FEASIBILITY STUDY FOR A NEW INDOOR SPORTS CENTER IN VIRGINIA BEACH

SUBMITTED: NOVEMBER 2, 2016
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**EXECUTIVE SUMMARY:**

**MARKET DEMAND STUDY**

**Demographics & Socioeconomics:** The Virginia Beach-Norfolk-Newport News MSA (“Hampton Roads MSA”) has a population of more than 1.7 million people. It is geographically defined as 5 counties and 9 independent cities in Virginia, and 2 counties in North Carolina. The City of Virginia Beach is an independent city (not in the territory of any county or counties) with a population 448,653 people.

The City of Virginia Beach’s population represents approximately 26% of the total population of the Hampton Roads MSA. They both have a younger median age than the U.S. population as a whole, indicating a positive market for sports activity due to the presence of a large working age population and young families. The median household income in the City of Virginia Beach is significantly higher than both the Hampton Roads MSA and the U.S. average. Higher household income levels typically indicate an ability to spend disposable income on both adult recreation and youth sports.

Viectus Advisors also compared Virginia Beach’s demographic and socioeconomic characteristics to the following competitive set: Birmingham, Alabama; Charlotte, North Carolina; Knoxville, Tennessee; Louisville, Kentucky; Myrtle Beach, South Carolina; Raleigh, North Carolina; and Richmond, Virginia. The Hampton Roads MSA’s population of 1,726,131 represents the second most populated out of the eight markets selected for comparative analysis. The Hampton Roads MSA’s median age of 36.1 is below both the average and median among comparative markets. It indicates that the market is likely to support and participate in amateur sports events due to the presence of a working-age population and young families.

**Local Facility Inventory:** As part of our community survey process, Victus Advisors gathered feedback from local sports participants regarding their satisfaction with the primary sports venues that are marketed by the City’s Sports Marketing Unit. Virginia Beach sports participants are relatively satisfied with the overall quality of sports facilities in the local market, with five of the eight facilities receiving “good” Top-2 Box scores of 65% or greater. Only the Hampton Roads Soccer Complex received a “poor” Top-2 Box score of less than 50%. In addition to unusually heavy sports use, the Virginia Beach Convention Center (VBCC) is also unique in that it does not have an on-site hotel that is attached or adjacent to the facility. It is likely that the lack of a flagship, on-site, convention hotel puts the VBCC at a competitive disadvantage for attracting convention events relative to comparable markets such as Charlotte, Birmingham, Louisville, Raleigh, Richmond, and Myrtle Beach.

**Interviews, Focus Groups & Surveys:** In April 2016, Victus Advisors held informational meetings, in-person interviews, and focus groups in Virginia Beach with over 40 project stakeholders, community leaders, and local professional and amateur sports leaders. In addition to meetings and interviews, in April 2016, Victus Advisors also conducted online surveys with 278 parents, participants, coaches, and other such members of the amateur sports market in the Virginia Beach area. Among other comments and feedback, most agree that there is a need for a large basketball facility that features a minimum of eight (8) full-size courts. There is also demand for more access to fields.

**Preliminary Facility Recommendation:** We have identified that significant community demand exists for the following facility development opportunities: (1) City-Controlled Indoor Sports Center with Convenient Access to Hotel Inventory; (2) Addition of Artificial Turf, Multi-Use Fields at Princess Anne Athletic Complex; and (3) Covered Swimming Pool to Attract Regional/National Swimming/Diving Competitions.
Overview: Victus Advisors analyzed existing and planned indoor sports centers located in the comparative markets that were identified by the Sports Marketing Unit as primary competitors for amateur sports events. Selection criteria for the facilities we reviewed were:

- At least 80,000 square feet building footprint
- At least six (6) basketball courts
- Opened within the past 10 years

In addition, we also reviewed three other indoor facilities (located in Round Rock, Texas; Spartanburg, South Carolina; and Gatlinburg, Tennessee) that all opened in 2014 and may also be viewed as potential comparable venues for a new indoor sports center in Virginia Beach. In total, we analyzed the following six (6) indoor sports centers. Unless otherwise noted, the sources of comparable venue information on the following pages were facility management:

- Hoover Sports Complex - Hoover, Alabama
- Boo Williams Sportsplex - Hampton, Virginia
- Upward Star Center - Spartanburg, South Carolina
- Myrtle Beach Sports Center - Myrtle Beach, South Carolina
- Round Rock Sports Center - Round Rock, Texas
- Rocky Top Sports World - Gatlinburg, Tennessee

Summary:

Size and Configuration

The comparable indoor sports centers reviewed in this section, as shown below, range from 82,000 to 155,000 square feet, and include 6 to 9 basketball courts (convertible to 12 to 16 volleyball courts). Two of the venues also include additional indoor features such as indoor turf or an indoor track.

Tournaments & Visitors

The comparable indoor facilities we analyzed are all expected to host anywhere from 25 to 40 weekend tournaments each year, with up to 200,000 annual visitors (including athletes, coaches, spectators, etc.), and upwards of 15,000 hotel nights generated each year.
EXECUTIVE SUMMARY: PRELIMINARY SITE ANALYSIS

Overview: During interviews with local stakeholders and sports community leaders, Victus Advisors requested input regarding potential areas within Virginia Beach that could be suitable for development of a new indoor sports center. Based upon these interviews, three general areas came to the forefront (in no particular order):

- Beachfront Area
- Convention Center Area
- Princess Anne Area

Generally speaking, from the standpoint of both attracting events and sustaining economic development related to regional tournament activity, it is also ideal to have convenient access to lodging and retail within a 10-15 minute drive of an indoor sports center.

AICUZ / APZ: A major consideration for any development (residential or commercial) in Virginia Beach is the Air Installation Compatible Use Zone Program (AICUZ) Accident Potential Zones (APZ). The Department of Defense (DOD) created these programs and designations with the intent to protect citizens, military personnel, and public and private property from potential damage due to noise and other hazards from airport activity. The restrictions associated with these zones could have a significant impact on the viability of potential locations for a new indoor sports center in Virginia Beach.

Convention Center Area: The Convention Center Area appears to be the most favorable site due to its convenient proximity to hotel access. In addition there are plenty of retail and restaurant options within a short drive, thanks in large part to the proximity to the oceanfront. In addition, the current volume of participatory sports activity at the Convention Center demonstrates that the location is viable as a sports tourism destination.

Princess Anne Area: The Princess Anne Area is not recommended by Victus Advisors for a new indoor sports center for several key reasons:

1. There is an existing indoor fieldhouse located at Princess Anne that was developed via a public-private partnership between the City and a private facility operator;
2. Numerous interview respondents indicated that hotel options were limited within a 10-15 minute drive of Princess Anne, and therefore it is often more convenient for their athletes and families to stay at Chesapeake or Norfolk hotels. (3) Development of additional hotel inventory within the Princess Anne area may be limited by APZ restrictions.

Beachfront Area: Although several interview respondents indicated that the Resort Area could be a potential location for a new indoor sports center, due to proximity to family entertainment, retail, and the majority of Virginia Beach’s lodging, however it may not be an ideal location due to traffic issues, lack of parking (which could deter local usage of the venue) and expensive lodging in the summer months (which could be a deterrent to tournaments).

Site Analysis Recommendation: In conclusion, Victus Advisors recommends that the general Convention Center area is the most suitable and favorable for development of an indoor sports center due to its convenient access to hotels, food, and retail, as well as a centralized location with ample parking that appeals to both local use and tournament use.
**Recommended Amenities:** Based upon the results of our market and facility analysis, Victus Advisors recommends that a new indoor sports center in Virginia Beach should have:

- Ten (10) basketball courts, which should be convertible to at least 12 (or more) volleyball courts
- One indoor artificial turf area, which could be utilized as one (1) full-length soccer or lacrosse field, or two (2) shorter fields for youth soccer, flag football, lacrosse practice, football practice, and/or batting cages.
- Support areas and amenities, including lobby, concessions, team rooms, offices, mechanical/electrical rooms, storage, circulation, etc.

**Approximate Space Requirements:** Based upon Victus Advisors’ industry experience, as well as preliminary input gathered from sports architects, it is estimated that the building program described above would require approximately 175,000 square feet, as follows:

- Basketball/Volleyball Courts - 65,000 sq. ft.
- Indoor Artificial Turf - 90,000 sq. ft.
- Support Areas/Amenities - 20,000 sq. ft

**Preliminary Cost Estimate:** Based on recent construction costs for comparable sports centers, Victus Advisors preliminarily estimates that a new indoor sports center in Virginia Beach could be constructed for a cost ranging from approximately $100 to $175 per square foot, depending on level of finish. This range represents approximately $17.5 to $30.6 million in estimated total construction costs for a 175,000 sq. ft. venue.

As a point of comparison, the average cost per square foot among comparable indoor sports centers, as shown below, was approximately $140 per square foot. Therefore, for purposes of our economic impact analysis (presented in Section 9 of this report) we have assumed construction costs of approximately $140 per square foot, which represents total estimated construction costs of approximately $24.5 million for a new 175,000 square foot indoor sports center.

Ultimately, it is recommended that detailed square footages and construction cost estimates should be developed by project architects and cost engineers.

<table>
<thead>
<tr>
<th>Facility</th>
<th>City, State</th>
<th>Year Open</th>
<th>Square Feet</th>
<th>Construction Cost</th>
<th>Cost per Sq. Ft.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boo Williams Sportsplex</td>
<td>Hampton, VA</td>
<td>2008</td>
<td>135,000</td>
<td>$13,500,000</td>
<td>$100</td>
</tr>
<tr>
<td>Upward Star Center</td>
<td>Spartanburg, SC</td>
<td>2014</td>
<td>120,000</td>
<td>$19,000,000</td>
<td>$158</td>
</tr>
<tr>
<td>Myrtle Beach Sports Center</td>
<td>Myrtle Beach, SC</td>
<td>2015</td>
<td>100,000</td>
<td>$12,400,000</td>
<td>$124</td>
</tr>
<tr>
<td>Round Rock Sports Center</td>
<td>Round Rock, TX</td>
<td>2014</td>
<td>82,000</td>
<td>$14,500,000</td>
<td>$177</td>
</tr>
<tr>
<td><strong>Average:</strong></td>
<td></td>
<td>2013</td>
<td>109,250</td>
<td>$14,850,000</td>
<td>$140</td>
</tr>
<tr>
<td><strong>Median:</strong></td>
<td></td>
<td>2014</td>
<td>110,000</td>
<td>$14,000,000</td>
<td>$141</td>
</tr>
</tbody>
</table>
**Estimated Annual Utilization By Sport:** It is estimated that basketball would account for the majority of utilization at over 50%.

<table>
<thead>
<tr>
<th>Sport</th>
<th>Facility Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basketball</td>
<td>6,255</td>
</tr>
<tr>
<td>Volleyball</td>
<td>2,970</td>
</tr>
<tr>
<td>Soccer</td>
<td>1,630</td>
</tr>
<tr>
<td>Other Sports</td>
<td>1,370</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12,225</strong></td>
</tr>
</tbody>
</table>

**Total Estimated Annual Visits:** 189,150 which includes athletes, officials, coaches, spectators, etc. Represents 141,862 unique daily visits, plus 47,288 out-of-town tournament visitors.

**Estimated Annual Utilization By Type:** It is estimated that the facility could host approximately 36 annual tournaments and competitions (26 court usage and 10 field usage), accounting for over one-quarter of the facility’s usage hours.

<table>
<thead>
<tr>
<th>Event</th>
<th>Facility Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practices/Leagues</td>
<td>8,951</td>
</tr>
<tr>
<td>Tournaments</td>
<td>3,274</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12,225</strong></td>
</tr>
</tbody>
</table>

**Estimated Seasonality:** It is expected that peak usage at the sports center would be during the winter months, with a considerable decrease in utilization during the summer months. This seasonal usage pattern could be ideally suited for attracting tournament activity to Virginia Beach, as local hotel inventory has significantly lower occupancy and ADR from October to April.

**Financial Projections (Stabilized Year of Operations):** In a stabilized year of operations, it is estimated that the operations of the proposed indoor sports center in Virginia Beach could approximately break even.

<table>
<thead>
<tr>
<th>Operating Revenues:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Income</td>
<td>$1,035,750</td>
</tr>
<tr>
<td>Programming (Leagues, Camps, Clinics)</td>
<td>$414,000</td>
</tr>
<tr>
<td>Concessions (Net of COGS)</td>
<td>$99,300</td>
</tr>
<tr>
<td>Advertising</td>
<td>$74,200</td>
</tr>
<tr>
<td>Other</td>
<td>$15,000</td>
</tr>
<tr>
<td><strong>Total Revenues:</strong></td>
<td><strong>$1,638,250</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Expenses:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>$521,500</td>
</tr>
<tr>
<td>Program Expenses</td>
<td>$289,800</td>
</tr>
<tr>
<td>Utilities</td>
<td>$437,500</td>
</tr>
<tr>
<td>Maintenance/Repair</td>
<td>$125,000</td>
</tr>
<tr>
<td>Materials/Supplies</td>
<td>$125,000</td>
</tr>
<tr>
<td>G&amp;A</td>
<td>$50,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>$66,000</td>
</tr>
<tr>
<td><strong>Total Expenses:</strong></td>
<td><strong>$1,614,800</strong></td>
</tr>
</tbody>
</table>

**Net Income Before Debt Service:** $23,450

**Estimated Operating Margin:** 1.4%

*Note: Presented in 2016 dollars*
Management Options:

**Public**: Public management of youth and amateur sports facilities is commonplace within the industry. Facility operational control within a government is typically accomplished either by creating a separate department that is responsible for facility management or by designating responsibility to a department that already exists within the government (such as the CVB or Parks & Recreation).

- **Advantages**: The advantages of public management include owner control, financial support via public funding sources, potential sharing of public sector staff and support functions (security, waste management, grounds keeping, maintenance, etc.), and utilization of governmental purchase power to help reduce the costs of goods and services.
- **Disadvantages**: Some disadvantages of public management could include decision-making and contracting constraints due to public sector processes, economic and performance inefficiencies related to lack of profit incentive, or a lack of expertise and relationships in the sports industry among public staff.

**Private**: In some cases, the management of a publicly-owned sports complex could be outsourced to a third-party operator. Comparable public facilities that we reviewed in this report included a mix of public and private operators.

- **Advantages**: The public owner retains rights and privileges of ownership while the management firm performs assigned functions. The private firm is motivated by profit incentives to maximize tournament usage and programming (and other profitable uses) of the facility. They usually bring a network of relationships to leverage for event booking, and they often have greater staffing resources and flexibility in negotiations with events.
- **Disadvantages**: Some disadvantages of private management could include lack of owner control over events held or rates set at the facility, less access to affordable public use, and public costs of paying facility management fees.

**Recommendation for Virginia Beach**:

It is recommended that a new indoor sports center should be owned and operated by the City. As identified in our market study, one of the major issues that the Sports Marketing Unit faces with booking sports events, especially indoor events, is the lack of access or control over the booking calendar for privately-operated venues. Having an indoor sports center under operating control of the City would enable the Sports Marketing Unit to more efficiently and effectively book indoor sports events, without having to rely on placing sports events in the Convention Center to such a large degree.
EXECUTIVE SUMMARY:
FUNDING OPTIONS ANALYSIS

Overview: The purpose of this analysis is to provide a broad overview of the various debt vehicles and revenue sources that could potentially be utilized to fund construction and development costs for a new indoor sports center in Virginia Beach. This analysis is based upon a review of comparable venue funding across the country, as well as unique financing vehicles that may be available within the State of Virginia.

General Obligation Bonds: As of June 30, 2015, the City of Virginia Beach had total tax-supported long-term debt of approximately $982.5 million, roughly 66% of which is general obligation debt. An indoor sports center at an estimated cost of $24.5 million that was funded via GO bonds would only represent an approximately 3.7% increase in GO indebtedness.

Revenue Bonds: Depending on the interest rate and debt coverage ratio, it is generally estimated that for every $1M of project income (or tax revenue) that is applicable to debt service, 30-year revenue bonds could fund anywhere from $7-14M in project costs.

Tax Increment Financing (TIF): TIF could potentially be a viable option for Virginia Beach if a new sports center is part of a larger redevelopment district (for example, if the entire Owl’s Creek site were to be redeveloped).

Capital Improvement Program: The FY 2016-2021 Capital Improvement Program (CIP), which was approved by City Council on May 12, 2015, set forth a program totaling $2.7 billion. The CVB should explore whether a new indoor sports facility would be eligible for CIP funding.

Development Financing Program: This development financing program is not likely to be utilized for this indoor sports center project, as it is not expected to be a public-private partnership with a private developer.

Contractually Obligated Revenue Streams: It is not recommended that the City utilizes contractually obligated revenue to fund construction costs, as it would increase the risk of large annual operating losses.

General Funds: According to the Virginia Beach 2015 Comprehensive Annual Financial Report (CAFR) the City has a fund balance policy goal to maintain 10% of unassigned funds or one month of the City’s operating expenses. As a result, it is not likely that general funds would be available for commitment to this proposed indoor sports center.

Restaurant Meals Tax: Virginia Beach already has one of the highest tax rates for meals in the United States. As a result, it would be unlikely that an proposed increase in the tax rate would be approved by City Council and/or Virginia Beach residents.

Amusement Tax: It is unlikely that the amusement tax rate would be approved for an increase considering most of the other cities within the Hampton Roads MSA also have a 10% rate.

Dedicated Revenue Generating Fund (TIP/TAP): The Virginia Beach CVB should explore whether a new indoor sports facility would be eligible for TIP and/or TAP funding.

Ad Valorem Taxes: The City has already increased the property tax rate from .93% to .99% just last year. As a result it would appear unlikely that an additional increase would be approved by residents. It is also unlikely that a sales tax increase would be an option for Virginia Beach. The Virginia Beach sales tax rate is already maxed out at 1.0% local rate, and 6.0% overall.

Hotel-Related Taxes: The lodging tax rate is 8% and is already the highest rate in the Hampton Roads MSA. It is unlikely that an additional increase would be favorable to City Council and City residents.
EXECUTIVE SUMMARY: ECONOMIC & FISCAL IMPACTS

ECONOMIC & FISCAL IMPACT ANALYSIS

The one-time construction and on-going operations of a new, City-controlled, indoor sports center in Virginia Beach are estimated to generate significant incremental (or “net new”) direct spending within the City by outside businesses and visitors. Over the course of the estimated useful life of a sports facility (30 years), it has been estimated that the cumulative incremental economic/fiscal benefits within the City could include nearly $477 million in total economic output, 141 sustainable annual jobs, over $171 million in wages, more than $30 million in City tax revenues, and upwards of 638,000 hotel nights, as shown below:

<table>
<thead>
<tr>
<th>Net New Impacts</th>
<th>30-Year Cumulative</th>
<th>Net Present Value (NPV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Spending:</td>
<td>$304,997,000</td>
<td>$179,610,000</td>
</tr>
<tr>
<td>Total Output:</td>
<td>$476,856,000</td>
<td>$280,309,000</td>
</tr>
<tr>
<td>Annual Jobs:</td>
<td>141</td>
<td>n/a</td>
</tr>
<tr>
<td>Labor Income:</td>
<td>$171,254,000</td>
<td>$101,135,000</td>
</tr>
<tr>
<td>City Tax Revenue:</td>
<td>$30,029,000</td>
<td>$17,295,000</td>
</tr>
<tr>
<td>Hotel Nights:</td>
<td>638,381</td>
<td>n/a</td>
</tr>
</tbody>
</table>
Victus Advisors was engaged by the City of Virginia Beach’s Sports Marketing Unit in 2016 to conduct a sports tourism market study, recommend sports facility opportunities, and analyze the feasibility and economic impacts of a potential new sports facility.

Our initial Sports Tourism Venue Inventory & Market Assessment was completed in July 2016, and we subsequently proceeded with our Feasibility Study for a New Indoor Sports Center, which includes the following primary project goals:

- Estimate annual activity and event demand for an indoor sports center in Virginia Beach
- Develop a detailed, annual operating pro forma that summarizes the detailed revenues and expenses that could be associated with the operations of a new indoor sports center
- Develop a summary of various options regarding the management and operations of the proposed facility
- Analyze the potential project funding methods that could potentially be utilized in Virginia Beach to construct the new facility
- Prepare estimates of the potential economic and fiscal impacts that could be generated for the community by facility construction and incremental sports tourism
FEASIBILITY STUDY METHODOLOGY

PREVIOUS PHASES:
- SPORTS TOURISM MARKET STUDY
- SPORTS FACILITY OPPORTUNITIES

CURRENT PHASE:
- INDOOR SPORTS CENTER FEASIBILITY STUDY

Diagram:
- Facility & Program Demand
  - Comparable Market & Facility Analysis
  - Local Facility Inventory & Review
  - Demographic & Socioeconomic Research
  - Local Interviews, Focus Groups & Online Surveys
  - Regional & National Event Interviews

- Program Recs.
- Utilization Estimates
- Operating Projections
- Funding Options
- Economic Impacts

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The next section of this report (Section 2) presents key findings from the **Sports Tourism Venue Inventory & Market Assessment** that pertain to the feasibility of an indoor sports center in Virginia Beach. Victus Advisors’ primary project goals the Sports Tourism Venue Inventory & Market Assessment were:

- Engaged local sports community stakeholders and sports facility user groups
- Assessed the strengths and weaknesses of the local Virginia Beach sports market
- Assessed the strengths and weaknesses of Virginia Beach as a regional/national sports tourism destination
- Identified and recommended potential improvements to Virginia Beach’s sports tourism market positioning
- Recommended opportunities for sports venue development in Virginia Beach

Sections 3 through 9 of this report represent new research, analysis and recommendations related to the Feasibility Study for a New Indoor Sports Center.
SECTION 2A
SUMMARY OF KEY FINDINGS - DEMOGRAPHICS & SOCIOECONOMICS
**METROPOLITAN STATISTICAL AREA (MSA)**

- MSA’s are defined by U.S. Office of Management & Budget
- Adjacent counties with high degree of social/economic integration with urban core of 50,000 people or more.

**Hampton Roads MSA**

- Geographically defined as 5 counties and 9 independent cities in Virginia, and 2 counties in North Carolina.
- Virginia Beach-Norfolk-Newport News MSA (Hampton Roads MSA for the remainder of this report) has a population of more than 1.7 million people.

*Source: Esri*
The City of Virginia Beach is an independent city (not in the territory of any county or counties) with a population 448,653 people.

Chesapeake and Norfolk are the neighboring cities to the east, while surrounded by water to the north, south, and west.
The City of Virginia Beach’s population represents approximately 26% of the total population of the Hampton Roads MSA. Virginia Beach has a comparable median age relative to the entire Hampton Roads MSA, however they both have a younger median age than the U.S. population as a whole, indicating a positive market for sports activity due to the presence of a large working age population and young families.

The City and MSA have about the same percentage of population under 18, but as with the Median Age, they are both lower than the national average, which also reflects the presence of large working age population and young families.

<table>
<thead>
<tr>
<th></th>
<th>City of Virginia Beach</th>
<th>Hampton Roads MSA</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>448,653</td>
<td>1,726,131</td>
<td>319,459,991</td>
</tr>
<tr>
<td>Population Under 18</td>
<td>101,664</td>
<td>383,900</td>
<td>73,959,243</td>
</tr>
<tr>
<td>Percentage of Population Under 18</td>
<td>22.7%</td>
<td>22.2%</td>
<td>23.2%</td>
</tr>
<tr>
<td>Median Age</td>
<td>35.9</td>
<td>36.1</td>
<td>37.9</td>
</tr>
</tbody>
</table>

Sources: Esri, Nielsen
The Hampton Roads MSA’s population is clustered in the Norfolk, Virginia Beach, Chesapeake, and Suffolk region. There are relatively few residents southeast of Chesapeake and east and north of Suffolk.
A lower median age of a population tends to be a positive market indicator for a multi-purpose sports venues due to the presence of a large working age population and young families.

As with the population distribution, younger median ages tend to be clustered around the principal cities of the Hampton Roads MSA (in particular, Virginia Beach, Norfolk, and Suffolk).
The City of Virginia Beach and the Hampton Roads MSA have seen positive growth over the last 15 years. Over the next five years, a slight increase is projected in the annual growth rate for the City. Both the City and the MSA have grown at a slower rate than the rest of the United States.

<table>
<thead>
<tr>
<th>Population Growth:</th>
<th>City of Virginia Beach</th>
<th>Hampton Roads MSA</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Pop. Growth (2000 to 2015)</td>
<td>0.4%</td>
<td>0.6%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Annual Pop. Growth (5-year Projection)</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Projected Population (2020)</td>
<td>461,108</td>
<td>1,781,561</td>
<td>330,689,365</td>
</tr>
</tbody>
</table>

Sources: Esri, Nielsen
As noted in a previous slide, both the City of Virginia Beach and Hamptons Roads MSA have a relatively young population with families. The extremely high percentage of households with children (approx. 68%) suggest a community need for family-friendly sports and recreation opportunities. It should be noted that both the City and the MSA more than double the percentage of households with children relative to the United States average.

The median household income in the City of Virginia Beach is significantly higher than both the Hampton Roads MSA and the U.S. average. This may be related to a more experienced and executive level workforce which would be found in the City as opposed to smaller communities within the MSA. Higher household income levels typically indicate an ability to spend disposable income on both adult recreation and youth sports.
Median Household income levels within the MSA tend to be higher in the Virginia Beach/Chesapeake areas, and lower in Hampton, Newport News, Norfolk, and Suffolk.
MSA’s with 500k+ Population Within a 3-hour Drive

Raleigh MSA  
pop. 1,273,568

Richmond MSA  
1,271,334

Only Raleigh and Richmond are within a three hour drive of Virginia Beach, which is the typical driving range for single-day events.

However, within a six hour drive, there are 11 large markets ranging from South Carolina to New York that could be attractive targets for overnight/multi-day tournaments.

Sources: Microsoft MapPoint, Office of Management and Budget (2010)
Based upon feedback from the Sports Marketing Unit regarding the markets that they most often compete against for amateur sports events, Victus Advisors compared Virginia Beach’s demographic and socioeconomic characteristics to the following competitive set. Additionally, in later sections of this report, Victus Advisors has compared Virginia Beach to this same competitive set in terms of sports marketing/branding best practices and organizational approach:

- Birmingham, Alabama
- Charlotte, North Carolina
- Knoxville, Tennessee
- Louisville, Kentucky
- Myrtle Beach, South Carolina
- Raleigh, North Carolina
- Richmond, Virginia
## COMPARATIVE MARKETS - POPULATION

<table>
<thead>
<tr>
<th>City, State</th>
<th>MSA</th>
<th>MSA Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charlotte, NC</td>
<td>Charlotte-Concord-Gastonia</td>
<td>2,366,607</td>
</tr>
<tr>
<td>Virginia Beach, VA</td>
<td>Hampton Roads</td>
<td>1,726,131</td>
</tr>
<tr>
<td>Richmond, VA</td>
<td>Richmond</td>
<td>1,261,374</td>
</tr>
<tr>
<td>Louisville, KY</td>
<td>Louisville/Jefferson County</td>
<td>1,260,980</td>
</tr>
<tr>
<td>Raleigh, NC</td>
<td>Raleigh</td>
<td>1,241,532</td>
</tr>
<tr>
<td>Birmingham, AL</td>
<td>Birmingham-Hoover</td>
<td>1,151,476</td>
</tr>
<tr>
<td>Knoxville, TN</td>
<td>Knoxville</td>
<td>862,269</td>
</tr>
<tr>
<td>Myrtle Beach, SC</td>
<td>Myrtle Beach-Conway-North Myrtle Beach</td>
<td>415,646</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td>1,285,752</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td></td>
<td>1,251,256</td>
</tr>
</tbody>
</table>

*Note: Sorted by MSA Population in descending order*

*Source: Esri*

The Hampton Roads MSA’s population of 1,726,131 represents the second most populated out of the eight markets selected for comparative analysis.
### COMPARATIVE MARKETS - GROWTH

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Myrtle Beach, SC</td>
<td>Myrtle Beach-Conway-North Myrtle Beach</td>
<td>2.9%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Raleigh, NC</td>
<td>Raleigh</td>
<td>3.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Charlotte, NC</td>
<td>Charlotte-Concord-Gastonia</td>
<td>2.2%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Richmond, VA</td>
<td>Richmond</td>
<td>1.2%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Virginia Beach, VA</td>
<td>Hampton Roads</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Knoxville, TN</td>
<td>Knoxville</td>
<td>1.0%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Louisville, KY</td>
<td>Louisville/Jefferson County</td>
<td>0.8%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Birmingham, AL</td>
<td>Birmingham-Hoover</td>
<td>0.6%</td>
<td>0.5%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td>1.5%</td>
<td>1.1%</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td></td>
<td>1.1%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Note: Sorted by Projected Annual Population Growth in descending order

Source: Esri

The projected growth rate of the Hampton Roads MSA is well below the average and just below the median among comparative markets.
## COMPARATIVE MARKETS - MEDIAN AGE

<table>
<thead>
<tr>
<th>City, State</th>
<th>MSA</th>
<th>MSA Median Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raleigh, NC</td>
<td>Raleigh</td>
<td>35.8</td>
</tr>
<tr>
<td>Virginia Beach, VA</td>
<td>Hampton Roads</td>
<td>36.1</td>
</tr>
<tr>
<td>Charlotte, NC</td>
<td>Charlotte-Concord-Gastonia</td>
<td>37.1</td>
</tr>
<tr>
<td>Birmingham, AL</td>
<td>Birmingham-Hoover</td>
<td>38.5</td>
</tr>
<tr>
<td>Richmond, VA</td>
<td>Richmond</td>
<td>38.6</td>
</tr>
<tr>
<td>Louisville, KY</td>
<td>Louisville/Jefferson County</td>
<td>39.3</td>
</tr>
<tr>
<td>Knoxville, TN</td>
<td>Knoxville</td>
<td>41.0</td>
</tr>
<tr>
<td>Myrtle Beach, SC</td>
<td>Myrtle Beach-Conway-North Myrtle Beach</td>
<td>44.3</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td><strong>38.8</strong></td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td></td>
<td><strong>38.6</strong></td>
</tr>
</tbody>
</table>

*Note: Sorted by MSA Median Age in ascending order*

*Source: Esri*

The Hampton Roads MSA’s median age of 36.1 is below both the average and median among comparative markets. It indicates that the market is likely to support and participate in amateur sports events due to the presence of a working-age population and young families.
The Hampton Roads MSA ranks first out of the eight comparative markets in terms of the percentage of households in the market that have children under 18, indicating that significant demand should continue to exist for youth sports and family recreation.
### COMPARATIVE MARKETS - CORPORATE BASE

<table>
<thead>
<tr>
<th>City, State</th>
<th>MSA</th>
<th>Corporate Base (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charlotte, NC</td>
<td>Charlotte-Concord-Gastonia</td>
<td>1,813</td>
</tr>
<tr>
<td>Virginia Beach, VA</td>
<td>Hampton Roads</td>
<td>1,154</td>
</tr>
<tr>
<td>Louisville, KY</td>
<td>Louisville/ Jefferson County</td>
<td>1,149</td>
</tr>
<tr>
<td>Richmond, VA</td>
<td>Richmond</td>
<td>1,045</td>
</tr>
<tr>
<td>Birmingham, AL</td>
<td>Birmingham-Hoover</td>
<td>1,023</td>
</tr>
<tr>
<td>Raleigh, NC</td>
<td>Raleigh</td>
<td>932</td>
</tr>
<tr>
<td>Knoxville, TN</td>
<td>Knoxville</td>
<td>663</td>
</tr>
<tr>
<td>Myrtle Beach, SC</td>
<td>Myrtle Beach-Conway-North</td>
<td>203</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>998</td>
</tr>
<tr>
<td>Median</td>
<td></td>
<td>1,034</td>
</tr>
</tbody>
</table>

*Note: Sorted by Corporate Base in descending order*

(1) Defined as HQs and branch locations with at least 5 employees and $1M+ annual sales.

*Source: Hoovers*

Among comparative markets, the Hampton Roads MSA has the second largest corporate base, suggesting ample opportunities for corporate partnerships including sponsorship and advertising of sports facilities and events.
### COMPARATIVE MARKETS - HOUSEHOLD INCOME

The Hampton Roads MSA ranks fifth out of the eight comparative markets in terms of adjusted median household income.

<table>
<thead>
<tr>
<th>City, State</th>
<th>MSA</th>
<th>Median Household Income</th>
<th>Adj. Median Household Income (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raleigh, NC</td>
<td>Raleigh</td>
<td>$60,746</td>
<td>$65,108</td>
</tr>
<tr>
<td>Richmond, VA</td>
<td>Richmond</td>
<td>$56,867</td>
<td>$57,210</td>
</tr>
<tr>
<td>Charlotte, NC</td>
<td>Charlotte-Concord-Gastonia</td>
<td>$53,106</td>
<td>$55,901</td>
</tr>
<tr>
<td>Louisville, KY</td>
<td>Louisville/Jefferson County</td>
<td>$51,239</td>
<td>$55,755</td>
</tr>
<tr>
<td>Virginia Beach, VA</td>
<td>Hampton Roads</td>
<td>$54,528</td>
<td>$54,149</td>
</tr>
<tr>
<td>Birmingham, AL</td>
<td>Birmingham-Hoover</td>
<td>$48,678</td>
<td>$53,200</td>
</tr>
<tr>
<td>Knoxville, TN</td>
<td>Knoxville</td>
<td>$45,024</td>
<td>$51,574</td>
</tr>
<tr>
<td>Myrtle Beach, SC</td>
<td>Myrtle Beach-Conway-North Myrtle Beach</td>
<td>$42,581</td>
<td>$45,203</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td><strong>$51,596</strong></td>
<td><strong>$54,763</strong></td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td></td>
<td><strong>$52,173</strong></td>
<td><strong>$54,952</strong></td>
</tr>
</tbody>
</table>

*Note: Sorted by Adjusted Median Household Income in descending order*

(1) Adjusted for cost of living, according to ACCRA Cost of Living Index

*Source: Esri, ACCRA*
SECTION 2B

SUMMARY OF KEY FINDINGS - LOCAL SPORTS FACILITIES & HOTELS
As part of our community survey process, Victus Advisors gathered feedback from local sports participants regarding their satisfaction with the primary sports venues that are marketed by the City’s Sports Marketing Unit. Respondents were asked to rate their satisfaction with each facility on a 7-point scale, in which “7” represents “Very Satisfied” and “1” represents “Very Dissatisfied”.

Results were evaluated using “Top-2 Box” combined scores (“7” + “6”, representing the highest levels of satisfaction) and “Bottom-3 Box” (“3” + “2” + “1”, representing the lowest satisfaction levels).
Our Top-2 Box methodology is a best-in-class approach to facility satisfaction measurement. A similar methodology is utilized by many customer service-oriented businesses (such as department stores, hotels, banks, etc.).

The focus on Top-2 Box scores places a higher emphasis on the priority of achieving maximum satisfaction (scores of 6 or 7) from every visitor.

**General Top-2 Box score standards for facility satisfaction analysis**

- **80%+**: Excellent
- **65-80%**: Good
- **50-65%**: Average
- **< 50%**: Poor
Virginia Beach sports participants are relatively satisfied with the overall quality of sports facilities in the local market, with five of the eight facilities receiving “good” Top-2 Box scores of 65% or greater. Only the Hampton Roads Soccer Complex received a “poor” Top-2 Box score of less than 50%.

<table>
<thead>
<tr>
<th>Facility</th>
<th>Top-2 Box</th>
<th>5,4</th>
<th>Bottom-3 Box</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virginia Beach Field House</td>
<td>79%</td>
<td>19%</td>
<td>1%</td>
</tr>
<tr>
<td>Virginia Beach Sportsplex</td>
<td>68%</td>
<td>27%</td>
<td>5%</td>
</tr>
<tr>
<td>Virginia Beach Convention Center</td>
<td>65%</td>
<td>31%</td>
<td>4%</td>
</tr>
<tr>
<td>Princess Anne Athletic Complex</td>
<td>65%</td>
<td>32%</td>
<td>5%</td>
</tr>
<tr>
<td>Virginia Beach Oceanfront</td>
<td>65%</td>
<td>32%</td>
<td>3%</td>
</tr>
<tr>
<td>USA Regional Field Hockey Training Center</td>
<td>62%</td>
<td>35%</td>
<td>8%</td>
</tr>
<tr>
<td>Virginia Beach Tennis &amp; Country Club</td>
<td>53%</td>
<td>36%</td>
<td>10%</td>
</tr>
<tr>
<td>Hampton Roads Soccer Complex</td>
<td>49%</td>
<td>44%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Note: Sorted by Top-2 Box score in descending order
VIRGINIA BEACH FIELDHOUSE

• Top-2 Box Rating: 79% (Good)
• Opened: 2010
• Cost: $15 Million
• Footprint: 175,000 sq. ft.
• Owned/Operated: Private
• Features:
  - 8 regulation volleyball courts
  - 6 boarded turf fields
  - 4 regulation basketball courts
  - Field House Grille
  - Party Room
  - Arcade
• Sample Events:
  - Camps and clinics year-round for multiple sports
  - Adult and youth sports leagues
  - East Coast Indoor Soccer Championships
• User comments:
  - There is a general consensus that the Field House is a great venue.
  - One user mentioned the distance from the Field House to the nearby hotels was a negative.
VIRGINIA BEACH SPORTSPLEX

- Top-2 Box Rating: 68% (Good)
- Opened: 1999
- Cost: $6.8 Million
- Footprint: 653,400 sq. ft.
- Owner: City of Virginia Beach
- Operator: Hometown Sports Management
- Features:
  - Sportsplex Stadium
    - 1 field
    - 6,000 seats with ability to expand to 10,000
- Sample Events:
  - Turkey Shoot Lacrosse
  - Football and rugby events
- User comments:
  - One event organizer feels the facility is great, but their event is close to outgrowing the facility.
  - “The facility feels cold and grey, nothing inviting. More events such as high school football should be held there, to make it a great atmosphere to play at.”
• Top-2 Box Rating: 65% (Good)
• Opened: 2007
• Cost: $202.5 Million
• Footprint: 500,000 sq. ft.
• Owned/Operated: City of Virginia Beach
• Features:
  - 148,000 sq. ft. exhibition hall
    - Can fit multiple basketball and volleyball courts
    - Plenty of room for wrestling, dance, and gymnastics events
• Sample Events:
  - Shamrock Sports Festival
  - NHSCA National Duals
  - Gymstrada Invitational
• User comments:
  - One user observed that the Convention Center is used more for sports than anything else.
  - “If the Convention Center was far away from the beach we wouldn’t use it. Anything big should be close to the beach as possible.”
The Virginia Beach Convention Center (VBCC) host atypical levels of participatory sports events for an upscale convention and corporate conference center.

In fiscal year 2015, participatory sports accounted for 27% of Convention Center revenues, the most revenue from any single event category.

Participatory sports held at the Convention Center also accounted for 73% of estimated room nights generated by the Convention Center in fiscal year 2015.

Source: PriceWaterhouseCoopers, Va. Beach Convention Center, FY2015
In addition to unusually heavy sports use, the VBCC is also unique in that it does not have an on-site hotel that is attached or adjacent to the facility. As shown below, convention centers in comparable markets have at least one, if not two, attached or adjacent hotels, with an average of 716 total on-site hotel rooms. The majority of these hotels are flagship brands such as Marriott, Sheraton, Westin, Hyatt and Hilton. It is likely that the lack of a flagship, on-site, convention hotel puts the VBCC at a competitive disadvantage for attracting convention events relative to comparable markets such as Charlotte, Birmingham, Louisville, Raleigh, Richmond, and Myrtle Beach.

<table>
<thead>
<tr>
<th>Comparable Market Convention Center</th>
<th>On-Site Hotel 1</th>
<th>Guest Rooms</th>
<th>On-Site Hotel 2</th>
<th>Guest Rooms</th>
<th>TOTAL ON-SITE HOTEL ROOMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charlotte Convention Center</td>
<td>Westin Charlotte</td>
<td>700</td>
<td>Hilton Charlotte Center City</td>
<td>400</td>
<td>1,100</td>
</tr>
<tr>
<td>Birmingham-Jefferson Convention Complex</td>
<td>Sheraton Birmingham</td>
<td>757</td>
<td>Westin Birmingham</td>
<td>294</td>
<td>1,051</td>
</tr>
<tr>
<td>Kentucky International Convention Center</td>
<td>Louisville Marriott Downtown</td>
<td>616</td>
<td>Hyatt Regency Louisville</td>
<td>393</td>
<td>1,009</td>
</tr>
<tr>
<td>Raleigh Convention Center</td>
<td>Marriott City Center</td>
<td>400</td>
<td>Sheraton Raleigh</td>
<td>353</td>
<td>753</td>
</tr>
<tr>
<td>Richmond Convention Center</td>
<td>Richmond Marriott</td>
<td>410</td>
<td>n/a</td>
<td>410</td>
<td>410</td>
</tr>
<tr>
<td>Myrtle Beach Convention Center</td>
<td>Sheraton Myrtle Beach</td>
<td>400</td>
<td>n/a</td>
<td>400</td>
<td>400</td>
</tr>
<tr>
<td>Knoxville Convention Center</td>
<td>Holiday Inn Knoxville Downtown</td>
<td>286</td>
<td>n/a</td>
<td>286</td>
<td>286</td>
</tr>
<tr>
<td>Virginia Beach Convention Center</td>
<td>n/a</td>
<td></td>
<td>n/a</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td><strong>Average - Excluding VBCC:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>716</strong></td>
</tr>
<tr>
<td><strong>Median - Excluding VBCC:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>753</strong></td>
</tr>
</tbody>
</table>

*Source: Victus Advisors Research*
PRINCESS ANNE ATHLETIC COMPLEX

- Top-2 Box Rating: 65% (Good)
- Owned/Operated: City of Virginia Beach
- Features:
  - 8 baseball/softball fields (grass)
    - All lighted
  - 7 full-size multi-purpose fields (grass)*
    - 2 are lighted, with lights currently being installed at 2 more
- Sample Events:
  - US Lacrosse
  - ASA Softball
  - 3v3 Live Soccer
- User comments:
  - “The fields are in great condition, field size is good, and ample permanent seating available for spectators.”
  - Many users and event organizers cited the need for multiple artificial turf fields.

*Note: 3 fields are currently being converted to artificial turf and an 8th field, also artificial turf, is under construction
VIRGINIA BEACH OCEANFRONT

- Top-2 Box Rating: 65% (Good)
- Owned/Operated: City of Virginia Beach
- Sample Events:
  - USA Ultimate Beach Nationals
  - East Coast Surfing Championship
  - Rock n Roll ½ Marathon
  - Surf’n Santa 10 Miler
  - North American Soccer Sand Soccer
- User comments:
  - “Make the oceanfront more charming and less of a police state, I also think having equipment for working out would be fun on the beach.”
  - “Parking is a nightmare at the oceanfront!”
  - “An indoor field house near the oceanfront would be wonderful...”
Top-2 Box Rating: 62% (Average)
Opened: 1999
Cost: $6.8 Million
Footprint: 653,400 sq. ft.
Owner: City of Virginia Beach
Operator: Sportsplex/Hometown Sports Management
Features:
- 2 fields
  - 300 seats per field
Sample Events:
- High School Field Hockey Regional
- National Field Hockey League
- US Field Hockey Qualifiers
User comments:
- One event organizer was very satisfied with the Training Center and noted that they had everything they needed.
- One user rated the facility poorly because there are not enough lighted fields.
VIRGINIA BEACH TENNIS & COUNTRY CLUB

- Top-2 Box Rating: 53% (Average)
- Expanded: 2012
- Cost: $6 Million
- Footprint: 94,000 sq. ft.
- Owned/Operated: Private
- Features:
  - 28 outdoor tennis courts (25 clay)
  - 10 indoor courts
  - Fitness Center
  - Restaurant
  - Pro Shop
- Sample Events:
  - USTA Regional and National Events
- User comments:
  - A USTA representative mentioned that there is a need for more hard courts rather than clay courts to be able to host larger national and regional events.
  - The sample size of survey respondents who had experience with the Tennis & Country Club was small relative to other Virginia Beach sports venues.
HAMPTON ROADS SOCCER COMPLEX

- Top-2 Box Rating: 49% (Poor)
- Opened: 1990
- Cost: $6.8 Million
- Footprint: 75 acres
- Owner: City of Virginia Beach
- Operator: Hampton Roads Soccer Council
- Features:
  - 21 soccer fields
    - 12 full-size grass fields
    - 7 small fields
    - 2 full-size synthetic turf fields
- Sample Events:
  - Neptune Soccer Classic
  - Veterans Cup
  - Virginia beach Sun Cup Soccer Tournament
- User comments:
  - “The HRSC needs to do something about their inability to handle even the slightest amount of rain. I realize the rain isn't their fault but they closed for nearly an entire month this spring.”
  - “The HRSC closes at a drop of rain. This is annoying as it extends the season.”
  - “The HRSC has no community access, poor rental structure, and poor field maintenance.”
Although it is still in the planning stages, and thus not reviewable by survey respondents, Victus Advisors has also profiled the potential new arena to be located near the Virginia Beach Convention Center. The purpose of this review is to highlight the potential synergies, as well as the potential differences, relative to Virginia Beach’s participatory and amateur sports facilities.

**CURRENT ARENA PLAN**
- 500,000 sq. ft.
- Up to 18,000 seat capacity
- Estimated to cost approx. $200 Million
- Expected to take two years to build
  - Goal is to be completed by Fall 2018
- Expected to be operated by SMG
- Primary types of events:
  - Live concerts
  - Family shows (Disney on Ice, etc.)
  - Flat floor and trade shows
  - Collegiate and pro sports events

**DIFFERENCES WITH PARTICIPATORY SPORTS**
- Due to the larger size and operating costs of the arena, the primary events held would be ticketed events that drive significant rental rates and revenue streams.
- SMG is an experienced arena operator with a history of maximizing arena revenues via large, ticketed events that drive thousands of ticket-buying attendees and drive arena profits (concerts, championship pro/collegiate sporting events, etc.).
- The arena rental rates necessary to drive profitable operations are likely to far exceed the rental rates that non-ticketed, participatory sporting events are typically willing to pay for sports venues.

**SYNERGIES WITH PARTICIPATORY SPORTS**
- The arena could potentially be the site for the final rounds or championship games for tournaments in basketball, volleyball, and other courts sports. However, only if those events are large enough to attract 5,000+ ticketed attendees.
Only three (3) of the nine (9) sports venues profiled in this section are operated by the City. The majority of the sports venues in Virginia Beach are operated by private operators, which limits the CVB’s ability to block off key dates, schedule events, control rental rates, and manage in-venue event services. It appears that the primary reason for the Convention Center’s heavy usage by participatory sports events is that the Convention Center is the only indoor sports facility that is operated by the City and thus convenient for the CVB to book and operate large indoor sports events.

**Private Operator**
- Hampton Roads Soccer Complex
- Field Hockey Training Center
- Proposed New Multi-Use Arena
- Va. Beach Tennis & Country Club
- Virginia Beach Fieldhouse
- Virginia Beach Sportsplex

**City-Operated**
- Princess Anne Athletic Complex
- Virginia Beach Convention Center
- Virginia Beach Oceanfront
KEY TAKEAWAYS - LOCAL VENUE ANALYSIS

• There are only four (4) dedicated basketball courts available in Virginia Beach.
• Heavy usage of the VBCC for participatory sports demonstrates the demand for a publicly-owned indoor sports center that is under the control of the CVB.
• More volleyball and basketball courts could increase participation in adult and youth leagues.
• In addition, with a publicly-owned indoor sports center, events and leagues could be more accessible to the public.
• Participatory sports are played year-round and would benefit from indoor fields to minimize cancellations due to rain or inclement weather.
• More access to indoor fields would increase supply for underserved sports such as lacrosse.
VICTUS found that lodging (minimum 2-star rating) within Virginia Beach city limits is primarily concentrated near the oceanfront, with a secondary cluster located at the Virginia Beach Town Center.

It is also worth noting that:

- There are no hotel options located at the Princess Anne Athletic Complex.
- There are numerous hotel options clustered just outside the Virginia Beach city limits in both Norfolk and Chesapeake.

Source: Hotels.com, Google Maps
Note: Minimum 2-star hotels within Virginia Beach city limits
### VIRGINIA BEACH 2015 HOTEL DATA

#### Average High (°F):
- January: 49
- February: 53
- March: 59
- April: 67
- May: 75
- June: 84
- July: 87
- August: 86
- September: 81
- October: 71
- November: 62
- December: 53

#### Average Low (°F):
- January: 34
- February: 35
- March: 40
- April: 48
- May: 57
- June: 67
- July: 72
- August: 71
- September: 66
- October: 56
- November: 45
- December: 37

#### Average Daily Rates are highest (over $140) from May to September.

Occupancy and Average Daily Rates peak in the summer months, in particular July and August.

Occupancy Rates are below 60% for seven months out of the year, from October through April.

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**Sources:** Virginia Beach CVB and National Oceanic and Atmospheric Administration

**Note:** Data is for 10,000 rooms in Virginia Beach
SECTION 2C
SUMMARY OF KEY FINDINGS - INTERVIEWS, FOCUS GROUPS & SURVEYS
In April 2016, Victus Advisors held informational meetings and in-person interviews in Virginia Beach with fifteen (15) project stakeholders and community leaders including:

- Mike Eason, Administrator, City of Virginia Beach
- Doug Smith, Deputy City Manager, City of Virginia Beach
- John Urin, City Councilman, City of Virginia Beach
- Buddy Wheeler, Former Coordinator of Sports Marketing, Virginia Beach CVB
- Kevin Bennington, Sports Management Coordinator, City of Virginia Beach
- Barry Frankenfield, Planning Director, City of Virginia Beach
- Harvey Shiflet, Owner, Virginia Beach Tennis & Country Club
- Linwood Branch, Board Member, Hampton Roads Chamber of Commerce
- Warren Harris, Director, Virginia Beach Department of Economic Development
- Brittany Jeffries, Project Manager, ESG Companies/United States Management
- Courtney Dyer, General Manager, Virginia Beach Convention Center
- Bobby Melatti, BeachEvents
- Aimee Taylor, Virginia Beach Restaurant Association
- Bill Gambrell, Resort Advisory Commission
- Michael Kalvort, Director, Virginia Beach Parks & Recreation
In April 2016, Victus Advisors also held focus groups with twenty-six (26) key local professional and amateur sports leaders including:

**Session 1: 13 Participants**

- Russell Lyons, Coastal Hospitality Associates
- Jeanne Evans, Central Business District Assoc. of VA Beach
- BJ Baumann, Rockafeller’s Restaurant
- Christine Geist, Wyndham Virginia Beach
- John Zirkle, Doubletree Hotel Virginia Beach
- Jimmy Capps, Breakers Resort
- Stacey Shiflet, Virginia Beach Resort Hotel and Conference Center
- Tina Knight, Adventure Park at Virginia Aquarium
- Shannon Mora, Holiday Inn VA Beach
- Diana Burke, VA Beach Hotel Association
- George Kotarides, Dough Boys California Pizza
- Tade Allen, Professional Hospitality Resources
- Brandon Keck, iFly Virginia Beach

**Session 2: 13 Participants**

- Frank Logan, V3 Lacrosse
- Lauren Bland, Hampton Roads Commission
- Jerry Frostick, J&A Racing
- Jack Harcourt, Virginia Challenge Wrestling
- Chuck Thornton, Virginia Beach Sportsplex
- Gina Koehler, Hampton Road Soccer Complex
- Ellen Sanders-Pelstring, RUFIT Crossfit
- Gustavo Moure, Excalibur Gymnastics
- Brandon Elliott, Virginia Wesleyan College Softball
- George Alcaraz, East Coast Surfing Championship
- Dale Holt, Virginia Beach Public Schools
- Laurie Hackbirth, Virginia Beach Tennis & Country Club
- Katy Arris-Wilson, VB Tide Swimming
KEY TAKEAWAYS - LOCAL INTERVIEWS

• There is a definite need for a basketball facility or more courts. Often times events will have to reach out to public and private schools to piece together enough courts.

• Too many outdoor events and activities are rained out due to lack of artificial fields.

• “Basketball is huge here.” There is not enough access to basketball courts to meet demand, even in light of the Boo Williams Sportsplex being nearby.

• At the VBCC, “we are lacking on certain sports center amenities like flooring/mats. We also don’t have anywhere to store them. We kind of just pull it together when we need to. That’s what our competition is offering.”

• Relative to the lower costs of a dedicated sports center, “Convention center costs keep going up - it’s one of the best, but because of operational costs it’s too much for us - little things like the Wi-Fi costs over $8k.”
EVENT INTERVIEWS

In April/May 2016, Victus Advisors held twenty-seven (27) telephone interviews with sports event organizers and operators locally, regionally and nationally including:

- Will Stein, Tidewater Volleyball
- Frank Geers, American Cornhole Organization
- Tony Staley, AAU Junior Olympic Games
- Dennis Blackmore, Beach FC
- Jolandie de Clerck, VA Beach Field House
- Donald Hand, Donald Hand Basketball
- Robert Kyle, Tidewater Volleyball Assoc.
- Neil Malvone, Dream Bowl
- Rob Alesbury, Firefighter Combat Challenge
- Greg Thomas, International Sr. Softball Assoc.
- Marti Bevan, Neptune Soccer Classic
- James Spencer, Premier Girls Fastpitch
- Dick Whalen, North American Sand Soccer
- Steve Cohen, National Small College Rugby Org.
- Taylor Tolbert, Nived Sports Group
- Susan Smith, Showcase Tournament Management
- Butch Tiller, Softball Nation
- Sarah Woolsey, US Quidditch
- Kim Rogers, US Lacrosse
- Matthew Robinette, Formerly of VA Beach CVB
- Beth Porreca, USA Football
- Byron Hicks, USA Ultimate
- Carlos Vigil, Showbiz National Talent
- Karen Collins, USA Field Hockey
- Lindsey Keeler, USTA
- Ed Zebrowski, US Lifesaving Assoc.
- Erin Zellers, Parent of Virginia Beach athletes
KEY TAKEAWAYS - EVENT INTERVIEWS

• One event organizer feels that an eight to 10 court facility is necessary. The Field House is adequate, but there is a high demand for more courts. The organizer would ideally like to host up to 16 basketball events per year.

• There is an overall demand for more soccer/lacrosse fields, in particular artificial turf to avoid cancelations due to rain.

• One user stated the need for “…venues that can hold multiple volleyball courts with a high ceiling. Court space minimum is 40’ x 80’. We have events that need six to eight courts, others 12 or more.”

• Some event organizers mentioned that they would like to host events at the Field House, but it can be difficult to secure dates because the facility appears to give preference and priority to its own leagues.
In addition to meetings and interviews, in April 2016, Victus Advisors also conducted online surveys with 278 parents, participants, coaches, and other such members of the amateur sports market in the Virginia Beach area.

Survey topics included:

- General demographic information
- Sports and recreation facilities frequented in the Virginia Beach area
- General attitudes toward amateur sports in Virginia Beach
- Ideal features of amateur sports host cities and facilities
- Interest in utilizing a potential new Virginia Beach multi-use facility
• “An indoor field house near the oceanfront would be wonderful, as well as more turf fields.”

• “Need more local access to lacrosse practice fields.”

• “All of the fields need to be the new safe turf to accommodate games in the rain as we suffer an inordinate amount of cancellation due to wet fields.”

• “Need more turf fields or they need grass fields to drain better. Games get cancelled too easily.”

• “Lack of turf fields often causes events to be cancelled during rain or in aftermath of rain to prevent damage to grass fields.”

• “It would be nice to have more turf fields available for practices/games.”

• “More rectangular fields are needed to support various sports. HRSC has them but they are not available to program. More would allow additional community use and potential travel tournaments.”
SECTION 2D
PRELIMINARY FACILITY RECOMMENDATION
Our facility recommendation is based primarily upon the following primary and secondary research conducted by Victus Advisors over the course of the venue inventory & market assessment study:

- Analysis of Virginia Beach’s unique market characteristics
- Review of comparative markets
- Community feedback via interviews, focus groups, and online surveys
- Interviews conducted with event organizers and tournament operators

A primary goal of our study was to identify the best opportunities for Virginia Beach to invest in competitive infrastructure that can both support the growing local demand for the most popular sports and also generate economic benefit for the community by attracting competitive regional/national events.

Based on customized research and our extensive industry experience, we identified that significant community demand exists for a New City-Controlled Indoor Sports Center with Convenient Access to Virginia Beach Hotel Inventory.
RECOMMENDATION:
• The City of Virginia Beach should develop a multi-sport, indoor sports center for use by currently underserved indoor sports, including basketball, volleyball, etc.
• Key components of this facility should include:
  - Up to 10 regulation basketball courts, convertible to at least 12 volleyball courts
  - Indoor artificial turf with configurations for simultaneous use by up to 2 user groups
  - Flexible court layout and use of multi-purpose flooring/mat options so other sports may use the venue (such as gymnastics, wrestling tournaments, etc.).
  - Team rooms, concessions, administrative offices, etc.
• The sports center should be located conveniently to the Virginia Beach hotel inventory in order to maximize multi-day tournament potential.

RATIONALE:
• The Convention Center was designed as a high-end conference/meeting venue, but is now heavily used for participatory sports (27% of revenue, 73% of room nights).
• Basketball was identified as the least developed in terms of tournament facilities in Virginia Beach. There is no centralized facility with more than four (4) courts in Virginia Beach.
• Volleyball is considered by the local community to be a very popular and successful sports in the area, despite lack of a suitable year-round venue for tournaments and leagues.
• A flexible indoor facility, including artificial turf field space, could also accommodate numerous other sports that currently lack appropriate indoor space for practices/games.
• October through April has the lowest occupancy rates for Virginia Beach hotels. An indoor facility could attract more events during the winter months to increase hotel occupancy.
SECTION 3

COMPARABLE VENUE CASE STUDIES
Victus Advisors analyzed existing and planned indoor sports centers located in the comparative markets that were identified by the Sports Marketing Unit as primary competitors for amateur sports events. Selection criteria for the facilities we reviewed were:

- At least 80,000 square feet building footprint
- At least six (6) basketball courts
- Opened within the past 10 years

In addition, we also reviewed three other indoor facilities (located in Round Rock, Texas; Spartanburg, South Carolina; and Gatlinburg, Tennessee) that all opened in 2014 and may also be viewed as potential comparable venues for a new indoor sports center in Virginia Beach. In total, we analyzed the following six (6) indoor sports centers. Unless otherwise noted, the sources of information on the following pages were facility management:

- Hoover Sports Complex - Hoover, Alabama
- Boo Williams Sportsplex - Hampton, Virginia
- Upward Star Center - Spartanburg, South Carolina
- Myrtle Beach Sports Center - Myrtle Beach, South Carolina
- Round Rock Sports Center - Round Rock, Texas
- Rocky Top Sports World - Gatlinburg, Tennessee
Hoover Sports Complex

- Opening: Summer 2017
- Footprint:
  - 120 acre indoor/outdoor complex ($76M total cost)
  - Indoor facility: 155,000 sq. ft.
  - Outdoor fields: 6 multi-use, 8 baseball/softball
- Owner: City of Hoover
- Operator: Sports Facilities Management (Private)
- Configurations (Indoor Facility):
  - 12 regulation volleyball courts
  - 9 regulation basketball courts
  - 6 tennis courts
  - 1 artificial turf field
- Anticipated Indoor Events:
  - Camps and clinics year-round for multiple sports
  - Adult and youth sports leagues
  - Non-sports events such as banquets, trade shows, meetings, and graduation ceremonies
- Economic Impact:
  - City officials project an annual economic impact of up to $33 million for both the indoor and outdoor facilities.
Boo Williams Sportsplex

- Opened: 2008
- Cost: $13.5 Million
- Footprint: 135,000 sq. ft.
- Owned/Operated: Public/Private Partnership

Features:
- 12 regulation volleyball courts
- 8 regulation basketball courts
- 8 regulation indoor hockey fields
- 6-lane indoor track
- Training rooms
- Concessions area and banquet room
- Speed and conditioning center
- Retractable seating for up to 4,000 spectators

Events & Economic Impact:
- Hosts approximately 40 multi-day weekend basketball tournaments per year
- Adult and youth sports leagues
- State high school championships
- Regional/national tournaments for basketball, volleyball, cheer, track and field, and wrestling, etc.
- According to 2015 study for the City, Sportsplex generates 15,245 annual room nights in Hampton
Myrtle Beach Sports Center

- Opened: 2015
- Cost: $12.4 Million
- Footprint: 100,000 sq. ft.
- Owner: City of Myrtle Beach
- Operator: Sports Facilities Management (Private)

Features:
- 8 regulation basketball courts (converts to 16 volleyball)
- 4 flex rooms (for locker rooms, etc.)
- Snack bar

Events:
- National and regional tournaments for basketball, volleyball, pickleball, wrestling, and gymnastics, etc.
- Initial targets for the facility, which opened in spring 2015, included up to 35 planned tournaments from March through October. In the past year, facility management reports that they have hosted 32 tournaments and cheer competitions, most occurring on (or overlapping) weekends, with approximately 115,000 total visitors.

Economic Impact:
- City officials attribute $22 million of $167 million in total economic impact from sports tourism in 2015 to the new Sports Center
- Facility staff estimates that more than 58,000 room nights were generated in the first 19 months
The Myrtle Beach Sports Center was designed so that 8 basketball courts could also be utilized as 16 volleyball courts (i.e. 2 volleyball courts per basketball court).
Round Rock Sports Center

- Opened: 2014
- Cost: $14.9 Million
- Footprint: 82,000 sq. ft.
- Owner/Operator: City of Round Rock
- Features:
  - 12 regulation volleyball courts
  - 6 regulation basketball courts
  - 3 flex rooms (for locker rooms, etc.)
  - Snack Concessions
- Events:
  - Hosts over 35 weekend National and regional tournaments per year for basketball, volleyball, wrestling, and gymnastics, etc.
  - The Sports Center drew 48,000 athletes and an estimated 80,000 or more additional tournament spectators last year.
The Round Rock Sports Center has multiple court configurations. The facility can accommodate up to three (3) NCAA-sized basketball courts, six (6) high school basketball courts, or 12 volleyball courts, as shown below.
Upward Star Center

- Opened: 2014
- Cost: $19 Million
- Footprint: 120,000 sq. ft.
- Owner/Operator: Private
- Features:
  - 12 regulation volleyball courts
  - 6 regulation basketball courts
  - 4 batting cages
  - Running track
  - Training and conditioning room
  - Flex rooms for coaches, lockers, etc.
  - Café and retail shop
- Events:
  - Operators project over 100,000 total visitors per year and expect to host weekend basketball, volleyball, and cheerleading tournaments year round.
GATLINBURG, TENNESSEE

Rocky Top Sports World

- Opened: 2014
- Cost: $20 Million
- Footprint:
  - Located one hour outside Knoxville (Great Smoky Mountains)
  - 80 acre indoor/outdoor complex
  - Indoor facility: 86,000 sq. ft.
  - Outdoor complex: 7 multi-use fields
- Owners: Sevier County & the City of Gatlinburg
- Operator: Sports Facilities Management (Private)
- Indoor Sports Center Features:
  - 12 regulation volleyball courts
  - 6 regulation basketball courts
  - 3 flex rooms
  - Café and grill
- Events & Economic Impacts: *(note: includes indoor/outdoor sports)*
  - The facility hosted over 50 multi-sport tournaments, camps, and clinics for fiscal year 2015-16
  - The facility generated approximately 15,000 hotel nights in its first year of operations
  - Facility management estimates that they generated a $27.5 million gross economic impact in the most recent fiscal year
The Rocky Top Sports World has multiple court configurations. The facility can accommodate up to three (3) NCAA-sized basketball courts, six (6) high school basketball courts, or 12 volleyball courts, as shown below.
## SUMMARY - INDOOR SPORTS VENUES

### SIZE & CONFIGURATIONS

The comparable indoor sports centers reviewed in this section, as shown below, range from 82,000 to 155,000 square feet, and include 6 to 9 basketball courts (convertible to 12 to 16 volleyball courts). Two of the venues also include additional indoor features such as indoor turf or an indoor track.

### TOURNAMENTS & VISITORS

The comparable indoor facilities we analyzed are all expected to host anywhere from 25 to 40 weekend tournaments each year, with up to 200,000 annual visitors (including athletes, coaches, spectators, etc.), and upwards of 15,000 hotel nights generated each year.

### Table: Facility and Details

<table>
<thead>
<tr>
<th>Facility</th>
<th>City, State</th>
<th>Year Open</th>
<th>Square Feet</th>
<th>Construction Cost ($M)</th>
<th>Number of Fields/Courts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Basketball Config.</td>
</tr>
<tr>
<td>Hoover Sports Complex</td>
<td>Birmingham, AL</td>
<td>2017</td>
<td>155,000</td>
<td>76.0 (1)</td>
<td>9</td>
</tr>
<tr>
<td>Boo Williams Sportsplex</td>
<td>Hampton, VA</td>
<td>2008</td>
<td>135,000</td>
<td>13.5</td>
<td>8</td>
</tr>
<tr>
<td>Upward Star Center</td>
<td>Spartanburg, SC</td>
<td>2014</td>
<td>120,000</td>
<td>19.0</td>
<td>6</td>
</tr>
<tr>
<td>Myrtle Beach Sports Center</td>
<td>Myrtle Beach, SC</td>
<td>2015</td>
<td>100,000</td>
<td>12.4</td>
<td>8</td>
</tr>
<tr>
<td>Rocky Top Sports World</td>
<td>Gatlinburg, TN</td>
<td>2014</td>
<td>86,000</td>
<td>20.0 (2)</td>
<td>6</td>
</tr>
<tr>
<td>Round Rock Sports Center</td>
<td>Round Rock, TX</td>
<td>2014</td>
<td>82,000</td>
<td>14.5</td>
<td>6</td>
</tr>
</tbody>
</table>

Note: Sorted by Square Feet in descending order

(1) Construction cost for Hoover Sports Complex includes both an outdoor field complex and indoor sports center on 120 acres

(2) Construction cost for Rocky Top Sports World includes both an outdoor field complex and indoor sports center on 80 acres

Source: Sports Center Administrators, Victus Research
SECTION 4
PRELIMINARY SITE ANALYSIS
During interviews with local stakeholders and sports community leaders, Victus Advisors requested input regarding potential areas within Virginia Beach that could be suitable for development of a new indoor sports center. Based upon these interviews, three general areas came to the forefront (in no particular order):

- Beachfront Area
- Convention Center Area
- Princess Anne Area

As an initial test of site suitability for an indoor sports center, Victus Advisors analyzed each site’s accessibility to the available hotel inventory within Virginia Beach. We also considered Accident Potential Zones (APZ), as described on the next page.

Generally speaking, from the standpoint of both attracting events and sustaining economic development related to regional tournament activity, it is also ideal to have convenient access to lodging and retail within a 10-15 minute drive of an indoor sports center.
A major consideration for any development (residential or commercial) in Virginia Beach is the Air Installation Compatible Use Zone Program (AICUZ). The Department of Defense (DOD) created this program with the intent to protect citizens, military personnel, and public and private property from potential damage due to noise and other hazards from airport activity. The DOD has also designated Accident Potential Zones (APZ) near military airports where an aircraft accident is likely to occur if one occurs. These zones have restrictions regarding types of developments that are deemed compatible or incompatible according to the APZ level (shown on the next page). The restrictions associated with these zones could have a significant impact on the viability of potential locations for a new indoor sports center in Virginia Beach.

In addition, the U.S. Navy also owns 3,680 acres in restrictive easements surrounding the Oceana Naval Air Station (Apollo Soucek Field), in order to minimize residential home development and restrict businesses that would attract groups of people. It is worth noting that the easements may supersede the APZ compatible uses (shown on the next page). As a result several areas within Virginia Beach may not be feasible development options for an indoor sports center.
As seen on the map, Noise and Accident Potential Zones extend well beyond Oceana Naval Air Station. The Navy created the below recommendations for land use development in these zones. It is likely that an indoor sports center would be classified as a “Commercial, Retail, Services” land use.
The Convention Center Area appears to be the most favorable site due to its convenient proximity to hotel access (shown on the next page). In addition there are plenty of retail and restaurant options within a short drive, thanks in large part to the proximity to the oceanfront. In addition, the current volume of participatory sports activity at the Convention Center (a facility not designed specifically to accommodate sports) demonstrates that the location is viable as a sports tourism destination.

Source: Google Maps
As shown at right, Victus Advisors found that lodging (minimum 2-star rating) within a 15-minute drive from the Virginia Beach Convention Center site includes the majority of Virginia Beach’s hotel inventory. As such, it is expected that the Convention Center site is a much less likely site to lose hotel, restaurant and retail spending to Norfolk and Chesapeake, as is likely to be the case with a Princess Anne location.
The Princess Anne Area is not recommended by Victus Advisors for a new indoor sports center for several key reasons:

- There is an existing indoor fieldhouse located at Princess Anne that was developed via a public-private partnership between the City and a private facility operator.
- Numerous interview respondents indicated that hotel options were limited within a 10-15 minute drive of Princess Anne, and therefore it is often more convenient for their athletes and families to stay at Chesapeake or Norfolk hotels.
- Development of additional hotel inventory within the Princess Anne area may be limited by APZ restrictions.
Victus Advisors found that lodging (minimum 2-star rating) within a 15 minute drive from the Princess Anne Athletic Complex is limited.

The majority of Virginia Beach hotels are located at or beyond a 15-minute drive, and are no more conveniently located to the PAAC than many of the Chesapeake and Norfolk hotels that are clustered just outside of Virginia Beach city limits.

It is likely that sporting events held at the PAC, the Sportsplex, and the Virginia Beach Fieldhouse have a significant amount of economic leakage (hotel nights, restaurant and retail spending) to Chesapeake and Norfolk, especially in the summer months when ADR’s for beachfront hotels can approach $200.
3. BEACHFRONT AREA

Although several interview respondents indicated that the Resort Area could be a potential location for a new indoor sports center, due to proximity to family entertainment, retail, and the majority of Virginia Beach’s lodging, however it may not be an ideal location due to traffic issues, lack of parking (which could deter local usage of the venue) and expensive lodging in the summer months (which could be a deterrent to tournaments). In terms of highest/best use, Oceanfront land also typically drives a premium from developers for commercial retail, residential and/or hospitality opportunities.

Source: Google Maps
In conclusion, Victus Advisors recommends that the general Convention Center area is the most suitable and favorable for development of an indoor sports center due to its convenient access to hotels, food, and retail, as well as a centralized location with ample parking that appeals to both local use and tournament use.

Based upon interviews completed by Victus Advisors, there are several sites located within approximately 5 miles of the Convention Center, while still remaining on the east side (i.e. oceanfront side) of Oceana Naval Air Station, that were referenced by interviewees as potential development sites:

1) Parking Lot On West Side of the Convention Center

2) Dome Site (approximately 0.6 miles from Convention Center)

3) Owl’s Creek Golf Course (approximately 1.5 miles from Convention Center)

4) Corporate Landing (approximately 5 miles from Convention Center)
SITES WITHIN 5 MILES OF CONVENTION CENTER

1. Convention Center
2. Dome Site
3. Owl’s Creek
4. Corporate Landing

Source: Google Maps
Land to the west side of the Convention Center is currently being used as parking, however it was originally designated as potential future expansion space if the Convention Center was ever to be expanded. Placing a new indoor sports center on this land could provide synergies between the Convention Center and the sports center, especially for extremely large sports events (such as national gymnastics or cheer competitions) that would still be likely to use the Convention Center’s extensive, column-free, flat floor space. The Convention Center and sports center could also potentially be connected via an open-air courtyard and consider sharing food/beverage and other operational features under a single City contract. The only concern with this location would be potential parking issues, especially once the proposed arena is built. However discussions with City officials indicated that plans are progressing to construct new multi-level parking garages to serve the arena and Convention Center.

Source: Google Maps
The Virginia Beach Dome was leveled in 1994, and since then this approximately 11-acre site has been converted into surface parking while Virginia Beach Economic Development has explored opportunities for commercial development on the site. Over the past decade in particular, Economic Development has considered development proposals from several different national development firms, however none of the plans have come to fruition. The Dome Site could be an appealing location for a new sports center, due to it’s proximity to both the beachfront and the Convention Center area. However, in the summer months in particular, traffic and parking issues could be a concern. It would be imperative for the City to determine whether both an indoor sports center and dedicated parking for sports center events could be contained on the 11-acre site.

Source: Google Maps
The Owl's Creek Golf Course ceased business operations in June 2016. The City of Virginia Beach owns approximately 50% of the property (including the clubhouse, driving range, and four of the 18 holes) with the remaining portion of the 80 acres belonging to a private business owner. The Owl's Creek site is currently being considered by the City for alternative usage, and it should be noted that an indoor sports center can typically be comfortably accommodated on 10 to 15 acres. However, the Owl's Creek Golf Course is also located in an APZ 2 area, and therefore initial indications from City staff are that the site may not be viable for an indoor sports center. If the site were viable, given the City's control of at least 40 acres (if not more), Victus Advisors believes that the Owl’s Creek could be a potential opportunity for not only development of an indoor sports center, but also other compatible commercial uses (outdoor sports fields, family entertainment, retail, restaurants, hotel, etc.).
The Corporate Landing site is under control of Virginia Beach Economic Development and has been designated for industry, investment, and job creation. The site is outside of any Accident Potential Zones, however there is concern that Economic Development would not approve an indoor sports center. During interviews with Economic Development representatives, it was indicated that their intention for the site continues to focus on Class A office, light-industrial, research and development, and mixed-use.
Based on our review of potential sites within 5 miles of the Convention Center (while still East of Naval Air Station Oceana), Victus Advisors believes that two sites would be the most suitable and viable for development of a new City-controlled indoor sports center. Those two sites are: 1) the parking lot immediately west of the Convention Center, and 2) the Dome Site. Victus Advisors believes that the Owl’s Creek site and Corporate Landing site may not be viable because of the factors highlighted in red below.

<table>
<thead>
<tr>
<th>Site Ranking</th>
<th>APZ Restrictions?</th>
<th>Site Owner?</th>
<th>Additional Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Convention Center</td>
<td>No</td>
<td>City</td>
<td>Sports activity at Convention Center has already demonstrated site’s viability. Potential for synergies with existing Convention Center operations. City plans are progressing to expand parking in the immediate area via garages. Convenient access to hotels and beachfront. Future expansion opportunities for the Convention Center would be limited.</td>
</tr>
<tr>
<td>2. Dome Site</td>
<td>No</td>
<td>Economic Development</td>
<td>Adjacent to resort area, which could lead to traffic/parking issues, especially in summer. However, would be convenient access to hotels and beachfront. Only 11 acres, so architects should be consulted to test ability to fit sports center and dedicated parking.</td>
</tr>
<tr>
<td>3. Owl’s Creek</td>
<td>Yes</td>
<td>City (50%)</td>
<td>Size and location of the site would be attractive for sports center and potential related development. APZ restrictions may prevent development of an indoor sports center on the site.</td>
</tr>
<tr>
<td>4. Corporate Landing</td>
<td>No</td>
<td>Economic Development</td>
<td>Farthest of the four sites from Virginia Beach hotels and family entertainment. Economic Development has indicated they will continue to focus on business park development on the site.</td>
</tr>
</tbody>
</table>
SECTION 5
BUILDING PROGRAM
RECOMMENDATIONS
RECOMMENDED AMENITIES:
Based upon the results of our market and facility analysis, Victus Advisors recommends that a new indoor sports center in Virginia Beach should have:

• Ten (10) basketball courts, which should be convertible to at least 12 (or more) volleyball courts

• One indoor artificial turf area, which could be utilized as one (1) full-length soccer or lacrosse field, or two (2) shorter fields for youth soccer, flag football, lacrosse practice, football practice, and/or batting cages.

• Support areas and amenities, including lobby, concessions, team rooms, offices, mechanical/electrical rooms, storage, circulation, etc.

APPROXIMATE SPACE REQUIREMENTS:
Based upon Victus Advisors’ industry experience, as well as preliminary input gathered from sports architects, it is estimated that the building program described above would require approximately 175,000 square feet, as follows:

• Basketball/Volleyball Courts - 65,000 sq. ft.
  • Indoor Artificial Turf - 90,000 sq. ft.
• Support Areas/Amenities - 20,000 sq. ft
The sample images below show two examples of how volleyball courts can be overlaid on basketball courts. At Myrtle Beach Sports Center, 8 basketball courts can be converted to 16 volleyball courts. Whereas the architectural concept on the right below shows how eight basketball courts could be overlaid with 8 volleyball courts. The ultimate number of volleyball courts in a new Virginia Beach sports center with 10 basketball courts would ultimately be depending on final architectural design choices.

Source: Myrtle Beach Sports Center

Source: ICG Architects
The sample concept below shows how an artificial turf field area could transition between one full-length soccer or lacrosse field, versus two short-sided soccer fields or football practice fields.

Source: ICG Architects
PRELIMINARY COST ESTIMATE

Based on recent construction costs for comparable sports centers, Victus Advisors preliminarily estimates that a new indoor sports center in Virginia Beach could be constructed for a cost ranging from approximately $100 to $175 per square foot, depending on level of finish. This range represents approximately $17.5 to $30.6 million in estimated total construction costs for a 175,000 sq. ft. venue.

As a point of comparison, the average cost per square foot among comparable indoor sports centers, as shown below, was approximately $140 per square foot. Therefore, for purposes of our economic impact analysis (presented in Section 9 of this report) we have assumed construction costs of approximately $140 per square foot, which represents total estimated construction costs of approximately $24.5 million for a new 175,000 square foot indoor sports center.

Ultimately, it is recommended that detailed square footages and construction cost estimates should be developed by project architects and cost engineers.

<table>
<thead>
<tr>
<th>Facility</th>
<th>City, State</th>
<th>Year Open</th>
<th>Square Feet</th>
<th>Construction Cost</th>
<th>Cost per Sq. Ft.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boo Williams Sportsplex</td>
<td>Hampton, VA</td>
<td>2008</td>
<td>135,000</td>
<td>$13,500,000</td>
<td>$100</td>
</tr>
<tr>
<td>Upward Star Center</td>
<td>Spartanburg, SC</td>
<td>2014</td>
<td>120,000</td>
<td>$19,000,000</td>
<td>$158</td>
</tr>
<tr>
<td>Myrtle Beach Sports Center</td>
<td>Myrtle Beach, SC</td>
<td>2015</td>
<td>100,000</td>
<td>$12,400,000</td>
<td>$124</td>
</tr>
<tr>
<td>Round Rock Sports Center</td>
<td>Round Rock, TX</td>
<td>2014</td>
<td>82,000</td>
<td>$14,500,000</td>
<td>$177</td>
</tr>
<tr>
<td>Average:</td>
<td>2013</td>
<td>109,250</td>
<td>$14,850,000</td>
<td>$140</td>
<td></td>
</tr>
<tr>
<td>Median:</td>
<td>2014</td>
<td>110,000</td>
<td>$14,000,000</td>
<td>$141</td>
<td></td>
</tr>
</tbody>
</table>
SECTION 6
UTILIZATION ESTIMATES
& FINANCIAL PROJECTIONS
It is estimated that basketball would account for the majority of utilization at over 50%.

<table>
<thead>
<tr>
<th>Sport</th>
<th>Facility Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basketball</td>
<td>6,255</td>
</tr>
<tr>
<td>Volleyball</td>
<td>2,970</td>
</tr>
<tr>
<td>Soccer</td>
<td>1,630</td>
</tr>
<tr>
<td>Other Sports</td>
<td>1,370</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12,225</strong></td>
</tr>
</tbody>
</table>

Total Estimated Annual Visits:  189,150*

*Note: includes athletes, officials, coaches, spectators, etc. Represents 141,862 unique daily visits, plus 47,288 out-of-town tournament visitors.
It is estimated that the facility could host approximately 36 annual tournaments and competitions, accounting for over one-quarter of the facility’s usage hours.

<table>
<thead>
<tr>
<th>Event</th>
<th>Facility Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practices/Leagues</td>
<td>8,951</td>
</tr>
<tr>
<td>Tournaments</td>
<td>3,274</td>
</tr>
<tr>
<td>TOTAL</td>
<td>12,225</td>
</tr>
</tbody>
</table>

Estimated Annual Tournaments/Competitions: 36

Approximately 26 court usage & 10 field usage
It is expected that peak usage at the sports center would be during the winter months, with a considerable decrease in utilization during the summer months. This seasonal usage pattern could be ideally suited for attracting tournament activity to Virginia Beach, as local hotel inventory has significantly lower occupancy and ADR from October to April.
The following key assumptions were utilized by Victus Advisors in order to develop financial operating projections for a new Virginia Beach indoor sports center:

- The property will be owned by the City of Virginia Beach and thus exempt from property taxes.
- The complex will be operated by the City of Virginia Beach.
- No assumptions have been made yet for debt service or capital improvement funds.
- Revenues and expenses are based upon the recommended building program and estimated usage presented earlier in this report.
- The facility will offer competitive rental rates and aggressively market to club teams, leagues, local tournaments, and regional/national tournaments.
- It is has been assumed that the venue would market and operate public sports leagues, camps, and clinics, such as recreational soccer, lacrosse, basketball, volleyball, etc., in order to enhance the revenues of the facility.
- These projections are based on current market circumstances, and therefore assume that there will be no other major changes to the available indoor sports facility inventory within Virginia Beach and the Hampton Roads MSA.
- The financial projections displayed on the following page utilize a variety of additional assumptions, including data gathered from 3rd-party sources, information provided by the City of Virginia Beach, and Victus Advisors’ industry experience. There will be differences between these projections and actual events, and these differences may be material.
In a stabilized year of operations, it is estimated that the operations of the proposed indoor sports center in Virginia Beach could approximately break even.

*Please note: this analysis assumes that the facility would market and operate its own programming. Without income from programs and leagues, it is estimated that the facility could require annual subsidies in excess of $100,000.*

<table>
<thead>
<tr>
<th>Operating Revenues:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Income</td>
<td>$1,035,750</td>
</tr>
<tr>
<td>Programming (Leagues, Camps, Clinics)</td>
<td>$414,000</td>
</tr>
<tr>
<td>Concessions (Net of COGS)</td>
<td>$99,300</td>
</tr>
<tr>
<td>Advertising</td>
<td>$74,200</td>
</tr>
<tr>
<td>Other</td>
<td>$15,000</td>
</tr>
<tr>
<td><strong>Total Revenues:</strong></td>
<td><strong>$1,638,250</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Expenses:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>$521,500</td>
</tr>
<tr>
<td>Program Expenses</td>
<td>$289,800</td>
</tr>
<tr>
<td>Utilities</td>
<td>$437,500</td>
</tr>
<tr>
<td>Maintenance/Repair</td>
<td>$125,000</td>
</tr>
<tr>
<td>Materials/Supplies</td>
<td>$125,000</td>
</tr>
<tr>
<td>G&amp;A</td>
<td>$50,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>$66,000</td>
</tr>
<tr>
<td><strong>Total Expenses:</strong></td>
<td><strong>$1,614,800</strong></td>
</tr>
</tbody>
</table>

| Net Income Before Debt Service:         | **$23,450**  |
| Estimated Operating Margin:             | 1.4%       |

*Note: Presented in 2016 dollars*
Revenue generated by the proposed indoor sports center is expected to consist primarily of rental income, program revenue, concessions, and advertising. A brief description of each potential revenue source is provided below.

**Rental Income:**
Facility rent typically accounts for the largest revenue source for a multi-sports complex. Rentals typically occur for practices and league play (primarily local-use within Virginia Beach) and tournaments (regional/national usage). We have conservatively assumed, based on competitive rental rates within the market, that average rental rates would be approximately $75 per hour for half field, $150 per hour for full field, and between $40 to $60 per hour for a court.

**Facility Programming (Leagues, etc.):**
Programming consist of camps, clinics, and leagues organized by the facility operator, with revenue primarily consisting of registration fees. If the facility does not generate program revenues, either because it is operated solely as a sports tourism venue or because responsibility for programs is retained by another organization (such as Parks & Recreation), it is likely that the facility would require annual operating subsidies.

**Concessions:**
Concessions revenue consists of sales of various food and beverage items at the facility. Revenue assumptions are based on estimated usage and attendance, as well as comparable per capita spending from similar facilities across the country.
Sponsorship & Advertising:
Sponsorship and advertising revenues are assumed to be derived from the sale of wall and board banners ($500 per banner), permanent signage ($1,000 per sign), scoreboard signage ($2,500 per scoreboard), and presenting/founding level partnerships ($10,000 per founding partner). Typically, there is a small group of founding partners (four to six), whereas there could be as many as 60 available scoreboard, banner and signage opportunities available. Overall, we have conservatively assumed that approximately 70% of the available inventory would be sold.

Other Revenue:
Other revenue opportunities would primarily consist of any equipment rental fees or other special service charges, any merchandise or apparel sold at the proposed sports complex, as well as any potential parking fees charged for major tournaments/events. We have conservatively projected $15,000 in annual other revenues.
Operating expenses expected to be generated by the proposed indoor sports center include salaries, wages, and benefits, operations/programming costs, utilities, and other expenses. A brief description of each potential major source of expense is provided below.

Salaries, Wages & Benefits:
Based upon comparable venues, we have assumed that the indoor sports center would have approximately seven (7) full-time equivalent employees, which includes general management, event management, sales/marketing, facility maintenance, and custodial. In addition, we have assumed approximately $125,000 a year in part-time/seasonal hours.

Program Expenses:
Expenses related to operating programs at the facility, including leagues, camps, clinics, etc. have been assumed to be approximately 70% of facility program revenues, based on costs at comparable facilities.

Utilities:
Utilities often represent one of the largest expenses incurred by facility operators. Cost estimates for utilities include use of electricity, gas, water, and steam, and are based upon comparable utility costs per square foot at similar facilities.
Other Expenses:
Other expenses expected to be incurred by the proposed indoor sports center include general and administrative expenses, repairs and maintenance, materials and supplies, marketing/advertising costs, insurance, and other such expenses, as described below:

• Maintenance and repairs for structures, equipment, grounds, etc.
• Materials and supplies for administration and operations of the facility
• General liability insurance to cover the grounds, restrooms, and other such areas (Note: events and users are typically required to carry their own liability insurance specific to their activities at the sports center)
• Office and administrative expenses, including but not limited to marketing and advertising, telecommunications, travel costs, permits, service fees, and other such operating expenses

These expenses have been estimated based upon expenses at comparable venues.
SECTION 7
OPERATING RECOMMENDATIONS
MANAGEMENT OPTIONS:

• **PUBLIC:** Public management of youth and amateur sports facilities is commonplace within the industry. Facility operational control within a government is typically accomplished either by creating a separate department that is responsible for facility management or by designating responsibility to a department that already exists within the government (such as the CVB or Parks & Recreation).

  o **ADVANTAGES:** The advantages of public management include owner control, financial support via public funding sources, potential sharing of public sector staff and support functions (security, waste management, grounds keeping, maintenance, etc.), and utilization of governmental purchase power to help reduce the costs of goods and services.

  o **DISADVANTAGES:** Some disadvantages of public management could include decision-making and contracting constraints due to public sector processes, economic and performance inefficiencies related to lack of profit incentive, or a lack of expertise and relationships in the sports industry among public staff.
MANAGEMENT OPTIONS (CONT.):

• PRIVATE: In some cases, the management of a publicly-owned sports complex could be outsourced to a third-party operator. Comparable public facilities that we reviewed in this report included a mix of public and private operators.

  o ADVANTAGES: The public owner retains rights and privileges of ownership while the management firm performs assigned functions. The private firm is motivated by profit incentives to maximize tournament usage and programming (and other profitable uses) of the facility. They usually bring a network of relationships to leverage for event booking, and they often have greater staffing resources and flexibility in negotiations with events.

  o DISADVANTAGES: Some disadvantages of private management could include lack of owner control over events held or rates set at the facility, less access to affordable public use, and public costs of paying facility management fees.
MANAGEMENT OPTIONS (CONT.):

• **RECOMMENDATION FOR VIRGINIA BEACH:** It is recommended that a new indoor sports center should be owned and operated by the City. As identified in our market study, one of the major issues that the Sports Marketing Unit faces with booking sports events, especially indoor events, is the lack of access or control over the booking calendar for privately-operated venues. Having an indoor sports center under operating control of the City would enable the Sports Marketing Unit to more efficiently and effectively book indoor sports events, without having to rely on placing sports events in the Convention Center to such a large degree.

More specifically, Victus Advisors recommends that the facility should be operated by the CVB/Sports Marketing in order to provide a smoother user experience for tournaments and events, whereas Parks & Recreation could partner with the CVB to provide local-use sports/recreation programming for the facility to help maximize year-round utilization and local access.

Victus Advisors also recommends that a full-time General Manager should be hired for the new facility who has significant relevant experience and relationships in the sports facility industry.
SECTION 8
FUNDING OPTIONS ANALYSIS
The purpose of this analysis is to provide a broad overview of the various debt vehicles and revenue sources that could potentially be utilized to fund construction and development costs for a new indoor sports center in Virginia Beach. This analysis is based upon a review of comparable venue funding across the country, as well as unique financing vehicles that may be available within the State of Virginia. The vast majority of comparable sports centers that are owned by the public sector are developed via municipal capital project funding (general obligation bonds, revenue bonds, tax increment financing, general funds, etc.).

The analysis in this section is organized into two primary categories, with debt-related financing vehicles presented at the beginning, followed by a summary of various revenues streams that are often used to pay sports complex debt service. Please note, the options in these sections are presented in alphabetical order:

**Financing Tools:**
- General Obligation Bonds
- Revenue Bonds
- Tax Increment Financing (TIF)
- Capital Improvement Program
- Development Financing Program

**Potential Revenue Streams to Pay Debt Service:**
- Contractually Obligated Revenue Streams
- General Funds
- Restaurant Meals Tax
- Amusement Tax
- Dedicated Revenue Generating Fund (TIP/TAP)
- Ad Valorem Taxes
- Hotel-Related Taxes

Note: Based on a review of the City’s CAFR, the City’s outstanding GO bonds that have been issued over the last five years, carry interest rates ranging from 2.0% to 3.2%. In order to be conservative with our funding capacity estimates, we have assumed a 3.2% interest rate, and we have also applied a debt service coverage ratio of 1.25. The funding capacity analyses contained within this section of the report are intended as a preliminary estimate of potential funding capabilities, and it is recommended that the City consult their financial advisors and public finance experts for more detailed projections and analysis.
Description

The City of Virginia Beach could use the full faith and credit of the City to issue General Obligation (GO) bonds for all or part of the indoor sports center. GO bonds are secured by the issuing government entity’s pledge to use all legally available resources, including tax revenues, to pay debt service.

The primary advantage of GO bonds is that they typically carry a lower interest rate than revenue bonds, assuming the issuing government entity carries a strong credit rating. Generally speaking, the better the issuer’s credit rating, the lower the interest rate.

The primary disadvantage associated with GO bond financing is that the GO indebtedness could reduce the available bonding capacity for other capital projects the City may be planning.

Virginia Beach Analysis

As of June 30, 2015, the City of Virginia Beach had total tax-supported long-term debt of approximately $982.5 million, roughly 66% of which is general obligation debt. Victus estimates that construction of an indoor sports center in Virginia Beach could cost approximately $24.5 million. A project at that cost that was funded via GO bonds would only represent an approximately 3.7% increase in GO indebtedness.
Description

Revenue Bonds are payable solely from the revenues of the project that is being financed. Since debt service is tied to the success of the project, revenue bonds are considered to have a much higher risk of default than GO bonds and thus carry a higher interest rate.

Revenue bonds are typically a funding option for sports facility development projects where the net operating income (NOI) from the project is conservatively estimated to exceed annual debt service requirements. As most public indoor sports centers do not generate enough NOI to cover debt service, public entities will often dedicate other tax revenues to pay debt service.

As shown below, depending on the interest rate and debt coverage ratio, it is generally estimated that for every $1M of project income (or tax revenue) that is applicable to debt service, 30-year revenue bonds could fund anywhere from $7-14M in project costs, as shown:

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Bond Term (Yr)</th>
<th>1.25x</th>
<th>1.5x</th>
<th>1.75x</th>
<th>2.0x</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>30</td>
<td>$13,833,627</td>
<td>$11,528,022</td>
<td>$9,881,162</td>
<td>$8,646,017</td>
</tr>
<tr>
<td>5%</td>
<td>30</td>
<td>$12,297,961</td>
<td>$10,248,301</td>
<td>$8,784,258</td>
<td>$7,686,226</td>
</tr>
<tr>
<td>6%</td>
<td>30</td>
<td>$11,011,865</td>
<td>$9,176,554</td>
<td>$7,865,618</td>
<td>$6,882,416</td>
</tr>
</tbody>
</table>

Revenue bonds backed by facility revenues would not be feasible for this project, as the facility is not expected to generate net operating income sufficient to cover debt service.
Description

**Tax increment financing (TIF)** involves capturing assessed valuation growth within a specific area (e.g. “TIF district”) related to a particular development. Tax increment financing often requires enactment of legislation by a State legislature. Typically, a redevelopment agency delineates a project area and declares a base year. The additional assessed valuation, added to the tax rolls over the base year, is taxed at the same rate as the base valuation. However, the incremental tax revenues attributed to the new valuation are remitted to the redevelopment agency and used to pay debt service.

Pros & Cons

TIF districts can be a powerful tool for financing sports facilities using incremental tax revenues resulting from sports-anchored redevelopment, rather than raising tax rates. However, in order for TIF to be viable, the proposed indoor sports center must be a component of a larger redevelopment area, and approvals typically must be obtained from the relevant taxing authorities within the defined district. TIF could potentially be a viable option for Virginia Beach if a new sports center is part of a larger redevelopment district (for example, if the entire Owl’s Creek site were to be redeveloped).
Description
The FY 2016-2021 Capital Improvement Program (CIP), which was approved by City Council on May 12, 2015, set forth a program totaling $2.7 billion. Of this amount, $1.2 billion was appropriated through FY 2015, $313 million was appropriated in FY 2016 and $1.183 billion was programmed for years FY2017-2021 of the Capital Improvement Program. Funding for this program will be from local, state, federal, and private sources, with local debt comprising 56.4% of total funding. The six-year plan provides phased funding for critical public works infrastructure needs and upgrades that will help ensure compliance with increasingly strict environmental requirements, funding for roads, facility improvements, and public schools. The CIP also includes funding for capital investments for recreational activities, leisure programs, and the preservation and acquisition of open space that enhances the quality of life for the citizens of Virginia Beach.

Recommendation
The Virginia Beach CVB should explore whether a new indoor sports facility would be eligible for CIP funding.
Description

The Commonwealth of Virginia currently has a financing program for qualifying Virginia tourism development projects. Its purpose is to provide a gap financing source (not to exceed 30% of total project cost) for projects that cannot secure 100% funding. There are two tiers: Tier 1 (projects less than $100 million) and Tier 2 (projects greater than $100 million). The program essentially places debt responsibility on the private developer, but receives assistance in paying debt service from the state and the locality. Debt service is divided amongst the three partners and paid quarterly once the project is completed and generating income. 1% of the identified, quarterly, sales and use tax on the revenue of the project is the amount each partner will contribute towards debt service on the project, until debt service is fully paid.

Recommendations

This development financing program is not likely to be utilized for this indoor sports center project, as it is not expected to be a public-private partnership with a private developer.
Description

Contractually Obligated Revenue is facility-related revenue that is typically generated by multi-year contracts on naming rights and sponsorships. Private sector corporations frequently purchase corporate sponsorships and advertising for large public facilities. However, it should be noted that naming rights revenue is typically vital to the successful annual operations of the facility.

Pros and Cons

Capitalizing contractually obligated revenue streams for the purpose of funding project construction costs can be very risky if the indoor sports center is not projected to produce a large annual operating margin.

Recommendation for Virginia Beach

It is not recommended that the City utilizes contractually obligated revenue to fund construction costs, as it would increase the risk of large annual operating losses. In addition, an indoor sports center as analyzed in this report is not likely to generate enough long-term sponsorship income to fund a significant portion of capital project costs.
Description

Virginia Beach could choose to support the proposed indoor sports center project with general funds from the City’s budget. Allocation of general funds typically requires available funds (or an unexpected revenue windfall) that is free and clear of any other government obligation. In most cases where general funds have been used to develop comparable sports centers, general funds have not been used to pay for the entire capital project, but rather used to pay a portion of development costs and thus reduce the amount of debt that needs to be issued.

Recommendation for Virginia Beach

According to the Virginia Beach 2015 Comprehensive Annual Financial Report (CAFR) the City has a fund balance policy goal to maintain 10% of unassigned funds or one month of the City’s operating expenses. In addition, a significant portion of the fund’s revenues is used to finance the operations of the City’s School Board. As a result, it is not likely that general funds would be available for commitment to this proposed indoor sports center.
Description

The City of Virginia Beach currently maintains a 5.5% restaurant meal tax charged by restaurants to its patrons. Funds collected are directed towards other programs such as the Open Space Program, the Tourism Investment Program (TIP), and the Tourism Advertising Program (TAP).

Recommendation for Virginia Beach

Virginia Beach already has one of the highest tax rates for meals in the United States. As a result, it would be unlikely that an proposed increase in the tax rate would be approved by City Council and/or Virginia Beach residents. For purposes of this study we have still illustrated potential funding if the current tax rate were increased.

<table>
<thead>
<tr>
<th>Description</th>
<th>Current Virginia Beach Meals Tax Collection</th>
<th>Scenario 1 0.25% Increase</th>
<th>Scenario 2 0.50% Increase</th>
<th>Scenario 3 0.75% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Taxable Sales</td>
<td>$1,090,334,091</td>
<td>$1,090,334,091</td>
<td>$1,090,334,091</td>
<td>$1,090,334,091</td>
</tr>
<tr>
<td>Meals Tax Rate</td>
<td>5.5%</td>
<td>5.75%</td>
<td>6.00%</td>
<td>6.25%</td>
</tr>
<tr>
<td>Restaurant Meals Tax Collections¹</td>
<td>$59,968,375</td>
<td>$62,694,210</td>
<td>$65,420,045</td>
<td>$68,145,881</td>
</tr>
<tr>
<td>Annual Incremental Meals Tax Revenues</td>
<td>$2,725,835</td>
<td>$5,451,670</td>
<td>$8,177,506</td>
<td></td>
</tr>
<tr>
<td>Estimated Funding Potential</td>
<td>$41,658,000</td>
<td>$83,316,000</td>
<td>$124,974,000</td>
<td></td>
</tr>
</tbody>
</table>

¹Source: 2015 Comprehensive Annual Financial Report
²Assumes 30-year bonds, 1.25x coverage ratio, 3.2% interest
Description
The City of Virginia Beach currently imposes an amusement (admissions) tax for admission to any place of amusement or entertainment. The rate is 10% of the admission charge.

Recommendation for Virginia Beach
It is unlikely that the amusement tax rate would be approved for an increase considering most of the other cities within the Hampton Roads MSA also have a 10% rate. For purposes of this study we have still illustrated potential funding if the current tax rate were increased.

<table>
<thead>
<tr>
<th>Description</th>
<th>Current Virginia Beach Amusement Tax Collection</th>
<th>Scenario 1 0.25% Increase</th>
<th>Scenario 2 0.50% Increase</th>
<th>Scenario 3 0.75% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Taxable Sales</td>
<td>$59,028,070</td>
<td>$59,028,070</td>
<td>$59,028,070</td>
<td>$59,028,070</td>
</tr>
<tr>
<td>Lodging Tax Rate</td>
<td>10%</td>
<td>10.25%</td>
<td>10.50%</td>
<td>10.75%</td>
</tr>
<tr>
<td>Lodging Tax Collections¹</td>
<td>$5,902,807</td>
<td>$6,050,377</td>
<td>$6,197,947</td>
<td>$6,345,518</td>
</tr>
<tr>
<td>Annual Incremental Lodging Tax Revenues</td>
<td>$147,570</td>
<td>$295,140</td>
<td>$442,711</td>
<td></td>
</tr>
<tr>
<td>Estimated Funding Potential</td>
<td>$2,255,000</td>
<td>$4,511,000</td>
<td>$6,766,000</td>
<td></td>
</tr>
</tbody>
</table>

¹Source: 2015 Comprehensive Annual Financial Report

*Assumes 30-year bonds, 1.25x coverage ratio, 3.2% interest
Description

Somewhat similar to tax increment financing districts, a dedicated revenue generating fund for an indoor sports center could be created by the City. Two recent examples in Virginia Beach include the Tourism Investment Program (TIP) and the Tourism Advertising Program (TAP).

The TIP was created to fund tourism related capital projects and expenditures on the oceanfront. Funding is from 100% of the City’s amusement tax, 63% of the lodging tax, and 20% of the meal tax.

The TAP was created to fund revenue and expenses related to tourism advertising. Funding is from a mix of hotel room (one cent of lodging tax and one dollar of transient occupancy tax) and meal (one half cent) taxes.

Recommendation

The Virginia Beach CVB should explore whether a new indoor sports facility would be eligible for TIP and/or TAP funding.
Description

Ad valorem taxes are taxes collected on the value of a transaction or property, typically in the form of property taxes or sales taxes. The current Virginia Beach Property Tax is .99% and the current Virginia Beach Sales Tax is 6%. According to the City’s 2015 CAFR, approximately 63% of the City’s tax revenues came from Property Tax (56%) and Local Option Sales Tax (7%).

Property Taxes

The table below shows current City property tax rates within the Hampton Roads MSA.

<table>
<thead>
<tr>
<th>City/Town</th>
<th>Property Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portsmouth</td>
<td>1.3000%</td>
</tr>
<tr>
<td>Hampton</td>
<td>1.2400%</td>
</tr>
<tr>
<td>Newport News</td>
<td>1.2200%</td>
</tr>
<tr>
<td>Norfolk</td>
<td>1.1500%</td>
</tr>
<tr>
<td>Suffolk</td>
<td>1.0700%</td>
</tr>
<tr>
<td>Poquoson</td>
<td>1.0700%</td>
</tr>
<tr>
<td>Chesapeake</td>
<td>1.0500%</td>
</tr>
<tr>
<td>Virginia Beach</td>
<td>0.9900%</td>
</tr>
<tr>
<td>Williamsburg</td>
<td>0.4200%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>1.0567%</strong></td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td><strong>1.0700%</strong></td>
</tr>
</tbody>
</table>

*Note: Sorted by tax rate, in descending order*
Property Taxes (cont’d)

The City could consider a ballot measure to increase the local property tax rate in order to develop a dedicated revenue stream to pay the debt service on any type of bonds, including project costs for a new indoor sports center.

Pursuing a property tax increase would be dependent on the City’s assessment of voter interest in adding a sales tax for a indoor sports center project, as well as the City’s appetite for moving forward with such a ballot initiative. However, it should be noted that the City has already increased the tax rate from .93% to .99% just last year. As a result it would appear unlikely that an additional increase would be approved by residents. For purposes of this study we have still illustrated potential funding if the current tax rate were increased.

<table>
<thead>
<tr>
<th>Total Taxable Property Value¹</th>
<th>Fiscal 2015 Virginia Beach Property Tax Collection</th>
<th>$51,803,676,559</th>
<th>Est. New Virginia Beach Property Tax Collection</th>
<th>$51,803,676,559</th>
<th>Scenario: .03% Increase</th>
<th>$51,803,676,559</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax Rate</td>
<td>0.9300%</td>
<td>0.9600%</td>
<td>1.0200%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Tax Collections¹</td>
<td>$481,774,192</td>
<td>$497,315,295</td>
<td>$528,397,501</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Incremental Property Tax Revenues</td>
<td>$31,082,206</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated Funding Potential</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$475,018,000</td>
<td></td>
</tr>
</tbody>
</table>

¹Source: 2015 Comprehensive Annual Financial Report
* Assumes 30-year bonds, 1.25x coverage ratio, 3.2% interest
Sales Tax

In theory, the City could consider a referendum to increase the local sales tax to be a dedicated revenue stream to pay the debt service on any type of bonds, including potential development of a new sports center. The general sales tax rate for Virginia is 5.3% (4.3% state tax and 1% local tax). There is an additional 0.7% state tax imposed in the localities that make up Northern Virginia and Hampton Roads, making the rate in these areas 6% (5% state tax and 1% local tax).

It is unlikely that a sales tax increase would be an option for Virginia Beach. As shown below, the Virginia Beach sales tax rate is already maxed out at 1.0% local rate, and 6.0% overall.

<table>
<thead>
<tr>
<th>City/Town</th>
<th>Overall Sales Tax</th>
<th>Local Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virginia Beach</td>
<td>6.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Hampton</td>
<td>6.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Newport News</td>
<td>6.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Norfolk</td>
<td>6.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Poquoson</td>
<td>6.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>6.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Suffolk</td>
<td>6.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Chesapeake</td>
<td>6.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Williamsburg</td>
<td>6.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>6.00%</strong></td>
<td><strong>1.00%</strong></td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td><strong>6.00%</strong></td>
<td><strong>1.00%</strong></td>
</tr>
</tbody>
</table>

*Note: Sorted by City/Town, in descending order*
Description

The funding of sports facilities via lodging and visitor taxes is a growing trend across the country. Sports tourism through attendance at regional/national events can drive multi-day stays at nearby hotels, as well as incremental retail and restaurant spending within the local market, and local hotel groups are often supportive of using occupancy tax dollars to build sports tourism facilities that will generate incremental room nights.

Currently Virginia Beach maintains a 8% lodging tax on rent charged by the operator of a hotel/motel. In addition there is a flat transient occupancy tax (TOT) rate of $2.00 per night. In order to utilize this revenue stream for a sports facility, these tax revenues could be shifted to debt service payments for a new indoor sports center, or the City would need to increase either the lodging tax or TOT to raise additional revenue to fund the construction of a new indoor sports center.

Below are charts displaying the lodging tax and transient occupancy taxes in cities within the Hampton Roads MSA.

<table>
<thead>
<tr>
<th>City</th>
<th>Lodging Tax Rate</th>
<th>TOT Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virginia Beach</td>
<td>8.00%</td>
<td>$2.00</td>
</tr>
<tr>
<td>Hampton</td>
<td>8.00%</td>
<td>$2.00</td>
</tr>
<tr>
<td>Newport News</td>
<td>8.00%</td>
<td>$2.00</td>
</tr>
<tr>
<td>Norfolk</td>
<td>8.00%</td>
<td>$1.00</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>8.00%</td>
<td>$1.00</td>
</tr>
<tr>
<td>Suffolk</td>
<td>8.00%</td>
<td>$1.00</td>
</tr>
<tr>
<td>Chesapeake</td>
<td>8.00%</td>
<td>$1.00</td>
</tr>
<tr>
<td>Williamsburg</td>
<td>5.00%</td>
<td>$2.00</td>
</tr>
<tr>
<td>Poquoson</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>7.63%</strong></td>
<td><strong>$1.43</strong></td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td><strong>8.00%</strong></td>
<td><strong>$1.00</strong></td>
</tr>
</tbody>
</table>

Note: Sorted by Lodging Tax Rate, in descending order

Note: Sorted by TOT rate, in descending order
Virginia Beach Recommendation & Analysis

The City Virginia Beach approved an ordinance, effective January 1, 2016, to increase the TOT from $1.00 to $2.00 to help cover a portion of debt service related to the Arena. It is unlikely that an additional increase would be favorable to City Council and City residents. Furthermore, the lodging tax rate is 8% is already the highest rate in the Hampton Roads MSA.

As shown in the analysis below, based on the current volume of taxable hotel/motel rental sales in Virginia Beach, it is estimated that a tax increase could fund an indoor sports center, although it is not likely.

<table>
<thead>
<tr>
<th></th>
<th>Current Virginia Beach</th>
<th>Scenario 1 0.25% Increase</th>
<th>Scenario 2 0.50% Increase</th>
<th>Scenario 3 0.75% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Taxable Sales</td>
<td>$348,927,650</td>
<td>$348,927,650</td>
<td>$348,927,650</td>
<td>$348,927,650</td>
</tr>
<tr>
<td>Lodging Tax Rate</td>
<td>8%</td>
<td>8.25%</td>
<td>8.50%</td>
<td>8.75%</td>
</tr>
<tr>
<td>Lodging Tax Collections¹</td>
<td>$27,914,212</td>
<td>$28,786,531</td>
<td>$29,658,850</td>
<td>$30,531,169</td>
</tr>
<tr>
<td>Annual Incremental Lodging Tax Revenues</td>
<td>$872,319</td>
<td>$1,744,638</td>
<td>$2,616,957</td>
<td></td>
</tr>
<tr>
<td>Estimated Funding Potential</td>
<td>$13,331,000</td>
<td>$26,663,000</td>
<td>$39,994,000</td>
<td></td>
</tr>
</tbody>
</table>

¹Source: 2015 Comprehensive Annual Financial Report

*Assumes 30-year bonds, 1.25x coverage ratio, 3.2% interest

<table>
<thead>
<tr>
<th></th>
<th>Virginia Beach FY '15 TOT Collection</th>
<th>Current Virginia Beach TOT Collection</th>
<th>Scenario 1 $0.25 Increase</th>
<th>Scenario 2 $0.50 Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Taxable Sales</td>
<td>$771,695</td>
<td>$771,695</td>
<td>$771,695</td>
<td>$771,695</td>
</tr>
<tr>
<td>TOT Rate</td>
<td>$1.00</td>
<td>$2.00</td>
<td>$2.25</td>
<td>$2.50</td>
</tr>
<tr>
<td>TOT Collections¹</td>
<td>$771,695</td>
<td>$1,543,390</td>
<td>$1,736,314</td>
<td>$1,929,238</td>
</tr>
<tr>
<td>Annual Incremental TOT Revenues</td>
<td>$771,695</td>
<td>$964,619</td>
<td>$1,157,543</td>
<td></td>
</tr>
<tr>
<td>Estimated Funding Potential</td>
<td>$14,742,000</td>
<td>$17,690,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹Source: 2015 Comprehensive Annual Financial Report

*Assumes 30-year bonds, 1.25x coverage ratio, 3.2% interest
SECTION 9
ECONOMIC & FISCAL IMPACT ANALYSIS
The first step in projecting the potential economic and fiscal impacts of a new indoor sports center is estimating the Gross Direct Spending activity that could occur due to both the one-time construction and on-going operations of the facility.

Gross Direct Spending represents all of the direct spending that could be associated with the project, regardless of income source or spending location.

### Primary Sources of Direct Spending from Sports Center Development

<table>
<thead>
<tr>
<th>One-Time Construction Expenditures</th>
<th>On-Going Facility Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplies &amp; Materials</td>
<td>In-Facility Revenues:</td>
</tr>
<tr>
<td>Labor Costs</td>
<td>Program Fees</td>
</tr>
<tr>
<td>Service Fees</td>
<td>Event Revenues</td>
</tr>
<tr>
<td></td>
<td>(Tournaments, etc.)</td>
</tr>
<tr>
<td></td>
<td>Concessions/Merchandise</td>
</tr>
<tr>
<td></td>
<td>Sponsorships/Advertising</td>
</tr>
<tr>
<td></td>
<td>Visitor Spending:</td>
</tr>
<tr>
<td></td>
<td>Lodging</td>
</tr>
<tr>
<td></td>
<td>Restaurants/Bars</td>
</tr>
<tr>
<td></td>
<td>Entertainment</td>
</tr>
<tr>
<td></td>
<td>Retail</td>
</tr>
<tr>
<td></td>
<td>Transportation</td>
</tr>
</tbody>
</table>
For purposes of this study, Victus Advisors has been tasked with identifying the potential economic and fiscal impacts on Virginia Beach. Therefore, the local economy studied in this analysis is the physical area solely within the City limits of Virginia Beach (as shown at right).

As described on the next page, “Net” Direct Spending only occurs when the spending source originates outside of City limits and occurs within the City’s limits.
3. IDENTIFY GROSS VS. NET IMPACTS

After estimating the “Gross” economic activity associated with the indoor sports center, Victus Advisors estimated the portion of gross direct spending that could represent incremental (or “Net”) spending within the City’s economy. Net Direct Spending accounts for the phenomenon of “displacement”, as described below.

DISPLACEMENT is the economic principle that assumes a sports and recreation budget would be spent within the local economy with or without development of a new sports/recreation venue.

For purposes of this study, we have assumed that local sports/recreation spending would be displaced (i.e. spent elsewhere within the Virginia Beach economy) without the presence of the Virginia Beach Indoor Sports Center. Therefore...

NET IMPACTS will only include the estimated dollars spent within City limits by non-resident visitors & businesses located outside the City.
4. THE MULTIPLIER EFFECT

Net Direct Spending that is captured in Virginia Beach is subsequently re-spent, both inside and outside the local economy. The cumulative impact of the re-spending cycles that occur within Virginia Beach City limits is called the “Multiplier Effect”.

<table>
<thead>
<tr>
<th>Initial Direct Spending</th>
<th>Construction</th>
<th>Facility Revenues &amp; Visitor Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Labor, Materials, Services, etc.</td>
<td>Fees, Concessions, Sponsorships, Lodging, Restaurants, Entertainment, Retail, etc.</td>
</tr>
</tbody>
</table>

| Indirect Spending        | Manufacturing, Wholesalers (Food & Beverage, Merchandise), Shipping/Freight, Utilities, etc. |

| Induced Spending         | Additional spending by businesses, households, government entities, and other economic sectors. |
4. THE MULTIPLIER EFFECT (CONT.)

Victus Advisors utilized IMPLAN Multipliers specific to Virginia Beach (as shown below) to estimate the following Net Economic Impacts:

- **TOTAL OUTPUT** (direct, indirect & induced spending in Virginia Beach)
- **EMPLOYMENT** (full-time & part-time jobs in Virginia Beach)
- **LABOR INCOME** (salaries & wages associated with Virginia Beach jobs)
- **CITY TAX REVENUES** (associated with the net total output)

### IMPLAN MULTIPLIERS - VIRGINIA BEACH, VA

<table>
<thead>
<tr>
<th>Industry</th>
<th>Total Output Multiplier</th>
<th>Employment Multiplier</th>
<th>Labor Income Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction - Non Residential</td>
<td>Multipliers range from 1.50 to 1.67 per industry</td>
<td>Ranging from $1.4 \times 10^{-5}$ to $3.7 \times 10^{-5}$ per industry</td>
<td>Ranging from 0.49 to 0.74 per industry</td>
</tr>
<tr>
<td>Retail Stores</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transit &amp; Ground Passenger Transportation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fitness &amp; Recreational Sports Centers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotels &amp; Motels, Including Casino Hotels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food Service &amp; Drinking Places</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ESTIMATED ANNUAL DIRECT SPENDING

**ESTIMATED GROSS DIRECT SPENDING ASSOCIATED WITH VIRGINIA BEACH SPORTS CENTER**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated In-Facility Direct Spending</td>
<td>$1,638,250</td>
</tr>
<tr>
<td>Estimated Out-of-Facility Direct Spending</td>
<td>$15,007,870</td>
</tr>
<tr>
<td><strong>Total Estimated Direct Spending</strong></td>
<td><strong>$16,646,120</strong></td>
</tr>
</tbody>
</table>

**DISPLACEMENT ADJUSTMENT**

- **Estimated In-Facility Direct Spending**: $1,638,250
- **Estimated Out-of-Facility Direct Spending**: $15,007,870
- **Estimated Gross Direct Spending Associated with Virginia Beach Sports Center**: $16,646,120

**NET DIRECT SPENDING IMPACTING VIRGINIA BEACH**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Estimated Direct Spending - Net:</td>
<td>$6,196,373</td>
</tr>
<tr>
<td>Net Spending as % of Gross:</td>
<td>37%</td>
</tr>
</tbody>
</table>

**NOTES:**
- Source is Victus Advisors usage and financial operating projects, as presented earlier in this report.
- Gross Direct Spending includes estimated spending occurring in all locations (not just Virginia Beach) by all visitors (including Virginia Beach residents), whereas “Net” Direct Spending only accounts for spending occurring in Virginia Beach by visitors from outside of Virginia Beach.
- Dollar figures represent annual direct spending, presented in 2016 dollars.
It is estimated that Net Direct Spending resulting from a new indoor sports center would generate over $9.7 million in annual economic output and create more than 140 new jobs.

**GROSS ANNUAL IMPACTS**

**GROSS DIRECT SPENDING ASSOCIATED WITH INDOOR SPORTS CENTER**
$16,646,120

**MULTIPLIER EFFECT**

**TOTAL ECONOMIC OUTPUT**
$25,991,900

**EMPLOYMENT**
431

**WAGES**
$9,851,000

**NET ANNUAL IMPACTS**

**NET DIRECT SPENDING IN VIRGINIA BEACH**
$6,196,373

**MULTIPLIER EFFECT**

**TOTAL ECONOMIC OUTPUT**
$9,715,000

**EMPLOYMENT**
141

**WAGES**
$3,464,000
It is estimated that the Lodging industry in Virginia Beach would benefit the most from a new indoor sports center (44% of incremental output), followed by Food/Beverage (30%).

### NET ANNUAL IMPACTS

<table>
<thead>
<tr>
<th>Industry</th>
<th>Output</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sports</td>
<td>$682,000</td>
<td>7%</td>
</tr>
<tr>
<td>Lodging</td>
<td>$4,290,000</td>
<td>44%</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>$2,881,000</td>
<td>30%</td>
</tr>
<tr>
<td>Shopping</td>
<td>$710,000</td>
<td>7%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$788,000</td>
<td>8%</td>
</tr>
<tr>
<td>Transportation</td>
<td>$364,000</td>
<td>4%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$9,715,000</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sports</td>
<td>14</td>
</tr>
<tr>
<td>Lodging</td>
<td>44</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>43</td>
</tr>
<tr>
<td>Shopping</td>
<td>15</td>
</tr>
<tr>
<td>Entertainment</td>
<td>16</td>
</tr>
<tr>
<td>Transportation</td>
<td>9</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>141</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry</th>
<th>Labor Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sports</td>
<td>$303,000</td>
</tr>
<tr>
<td>Lodging</td>
<td>$1,335,000</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>$990,000</td>
</tr>
<tr>
<td>Shopping</td>
<td>$340,000</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$350,000</td>
</tr>
<tr>
<td>Transportation</td>
<td>$146,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$3,464,000</strong></td>
</tr>
</tbody>
</table>
It is estimated that an indoor sports center could provide more than $630,000 annually in incremental City sales tax, hotel tax, tourist occupancy tax, and meals tax revenue.

### NET ANNUAL IMPACTS

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Assessor</th>
<th>Tax Rate</th>
<th>Est. Tax Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax</td>
<td>City</td>
<td>1.00%</td>
<td>$86,690</td>
</tr>
<tr>
<td>Hotel Tax</td>
<td>City</td>
<td>8.00%</td>
<td>$343,160</td>
</tr>
<tr>
<td>TOT</td>
<td>City</td>
<td>$2.00</td>
<td>$42,559</td>
</tr>
<tr>
<td>Meals Tax</td>
<td>City</td>
<td>5.50%</td>
<td>$158,462</td>
</tr>
<tr>
<td><strong>Total City Tax Revenue:</strong></td>
<td></td>
<td></td>
<td><strong>$630,871</strong></td>
</tr>
</tbody>
</table>

**Notes:**
- Represents net annual tax revenues for Virginia Beach, presented in 2016 dollars. Sales tax based on direct, indirect & induced spending.
**Current Indoor Sports Impacts**

Even without the benefit of a City-controlled indoor sports center, the Sports Marketing Unit has already been somewhat effective in generating hotel/motel room nights via indoor sports activity. For example, in fiscal year 2015-16, the Sports Marketing Unit hosted 28 indoor sports events in Virginia Beach that generated 33,081 room nights (source: Virginia Beach CVB).

**Estimated Incremental Impacts of an Indoor Sports Center**

Victus Advisors estimates that a new indoor sports center could generate approximately 21,279 incremental annual hotel nights in Virginia Beach, as shown below, which would represent approximately 54,360 in total annual room nights (current + incremental) in Virginia Beach due to indoor sports events.

<table>
<thead>
<tr>
<th>Estimated Incremental Annual Hotel Impacts - City of Virginia Beach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visitors Staying in Hotel/Motel:</td>
</tr>
<tr>
<td>Estimated People per Room:</td>
</tr>
<tr>
<td>Total Rooms Utilized:</td>
</tr>
<tr>
<td>Average Nights per Room:</td>
</tr>
<tr>
<td><strong>Total - Incremental Annual Room Nights:</strong></td>
</tr>
<tr>
<td>Average Daily Room Rate (ADR):</td>
</tr>
<tr>
<td><strong>Total - Incremental Hotel Room Spending:</strong></td>
</tr>
</tbody>
</table>

Notes:

1. Overnight Visitors estimate developed by Victus Advisors as part of our Utilization & Attendance Estimates
2. People per Room and Nights per Room are based on post-event data for participatory sports events held in Virginia Beach within the past two years
3. ADR represents median monthly ADR for Virginia Beach according to the Virginia Beach CVB
4. Total Hotel Room Spending represents direct hotel room spending only in 2016 dollars, and does not include indirect or induced impacts
### SUMMARY OF NET IMPACTS OVER TIME

**ESTIMATED NET IMPACTS OVER 30 YEARS***

<table>
<thead>
<tr>
<th>Year (*)</th>
<th>Direct Spending</th>
<th>Total Output</th>
<th>Employment</th>
<th>Wages</th>
<th>Hotel Nights</th>
<th>City Tax Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$10,201,800</td>
<td>$14,660,736</td>
<td>116</td>
<td>$6,452,841</td>
<td>n/a</td>
<td>$15,606</td>
</tr>
<tr>
<td>1</td>
<td>6,196,373</td>
<td>9,715,000</td>
<td>141</td>
<td>3,464,000</td>
<td>21,279</td>
<td>630,869</td>
</tr>
<tr>
<td>2</td>
<td>6,382,264</td>
<td>10,006,450</td>
<td>141</td>
<td>3,567,920</td>
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**Cumulative Total:**
- $304,997,000
- $476,856,000
- 141
- $171,254,000
- 638,381
- $30,029,000

**Net Present Value:**
- $179,610,000
- $280,309,000
- n/a
- $101,135,000
- n/a
- $17,295,000

* Year 0 represents the one-time impacts of facility construction spending. Annual impacts of operations begin in Year 1 and are adjusted annually for inflation.

Note: Assumes annual inflation of 3.0% and discount rate of 3.2%.

Over a 30 year period, a new indoor sports center is estimated to produce net impacts of nearly $477 million in total economic output, 141 sustainable jobs, more than $30 million in City tax revenues, and over 638,000 hotel nights.
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(435) 604-0874
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