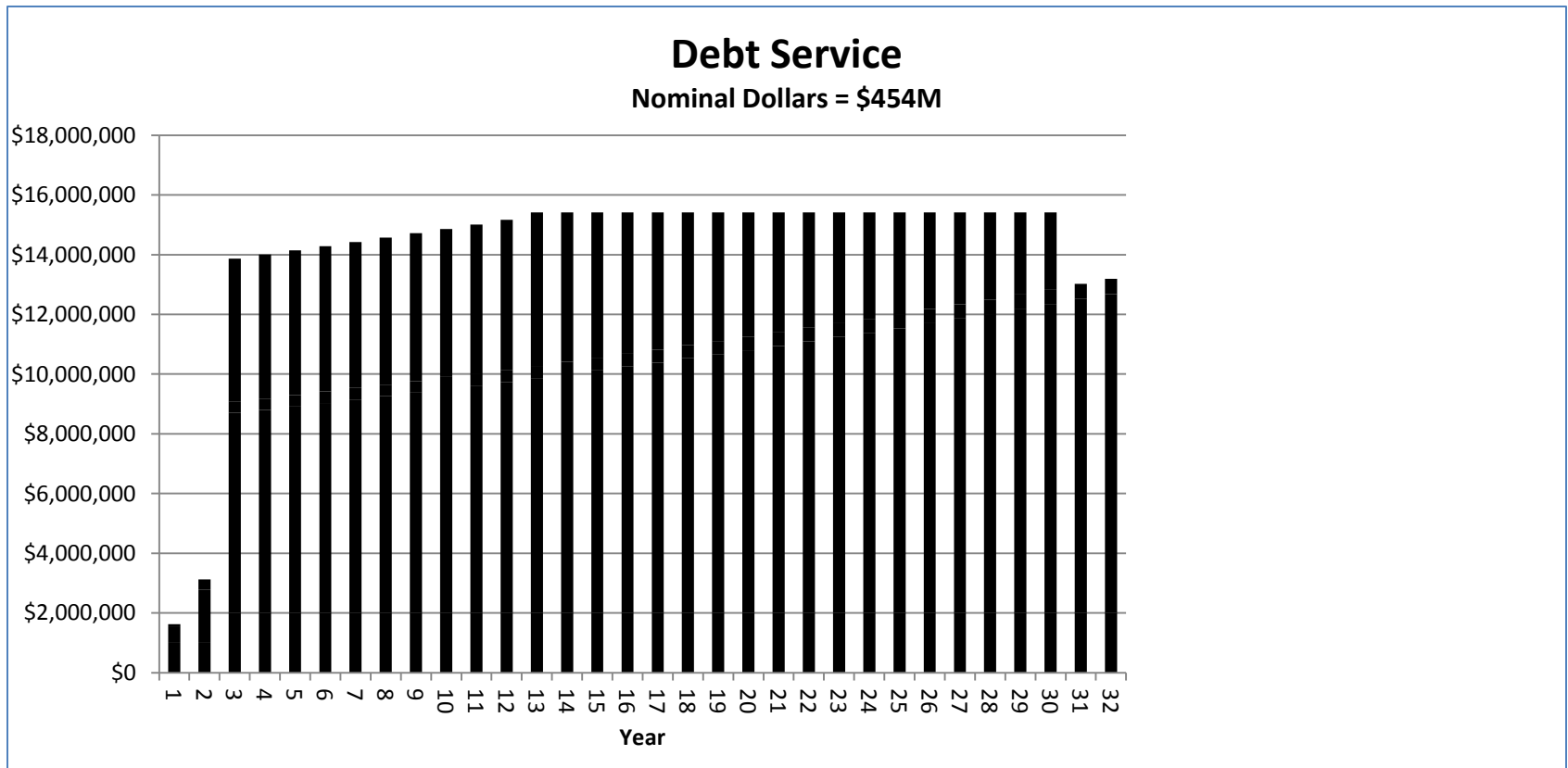


Financial Analysis

Scenario A: NBA + NHL

Scenario A: \$200M for NBA & NHL

Annual Reimbursement Amount

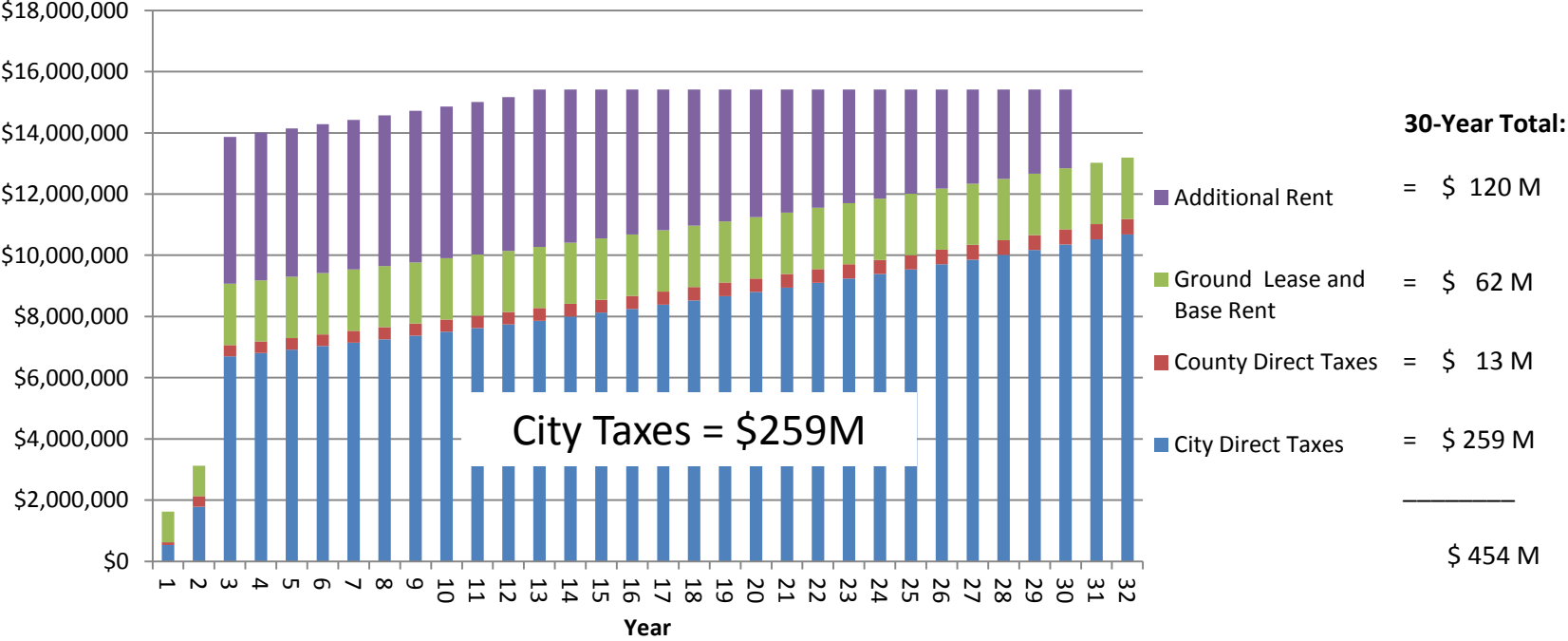


- “Annual Reimbursement Amount” =
Anticipated Debt Service for City and County

Scenario A: \$200M for NBA & NHL

Debt Service: Cash Flow By Source

Nominal Dollars = \$454M

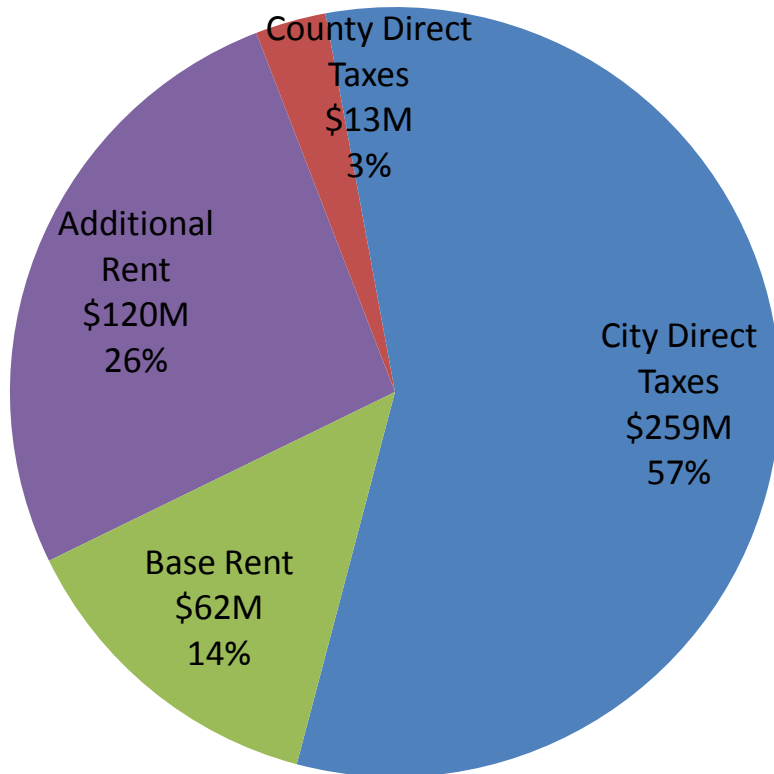


Scenario A: \$200M for NBA & NHL

Summary Debt Service By Source

Debt Service: Total Sources

Nominal Dollars = \$454M



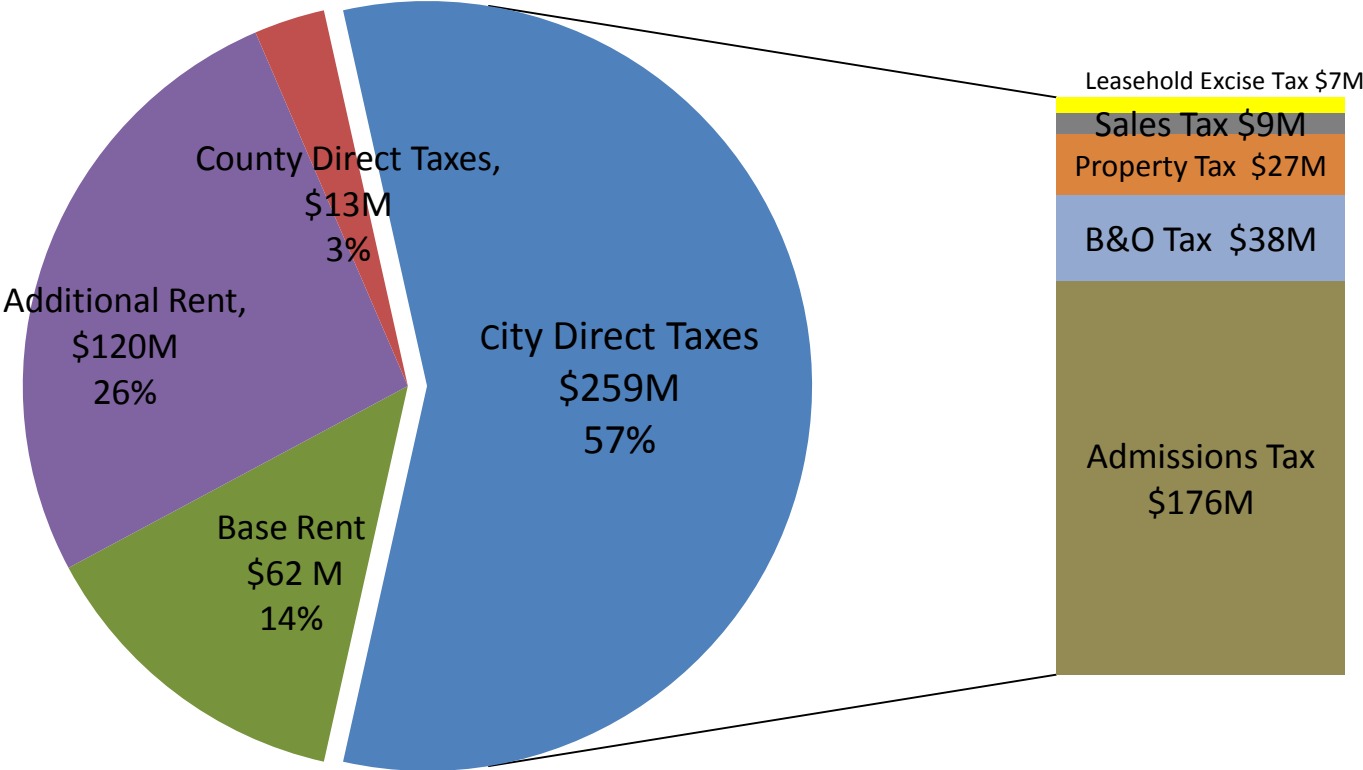
- Private = 40%
 - Base Rent
 - Additional Rent
- Public = 60%
 - City Taxes
 - County Taxes

Scenario A: \$200M for NBA & NHL

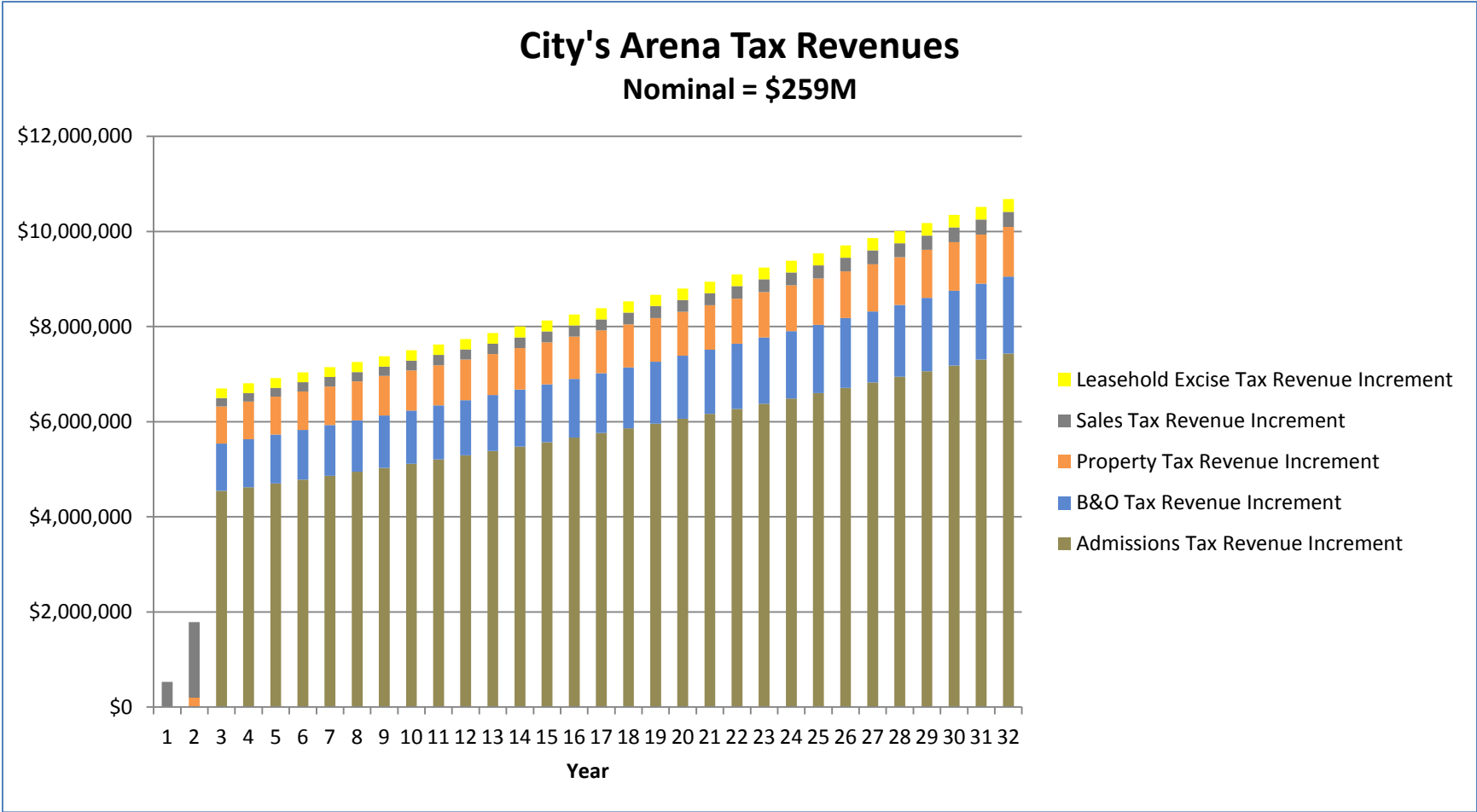
Detailed Debt Service By Source

Debt Service: Total Sources

Nominal Dollars = \$454M



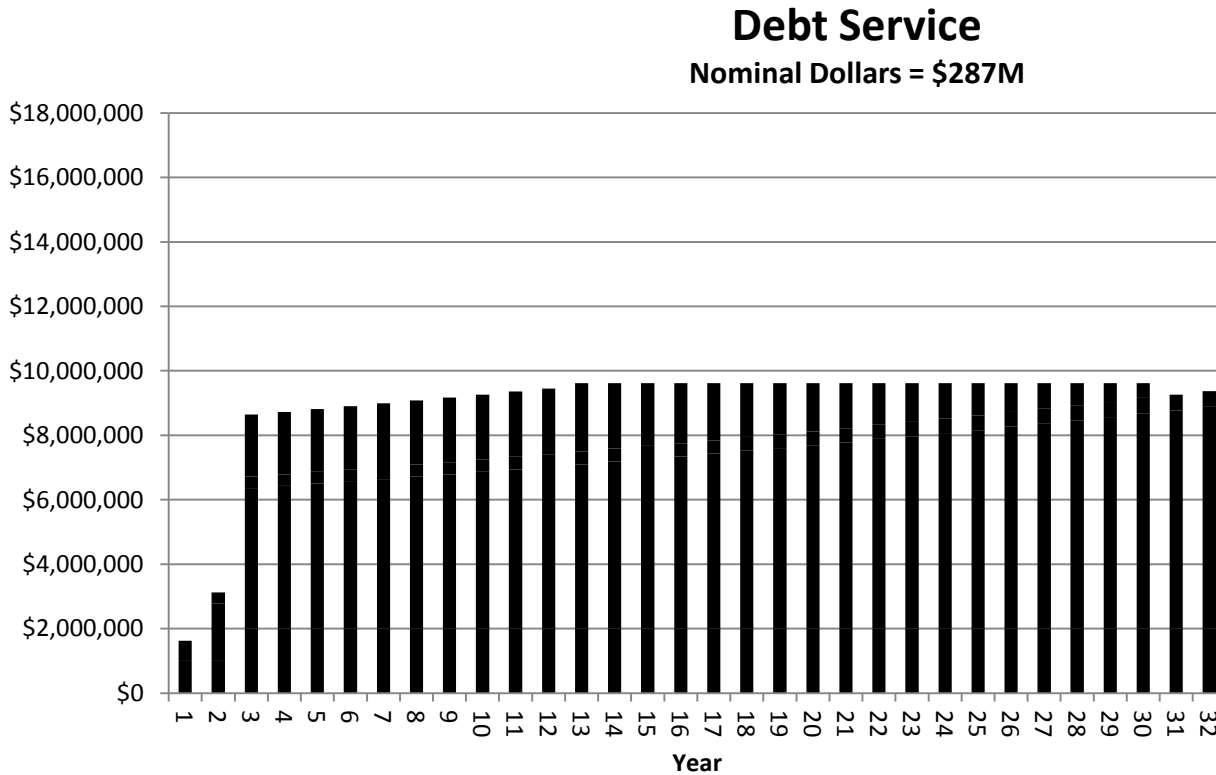
Scenario A: \$200M for NBA & NHL



Scenario B: NBA Only

Scenario B: \$120M for NBA Only

Annual Reimbursement Amount

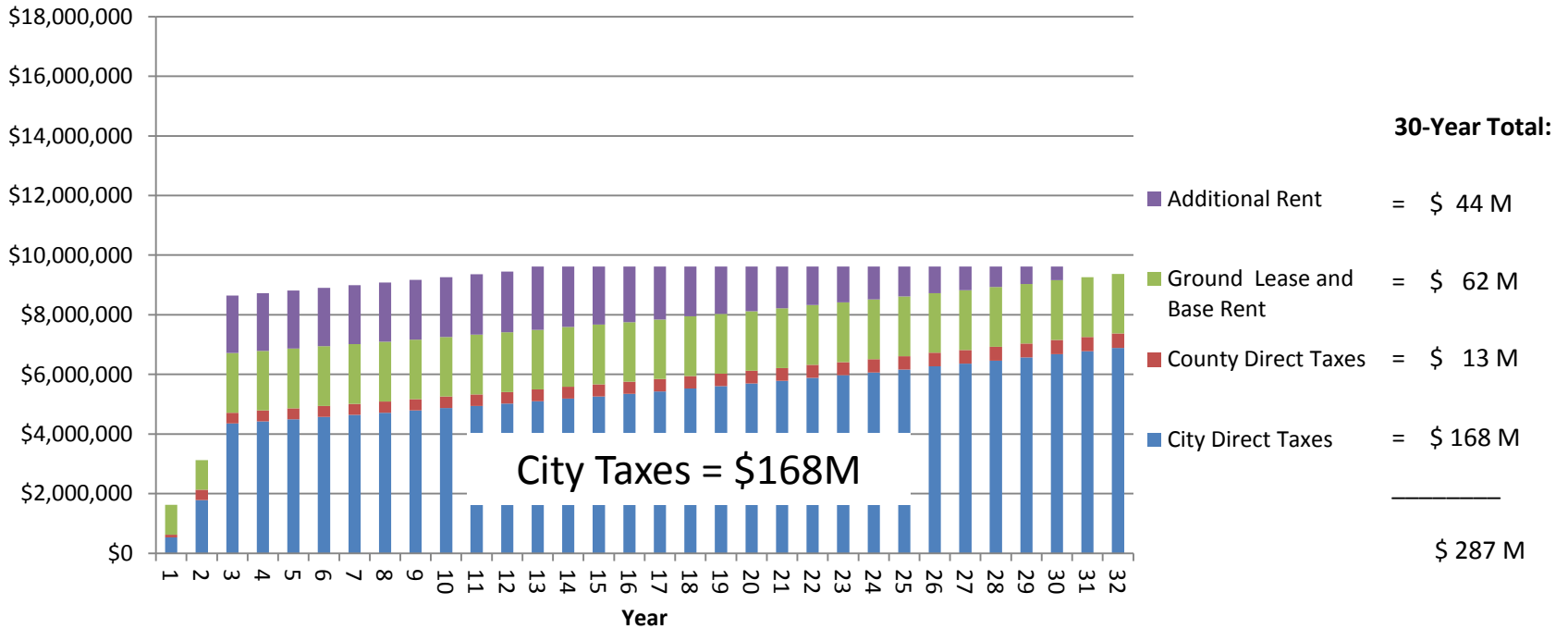


- “Annual Reimbursement Amount” = Anticipated Debt Service for City and County

Scenario B: \$120M for NBA Only

Debt Service: Cash Flow By Source

Nominal Dollars = \$287M



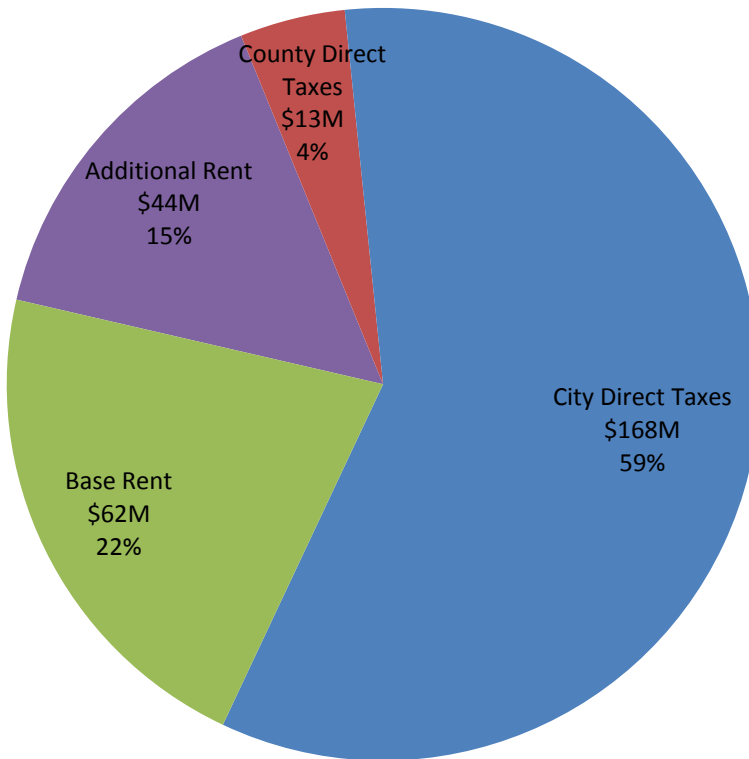
- Assumes no NHL and also assumes no “backfill” events in lieu of NHL.
- This simplifying assumption understates amount of business activity -- and therefore tax revenues – likely to occur in Scenario B.

Scenario B: \$120M for NBA Only

Summary Debt Service By Source

Debt Service: Total Sources

Nominal Dollars = \$287M



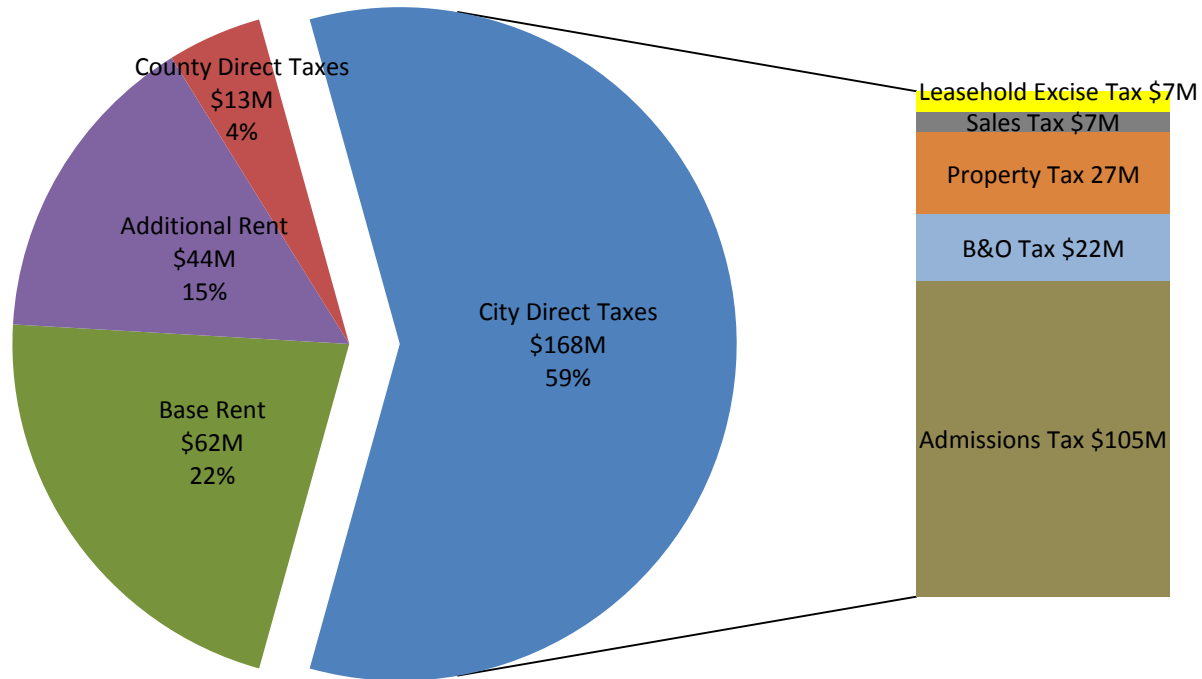
- **Private = 37%**
 - Base Rent
 - Additional Rent
- **Public = 63%**
 - City Taxes
 - County Taxes

Scenario B: \$120M for NBA Only

Detailed Debt Service By Source

Debt Service: Total Sources

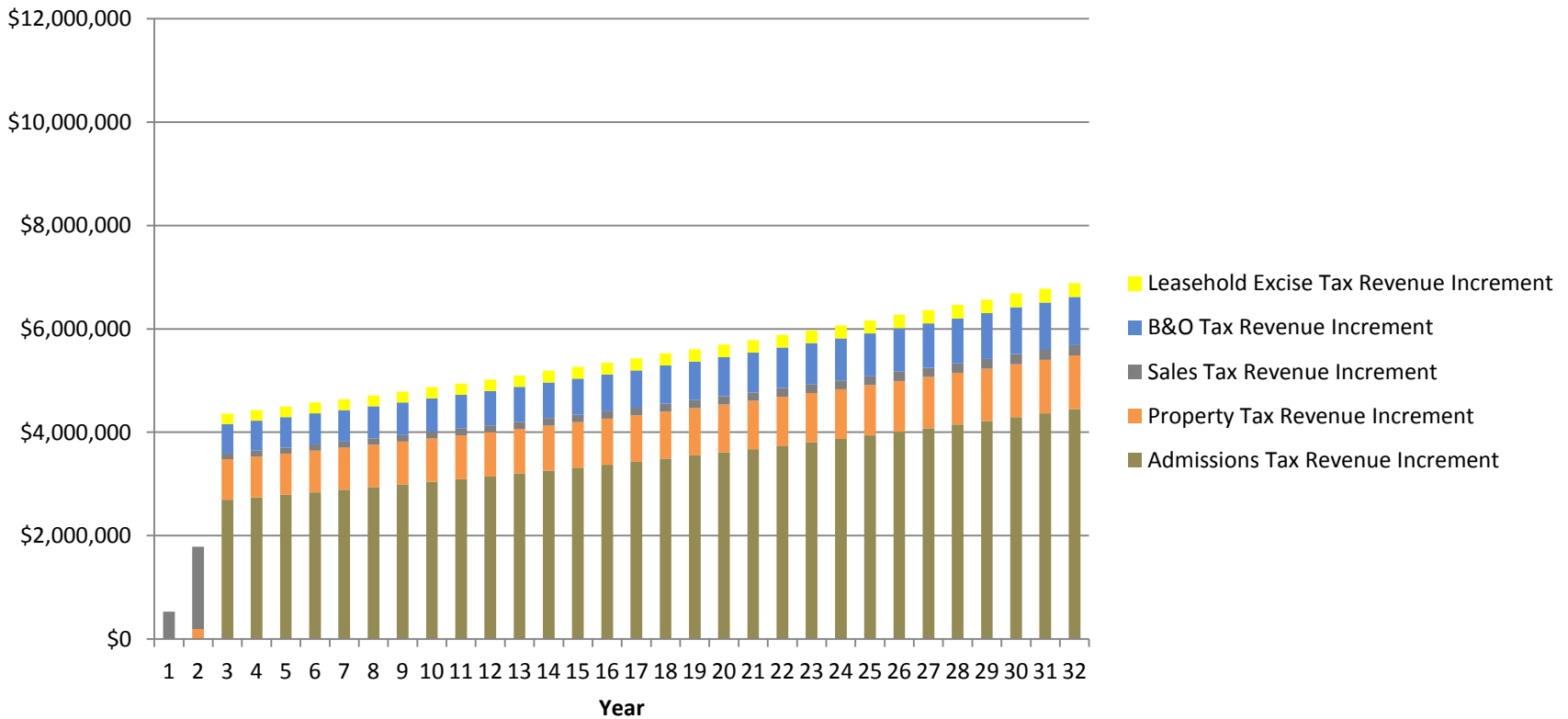
Nominal Dollars = \$287M



Scenario B: \$120M for NBA Only

City's Arena Tax Revenues

Nominal = \$168M



Questions?