



Racine Event Center & Hotel

RDA & Committee of the Whole Meeting

Tuesday, June 27



Agenda

- Team introductions
- What the event center and hotel will do for our city?
- The schedule/process
- What will the event center cost
- How will we pay for it?
- Operations and management



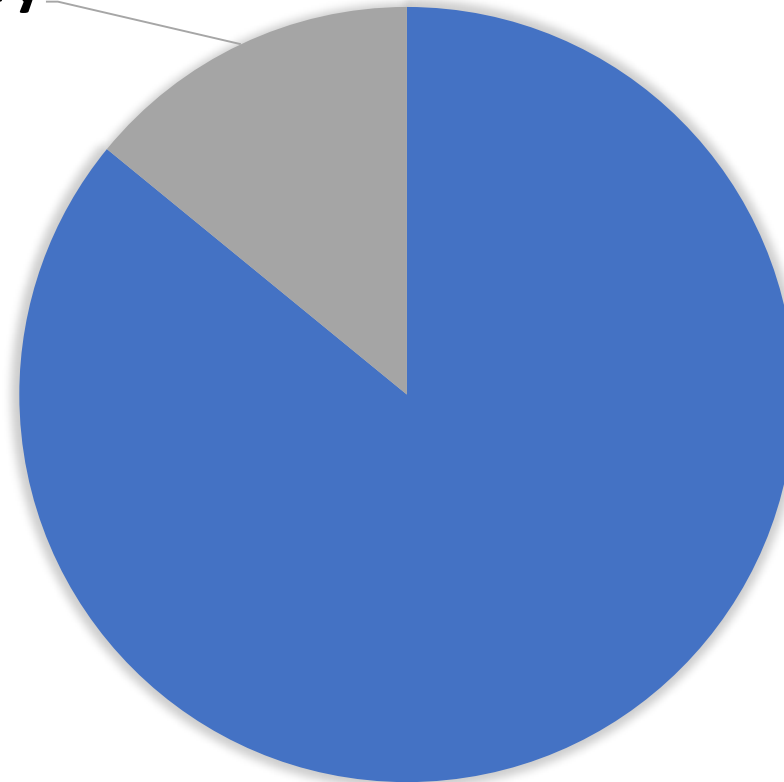
The #1 Question...



How will the event center impact residential property taxpayers of the City of Racine?

Less than
\$12.00/year on a
\$100,000 home

Taxpayer Levy
14%



Other Funding
Sources
86%

Our Team



Stephen Friedman, *SB Friedman Development Advisors*

- Lead development finance advisor
- More than 40 years of real estate and development advisory services
- Notably worked on The Shops & Residences of Uptown Park Ridge, Illinois; numerous public/private partnerships in the City of Milwaukee



Stu Zadra, *Hammes Company*

- Owners representative
- 30 years of real estate and owner's rep experience
- Notably worked on Lambeau Field Redevelopment, Allentown PPL Center



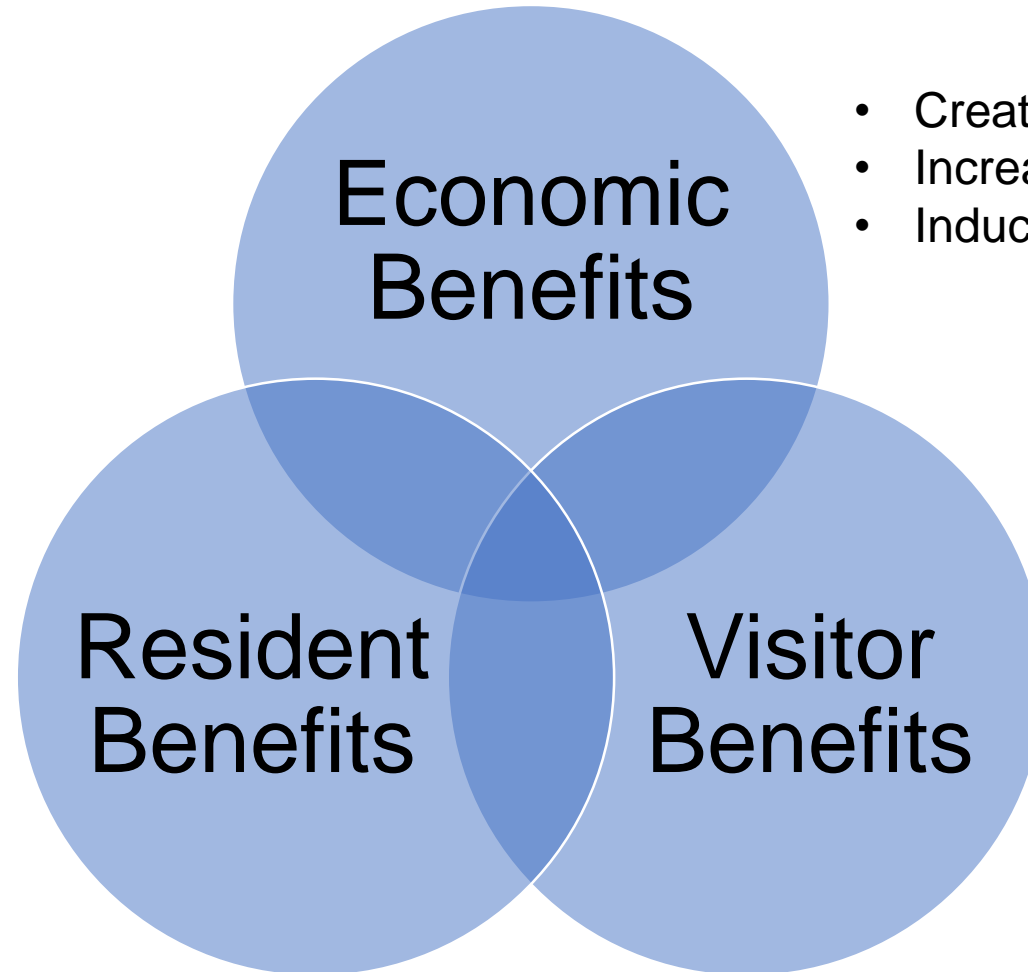
David Stone, *Hunden Strategic Partners*

- Vice President and Market Analyst
- 20 years of sports and entertainment facility experience
- Notably worked on Lambeau Field Redevelopment, KFC Yum! Center



Community Benefits

What the event center & hotel will do for Racine



- Improves quality of life
- Opportunities for entertainment & culture
- Increases downtown's appeal to next generation

- Creates long term jobs
- Increases tourism
- Induces investment in City

- Integrated hotel/event center
- Walkable to downtown
- Lakefront location



Allentown, PA Case Study





Schedule/Process



The Schedule/Process

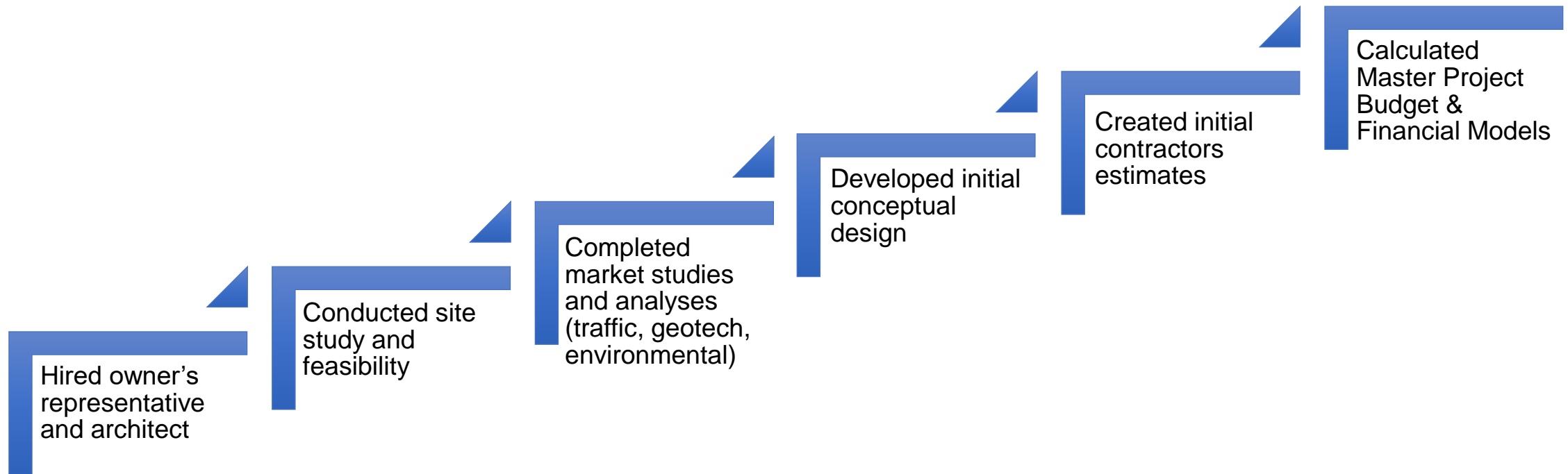
New Timeline

July 6, 2017	RDA / Committee of the Whole	<ul style="list-style-type: none">• RDA/COW Recommendation to City Council
July 18, 2017	Common Council Meeting	<ul style="list-style-type: none">• Common Council consideration on moving forward to finalize partnerships
December, 2017	Common Council Meeting	<ul style="list-style-type: none">• “If-then” vote to move to Phase II



The Schedule/Process

Phase I Accomplishments





What will the event center cost?

What will the event center cost?

The Master Project Budget for the Event Center includes:

- Site Improvements
- Construction Costs
- Furniture, Fixtures & Equipment
- Development Costs
- Project Contingency





What will the event center cost?

Site Improvements are comprised of:

- Site Excavation
- Retaining Walls
- Utility & Site Electrical Relocation / Installation
- Sidewalks, Steps and ADA Ramps and Handrails
- Site and Area Lighting
- Storm Sewer
- Landscaping
- Traffic Improvements and Curb / Pedestrian Changes
- Other Miscellaneous Site Work





What will the event center cost?

Construction costs to build the Event Center are based upon:

- Eight (8) General Contractor firms contacted
- Three (3) elected to participate
- Estimates developed based upon Sink Combs Dethlefs May 12, 2017 Concept Design and Narrative

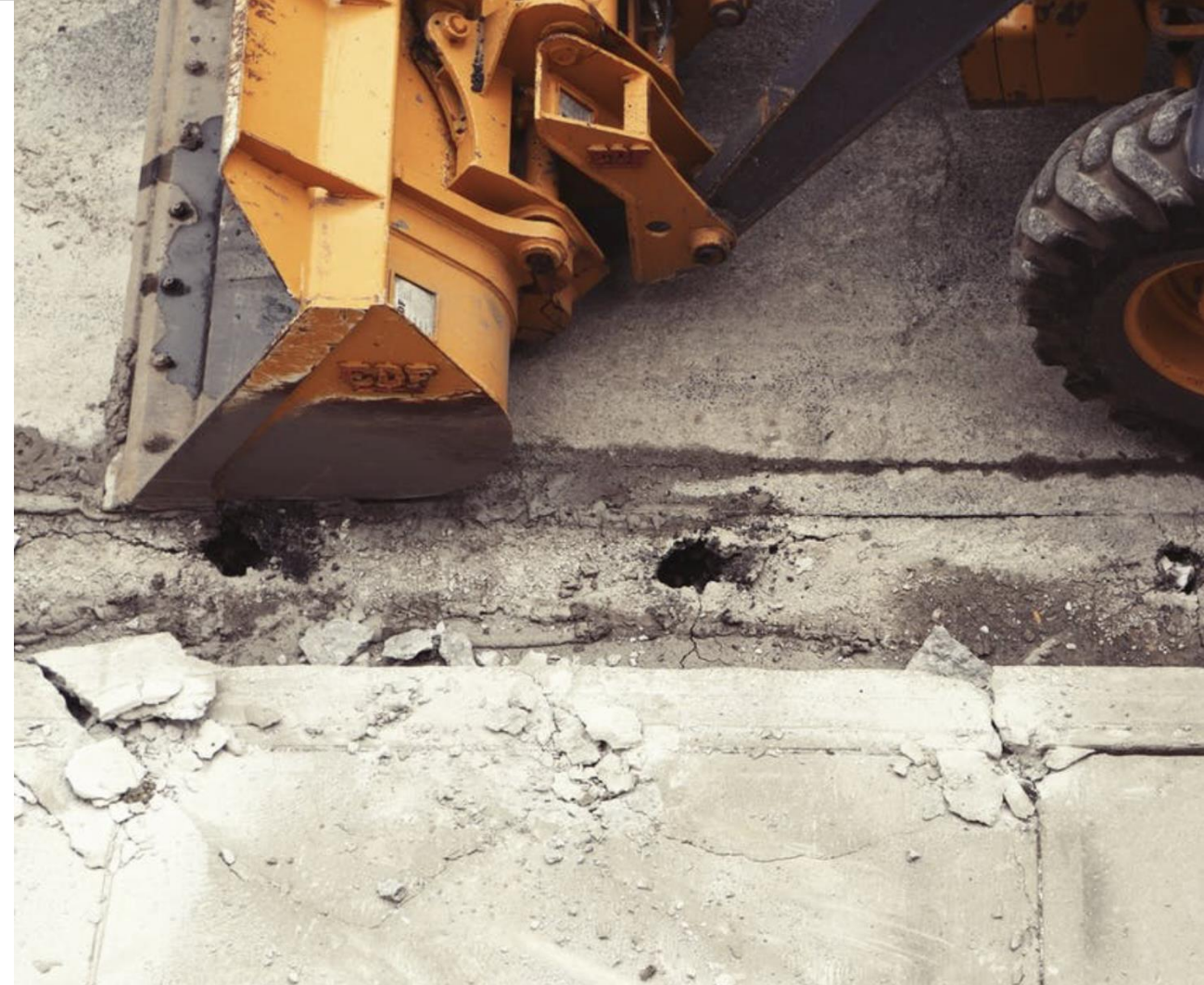
Costs associated with building the Hotel Rooms are excluded.



What will the event center cost?

Construction costs include:

- Excavation / Foundations
- Structure
- Enclosure
- Roof
- Interior Construction
- Conveying Systems
- Fire Protection
- Plumbing
- HVAC
- Electrical Systems
- General Requirements
- Estimating Contingency
- Fees / Insurance
- Equipment / Furnishings
 - Food Service
 - Scoreboards
 - Ice Sheet
 - Dasher Boards
 - Fixed Seating
 - Retractable Seating
 - Suite Seating
 - Lift Entry
 - Signage



What will the event center cost?

Furniture, Fixtures & Equipment Costs (FF&E) Include:

- Artwork
- Athletic Equipment
- Zambonis
- A-V
- Computer Equipment
- Radios
- Media Room
- Food Service Equipment
- Portables / Smallwares
- Furniture
- Graphics & Signage
- Laundry Equipment
- Loading Dock Equipment
- Maintenance Equipment
- Scoreboards
- Loose Chairs
- Security Equipment
- Rigging
- Waste Handling Equipment
- Window Treatments
- Other FF & E



What will the event center cost?

Development Costs Include:

- Design & Engineering
- Geotechnical
- Testing & Inspection
- Marketing & Collateral
- Project Management
- Legal Services
- Liability Insurance
- Building Permits / Review
- Pre-Opening Expense
- Miscellaneous Services

Project Contingency Includes:

- Owner directed changes to Project Scope





What will the event center cost?

The Master Project Budget has a range from \$51.4 million to \$61.2 million.

The high end of the range includes:

- Deep foundations (not anticipated by geotechnical engineers)
- Option for 12 added suites (revenue opportunity)
- High bay door

	MASTER PROJECT BUDGET	
	LOW	HIGH
Site Improvements	\$ 3,240,000	\$ 3,785,000
Construction Costs	\$ 37,604,000	\$ 44,953,000
Furnishings, Fixtures & Equipment	\$ 2,390,000	\$ 2,855,000
Development Costs	\$ 5,725,000	\$ 6,713,000
Project Contingency	\$ 2,400,000	\$ 2,900,000
TOTAL MASTER PROJECT BUDGET	\$ 51,359,000	\$ 61,206,000



What will the event center cost?

The City of Racine has made the decision to target a Master Project Budget of *\$55.0 million*.

	MASTER PROJECT BUDGET	
	LOW	HIGH
Site Improvements	\$ 3,240,000	\$ 3,785,000
Construction Costs	\$ 37,604,000	\$ 44,953,000
Furnishings, Fixtures & Equipment	\$ 2,390,000	\$ 2,855,000
Development Costs	\$ 5,725,000	\$ 6,713,000
Project Contingency	\$ 2,400,000	\$ 2,900,000
TOTAL MASTER PROJECT BUDGET	\$ 51,359,000	\$ 61,206,000
Add 12 Suites	\$ 1,500,000	
Deduct 24' High Equipment Bay		(\$ 400,000)
Deduct Deep Pile Foundations		(\$ 1,500,000)
ADJUSTED MASTER PROJECT BUDGET	\$ 52,859,000	\$ 59,306,000



How will we pay for it?



How will we pay for it?

Project Financing

Master Project Budget = \$55MM

PROJECT USE	AMOUNT	SOURCES OF CAPITAL
Site Improvements	\$3.5 MM	Serviced with other TID Cash Flows
Project Contingency	\$2.5 MM	Intergovernmental Fund Balance (as needed)
Event Center	\$49 MM	



How will we pay for it?

Bond Financing

Project Use	Amount
Event Center Cost	\$49 MM
- Existing Funds from TID Balance Used	(\$10.7) MM
+ Cost of Issuance	\$1.4 MM
TOTAL BOND AMOUNT	\$39.7 MM



How will we pay for it?

Estimated Debt Service

YEARS 1 – 16	YEARS 17 – 30
<ul style="list-style-type: none">• Principal: \$39.7 million• Interest rate: 4%• Amortization: 25 years• Bond term: Years 1 - 16	<ul style="list-style-type: none">• Principal: \$17.4 million (unpaid principal on initial bond)• Interest rate: 4%• Amortization: 14 years• Bond term: Years 17 – 30
Approximate Annual Payment Needed: \$2.5 million	Approximate Annual Payment Needed: \$1.8 million



How will we pay for it?

Bond Repayment Sources

Hotel Incremental Property Taxes	Property tax generated by the hotel for 27 years in new TID
Hotel Occupancy Tax	City portion of occupancy tax revenues generated by new hotel for 30 years
Cell Tower Lease	Revenues for 30 years from new cell tower on the event center
Exterior Building Naming Rights Lease	Revenues for 30 years from naming rights lease
Anchor Tenant Capital Contribution	Annual contribution from anchor tenant for 30 years
Ticket Surcharge	Additional sales tax revenues from event center tickets for 30 years
Intergovernmental Fund	Dedicated payment from Intergovernmental Fund until 2033
City of Racine Levy Contribution	Annual contribution from additional City levy for 30 years
Other Funding Partners Contribution	Annual contribution from other sources for 30 years



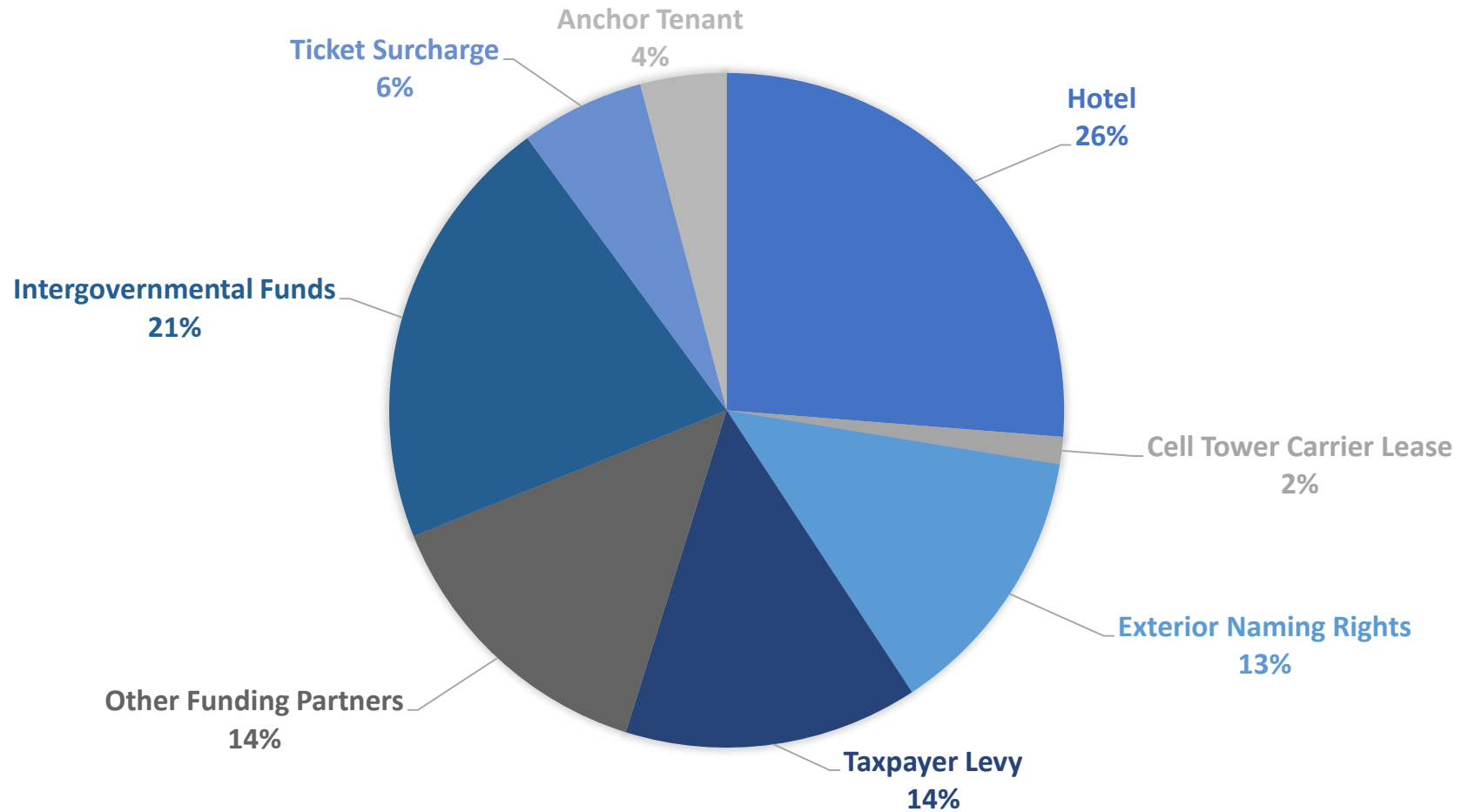
How will we pay for it?

Annual Cash Flows

	YEARS 1 – 16	YEARS 17 – 30
Hotel Incremental Property Taxes	\$294,000	\$294,000*
Hotel Occupancy Tax	\$301,000	\$301,000
Cell Tower Lease	\$30,000	\$30,000
Exterior Building Naming Rights Lease	\$285,000	\$285,000
Anchor Tenant Capital Contribution	\$90,000	\$90,000
Ticket Surcharge	\$127,500	\$127,500
Intergovernmental Fund	\$800,000	
City of Racine Levy Contribution	\$365,000	\$365,000
Other Funding Partners Contribution	\$365,000	\$365,000
TOTAL ANNUAL CASH FLOWS	\$2.7 MILLION	\$1.9 MILLION

* Hotel Incremental Property Taxes will expire in Year 27

How will we pay for it?





How will we pay for it?

Impact on City of Racine Taxpayers

Effect on a \$100,000 home:

Annual Levy Increase: \$365,000

Increase to tax rate: 0.0001169
(\$0.1169 per \$1,000 of assessed value)

The Event Center would result in a **0.68%** increase in City Property Tax Rate

City Property Tax With Event Center	\$1,735.86
Current City Property Tax	\$1,724.18
Annual Increase to City Property Tax from Event Center	\$11.69



Hotel Component

Hotelier Solicitation Process: Overview

Drafted a hotel development Prospectus

- Describes development opportunity and outlines criteria for selection
- Target issue date: July 2017

Contacted Prospective Hotel Development Firms

- Informed nearly 30 hotel developers about the upcoming Prospectus issuance



Hotel Component

Hotelier Solicitation Process: Timeline

1. Issue RFQ – July
2. RFQ Responses Due – August/September
3. Review Development Team Submittals and Schedule Development Team Interviews – Aug./Sept.
4. Conduct Interviews – September
5. Select Shortlist and Request Proposals – September
6. Proposals Due – October
7. Review and Select Preferred Developer – October
8. Begin Negotiation of Letter of Intent with Preferred Developer – October/November



Operations and Management

Event Schedule and Attendance

Projected Schedule of Events by Category and Year

Category	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Minor League Hockey	31	31	31	31	31	31	31	31	31	31
Family Shows	7	6	6	6	6	6	6	6	6	6
Concerts	7	6	6	6	6	6	6	6	6	6
Other Sporting Events	7	8	9	9	9	9	9	9	9	9
Graduations	3	3	4	4	4	4	4	4	4	4
Flat-Floor Events (Conventions, Other)	9	10	11	11	11	11	11	11	11	11
Meetings/Banquets	40	45	50	50	50	50	50	50	50	50
<i>Total</i>	104	109	117	117	117	117	117	117	117	117

Source: Hunden Strategic Partners



Operations and Management

Event Schedule and Attendance

Category	Projected Paid Attendance by Category and Year									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Minor League Hockey	103,700	93,000	93,000	93,000	93,000	93,000	93,000	93,000	93,000	93,000
Family Shows	29,400	25,200	25,200	25,200	25,200	25,200	25,200	25,200	25,200	25,200
Concerts	29,400	25,200	25,200	25,200	25,200	25,200	25,200	25,200	25,200	25,200
Other Sporting Events	14,000	16,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Graduations	2,700	2,700	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600
Flat-Floor Events (Conventions, Other)	8,100	9,000	9,900	9,900	9,900	9,900	9,900	9,900	9,900	9,900
Meetings/Banquets	12,000	13,500	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total	199,300	184,600	189,900	189,900	189,900	189,900	189,900	189,900	189,900	189,900

Source: Hunden Strategic Partners



Operations and Management

Operations Revenue Projections

Racine Events Center Financial Projection (thousands of inflated dollars)*

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating Revenue										
Rent	\$365	\$361	\$381	\$391	\$401	\$411	\$421	\$432	\$442	\$453
Concessions	\$296	\$264	\$275	\$281	\$288	\$296	\$303	\$311	\$318	\$326
Merchandise	\$33	\$28	\$30	\$30	\$31	\$32	\$33	\$33	\$34	\$35
Catering	\$109	\$118	\$129	\$132	\$136	\$137	\$141	\$144	\$148	\$152
Parking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Premium Seating	\$101	\$105	\$108	\$112	\$116	\$132	\$136	\$140	\$144	\$148
Advertising and Sponsorship	\$228	\$233	\$239	\$245	\$251	\$258	\$264	\$271	\$278	\$284
Naming Rights	\$49	\$57	\$66	\$75	\$84	\$93	\$102	\$112	\$122	\$132
Facility Service Fee	\$265	\$239	\$242	\$242	\$242	\$242	\$242	\$242	\$242	\$242
Other Revenue	\$75	\$70	\$72	\$74	\$75	\$77	\$79	\$81	\$83	\$85
Total Revenue	\$1,522	\$1,475	\$1,543	\$1,583	\$1,625	\$1,678	\$1,721	\$1,766	\$1,812	\$1,858

Source: Hunden Strategic Partners, VenuWorks



Operations and Management

Operations Projected Expenses

Racine Events Center Financial Projection (thousands of inflated dollars)*

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Revenue	\$1,522	\$1,475	\$1,543	\$1,583	\$1,625	\$1,678	\$1,721	\$1,766	\$1,812	\$1,858
Operating Expense										
Fixed										
Salary - Permanent Staff	\$421	\$432	\$443	\$454	\$465	\$477	\$488	\$501	\$513	\$526
Benefits - Permanent Staff	\$143	\$147	\$150	\$154	\$158	\$162	\$166	\$170	\$174	\$179
General and Administrative	\$220	\$226	\$231	\$237	\$243	\$249	\$255	\$262	\$268	\$275
Utilities	\$135	\$138	\$142	\$145	\$149	\$153	\$157	\$160	\$164	\$169
Repairs and Maintenance	\$110	\$113	\$116	\$118	\$121	\$124	\$128	\$131	\$134	\$137
Insurance	\$125	\$128	\$131	\$135	\$138	\$141	\$145	\$149	\$152	\$156
Communications	\$108	\$111	\$113	\$116	\$119	\$122	\$125	\$128	\$132	\$135
Advertising	\$60	\$62	\$63	\$65	\$55	\$57	\$58	\$59	\$61	\$62
Misc.	\$20	\$21	\$21	\$22	\$22	\$23	\$23	\$24	\$24	\$25
Variable										
Utilities	\$61	\$63	\$68	\$69	\$71	\$73	\$75	\$76	\$78	\$80
Hourly Salaries and Benefits	\$269	\$279	\$302	\$309	\$317	\$325	\$333	\$341	\$350	\$359
Total Expenses	\$1,672	\$1,718	\$1,780	\$1,824	\$1,859	\$1,905	\$1,953	\$2,002	\$2,052	\$2,103

* Assumes shared operations with existing event facilities

Source: Hunden Strategic Partners, VenuWorks



Operations and Management

Operations Net Cash Flow

Racine Events Center Financial Projection (thousands of inflated dollars)*

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Revenue	\$1,522	\$1,475	\$1,543	\$1,583	\$1,625	\$1,678	\$1,721	\$1,766	\$1,812	\$1,858
Total Expenses	\$1,672	\$1,718	\$1,780	\$1,824	\$1,859	\$1,905	\$1,953	\$2,002	\$2,052	\$2,103
Net Operating Income (Deficit)	(\$150)	(\$243)	(\$237)	(\$241)	(\$234)	(\$227)	(\$232)	(\$235)	(\$240)	(\$245)
Deposit to Maintenance Reserve	\$46	\$44	\$46	\$48	\$49	\$50	\$52	\$53	\$54	\$56
Management Fee	\$70	\$72	\$74	\$75	\$77	\$79	\$81	\$83	\$85	\$87
NOI - Event Center	(\$266)	(\$359)	(\$357)	(\$364)	(\$360)	(\$357)	(\$365)	(\$371)	(\$379)	(\$388)
City Parking Revenue	\$271	\$339	\$384	\$392	\$400	\$408	\$416	\$424	\$432	\$441
NOI - Civic Centre	(\$219)	(\$219)	(\$219)	(\$219)	(\$219)	(\$219)	(\$219)	(\$219)	(\$219)	(\$219)
NOI - Combined	(\$214)	(\$239)	(\$192)	(\$191)	(\$179)	(\$168)	(\$168)	(\$167)	(\$166)	(\$166)

* Assumes shared operations with existing event facilities

Source: Hunden Strategic Partners, VenuWorks



Let's Work Together

Advisory Committee Purpose and Composition

Community leader
input into program
and design

Business leader
review of project

Funding partner
engagement

Composition: Real
Racine, RDA,
Downtown Racine,
County and City
leaders

Advise the
Interim Mayor



Let's Work Together

