ENTERTAINMENT VENUE FEASIBILITY STUDY

Venture Waves, LLC
Virginia Beach Economic Development Authority

July 2018
July 30, 2018

Mr. Mike Culpepper, Managing Partner and Ms. Donna MacMillan-Whitaker, Founder/Managing Partner
Venture Realty Group
Virginia Beach, VA

Virginia Beach Economic Development Authority
Virginia Beach, VA 23462

Dear Mr. Culpepper, Ms. MacMillan-Whitaker, and the VBEDA:

Stone Planning LLC, The Rooney Sports and Entertainment Group, and Nielsen Sports have completed our feasibility analysis of a potential entertainment venue at the Dome site in Virginia Beach. The attached report presents the results of our research, analysis, findings, and conclusions and recommendations, and is intended to assist Venture Realty Group and the VBEDA in evaluating the viability of the facility.

The analyses presented in this report are based on estimates, assumptions, and other information developed from industry research, data provided by VRG and others, interviews with local and industry stakeholders, and analysis of other facilities and markets. The sources of information and the basis of assumptions, estimates, and forecasts are stated in this report. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur. Therefore, actual results achieved will vary from those described and the variations may be material.

The findings presented are based on analysis of present and near-term conditions in the Virginia Beach area, as well as existing interest levels by potential users for a new facility. Any significant changes in the characteristics of the local community, such as change in population, corporate inventory, and/or competitive facilities, could materially impact conclusions and recommendations developed in this study. As in all studies of this type, the estimated results are based on competent and efficient management of the potential facility and assume that no significant changes in the event markets or assumed immediate and local area market conditions will occur beyond those set forth in this report. Furthermore, all information provided to us by others was not audited or verified and was assumed to be correct.

This report has been prepared for use by VRG and the VBEDA, and should not be relied upon by any other party. The report has been structured to provide research, conclusions and recommendations, and forecasts to strategically plan for potential new-facility development and should not be used for any other purpose. This report and its findings may not be included or reproduced in any public offering statement or other financing document.

We very much appreciate the assistance and cooperation that has been provided in the completion of this report, and have enjoyed working with you. Should you need anything else, please let us know.

Sincerely,

Stone Planning LLC
Table of Contents

1. Executive Summary 4
2. Local Market Analysis 9
3. Local and Regional Competitive Analysis 20
4. Comparable Facilities 40
5. Conclusions and Recommendations 57
6. Operational Projections 61
7. Economic Impacts 76
8. Surf Park Analysis 89
EXECUTIVE SUMMARY

Stone Planning, The Rooney Sports and Entertainment Group, and Nielsen Sports were engaged by Venture Realty Group and the Virginia Beach Economic Development Authority to complete a market and financial feasibility analysis of a new multipurpose entertainment venue (Event Center) in Virginia Beach. We have also provided high-level, preliminary analyses of a surf park within the development, based on limited documentation provided to our team. In general, this independent analysis is aimed at understanding the market for a potential new facility, recommending major characteristics of a new facility (if any), and forecasting the future operations and economic impacts of a new facility.

The study analyzes the potential for a new facility in Virginia Beach, including analyses of:

- the local and regional market that would support a new facility (including both full-time residents and tourists),
- the events industry,
- the local environment for competitive and complementary facilities,
- stakeholder feedback,
- comparable facilities in other markets,
- recommendations regarding a new facility, and
- forecasts of future operations and economic impacts of a recommended facility.

This executive summary provides an overview of the analyses, research, recommendations, and forecasts that appear in the full report.

The Local Market

- Virginia Beach is Virginia’s largest city, with more than 450,000 residents, and is part of the larger Hampton Roads metro area with approximately 1.7 million residents. The Designated Market Area, as defined for this study, has 1.5 million residents and is strongly concentrated in Virginia Beach.
- The DMA is relatively young, affluent, educated, and employed.
- The DMA population is more likely than the average US market to attend concerts and many other types of entertainment events.
- In addition to the full-time resident population, Virginia Beach is a major tourist market, with more than 15 million visitors in 2016.
The Events and Facility Industry

- Entertainment venues have benefitted from technological changes in the music industry that have led to a significant increase in the value of live concerts to a performer’s income. As a result, the number of shows has also increased significantly.

- More than one-third of the top 200 grossing entertainment tours typically sell 5,000 or fewer tickets per show.

- Locally, the need for a 2,500-to-3,500-seat commercial venue at the beachfront was identified in studies that led to the Sandler Center’s development, although no such facility has been built. There appears to be a strong need for this type of facility in the market.

- The Virginia Beach market has a number of indoor and outdoor venues that host free and ticketed entertainment events throughout the year. However, direct competition with the planned Event Center is expected to be relatively minimal, and any free events at the Event Center are generally expected to complement, and not compete with, the city’s Boardwalk programming.

Conclusions and Recommendations

- We believe that there is a market for both indoor and outdoor events at the capacities being considered (up to approximately 3,200 indoors and 5,000 outdoors). Also, the flexibility for various configurations for indoor events offer artists and promoters a wide variety of options, such as general admission, seated, cabaret, and/or a combination of multiple configurations.

- The involvement of OVG is considered to be a significant positive factor for the facility, based on the firm’s resources and relationships; experience with facility planning, management, and programming; marketing and sponsorships; and other aspects of facility and event operations. In addition, OVG’s primary representative for the project has significant experience in the local market.

- It is likely that most of the commercial events that would be held at the Event Center will be new to the market. However, the Event Center could attract some events that would otherwise be held at existing local facilities such as Chrysler Hall and the NorVa in Norfolk and the Union Bank & Trust Pavilion in Portsmouth.

- Virginia Beach is well-located for touring events, in relation to markets such as Richmond, Charlotte, Washington DC/Baltimore, and others.

- The facility’s planned open booking policy will help to increase usage and encourage all promoters to book shows. Multiple promoters that are active locally (including those that book and operate existing facilities) have expressed interest in using the new facility.
Operating and Economic Impact Projections

- Based on previous tasks, as well as other research presented in Section 6, we have forecasted the future annual operations of the Event Center. The following table summarizes the estimated annual events and attendance, by event type.

<table>
<thead>
<tr>
<th>PROJECTED EVENTS AND ATTENDANCE</th>
<th># of Events</th>
<th>Avg. Atten.</th>
<th>Total Atten.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concerts - Indoor Reserved</td>
<td>30</td>
<td>2,167</td>
<td>65,000</td>
</tr>
<tr>
<td>Concerts - Indoor GA</td>
<td>40</td>
<td>2,719</td>
<td>108,750</td>
</tr>
<tr>
<td>Concerts - Outdoor</td>
<td>20</td>
<td>3,600</td>
<td>72,000</td>
</tr>
<tr>
<td>Concerts - Minor</td>
<td>40</td>
<td>300</td>
<td>12,000</td>
</tr>
<tr>
<td>Other Ticketed Sports/Entertainment</td>
<td>5</td>
<td>2,250</td>
<td>11,250</td>
</tr>
<tr>
<td>Community Events</td>
<td>32</td>
<td>1,500</td>
<td>48,000</td>
</tr>
<tr>
<td>Private/Social Events</td>
<td>50</td>
<td>250</td>
<td>12,500</td>
</tr>
<tr>
<td>Festivals</td>
<td>3</td>
<td>3,000</td>
<td>9,000</td>
</tr>
<tr>
<td>Surf Park Events</td>
<td>3</td>
<td>500</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>223</strong></td>
<td><strong>340,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Stone Planning

- Based on the projected usage and other assumptions, the following table summarizes the Event Center’s projected operating revenues and expenses for its first year.

<table>
<thead>
<tr>
<th>SUMMARY PRO FORMA ($000S)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Event Revenues</td>
<td>$8,496</td>
<td></td>
</tr>
<tr>
<td>Non-Event Revenues</td>
<td>743</td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td><strong>$9,239</strong></td>
<td></td>
</tr>
</tbody>
</table>

| Operating Expenses                 |       |       |
| Event Expenses                     | $6,641|       |
| Non-Event Expenses                 | 1,497 |       |
| **Total Operating Expenses**       | **$8,138** | |

| Net Operating Income (Loss)        |       | $1,101 |

Source: Stone Planning

We assume a total of approximately $9.2 million in revenues and $8.1 million in expenses, for a resulting net income of $1.1 million. Over the course of the Event Center’s first ten years, net income is assumed to be approximately $1.0 million to $1.1 million per year.

- We have also estimated the future economic and fiscal impacts from the operations and construction of the Event Center. Impacts are generally based on spending that is attracted to the city from outside of the city.
The operational impacts will recur from year to year, and the facility is estimated to generate approximately $18.2 million in total net spending, 105 jobs and an associated $4.4 million in earnings, approximately 21,000 hotel room nights, and $232,000 in city tax revenues per year.

The construction project is estimated to generate a total of approximately $18.3 million in labor expenditures and 314 jobs, for local residents as well as $7.9 million in materials sales to local firms.

**Surf Park Analysis**

We have also completed a high-level analysis of limited information provided by Wavegarden related to the planned surf park. Based on our review of this information and other research, we provide the following observations:

- Wavegarden’s methodologies appear to be sound.
- Its assumed penetration rates for surf park users (both local residents and tourists) appear to be conservative.
- Because of the wave technology and the attraction, surfers are expected to travel to Virginia Beach for the facility; these induced visitors are not included in Wavegarden’s usage estimates.
- The facility can also potentially attract additional training and competition uses that are not included in its forecasts.
- Depending on the proliferation of inland surf parks, a facility in Virginia Beach could potentially become less unique in the future.
Section 2
Local Market Analysis
In this section, we provide economic and demographic data on the local and regional market (including definitions of the market areas) in order to give context on the environment in which a new entertainment venue would operate, as characteristics of the surrounding population are important to the support of a venue.

**VIRGINIA BEACH AND MARKET DEFINITIONS**

Incorporated as a city in 1952, Virginia Beach is Virginia’s largest city, with more than 450,000 residents. It is an independent city and therefore not part of a larger county, but is within the Hampton Roads metro area that encompasses parts of Virginia and North Carolina including Norfolk (25 miles from Virginia Beach), Newport News (40 miles), Hampton (30 miles), and other cities. The metro area has a population of approximately 1.7 million people, which is the 37th-largest metro area in the country and has a population that is similar to the metro areas of Nashville, Providence, Milwaukee, and Jacksonville.

Virginia Beach is largely known as a resort city due to its location on the Atlantic Ocean and the mouth of Chesapeake Bay. Its oceanfront has miles of beaches and countless hotels, restaurants, and entertainment options. However, in addition to its tourism industry, the city also has multiple military bases, two universities, a large business community with multiple corporate headquarters, and historic significance (it is the site of the first landing of English colonists, in 1607, and near Colonial Williamsburg, Jamestown, and Yorktown).

The Nielsen DMA (Designated Market Area) is defined as a group of counties that form a geographic area in which local market television viewership is measured. This is a non-overlapping geography for planning, buying, and evaluation of television audiences across various markets, and is also considered to define the local market for concerts and other events.

The DMA is shown below in red.
The following table shows the DMA’s population since 2008.

<table>
<thead>
<tr>
<th>Year</th>
<th>Population (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,445</td>
</tr>
<tr>
<td>2009</td>
<td>1,440</td>
</tr>
<tr>
<td>2010</td>
<td>1,435</td>
</tr>
<tr>
<td>2011</td>
<td>1,457</td>
</tr>
<tr>
<td>2012</td>
<td>1,454</td>
</tr>
<tr>
<td>2013</td>
<td>1,476</td>
</tr>
<tr>
<td>2014</td>
<td>1,499</td>
</tr>
<tr>
<td>2015</td>
<td>1,509</td>
</tr>
<tr>
<td>2016</td>
<td>1,515</td>
</tr>
<tr>
<td>2017</td>
<td>1,525</td>
</tr>
</tbody>
</table>

Source: Nielsen Scarborough 2017

The market currently has approximately 1.5 million residents. Overall, population growth has been relatively low, averaging 0.6 percent per year.

The local zip codes with the highest population, and their location, are shown in the table and map below.
AGE

The following graph shows the age distribution of the DMA compared to the US.

As the graph shows, the DMA is relatively young, as its 18-to-34 population is ten percent greater than that of the US as a whole (approximately 33 percent compared to 30 percent). As a result, it has a lower share of residents between the ages of 35 and 49, and its 50+ population is similar to that of the US.
INCOME AND EMPLOYMENT

The following graph shows the DMA’s household income levels compared to those of the US.

### DMA AND US INCOME

<table>
<thead>
<tr>
<th>Income Bracket</th>
<th>DMA</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $35,000</td>
<td>26.1%</td>
<td>27.7%</td>
</tr>
<tr>
<td>$35,000 - $49,999</td>
<td>19.1%</td>
<td>16.8%</td>
</tr>
<tr>
<td>$50,000 - $74,999</td>
<td>20.2%</td>
<td>16.9%</td>
</tr>
<tr>
<td>$75,000 - $99,999</td>
<td>12.8%</td>
<td>13.9%</td>
</tr>
<tr>
<td>$100,000 - $249,999</td>
<td>22.2%</td>
<td>19.3%</td>
</tr>
</tbody>
</table>

Source: Nielsen Scarborough 2017

Compared to the country as a whole, the DMA is overrepresented in two income brackets - $50,000 to $75,000 and $100,000 to $250,000. Correspondingly, it has a lower share of residents with incomes below $50,000. Nationwide, the mean household income was approximately $55,300 in 2016.

### DMA AND US EMPLOYMENT

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>DMA</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed full-time (35 hours or more)</td>
<td>48.3%</td>
<td>43.5%</td>
</tr>
<tr>
<td>Employed part-time (less than 35 hours)</td>
<td>13.2%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Not employed</td>
<td>38.5%</td>
<td>40.3%</td>
</tr>
</tbody>
</table>

Source: Nielsen Scarborough 2017

Employment status of local residents, compared to that of the US, is shown below.
Consistent with relatively high income levels, the share of local residents who are employed full-time (48.3 percent) far exceeds the national average of 43.5 percent. As a result, the share of part-time and unemployed residents in the DMA is low.

The following table shows the ten largest public and private employers in Virginia Beach and Hampton Roads.

<table>
<thead>
<tr>
<th>Virginia Beach</th>
<th>Industry</th>
<th># of Civilian Employees</th>
<th>Hampton Roads</th>
<th>Industry</th>
<th>Location</th>
<th># of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Naval Air Station Oceana-Dam Neck</td>
<td>Government/Military</td>
<td>5,850</td>
<td>Huntington Ingalls Industries</td>
<td>Manufacturing</td>
<td>Newport News</td>
<td>20,000+</td>
</tr>
<tr>
<td>Sentara Healthcare</td>
<td>Medical and Surgical Hospitals</td>
<td>5,200</td>
<td>Sentara Healthcare</td>
<td>Services</td>
<td>Norfolk</td>
<td>20,000+</td>
</tr>
<tr>
<td>Joint Expeditionary Base Little Creek-Ft. Story</td>
<td>Government/Military</td>
<td>3,400</td>
<td>Riverside Health System</td>
<td>Services</td>
<td>Newport News</td>
<td>6,000-10,000</td>
</tr>
<tr>
<td>GEICO General Insurance Company</td>
<td>Auto and Other Vehicle Insurance Carriers</td>
<td>2,700</td>
<td>Norfolk City Public Schools</td>
<td>Government/Military</td>
<td>Norfolk</td>
<td>6,000-10,000</td>
</tr>
<tr>
<td>General Growth Properties (Lynnhaven Mall)</td>
<td>Retail Trade</td>
<td>2,600</td>
<td>Norfolk Naval Shipyard</td>
<td>Government/Military</td>
<td>Portsmouth</td>
<td>6,000-10,000</td>
</tr>
<tr>
<td>Gold Key/PHR Hotels &amp; Resorts</td>
<td>Developer, Owner and Operator of Hotels</td>
<td>2,345</td>
<td>Virginia Beach Public Schools</td>
<td>Government/Military</td>
<td>Virginia Beach</td>
<td>6,000-10,000</td>
</tr>
<tr>
<td>STIHL Incorporated</td>
<td>Power Tools Manufacture</td>
<td>2,113</td>
<td>City of Virginia Beach</td>
<td>Government/Military</td>
<td>Virginia Beach</td>
<td>6,000-10,000</td>
</tr>
<tr>
<td>Amerigroup (Anthem)</td>
<td>Corporation Insurance Carriers</td>
<td>1,850</td>
<td>Portsmouth Public Schools</td>
<td>Government/Military</td>
<td>Portsmouth</td>
<td>3,000-5,000</td>
</tr>
<tr>
<td>Navy Exchange Service Command</td>
<td>Military and Government Exchange Retail</td>
<td>1,550</td>
<td>Chesapeake City Public Schools</td>
<td>Government/Military</td>
<td>Chesapeake</td>
<td>3,000-5,000</td>
</tr>
<tr>
<td>Engility Corp.</td>
<td>Engineering Services</td>
<td>800</td>
<td>NASA Langley Research Center</td>
<td>Government/Military</td>
<td>Hampton</td>
<td>3,000-5,000</td>
</tr>
</tbody>
</table>

Source: Virginia Beach Economic Development, Hampton Roads Economic Development Alliance

There is a strong military presence in the area, particularly in the broader Hampton Roads region, and many of the area’s largest employers are military entities. Many of the other larger employers are public bodies such as school districts and city governments.

However, there are also many large private employers in the area, including Sentara Healthcare, the Riverside Health System, Gold Key/PHR Hotels & Resorts, STIHL, and others. Gold Key/PHR, STIHL, Anthem, Harmony Investments, Liberty Tax Service, and Clark Nexsen are all headquartered in Virginia Beach and employ 300 to nearly 2,400 people.

**RESIDENT ACTIVITIES**

In addition to basic demographic data, Nielsen Scarborough has been measuring media, retail, and lifestyle habits on a national and local level for more than 40 years. Each year, Nielsen surveys over 200,000 individuals in 129 US markets, maintaining a nationally representative sample and local market relevance. Scarborough insights provide information on the shopping patterns, media behaviors, demographics, and distinctive lifestyles of the American consumer at a local, regional, or national level across more than 2,000 categories and brands.

Nielsen leveraged its proprietary Scarborough market research database to provide insights into the demographic profile and size of the Norfolk DMA as well as concertgoers from the DMA.

**Events and Places Visited**

The following table shows the results of surveys of DMA residents related to events attended and places visited in the last 12 months, and as possible, comparisons to national indexes.
In general, attending concerts is the second-most popular activity in the market (41 percent of residents), following only theme parks. The share of local residents who attended concerts exceeds the national average by nearly 30 percent, and individual genres of concert attendance are also overrepresented in the local population, such as:

- rock music – 9.5 percent greater than the national average,
- country music – 14.3 percent greater,
- R&B/rap/hip-hop – 66.7 percent greater, and
- Symphony and opera – 5.6 percent greater.

The genres above are shown in the order of their popularity locally (i.e. rock music was attended by the largest share of residents, followed by country, R&B/rap/hip-hop, and symphony/opera). However, while R&B/rap/hip-hop shows were less attended than other genres, it is relatively much more popular locally compared to nationally than the other genres.
In the Arts & Culture category, comedy clubs are also particularly popular locally (10.7 percent of residents, which exceeds the national index by 39 percent), as is the circus, while art museums are visited locally less than they are nationally.

Sporting events are generally attended less often by local residents than they are across the US, although the Virginia Beach area lacks a major professional sports franchise. However, residents have attended local minor-league games and have traveled to nearby markets for other sporting events. Professional wrestling is particularly popular locally (31 percent greater than the national average).

**Attendee Demographics and Behaviors**

The following table summarizes the demographics of concert attendees in the DMA, for all concerts as well as specific genres.

<table>
<thead>
<tr>
<th>CONCERT ATTENDEE DEMOGRAPHICS</th>
<th>All (Combined)</th>
<th>Rock Concert</th>
<th>Country Concert</th>
<th>R&amp;B/Rep/Hip-Hop</th>
<th>Symphony, Opera, etc.</th>
<th>Other e.g. Jazz</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millennials (18-34)</td>
<td>36.2%</td>
<td>41.2%</td>
<td>40.8%</td>
<td>45.2%</td>
<td>31.4%</td>
<td>19.4%</td>
</tr>
<tr>
<td>[110]</td>
<td>[125]</td>
<td>[124]</td>
<td>[138]</td>
<td>[96]</td>
<td>[59]</td>
<td></td>
</tr>
<tr>
<td>Wealthy ($100k-$250k)</td>
<td>27.9%</td>
<td>32.0%</td>
<td>27.7%</td>
<td>17.1%</td>
<td>35.9%</td>
<td>29.3%</td>
</tr>
<tr>
<td>[126]</td>
<td>[144]</td>
<td>[125]</td>
<td>[77]</td>
<td>[162]</td>
<td>[132]</td>
<td></td>
</tr>
<tr>
<td>Educated (College Grad)</td>
<td>30.8%</td>
<td>31.7%</td>
<td>25.9%</td>
<td>24.5%</td>
<td>46.2%</td>
<td>37.6%</td>
</tr>
<tr>
<td>[122]</td>
<td>[127]</td>
<td>[103]</td>
<td>[97]</td>
<td>[184]</td>
<td>[150]</td>
<td></td>
</tr>
<tr>
<td>Employed (Full-Time)</td>
<td>57.8%</td>
<td>70.0%</td>
<td>61.4%</td>
<td>57.1%</td>
<td>46.1%</td>
<td>50.9%</td>
</tr>
<tr>
<td>[120]</td>
<td>[145]</td>
<td>[127]</td>
<td>[118]</td>
<td>[96]</td>
<td>[105]</td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>51.9%</td>
<td>52.9%</td>
<td>57.0%</td>
<td>31.9%</td>
<td>59.8%</td>
<td>53.3%</td>
</tr>
<tr>
<td>[101]</td>
<td>[103]</td>
<td>[111]</td>
<td>[62]</td>
<td>[116]</td>
<td>[103]</td>
<td></td>
</tr>
</tbody>
</table>

Source: Nielsen Scarborough 2017

The table shows whether a particular demographic group is over- or underrepresented as a share of concert attendees compared to the general population in the DMA. For example, Millennials represent 36.2 percent of all concert attendees locally, which is ten percent more than their share of the population (shown by the index of 110). Overall, local concert attendees tend to be young, wealthy, educated, and employed, all of which are strengths of the local market.

While the following information does not directly impact potential demand for the planned facility, it could be useful for marketing purposes and/or for targeting tenants at The Wave. Nielsen Scarborough research shows the following activities and behaviors that are particularly over- or underrepresented for local concert attendees compared to the DMA population:

- 125 percent more likely to have used Amtrak and 61 percent more likely to have used an on-demand car service (such as Uber or Lyft) in the past week,
93 percent of concert attendees ate at a quick-service restaurant in the last 30 days, led by Chick-fil-A (46 percent), McDonald’s (40 percent), Wendy’s (37 percent), and Taco Bell (30 percent).

Concert attendees are particularly overrepresented for having gone to Starbucks (42 percent more likely), Wingstop (40 percent), Qdoba (36 percent), Papa John’s (28 percent), and Chanello’s (26 percent).

86 percent of concert attendees ate at a sit-down restaurant in the last 30 days, led by Applebee’s, IHOP, Cracker Barrel, Olive Garden, Buffalo Wild Wings, Golden Corral, Outback Steakhouse, and Ruby Tuesday (10 to 18 percent of attendees).

Concert attendees are particularly overrepresented for having gone to Hooters (67 percent more likely), Buffalo Wild Wings (50 percent), and T.G.I. Friday’s (41 percent).

The most popular type of restaurant for local concert attendees is Chinese (45 percent), followed by Mexican (38 percent), pizza (35 percent), Italian (22 percent), and seafood (22 percent).

Concert attendees are particularly overindexed for sports bars (52 percent more likely), coffeehouses (46 percent), Mexican restaurants (31 percent), and Asian, Italian, steak, and “other upscale restaurants” (23 to 27 percent).

TOURISM AND AREA ATTRACTIONS

Due to its climate, oceanfront, accessibility from large population centers, and other characteristics, Virginia Beach is a major destination for tourism. While visitation occurs year-round, tourism peaks in the summer, followed by the spring and fall, and then winter. Hotel demand and rates are consistent with this seasonality. The following information summarizes data regarding the local tourism industry.

According to Longwoods International, the total number of “person-trips” to Virginia Beach in 2017 was 19 million (including 10.1 million overnight trips and 8.9 million day trips), which represented a seven-percent increase over 2016. Since 2013, the number of both overnight and day trips to Virginia Beach have increased annually.

According to Longwoods, nearly half of overnight and day trips are considered “marketable” trips, which include trips influenced by marketing efforts rather than visiting friends and relatives. Forty to 50 percent of travelers are visiting friends and relatives, and less than ten percent are business trips.

The graph and chart below show the seasonality of tourism, first by room nights per season, followed by the number of visitors per month.
Hotel demand by month is consistent with the chart to the right above; hotel occupancy and rates peak in July and August, followed by spring and fall.

According to the Virginia Tourism Corporation, in the broader Coastal Virginia-Hampton Roads region, Virginia Beach is the most popular destination (38 percent of visitors), followed by Williamsburg (36 percent), Norfolk (24 percent), and Richmond and Newport News (17 percent each).

The most popular activities of these visitors is shopping (28 percent), visiting relatives (27 percent), the beach (23 percent), and historic sites (19 percent).

According to Continental Research Associates, the average length of stay peaks in the summer (4.7 nights), and is between 3.7 and 3.9 nights in spring, fall, and winter.

The following chart shows tourists’ spending by type in Virginia Beach.
Attractions

Local attractions include the following:

- The Virginia Beach Boardwalk – the three-mile Boardwalk, from 2nd Street to 40th Street, includes a bike path, multiple stages, and the King Neptune statue. Along the Boardwalk are multiple restaurants, bars, and shops. Event programming that occurs at the Boardwalk is described in more detail in the following section.

- Surfing – Virginia Beach is strongly associated with surfing and is the host of the East Coast Surfing Championships. Surfing opportunities are available throughout the area.

- The Virginia Aquarium & Marine Science Center – includes more than 800,000 gallons of exhibits and the National Geographic 3D Theater.

- Historic sites – there are 18 sites on the National Register of Historic Places in Virginia Beach, including the Adam Thoroughgood House, the Francis Land House, and many others.
Section 3
Local and Regional Competitive Analysis
This section includes an overview of the planned development, the music and entertainment industry, the local and regional competitive environment for facilities, and the results of meetings and interviews with various stakeholders.

THE WAVE DEVELOPMENT AND EVENT CENTER

The planned Event Center, which is the subject of this study, would be part of The Wave, a mixed-use development near the oceanfront (generally between 18th and 20th Streets and Baltic Avenue and Pacific Avenue) that would also include multifamily residential, retail and restaurants, a cinema, office space, parking, and a surf park. The Wave site is on the former site of the Virginia Beach Civic Center (also known as The Dome), a well-known concert venue that opened in 1958 and was demolished in 1994.

The Event Center, as preliminarily planned, would have the following characteristics:

- 38,000 square feet,
- The ability to host both indoor and outdoor events, with a reversible stage that faces towards an indoor club and an outdoor amphitheater. The capacity for an indoor event could range from approximately 2,400 (seated) to 3,200 (general admission), and the outdoor capacity could be approximately 5,000.
- In-house sound and light equipment would be available to events.
- The multipurpose facility would be able to host a wide range of events, including concerts and other entertainment, comedy, speakers, social events, flat-floor events, sporting events, and others.
- The venue would also have other, smaller indoor and outdoor spaces for events, such as a VIP/hospitality lounge and outdoor terraces.
- The facility will be operated by The Oak View Group, a relatively new entity in the sports and entertainment industry but led by executives with decades of industry experience, including locally.

Pharrell Williams, a Virginia Beach native and singer, songwriter, and producer who has won ten Grammy Awards and been nominated for two Academy Awards, is a partner in the Event Center. It is expected that Williams will regularly perform at the venue and create a branded festival, which will increase usage of the Event Center.
THE TOURING EVENTS INDUSTRY

Touring events, such as concerts, comedians, and other entertainment events, provide a significant amount of content for venues of all sizes. This section focuses primarily on concerts and their characteristics, but also addresses other types of touring events.

Concerts

Touring concerts typically provide reliable booking opportunities for venues such as theaters, clubs, arenas, stadiums, and amphitheaters. Acts typically perform within a specific venue capacity range, based on their ability to sell an expected number of tickets in a given market, although the number of tickets sold and at various prices will change from market to market. However, based on the typical market demand for an act and the desire to perform in the same type and size of venue for the purposes of show production and planning, any tour will generally route within a similar type and size of facility.

These venues have benefitted from recent technological changes within the music industry that have significantly affected how people consume music. Specifically, the introduction of iTunes in 2003 and more recently, streaming music services, have greatly affected recording musicians. In general, spending on physical album sales (and more recently, digital sales) has decreased; this used to represent the bulk of a professional touring artist’s income. As the consumption of recorded music has shifted from CDs to digital sales to streaming, each technology has been less profitable to artists. With this revenue stream disappearing, many artists are touring more than ever, to the benefit of venues. While music consumption overall is growing, it is shifting from physical and digital song/album sales to streaming as well as live performances. According to one analysis of the top tours, the annual number of shows has increased from a low of approximately 6,000 in 2000 to 8,000 to 10,000 per year since then.

As an example, Billboard estimated that Beyoncé, 2016’s top earner among musicians, generated nearly $55 million from ticket sales and a relatively modest $4.3 million from music sales. (Others on its list of the top 50 earners also generated significantly more from performing than from music sales, aside from those that did not tour in 2016.) From 2016 to 2017, the sale of physical and digital music – both full albums and individual tracks – continued its decline, with streaming services gaining in popularity. Again, to replace the formerly lucrative source of revenue from CD sales, artists are touring more and more. (According to Billboard, from 1990 through 2000, the highest-selling album in the U.S. generally sold between five and ten million copies; from 2005 on, it exceeded five million only once.)
In 2017, according to Pollstar, new records continued to be set in North America for the number of tickets sold (more than 46 million), the average ticket price (more than $78 for the top 100 tours), and total gross sales ($8 billion). As the following charts show, these figures have generally been growing over recent years, and the increase in ticket prices has not stopped demand for tickets.

As mentioned above, touring acts generally perform in similar facilities throughout an individual tour, and not all acts are available to a given facility (nor can all markets support the ticket prices and number of tickets that need to be sold in order to support a show). The chart below shows the distribution of average tour attendance for Pollstar’s 200 top-grossing tours from 2016.
More than one-third of the top 200 tours achieved an average of less than 5,000 per show; these were typically held in theaters, clubs, and small arenas. Another 18 percent averaged between 5,000 and 7,499 per show; as a result, more than half of the tours that are among the 200 highest-grossing tours did not sell more than 7,500 tickets per show. In addition, the tours that are outside of the top 200 also provide programming opportunities to smaller venues.

Specific examples of acts that sold no more than 5,000 tickets per show, on average, include Willie Nelson, Chris Young, John Fogerty, the Avett Brothers, and ZZ Top. Acts in the 5,000-to-7,500 range included Alabama Shakes, Chris Stapleton, Ellie Goulding, and Paul Simon.

Other Touring Entertainment Events

In addition to concerts, there is a wide range of other touring events that are available to venues, although, similar to concerts, the specific events often change from year to year based on touring decisions. Because of the varying nature of these events, its overall industry is not necessarily quantifiable in the same way as concerts; however, we have researched available information in order to provide a better understanding of the types and scale of events, and the facilities that they perform in.

- **Family shows** – this subcategory alone is quite diverse and can include a large share of non-concert touring events. Family shows are typically geared towards children of varying ages and can include circuses, a rotating collection of Disney-themed events (such as Disney on Ice, Frozen, and others), Sesame Street Live, and many others. Cirque du Soleil also tours with multiple shows, and although many of them are popular enough for NBA- and NHL-sized arenas, others can perform in smaller arenas and theaters. Many family shows were among
the world’s top tours in 2017, including Disney On Ice (third, behind U2 and Guns N’ Roses, with nearly three million tickets sold), eight different Cirque du Soleil shows, Paw Patrol Live!, Marvel Universe Live!, and Harry Potter in Concert. However, many of these events require a typical arena floor configuration rather than a stage.

Unlike concerts and many other events, family shows typically hold multiple performances over consecutive days (up to as many as eight or more performances), and their touring season coincides with that of most other indoor events (fall to spring). Ticket prices are typically much lower than for concerts, and attendance for an individual performance is typically less than 3,000.

- **Comedy** – comedy shows are particularly popular now, and many comedians are among the top-grossing entertainment events. The growing popularity of comedy has created new content for theaters, clubs, and arenas. Today, comedians such as Jerry Seinfeld, Amy Schumer, and Jim Gaffigan typically perform in larger theaters as well as arenas and averaged ticket sales of approximately 3,500 to 7,000 in 2016.

- **Sports/competition events** – other touring events, but with a sports or competitive component, include the Harlem Globetrotters, WWE, motorsports and Monster truck events, Professional Bull Riders, rodeos, and others. In addition, many of these events have multiple subtours that are geared towards different audiences and facility sizes. However, because of the nature of these events, they typically require an arena with a basketball and/or hockey-sized event floor, rather than a theater or club configuration with a stage. However, sports such as boxing and MMA can be accommodated within a club or theater.

- **Others** – other touring events can include speakers, religious events, and other types of entertainment. Similar to comedians, speakers, entertainers, journalists, authors, and intellectuals such as Theresa Caputo, Neil deGrasse Tyson, Anderson Cooper, and others have provided a new content source for venues that did not previously exist at a significant level. To capitalize on this trend (as well as the popularity of comedy), one major booking agency/management company (Madison House) recently launched a speaker and comedy division that will provide additional content to venues.

**Event Promoters**

Another major change that has affected the live entertainment industry has been the consolidation of promoters. Two companies – Live Nation and AEG – are by far the largest promoters in the US and worldwide and control a great deal of talent. Live Nation is significantly larger than AEG, and has grown in part by acquisitions of other promoters, including House of Blues, which was the industry’s second-largest promoter when it was acquired by Live Nation in 2005. Also, in 2010, Live Nation merged with Ticketmaster, the industry’s largest ticketing provider.
In addition to serving as a concert and festival promoter and ticketing service, Live Nation also owns and operates venues and sells sponsorships. As of late 2017, Live Nation promoted nearly 30,000 events for more than 4,000 artists and owned, operated, or had an equity interest in 222 venues worldwide (including Virginia Beach’s Veterans United Home Loans Amphitheater).

Through this consolidation and promoter ownership of venues, more venues now have exclusive promoter relationships, whereby a promoter (and potentially facility owner) such as Live Nation will not work with other promoters at their facility. However, in most cases, a more “open” structure is in place, and any promoter can potentially work with a venue; this is the case at Veterans United Home Loans Amphitheater, and generally allows for a larger universe of events to perform at a venue. For example, if AEG controls a tour and is looking for a large amphitheater in the Virginia Beach market, it could book the VUHLA rather than be shut out, assuming the arrangement makes business sense for both AEG and Live Nation.

The following chart shows the share of the nearly 124 million tickets sold worldwide in 2017 by Live Nation, AEG, and the next 98 promoters combined.

**WORLDWIDE TICKET SALES BY PROMOTER, 2017**

![Pie chart showing ticket sales share](chart.png)

Source: Pollstar

Live Nation sold 42 percent of worldwide tickets (52.5 million), followed by AEG with 12 percent (14.4 million). Live Nation’s market share does not include promoters that it has acquired a major share of, or has exclusive deals with, such as:

- OCESA/CIE – the third-largest promoter in the world, with more than four million tickets sold, dominates Mexico and South America, and has an exclusive distribution deal with Live Nation.
- C3 Presents – in 2014, Live Nation purchased a controlling share of C3 Presents, which was the world’s 17th-largest promoter in 2017 (1.1 million tickets sold). C3 Presents is the promoter of many leading festivals, including Lollapaloozas in the US and South America, the Austin City Limits Music Festival, and many others.
Frank Productions – earlier this year, Live Nation acquired a majority share of Frank Productions, one of the country’s largest independent promoters (and 23rd worldwide, with 673,000 tickets sold in 2017).

LOCAL AND REGIONAL FACILITIES

This section identifies relevant local indoor and outdoor facilities, and their characteristics and potential competitiveness with the Event Center.

<table>
<thead>
<tr>
<th>Local Facilities and Their Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indoor Theaters and Clubs</strong></td>
</tr>
<tr>
<td>Location</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>The Sandler Center</td>
</tr>
<tr>
<td>The NorVa</td>
</tr>
<tr>
<td>Chrysler Hall</td>
</tr>
<tr>
<td>Ferguson Center for the Arts</td>
</tr>
<tr>
<td><strong>Outdoor Amphitheaters</strong></td>
</tr>
<tr>
<td>Location</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>Veterans United Home Loans Amphitheater</td>
</tr>
<tr>
<td>Union Bank &amp; Trust Pavilion</td>
</tr>
<tr>
<td><strong>Indoor Arenas</strong></td>
</tr>
<tr>
<td>Location</td>
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<td>Ted Constant Convocation Center</td>
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<td>Hampton Coliseum</td>
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<tr>
<td>Virginia Beach Sports Center</td>
</tr>
</tbody>
</table>

<p>| <strong>Free Venues</strong>                             |</p>
<table>
<thead>
<tr>
<th>Location</th>
<th>Concert Capacity</th>
<th>Driving Distance from The Dome (Miles)</th>
<th>Year Opened</th>
<th>Owner</th>
<th>Operator</th>
<th>Potential Competition with Event Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virginia Beach Boardwalk</td>
<td>Virginia Beach</td>
<td>Various</td>
<td>0.2</td>
<td>n/a</td>
<td>City of Virginia Beach</td>
<td>IMGoing</td>
</tr>
<tr>
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<td>Norfolk</td>
<td>45,000</td>
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<td>City of Norfolk</td>
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Source: Individual facilities, Stone Planning

**Indoor Theaters and Clubs**

**The Sandler Center for the Performing Arts (Virginia Beach)**

The Sandler Center opened in 2007 as a replacement for the 1,000-seat Pavilion Theatre, as a need for better and larger facilities in Virginia Beach was identified. The facility is owned by the City of Virginia Beach and operated by Spectra and NS2, who guarantee a minimum of 37 touring events per year to the facility (through promoting/co-promoting or as rentals), which provide greater exposure and visibility to the facility, beyond its tenant events.
The theater’s performance hall has a capacity of 1,300 and an outdoor performance plaza has 18,000 square feet. A number of smaller venues are also available within the facility: the lobby (capacities of 250 seated/400 standing), the Miller Studio Theatre (125/200), the Wood Room (50/60), and two classrooms (50/60 each).

The theater has nine resident companies (which have priority on event dates over other events), including the Virginia Beach Chorale, Virginia Musical Theatre, and the Virginia Symphony Orchestra, but also hosts other touring entertainment events such as concerts, family shows, and comedians. It also hosts the “Ynot Wednesdays?” free summer concert series on the outdoor plaza and the Winter Concert Series in the Miller Studio Theatre.

Daily rental rates for the performance hall are $2,750 (performance days) and $1,750 (non-performance days) for commercial groups and $2,000 and $1,250 for non-profits. The outdoor plaza is $1,500 for commercial groups and $12,500 for non-profits. Smaller facilities range from $300 to $1,200 per day (commercial) and $250 to $850 per day (non-profit). The Sandler Center also charges a $1-per ticket facility surcharge for tickets less than $21, and $2 for tickets priced above $21.

The following information summarizes operational characteristics of the Sandler Center’s 2016-17 fiscal year:

- 480 total events and 195,747 attendees, including:
  - Resident companies: 169 events and 47,490 attendees,
  - Great Performance Series: 25 selected commercial events (such as Amos Lee, Celtic Thunder, Peter Frampton, and Vince Gill) and approximately 55,000 attendees. Next year, the Series is expected to increase to 40 to 45 shows,
  - Ynot Wednesdays?: 14 weekly events and approximately 43,000 total attendees, and
  - Winter Concert Series: approximately 2,000 attendees over eight weeks of performances.
- $1.5 million in gross ticket revenue, $107,000 in facility surcharge revenue, and $141,000 in admission taxes,
- The chart below shows ticket sales by city:
According to Pollstar, the average attendance for all ticketed entertainment events in the last three years was 969, with an average ticket price of approximately $51.

**Sandler Center Planning Studies**

Prior to the construction of the Sandler Center, a number of studies that identified the need for the facility, and others, were commissioned. These studies were completed by late 2002; however, many of their conclusions and recommendations are still relevant, as described below.

- The local and regional markets were considered to be strong, with a young, affluent, and well-educated population that has a high propensity to participate in events and is concentrated in Virginia Beach.
- A 1,000- to 1,200-seat multipurpose theatre (which became the Sandler Center) was recommended as a replacement of the Pavilion Theatre, as it was inadequate and there was no other theatre in Virginia Beach between 750 and 2,000 seats, or in the region between 900 and 1,500 seats.
- In addition to the facility described above, a “300-to-500-seat multipurpose community venue” and a “2,500-to-3,500-seat commercial venue at the beachfront in partnership with a commercial presenter” were also recommended. The latter venue still does not exist in the market and is the type of venue studied in this report.
**The NorVa (Norfolk)**

The NorVa originally opened in 1917 as a 2,000-seat Vaudeville theater and later served as a movie theater. It reopened in 2000 as a 1,450-seat club and is now owned by AEG. It primarily hosts touring concerts and has reported an average of approximately 128 per year in the last three years. The average attendance of these shows was 1,110, with an average ticket price of $28. A wide range of music genres are represented, through acts such as Tyler, the Creator, the Pixies, Cake, Charli XCX, KRS-ONE, Twenty One Pilots, Band of Horses, and Run the Jewels.

The NorVa is owned and exclusively promoted by AEG, but its rental rate is known to be approximately $6,500.

**Chrysler Hall (Norfolk)**

Chrysler Hall is Norfolk’s primary performing arts venue and is located in downtown Norfolk. It is owned by the City and operated by its Department of Cultural Facilities, Arts and Entertainment as part of its Seven Venues (along with the Scope Arena, the Attucks Theatre, the Wells Theatre, Harrison Opera House, Harbor Park, and Open Air Events).

The theater has a number of tenants, including the Virginia Symphony Orchestra, Norfolk Forum, the Virginia Arts Festival, the Virginia Ballet, and the Generic Theatre, but also hosts concerts, family shows, comedians, and other entertainment. According to the facility, total usage is approximately 150 events and 150,000 attendees.

The theater’s capacity is 2,488 for ticketed performances and its published rental rate is $12,500, including all front-of-house expenses. Its Dress Circle has capacities of 250 (seated) and 450 (standing) for private events such as meetings and parties, and the Stage Left Lounge has a 50-person capacity for smaller events.

In the last three years, the facility has reported approximately 50 non-tenant entertainment events per year, with an average attendance of approximately 1,400 and an average ticket price of $52. These events have included popular concerts (Robert Plant, Gladys Knight), family shows (Alvin and the Chipmunks: Live, Disney Live), Broadway shows and musicals (Ragtime, The Nutcracker), comedians (Bill Burr, Hannibal Buress), and others.
The City of Norfolk is planning approximately $40 million or more of improvements to the facility, including approximately 100 additional seats, expanded restrooms and lobby areas, and improved systems and F&B areas.

**Ferguson Center for the Arts (Newport News)**

The Ferguson Center is a theater and concert hall that is located on Christopher Newport University’s campus. The facility includes two concert halls and smaller event spaces, and opened in 2005. The primary venue in the Center is Diamonstein Concert Hall, with 1,725 seats; others include the 453-seat Peebles Theater and the 200-seat Studio Theater, as well as rehearsal halls, a dance studio, arts studios, an art gallery, classrooms, and others.

The facilities present a wide range of performances, ranging from Broadway shows to popular music and other entertainment, in addition to performances by the Virginia Symphony Orchestra, the CNU Department of Music and Department of Theater and Dance.

In 2017, the facility reported 12 ticketed entertainment events, including Mamma Mia, Ben Folds, Manhattan Transfer, and Stephen Stills and Judy Collins. Average attendance in the last three years has been 1,460, with an average ticket price of $64.

The facility charges a convenience fee for online and phone sales that ranges from $3 to $25, depending on the ticket price, and a $5 per order fee from its box office.

**Outdoor Amphitheaters**

**Veterans United Home Loans Amphitheater (Virginia Beach)**

This amphitheater is owned by the City of Virginia Beach and operated by Live Nation, and opened in 1996. It is one of the larger amphitheaters in the US, with a capacity of 20,000 (7,500 covered pavilion seats and 12,500 general-admission lawn seats), and therefore hosts some of the largest touring acts such as Kenny Chesney, the Dave Matthews Band, and Bruce Springsteen & the E Street Band. However, some smaller shows only sell the covered pavilion seats. The facility also has five dedicated parking lots, and parking fees are typically added to the ticket price.
The facility has hosted an average of 27 shows per year from 1999 through 2016, with an average attendance of slightly more than 10,000. In 2016, 32 shows had an average paid attendance of 9,823; paid attendance for each show is shown below.

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<thead>
<tr>
<th>Year</th>
<th>Shows</th>
<th>Average Paid Attendance</th>
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<tr>
<td>2016</td>
<td>32</td>
<td>9,823</td>
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Paid attendance ranged from 2,570 (Fifth Harmony) to 19,687 (Jimmy Buffett). In addition to Fifth Harmony, only two shows’ attendance were below or near the expected 5,000-person capacity of the Event Center’s outdoor capacity – the Goo Goo Dolls (3,487 paid) and Gwen Stefani (5,066 paid). However, the actual turnstile attendance of the Gwen Stefani show was 6,611. Three other shows had paid attendance of 5,000 to 6,000: Diplo (5,285), G-Eazy (5,718), and Slipknot (5,783).

According to facility representatives, its shows do attract tourists but specific data is not available.

**Union Bank & Trust Pavilion (Portsmouth)**

The Union Bank & Trust Pavilion is located across the Elizabeth River from downtown Portsmouth and opened in 2001 (through 2016, it was known as the nTelos Pavilion). The facility has a capacity of 6,500, with 3,500 covered and reserved seats, and 3,000 uncovered, general-admission lawn seats. The facility is owned by the City of Portsmouth and operated by IMGoing.

In the last three years, the facility has hosted an average of 14 concerts per season. In 2018 (as of mid-April), 17 shows are scheduled. According to Pollstar, 2015-17 concerts had an average attendance of approximately 4,300 and an average ticket price of $39.
The facility offers two types of premium seats: season seats and box seats. Season seats include parking, access to the VIP Club (full bar, pre-show performances, food, restrooms, and beer and wine tastings), a private entrance, and advance ticket access. Box seats are sold in groups of four, six, and eight, and include in-box F&B service, parking, VIP Club access, a private entrance, and advance ticket access.

The facility’s published rental rate is $5,000 or 10 percent of ticket sales, plus facility expenses. The facility also charges a $1 facility fee.

According to the City of Portsmouth, the facility has two full-time equivalent staff positions and total operating expenses in 2016 were approximately $306,000. This included approximately $60,000 in salaries and benefits, $26,000 in repairs and maintenance, and $39,000 in utilities (electricity, water and sewer, and gas). This does not include IMGoing’s expenses.

This spring, structural problems with the facility’s roof caused its temporary closing and the relocation of multiple events to other area venues. The facility is expected to reopen this summer.

**Indoor Arenas**

**Ted Constant Convocation Center (Norfolk)**

The Constant Convocation Center is on the campus of Old Dominion University and is owned by ODU and operated by Spectra. The facility’s primary user is ODU athletics, but it also hosts a wide range of other sporting events, concerts, other entertainment, and non-athletic university events. Its concert capacity is 10,000, which is much larger than the Event Center’s planned capacity.

In a recent year, the arena hosted approximately 230 events, including 40 ODU athletic events. Other events included:

- 17 concerts with an average attendance of approximately 3,900,
- 104 meetings, trade shows, and other similar events with an average attendance of approximately 270,
- 12 non-ODU sporting events with an average attendance of approximately 1,600,
- Eight family shows with an average attendance of approximately 2,400,
- Ten other entertainment events with an average attendance of approximately 850, and
- Four religious events with an average attendance of approximately 475.
While the arena hosted a significant number of concerts, its concerts are configured for arenas rather than theaters or clubs, and on average are larger than the maximum capacity of the planned Event Center. In addition, these concerts are generally held from fall through spring and therefore would not compete with an outdoor amphitheater.

**Norfolk Scope (Norfolk)**

The Norfolk Scope is a City of Norfolk-owned and -operated arena (which is part of SevenVenues) that opened in 1971. Its current tenant is the Norfolk Admirals of the ECHL and its concert capacity is 13,000, which is also much larger than the Event Center’s planned capacity. However, the Scope’s Prism Theatre configuration has a 4,000-person capacity. The Scope also has exhibit halls that have a maximum capacity of 3,850 seated attendees, and four smaller meeting rooms.

The arena’s published rental rate is $28,500, and $20,000 for the Prism Theatre.

In a recent year, the arena hosted approximately 110 events and 250,000 attendees, including the following:

- 60 sporting events (primarily hockey games) with an average attendance of approximately 2,300,
- 11 concerts with an average attendance of approximately 2,100,
- Ten family shows with an average attendance of approximately 3,300,
- Nine other entertainment events with an average attendance of approximately 230, and
- 14 religious events with an average attendance of approximately 3,200.

In the last three years, the Scope’s average ticket price for entertainment events has been approximately $31.

In conjunction with potential renovation plans for Chrysler Hall, the city is also considering improvements to the Scope that could include adding 4,000 seats and six to 12 luxury suites.

While the Scope’s concerts are generally smaller than the Constant Convocation Center’s, the facility would also be minimally competitive with the Event Center due to factors such as seasonality and physical requirements.
Hampton Coliseum (Hampton)

The Hampton Coliseum is a City of Hampton-owned and operated arena that opened in 1970. In the past, it had many minor-league sports tenants but current does not have one. The arena has a maximum concert capacity of 13,800, which makes it the largest indoor arena in the immediate area.

In a recent year, the arena hosted approximately 95 events. The most common event type was consumer and trade shows (23), primarily due to the exhibit halls. Other events included 22 family shows, 17 sporting events, 11 religious events, and ten concerts. In recent years, the arena’s average attendance for music and entertainment events has been approximately 6,100, with an average ticket price of $57. Similar to the market’s other arenas, the Coliseum would not be competitive to the Events Center for entertainment acts.

Published daily rental fees are $5,000 or 10 percent of gross ticket revenues for the arena and $3,000 for conventions. The City of Hampton charges a ten-percent admissions tax on ticket sales, and the facility has a $4.50 facility fee that is added to the ticket price. For non-ticketed events, an $8-per car parking fee is charged.

Virginia Beach Sports Center (Virginia Beach)

The planned Virginia Beach Sports Center is not an arena per se like the Constant Convocation Center, Scope, and Coliseum, as these facilities all host major, ticketed sports and touring entertainment events. The Sports Center would be an indoor sports and recreational facility focused primarily on hosting youth and other amateur tournaments that would generate economic impacts to the city from tournaments, as well as provide local residents with fitness and recreational facilities.

As planned, the facility would be adjacent to the Virginia Beach Convention Center and feature the following elements:

- 130,000 to 150,000 square feet,
- Multipurpose sports courts that can be used for basketball and volleyball (12 high school basketball courts or six collegiate courts, or 24 volleyball courts), as well as other indoor court sports,
- Seating for approximately 3,000 spectators, including 1,500 to 2,000 at a “championship” court,
- Support space for concessions and catering, offices, team and officials’ areas, storage, and others.
In order to support the primary orientation of tournaments, the facility is expected to prioritize all weekend usage for tournaments outside of nine months for scheduling purposes. This facility is not expected to be competitive with the Events Center, and could benefit it from tournaments’ needs for an offsite venue for entertainment, awards banquets, opening and closing ceremonies, and other uses.

Free Venues and Programming

Virginia Beach Boardwalk (Virginia Beach)

The three-mile boardwalk in Virginia Beach (which is three blocks east of the Dome site) stretches from 2nd Street to 40th Street between the beach and hotels, restaurants, shops, bars, and other vendors. During the summer, free entertainment is offered nightly at four oceanfront stages (at 7th, 17th, 24th, and 31st Streets), and other free and paid events occur on the beach. The boardwalk and beach have both permanent and temporary stages for events.

The city’s boardwalk and beach events are produced by IMGolving, and include concerts and music festivals, food festivals, Monster truck events, air shows, farmers markets, and others. Major events include the Neptune Festival and its Boardwalk Weekend, the Patriotic Festival (concerts, expos, and vendors), and the weeklong East Coast Surfing Championships.

The following map identifies the events held at the Boardwalk and their location.
Town Point Park (Norfolk)

Town Point Park is an eight-acre waterfront park on the Elizabeth River that is located next to the Nauticus science center and museum (or the National Maritime Center) and the USS Wisconsin, and includes the Armed Forces Memorial. The park opened as it currently exists in 2009, and hosts free and ticketed outdoor concerts, festivals, and other special events. The park is programmed by the non-profit Norfolk Festevents on behalf of the city, and can accommodate as many as 45,000 people.

In 2018, from early May through early December, a total of 14 events are scheduled, including wine and beer festivals, food festivals, a Latin music festival, a 4th of July picnic, a Virginia Symphony Orchestra performance, a jazz festival, a boat show, a Christmas market, and others.
**Waterside District (Norfolk)**

The Waterside District is a market in downtown Norfolk, on the Elizabeth River. The original Waterside opened in 1983 but reopened in May 2017 after redevelopment by The Cordish Companies. The entertainment and dining district has a number of restaurants, bars, coffeeshops, and others. It also hosts free and paid events, including concerts, movies, fitness classes, and others. Its 2017 grand opening featured a free Weezer concert.

**STAKEHOLDER FEEDBACK**

**The Local Market**

- The market is considered to function as two distinct markets, separated by the James River, with Newport News and Hampton to the north and Virginia Beach and Norfolk to the south.

**Local Facilities and Events**

- Since the Boathouse was destroyed by Hurricane Isabel in 2003, the market’s club shows have moved to the NorVa.

- The Union Bank & Trust Pavilion is a very good facility but its location is challenged, and its shows do not perform quite as well as they do in comparable markets. It is thought that the majority of tickets sold for its events are to Virginia Beach residents.

- Due to its nine resident companies, the Sandler Center has very few available dates for commercial/touring events.

- Because of all of the free outdoor events, it is difficult to sell tickets for indoor events in the summer.

- It is thought that an event cannot play in the market more than once within 18 months.

- Smaller, pavilion-only events held at the Veterans United Home Loans Amphitheater are there because there is no good alternative in the market.

- The free concert series at the 31st Street boardwalk stage does not allow beer sales on the lawn, has no backstage amenities, and is difficult to load.
The Event Center

- The facility is expected to compete primarily with The Nor Va (indoor) and The Union Bank & Trust Pavilion (outdoor) for ticketed concerts. Secondary competition for indoor events would be with Chrysler Hall and the Ferguson Center.

- It is thought that ticket sales for the Union Bank & Trust Pavilion are generally closer to 2,000, and these events could potentially be held indoors at the Event Center (particularly at the beginning and end of the outdoor season).

- An advantage of the indoor venue over Chrysler Hall, the Ferguson Center, and others will be its flexibility for various configurations with its lack of permanent seating.

- Free outdoor programming at the Event Center is not expected to detract from similar events currently being held at the beach; additional events could be added at the Event Center.

- Outdoor shows could potentially be held from mid-April through early November in Virginia Beach.

- There is a definite need for an additional indoor club in the market, with a capacity that is larger than Chrysler Hall but smaller than the Constant Center.
Section 4
Comparable Facilities
This section describes the characteristics of a set of venues that are similar to the planned Event Center. All three facilities identified have both indoor and outdoor configurations and are multipurpose venues that can host concerts, sports, social and community events, and other ticketed and free events.

There are not many true indoor/outdoor venues across the US that are similar to the planned Event Center, although some large amphitheaters can host indoor events in smaller configurations. However, the success of the existing indoor/outdoor venues is leading to the planning of additional facilities like them, particularly in markets that cannot necessarily support year-round events outdoors.

In addition to the three facilities described in more detail below, we also note that the development of (primarily indoor-based) multipurpose music/entertainment venues within larger mixed-use districts in urban areas is becoming more popular. While this has been common in gaming facilities, projects led by developers such as Cordish have also included performance venues within larger districts, in order to attract visitors for the broader development. Newer and planned projects in other markets further demonstrate the concept, including:

- **The Coca-Cola Roxy, Metro Atlanta** – opened in 2017 as part of The Battery Atlanta, a 1.5 million-square foot development next to the Atlanta Braves’ new SunTrust Park in Cumberland that includes approximately 20 restaurants, 600 multifamily residential units, a hotel, an office tower, and other commercial development.

  The Live Nation venue has 53,000 square feet and a capacity of 3,600. It can accommodate general admission, theater-style, and permanent seating for concerts, meetings, and private events. In the approximately 12 months since its opening, it has hosted more than 40 ticketed entertainment events with average ticket sales of 2,100.

- **Mission Ballroom, Denver** – recently announced by AEG and developer Westfield, the 60,000-square foot venue is expected to open in 2019 within the 14-acre North Wynkoop mixed-use district in Denver. The facility will have a maximum capacity of approximately 4,000 but a moveable stage will allow for various capacities down to 2,200; it will also offer sound and lighting, multiple bars, and two VIP/reserved areas.

- **Lincoln Yards, Chicago** – in downtown Chicago’s adjoining Lincoln Park and Bucktown neighborhoods, developer Sterling Bay is redeveloping a former industrial site with more than 70 acres of office, residential, hotel, retail, and entertainment space, and has partnered with Live Nation on three to five venues, including a 20,000-seat stadium, a 6,000- to 8,000-seat venue, and others.
EXPRESS LIVE!
Columbus, Ohio

EXPRESS LIVE! was the country’s first combination indoor-outdoor concert venue, and is located in downtown Columbus’ Arena District. The District also includes the NHL Columbus Blue Jackets’ 20,000-seat Nationwide Arena, the Columbus Clippers’ (AAA) 10,000-seat Huntington Park, and parks, office, residential, and commercial uses.

The City of Columbus has approximately 860,000 residents, and its metro area has approximately two million residents.

Facility Planning

The concept for EXPRESS LIVE! developed out of a desire to expand upon the successful indoor venue model, but add an outdoor component, similar to what had previously been developed with larger indoor/outdoor amphitheaters in the Philadelphia and Hartford markets. EXPRESS LIVE! was privately developed by PromoWest.

Facility Characteristics

EXPRESS LIVE! has a reversible stage that serves an outdoor amphitheater (capacity 5,200) and an indoor club (capacity 2,200). In addition to the two main event venues, The Basement is a 300-capacity club attached to the facility, and the 400-capacity A&R Music Bar is next door (both are also owned and operated by PromoWest).

The facility offers built-in sound and light equipment, which is fairly unique in that most venues have to rent this equipment or use what an artist tours with (either of these options requires expensive labor costs for setup and teardown). The built-in equipment is particularly efficient for private events. This “plug and play” aspect reduces operating and production costs (in many cases to less than
$10,000 per event), which increases booking opportunities.

The facility is located within Columbus’ 75-acre Arena District, which includes:

- Nationwide Arena,
- Huntington Park,
- The 2.2-acre McFerson Commons Park,
- Battelle Plaza,
- More than 1,000 residential units,
- 1.5 million square feet of Class-A office space, and
- 300,000 square feet of retail, restaurant, and entertainment venues.

The Arena District has multiple parking lots and garages, as shown below in blue.
Seating charts for various configurations and setups are shown below.

**Indoor – Reserved Seating**

![Seating chart for indoor reserved seating]

**Indoor – GA**

![Seating chart for indoor GA seating]

**Indoor – WWE**

![Seating chart for indoor WWE setup]

**Indoor – MMA**

![Seating chart for indoor MMA setup]

**Outdoor – Reserved Seating**

![Seating chart for outdoor reserved seating]

**Outdoor – GA**

![Seating chart for outdoor GA seating]
Facility Usage

The facility hosts a wide range of events, including concerts, festivals, sports, and private events such as weddings, proms, trade shows, social events, meetings, and others. Indoor events are held year-round, and outdoor amphitheater events are booked from May through September.

According to Pollstar, the facility hosted an average of 87 ticketed entertainment events per year in the last three years, with an average attendance of 2,091 and an average ticket price of $32.60. Total annual attendance for these shows was more than 180,000. Virtually all of these events were concerts, although one WWE event was held.

In addition to events on the main stage (indoor and outdoor), The Basement has hosted 85 shows per year (with an average attendance of 199 and an average ticket price of $13.60), and the A&R Music Bar has hosted an additional 67 shows (with an average attendance of 287 and an average ticket price of $16).

Combined, the three venues hosted approximately 240 ticketed events per year, not including private/non-ticketed events.

Financial/Operating Information

The following information summarizes various financial and operational characteristics of EXPRESS LIVE!.

Management

The facility is owned and operated by PromoWest; the company also owns and operates the adjacent Basement and A&R Music Bar and Columbus’ Newport Music Hall, as well as Pittsburgh’s Stage AE
(which is modeled after EXPRESS LIVE!) and the Bunbury Music Festival in Cincinnati.

**Premium Seating**

EXPRESS LIVE! offers the following premium seating options:

- **VIP Box Suites** – these are sold on a season and event basis. Season suites include four tickets, a parking pass, personal cocktail service for outdoor concerts, Express VIP Lounge access for outdoor concerts (open patio seating, complimentary snacks, private bar and restrooms), priority ticket ordering for other PromoWest concerts, and other offers. On an individual event basis, the suites include four tickets, cocktail service for outdoor concerts, and Express VIP Lounge access.

- **VIP Party Box** – eight to 12 reserved seats, with personal cocktail service and Express VIP Lounge access for outdoor concerts,

- **VIP Party Deck** – 15 to 30 reserved seats, with personal cocktail service and Express VIP Lounge access.
STAGE AE
Pittsburgh, Pennsylvania

Stage AE is known as the second indoor/outdoor concert venue in the country, and is modeled after Columbus’ EXPRESS LIVE! Stage AE, like its Columbus cousin, is located in a destination district that is a major driver of the city’s North Side as the “North Shore.” The surrounding area includes PNC Park (home of the MLB Pittsburgh Pirates), Heinz Field (home of the NFL Pittsburgh Steelers and University of Pittsburgh football), the Carnegie Science Center, Rivers Casino Pittsburgh, and the Andy Warhol Museum.

The City of Pittsburgh has approximately 305,000 residents, and its metro area has nearly 2.4 million residents.

Facility Planning

The land under Stage AE is owned by a subsidiary of the Pittsburgh Steelers and Continental Development. The venue is owned and operated as joint venture between PromoWest and a subsidiary of the Steelers.

The original plan was to build an outdoor-only venue because an earlier boutique amphitheater on Pittsburgh’s South Side was closing due to redevelopment and community backlash over sound issues. But the combination of the market needing a modern, year-round club and the desire of the developers to have something operating from January through March, when neither the Steelers or Pirates play, led to the indoor-outdoor design. The configuration of the venue, with outdoor sound facing the Ohio River, precluded sound issues from reoccurring in the community.

Facility Characteristics

Stage AE has three separate event spaces: the outdoor amphitheater (capacity 5,000), the indoor
Music Hall (capacity 2,300 for concerts, 450 for a seated events, and 1,500 for a standing event), and indoor Club at Stage AE (capacity 400). The indoor facility is 35,000 square feet. A single reversible stage is used for the amphitheater and Music Hall.

The outdoor amphitheater’s pit accommodates 1,000 in a seated configuration and 2,500 for GA, and the lawn seats 3,000 in GA. Only one seated show has been held outdoors. The lawn is set at a five-percent grade. The total area of the outdoor amphitheater is 90,000 square feet (70,000 square feet for audience space and 20,000 square feet for the plaza, restrooms, and concessions).

Similar to EXPRESS LIVE!, Stage AE also has built-in sound and light equipment, which reduces the true hard costs of producing an event to approximately $7,500.

The facility is located on Pittsburgh’s North Shore, which includes a range of other developments and attractions, including:

- The Pittsburgh Steelers’ Heinz Field,
- The Pittsburgh Pirates’ PNC Park,
- The Carnegie Science Center,
- Rivers Casino Pittsburgh,
- The Andy Warhol Museum,
- The Children’s Museum of Pittsburgh,
- Five hotels,
- Multiple restaurants, and
- Multiple parking lots and garages (the facility does not have its own dedicated parking).
Seating charts for various configurations and setups are shown below.

**Indoor – Reserved Seating**

![Indoor – Reserved Seating Diagram]

**Indoor – GA**

![Indoor – GA Diagram]

**Indoor – Boxing**

![Indoor – Boxing Diagram]

**Indoor – MMA**

![Indoor – MMA Diagram]

**Outdoor – Reserved Seating**

![Outdoor – Reserved Seating Diagram]

**Outdoor – GA**

![Outdoor – GA Diagram]
Facility Usage

Stage AE’s configurations host a wide range of event types. Ticketed events are primarily concerts, but have also included festivals and an MMA match in recent years. Indoor concerts are booked year-round, and outdoor amphitheater concerts are held from May through September. Non-ticketed events have included social events, business events, fashion shows, bar mitzvahs, fundraisers, and others.

The following chart shows the reported number of ticketed events held at Stage AE’s main stage (indoor and outdoor) and its Club configuration in 2016 and 2017.

An average of approximately 100 Stage AE events have been held per year, with an average attendance of 1,785 and an average ticket price of $32.54. The 400-seat Club has hosted nine and 21 concerts in the last two years, with an average attendance of 269 and an average ticket price of $17.57.

According to the facility, additional information related to usage is as follows:

- Approximately 190 events per year, with total attendance of 300,000 (225,000 ticketed),
- Of the approximately 100 main stage shows, 70 are indoors and 30 are outdoors (the number of outdoor shows has ranged from 15 to 33),
- 25 outdoor shows are scheduled for 2018,
- 55 private events, with average attendance ranging from 150 to 10,000, and
- 15 additional events related to Steelers and University of Pittsburgh football games at Heinz Field.
Financial/Operating Information

The following information summarizes various financial and operational characteristics of Stage AE.

Management

Similar to EXPRESS LIVE!, Stage AE is operated by PromoWest.

Premium Seating

Stage AE offers the following premium seating options:

- Premium Boxes – the facility has 29 indoor and 29 outdoor boxes, with four seats each. (American Eagle also has a dedicated outdoor box for 30 people.) Indoor box seats range from $75 to $150 each, and outdoor box seats are $125 each.
- Coors Light Party Deck – for outdoor concerts, 32 reserved seats on an elevated platform behind the mix booth, with a small bar and chairs. The deck is sold for $4,500 per show, and is also used for private events.

Sponsorships

- AE, a brand of Pittsburgh-based American Eagle, purchased the facility’s naming rights.
- Other category sponsorships (including telecommunications, banking, and automobile) also generate significant revenues to the facility.

Operations

The facility’s costs to open the venue are approximately $7,500 for the main indoor stage, and $17,500 for the amphitheater. Rates charged to facility renters are generally double the cost.
THE PAVILION AT TOYOTA MUSIC FACTORY
Irving, Texas

The Pavilion at Toyota Music Factory is an indoor-outdoor entertainment venue that is part of a 17-acre, more-than-$200-million mixed-use development (Toyota Music Factory) in Irving. In addition to the Pavilion, the development includes a movie theater, more than 20 restaurants and bars, and an outdoor plaza, and is next to the Irving Convention Center and multiple hotels.

The City of Irving has approximately 238,000 residents, and is part of the Dallas-Fort Worth Metroplex, which has approximately 7.4 million residents.

Facility Planning

In 2007, Irving voters agreed to contribute funding ($40 million) towards an entertainment complex as well as the adjacent convention center (which opened in 2011). There was an identified need for local entertainment and attractions, as the area was primarily known for its office space. Developed by The ARK Group, the Toyota Music Factory opened in September 2017. The reported cost of the Pavilion was approximately $40 million.

Facility Characteristics

The facility has indoor and outdoor capabilities, but unlike EXPRESS LIVE! and Stage AE, all performances face in the same direction. The smallest indoor capacity is 2,500 for performances, and that can be expanded to include another ring of seats that increases indoor capacity to 4,000. Beyond the indoor facilities, 65,000 square feet of outdoor lawn seating brings capacity to 8,000. Seating
expansions are made possible through retractable walls.

In addition, the Texas Lottery Plaza has a capacity of 1,500 for events.

The facility is located in Irving’s Las Colinas neighborhood and includes the following:

- Alamo Drafthouse Cinema – a seven-screen movie theater.
- Texas Lottery Plaza – an outdoor plaza and performance space.
- Restaurants and entertainment (more than 200,000 square feet) – Bar Louie, Bar Manzanilla, Gloria’s Latin Cuisine, C-Bar, Hwy 61 South, Martini Ranch, Texas Jamhouse & Marketplace, Boi Na Braza Brazilian Steak House, Burgerim, Freshii, Grimaldi’s Coal Brick Over Pizzeria, Kabuki Japanese Restaurant, Kitchen 101, Nosh & Bottle Market, Pop Factory, TCBY, Thirsty Lion Gastropub & Grill, Top Round Roast Beef, Violet Room, and Yard House.
- A planned 100,000 square feet of office space (which will be occupied by the Ethos Group).

Event parking is available in two garages: the Toyota Music Factory Garage (adjacent to the facility) and the Urban Towers Garage (behind the facility). Self-parking is $10 and valet parking is $20.

Seating charts for various configurations and setups are shown below.
Facility Usage

In the facility’s first eight months of operation, it hosted 59 ticketed events with an average attendance of 3,355 and an average ticket price of nearly $55. Events were primarily concerts but also included five comedy shows, speakers such as Bill and Hillary Clinton, and musicals and festivals.

The facility also hosts private events such as meetings, charity events, and other entertainment.

Financial/Operating Information

The following information summarizes various financial and operational characteristics of the facility.
Management

Live Nation is the facility’s operator and exclusive promoter.

Premium Seating

The facility includes the Toyota Lounge.

Sponsorships

- The facility has ten founding partners (Toyota, the Texas Lottery, Verizon, Coors Light, Jim Beam, Coca-Cola, Direct Energy, Whataburger, ServiceKing, and Albertsons).

- Toyota purchased naming rights for ten years (other terms are not available). The deal also includes the facility’s VIP area, called the Toyota Lounge.
Section 5
Conclusions and Recommendations
This section provides our market-based conclusions and their implications for the Event Center’s potential usage, orientation, facilities, and other characteristics.

THE LOCAL MARKET

- Virginia Beach is Virginia’s largest city, with more than 450,000 residents, and is part of the larger Hampton Roads metro area with approximately 1.7 million residents. The Designated Market Area, as defined for this study, has 1.5 million residents and is strongly concentrated in Virginia Beach.

- The DMA is relatively young, affluent, educated, and employed.

- The DMA population is more likely than the average US market to attend concerts and many other types of entertainment events.

- In addition to the full-time resident population, Virginia Beach is a major tourist market, with more than 15 million visitors in 2016. While local residents are expected to be the primary audience for most Event Center events, tourists do comprise a meaningful share of attendees at local venues such as the Sandler Center and Veterans United Home Loans Amphitheater. Events near the beach, which is one of the largest tourist attractions in Virginia Beach, should have a greater ability to capture tourists.

THE COMPETITIVE ENVIRONMENT

- Entertainment venues have benefitted from technological changes in the music industry that have led to a significant increase in the value of live concerts to a performer’s income. As a result, the number of shows has also increased significantly.

- Demand for concerts has also increased (based on the number of tickets sold per year), despite rising ticket prices.

- More than one-third of the top 200 grossing entertainment tours typically sell 5,000 or fewer tickets per show.

- Locally, the need for a 2,500-to-3,500-seat commercial venue at the beachfront was identified in studies that led to the Sandler Center’s development, although no such facility has been built. There appears to be a strong need for this type of facility in the market.

- The Virginia Beach market has a number of indoor and outdoor venues that host free and ticketed entertainment events throughout the year. However, direct competition with the planned Event Center is expected to be relatively minimal:

  - Four indoor theaters (which have capacities ranging from approximately 1,300 to 2,500) are generally used by their tenant groups and have limited available dates for
commercial events. The primary indoor competition for the Event Center will be from Norfolk’s Chrysler Hall and the NorVa and to a lesser extent, the Sandler Center.

- Three indoor arenas have capacities of 9,000 or more and are generally oriented towards sporting events and arena-based concerts that are too large for the Event Center.

- Of the market’s two primary outdoor amphitheaters, one (Veterans United Home Loads Amphitheater) has a capacity of 20,000 and attracts the largest touring concerts, but can also host smaller shows in a pavilion-only configuration. Smaller shows are generally held there because of the lack of an alternative option with a more appropriate capacity. The Event Center’s outdoor amphitheater would compete more directly with Portsmouth’s Union Bank & Trust Pavilion, but the location of the Event Center is thought to be significantly better.

- Both Virginia Beach and Norfolk also free events; Virginia Beach’s is within walking distance of the Wave site at the Boardwalk. However, any free events at the Event Center is generally expected to complement, and not compete with, the city’s Boardwalk programming.

- The concept of building multipurpose entertainment venues in urban, mixed-use developments is popular, and indoor/outdoor venues that are similar to the Event Center have shown the ability to generate year-round usage and profitability.

**EVENT CENTER IMPLICATIONS AND RECOMMENDATIONS**

- We believe that there is a market for both indoor and outdoor events at the capacities being considered (up to approximately 3,200 indoors and 5,000 outdoors).

- The flexibility for various configurations for indoor events offer artists and promoters a wide variety of options, such as general admission, seated, cabaret, and/or a combination of multiple configurations.

- The involvement of OVG is considered to be a significant positive factor for the facility, based on the firm’s resources and relationships; experience with facility planning, management, and programming; marketing and sponsorships; and other aspects of facility and event operations. In addition, OVG’s primary representative for the project has significant experience in the local market.

- The planned smaller facilities within the Event Center, such as VIP seating and rooftop terraces, will fill a niche and provide additional opportunities to generate revenue on event and non-event days on the main stage.

- It is likely that most of the commercial events that would be held at the Event Center will be new to the market. However, the Event Center could attract some events that would otherwise be held at existing local facilities such as Chrysler Hall and the NorVa in Norfolk and the Union Bank & Trust Pavilion in Portsmouth.
Virginia Beach is well-located for touring events, in relation to markets such as Richmond, Charlotte, Washington DC/Baltimore, and others.

The facility's planned open booking policy will help to increase usage and encourage all promoters to book shows. Multiple promoters that are active locally (including those that book and operate existing facilities) have expressed interest in using the new facility.

The planned built-in sound and light capabilities of the Event Center will make the facility more efficient and cost-effective to attract and produce events with minimal extra cost. Many smaller touring shows, for example, do not travel with their own production equipment and would otherwise require more expensive equipment rentals. It will also make the venue more attractive for private events.

The outdoor component of the Event Center is expected to host both ticketed and free events. While this is possible, it will require advance planning and have operational implications to the facility and the surrounding development:

- Seating lawn – for free events and festivals, the seating area would likely be relatively flat. However, as an amphitheater with ticketed shows, a lawn would ideally have a grade of five to seven percent.

  For a capacity of approximately 5,000, a total of approximately 90,000 square feet is recommended (for both seating areas and support space/circulation). Reducing the outdoor footprint to 70,000 square feet would reduce capacity to approximately 3,500.

- Controlled area – for ticketed events, the facility will need to be separated from the rest of the development in order to limit access to ticketholders only. This would require permanent or temporary fencing, access to restrooms and concessions, and other infrastructure. This may also require relocating a public walkway and closing streets.

- Surrounding development – should a controlled area be in place (temporarily or permanently), the developer/operator would need a policy related to access to other attractions at the Wave (such as restaurants) on event days.

- Sound – due to the expected sound levels (particularly from paid shows), the developer/operator should proactively plan for decibel limits and curfews related to the surrounding development and neighborhood.

- Other – the outdoor stage should extend 14 feet from the building, with a ground-accessible ramp, roof, and downstage rigging.

We assume that these matters will be satisfactorily addressed and will allow the Event Center to host a significant level of both ticketed and free events outdoors.
Section 6
Operational Projections
In this section, we summarize forecasts of future operations of the Event Center, based on the assumptions described in the previous section. Operating projections are based primarily on the following:

- Recommendations/assumptions for a new facility,
- Interviews with industry professionals and other stakeholders,
- Our team’s experience in the operations of facilities and events, and
- Analysis of the operations of comparable facilities.

FUTURE EVENT CENTER OPERATIONS

Based on our previous tasks (including stakeholder interviews, analysis of comparable facilities, and recommendations for a new facility), we have forecasted the future operations of the assumed facility. The projection period covers the first ten years of the facility’s operations, and for the purposes of inflation, we assume that the new facility will open in 2020.

Our projection is based on all potential uses of the components of the Event Center, including its main stage (indoor and outdoor) as well as smaller facilities within the Event Center and uses associated with the adjacent surf park.

Event and Attendance Demand

The following tables summarize our estimates of annual events and attendance (per-event averages and totals) for the facility’s first ten years. These estimates are based on our market research, including interviews with potential facility users and analysis of comparable facilities.
As the tables show, total annual attendance is estimated to be 340,000 per year, based on approximately 225 events per year. In general, we have assumed that approximately half of the
facility’s ticketed events will be promoted in-house and half will be rented to other promoters; this, and other assumptions, are described in more detail below.

**Ticketed Indoor Concerts (Reserved and General Admission)**

Event and attendance data for local indoor venues, and others with indoor capabilities, are shown in Sections 3 and 4. The following table shows event and attendance data for a range of indoor clubs across the country with capacities ranging from 2,000 to 3,000.

<table>
<thead>
<tr>
<th>Facility Name</th>
<th>Location</th>
<th># of Concerts - 2017</th>
<th>Average Attendance</th>
<th>Capacity</th>
<th>% of Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diamond Ballroom</td>
<td>Oklahoma City</td>
<td>48</td>
<td>858</td>
<td>2,200</td>
<td>39.0%</td>
</tr>
<tr>
<td>Echostage</td>
<td>Washington DC</td>
<td>46</td>
<td>2,803</td>
<td>3,000</td>
<td>93.4%</td>
</tr>
<tr>
<td>Electric Factory</td>
<td>Philadelphia</td>
<td>82</td>
<td>1,904</td>
<td>2,600</td>
<td>73.2%</td>
</tr>
<tr>
<td>Fillmore Charlotte</td>
<td>Charlotte</td>
<td>93</td>
<td>1,480</td>
<td>2,000</td>
<td>74.0%</td>
</tr>
<tr>
<td>Fillmore Detroit</td>
<td>Detroit</td>
<td>83</td>
<td>2,077</td>
<td>2,888</td>
<td>71.9%</td>
</tr>
<tr>
<td>Fillmore Philadelphia</td>
<td>Philadelphia</td>
<td>102</td>
<td>2,229</td>
<td>2,500</td>
<td>89.2%</td>
</tr>
<tr>
<td>House of Blues</td>
<td>N. Myrtle Beach</td>
<td>46</td>
<td>1,330</td>
<td>2,067</td>
<td>64.3%</td>
</tr>
<tr>
<td>House of Blues</td>
<td>Boston</td>
<td>167</td>
<td>1,900</td>
<td>2,425</td>
<td>78.4%</td>
</tr>
<tr>
<td>The Palladium</td>
<td>Worcester, MA</td>
<td>61</td>
<td>1,416</td>
<td>2,660</td>
<td>53.2%</td>
</tr>
<tr>
<td>Stereo Live</td>
<td>Houston</td>
<td>23</td>
<td>1,482</td>
<td>2,078</td>
<td>71.3%</td>
</tr>
</tbody>
</table>

Minimum: 23 858 2,000 39.0%
Average: 75 1,748 2,442 70.8%
Maximum: 167 2,803 3,000 93.4%

Source: Pollstar, Stone Planning

These clubs hosted 23 to 167 shows in 2017, with an average of 75. The attendance average was approximately 1,750 (or 71 percent of capacity), with a wide range of results.

In Virginia Beach, we assume a total of 70 indoor shows per year, with an overall average attendance of approximately 2,500 (the maximum capacity for seated shows is expected to be 2,400, and 3,200 for GA shows). We assume that more than half of the indoor concerts will be in a GA configuration. Further, we assume that half of the GA shows and half of the reserved shows will be promoted in-house (the financial implications of self-promotion vs. rental are described later in this section).

**Ticketed Outdoor Concerts**

These events are typically touring concerts that will be held at the outdoor amphitheater component of the venue, similar to events at the VUHLA and Union Bank & Trust Pavilion. Event and attendance data for similar outdoor venues locally and in other markets are shown in Sections 3 and 4, and the following table shows additional event and attendance data for outdoor amphitheaters with capacities of approximately 4,000 to 7,000 across the country. In general, these facilities have outdoor components only, and are in a variety of market sizes with differing competitive environments.
As the table shows, the average facility hosted 28 concerts, which is generally considered to be a fairly full season of outdoor shows (only three facilities had more than 35 events, and most were between approximately 20 and 35). Average attendance at these facilities was approximately 3,400, or 64 percent of capacity.

We assume a total of 20 outdoor amphitheater concerts per year at the Event Center, with an average attendance of 3,600 (or approximately 70 percent of capacity). Similar to indoor concerts, we assume that half of these shows will be self-promoted and half will be rentals.

### Ticketed Concerts – Minor

We also assume that the facility will host smaller concerts in its other facilities, such as the third- and fourth-floor decks and hospitality room (indoors and outdoors). Based on their planned sizes and capacities, we assume that these areas will host 40 minor concerts per year, with an average attendance of 300.

### Other Ticketed Events – Sports/Entertainment

As previously described, the indoor component of the Event Center can also be configured for events such as boxing/MMA, comedy, speakers, and other entertainment events. We assume a total of five such events per year (all of which will be rentals), with an average attendance of 2,250.
Community Events

This category includes free programming events that would generally take place at the outdoor venue. We assume an average of one non-ticketed event per week from April through November, with an average attendance of 1,500 per week.

Private/Social Events

These events can include banquets, corporate events, weddings, bar mitzvahs, holiday parties, and others, and are generally assumed to be held in the main indoor facility but could also be held on the outdoor decks or hospitality room. We assume a total of 50 such events per year (all of which will be rentals), with an average attendance of 250.

Festivals

We assume the facility will host three one-day festivals per year, with an average attendance of 3,000. As described earlier in this report, it is expected that Pharrell Williams will help to develop at least one festival for the facility.

Surf Park Events

We assume that the Event Center’s decks and hospitality room will be used for three surf park events per year, with an average attendance of 500.

Operating Revenues and Expenses

Based on forecasted event and attendee demand, operations of similar facilities, other aspects of the market analysis, and our team’s experience with facility and event operations, we have prepared a ten-year projection of operating revenues and expenses for the assumed facility. The following describes the assumptions and methodology used to estimate the financial performance of the project, beginning with a pro forma financial statement that summarizes projecting operating revenues and expenses, and the assumed annual net revenue. (For all items, we assume a two-percent inflation rate per year, unless otherwise indicated.)

The new facility’s projected financial statement for its first ten years is shown below.
As the table shows, in the first year, the Event Center’s projected net operating income is approximately $1.2 million, based on $9.3 million in revenues and $8.1 million in expenses. This NOI is projected to remain relatively consistent at $1.1 million per year.

Descriptions of individual line items, and major underlying assumptions, appear below.

Operating Revenues

Event Revenues

Tickets (from Promoted Shows)

This line item includes revenues from the sale of tickets from shows promoted by the facility. Most of
this revenue is a passthrough, and there is a corresponding expense for the share of ticket revenue that is paid to performers at these events. Revenue is calculated as paid attendance multiplied by the average ticket price. It is initially collected by the facility/promoter but the majority is then paid to the performer. A sample of average ticket prices at similar outdoor amphitheaters and indoor clubs is shown below.

### AVERAGE TICKET PRICES OF SELECTED AMPHITHEATERS AND CLUBS

<table>
<thead>
<tr>
<th>Amphitheater Name</th>
<th>Location</th>
<th>Capacity</th>
<th>Average Ticket Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ascend Amphitheater</td>
<td>Nashville</td>
<td>6,800</td>
<td>$40.70</td>
</tr>
<tr>
<td>Blue Hills Bank Pavilion</td>
<td>Boston</td>
<td>5,000</td>
<td>$49.26</td>
</tr>
<tr>
<td>Cal Coast Credit Union Open Air Theatre</td>
<td>San Diego</td>
<td>4,635</td>
<td>$41.33</td>
</tr>
<tr>
<td>Charlotte Metro Credit Union Amphitheatre</td>
<td>Charlotte</td>
<td>4,983</td>
<td>$34.48</td>
</tr>
<tr>
<td>Chene Park Amphitheatre</td>
<td>Detroit</td>
<td>6,000</td>
<td>$44.74</td>
</tr>
<tr>
<td>Cuthbert Amphitheater</td>
<td>Eugene, OR</td>
<td>5,000</td>
<td>$35.86</td>
</tr>
<tr>
<td>Daily’s Place Amphitheater</td>
<td>Jacksonville</td>
<td>5,500</td>
<td>$60.45</td>
</tr>
<tr>
<td>Fraze Pavilion</td>
<td>Kettering, OH</td>
<td>4,300</td>
<td>$35.58</td>
</tr>
<tr>
<td>Jacobs Pavilion At Nautica</td>
<td>Cleveland</td>
<td>4,600</td>
<td>$39.07</td>
</tr>
<tr>
<td>Koka Booth Amphitheatre</td>
<td>Cary, NC</td>
<td>7,000</td>
<td>$41.27</td>
</tr>
<tr>
<td>Marymoor Park</td>
<td>Marymoor, WA</td>
<td>5,000</td>
<td>$46.04</td>
</tr>
<tr>
<td>Pinewood Bowl Theater</td>
<td>Lincoln, NE</td>
<td>5,500</td>
<td>$49.11</td>
</tr>
<tr>
<td>PNC Pavilion At Riverbend</td>
<td>Cincinnati</td>
<td>4,100</td>
<td>$48.28</td>
</tr>
<tr>
<td>Red Hat Amphitheater</td>
<td>Raleigh</td>
<td>5,500</td>
<td>$37.00</td>
</tr>
<tr>
<td>Rose Music Center At The Heights</td>
<td>Huber Heights, OH</td>
<td>4,200</td>
<td>$49.17</td>
</tr>
<tr>
<td>State Bank Amphitheatre At Chastain Park</td>
<td>Atlanta</td>
<td>6,900</td>
<td>$55.27</td>
</tr>
</tbody>
</table>

| Minimum                                   | 4,100         | $34.48               |
| Average                                   | 5,314         | $44.24               |
| Maximum                                   | 7,000         | $60.65               |

<table>
<thead>
<tr>
<th>Club Name</th>
<th>Location</th>
<th>Capacity</th>
<th>Average Ticket Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diamond Ballroom</td>
<td>Oklahoma City</td>
<td>2,200</td>
<td>$25.57</td>
</tr>
<tr>
<td>Echostage</td>
<td>Washington DC</td>
<td>3,000</td>
<td>$33.92</td>
</tr>
<tr>
<td>Electric Factory</td>
<td>Philadelphia</td>
<td>2,600</td>
<td>$29.19</td>
</tr>
<tr>
<td>Fillmore Charlotte</td>
<td>Charlotte</td>
<td>2,000</td>
<td>$35.29</td>
</tr>
<tr>
<td>Fillmore Detroit</td>
<td>Detroit</td>
<td>2,067</td>
<td>$33.51</td>
</tr>
<tr>
<td>Fillmore Philadelphia</td>
<td>Philadelphia</td>
<td>2,500</td>
<td>$25.28</td>
</tr>
<tr>
<td>House of Blues</td>
<td>N. Myrtle Beach</td>
<td>2,067</td>
<td>$33.53</td>
</tr>
<tr>
<td>House of Blues</td>
<td>Boston</td>
<td>2,425</td>
<td>$28.48</td>
</tr>
<tr>
<td>The Palladium</td>
<td>Worcester, MA</td>
<td>2,600</td>
<td>$34.63</td>
</tr>
<tr>
<td>Stereo Live</td>
<td>Houston</td>
<td>2,078</td>
<td>$37.57</td>
</tr>
</tbody>
</table>

| Minimum                                   | 2,000         | $25.28               |
| Average                                   | 2,442         | $31.72               |
| Maximum                                   | 3,000         | $37.57               |

Source: Pollstar, Stone Planning

Assumed average ticket prices (for ticketed events only) for the Event Center are shown below.
Total ticket revenues from promoted shows are estimated to be approximately $4.5 million in 2020. As previously described, much of this revenue will be passed along to performers (as shown later in this section).

Promoter Profit

For ticketed events promoted by the facility, we assume that it will retain a profit of 15 percent of any ticket revenues greater than show expenses. For some events, expenses will exceed revenues and the facility will lose money on promotion (but profit from ancillary revenues such as F&B and fees). Overall, we assume that the facility, as a promoter, will generate a small profit on an annual basis.

Facility/Ticket Fees

For ticketed events at the facility, we assume three types of fees that could potentially be added to a ticket price:

- Facility Fee – this would be enacted by the facility as an additional revenue source that could be used or justified to help fund ongoing operations, and although not all facilities charge a facility fee, it is common. In the Virginia Beach market, examples of facility fees are $1 to $2 at the Sandler Center, $2 at the NorVa, and $9 at the VUHLA (which includes parking) and $1 for parking at the Union Bank & Trust Pavilion. Not including parking charges, fees at other clubs and amphitheaters are typically $5 or less.

- Box Office Fees – are charged for ticket sales at the physical box office, which generally represent the minority of sales. However, a fee for box office operations and staffing is common; the Ferguson Center charges $6 for box office ticket sales.

- Convenience/Service Fees – are similar to box office fees but are charged for online and phone ticket sales. These charges generally increase as a ticket price increases, and unlike facility and box office fees, convenience fees are generally shared with a ticketing partner that provides the service. Locally, the Ferguson Center’s convenience fee ranges from $3 to $25, and review of tickets for sale at the VUHLA, NorVa, and Union Bank & Trust Pavilion indicate convenience fees in the range of approximately 20 to 50 percent of a ticket’s price. In addition, the VUHLA and Union Bank & Trust Pavilion also charge a flat order processing fee of $4 and $3.55, respectively.

### ASSUMED AVERAGE TICKET PRICES (PROMOTED EVENTS)

<table>
<thead>
<tr>
<th>Event Type</th>
<th>Average Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concerts - Indoor Reserved</td>
<td>$42.00</td>
</tr>
<tr>
<td>Concerts - Indoor GA</td>
<td>$32.00</td>
</tr>
<tr>
<td>Concerts - Outdoor</td>
<td>$46.00</td>
</tr>
<tr>
<td>Concerts - Minor</td>
<td>$16.00</td>
</tr>
<tr>
<td>Other Ticketed Sports/Entertainment</td>
<td>$38.00</td>
</tr>
</tbody>
</table>

Source: Stone Planning
Our assumptions regarding per-ticket fees, including the fees charged, the percent of tickets that a fee applies to, and revenue sharing, are summarized below. For the facility fee, we assume that $1 of the total fee is allocated for parking. These fees are not inflated in later years of the projection.

### Assumed Ticket Fees

<table>
<thead>
<tr>
<th>Event Category</th>
<th>Per-Ticket Fee</th>
<th>% to Facility</th>
<th>Box Office Fee</th>
<th>% Sold at BO</th>
<th>% at Facility</th>
<th>Convenience Fee</th>
<th>% Sold Online/Phone</th>
<th>% to Facility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concerts - Indoor Reserved</td>
<td>$3.00</td>
<td>100%</td>
<td>$3.00</td>
<td>15%</td>
<td>100%</td>
<td>$5.00</td>
<td>85%</td>
<td>50%</td>
</tr>
<tr>
<td>Concerts - Indoor GA</td>
<td>$3.00</td>
<td>100%</td>
<td>$3.00</td>
<td>15%</td>
<td>100%</td>
<td>$5.00</td>
<td>85%</td>
<td>50%</td>
</tr>
<tr>
<td>Concerts - Outdoor</td>
<td>$3.00</td>
<td>100%</td>
<td>$3.00</td>
<td>15%</td>
<td>100%</td>
<td>$5.00</td>
<td>85%</td>
<td>50%</td>
</tr>
<tr>
<td>Concerts - Minor</td>
<td>$1.00</td>
<td>100%</td>
<td>$3.00</td>
<td>15%</td>
<td>100%</td>
<td>$5.00</td>
<td>85%</td>
<td>50%</td>
</tr>
<tr>
<td>Other Ticketed Sports/Entertainment</td>
<td>$3.00</td>
<td>100%</td>
<td>$3.00</td>
<td>15%</td>
<td>100%</td>
<td>$5.00</td>
<td>85%</td>
<td>50%</td>
</tr>
<tr>
<td>Community Events</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Private/Social Events</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Festivals</td>
<td>$3.00</td>
<td>100%</td>
<td>$3.00</td>
<td>15%</td>
<td>100%</td>
<td>$5.00</td>
<td>85%</td>
<td>50%</td>
</tr>
<tr>
<td>Surf Park Events</td>
<td>n/a</td>
<td>100%</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Source: Stone Planning

Combined, the facility’s share of facility, box office, and convenience fees are estimated to be approximately $1.5 million in the facility’s first year.

### Event Expense Reimbursement

Event expenses are described in more detail below, but generally represent the cost of hosting an event and include ushers, box office, stage hands, and other items. We assume that these expenses will generally be marked up by 20 percent to 33 percent for commercial events that are rented to other promoters, but are charged at cost for community events. This revenue is estimated to range from approximately $380,000 to $450,00 per year.

### Net Concessions/Merchandise

The facility will also generate revenue from food and beverage and merchandise sales. For F&B, the per-attendee spending will vary from event to event, as well as from show to show within a certain event category (for example, F&B sales for a hard rock concert would generally exceed those for a Christian concert). We have reviewed the F&B sales of similar venues in order to guide our assumptions for per-capita spending. Also, we assume that this service will be provided in-house and that the associated cost of goods sold will be 55 percent.

Similarly, attendees can also buy various kinds of event-related merchandise at events, although the vast majority of this revenue will be retained by the performer or event (the facility will typically receive a commission of 10 to 20 percent, depending on whether the facility or promoter provides the associated labor).

Our assumptions regarding per-capita sales and the facility’s net share of sales are summarized below.
In the facility’s first year, net F&B and merchandise revenues are estimated to be approximately $2.0 million and $88,000, respectively.

**Non-Event Revenues**

**Premium Seating**

We assume that the facility will have ten outdoor and ten indoor boxes that can be leased on an annual basis. Boxes that are not leased can be rented on an event basis.

Assumptions regarding the indoor boxes are as follows:

- the boxes will accommodate an average of five people each (such as half for four people and half for six people),
- 80 percent will be leased annually,
- the annual rate begins at $15,000 (to be inflated in later years), not including tickets,
- for any available boxes, 50 percent will be rented on an event basis for $250 (not including tickets), and
- an assumed 10 percent of revenues for sales expenses/commissions.

Assumptions regarding the outdoor boxes are as follows:

- the boxes will accommodate an average of five people each (such as half for four people and half for six people),
- 100 percent will be leased annually,
- the annual rate begins at $5,000 (to be inflated in later years), not including tickets,
o for any available boxes, 50 percent will be rented on an event basis for $500 (not including tickets), and

o an assumed 10 percent of revenues for sales expenses/commissions.

Based on these assumptions, net premium seating revenues are projected to be approximately $170,000 to $200,000 per year.

**Season Tickets**

We assume that the facility will sell 100 season tickets per year for outdoor concerts, with an average per-ticket price of $70 (which is a premium over the average outdoor ticket price of $45). This $35 premium is considered to be the season ticket revenue, and is estimated to be approximately $45,000 to $55,000 per year.

**VIP Club**

We assume that the facility will have a version of a VIP/membership club that will provide benefits such as early access to tickets, experiences, preferred parking/entrances, and others. For the purposes of this projection, we assume 100 members pay an annual fee of $250 (not including any tickets), with an associated facility cost of 10 percent. As a result, estimated net revenue is approximately $23,000 to $28,000 per year.

**Naming Rights**

We assume the Event Center will have a naming rights sponsor (and could potentially have different naming sponsors for the indoor and outdoor components of the facility). Based on the naming rights revenues of other indoor and outdoor facilities, we assume that the Event Center generates a gross total of $350,000 per year, less 10 percent of associated costs, and this amount is inflated in later years.

**Other Advertising/Sponsorships**

Facilities such as the Event Center will typically have multiple sponsors other than a naming sponsor. These could include a naming sponsor of an annual concert series, signage, pouring rights (alcoholic and non-alcoholic), and other companies that can have exclusive or non-exclusive rights in a category such as banking, healthcare, and others.

Based on the planned orientation and usage of the Event Center, as well as the sponsorship revenues of other similar facilities, we estimate approximately $180,000 in non-naming sponsorships in the facility’s first year, net of associated costs (to be inflated in later years).
Other Revenues

Other revenues include smaller amounts that are not captured in other line items, such as ATM fees and others. We assume that these revenues will be $15,000 per year.

Total Operating Revenues

Based on the assumptions described above, we estimate that total facility revenues will be approximately $9.3 million in 2017 and increase to $10.8 million in 2029.

Expenses

Event Expenses

House Expenses

As described above, these expenses represent the expenses associated with the operation of events, and range from $2,500 to $5,000 for smaller events, to $15,000 for indoor concerts and $35,000 for outdoor concerts. There is generally a markup charged to events and an associated revenue; however, the expenses are estimated to be approximately $2.7 million in the facility's first year.

Talent Fees

Talent expenses represent the share of ticket sales that are paid to the performers at the facility from promoted concerts. Because the performer will typically be paid a guaranteed, predetermined amount before tickets are sold, their share of ticket revenues (as a percent) will vary based on how many tickets are ultimately sold and at what prices. For some shows, ticket sales will be less than an artist’s guarantee; other times, strong ticket sales will generate excess revenues for a facility. Overall, approximately 66% of ticket sales will be paid to performing artists, which is consistent with the share of fees paid to performers at other facilities.

Advertising

We assume that the facility’s advertising expenses for individual events will range from $1,000 for community events, to $5,000 to $10,000 for indoor and outdoor concerts, to $25,000 for festivals. Based on the assumed number of events, total advertising expenses are estimated to begin at approximately $820,000.
Catering

Backstage catering expenses will also vary from event to event, and are assumed to range from $1,000 for minor concerts, to $3,000 for major concerts and $7,500 for festivals. Based on the number of events, catering expenses are estimated to be approximately $360,000 in the facility’s first year.

Other Expenses

We assume that other, miscellaneous expenses on a per-event basis will range from $500 to $5,000, and will total approximately $183,000 in the facility’s first year.

Non-Event Expenses

Salaries and Benefits

We assume a full-time staff of ten people, as described below. Assumed salaries and benefits (25 percent of salaries) are also shown.

<table>
<thead>
<tr>
<th>ASSUMED STAFFING PLAN</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GM</td>
<td>$85,000</td>
</tr>
<tr>
<td>Ops Manager</td>
<td>50,000</td>
</tr>
<tr>
<td>Production Manager</td>
<td>45,000</td>
</tr>
<tr>
<td>Marketing Director</td>
<td>60,000</td>
</tr>
<tr>
<td>Sales Director</td>
<td>70,000</td>
</tr>
<tr>
<td>BO Manager</td>
<td>50,000</td>
</tr>
<tr>
<td>Business Manager</td>
<td>60,000</td>
</tr>
<tr>
<td>Receptionist</td>
<td>30,000</td>
</tr>
<tr>
<td>Customer Service</td>
<td>45,000</td>
</tr>
<tr>
<td>F&amp;B Manager</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>Total Salaries</strong></td>
<td><strong>$545,000</strong></td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td><strong>$136,250</strong></td>
</tr>
<tr>
<td><strong>TOTAL SALARIES/BENEFITS</strong></td>
<td><strong>$681,250</strong></td>
</tr>
</tbody>
</table>

Source: Stone Planning

In the facility’s first year, salaries and benefits expense is assumed to be approximately $710,000. This amount is inflated in later years.

Utilities

We estimate that utilities expenses will be approximately $390,000 in the facility’s first year, based on the expenses of other facilities and the planned usage of the Event Center.
**Repairs and Maintenance**

We estimate that repairs and maintenance expenses will be approximately $155,000 in the facility’s first year, based on the expenses of other facilities and the planned usage of the Event Center.

**General and Administrative**

We estimate that G&A expenses (for items such as travel and entertainment, supplies, uniforms, and others) will be approximately $130,000 in the facility’s first year, based on the expenses of other facilities and the planned usage of the Event Center.

**Insurance**

We assume that general liability insurance will be $0.25 per attendee and property insurance will be $100 per event, and a total of approximately $110,000 in the facility’s first year.

**Total Expenses**

Based on the assumptions described above, we estimate that total expenses will be approximately $8.1 million in 2020 and increase to $9.7 million in 2029.

**Net Operating Income (Loss)**

Based on the estimated revenues and expenses, net operating income is projected to be approximately $1.1 million per year.
Section 7
Economic Impacts
This section estimates the economic and fiscal impacts that would be captured in Virginia Beach based on the construction and operations of the Event Center. The impact analysis focuses on one future year of impacts, which would recur on an annual basis but vary based on actual facility demand.

THE CONCEPT OF ECONOMIC IMPACTS

In general, economic impacts estimate the incremental spending, as well as the resulting jobs, income, and tax revenues, that are captured by a geographic area as a result of an event. In this case, “event” can refer to anything ranging from a weather event to the presence of an institution, industry, or facility, to an event such as a concert. For the purposes of this analysis, the event is the construction and ongoing operations of the Event Center in Virginia Beach.

For an entertainment venue, economic impacts to an area (such as Virginia Beach) are generally considered to be based on the spending of non-local residents that come to the area primarily for the purpose of attending a facility event. As an example, the spending by a Virginia Beach resident who attends a concert at the Event Center is considered to be part of the economic activity created by the facility, but not the economic impacts. A Norfolk resident who travels to Virginia Beach for an event would generate economic impacts from her visit. However, although local residents’ spending at the facility is not considered to be part of the economic impacts, some of this spending could technically be considered an impact, as the Event Center will bring some shows (and the associated spending) to Virginia Beach that have previously gone to Portsmouth and Norfolk.

Also, if a New York resident travels to Virginia Beach for a beach vacation, and happens to attend an Event Center event while in town, his impact would be credited to other tourism and not the Event Center or its event. Because Virginia Beach is such a popular tourist destination, these tourists will create economic activity from their facility attendance but will be separated from the economic impacts.

Economic impacts that can be estimated include the following:

- **Spending** – for a new facility, this includes the actual spending by event attendees for purchases of tickets, food and drinks, merchandise, and other items, both within the facility and throughout the city. The spending that is captured locally (which would not include ticket sales that are retained by a non-local artist but does include spending at a local restaurant) is part of a facility’s economic impacts.

  This spending can be separated into **gross** and **net** impacts. Gross impacts include the spending by local residents, as described above, and can be considered the full economic activity associated with an arena. This spending by local residents is considered to be
“transfer spending” that would have otherwise been spent locally (for example, at a movie), although some would likely leave the area for entertainment in other markets. Net impacts, which are a subset of gross impacts, only include the spending by non-local residents.

- **Jobs and Income** – these impacts estimate new employment and the associated income earned by local residents as a result of the new spending described above. For example, spending captured at local restaurants will support that industry’s employment base and will lead to income for its employees.

- **Fiscal impacts** – represent new tax revenues that are created by the spending impacts. Tax revenues, particularly at the local level, can include amusement taxes from ticket sales and hotel taxes from hotel stays.

- **Construction impacts** – in addition to the impacts generated from operations, the construction of the facility will also create economic and fiscal impacts, to the extent that local firms and individuals participate in the construction project.

In addition to the direct spending impacts, economic multipliers are applied to estimate later rounds of spending before the initial spending leaves the local economy. For example, some of the spending captured by a local restaurant is then spent on various items to support the restaurant’s operations, and these multipliers estimate the amount that is spent locally based on the presence of suppliers and other industry partners within a geographic area. This later spending – or indirect impacts – are added to the direct impacts to estimate total impacts.

**ECONOMIC IMPACTS FROM OPERATIONS**

We estimate the economic impacts generated by one year of facility operations, as described below.

**Facility Revenues**

The revenues generated by the facility can represent a significant part of the overall economic activity that it creates. This revenue includes spending for items such as tickets, concessions, and others that are described and shown in the financial analysis of facility operations, although some of these revenues are retained by an event, promoter, and/or artist rather than the Event Center.

The following table summarizes the gross revenues generated by facility operation, regardless of the ultimate recipient of the revenues. These gross revenues are considered separately for the source of the spending and their recipients later in this section.
The amounts in the table do not necessarily match those in the pro forma statement; for example, while the Event Center is estimated to capture $4.5 million in ticket revenues from its promoted shows, the $10.1 million shown above represents ticket sales from all facility events. In addition, net F&B and merchandise sales are shown in the pro forma, while gross amounts are considered here.

### Attendee Spending Outside of the Facility

The other component of the economic activity generated by a facility’s operation is the money spent by event attendees on items such as lodging, transportation, meals, entertainment, and shopping outside of the facility but as a result of their trip to the facility.

Based on analysis of event characteristics at other similar facilities, the geographical characteristics of the region, and others, we have made assumptions regarding the geographic origin of attendees, whether they stay in Virginia Beach overnight, and their spending characteristics outside of the Event Center (spending within the facility is included as facility revenue above).

### Attendees’ Geographic Origin

Because impacts are being considered for Virginia Beach, we differentiate between facility attendees who are city residents and those who live outside of the area. Spending by all attendees is calculated as the gross spending impact; however, only those who are non-local residents are considered in the calculations of net economic impacts, which are the true impacts to the city.

For these assumptions, we have primarily based our estimates on characteristics of actual attendees from past events at other facilities, as well as other events held at other facilities in the area, based on available data. While many factors can influence the share of non-local attendees at a facility, and this percentage can vary widely from event to event, we have assumed average characteristics across each event type. For Event Center events, we assume that the share of local attendees and tourists
that are in town for reasons other than a facility event will range from 40 to 70 percent. Events such as surf-related events and festivals are assumed to have more non-local attendees than events such as minor concerts and community events.

**Types of Travelers**

Event attendees are further divided into two other categories: daytrippers or overnight travelers. The majority of attendees will be daytrippers, including all local residents. However, a share of attendees will stay overnight before, during, and/or after an event; in general, we assume that a small share of attendees to many event types will stay overnight. For most events, this share is assumed to be 15 percent or less. For less-frequent events such as festivals and surf events, the share of overnight attendees will be higher.

Not all overnight visitors will stay in hotels; many typically stay with friends and family and therefore do not pay for hotel rooms. We assume that 85 percent of overnighters will pay for hotel rooms.

For all overnight attendees in hotels, we assume an average of two people per hotel room. In addition, according to Virginia Beach Economic Development, the average tourist stay in the city ranges from more than 3.5 nights to nearly five nights, depending on the time of year. However, because most Event Center events will take place over one day, we assume a shorter average stay that is more consistent with the event length.

**Out-of-Facility Spending Assumptions**

Assumptions related to out-of-facility spending by event attendees is based on factors such as past studies of tourists’ spending in Virginia Beach, adjusted for assumed spending characteristics of attendees of Event Center events.

Daily spending has been separated into four categories: food and beverage, retail and entertainment, lodging, and transportation and other. Overnight attendees are generally assumed to spend more than daytrippers, as they will spend more time in the city and have lodging expenditures. Our assumptions of spending by category is also consistent with the percent of spending by type as reported by VBED.

Estimates of daily spending apply to attendees of all event types, and assumed daily spending varies by category, and with the exception of lodging, applies to all daytrippers and overnight travelers (daytrippers, by definition, will not spend money on hotels).

The following table summarizes all assumptions related to attendee origin, type of traveler, daily spending, and other characteristics.
Based on the assumptions described above, as well as the forecasts of facility events and attendance and facility revenues, the following table summarizes the total gross direct spending generated by the presence and operation of the Event Center. The first line (spending generated by the facility) has previously been described, and the spending captured throughout Virginia Beach by all event attendees is also summarized, based on the assumptions described above.

**Total Direct Spending - Gross**

<table>
<thead>
<tr>
<th>Gross Facility Revenue</th>
<th>$17,182,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spending Outside the Facility</td>
<td></td>
</tr>
<tr>
<td>Lodging</td>
<td>$2,902,000</td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>$3,172,000</td>
</tr>
<tr>
<td>Retail and Entertainment</td>
<td>$1,817,000</td>
</tr>
<tr>
<td>Transportation and Other</td>
<td>$1,026,000</td>
</tr>
<tr>
<td><strong>Total Spending Outside the Facility</strong></td>
<td><strong>$8,917,000</strong></td>
</tr>
<tr>
<td>Total Gross Direct Spending - Inside and Outside of the Facility</td>
<td><strong>$26,099,000</strong></td>
</tr>
<tr>
<td># of Room Nights</td>
<td>20,970</td>
</tr>
</tbody>
</table>

Source: Stone Planning
**Gross vs. Net Impacts**

The total economic activity summarized above does not represent actual economic impacts; it merely shows the total spending generated by facility operations, including transfer spending by local residents. In this section, transfer spending is deducted from total spending to arrive at the estimated economic impacts to Virginia Beach. In other words, for the purposes of calculating economic impacts to the city, all spending by city residents and those in town for other purposes is subtracted.

Spending impacts to the city related to out-of-facility spending as well as spending on tickets, F&B and merchandise, and ticket fees are based on assumptions of attendee origin and their spending characteristics, as previously shown. However, other revenues captured by the facility itself are analyzed separately.

In general, 90 percent of facility revenues such as those from concert promotion, expense reimbursements, premium and season tickets, and a VIP club are considered to be net impacts to the city, as there may be slight overlap of opportunities between the Event Center and the VUHLA. However, because the VUHLA already has a naming partner and no other similar facility exists in the city, 100 percent of naming rights revenue is considered to be a net impact.

We have estimated the net economic impacts to Virginia Beach from the Event Center. In other words, we estimate the amount of spending that is captured within the city but originates outside of the city. The estimated net economic impacts are shown in the following table.

<table>
<thead>
<tr>
<th>TOTAL DIRECT SPENDING - GROSS AND NET</th>
<th>Gross</th>
<th>Net to Virginia Beach</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-Facility</td>
<td>$17,182,000</td>
<td>$7,463,000</td>
</tr>
<tr>
<td>Outside the Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lodging</td>
<td>$2,902,000</td>
<td>$2,902,000</td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>$3,172,000</td>
<td>$1,253,000</td>
</tr>
<tr>
<td>Retail and Entertainment</td>
<td>$1,817,000</td>
<td>$690,000</td>
</tr>
<tr>
<td>Transportation and Other</td>
<td>$1,026,000</td>
<td>$451,000</td>
</tr>
<tr>
<td>Total - Outside the Facility</td>
<td>$8,917,000</td>
<td>$5,296,000</td>
</tr>
<tr>
<td>Total Direct Spending</td>
<td>$26,099,000</td>
<td>$12,759,000</td>
</tr>
<tr>
<td>Room Nights</td>
<td>20,970</td>
<td>20,970</td>
</tr>
</tbody>
</table>

Source: Stone Planning
Multiplier Effect and Indirect Spending

As the spending from the direct economic activity takes place in the city’s economy, it will trigger other, indirect, levels of economic activity. For example, the operating businesses that are affected by facility use (including the facility itself and hotels and restaurants, retail stores, and others) will purchase various goods and services from local and regional vendors (e.g., utilities, inventory, supplies, labor, and the like). As this occurs, these workers and vendors receive income and, in turn, make purchases of goods and services themselves. Within each round, some spending occurs in the local economy and some flows outside of that economy (referred to as “leakage”). The total amount of spending that stays within the local economy includes both the first round (“direct”) and all subsequent rounds of economic activity (“indirect”).

These total impacts are estimated through the use of “multipliers” applied to the estimates of direct impacts. The multipliers, which are calculated by the federal government and are unique to each geographic area, are regarded as the most reliable and accurate measure of indirect spending that is available. Multipliers differ from area to area because of geography; proximity to other business centers and the size of an area will affect the length of time that direct spending is retained by an economy before fully leaking out. In addition, different sectors of an economy have unique multipliers, based on their own proximity to other industry-specific economies, vendors and suppliers, and the like.

For this analysis, we have utilized multipliers developed by IMPLAN for Virginia Beach. Various multipliers for different industries are used, as every type of spending that comprises the direct impacts (“Category”) has a multiplier, based on a corresponding “Industry Sector.” As the table below shows, the multipliers for various industries generally range from approximately 1.5 to 1.8. In other words, a multiplier of 1.5 indicates that total economic activity is estimated at 1.5 times the estimate of direct impacts; this includes the direct impacts (at 1.0) and the indirect impacts (at 0.5). Multipliers typically increase as the size of a geographic area increases, as it takes more time for later rounds of spending to leave a larger area (for example, Virginia compared to Virginia Beach).
Based on these multipliers, total (direct and indirect) net spending is summarized below.

**TOTAL NET SPENDING - DIRECT AND INDIRECT**

<table>
<thead>
<tr>
<th>Category</th>
<th>Industry Sector</th>
<th>Multipliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Ticket Sales</td>
<td>Perf. Arts, Spectator Sports, Museums, Zoos, Parks, Related Activities</td>
<td>1.7745</td>
</tr>
<tr>
<td>Promoter Profit</td>
<td>Perf. Arts, Spectator Sports, Museums, Zoos, Parks, Related Activities</td>
<td>1.7745</td>
</tr>
<tr>
<td>Gross Food and Beverage Sales</td>
<td>Food Services and Drinking Places</td>
<td>1.6172</td>
</tr>
<tr>
<td>Gross Merchandise Sales</td>
<td>Retail Trade</td>
<td>1.6321</td>
</tr>
<tr>
<td>Naming Rights</td>
<td>Broadcasting/Telecommunications</td>
<td>1.5852</td>
</tr>
<tr>
<td>Other Advertising and Sponsorships</td>
<td>Broadcasting/Telecommunications</td>
<td>1.5852</td>
</tr>
<tr>
<td>Facility/Ticket Fees</td>
<td>Perf. Arts, Spectator Sports, Museums, Zoos, Parks, Related Activities</td>
<td>1.7745</td>
</tr>
<tr>
<td>Event Expense Reimbursement</td>
<td>Perf. Arts, Spectator Sports, Museums, Zoos, Parks, Related Activities</td>
<td>1.7745</td>
</tr>
<tr>
<td>Premium Seating (Premium Portion)</td>
<td>Perf. Arts, Spectator Sports, Museums, Zoos, Parks, Related Activities</td>
<td>1.7745</td>
</tr>
<tr>
<td>Season Tickets (Premium Portion)</td>
<td>Perf. Arts, Spectator Sports, Museums, Zoos, Parks, Related Activities</td>
<td>1.7745</td>
</tr>
<tr>
<td>VIP Club</td>
<td>Perf. Arts, Spectator Sports, Museums, Zoos, Parks, Related Activities</td>
<td>1.7745</td>
</tr>
<tr>
<td>Other</td>
<td>Perf. Arts, Spectator Sports, Museums, Zoos, Parks, Related Activities</td>
<td>1.7745</td>
</tr>
<tr>
<td>Spending Outside the Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>Food Services and Drinking Places</td>
<td>1.6172</td>
</tr>
<tr>
<td>Retail and Entertainment</td>
<td>Retail Trade; Perf. Arts, Spectator Sports, etc.</td>
<td>1.7033</td>
</tr>
<tr>
<td>Lodging</td>
<td>Accommodation</td>
<td>1.5642</td>
</tr>
<tr>
<td>Transportation and Other</td>
<td>Transit and Ground Passenger Trans.</td>
<td>1.6759</td>
</tr>
</tbody>
</table>

Source: US Department of Commerce, Stone Planning

As the table shows, including both direct and indirect spending, total spending impacts are estimated to be approximately $18.2 million from the Event Center.
Jobs and Payroll

The operation of the Event Center creates jobs both within the facility and throughout the city. The facility’s use and attendees’ spending will also support jobs throughout the area, at hotels, restaurants, retail stores, and the like (from both direct and indirect spending). Employment and income impacts to Virginia Beach refer to jobs and income that are captured by residents only.

Average hourly and annual wage information for various types of occupations are provided by the US Department of Labor’s Bureau of Labor Statistics, based on data compiled for the Virginia Beach metro area in 2017.

Similar to spending, multipliers are used to estimate indirect employment and earnings, based on the direct estimates. The following table summarizes employment and income multipliers used in the calculation of indirect jobs and earnings.

<table>
<thead>
<tr>
<th>Category</th>
<th>Employment Multipliers</th>
<th>Earnings Multipliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility Operations</td>
<td>1.4408</td>
<td>1.7367</td>
</tr>
<tr>
<td>Concessions, Food and Beverage</td>
<td>1.2552</td>
<td>1.5060</td>
</tr>
<tr>
<td>Retail and Entertainment</td>
<td>1.5489</td>
<td>1.6284</td>
</tr>
<tr>
<td>Lodging</td>
<td>1.3846</td>
<td>1.5696</td>
</tr>
<tr>
<td>Transportation and Other</td>
<td>1.2288</td>
<td>1.5328</td>
</tr>
</tbody>
</table>

Source: US Department of Commerce, Stone Planning

The table below shows the total (including direct and indirect) net jobs and payroll generated within Virginia Beach by the facility.
As the table shows, the new facility is estimated to support an incremental 105 jobs and approximately $4.4 million in wages.

**FISCAL IMPACTS FROM OPERATIONS**

As previously described, fiscal impacts represent new public-sector tax revenues that are generated based on the presence and use of the facility. The following table summarizes applicable taxes and the spending that they apply to and their rates. We assume that tax rates will remain unchanged in the future.

This fiscal impact analysis includes new sales, lodging, meals, and admission taxes at the city level. These taxes and their rates are summarized below.

---

**TOTAL JOBS AND EARNINGS**

To Virginia Beach

<table>
<thead>
<tr>
<th>EMPLOYMENT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility</td>
<td></td>
</tr>
<tr>
<td>Full-Time Equiv. Facility Operations Staff</td>
<td>13</td>
</tr>
<tr>
<td>Outside of the Facility</td>
<td></td>
</tr>
<tr>
<td>Lodging</td>
<td>27</td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>39</td>
</tr>
<tr>
<td>Retail and Entertainment</td>
<td>17</td>
</tr>
<tr>
<td>Transportation and Other</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total Jobs (Full-Time Equivalent)</strong></td>
<td><strong>105</strong></td>
</tr>
</tbody>
</table>

| EARNINGS                      |         |
| Facility Operations - all FT and PT | $987,000 |
| Lodging                        | $1,122,000 |
| Food and Beverage              | $1,236,000 |
| Retail and Entertainment       | $660,000  |
| Transportation and Other       | $392,000  |
| **Total Earnings**             | **$4,398,000** |

Source: Stone Planning
The new tax revenues attributable to the facility are summarized in the following table. We show the taxes generated by both the gross direct spending (which includes local residents) as well as by the net spending (which only includes visitors who are in Virginia Beach because of the facility).

### LOCAL TAXES AND RATES

<table>
<thead>
<tr>
<th>Tax</th>
<th>City Tax Rate</th>
<th>Meals Tax Component</th>
<th>Sales Tax Component</th>
<th>Lodging Tax Component</th>
<th>Sales Tax Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax</td>
<td>1.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meals Tax</td>
<td></td>
<td>5.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lodging Tax</td>
<td></td>
<td></td>
<td>1.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Stone Planning

### LOCAL FISCAL IMPACTS

<table>
<thead>
<tr>
<th>Tax</th>
<th>Gross</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax</td>
<td>$122,000</td>
<td>$65,353</td>
</tr>
<tr>
<td>Meals Tax</td>
<td>$365,569</td>
<td>$143,259</td>
</tr>
<tr>
<td>Lodging Tax</td>
<td>$232,152</td>
<td>$232,152</td>
</tr>
<tr>
<td>Admission Tax</td>
<td>$1,014,150</td>
<td>$403,740</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,733,871</strong></td>
<td><strong>$844,504</strong></td>
</tr>
</tbody>
</table>

Source: Stone Planning

### ECONOMIC AND FISCAL IMPACTS FROM CONSTRUCTION

The assumed cost of the Event Center is $35 million. Based on local construction-related multipliers and the share of materials and services to be sourced locally, the following table summarizes the estimated economic and fiscal impacts from the construction project.
### CONSTRUCTION IMPACTS ($000s)

<table>
<thead>
<tr>
<th>Economic Impacts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of Materials</td>
<td>$7,947</td>
</tr>
<tr>
<td>Total Employment</td>
<td>314</td>
</tr>
<tr>
<td>Total Labor Income</td>
<td>$18,255</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Impacts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BPOL</td>
<td>$133</td>
</tr>
<tr>
<td>City Sales Tax</td>
<td>$23</td>
</tr>
<tr>
<td>Meals Tax</td>
<td>$44</td>
</tr>
<tr>
<td>Lodging Tax</td>
<td>$1</td>
</tr>
</tbody>
</table>

Source: City of Virginia Beach, Stone Planning

Approximately $8 million is estimated to be paid to local firms, and the total impacts (including direct and indirect) to local workers are approximately 315 jobs and $18.3 million in wages.

Fiscal impacts to the city are estimated to be a total of approximately $200,000.
Section 8
Surf Park Analysis
This section addresses, at a high level, the potential operations of the surf park and our review of limited components of Wavegarden estimates provided to the consulting team.

We have reviewed Section 5 of the economic feasibility study compiled by Wavegarden and its methodology and usage estimates, although we have not been provided other sections of its study. As surf parks are relatively new offerings and limited data on their operations is available, we have compared Wavegarden’s methodology and estimates to those used for similar attractions. We provide the following observations:

- Wavegarden’s “top-down” and “bottom-up” methodologies are appropriate and sound,
- Its “top-down” penetration rates appear to be conservative.
  - Resident rates: Wavegarden assumes penetration rates ranging from 0.3 percent to three percent for watersports enthusiasts (depending on distance) and 0.1 percent to 1.5 percent for others. For a specialty or mid-tier attraction, overall penetration rates for regional residents can easily exceed three percent.
  - Tourist rates: Wavegarden assumes penetration rates ranging from 0.5 percent to 1.25 percent, depending on time of year. For a specialty or mid-tier attraction, these rates are likely three percent or less.
- The maximum daily usage estimates appear reasonable, compared to reported capacity of NLand in Austin and adjusting for the size of the surf parks.
- Its overall usage estimates and assumptions appear to be reasonable.

From discussions with other industry professionals, we have gathered the following information:

- Wavegarden’s forecasts are thought to be particularly conservative and can be significantly exceeded.
- Virginia Beach is a great location for a surf park.
- In general, people will be willing to surf in a wetsuit (for year-round surfing).
- In addition to Virginia Beach’s tourists (who are included in Wavegarden’s estimates), surfers will travel to Virginia Beach specifically to surf at the park (because of both the technology/availability of the park and the location).
- The park can attract events, competitions, and training (for example, the World Surf League now hosts one of its nine events at a surf park, and the park could allow surfers to significantly
increase the number of waves they ride per year).

- The underlying technology, and the resulting wave, is crucially important, and Wavegarden has the best technology.

- “Inland” surfing could be at the beginning of a significant increase in popularity (similar to MMA sports in recent years).

- Should the concept of surf parks become more popular, the addition of facilities in other markets could reduce the uniqueness and popularity of a facility in Virginia Beach.