



Market Demand and Operational Effectiveness Analysis of the Hartford Civic Center



Presented to:

**The Connecticut
Development
Authority**



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Historical Analysis

Hartford Civic Center Event Levels

| Event Type | Number of Events | | | Average |
|---------------------|------------------|------------|------------|------------|
| | 2003/04 | 2004/05 | 2005/06 | |
| AHL | 49 | 43 | 46 | 46 |
| UCONN | 20 | 21 | 23 | 21 |
| Concerts | 7 | 8 | 11 | 9 |
| Family Shows | 35 | 28 | 28 | 30 |
| Non-Tenant Sports | 12 | 9 | 12 | 11 |
| Other Events | 23 | 18 | 22 | 21 |
| Subtotal | 146 | 127 | 142 | 138 |
| Flat Floor Events | 39 | 31 | 13 | 28 |
| Total Events | 185 | 158 | 155 | 166 |

Source: CDA, HCC, MSG

- Overall event levels have declined due to a loss of flat floor event business.
- Spectator event levels decreased in 2004/05 but rebounded to previous levels in 2005/06.

Existing HCC Analysis

Historical Analysis

Summary of HCC Audited Financial Statements

| | Year | | Average |
|--------------------------------|----------------------|----------------------|----------------------|
| | 2003/04 | 2004/05 | |
| <i>Revenues</i> | | | |
| Rental and Event Income | \$5,055,000 | \$5,084,000 | \$5,070,000 |
| Sponsorship and Signage | 888,000 | 921,000 | 905,000 |
| Luxury Seating | 1,871,000 | 1,862,000 | 1,867,000 |
| F&B - Arena | 1,825,000 | 1,923,000 | 1,874,000 |
| F&B - Luxury Seating | 1,177,000 | 952,000 | 1,065,000 |
| Parking | 1,787,000 | 0 | 894,000 |
| Ticket Surcharge | 929,000 | 870,000 | 900,000 |
| Investment Interest | 186,000 | 194,000 | 190,000 |
| Whaler Exit Fee | 1,050,000 | 1,050,000 | 1,050,000 |
| Other Income | 113,000 | 659,000 | 386,000 |
| Total Revenues | \$14,881,000 | \$13,515,000 | \$14,198,000 |
| <i>Expenses ⁽³⁾</i> | | | |
| Civic Center Events | \$3,400,000 | \$3,534,000 | \$3,467,000 |
| Civic Center Facility | 2,455,000 | 2,532,000 | 2,494,000 |
| General and Administrative | 3,735,000 | 4,125,000 | 3,930,000 |
| Parking | 556,000 | 70,000 | 313,000 |
| F&B - Luxury Seating | 658,000 | 602,000 | 630,000 |
| Rent | 2,503,000 | 1,795,000 | 2,149,000 |
| Interest | 844,000 | 770,000 | 807,000 |
| Depreciation | 2,372,000 | 2,558,000 | 2,465,000 |
| Management Fee | 1,433,000 | 1,153,000 | 1,293,000 |
| Total Expenses | \$17,956,000 | \$17,139,000 | \$17,548,000 |
| Net Profit/(Loss) | (\$3,075,000) | (\$3,624,000) | (\$3,350,000) |

- **Net losses in excess of \$3.0 million in each of past two years.**
- **City sold parking facility in 2004, resulting in loss of direct parking revenues to HCC. This loss has been offset by share of sale price and reduced rent paid by CDA to City.**
- **Audited financials include non-operating revenues and expenses such as Whaler exit fee, depreciation and rent payments made to City.**

Source: CDA

Historical Analysis

- Financials adjusted to account for non-operating revenues/expenses and to reflect *net* revenues.

Summary of Adjusted Financials

| | Year | | Average |
|--|--------------------|--------------------|--------------------|
| | 2003/04 | 2004/05 | |
| Revenues | | | |
| Direct Event Income (Net) ⁽¹⁾ | \$1,538,000 | \$1,451,000 | \$1,495,000 |
| CT Ticket Surcharge | 929,000 | 870,000 | 900,000 |
| Food and Beverage Commissions | 2,344,000 | 2,273,000 | 2,309,000 |
| Merchandise Commissions | 117,000 | 99,000 | 108,000 |
| Parking (Net) | 1,231,000 | (70,000) | 581,000 |
| Sponsorship and Signage | 888,000 | 921,000 | 905,000 |
| Luxury Seating | 1,871,000 | 1,862,000 | 1,867,000 |
| Other Revenues | 108,000 | 655,000 | 382,000 |
| Total Revenues | \$9,026,000 | \$8,061,000 | \$8,544,000 |
| Expenses ⁽²⁾ | | | |
| Facility | \$2,455,000 | \$2,532,000 | \$2,494,000 |
| General and Administrative | 3,152,000 | 3,435,000 | 3,294,000 |
| Management Fee | 1,433,000 | 1,153,000 | 1,293,000 |
| Total Expenses | \$7,040,000 | \$7,120,000 | \$7,080,000 |
| Net Profit/(Loss) | \$1,986,000 | \$941,000 | \$1,464,000 |

- Operating profit decreased from \$2.0 million in 2003/04 to \$941,000 in 2004/05.
- Parking revenue loss has been offset by share of sale price and reduction in rent to City

(1) Includes rent and reimbursable expenses, net of event expenses.

(2) Excludes depreciation and interest expenses and City rent payments.

Source: CDA, HCC, MSG

Operational Efficiency Analysis

HOK S+V+E assessed the physical condition of the HCC and its systems.

- **Facility is well maintained by current management**
- **Major systems have reached the end of their useful life.**
- **Major expansion of concessions stands, restrooms and concourses is not feasible.**
- **Existing seating configuration does not meet current ADA regulations. Any significant renovation to the HCC would be required to include upgrades to the ADA facilities.**

Existing HCC Analysis

Operational Efficiency Analysis

- The HCC does not meet current arena standards for a major professional sports facilities in terms of:
 - Team spaces
 - Premium spaces
 - Guest experience
 - Revenue generation

Operational Efficiency Analysis

Key Recommendations:

- **Engineering study should be conducted to determine location and cost of new mechanical systems.**
- **Installation of booster pumps and a bladder tank system is recommended to increase water pressure on the upper level.**
- **A comprehensive lighting study should be conducted to determine improvements to lighting of public spaces**

Existing HCC Analysis

On-Going HCC Operations

- **HCC does not meet the standards for a major professional sports franchise in terms of many physical and operational characteristics.**
- **Major expansion or renovation of the facility to accommodate the requirements of a major sports franchise is not considered feasible due to space constraints and other such factors.**
- **Therefore, it is assumed that the facility will continue to host AHL hockey and UCONN basketball events, but will not attract any new sports tenant franchises.**

Existing HCC Analysis

On-Going HCC Operations

- Event promoters who currently use the HCC indicated improvements would be welcomed in areas such as load-in/load-out and back of house amenities, but would not likely result in increased event levels.
- HCC does not stand to lose significant number of events, as current promoters will likely continue to use the building regardless of whether improvements are made.
- Competition from area casinos and several new arenas in the region will likely continue to limit concert activity.
- Therefore, spectator event levels are assumed to remain largely unchanged in future years.
- Additional declines in flat floor event levels are unlikely, but event levels are likely to remain at their current levels rather than rebounding to historical levels.

Existing HCC Analysis

On-Going HCC Operations

- **A preliminary survey was conducted of members of the Metro Hartford Alliance to gauge initial potential demand for a new arena in the Hartford area**
- **Corporate survey respondents who do not currently purchase HCC premium seating were asked if they would have an interest in purchasing seating if the Center were renovated.**
- **Survey results support the current premium seating levels but could potentially indicate support for increased prices assuming a renovation.**
- **Renovations may not result in premium seating offerings that are attractive to companies that do not currently purchase seating.**

Existing HCC Analysis

On-Going HCC Operations

Summary of Event Estimates

| Event Type | Historical HCC ⁽¹⁾ | | | On-Going HCC | | |
|---------------------------|-------------------------------|--------------------|-------------------|--------------|--------------------|-------------------|
| | Events | Average Attendance | Annual Attendance | Events | Average Attendance | Annual Attendance |
| Wolf Pack Hockey | 46 | 3,800 | 173,000 | 43 | 3,800 | 163,000 |
| UConn Basketball | 21 | 14,000 | 288,000 | 21 | 14,000 | 294,000 |
| Concerts | 8 | 8,900 | 67,000 | 8 | 8,900 | 71,000 |
| Family Shows | 32 | 3,300 | 105,000 | 28 | 3,300 | 92,000 |
| Non-Tenant Sports | 11 | 8,700 | 91,000 | 11 | 8,700 | 96,000 |
| Other Events | 21 | 1,700 | 34,000 | 21 | 1,700 | 36,000 |
| Subtotal | 137 | | 758,000 | 132 | | 752,000 |
| Flat Floor Events | 35 | 2,500 | 86,000 | 15 | 2,500 | 38,000 |
| Total - All Events | 172 | | 844,000 | 147 | | 790,000 |

(1) Represents average event and attendance levels during the 2003/04 and 2004/05 fiscal years.

Note: Attendance figures are *paid* attendance with the exception of flat floor and other events

- **Spectator event levels estimated to remain relatively stable in short term**
- **Flat floor event levels estimated to remain below historical levels in future years.**
- **In long term, event levels may decline gradually as building ages and declines.**

Existing HCC Analysis

On-Going HCC Operations

Estimated Financial Operating Results On-Going HCC Operations

| | HCC 2004/05 | On-Going HCC |
|--------------------------------|------------------|------------------|
| Revenues | | |
| Direct Event Revenues | \$1,451,000 | \$1,419,000 |
| CT Ticket Surcharge | 870,000 | 1,038,000 |
| Premium Seating | 1,862,000 | 1,861,000 |
| Naming Rights | 0 | 0 |
| Food & Beverage | 2,273,000 | 2,302,000 |
| Merchandise | 99,000 | 113,000 |
| Sponsorship & Signage | 921,000 | 921,000 |
| Other | 585,000 | 585,000 |
| Total revenues | \$8,061,000 | \$8,239,000 |
| Expenses | | |
| Facility | \$2,532,000 | \$2,750,000 |
| General & administrative | 3,435,000 | 3,500,000 |
| Management Fee | 1,153,000 | 1,094,000 |
| Total expenses | \$7,120,000 | \$7,344,000 |
| Operating Income (Loss) | \$941,000 | \$895,000 |

- On-going financials are not assumed to vary significantly from historic levels in the short term.
- Long term revenues could decline due to gradual loss of events.
- Operating expenses could increase in the long term as building ages.

- **The following tasks were completed in estimating event and attendance levels and financial performance of a new arena.**
 - **Review of historical operations of the HCC**
 - **Interviews with event promoters**
 - **Interviews with representatives of potential tenant sports leagues**
 - **Analysis of the physical and operational characteristics of comparable large minor league arenas and NHL arenas**
 - **Analysis of the current state of the NHL, including the current arena situations of its franchises**
 - **Web based surveys of members of the Metro Hartford Alliance**

New Arena Analysis

Estimated Event Levels

- Assuming a new arena meets the standards of major modern professional sports facilities, it could potentially attract an NHL franchise to Hartford.
- At this time, the Pittsburgh Penguins are for sale and are believed to be the only team that could consider relocation in the near future. Furthermore, the NHL is not planning any expansion in the foreseeable future.
- Several markets, including Kansas City, Oklahoma City, Houston, Portland and Las Vegas have recently opened or are constructing or planning arenas capable of hosting an NHL franchise.
- Therefore, if an NHL franchise becomes available, Hartford would face competition from several other markets in securing the franchise.

New Arena Analysis

Estimated Event Levels

- The following is an overview of markets with large arenas with no major sports tenants.

Summary of Potential NHL Markets

| Location | Market | Tenants | Market Population | Year Opened | Concert Capacity |
|---------------------------------|----------------------------|-------------------------|-------------------|-------------|------------------|
| Kansas City, MO | Sprint Center | To be determined | 1,934,400 | 2007 | 18,954 |
| Las Vegas, NV | Proposed Arena | To be determined | 1,667,200 | TBD | TBD |
| Jacksonville, FL | Veterans Memorial Coliseum | WPHL | 1,243,100 | 2003 | 18,000 |
| Hartford, CT | Proposed Arena | To be determined | 1,192,100 | TBD | TBD |
| Oklahoma City, OK | Ford Center | CHL, af2 | 1,150,800 | 2002 | 16,000 |
| Tulsa, OK | BOK Center | CHL, af2 | 888,000 | 2008 | 18,041 |
| Average (Excl. Hartford) | | | 1,376,700 | | 17,700 |

Source: CSL research, Claritas

- In addition, markets such as Houston and Portland have large arenas hosting only NBA tenants.

New Arena Analysis

Estimated Event Levels

- If no NHL franchise can be attracted to the new arena, the new facility will likely host AHL hockey and UCONN basketball.
- A new arena could make Hartford a more attractive market for arena football, lacrosse and other professional sports leagues.
- A new arena could also make Hartford more attractive for non-recurring special events such as NCAA regional basketball tournaments, women's Final Four and other such events.
- Non-tenant event promoters indicated that a new arena in Hartford would be unlikely to result in a significant number of new events playing the Hartford market.
- A new arena would continue to face strong competition from area casinos for concerts, while the HCC already accommodates the demand for family shows, sports events and other such events in the market.
- Flat floor and other miscellaneous event utilization at a new arena would be limited due to lack of dedicated exhibit space

New Arena Analysis

Estimated Event Levels

Summary of New Arena Event Estimates

| Event Type | Historical HCC ⁽¹⁾ | | | New Arena | | |
|---------------------------|-------------------------------|--------------------|-------------------|------------|--------------------|-------------------|
| | Events | Average Attendance | Annual Attendance | Events | Average Attendance | Annual Attendance |
| <i>Tenant Hockey</i> | | | | | | |
| Wolf Pack | 46 | 3,800 | 173,000 | 43 | 4,800 | 206,000 |
| NHL Assumptions | n/a | n/a | n/a | 45 | 15,000 | 675,000 |
| <i>Other Events</i> | | | | | | |
| af2 Football | n/a | n/a | n/a | 7 | 6,000 | 42,000 |
| NLL Lacrosse | n/a | n/a | n/a | 8 | 10,000 | 80,000 |
| UConn Basketball | 21 | 14,000 | 288,000 | 21 | 15,000 | 315,000 |
| Concerts | 8 | 8,900 | 67,000 | 10 | 10,000 | 100,000 |
| Family Shows | 32 | 3,300 | 105,000 | 28 | 3,500 | 98,000 |
| Non-Tenant Sports | 11 | 8,700 | 91,000 | 12 | 9,000 | 108,000 |
| Flat Floor Events | 35 | 2,500 | 86,000 | 5 | 1,000 | 5,000 |
| Other Events | 21 | 1,700 | 34,000 | 5 | 5,000 | 25,000 |
| Total - AHL Tenant | 172 | | 844,000 | 139 | | 979,000 |
| Total - NHL Tenant | n/a | | n/a | 141 | | 1,448,000 |

(1) Represents average event and attendance levels during the 2003/04 and 2004/05 fiscal years.

Note: Attendance figures are *paid* attendance with the exception of flat floor and other events

- **A new arena is assumed to host fewer flat floor and miscellaneous events, but more tenant sports events.**

Financial estimates developed for two scenarios:

- **No NHL franchise:**
 - Assumed to host AHL hockey, UCONN basketball, af2 football and NLL lacrosse
 - Lease assumptions for current tenants similar to current HCC leases
 - Lease assumptions for af2 and NLL similar to current AHL lease.
- **NHL franchise:**
 - Team is assumed to operate the arena and retain all revenues.
 - Team is responsible for all operating expenses.

New Arena Analysis

Financial Analysis

Estimated Financial Operating Results
New Arena - No NHL Tenant

| | HCC 2004/05 | New Arena AHL Tenant |
|--------------------------------|------------------------|---------------------------------|
| Revenues | | |
| Direct Event Revenues | \$1,451,000 | \$2,028,000 |
| CT Ticket Surcharge | 870,000 | 1,389,000 |
| Premium Seating | 1,862,000 | 4,638,000 |
| Naming Rights | 0 | 750,000 |
| Food & Beverage | 2,273,000 | 2,460,000 |
| Merchandise | 99,000 | 297,000 |
| Sponsorship & Signage | 921,000 | 1,250,000 |
| Other | 585,000 | 500,000 |
| Total revenues | \$8,061,000 | \$13,312,000 |
| Expenses | | |
| Facility | \$2,532,000 | \$4,500,000 |
| General & administrative | 3,435,000 | 6,000,000 |
| Management Fee | 1,153,000 | 1,500,000 |
| Total expenses | \$7,120,000 | \$12,000,000 |
| Operating Income (Loss) | \$941,000 | \$1,312,000 |

- **Arena with no NHL tenant estimated to generate \$5.3 million in incremental revenues.**

- **Incremental revenues largely offset by higher operating costs associated with a new arena.**

- **Estimated incremental net operating revenue of approximately \$371,000**

- **Does not include debt service related to arena construction, estimated at approximately \$31 million per year**

Estimated Financial Operating Results NHL Arena and Franchise

Financial Analysis

Revenues

Arena Related

| | |
|--------------------------------------|---------------------|
| Direct Event Income (Non-NHL Events) | \$1,920,000 |
| CT Ticket Surcharge | 1,389,000 |
| Premium seating | 17,375,000 |
| Naming rights | 3,000,000 |
| Food and beverage | 5,216,000 |
| Advertising | 5,000,000 |
| Merchandise | 581,000 |
| Other | 500,000 |
| Total Arena Revenues | \$34,981,000 |

Team Related

| | |
|-------------------------------|---------------------|
| NHL Gate Receipts | \$37,125,000 |
| Other Team Operating Revenues | 31,000,000 |
| Total Team Revenues | \$68,125,000 |

| | |
|--------------------------------------|----------------------|
| Total Team and Arena Revenues | \$103,106,000 |
|--------------------------------------|----------------------|

Expenses

Arena Related

| | |
|-----------------------------|---------------------|
| Facility | \$5,500,000 |
| General & administrative | 9,500,000 |
| Management Fee | 1,250,000 |
| Total Arena Expenses | \$16,250,000 |

Team Related

| | |
|----------------------------|---------------------|
| Player Compensation | \$44,000,000 |
| Other Team Operations | 41,200,000 |
| Total Team Expenses | \$85,200,000 |

| | |
|--------------------------------------|----------------------|
| Total Team and Arena Expenses | \$101,450,000 |
|--------------------------------------|----------------------|

| | |
|--------------------------------|--------------------|
| Operating Income (Loss) | \$1,656,000 |
|--------------------------------|--------------------|

- **Combined NHL team and arena operations are estimated to generate approximately \$109.6 million in total revenues and \$108.0 million in annual operating expenses**
- **Resulting net operating profit of approximately \$1.7 million.**
- **Does not include debt service related to construction of facility, estimated at up to \$31 million per year**

- Initial impacts are generated during the construction period.
- Estimates based on estimated project cost of \$300.0 million to \$400.0 million.

Construction - One-Time Impacts

| | |
|-------------------------|---------------|
| Direct Spending | \$400,000,000 |
| Adjusted Local Spending | \$300,000,000 |
| Total Output | \$541,243,000 |
| Earnings | \$266,204,000 |
| Jobs (1) | 5,100 |

(1) Includes full- and part-time jobs

- Spending associated with arena operations creates impacts throughout the life of the building.

Estimated Economic and Fiscal Impacts Annual Arena Operations

| | HCC 2004/05 | On-Going HCC | New Arena | |
|-----------------|----------------|-----------------|---------------|--------------|
| | | | NHL | AHL |
| Direct Spending | \$30,893,000 | \$31,414,000 | \$82,863,000 | \$42,129,000 |
| Total Output | \$51,952,000 | \$52,876,000 | \$139,864,000 | \$71,123,000 |
| Earnings | \$25,272,000 | \$25,814,000 | \$69,128,000 | \$35,631,000 |
| Jobs (1) | 1,100 | 1,200 | 3,200 | 1,600 |
| Tax Revenues | | | | |
| State Sales | \$1,327,000 | \$1,346,000 | \$2,796,000 | \$1,665,000 |
| State Lodging | \$50,000 | \$48,000 | \$76,000 | \$46,000 |

(1) Includes full- and part-time jobs

- **In addition to the economic effects of money spent on arena construction and at arena events, the Hartford market could receive additional benefits that cannot be quantitatively measured:**
 - **Enhanced growth and ancillary private sector development spurred by the operations of an arena;**
 - **Diversified entertainment alternatives for families in the local area;**
 - **New advertising opportunities for local businesses;**
 - **Enhanced community pride, self-image, exposure and reputation; and**
 - **Other such benefits.**