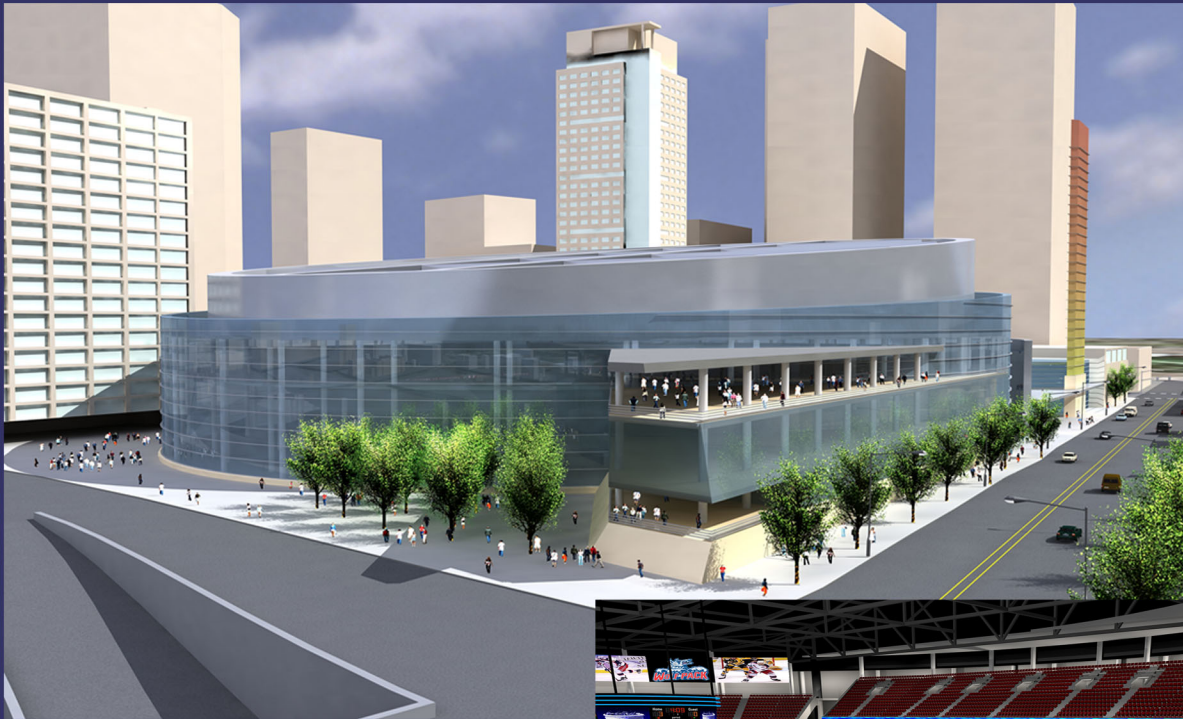
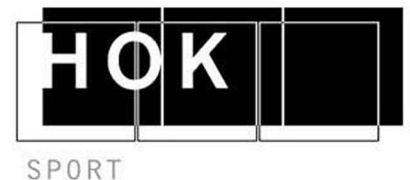


Hartford Downtown Arena Feasibility Study



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Submitted By:



Hartford Downtown Arena Feasibility Study

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Addendum Review of Hartford Civic Center

I Executive Summary



SPORT

Executive Summary

Size and Cost

In order for the city of Hartford to continue to attract the top touring acts and family shows and to have the potential to attract a major league tenant, it will need an arena that is approximately 800,000 square feet in size. The estimated square footage is what is necessary to meet the needs and expectations of the existing major collegiate tenant and a potential NHL/NBA team. An appropriate arena for the Hartford market would seat approximately 17,500 fans for hockey and 18,500 for basketball, and will offer all the latest amenities in seating options and event presentation technologies.

The cost to construct an arena of this size on the existing site of the Hartford Civic Center is estimated to be between \$285 million and \$315 million. Turner Construction Company's Sports Group reached these estimated costs by studying the construction costs for seven recently completed NBA arenas and using the Means Relocation Factors and Turner Index (Turner Construction Company). These estimates equate to a range from \$350.11 to \$387.50 per square foot.

Demographic Comparison

While it is evident that the Hartford area would need a new arena to be able to attract an NHL or NBA franchise, it is important to consider the demographic and socioeconomic characteristics of the area to evaluate the market's ability to support an NHL/NBA franchise and the proposed new arena. Therefore, several key demographic characteristics of the Hartford area were compared to the characteristics of several markets with recently built NHL facilities. The following is a summary of the key findings of the demographic analysis.

- The Hartford market's CBSA and media market population is within the range of markets hosting NHL arenas built since 1995.
- Hartford's corporate inventory within the range of the smaller market hosting NHL-only facilities, but ranks well below the comparable market average. However, the Hartford market has a relatively strong corporate presence, with three companies in the Fortune 100 headquartered in the Hartford area.
- The median age of Hartford-area residents is more than three years older than the national average, with a relatively high proportion of the population aged 55 or older.
- Hartford's median household income is among the highest of any comparable arena market.
- The presence of an older, wealthier population in the Hartford area could make it a strong market for club seats and other upscale amenities.

The Hartford market's population, income levels and other demographic characteristics are generally comparable to those of many markets hosting recently built NHL arenas. However, it is important to note that the current economic structure of the NHL places an increased emphasis on corporate support in terms of sponsorships, naming rights, premium seating and other support.

Given the relatively small number of corporate headquarters and branches in the Hartford market, an NHL franchise may struggle to generate sufficient revenues from the corporate sector. Despite a relatively small corporate inventory, local corporations have demonstrated an ability to generate support for various projects, including the Travelers Championship (formerly the Greater Hartford Open) PGA event. For an NHL franchise to succeed in Hartford, it will be critical to generate similar corporate support so that general ticket prices can be held at prices that enable the general populace to attend games.

To gauge corporate interest in leasing luxury suites, we recommend the City establish an ad hoc/exploratory committee designed to ascertain this information. We envision this committee including representatives from the City, State and corporate community. Below is a table detailing the types of corporations who typically lease suites and what level of the arena they generally lease their suite.

Top 20 Industries for Private Suites

	Event Level	Lower Bowl	Mid Bowl
1	Construction & Industrial	Environmental	Banking & Credit Union
2	Individual Account	Individual Account	Payment Service
3	Auto/Aftermarket	Banking & Credit Union	Financial Service
4	Home Improvement	Electronics	Construction & Industrial
5	Legal Service	Advertising	Individual Account
6	Beverage/Soft Drink	Home Builder	Transportation/Limo
7	Local Recreation	Legal Service	Repair & Maintenance
8	Technology	Auto/Aftermarket	Television/Cable Channel
9	Utilities	Financial Service	Legal Service
10	Advertising	Auto/Import	Beverage/Sports Drink-Isotonic
11	Hospital	Radio/National	Retail/Home Improvement
12	ISP	Technology	Technology
13	Packaged Food/Meat	Casino & Gaming	Camera
14	Radio/National	Auto Racing	Retail/Department
15	Real Estate	Insurance/Health	Financial Services
16	Realty Company	Construction & Industrial	Labor Union
17	Business to Business	Retail/Sporting Goods	Entertainment
18	Mortgage Lender	Auto/RV	Sports Property
19		Insurance/Multi-Property	Telecom/Hardware
20		Internet/Other	Telecommunications

Economic Impact

In addition to the local demographic characteristics of the Hartford area, in considering a public investment in a facility such as the proposed new NHL arena, it is important to understand the potential economic and fiscal impacts that could be generated by the facility. Based on the key operating assumptions and results of the fan intercept surveys conducted as part of this analysis, estimates of the economic and fiscal impacts related to the development of a new arena have been prepared. The following table presents the estimated gross annual economic impacts of the new arena under both operating scenarios, compared to the estimated impacts of the Hartford Civic Center going forward, as developed in CSL's previous engagement with the CDA.

**Estimated Economic and Fiscal Impacts
Annual Arena Operations**

	On-Going HCC	New Arena		Incremental Impacts	
		AHL	NHL (2)	AHL	NHL (2)
Direct Spending	\$42,049,000	\$75,483,000	\$124,599,000	\$33,434,000	\$82,550,000
Total Output	\$70,569,000	\$126,939,000	\$209,770,000	\$56,370,000	\$139,201,000
Earnings	\$32,523,000	\$57,770,000	\$97,445,000	\$25,247,000	\$64,922,000
Jobs (1)	1,400	2,500	4,300	1,100	2,900
Tax Revenues					
State Sales	\$2,931,000	\$5,175,000	\$8,876,000	\$2,244,000	\$5,945,000
State Lodging	\$88,000	\$116,000	\$148,000	\$28,000	\$60,000
State Personal Income	\$1,110,000	\$1,972,000	\$3,326,000	\$862,000	\$2,216,000
State Business	\$242,000	\$435,000	\$719,000	\$193,000	\$477,000
Total State Taxes	\$4,371,000	\$7,698,000	\$13,069,000	\$3,327,000	\$8,698,000

(1) Includes full- and part-time jobs. This equates to approximately 1,000 FTEs for the existing HCC, 1,800 FTEs for an AHL arena and 3,100 FTEs for an NHL arena.

(2) Direct spending has been adjusted downward to reflect the assumption that a significant portion of the spending related to an NHL franchise is allocated to player payroll, and that only a portion of player spending will actually impact the local economy.

As shown, the Hartford Civic Center is estimated to generate approximately \$42.0 million in direct spending going forward, which would result in approximately \$70.6 million in total output, \$32.5 million in earnings and would support approximately 1,400 jobs. In addition, this spending is estimated to generate approximately \$2.9 million in annual state sales taxes, \$88,000 in state lodging tax revenue, \$1.1 million in personal income taxes and \$242,000 in state business taxes.

The operations of a new arena with an AHL tenant are estimated to generate approximately \$75.5 million in direct spending, \$126.9 million in total output and \$57.8 million in total earnings, supporting approximately 2,500 total jobs. Similarly, this spending is estimated to generate approximately \$5.2 million in state sales tax revenue, \$116,000 in lodging tax revenue, \$2.0 million in personal income taxes and \$435,000 in business taxes.

Due to the higher attendance, ticket prices and associated spending related to an NHL franchise, a new arena with an NHL tenant is estimated to generate significantly higher overall spending and related economic and fiscal impacts than either the existing HCC or a new arena with an AHL tenant. Specifically, it is estimated that the operations of the new arena and NHL franchise could generate approximately \$124.6 million in direct spending, which would result in approximately \$209.8 million in total output, \$97.4 million in earnings and would support approximately 4,300 jobs. This spending is also estimated to generate approximately \$8.9 million in state sales taxes, \$148,000 in state lodging tax, \$3.3 million in personal income taxes and \$719,000 in state business taxes.

In addition to the economic and fiscal impacts that could be generated by the proposed facility on an ongoing basis, the construction of a new arena also generates significant economic and fiscal impacts during the construction period. Based on factors such as the costs of comparable arenas built in other markets, the relatively high building cost index of the Hartford market and the rapid inflation of construction costs throughout the country, it is estimated that a new, NHL-ready facility in Hartford could range from approximately \$300.0 million to \$400.0 million, while an AHL facility is estimated to cost between \$250.0 million and \$300.0 million. The actual project cost and resulting economic impacts could vary greatly depending on the final project design. The following table summarizes the range of economic impacts estimated to be generated during the construction period. The impacts represent the estimated gross economic impact related to arena construction.

**Estimated Economic and Fiscal Impacts
Construction - One-Time Impacts**

	AHL Arena	NHL Arena
Project Cost	\$250,000,000	\$400,000,000
Adjusted Local Spending	\$187,500,000	\$300,000,000
Total Output	\$338,277,000	\$541,243,000
Earnings	\$166,378,000	\$266,204,000
Jobs (1)	3,200	5,100

(1) Includes full- and part-time jobs. A factor of approximately 80 percent can be applied to this number to determine FTEs.

As shown, it is estimated that approximately \$187.5 million to \$300.0 million would be spent locally for arena construction. This spending is estimated to generate approximately \$338.3 million to \$541.2 million in total output and between \$166.4 million and \$266.2 million in earnings, supporting approximately 3,200 to 5,100 jobs during the construction period.

While the construction and ongoing operations of the arena will likely result in significant economic and fiscal impacts for the greater Hartford area, the presence of a first-class facility and NHL franchise also generate significant non-quantifiable impacts for the area. These impacts can include increased private sector investment in ancillary development options around the arena, diversified entertainment options for local residents and visitors, enhanced community pride and other such amenities that cannot directly be quantified, but can have a major positive impact on the community as a whole.

Funding Analysis

In order to develop an arena of the type and quality described throughout this report, it is likely that a combination of both private and public funding sources will be required. The report provides a summary of funding sources utilized for the most recently development NHL arenas as well as a detailed summary of potential funding options that could be available in Hartford. The following table summarizes these potential sources, along with a brief commentary on specific requirements for each potential source.

Potential Public Funding Sources				
Source	Incremental Rate	Estimated Annual Revenue	Estimated Debt Supported (1)	Comments
PUBLIC SOURCES				
TIF - In-Arena Sales Tax	n/a	\$1.6 million to \$4.2 million	\$6.3 million to \$16.1 million	May require approval from the City Council for implementation. Also, it may be possible to capture a higher percentage than the 50 percent used in this estimate for project costs, with Council approval.
TIF - Property Taxes (2)	n/a	\$106,000 - Residential \$162,500 - Apartments \$186,000 - Commercial	\$2.4 million \$3.7 million \$4.3 million	Assumes \$10.0 million of development for each property type. Also assumes 50 percent of increment is captured for project costs. With Council approval, this amount could be increased.
Admission Tax	10.00%	\$1.9 million to \$5.3 million	\$14.4 million to \$40.4 million	Would require legislative approval as Kalamazoo currently does not qualify under the Stadia or Convention Facilities Act of 1991. Would also require voter referendum for approval.
Sales Tax Increase - City	0.25%	\$4.8 million	\$44.4 million	The State of Connecticut currently does not allow municipalities to levy a local sales tax. Legislative action would be required to enable the City to enact such a tax.
Sales Tax Increase - Statewide	0.25%	\$130.4 million	\$1.2 billion	Legislative action would be required to increase the State sales tax rate.
Occupancy Tax - City	1.00%	\$420,000	\$3.9 million	The State of Connecticut currently does not allow municipalities to levy a local tax, therefore legislative action would be required. In addition, all revenues generated by the State's occupancy tax are currently allocated to the General Fund, therefore specific action to establish a segregated fund may be required.
Occupancy Tax - Statewide	1.00%	\$6.3 million	\$58.1 million	All revenues generated by the State's existing occupancy tax are currently allocated to the General Fund, therefore specific action to establish a segregated fund may be required to enable funds to be used for arena construction.
Tourism Account Surcharge	\$1.00 per day	\$4.8 million	\$43.6 million	Legislative action would likely be required to implement an increase in the Tourism Account Surcharge amount on rental cars. Information on rentals within specific municipalities is not available, therefore only a statewide estimate has been included herein.
PRIVATE SOURCES				
Suite Revenue	n/a	\$4.6 million to \$17.4 million	\$30.4 million to \$113.9 million	These revenues are currently assumed to be allocated to the facility for operations. If captured for arena construction funding, impact on operations must be considered.
Naming Rights	n/a	\$750,000 to \$3.0 million	\$4.9 million to \$19.7 million	These revenues are currently assumed to be allocated to the facility for operations. If captured for arena construction funding, impact on operations must be considered.
Advertising	n/a	\$1.25 million to \$5.0 million	\$8.2 million to \$32.8 million	These revenues are currently assumed to be allocated to the facility for operations. If captured for arena construction funding, impact on operations must be considered.
Admission Surcharge	\$1.75 to \$2.50 per paid admission	\$1.6 million to \$3.5 million	\$12.3 million to \$26.4 million	These revenues are currently assumed to be allocated to the facility for operations. If captured for arena construction funding, impact on operations must be considered.

(1) Assumes 20-year debt with a six percent interest rate and various coverage ratios. However, depending on the type of tax, a higher coverage ratio may be required, reducing the amount of debt supported accordingly.

(2) Revenue and supported debt are based on \$10.0 million of development for each property type.

As shown, it is likely that a combination of both public and private sources will be required to secure adequate project funding. In addition, it is important to note that several of the public sources identified would require legislative approval for implementation.

Site Analysis

We carefully considered seven potential sites in Hartford where a new arena could be located. After narrowing the list down to three sites which were then studied in greater detail, we determined that building a new arena on the existing site of the Hartford Civic Center is the best option. This location not only capitalizes on existing and planned parking and transportation systems, but also would strengthen the nascent mixed-use district in this part of downtown jump-started by the Hartford 21 Project.

To help us reach our decision, each site was measured against the given development considerations/criteria. We established a basic rating system which illustrates our assessment of the probability for success in each category: High = 3 points / Medium = 2 points / Low = 1 point.

		SITE 2	SITE 3	SITE 4	SITE 5	SITE 6	SITE 7
		High Street	Main Street	Asylum Street	Existing Civic Cntr	Adriaen's Landing	Sheldon Street
1.	Market Condition	Low	Low	Medium	Medium	High	Low
2.	Enhanced Value	High	High	Medium	High	Low	Medium
3.	Infrastructure	Medium	Medium	Medium	Medium	High	Low
4.	Development Opportunity	Medium	Medium	High	High	Low	Low
5.	City Needs	Medium	Medium	High	High	Low	Medium
6.	Public Financing	Medium	Medium	Medium	Medium	Medium	Medium
7.	Public Benefit	Medium	Medium	High	High	Medium	Medium
8.	Critical Mass Development	High	High	Medium	High	Low	Medium
9.	Access to Transit	Medium	Medium	High	High	Medium	Low
10.	Existing Development Integration	Low	Low	Medium	High	High	Low
11.	New Development Integration	High	High	Medium	High	Low	High
12.	Activity Center Proximity	Medium	Medium	Medium	Medium	High	Medium
	POINT TOTAL	25	25	28	32	23	20

Note: Site 1 (Myrtle Street) was dismissed after further review due to physical constraints of the site.

The existing Civic Center site is adjacent to the significant investments of Hartford 21, the historic Goodwin Hotel, an existing retail environment that includes Pratt Street, and the development opportunities on the land between the site and the train depot. This site is also close to the new residential development opportunities overlooking Bushnell Park. In the aggregate, these adjacent properties provide a beneficial mix of existing development, new opportunities for higher density development and the potential for a new mixed-use neighborhood that could include a range of product types that include, but may not be limited to, retail, hotel, office and residential that could include a live-work loft product.

When analyzing the sites against the considerations and criteria that we developed for this report, the site of the existing Hartford Civic Center, Site 5, emerges as the best location for providing opportunities for ancillary development and enhancements for downtown Hartford. If the City believes that redevelopment of an area of downtown increases the public benefit, then a public-private partnership with the goal of developing a world-class arena that is integrated into a broader urban plan is best achieved at the existing Civic Center site.