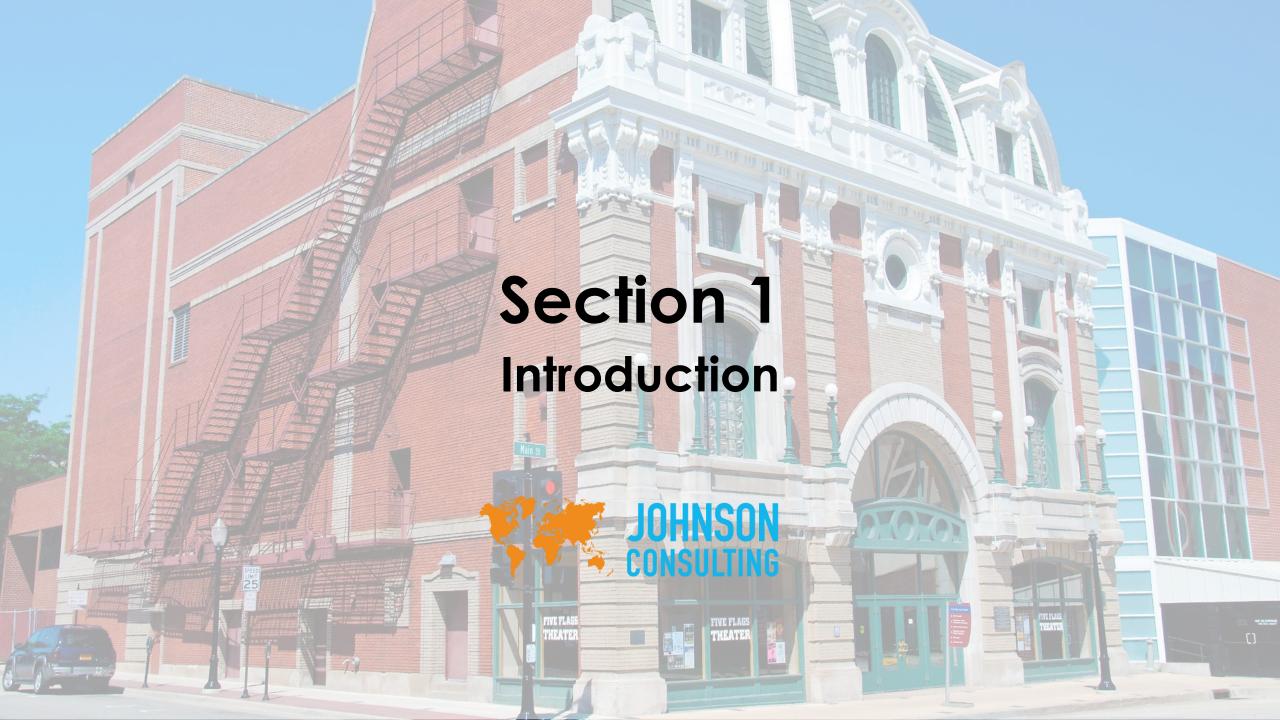


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Introduction

Transmittal Letter

Re: DRAFT Five Flags Civic Center – Peer Review & Economic Impact Analysis

Dear Mr. Lobianco and Interested Dubuque Stakeholders:

C.H. Johnson Consulting, Inc. (Johnson Consulting) is pleased to submit this report to you regarding the Five Flags Civic Center in Dubuque, IA. Pursuant to our engagement, this report provides an objective peer review of the 'Assessment and Study Regarding the Future of the Five Flags Civic Center' conducted in 2018 by CSL and updated in 2019, provides an independent assessment of future demand, estimates the economic and fiscal impact generated by the venue, and presents funding strategies to achieve the desired outcomes and ensure ongoing success. Johnson Consulting is a third party consultant that works impartially and independently to provide objective observations and recommendations to our clients.

Johnson Consulting has no responsibility to update this report for events and circumstances occurring after the date of this report. As the ongoing impacts of the global COVID-19 pandemic impact are still uncertain, our report outlines our assumptions based on experience from previous economic disruptions, but the actual impact will not be known for the foreseeable future. The findings presented herein reflect analyses of primary and secondary sources of information. Johnson Consulting used sources deemed to be reliable but cannot guarantee their accuracy. Moreover, some of the estimates and analyses presented in this study are based on trends and assumptions, which can result in differences between projected results and actual results. Because events and circumstances frequently do not occur as expected, those differences may be material. This report is intended for the Clients' internal use and cannot be used for project underwriting purposes without Johnson Consulting's written consent.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely,

DRAFT

C.H. Johnson Consulting, Inc



Introduction

Introduction & Methodology

Johnson Consulting was retained by Dubuque Main Street on behalf of a group of over 30 private businesses, organizations and individuals to provide an independent, third-party assessment of the economic and fiscal impact of the Five Flags Civic Center in downtown Dubuque, IA. The intent of this study is to substantiate demand for improved facilities at the Civic Center and quantify the associated impact to the community and region.

The 2018 'Assessment and Study Regarding the Future of the Five Flags Civic Center' conducted by CSL culminated in 4 alternative scenarios for the Civic Center, ranging from status quo operations to the replacement of the arena and significant improvements to the theater. CSL's updated 2019 report further contemplated Scenario 3 (theater renovation and arena expansion) and Scenario 4 (theater renovation and new arena construction) and concluded that Scenario 3 would be ineffective at increasing seating capacity and improving operational efficiency and Scenario 4 was cost prohibitive. As such, the 2019 study recommended 'Scenario 4 Hybrid' which included a horseshoe arrangement for seating in order to maintain capacity for concerts, along with other recommendations purposefully intended to reduce the overall project cost. This preferred scenario is the focus of this economic and fiscal impact analysis, and we agree this is a reasonable project for the community.

Arenas are major investments for communities, as are theaters. They are capital intensive and are complex to operate. A good arena in a good market, such as Dubuque, is worth the investment because communities of certain sizes need them to serve their residents and businesses. The Five Flags Civic Center is well located and has a major influence on the quality of life of residents of the community, but it is a poor product. To the extent possible, this Civic Center should become an anchor in the community that drives residential, retail and hospitality uses. Not only will this result in a better and move vibrant community asset, but it may also help in the funding approach for the needed capital improvements.

Johnson Consulting has developed and executed a comprehensive methodology to provide a peer review of prior analyses conducted in relation to the Civic Center, verify demand potential, and provide an independent economic and fiscal impact analysis and funding strategy discussion, as highlighted in the graphic to the right. Our observations, analyses, and conclusions are presented throughout the balance of this report.





5th Street

Introduction

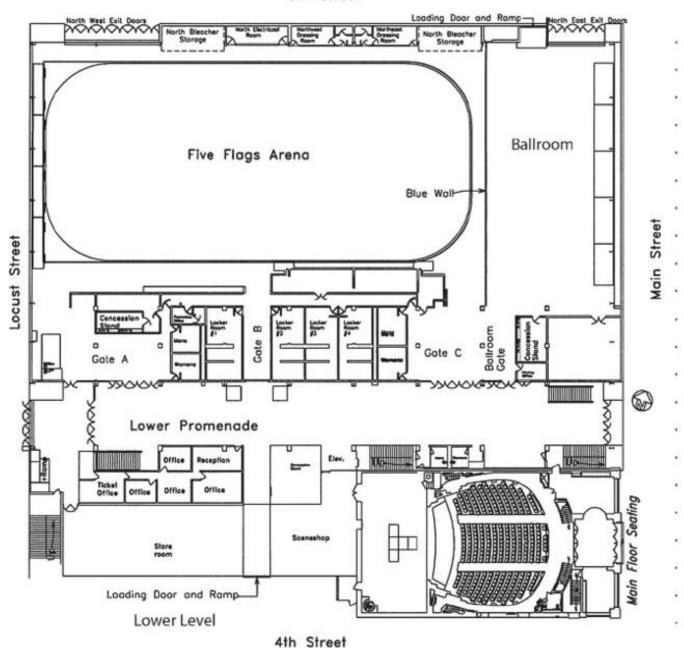
Five Flags Civic Center

Located in downtown Dubuque, the Five Flags Civic Center is primarily comprised of a 4,000-seat arena and 711-seat theater. The arena itself is a euphemism, as it is not a true "arena" as defined by today's market. The current arena, which opened in 1979 to support the restored historic theater, is really an aged expo hall with bleacher and floor seating. In 2005, the Civic Center underwent a \$2M upgrade, however a general lack of investment in capital improvements has hindered the ability of the Center, which is owned by the City of Dubuque and managed by ASM Global (formerly SMG), to maintain and grow its competitive position in the regional marketplace.

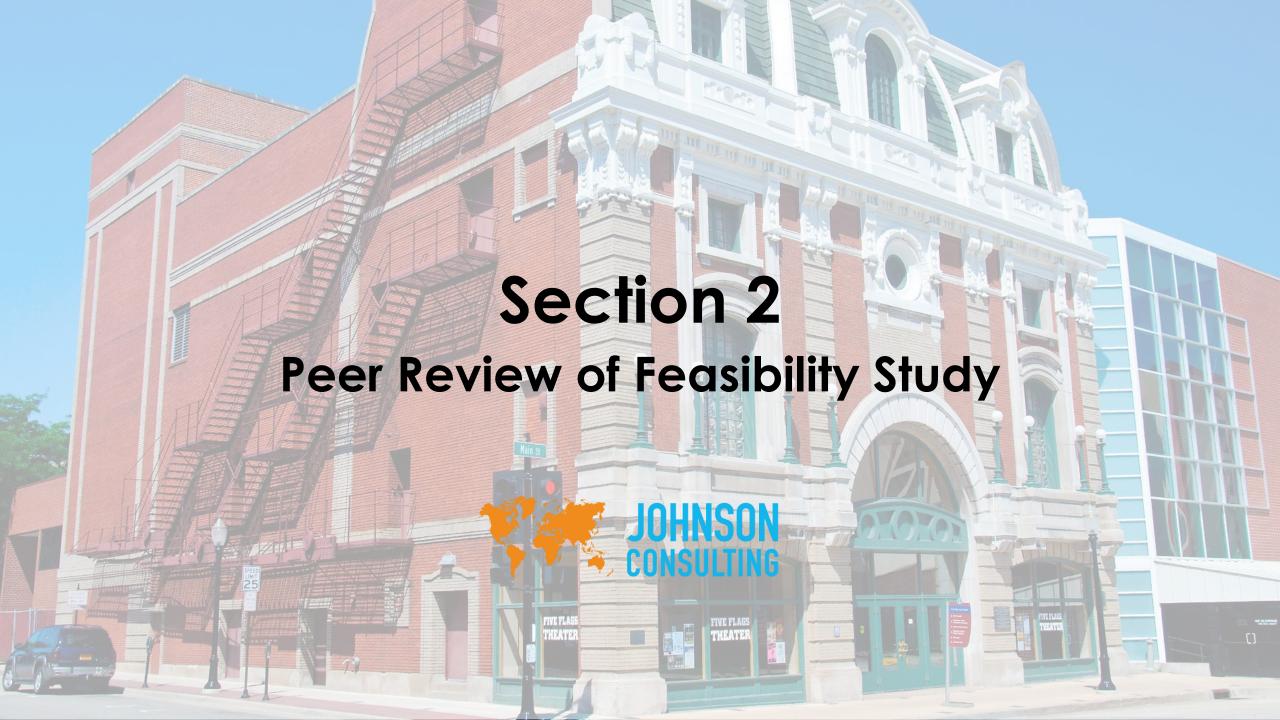
Five Flags Civic Center - Dubuque, IA Existing Event Spaces

Facility	Capacity (Persons)/ Size (SF)
Arena Seating Capacity (Max.) Floor Area (SF)	4,000 24,500
Theater Seating Capacity	711
Other Event Space Black Box/ Bijou Theater Meeting Rooms	1,700 1,950

Source: FFCC







Peer Review of Feasibility Study

central business district cores are often significantly higher than that presently exist in Dubuque's downtown.

Summary

The 2018 Assessment and Study Regarding the Future of the Five Flags Civic Center prepared by CSL is, in our opinion, a thorough analysis that establishes the challenges faced by the outdated, ageing facility, despite competent and creative management, and identifies the market opportunity for an improved venue. The study outlines the rationale for the highest and best use recommendations and presents various conclusions. Johnson Consulting's independent assessment of the accuracy of these findings, recommendations and justifications is presented below.

Peer Review of Recommendations included in 2018 Assessment and Study Regarding the Future of the Five Flags Civic Center

Assessment of Overall Recommendations

Rationale for Highest & Best Use Recommendations to Maintain FFCC*	CHJC Comments
1 Market demand exists for a multipurpose entertainment/spectator arena in Dubuque.	Current venue is not an "arena" by standard industry definitions. A new product will redefin what residents know as an arena.
There are important efficiencies involved with the co-location and co-management of the Theater and the Arena at the current FFCC site.	Same principle applies to the Grand River Center.
The FFCC's current location in the core of downtown central business district is the ideal location in Dubuque for such a facility.	Agree.
Under a scenario where the FFCC Arena is demolished and no replacement facility is developed elsewhere in the community, the Dubuque market would lose many, if not the majority, of the events hosted at the FFCC, and the associated economic activity generated in the downtown and throughout the community by their attendees.	The theater would still work independently, but the efficiencies would not be maximized, no would the synergies be exploited. There is also cross-subsidization that comes from the complex as a whole, which would be missed.
In cities larger than Dubuque, property values and demand for developable land parcels located in downtown	Dubuque has excellent "bones" as a downtown. However, the ecosystem is fragile and more

demand generators are needed to increase the energy needed to keep CBDs vitalized.

^{*} Source: June 2018 FFCC study by CSL, Page 59 Johnson Consulting



Peer Review of Feasibility Study

Assessment of Conclusions

Peer Review of Recommendations included in 2018 Assessment and Study Regarding the Future of the Five Flags Civic Center

Cor	nclusions to Market Analysis**	CHJC Comments
1	Market support exists for both Arena and Theater components.	Agree.
2	Local quality of life and economic activity would be negatively impacted without a venue serving these roles.	The inverse is true as well - continuing investment is needed to keep momentum and this project is on the list of key initiatives, as it should be.
3	The FFCC Theater is an historic asset that should be protected.	The theater needs capital investment and the arena provides a vehicle to enhance the theater by opening up and providing shared lobby and other spaces that are insufficiently provided today.
4	The FFCC's current location is ideal for an entertainment/sports/arts complex.	Perhaps other locations in downtown would work, but this site has evolved around this function and other site areas would have to emerge to provide the same setting.
5	Significant upgrades to the FFCC Arena product are needed to better compete for and serve spectator and entertainment event segments.	This comment is understated - the current product is abysmal and its role has been reduced due to the Grand River Center. A large, seated venue, like a traditional arena as proposed is appropriate. It is a different product than exists at the Civic Center today.
6	The FFCC Arena has exceeded its practical life.	Agree.
7	The FFCC Arena physical product and functionality is industry substandard.	Agree.
8	Investment in FFCC enhancements or redevelopment would be expected to drive new activity and positive impacts.	The current arena venue is not competitive nor can it attract most of the types of events that use a traditional arena.
9	The highest-and-best-use of the FFCC asset (building and land) is a multipurpose civic/entertainment/arts complex.	This is a directional project; Market demand exists and a new arena seems consistent with other messaging from Dubuque - great reputation for making good decisions and building high-quality amenities in its greater downtown and waterfront core.

^{**} Source: June 2018 FFCC study by CSL, Page 60 Johnson Consulting



Demand Verification

Peer Review of Recommended Scenarios

	Peer Review of Program Recommendations 2018 Assessment and Study & 2019 Update Regarding the Future of the Five Flags Civic Center						
Scenario	Description	Program	Capital Budget	CSL Analysis (Stabilized Year)	CHJC Comments		
# 1	Status Quo (minimum deferred maintenance and capex)	Arena Max. Capacity: 4,000 Theater Max. Capacity: 711	\$4.7 M	Highest operating deficit (\$856K); Minimal investment to keep Civic Center safe and operational based on current standards; Lowest economic impact (\$3.3M) and job creation (49).	Limited opportunity to attract additional events will inhibit revenue growth; Competitive position of Center will continue to erode despite efforts of Management; Agree that Scenario #1 should not be a contemplated option for the future of the Civic Center.		
# 2	Limited Renovation (no expansion to footprint)	Arena Max. Capacity: 4,000 Theater Max. Capacity: 711	\$18.6 M	Slightly lower operating deficit than Scenario 1 (\$811K); Slightly improved economic impact (\$4.2M) and job creation (63).	The relative cost/ benefit of this option suggests that Scenario #2 should not be a contemplated option for the future of the Civic Center, particularly given the minimal impact on the operating deficit.		
#3	Renovation with Expanded Arena	Arena Max. Capacity: 4,788 5 Private Suites Theater Max. Capacity: 711	\$67.6 M	Somewhat improved operating deficit (\$756K*); Significantly improved economic impact (\$7.2M) and job creation (106).	Agree that functional issues limit the ability of Scenario 3, as proposed, to create operational efficiencies that would allow the Civic Center to accommodate more, larger events and yield higher revenues. As such, Scenario #3 should not be a contemplated option for the future of the Civic Center.		
# 4	Renovation with Fully Redeveloped Arena	Arena Max. Capacity: 6,398 12 Private Suites Theater Max. Capacity: 711	\$82.8 M	Lowest operating deficit (\$314K); Greatest economic impact (\$8.8M) and job creation (130).	Scenario #4 is the best option for the Civic Center from a physical design standpoint, however the need to address concerns regarding cost led to creative solutions, as described in Scenario 4 Hybrid.		
# 4 Hybrid	Renovation with Fully Redeveloped Arena	Arena Max. Capacity: 6,468 12 Private Suites Theater Max. Capacity: 711	\$75.1 M	Significantly improved operating deficit (346K); Significantly higher economic impact (\$8.4M) and job creation (124).	Agree that Scenario 4 Hybrid may yield a slightly higher operating deficit than Scenario #4, however the reduced capital budget is a reasonable trade-off; Mechanisms that may reduce the deficit further include creative funding strategies, ticket fees, and others as described in this report.		

Source: June 2018 FFCC study by CSL, 2019 FFCC study update by CSL, Johnson Consulting





Demand Verification

Prior Demand Projections

The 2019 updated study prepared by CSL projected that under Scenario 4 Hybrid an improved Five Flags Civic Center would attract, in a stabilized year, 227 events, totaling 329 event days and 532 utilization days, which include move-in/ move-out days. These events were projected to attract 286,540

This represented a significant improvement over 2017 reported demand, which totaled 103 events, 170 event days and 93,3344 attendees, reflecting the proposed improvements to the Five Flags Civic Center. Johnson Consulting reviewed demand data for 2018 thru 2021, which was consistent with historic data (excluding the impact of the ongoing pandemic).

Overall, the projections prepared by CSL are generally in line with competitive and comparable venues and consistent with our expectations for the venue based upon the proposed improvements. An arena in a good market of this size should achieve over 200 events and serve between 200,000 to 300,000 people annually. Having said that, it is our opinion that the CSL report understated 2 key factors:

- 1. The destination appeal of Dubuque.
- 2. The super-regional effect that Management of the Five Flags Civic Center has already been able to cultivate without improved facilities. This is reflected in the proportion of out-of-town visitors to the venue (i.e. visitors who do not reside in the Dubuque area).

Scenario 4 Hybrid - Demand Projections (Stabilized Year) Five Flags Civic Center - Dubuque, IA

Event Type	Events (#)	Event Days (#)	Utilization Days (#)	Attendance (Persons)
Community/ Religious	8	8	12	18,400
Concerts	20	22	23	50,909
Convention/ Trade Show	6	9	18	9,000
Family/ Ice Shows	12	14	17	20,983
Meetings/ Banquets	50	50	75	12,500
Non-Tenant Performance	20	47	53	13,404
Public/ Consumer Show	5	8	13	8,438
Sporting Events	55	67	83	69,180
Tenant Performance	26	96	202	32,458
Other	25	8	36	51,269
Total	227	329	532	286,540
Total 2017 (Actual)	103	170	261	93,344

Source: 2018 and 2019 FFCC study by CSL

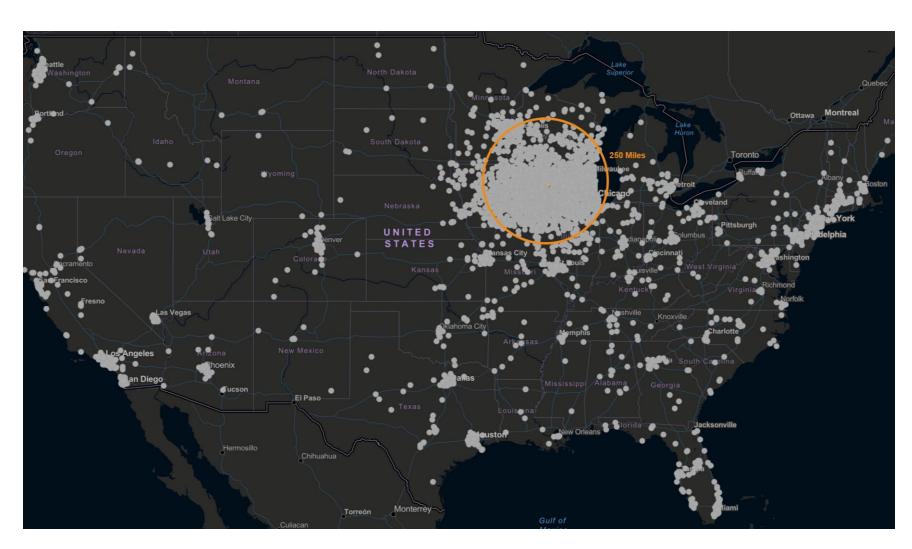
These 2 factors, while only having a nominal impact on total events and attendance levels, have important implications for the economic and fiscal impact of the Five Flags Civic Center as they directly correlate to the number of overnight stays that result from events and activities occurring at the venue.

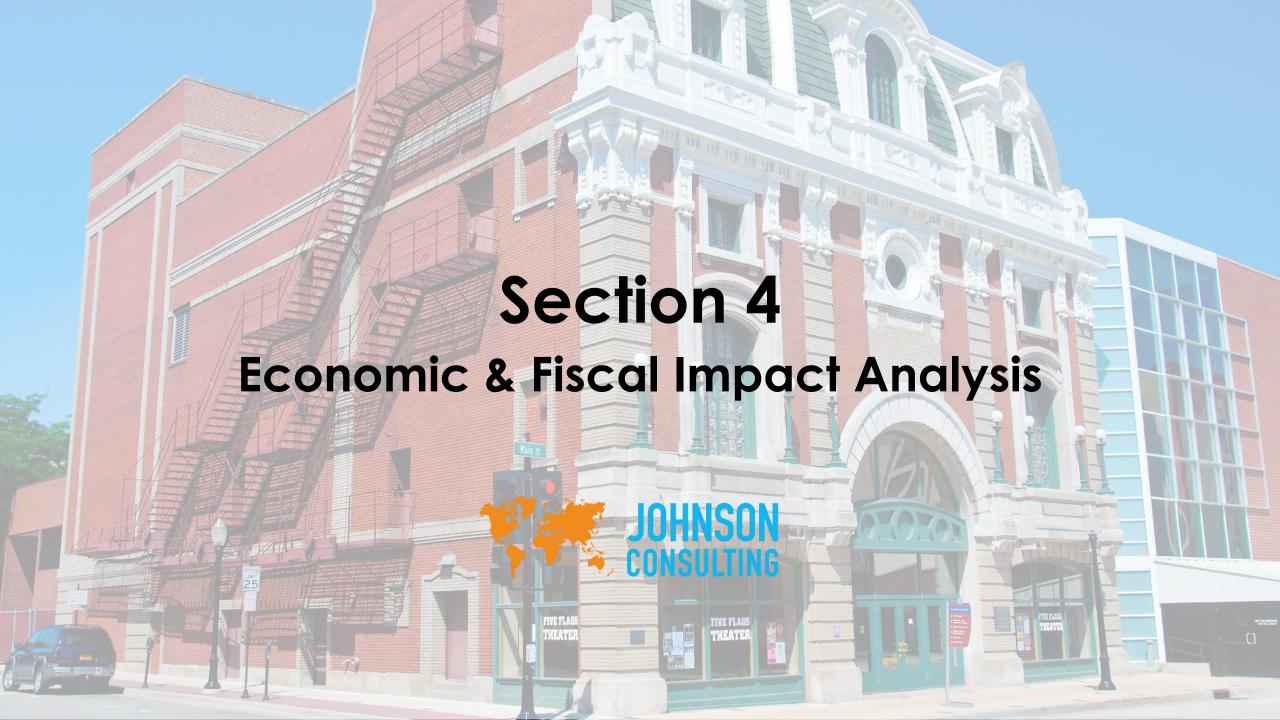
Demand Verification

Existing Demand Base

The Five Flags Civic Center has a significant regional draw. Based upon the data provided by Management of the Civic Center, approximately 42 percent of all ticket sales come from outside a 60-mile radius of the venue and 47 percent of tickets for large, major events (that can be accommodated in the arena) are purchased from outside of a 60-mile radius. This is extraordinary and since multiple states are involved many of these dollars from ticket sales come from adjacent states and are effectively being imported into Iowa and Dubuque.

The map to the right shows ticket sales by zip code for all events over the lifetime of the data source, as maintained by Management. As shown, the Five Flags Civic Center consistently attracts visitors from within an even larger, 250-mile radius that extends east to Chicago, IL, west to Des Moines, IA and north to Minneapolis, MN. The map also highlights an impressive national draw, particularly given the current capacity limits of the venue.





Definitions

Operations of the Civic Center generate ongoing, annual economic and fiscal impacts to the local and regional economies. Under each alternative scenario, initial transactions occurring within the venue 'ripple out' and generate indirect spending, induced spending, increased earnings, and employment, as well as various tax revenues for the local economy.

Economic impact is defined as incremental new spending in an economy that is the direct result of certain activities, facilities, or events. The levels of impacts are described as follows:

- **Direct Spending** is an expression of the spending that occurs as a direct result of the events and activities that occur in the subject facility. For example, an event attendee's expenditures on hotel rooms, shopping, and meals are direct spending.
- Indirect Spending consists of re-spending of the initial or direct expenditures, or, the supply of goods and services resulting from the initial direct spending in the subject facility. For example, a hotel guest's direct expenditure on a restaurant meal causes the restaurant to purchase food and other items from suppliers. The portion of these restaurant purchases that are within the local, regional, or state economies is counted as an indirect spending.
- **Induced Spending** represent changes in local consumption due to the personal spending by employees whose incomes are affected by direct and indirect spending. For example, a waiter at the restaurant may have more personal income as a result of the hotel guest's visit. The amount of the increased income the waiter spends in the local economy is called an induced spending.
- Total Spending is the sum of direct spending, indirect spending, and induced spending.
- Increased Earnings measures increased employee and worker compensation related to the project being analyzed. This figure represents increased payroll expenditures, including benefits paid to workers locally. It also expresses how the employees of local businesses share in the increased outputs.
- **Employment** measures the number of jobs supported in the study area related to the spending generated as a result of the events occurring in the multi-purpose center. Employment impact is stated in a number of full-time equivalent jobs.

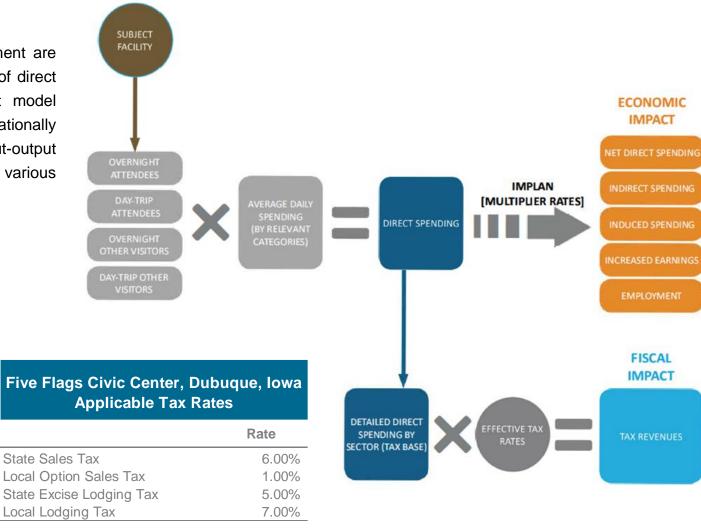
Definitions

Indirect spending, induced spending, increased earnings, and employment are estimated using a set of multiplier rates that are applied to the amount of direct spending. These figures are derived from an IMPLAN input-output model specifically purchased from IMPLAN Group, LLC. IMPLAN is a nationally recognized model commonly used to estimate economic impacts. An input-output model analyzes the commodities and income that normally flow through various sectors of the economy.

Five Flags Civic Center, Dubuque, Iowa Economic Impact Multilpiers					
Impact	Multiplier	Base			
Indirect Spending	0.289	of direct spending			
Induced Spending	0.210	of direct spending			
Increased Earnings	0.260	of direct spending			
Increased Employment	10.000	per \$1 million of direct spending			

Source: IMPLAN, Johnson Consulting

<u>Fiscal impact</u> analysis measures the estimated tax revenues resulting from direct spending on certain activities, facilities, or events. For this analysis, fiscal impact estimates focus on major categories of tax revenues that are directly affected by a visitor's activity —general sales and use tax, food and beverage tax, and hotel/ motel tax.



Source: Johnson Consulting

Methodology

It is noted that the 2018 study prepared by CSL included a high-level assessment of the economic and fiscal impact of the Five Flags Civic Center that did not account for local demand. While this "net new" calculation is important, it understates the benefit of improvements to the local community. As such, the following analysis contemplates both local and non-local visitation to an improved venue consistent with Scenario 4 Hybrid.

Visitation

Visitation to the Five Flags Civic Center is measured in terms of person-days (whereby 1 person attending a 3-day event is counted as 3 person-days) and including event attendees as well as other visitors to the venue, such as performers, production team staff, etc. As shown, pursuant with Scenario 4 Hybrid, total visitation will equate to 408,932 person-days in a stabilized year of operation, assumed to be Year 5 of operation of the improved venue. Of these, 390,404 person-days (95.5 percent) are projected to be from attendees/ patrons, and the balance (18,528 person-days or 4.5 percent) are projected to be from non-attendees/ patrons, such as performers, production staff, exhibitors and other visitors to the venue.

As it relates to person-days generated by attendees/ patrons, Johnson Consulting agrees with the projections included in the 2019 study prepared by CSL for Scenario 4 Hybrid. Utilizing these projections provides a standard basis of information as improvements to the Five Flags Civic Center are further contemplated. It is however noted that the CSL study did not include any non-attendee visitor projections, and although this figure is relatively small in comparison to attendee/ patron person-days, excluding it effectively understated total visitation to an improved Five Flags Civic Center.S

Scenario 4 Hybrid - Person Days (Stabilized Year) Five Flags Civic Center - Dubuque, IA

Event Type	Attendee	Additional	Total Person
Event Type	Days	Days*	Days
Community/ Religious	18,400	120	18,520
Concerts	56,000	920	56,920
Convention/ Trade Show	13,500	2,205	15,705
Family/ Ice Shows	24,480	680	25,160
Meetings/ Banquets	12,500	375	12,875
Non-Tenant Performance	31,500	2,120	33,620
Public/ Consumer Show	13,500	1,593	15,093
Sporting Events	84,274	2,075	86,349
Tenant Performance	119,844	8,080	127,924
Other	16,406	360	16,766
Total	390,404	18,528	408,932
15-Year Total	5,856,060	277,913	6,133,973
2019 Projections (CSL)	390,404	0	390,404
15-Year Total	5,856,060	0	5,856,060

^{*} Performers, Production Staff, Exhibitors and Other Visitors Source: 2019 FFCC study by CSL, Johnson Consulting



Local Visitors

Local residents will account for 217,611 person-days in a stabilized tear of operation (Year 5). This includes event attendees/ patrons and others such as performers, production team staff, exhibitors, and others.

Out-of-Town/ Non-Local Visitors

Person-days generated by visitors from out-of-town will equate to 191,320 person-days in a stabilized year of operation (Year 5). Similarly to local visitors, this includes event attendees/ patrons and other visitors such as performers, production team staff, exhibitors, and others.

Room Night Generation

Out-of-town visitors will generate an estimated demand for 25,542 room nights in a stabilized year of operation (Year 5).

It is noted that the 2019 study prepared by CSL placed an emphasis on local visitation to the Five Flags Civic Center and, in our opinion, understated the regional draw of Dubuque and current efforts of Management of the venue to create a regional effect. This is reflected in increased non-local visitation and associated room night generation in Johnson Consulting's independent projections, pursuant to Scenario 4 Hybrid.

Scenario 4 Hybrid - Local and Non-Local Person Days* (Stabilized Year)
Five Flags Civic Center - Dubuque, IA

	Local Non-Local**		Room		
Event Type	%	#	%	#	Nights
Community/ Religious	80%	14,816	20%	3,704	748
Concerts	20%	11,384	80%	45,536	7,088
Convention/ Trade Show	30%	4,712	70%	10,994	3,922
Family/ Ice Shows	20%	5,032	80%	20,128	1,579
Meetings/ Banquets	80%	10,300	20%	2,575	538
Non-Tenant Performance	20%	6,724	80%	26,896	4,629
Public/ Consumer Show	40%	6,037	60%	9,056	802
Sporting Events	20%	17,270	80%	69,079	5,326
Tenant Performance	100%	127,924	0%	0	0
Other	80%	13,413	20%	3,353	911
Total		217,611		191,320	25,542
2019 Projections (CSL)		300,024		90,380	13,156

^{*} Includes Attendees/ Patrons and Other Visitors (Performers, Production Staff, Exhibitors and Other Visitors, etc.)

Source: 2019 FFCC study by CSL, Johnson Consulting



^{**} Visitors who do not reside in the Dubuque metro area

Estimated Impact

Reflecting the calculations, assumptions and multipliers described above, visitors to the improved Five Flags Civic Center, per Scenario 4 Hybrid, are projected to generate \$16.4M in total spending and \$2.9M in increased earnings, and supports a minimum of 100 full-time equivalent (FTE) jobs annually in Year 1, which is assumed to be the first full year of operation of the event venue. Upon stabilization (Year 5), visitors to Five Flags Civic Center are estimated to generate \$21.2M in total spending and \$3.7M million in increased earnings, and support 141 FTE jobs annually.

Beyond the venue itself, there will be direct spending on lodging, food and incidentals and car rental at local businesses, as quantified in the table to the right. These establishments will report increased earnings which will support business expansion and employment growth, among other positive impacts.

The fiscal impact of the Five Flags Civic Center is projected to total close to \$1.1M in tax revenues from sales, food and beverage and hotel taxes in Year 1, and stabilizing at \$1.3M in tax revenues in Year 5.

Five Flags Civic Center, Dubuque, Iowa Scenario 4 Hybrid - Renovation w/ a Fully Redeveloped Arena Estimated Spending and Impact (Inflated \$000)											
	Rate/ Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Activity Volume											
1 Attendance Person-Days		200,338	221,888	243,439	264,990	286,540	286,540	286,540	286,540	286,540	286,540
2 Attendees		273,008	302,357	331,706	361,055	390,404	390.404	390.404	390.404	390.404	390.404
3 Exhibitors and Other Visitors		13,940	15,087	16,234	17,381	18,528	18,528	18,528	18,528	18,528	18,528
4 Total		286,948	317,444	347,940	378,436	408,932	408,932	408,932	408,932	408,932	408,932
5 Room Nights		26,062	25,932	25,802	25,672	25,542	25,542	25,542	25,542	25,542	25,542
Sales Volume (\$000)		,	,		,	,	,	,	,	,	,- :_
6 Spending at Event Venue		\$1,081	\$1,249	\$1,417	\$1,585	\$1,753	\$1,983	\$2,033	\$2,083	\$2,135	\$2,189
Additional Spending	Average Spending							. ,			
7 On Lodging	\$96.00 (a)	\$2,502	\$2,552	\$2,602	\$2,654	\$2,452	\$2,774	\$2,844	\$2,915	\$2,988	\$3,062
On Food and Incidentals											
8 by Attendees	\$20.00 (b)	\$5,460	\$6,198	\$6,970	\$7,776	\$7,808	\$8,834	\$9,055	\$9,281	\$9,513	\$9,751
9 by Exhibitors and Other Visitors	\$50.00 (c)	697	773	853	936	926	1,048	1,074	1,101	1,129	1,157
10 On Car Rental	\$46.86 (d)	1,221	1,246	1,270	1,295	1,197	1,354	1,388	1,423	1,458	1,495
11 Subtotal Additional Spending		\$9,880	\$10,769	\$11,695	\$12,662	\$12,383	\$14,011	\$14,361	\$14,720	\$15,088	\$15,465
12 Total		\$10,962	\$12,018	\$13,112	\$14,246	\$14,136	\$15,994	\$16,393	\$16,803	\$17,223	\$17,654
Economic Impact (\$000)		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
13 Direct Spending	<u>Multipliers</u>	\$10,962	\$12,018	\$13,112	\$14,246	\$14,136	\$15,994	\$16,393	\$16,803	\$17,223	\$17,654
14 Indirect Spending	0.289	3,168	3,474	3,790	4,118	4,086	4,623	4,739	4,857	4,978	5,103
15 Induced Spending	0.210	2,307	2,529	2,759	2,998	2,975	3,366	3,450	3,536	3,624	3,715
16 Total Spending		\$16,437	\$18,021	\$19,662	\$21,362	\$21,197	\$23,982	\$24,582	\$25,196	\$25,826	\$26,472
17 Increased Earnings	0.260	\$2,853	\$3,128	\$3,413	\$3,708	\$3,679	\$4,163	\$4,267	\$4,374	\$4,483	\$4,595
18 Increased Employment	10.000	110	117	125	132	141	141	141	141	141	141
Fiscal Impact (\$000)		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Tax Revenues	Tax Rate										
19 State Sales Tax	6.00%	\$658	\$721	\$787	\$855	\$848	\$960	\$984	\$1,008	\$1,033	\$1,059
20 Local Option Sales Tax	1.00%	110	120	131	142	141	160	164	168	172	177
21 State Excise Lodging Tax	5.00%	125	128	130	133	123	139	142	146	149	153
22 Local Lodging Tax	7.00%	175	179	182	186	172	194	199	204	209	214
23 Total Tax Revenues		\$1,068	\$1,147	\$1,230	\$1,316	\$1,284	\$1,452	\$1,489	\$1,526	\$1,564	\$1,603

Notes:

- a) From GSA Per Diem, Standard Rate for Iowa
- b) Assuming an average spend of \$20 on meals and incidentals ON TOP OF what they may have spent already at the venue.
- c) Assuming an average spend of \$50 on meals and incidentals (or \$30 higher than that of an attendee's) ON TOP OF what they may have spent already at the venue.
- d) Derived from Corporate Travel Index for Des Moines, IA per Business Travel News. Only applied to overnight visitors who stay in hotels (represented approx. by number of roomnights).
- e) Assuming that room revenues are sales-taxed at 6 percent as well.

Source: Johnson Consulting

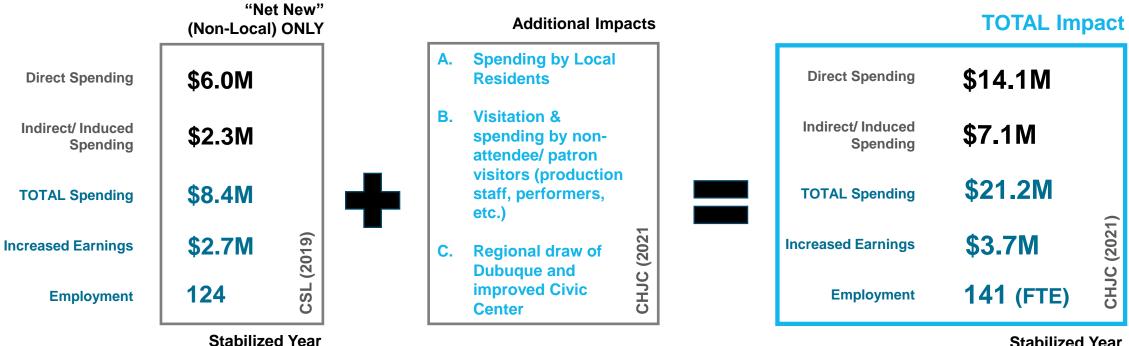


Comparison of Economic Impact of Scenario 4 Hybrid (Stabilized Year)

As noted above, it is our opinion that the CSL report understated 2 key factors:

- 1. The destination appeal of Dubuque.
- 2. The super-regional effect that Management of the Five Flags Civic Center has already been able to cultivate without improved facilities. This is reflected in the proportion of out-of-town visitors to the venue (i.e. visitors who do not reside in the Dubuque area).

The graphic below highlights the variance in the estimated economic impact of an improved venue, consistent with Scenario 4 Hybrid, when local and non-attendee visitation is accounted for, in a stabilized year of operation, highlighting an impact that is almost 3-fold.





Introduction

In North America, multi-purpose event center, arena and theater improvements and expansions, as well as new construction, are typically financed with public debt, which is repaid over a 20- to 30-year period. This is because, non-tenant arenas may break even operationally, but never cover debt service. Grants and benefactor support is also commonplace. Sources of funds used to repay the debt are usually tax revenues and are often those generated from activities or businesses that are most likely to use, or otherwise benefit from, the facility. Hotel room occupancy taxes, special taxes on retail and restaurants, sales taxes, car rental fees, parking taxes, airport access fees, and adjacent real estate taxes and profits are most often the revenue sources used to repay debt service. These tax sources are frequently used to finance the ongoing operating, capital improvements and marketing needs of the facility.

Funding strategies are local, but they must be developed within the guardrails set up by state enabling legislation. Creativity, maximizing revenue, philanthropy and corporate support, as well as legislative changes to make things work in <u>your market particularly</u>, are the key ingredients for arena and theater funding. In today's market, people are looking for experiences. Arenas and theaters create opportunities for experiences. Accessing various types of partners not only opens up avenues for funding, but adds interesting and creative collateral to development projects that can also serve to animate the area around the venue.

Financing Mechanisms

There are three typical financing tools used to fund public assembly facilities:

- 1. PAY-AS-YOU-GO FINANCING: Projects that are relatively small or that are financed in municipalities with rapidly growing tax bases are sometimes paid for directly out of appropriated funds each year. However, most facilities are financed with long-term debt so that payment of capital costs corresponds to the period over which the facility is used, and its economic benefits are realized.
- 2. GENERAL OBLIGATION BOND FINANCING: Long-term bonding using the general obligation of the City, County and/ or State, Port Authorities, and College institutions, etc. either directly as part of a capital outlay program or as guaranteed debt of an authority that would provide strong credit and relatively low borrowing costs for the project. General obligation bonding is typically reserved for projects perceived to benefit the population as a whole, such as educational, environmental, economic development, transportation, or correctional facilities.

3. REVENUE BOND FINANCING: Revenue bonds are another source of finance that can be used to build, own, and operate utilities, airports, transportation systems, and public purpose facilities that have no power to tax. They derive their revenues from user fees and other sources, and must finance general and capital expenditures out of these receipts and whatever amount they are permitted to borrow, which can be tailored to fit the specific requirements of the involved local and state governments.

Taxing Mechanisms

- 1. SALES TAXES: Sales tax provides strong credit structures because they are relatively predictable and tend to track with inflation and economic growth. A general sales tax increase, or expansion of the base, can provide a strong incremental revenue stream. However, these taxes are often difficult to implement because they primarily tax local residents and require referendum and/ or State legislative approval. There are examples of municipalities using a general sales tax, over a fixed period, to finance major capital projects. The quick-pay method enables municipalities to generate the necessary revenue over a short period of time. There is a local option sales tax in lowa and that has been enacted in Dubuque. Some growth or increment could be considered once law regulations are reviewed.
- 2. HOTEL OCCUPANCY TAX: Hotel taxes have the major advantage of primarily taxing out-of-town visitors, rather than local residents. A number of facilities throughout the U.S. have had their debt service paid fully, or in part, by dedicated hotel tax revenues. The maximum allowable hotel tax rate in lowa is at 7 percent and Dubuque is already at that level.
- 3. TAX INCREMENT FINANCING (TIF): TIFs are based on the incremental tax value of ancillary economic development projects that are triggered by a major new facility. The tax base of a defined TIF district is frozen and any increases in the future tax base are used to repay TIF bonds. The Civic Center is located within a TIF but it is understood that funds have not been granted to entertainment uses previously. This may be, in part, because such property tax TIFs are not powerful enough to fund projects of this scale, unless it is a very large district all of downtown perhaps. A special zone with increased sales, hotel and meals taxes could be used on an increment or new revenue basis.
- 4. MEALS TAXES: Meals taxes have been used throughout the U.S. to support the costs of developing, and renovating, public assembly facilities and to fund related infrastructure, such as parking decks. This is a natural extension of the concept of lodging taxes, as the second highest spend occurs on food service. Meals taxes are directed towards beneficiaries of the project and to some extent, non-residents. Meals taxes can also generate substantial revenue to support operations of a facility. Meals taxes are not legally authorized in the State of lowa.

- 5. **DEVELOPMENT FEES/ LAND LEASE INCOME**: Fees for the right to develop projects near a public assembly facility can assist in funding. These so-called linkage fees have been imposed in locations where land adjacent to a public assembly facility is at a premium, typically on hotels, parking decks, retail stores, residential, and other uses that can benefit from their proximity to the facility. Such fees generally do not produce significant revenue and are typically not a creditworthy source for debt financing because of their speculative nature.
- 6. OTHER SOURCES: Other common sources of partial funding include general fund support, car rental taxes, taxi airport access fees, and parking taxes.

Case Study Examples

By way of example, funding strategies used to develop two prominent regional arena facilities are summarized as follows:

- Wells Fargo Arena Des Moines, IA: The approximately 17,000-seat arena, which opened in 2005 at a total cost of \$91.7M, was funded entirely using public sources. When combined with construction of Hy-Vee Hall and renovations to the Veterans Memorial Auditorium, the \$217M lowa Events Center project was the largest publicly-funded building project in the State's history. The majority of project funding was from \$153M in general obligation bonds issued by Polk County, of which \$19.5M was backed by naming rights and other private contributions, \$7.5M from the City of Des Moines, \$1.3M from the City of West Des Moines, \$2.5M combined from the 12 other municipalities in Polk County, and the balance from general Polk County funds. Other revenue sources included a \$53.3M grant from the Vision lowa program and \$10.4M from sales tax reimbursements and utilities rebates.
- Xtream Arena Coralville, IA: The 5,100-seat arena, which opened in September 2020 at an estimated cost of \$50M, anchoring a broader \$190M development, was funded by several sources including \$12M from the Iowa Economic Development Authority, \$4.8M in new market tax credits, and \$200,000 from the Johnson County Board of Supervisors and the University of Iowa. ArenaCo., which is the non-profit corporation established to build, own and operate the Arena, set a pre-development target of \$13M in naming rights deals and \$3M in philanthropic contributions. The model used for this project, which integrates University use, health performance and multiple other uses, was apropos for the Coralville market at the time. While the college scene and real estate markets are different in Dubuque, similar mixed use development principles are encouraged to help vitalize the area anchored by the Five Flags Civic Center. Further, the funding strategy used for the Xtream Arena illustrates the value of utilizing a combination of investments by partners University, City, County and the private sector.

The Five Flags Civic Center is an important anchor of Dubuque's downtown core and should be treated as such. Other destinations have recognized the intrinsic value of arenas, theaters and similar public assembly facilities as drivers of economic, cultural and entertainment activities by defining districts around the venues and establishing or enacting dedicated funding sources to support capital improvements and ongoing operations. Nationally, several examples are summarized as follows:

• Nashville Convention Center – Nashville, TN: Exemplifies how districts can be formed to fund projects. The logic is that for certain taxes, a boundary is formed, and an "increment" of taxes is collected. The Downtown Nashville Tourism Development Zone (TDZ) is defined as a 1,700-acre (26.5-square mile) zone created by the State of Tennessee that uses TIF to leverage funds for municipal improvement projects at the State and City level. The TIF mechanism is very powerful as it is based upon increment sales taxes rather than the more typical property taxes. Taxes collected from the TDZ strengthen the cultural destinations of the City and help spur private development.

The Tennessee Code Annotated § 7-88-103 (2008) was enacted to assist in the increase of tourism and economic development in the State through a tax-based financing mechanism. The financing can be used to pay for government backed bonds that can be used to fund the cost of construction of a tourism related project. The debt service or payment required to repay the bonds is covered, in a portion, through the incremental taxes that are generated from the visitors/tourists visiting the District. An increase in tourism in the TDZ from the convention center has increased the demand for hotels, retail, entertainment, and other businesses to cater to visitors/tourists. Since creation of the TDZ, room tax collections have exceeded \$20 million over prior years because creation of this zone has stimulated a boom in hotel construction in the TDZ.

The incremental taxes are calculated based on a comparison of the growth rate of sales and uses taxes in Davidson County to that of the TDZ. For example, if in one fiscal year the Davidson County's sales and use taxes grew at 3 percent and the TDZ taxes grew at 8 percent, the difference or increment of 5 percent would be quantified and allocated to cover a portion of the debt service payments for the convention center. Hotels developed next to the convention center have a separate right to keep sales and room tax for their development, like with the TIF law in the Virgin Islands.

• Oklahoma MAPS Program: An alternative approach to Vision lowa is creating funding districts that rely on local option sales taxes, limited to certain investments that the voters agree upon. MAPS (Metropolitan Area Projects Plan) is a multi-year, municipal capital improvement program, consisting of a number of projects, originally conceived in the 1990s in Oklahoma City. A MAPS program features several interrelated and defined capital projects, funded by a temporary sales tax (allowing projects to be paid for in cash, without incurring debt), administered by a separate dedicated city staff funded by the sales tax, and supervised by a volunteer citizens oversight committee.

In some ways, a MAPS program is similar to a Local Option Sales Tax. However, taxes collected by a MAPS program do not go to a city's general fund, but are instead deposited into a trust dedicated to the specific projects identified in the taxes' enabling ordinance. Additionally, MAPS programs are only indirectly controlled by a city's elected governance body; a citizens oversight committee provides direct oversight, which is also established by the enabling ordinance.

Since the late 1990s, there have been 3 MAPS programs in Oklahoma, totaling close to \$2.0B. The most recent program (MAPS 3) totaled \$777 million generated from a one-cent sales tax initiative that began in April 2010 and ended in December 2017. Through a series of public meetings, 8 projects were eventually selected to be included in MAPS 3:

- New Downtown Convention Center,
- New Downtown Public Park 70 acres, including festival areas,
- New Modern Streetcar/ Transit system and an inter-modal transit hub,
- New Senior Health and Wellness Centers; multiple structures in various parts of the city designed to encourage healthy lifestyles and serve as a gathering place for active seniors,
- Improvements to the Oklahoma River including a whitewater training facility and various upgrades to the world-class rowing racecourse,
- Improvements to the Oklahoma State Fair Grounds including replacing public event buildings,
- Expansion of Trails system that interconnects the city's major parks for walking and biking, and
- Expansion of neighborhood sidewalks to create a more walkable community.

• Metropolitan Pier and Exposition Authority (MPEA) District: The purpose of this example is to illustrate how geographical boundaries can be established for certain taxes. The Metropolitan Pier and Exposition Authority (MPEA) is a municipal corporation created by the Illinois General Assembly. Its Board of Directors is appointed by the Governor of Illinois and the Mayor of Chicago. MPEA owns McCormick Place, the largest convention center in North America, and seeks to promote and operate conventions, fairs and expositions in the Chicago area, in an effort to strengthen the local economy. Historic Navy Pier, the top-visited leisure and tourist destination in the Midwest is also owned by the MPEA, along with the Hyatt Regency McCormick Place, which is a Four Diamond AAA-rated hotel located on the McCormick Place campus.

The MPEA's operating budget is supported by revenue from its operations (primarily from Hyatt Regency Hotel McCormick Place, Navy Pier parking, rent and services income and food and beverage income). MPEA's capital budget depends on the issuance of revenue bonds secured by taxes (bed, car rental, restaurant and taxi) to pay existing bonds and new debt. The legislation supporting MPEA has a regional framework and is tied to sectors in the travel, hospitality, and tourism base of the economy. A summary of supporting taxes is shown in the table to the right.

	Taxes Supporting MPEA				
Туре	Tax	Geography			
Restaurant: Food, alcoholic beverages, and soft drinks consumed on or off premises	1% applied to retailers whose principal source of gross receipts is from sale of those categories for immediate consumption. Total restaurant tax is 11.5%.	Central business area, O'Hare Airport, and Midway Airport			
Hotel rooms	2.5% applies to all hotel rooms, excludes permanent residents	City of Chicago			
Rental cars	6% collected on gross recipts for cars rented outside Illinois, used in Cook County, and titled or registered by Illinois. Total car rental tax is 12%.	Cook County			
Airport Departure: Ground transportation service	\$2 per taxi; \$1 per passenger in bus or van; or flat fee of \$9/ \$18/ \$27 per bus or van depending on size.	O'Hare Airport and Midway Airport			
Surplus funds generated from Sports Authority Hotel Tax	Applies after \$5 million.	City of Chicago			
Source: Metropolitan Pier and Exposition Authority					

Observations

It is not uncommon for arenas, theaters and similar public assembly facilities to incur an operating deficit. This is true of even the largest, most successful venues, nationally. Funding strategies are needed to support operations in a fiscally responsible way in order to minimize required subsidies and when capital improvements are required, oftentimes separate funding sources are needed to be sought. The best strategy varies from location to location and is also influenced by the type of facility involved. The above case studies demonstrate the value of a diversified group of public and private partners – cities, counties, states, educational institutions and private investors. They also demonstrate the value of district programs that have been established in other states to support these types of venues. Further exploration of their applicability in lowa is warranted.

Funding Recommendations

As noted above, and particularly in smaller markets like Dubuque, it is common for arenas to not earn sufficient revenue to fund their capital costs. Before funding of capital improvements is even contemplated, it is crucially important to be sure that all that can be done operationally, is being taken into account to minimize any operating deficirs. Although a significant capital outlay will be required, the outcome of Scenario 4 Hybrid will be a reduction of the Five Flags Civic Center's operating deficit by approximately \$510,000.

Categories of direct revenue that can be earned by a venue but that are often underutilized include:

1. NAMING RIGHTS: Local corporations seek identity and name recognition. National corporations seek the same. For markets of this size, naming rights can approach a valuation of \$500,000 to \$1,000,000 per year but are often much lower – in the range of \$50,000 to \$100,000 per year. It just depends on the local corporation and if they view this as philanthropic or a hard business deal. Any naming rights deal would reduce the operating deficit and may also be used to back bonds, depending on the size of the deal.

	Naming Rights Deal				
	Model A	Model B			
Operating Income (Deficit)	(\$346K)	(\$346K)			
aming Rights Deal	\$50K	\$100K	2021)		
Adjusted Operating Income (Deficit)	(\$296K)	(\$246K)	CHJC (2021)		

- 2. TICKET SURCHARGE/ FEE: This is not a tax, but a fee added onto the face value of a ticket. There are several markets in lowar that impose these fees and they typically range between \$2.00 and \$4.00 per ticket:
 - Coralville Center for the Performing Arts: A \$2 per ticket facility fee supports the box office and other operations.
 - Des Moines Performing Arts (operates Des Moines Civic Center, Stoner Theater, Temple Theater, and Cowles Commons): All tickets, regardless of purchase location, include a restoration fee retained by Des Moines Performing Arts for general maintenance and upkeep of its venues.

(\$856K)	
\$75.1M	19)
(\$346K)	(2018/201
\$510K	CSL (2

Scenario #1

(Status Quo)

Capital Investment

Scenario #4 Hybrid

Improvement to

Operating Deficit

Tielest	Curabana
Hicket	Surcharge

	Model A	Model B	
Operating Income (Deficit)	(\$346K)	(\$346K)	
Surcharge/ Fee (per Ticket)	\$2.00	\$4.00	
Ticket Sales*	172K	172K	CHJC (2021)
Adjusted Operating Income (Deficit)	(\$2K)	\$342K	CHJC

^{*} Excludes events that are likely to be nonticketed (Community/ Religious, Meetings/ Banquets, Other)

Ticket fees can be captured and dedicated to operations, capital funding or for other purposes. A ticket fee of \$4.00 would result in a significant operating profit for the Five Flags Civic Center, under Scenario 4 Hybrid, of \$342,000, with all others factors being held constant.

If a naming rights deal was combined with a ticket fee at the Five Flags Civic Center the result would be a net operating income, pursuant to Scenario 4 Hybrid, ranging from \$47,800 per annum, assuming a \$50,000 naming rights deal and a \$2.00 ticket fee, to \$441,600 per annum, assuming a \$100,000 naming rights deal and a \$4.00 ticket fee.

3. **HISTORIC TAX CREDITS**: Due to the presence of the historic theater at the Five Flags Civic Center it may be able to leverage State and federal government special tax credit programs where investors buy federal and state credits to save historic buildings. In 2020, the State of Iowa awarded \$20.4M to 10 projects via the Historic Tax Credits project.

Scenario #4 Hybrid - Operating Funding Strategies (Stabilized Year)				
	Model A	Model B		
Operating Income (Deficit) - Stabilized Year (CSL)	(\$346,001)	(\$346,001)		
Naming Rights Deal	\$50,000	\$100,000		
Revenue from Ticket Surcharge	\$343,828	\$687,656		
Adjusted Operating Income (Deficit)	\$47,827	\$441,655		

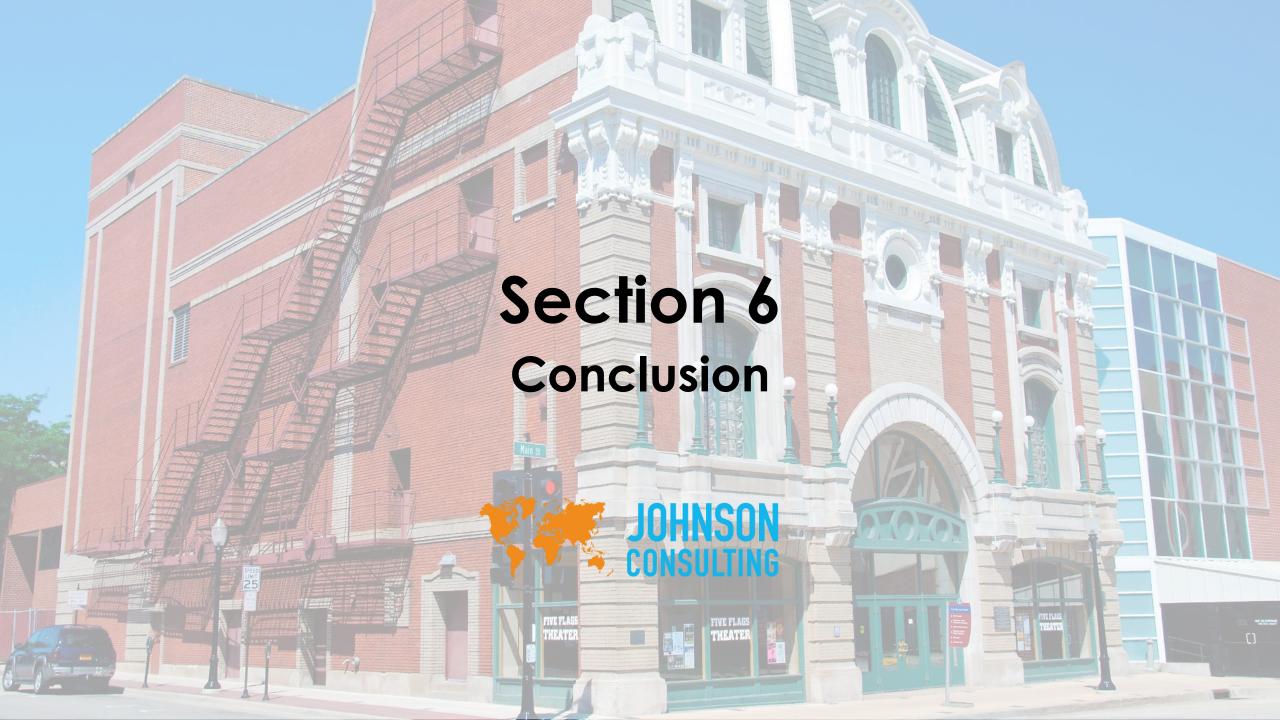
Source: 2018/2019 Studies by CSL, Johnson Consulting

- 4. **FEDERAL INVESTMENT**: Due to the ongoing pandemic, the public and governments have seen the value of having large venues in markets to serve as emergency hospitals, emergency command centers and for other purposes. The federal government has provided funding to many buildings around the country and more such investment is expected, especially as infrastructure bill dollars are released.
- 5. **HOTEL SURCHARGES**: ASM Global has created a relationship with two hotels, which provide rebates for events that generate room nights. This is great for operational revenue sources, although is not bondable.

Summary

At the Five Flags Civic Center in Dubuque, IA, the theater is a treasured asset, and its preservation should be linked to arena funding. In this manner, both assets can be renewed and enhanced. Linking the two amenities, as they have been in the past, will ensure that multiple audiences and patrons have the Center's best interests at heart. Operating economies will also be attained and naming rights and a ticket surcharge should be implemented at a minimum to support operations.

The funding required for improvements to the Five Flags Civic Center should be as broad as possible with funding from the State, County, City and adjacent communities. In the absence of a detailed capital stack analysis, it is apparent that the most logical sources of funding are State and local grants and investment, including Historic Tax Credits, sponsorships/ naming rights (this can be used to back bonds as well as support operations), Federal programs, some dedicated funding (line item in County and City budgets), and a portion of existing or new tax sources. Minimizing the burden on taxpayers is understood to be a key priority and can be achieved with thoughtful strategies.



Conclusion

Five Flags Civic Center: Economic & Fiscal Impact Analysis

The Five Flags Civic Center has served millions of visitors to Dubuque's downtown core over the past several decades. Imagine if you will, the current arena being absent from the local marketplace and reflect on what this would mean to area hotels, restaurants and retail establishments - downtown Dubuque would be much less vital and attractive than it is today. Turn the tables on this vision and imagine attracting double to triple the patrons currently served at an enhanced arena and theater.

Johnson Consulting's independent analysis finds that the 2018 and 2019 studies prepared by CSL have provided good direction and guidance to the community and that the levels of demand as projected, are achievable. We do believe that the economic impacts were understated, and our more detailed estimates add supplemental spending from local residents that would leak to other markets if improvements to the Five Flags Civic Center are not made.

Pursuant to Scenario 4 Hybrid, upon stabilization (Year 5), visitors to Five Flags Civic Center are estimated to generate \$21.2M in total spending and \$3.7M million in increased earnings, and support 141 FTE jobs annually. Overall, this is almost 3-times the impact estimated in the 2018 and 2019 studies by CSL and more accurately reflects the impact of both local and non-local visitation to the Civic Center. The fiscal impact of the Five Flags Civic Center is projected to total close to \$1.1M in tax revenues from sales, food and beverage and hotel taxes in Year 1, and stabilizing at \$1.3M in tax revenues in Year 5.

As it relates to funding, the finance staff at the City of Dubuque were pioneers in the Vision lowa program and it is evident what has been accomplished. This project is of the scale of the Grand River Center and a funding strategy was developed for that project. We know that most markets the size of Dubuque have similar arenas, including Des Moines and Coralville. Given the finance tools that are available in lowa, these are the most relevant examples, but the corporate and philanthropic groups in Dubuque must be approached. This project has regional ramifications. Any funding plan should at least include the City of Dubuque and the County. Multiple jurisdictions funding projects has been accomplished. The Fox Valley in Wisconsin, for example, cobbled together 19 communities to fund a major indoor sports complex for the region. In Dubuque, the association with the theater opens the project up to people who do not necessarily support arenas. By illustrating what will happen at the theater, the result will bring two advocacy groups to the table, a situation that does not always exist when projects like this are seeking financing.

Local corporate and philanthropic groups will respond best to a high-quality project that means a lot to Dubuque. It is clear to us that downtown is important to both local residents and businesses. To the extent the arena can be used to enhance the theater and downtown, it will have the greatest resonance with business and social leaders in the community.