



Broward County Civic Arena

County Commission
Workshop
October 20, 2015



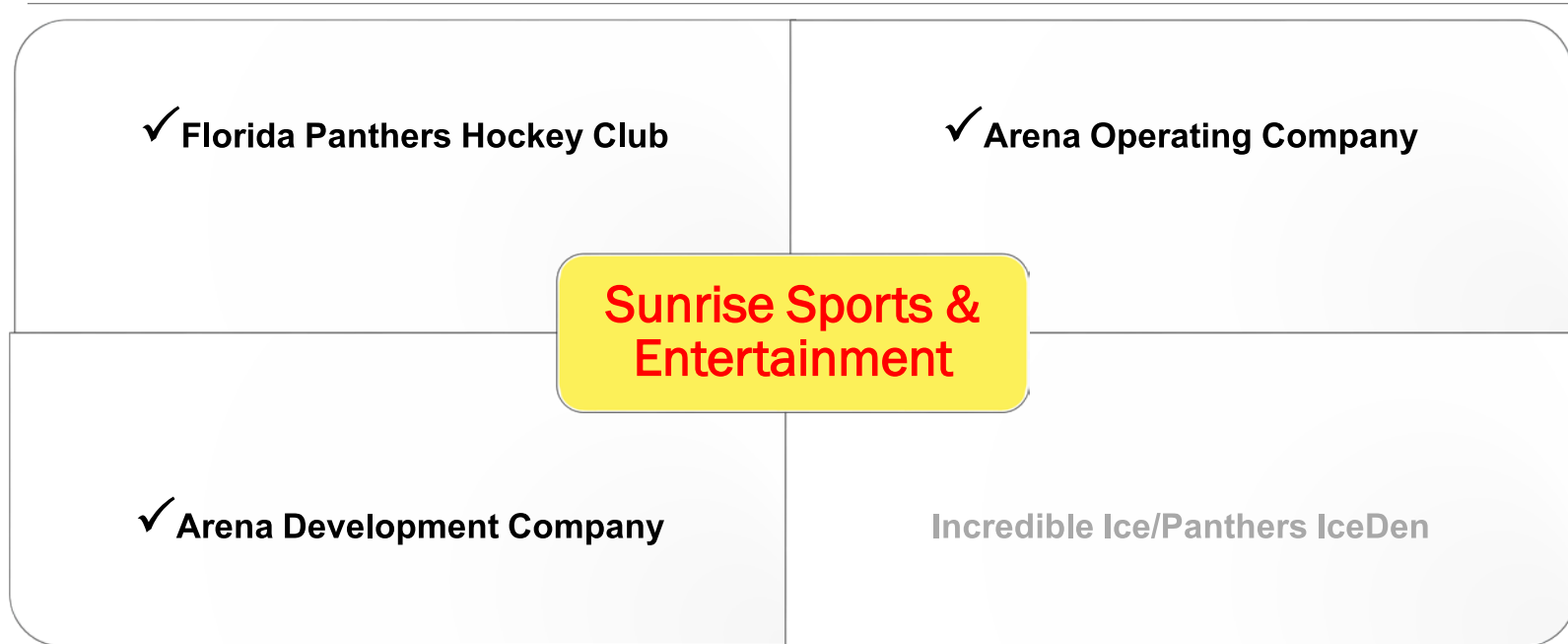
AGENDA

- (1) Board-requested reports and assessments:
 - Market and financial analysis of BB&T Center without the Florida Panthers
 - Physical condition assessment and estimate of BB&T Center capital needs
 - National Hockey League arena lease comparison
- (2) Evaluation of new request from Sunrise Sports & Entertainment and County Administrator's recommendation
- (3) Presentation from Sunrise Sports & Entertainment
- (4) Board discussion and next steps

KEY THINGS TO KNOW ABOUT THE ARENA

1. Owned by Broward County.
2. Broward County is legally obligated for all remaining debt.
3. AOC currently pays \$5.3 million of the \$15.3 million annual public debt payments and all other costs.
4. No property taxes are used to support the Arena -- tourists and visitors, not residents or businesses, help pay for it through the Tourist Development Tax.
5. Used year-round for entertainment and civic events – not just hockey.
6. Arena events generate positive economic impacts to Broward County's economy.
7. Community and economic asset much like publicly-supported museums, performing arts centers, and convention centers.

THE ARENA PARTNERSHIP



THE TOURIST DEVELOPMENT TAX & THE ARENA

- Professional Sports Franchise Facility Tax (F.S. 125.0104(3)(l) and 125.0104(3)(n))
- Additional 2% authorized in 1996 to assist in paying the debt service on the Arena's construction bonds.
- Total collected January 1997 through June 2015 = \$273.3 million
- Amount spent on Arena = \$152 million (56%)
- Amount spent on other tourism generating purposes = \$121.3 million (44%)

OUTSTANDING DEBT (PRINCIPAL ONLY)

Arena Bonds	\$132.60 Million
<u>Sawgrass Expressway Access Ramps</u>	<u>\$ 8.16 Million</u>
Total Outstanding Principal	\$140.76 million

Requires annual debt service payment of \approx \$15.30 million

ANNUAL DEBT PAYMENTS

Arena Bonds

- | | |
|---|----------------|
| ■ Tourist Development Tax | \$ 8.0 million |
| ■ Arena Operating Company (approximately) | \$ 4.6 million |
| ■ State Sales Tax Rebate | \$ 2.0 million |

FDOT – Sawgrass Expressway Ramps

- | | |
|---|------------|
| ■ Arena Operating Company (approximately) | \$ 675,000 |
|---|------------|

EVALUATION OF ARENA WITHOUT THE PANTHERS

EVALUATION OF ARENA WITHOUT PANTHERS

MARKET ANALYSIS

- Miami-Fort Lauderdale is generally a strong market in terms of population/households
 - Eighth largest of U.S. markets in terms of CBSA population
- Benefits from being a strong tourist market
- Considered a very strong concert market – high level of competition for acts
- High level of competition between BB&T Center and AmericanAirlines Arena, resulting in relatively high performer shares (smaller shares for the arenas and promoters)

EVALUATION OF ARENA WITHOUT PANTHERS

MARKET ANALYSIS (CONTINUED)

- BB&T Center could consider potential replacement anchor tenant (minor league team)
 - Opportunities
 - Stabilized revenue streams
 - Increased activity/exposure – sponsorship/naming rights demand
 - Ticket buyer database to promote concerts/other events
 - Challenges
 - Reduces scheduling opportunities for more profitable events
- Limited opportunities to replace Panthers with anchor tenant

EVALUATION OF ARENA WITHOUT PANTHERS

FINANCIAL ANALYSIS

- Assuming no anchor tenant, net cash flow (before consideration of capital expenditures and debt service) is estimated at \$1.35 million annually at BB&T Center (year 1)
- Debt service not included
 - Arena Debt (\$14.0 million)
 - Completion Bonds (\$620,000)
 - FDOT (\$675,000)
 - CVB (\$500,000)
- Capital expenditures not included (annual amounts will fluctuate)

EVALUATION OF ARENA WITHOUT PANTHERS

FINANCIAL ANALYSIS (CONTINUED)

- Should BB&T Center operate without the Panthers as a tenant, the County financial position would be negatively impacted by approximately \$7 million per year
 - Does not include economic and fiscal impacts associated with Panthers
 - County would likely assume risks associated with arena operations and capital repairs
 - County should also consider potential risk of losing annual sales tax rebate

EVALUATION OF ARENA WITHOUT PANTHERS

ECONOMIC IMPACT OF NON-HOCKEY EVENTS

- Ongoing operations of the arena generate recurring economic impacts for the County
 - Total spending estimated at \$61.0 million (gross)
 - Visitors account for \$31.0 million in spending (51%) (new spending)
 - Total economic output of \$54.5 million
 - Supports 604 jobs
 - Generates \$3.6 million in taxes

FACILITY CONDITION ASSESSMENT

FACILITY CONDITION ASSESSMENT

- Conducted three assessments to determine condition and estimate capital needs:
 - General site conditions – County Staff
 - Loss prevention report – Global Risk Consultants
 - Arena and parking garage – VFA (sub consultant to Cartaya and Associates)
- Arena is 17 years old
- Overall condition is “Good to Fair”
- Age and assessments suggest capital investments are required, otherwise condition could decline within the next five years

FACILITY CONDITION ASSESSMENT *(continued)*

- Risk/exposure next five (5) years estimated at a total of \$33.9 million (NPV) / \$6.8 million annually

	<u>Total</u>	<u>Annual</u>
● Replacements (operationally critical/failures)	\$13.3 million	\$2.7 million
● Renovations, renewal, and requests	\$20.6 million	\$4.1 million

- Risk/exposure through 2028 estimated at a total of \$137.5 million (NPV) / \$10.6 million annually

	<u>Total</u>	<u>Annual</u>
● Replacements (operationally critical/failures)	\$51.0 million	\$3.9 million
● Renovations, renewal, and requests	\$83.5 million	\$6.4 million
● Site conditions	\$3.0 million	\$0.2 million

FACILITY CONDITION ASSESSMENT *(continued)*

■ Approaches

- Annual reinvestment funding targets (1.0%, 1.5%, 2.0%, 4.0%, etc.)

	<u>Total</u>	<u>Annual</u>
● Maintain current condition	\$87.1 million	\$6.7 million
● Allow condition to decline to “Fair/Poor”	\$30.3 million	\$2.3 million
● Allocate less than 1% of current replacement value (“Poor”)	\$19.2 million	\$1.5 million

NHL LEASE ANALYSIS

NHL LEASE ANALYSIS

Methodology

- BSG has developed a methodology to evaluate and compare NHL arena leases
- Analysis isolates lease terms to allow for accurate and meaningful comparisons
- We have attempted to identify all of the lease components and account for other significant costs of occupancy
- Analysis is intended to estimate the arena occupancy costs for each team
- Arena occupancy costs are compared to other teams
- Comparison allows better understanding of the impact of the deal structure/lease terms on team

NHL LEASE ANALYSIS

Methodology (Continued)

- Analysis considers
 - Market area size and characteristics
 - Anticipated operating characteristics and revenue potential
 - Arena occupancy costs
 - Rent
 - Taxes/surcharges
 - Revenue sharing
 - Operating expenses (game day/annual/capital repairs)
 - Upfront payments/financing

NHL LEASE ANALYSIS

Methodology

- 14 NHL deal structures/leases were considered comparable
 - 7 were identified as most comparable (Arizona/Carolina/Columbus/Nashville/San Jose/St. Louis/Tampa Bay)
- Three scenarios were evaluated for the Panthers
 - Current lease agreement
 - Panthers' March request
 - Current request

NHL LEASE ANALYSIS

Summary of Findings

All Comparables

Comparative Summary - Arena Occupancy Costs

(Sorted by Occupancy Costs, \$'s in millions)

Team	Arena Revenue Potential		Occupancy Costs		Occupancy Costs As a Percentage of:					
					Arena Revenue		Gross Gate Receipts		Net Gate Receipts	
	Amount	Rank	Amount	Rank	Percentage	Rank	Percentage	Rank	Percentage	Rank
Comparable 1	\$66.8	15	\$37.8	1	56.5%	1	90.3%	1	95.7%	1
Comparable 2	\$73.2	2	\$37.2	2	50.8%	2	89.0%	2	93.5%	2
Comparable 3	\$69.7	10	\$33.6	3	48.3%	3	80.5%	3	86.1%	4
Comparable 4	\$70.5	8	\$32.2	4	45.6%	4	76.9%	4	88.0%	3
Comparable 5	\$70.2	9	\$30.2	5	43.0%	5	72.2%	5	77.8%	5
Comparable 6	\$68.9	12	\$28.8	6	41.8%	6	68.8%	6	74.6%	6
Comparable 7	\$70.8	7	\$28.5	7	40.3%	7	68.2%	7	68.2%	7
Florida - Current Agreement	\$71.9	4	\$26.3	8	36.6%	8	62.9%	8	66.7%	8
Comparable 8	\$72.4	3	\$25.4	9	35.2%	9	60.9%	9	64.5%	9
Comparable 9	\$67.0	14	\$23.4	10	35.0%	10	56.1%	10	57.7%	10
Comparable 10	\$69.5	11	\$20.2	11	29.1%	11	48.3%	11	48.3%	12
Florida - Proposed Amendment	\$71.8	6	\$19.3	12	26.9%	12	46.3%	12	49.0%	11
Comparable 10	\$73.3	1	\$13.7	13	18.7%	14	32.7%	13	35.7%	14
Comparable 11	\$67.8	13	\$13.6	14	20.1%	13	32.5%	14	38.1%	13
Florida - March Proposal	\$71.9	4	\$11.1	15	15.5%	15	26.6%	15	28.2%	15
Comparable 12	\$65.7	16	\$9.2	16	14.0%	16	22.1%	16	23.7%	16
Florida - Current Agreement	\$71.9	4	\$26.3	8	36.6%	8	62.9%	8	66.7%	8
Florida - March Proposal	\$71.9	4	\$11.1	15	15.5%	15	26.6%	15	28.2%	15
Florida - Proposed Amendment	\$71.8	6	\$19.3	12	26.9%	12	46.3%	12	49.0%	11
High	\$73.3		\$37.8		56.5%		90.3%		95.7%	
Low	\$65.7		\$9.2		14.0%		22.1%		23.7%	
Average - (1)	\$69.7		\$25.7		36.8%		61.4%		65.5%	
Average without Outliers - (1)	\$69.7		\$26.1		37.1%		62.4%		66.6%	

(1) - Excluding Florida.

NHL LEASE ANALYSIS

Summary of Findings

Selected Comparables

Comparative Summary - Arena Occupancy Costs										
(Sorted by Occupancy Costs, \$'s in millions)										
Team	Arena Revenue Potential		Occupancy Costs		Occupancy Costs As a Percentage of:					
					Arena Revenue		Gross Gate Receipts		Net Gate Receipts	
	Amount	Rank	Amount	Rank	Percentage	Rank	Percentage	Rank	Percentage	Rank
Comparable 1	\$70.5	6	\$32.2	1	45.6%	1	76.9%	1	88.0%	1
Florida - Current Agreement	\$71.9	3	\$26.3	2	36.6%	2	62.9%	2	66.7%	2
Comparable 2	\$72.4	2	\$25.4	3	35.2%	3	60.9%	3	64.5%	3
Comparable 3	\$67.0	9	\$23.4	4	35.0%	4	56.1%	4	57.7%	4
Comparable 4	\$69.5	7	\$20.2	5	29.1%	5	48.3%	5	48.3%	6
Florida - Proposed Amendment	\$71.8	5	\$19.3	6	26.9%	6	46.3%	6	49.0%	5
Comparable 5	\$73.3	1	\$13.7	7	18.7%	8	32.7%	7	35.7%	8
Comparable 6	\$67.8	8	\$13.6	8	20.1%	7	32.5%	8	38.1%	7
Florida - March Proposal	\$71.9	3	\$11.1	9	15.5%	9	26.6%	9	28.2%	9
Comparable 7	\$65.7	10	\$9.2	10	14.0%	10	22.1%	10	23.7%	10
Florida - Current Agreement	\$71.9	3	\$26.3	2	36.6%	2	62.9%	2	66.7%	2
Florida - March Proposal	\$71.9	3	\$11.1	9	15.5%	9	26.6%	9	28.2%	9
Florida - Proposed Amendment	\$71.8	5	\$19.3	6	26.9%	6	46.3%	6	49.0%	5
High	\$73.3		\$32.2		45.6%		76.9%		88.0%	
Low	\$65.7		\$9.2		14.0%		22.1%		23.7%	
Average - (1)	\$69.5		\$19.7		28.2%		47.1%		50.9%	
Average without Outliers - (1)	\$69.4		\$19.3		27.6%		46.1%		48.9%	

(1) - Excluding Florida.

NHL LEASE ANALYSIS

Summary of Findings

Comparative Summary - Arena Occupancy Costs (\$ in Millions)	SELECTED COMPARABLES		
	Florida Current Agreement	Florida March Proposal	Florida Proposed Amendment
Occupancy Costs			
Average - (1)	\$19.7	\$19.7	\$19.7
Florida Panthers	\$26.3	\$11.1	\$19.3
Variance	(\$6.6)	\$8.6	\$0.3
Arena Revenue			
Florida Panthers Revenue Potential	\$71.9	\$71.9	\$71.8
Average Occupancy Cost as a % of Arena Revenue - (1)	28.2%	28.2%	28.2%
Implied Occupancy Cost	\$20.3	\$20.3	\$20.3
Florida Panthers Occupancy Cost	\$26.3	\$11.1	\$19.3
Variance	(\$6.0)	\$9.2	\$0.9
Gross Gate Receipts			
Florida Panthers Gross Gate Receipts	\$41.8	\$41.8	\$41.8
Average Occupancy Cost as a % of Gross Gate Receipts - (1)	47.1%	47.1%	47.1%
Implied Occupancy Cost	\$19.7	\$19.7	\$19.7
Florida Panthers Occupancy Cost	\$26.3	\$11.1	\$19.3
Variance	(\$6.6)	\$8.6	\$0.3
Net Gate Receipts			
Florida Panthers Net Gate Receipts	\$39.5	\$39.5	\$39.5
Average Occupancy Cost as a % of Net Gate Receipts - (1)	50.9%	50.9%	50.9%
Implied Occupancy Cost	\$20.1	\$20.1	\$20.1
Florida Panthers Occupancy Cost	\$26.3	\$11.1	\$19.3
Variance	(\$6.2)	\$9.0	\$0.7

(1) - Excluding Florida Panthers.

REVIEW OF CURRENT REQUEST
FROM
SUNRISE SPORTS & ENTERTAINMENT

2014 SS&E PROPOSAL

- Requested at least \$5.6 million annually or \$78.4 million total
 - Elimination of bond/debt payments – \$4.5 million
 - County contribution to insurance – estimated \$600,000 (caps SS&E at \$1 million)
 - County contribution to repairs and maintenance – \$500,000
- Sought development rights adjacent to Arena

WHAT HAPPENED SINCE THEN?

- SS&E paid off two loans from Broward County ahead of schedule
- Competitiveness of team improved
- Attendance dropped to lowest in the league
- Continued competition for non-sporting events
- Losses increased
- Approached County with a revised request

Financial Condition

- Historical financials show substantial operating losses at consolidated level (team, arena, etc.)

\$000s	Consolidated (Audited)						
	2008-09	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Total Revenue	\$98,200	\$97,646	\$98,673	\$109,081	\$84,183	\$111,225	\$102,900
Total Operating Expenses	\$109,713	\$113,302	\$122,142	\$135,343	\$101,106	\$138,549	\$138,900
EBITDA	(\$11,513)	(\$15,656)	(\$23,469)	(\$26,262)	(\$16,922)	(\$27,325)	(\$36,000)
Amortization and Depreciation	(\$5,842)	(\$2,503)	(\$2,613)	(\$2,648)	(\$3,103)	(\$22,246)	(\$21,500)
Interest and Other Net Expenses	(\$14,925)	(\$18,499)	(\$15,457)	(\$18,481)	(\$17,973)	(\$5,202)	(\$9,196)
Income (Loss) Before Taxes	(\$32,280)	(\$36,658)	(\$41,539)	(\$47,391)	(\$37,998)	(\$54,773)	(\$66,696)

Note: 2013-2014 reflects nine months of audited statements and three months of unaudited statements.

Source: Florida Panthers.

MARCH 2015 REQUEST

- Requested five-year extension
- Transfer debt payment to County - \$4.6 million (approximately)
- Transfer FDOT debt payment to County - \$675,000 (approximately)
- Established \$500,000 annual rent payment
- Panthers retain hockey event revenue
- Panthers pay for game day expenses
- County assumes operations and management responsibility & expenses
- County responsible for all capital expenses
- County retains other event revenue
- County receives development rights to entire parcel
- Proposed refinancing/restructuring/extending bonds to cover portion of County's new obligations
- Net relief of more than \$15 million annually

CURRENT REQUEST

- Proposed amendment intended to provide financial relief to Panthers and safeguard long-term viability and sustainability of the arena
- Basic structure of the current agreement remains unchanged
- Key license provisions:
 - 13 years remaining (through 2028)
 - Panthers keep all arena revenue
 - Panthers pay game day expenses
 - Panthers pay annual operating expenses
 - Panthers pay capital expenditures
 - Panthers pay CPRA, Completion Bonds, FDOT, and other obligations

CURRENT REQUEST *(continued)*

- Financial assistance provided by County to be dedicated to pay BB&T Center capital improvements, repairs, and replacements, and operating expenses (figures in millions)

	<u>Total</u>	<u>Average</u>
BB&T Center Capital Expenditures	\$39.0	\$3.0
BB&T Center Operating Expenses (e.g. insurance, utilities)	\$45.5	\$3.5
BB&T Center High Impact Event Fund	<u>\$1.5</u>	<u>\$0.1</u>
Total	\$86.0	\$6.6

- Team shall provide an irrevocable letter of credit to partially protect the County against Team's failure to pay CPRA, Completion Bonds, FDOT, and other financial obligations, any attempts to relocate, or the filing of bankruptcy

CURRENT REQUEST *(continued)*

- County receives any NHL expansion proceeds in excess of cumulative losses 10/15 to 10/21
- County receives 10% of net profit of any sale/controlling interest in Team
- County receives 10% of consolidated gross revenues in excess of \$145.0 million through first six years of term (escalates to \$170.0 million thereafter) or 10% of consolidated EBITDA – arena revenue sharing formula eliminated
- County to receive development rights to entire site
- County has approval rights over capital expenditures and plan
- County has right to replace arena manager
- NHL All Star Game commitment
- \$1.5 million additional investment toward youth hockey development over next 5 years
- County receives one suite, one dasher board sign, and other in-arena signage to promote economic development and tourism – Panthers CVB payment eliminated

CURRENT FRAMEWORK/REQUEST *(continued)*

- Panthers have annual termination rights after year 8 – limited rights
 - Must provide one year advance notice of intent to terminate
 - Must pay termination amount (see table)
 - Must not be in material breach or default in order to exercise termination right
 - Must demonstrate verified, consolidated losses (EBITDA) of \$100.0 million over prior 7 years

CURRENT REQUEST

- County to provide financial assistance for BB&T Center capital improvements, repairs, and replacements, and operating expenses
- Panthers to provide irrevocable letter of credit to protect County equal to amount of financial assistance plus \$6.0 million
- Panthers have annual termination rights after year 8 – limited rights
- Panthers termination payment exceeds outstanding bond debt after year 9

			County Financial Assistance		Letter of Credit	Team Termination Payment
Year	NHL Season		Annual	Cumulative		
1	2015	2016	12,000,000	12,000,000	18,000,000	Not Applicable
2	2016	2017	12,000,000	24,000,000	30,000,000	Not Applicable
3	2017	2018	10,000,000	34,000,000	40,000,000	Not Applicable
4	2018	2019	10,000,000	44,000,000	50,000,000	Not Applicable
5	2019	2020	8,000,000	52,000,000	58,000,000	Not Applicable
6	2020	2021	8,000,000	60,000,000	66,000,000	Not Applicable
7	2021	2022	6,000,000	66,000,000	72,000,000	Not Applicable
8	2022	2023	6,000,000	72,000,000	72,000,000	Not Applicable
9	2023	2024	4,000,000	76,000,000	72,000,000	72,000,000
10	2024	2025	4,000,000	80,000,000	64,000,000	64,000,000
11	2025	2026	2,000,000	82,000,000	56,000,000	56,000,000
12	2026	2027	2,000,000	84,000,000	48,000,000	48,000,000
13	2027	2028	2,000,000	86,000,000	40,000,000	40,000,000
Total Payments			86,000,000			
Average Annual Payment			6,615,385			
Net Present Value @		4.0%	71,174,831			

OPTIONS

AND

COUNTY ADMINISTRATOR'S RECOMMENDATION

DECISION OPTIONS

1. Maintain existing terms
2. Accept current request / continue to discuss
3. Negotiate an early termination/buyout

DECISION OPTIONS

OPTION ONE: MAINTAIN EXISTING TERMS

Advantages	Considerations
<ul style="list-style-type: none">• SSE responsible for all operating and capital expenses• SSE responsible for \$4.6 million in Arena debt payments• SSE responsible for \$675,000 FDOT payments• SSE responsible for \$500,000 CVB payment	<ul style="list-style-type: none">• Could prompt SSE into bankruptcy or restructuring• Court could force alternative terms upon County• Could force sale of team in proceedings• May generate negative national and international attention• Could impact revenue from sponsorship, ticket sales, etc.• Could prompt relocation

DECISION OPTIONS

OPTION TWO: ACCEPT CURRENT REQUEST OR CONTINUE DISCUSSIONS

Advantages	Considerations
<ul style="list-style-type: none">• Continues existing deal structure• Provides County with conditional development rights to entire parcel• Provides financial repayment security penalties• Provides County with potential revenue sharing opportunities• Provides County with approval rights over capital and the right to replace AOC as operator for poor performance• Continues state sales tax rebates• Limits County's responsibilities and risks	<ul style="list-style-type: none">• County provides financial relief to SSE• May increase team's value• Eliminates annual CVB payment• Allows Team to terminate agreement under limited conditions after year 8

DECISION OPTIONS

OPTION THREE: EARLY TERMINATION OR BUYOUT

Advantages	Considerations
<ul style="list-style-type: none">• Allows for potential repurposing or redevelopment of entire site once debt satisfied• Provides County with full control over the Arena operations and site• Potentially provides for elimination of outstanding debt	<ul style="list-style-type: none">• Loss of anchor tenant• Loss of SSE payments• County assumes full responsibility of and FDOT debt payments• County assumes operating risks and losses• County assumes full responsibility for capital expenses• Could result in loss of state sales tax rebates

COUNTY ADMINISTRATOR'S RECOMMENDATION

The County Administrator recommends the Board allow staff to negotiate an amendment to the agreements with Sunrise Sports and Entertainment in substantially the form previously outlined.

SUNRISE SPORTS & ENTERTAINMENT PRESENTATION

BOARD DISCUSSION