

*EARLY ANALYSIS - HIGHLY PRELIMINARY*



## **USER FEES REPORT**

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**Think BIG Executive Committee Meeting**

August 18th, 2011

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## Overview of Regional Public Benefits

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- **\$7B** in revenue to region over 30 years
- **4,100** new jobs
- **\$556MM** in spending during construction
- **3.1MM** new visitors to downtown each year
- **\$6.7MM** in annual fiscal benefits

## Checklist to Create Funding Plan

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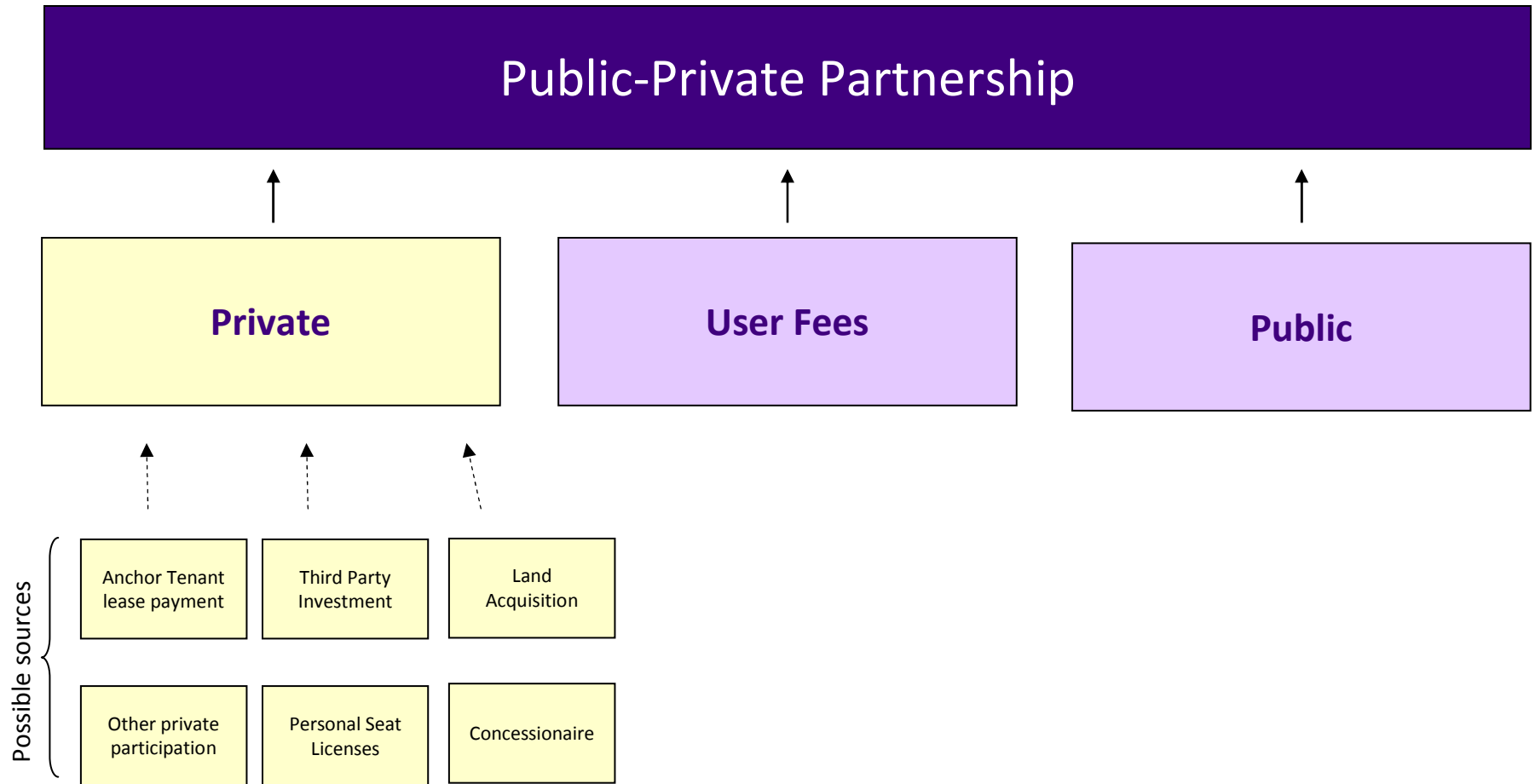
- ✓ **Determine cost** *(February 8, 2011 – May 26, 2011)*
  
- Propose menu of funding options** *(May 30, 2011 – September 6, 2011)*
  
- Select funding options** *(September 7, 2011 – December 31, 2011)*
  
- Secure funding sources** *(January 1, 2012 – February 29, 2012)*
  
- MARCH 1, 2012 RELOCATION DEADLINE**

## Overview of Public-Private Partnership (PPP)

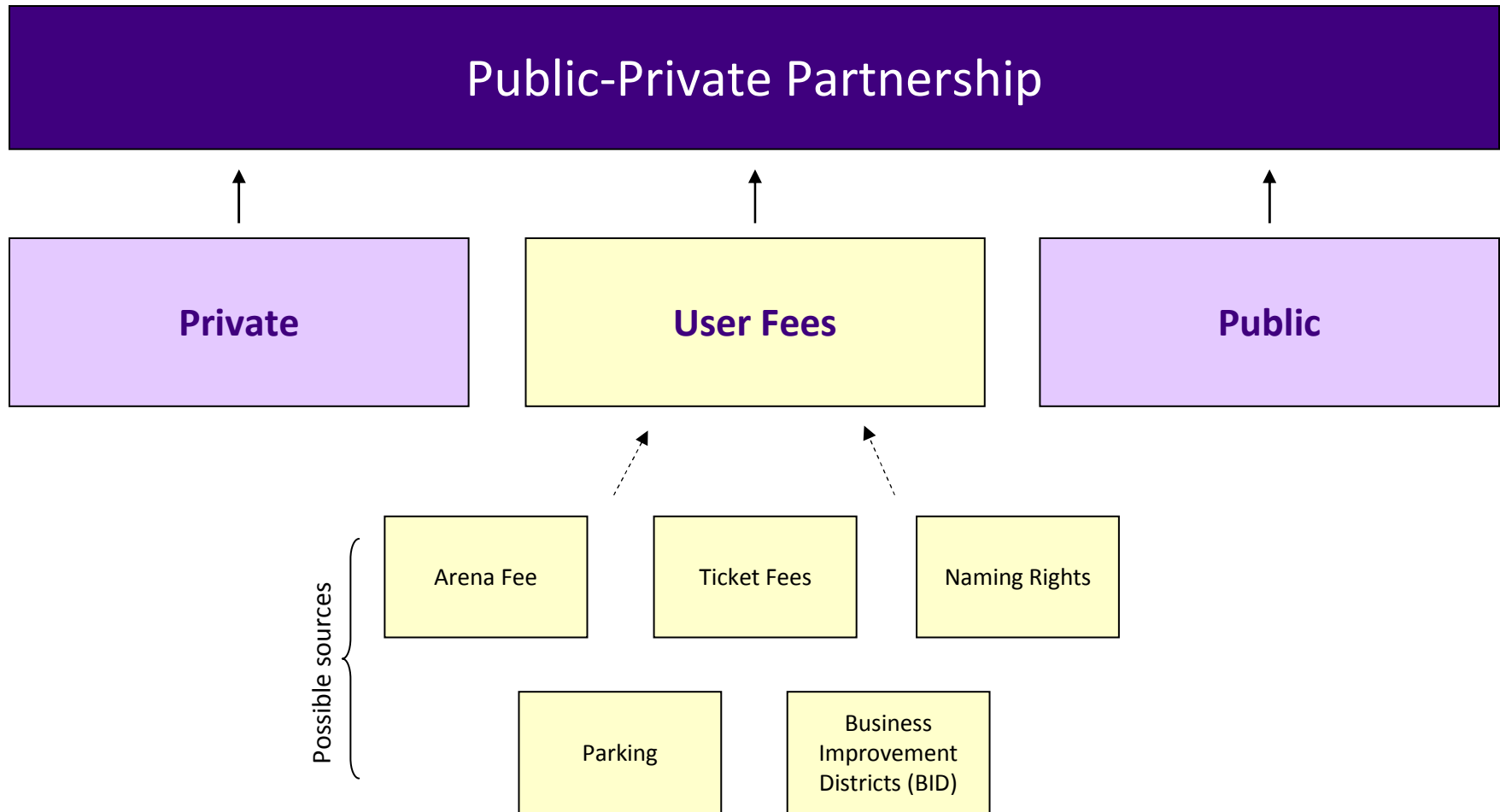
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- New ESC will cost **\$387MM**
- Financing will require **public-private partnership**
  - **PRIVATE PARTICIPATION**
    - Kings as anchor occupant
    - Third party investors in operator and/or developer roles
  - **USER FEES**
    - Revenue generated by users with a direct nexus to facility
  - **PUBLIC PARTICIPATION**
    - ESC will be public asset owned by taxpayers
    - Multiple revenue streams required

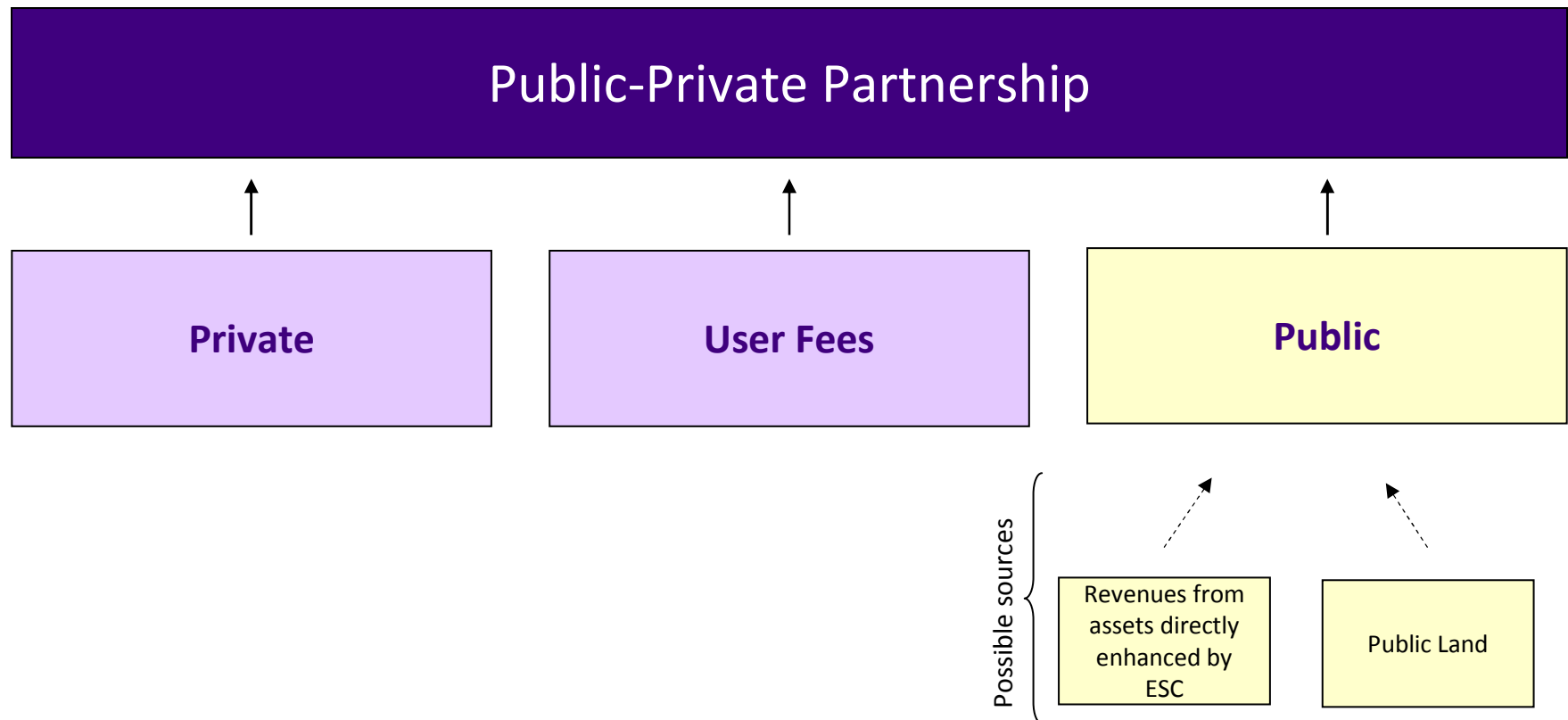
# Conceptual Model for PPP



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- **Public support for users fees is strong**
  - *Examples:*
    - Naming Rights (74%)
    - Parking (71%)
    - Ticket Surcharge (57%)
    - Arena Fee (57%)

## **User Fees: Ticket Surcharge**

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- **Consist of a predetermined surcharge for all events at facility**
  - Fixed \$ amount or % of ticket value
- **Ticket Fees are common:**
  - AT&T Park
  - Staples Center
- **100 Day analysis will estimate size of revenue opportunity**



## User Fees: Arena Fee

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- **Arena Fee could be applied to goods sold in the facility**
  - Food and Beverage
  - Merchandise
  - Other items
- **Poll showed 57% supported this type of fee**
- **100 Day analysis will estimate size of revenue opportunity**



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**User Fees: Naming Rights**



**Orlando: Amway Center**

- Opened in 2010
- \$195M over 30 years
- Average **\$6.5M** annually



**Memphis: FedEx Forum**

- Opened in 2004
- \$90M over 20 years
- Average **\$4.5M** annually



**Kansas City: Sprint Center**

- Opened in 2007
- Average **\$2.5M** annually
- Reduces to **\$1.7M** without NBA/NHL



**Sacramento: TBD**

- Market Conditions suggest comparable range (**\$2.5M - \$5M**)
- May amount to **\$50M - \$100M** over 20 year period

## **User Fees: BIDs (Related to Tourism/Facility)**

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- **Additional 3.1 million tourists/visitors** will visit downtown each year
- BID could be designed to capture added **tourists/visitor revenue with connection to facility**
- Additional visitors and accompanying consumption (e.g. **accommodations, food, and car rentals**) can create additional user fee revenue
- Examples
  - Portland: BID contributed **\$21.5 M** (~20%) to construction of streetcar system
  - Seattle: **\$26 M** for streetcar project
  - San Francisco: **11 BIDs** funding variety of downtown revitalization project


## User Fees: Illustrative Case Study

### Party of Four From Outside City Attends Kings game or Lady Gaga Concert (75% of Event-goers)

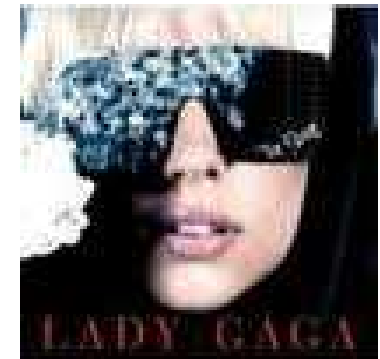
- (4) Average Priced Tickets \$4 - \$12
- (2) Small Draft Beers \$2 - \$4
- (4) Small Soft Drinks \$0 - \$2
- (4) Regular-Sized Hot Dogs \$0 - \$2
- (1) Parking \$2 - \$5
- (2) Game Programs \$0 - \$1
- (2) Merchandise \$2 - \$4

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**\$10 - \$30**



Could generate  
\$5M - \$20M/ year



## Conclusions

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1. Finance plan will require support from **three areas**: private investment, user fees and public participation
2. User fees represent a key contribution as these revenues are provided by **those benefiting from the facility** and bear a **direct nexus** to the complex
  - Ticket surcharges
  - Arena fees
  - Naming rights
  - Business improvement district revenues
  - Parking revenues