

EXECUTIVE SUMMARY

In November of 2016, Sports Facilities Advisory, LLC (SFA) was engaged by the Madison Area Sports Commission (MASC) to complete an analysis related to the development of new indoor and outdoor sports, recreation, and tournament/event assets in Madison, WI. The scope of work included a Phase 1 Market Report and a Phase 2 Feasibility Assessment. The market report was completed in April of 2017 and focused on an analysis of the existing inventory of assets in Madison, the demand for additional sports assets, and the recommended next steps related to the feasibility assessment. The feasibility assessment in Phase 2 of the engagement consists of the following steps:

- Detailed Pro Forma Development
- Economic Impact Projections
- Feasibility Report
- Delivery of Findings

Through the market report, SFA analyzed the opportunity for local and regional sports assets, assessed the current facility inventory and gaps for local and tournament sports activities, and developed a facility program and opinion of cost to be analyzed during the Phase 2 portion of the engagement. The goal of this exercise was to work with representatives from the Madison Area Sports Commission (MASC), the City of Madison, and Ho-Chunk Gaming Madison (HCGM) (Project Team) to determine the recommended facility types and size that most likely meets the needs of the project as defined by the Project Team.

SFA then completed the detailed pro forma (financial forecast) and economic impact analysis on the recommended facility, an indoor/outdoor multisport complex. This feasibility report provides an overview of the process used for the analysis, results of the full facility pro forma and economic impact analysis, and recommendations for next steps.

Definitions of Success

Through the Phase 1 process, SFA and the Project Team identified the factors that will contribute to the project being deemed successful. Those definitions of success are listed below and are not in order of importance:

- Create a high-quality destination for sports and recreation activities
- Balance use from tournaments/events and local organizations
- Relieve pressure from over-utilized existing parks and field facilities
- Generate economic impact from non-local visitors for sports tourism events
- Create a self-sustaining asset
- Create an enduring and flexible asset for the current and future needs for sports and recreation space

Process and Objective

To determine the opportunity to develop a new indoor/outdoor multi-sport complex in the Madison area and to determine the facility's ability to meet the definitions of success as outlined by the Project Team, SFA has completed the following steps:

- Reviewed existing data provided by the Project Team
- Conducted a local and regional market and competition study
- Conducted planning and strategy sessions with the Project Team
- Conducted follow up meetings with key stakeholders and potential user groups
- Analyzed the existing inventory and gaps for local and tournament sports activities
- Created a facility program plan and an opinion of cost for construction

- Developed a detailed, 5-year financial forecast or pro forma for the facility operations
- Projected non-local visitor spending and the resulting economic impact

Facility Overview

In consideration of the information outlined in the market report and definitions of success according to the Project Team, SFA created a facility program for the Madison Area Multisport Complex. The details listed below outline the recommended amenities for the facility:

- Indoor Facility:
 - Hard Structure: 15,188 Square Feet
 - Family Entertainment Center/Adventure Area
 - Supporting Amenities
 - Air-Supported Dome Structure: 101,865 Square Feet
 - Full Size Indoor Turf Field
 - Batting Cages/Pitching Tunnels
 - Sports Performance Training Area
 - Site
 - 468 Parking Spaces
 - 6.0 Acres
- Outdoor Facility:
 - Outdoor Athletic Facilities
 - Four Natural Grass Multi-Purpose Fields
 - Six Synthetic Turf Multi-Purpose Fields
 - Primary Support Building
 - Two Secondary Support Buildings
 - Maintenance Building
 - Site
 - 960 Parking Spaces
 - 67.5 Acres
- Total Facility Acreage: 73.6 Acres

Facility program details for the facility are outlined in the “Facility Program & Opinion Cost” section starting on page twenty-five of this report and in the full financial forecast and economic impact analysis, which has been delivered as an associated document.

Facility Development Opinion of Cost

Based on experience in the industry and completion of similar projects, SFA has estimated the cost for the facility to be approximately \$38.3 million. This figure is for the development of both indoor and outdoor facility components and includes the cost of development of the indoor buildings, development of the outdoor fields, field and sport equipment, other furniture, fixtures, and equipment, development of the site, soft costs for construction, and soft costs for operations. The breakdown of the development cost is shown in the table below:

USES OF FUNDS	
Land Cost	\$0
Hard Cost	\$21,906,127
Field and Sport Equipment Cost	\$11,418,671
Furniture, Fixtures, and Equipment	\$1,340,900
Soft Costs Construction	\$2,168,517
Soft Costs Operations	\$1,506,578
Working Capital Reserve	TBD
Total Uses of Funds	\$38,340,793

Full details on the construction and start-up cost estimates for the complex can be found in the full financial forecast documents.

Summary of Financial Performance

SFA's determination of feasibility for the Madison Area Multisport Complex depends on the financial forecast of the business and the ability for it to achieve results that support the long-term economic impact and financial goals of the Project Team. With input from the Project Team, SFA constructed a detailed pro forma/financial analysis for the facility that projects the financial viability of operations for the first five years.

SFA has found that it is typical for a facility with an event tourism business model to require an annual operating subsidy. This is due to the fact that events that generate economic impact provide the facility with one-off revenue streams that occur a limited number of times each year but require large facilities that are overbuilt for the local market opportunity. For communities that pursue event tourism as an economic driver, room night, direct spending, and new tax revenues generated from events are viewed as an attractive return on the investment relative to the subsidization of operations. In the case of the Madison Area Multisport Complex, the facility features a hybrid between a local recreation business model and an event tourism business model and, therefore, is projected to achieve operational sustainability as a single, combined facility operation.

The following table is a summary of the forecasted revenues and expenses for the Madison Area Multisport Complex. The details of the financial analysis have been outlined in the feasibility report and provided in the full financial forecast documents.

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Revenue	\$2,107,978	\$2,410,443	\$2,956,813	\$3,144,565	\$3,377,245
Total Cost of Goods Sold	\$699,916	\$806,105	\$979,739	\$1,041,086	\$1,106,738
Gross Margin	\$875,450	\$1,069,640	\$1,428,888	\$1,545,407	\$1,704,548
Total Operating Expenses	\$1,102,421	\$1,062,782	\$1,130,974	\$1,170,900	\$1,214,782
EBITDA	(\$226,971)	\$6,858	\$297,914	\$374,507	\$489,766

SFA projects total revenue to increase from more than \$2.1 million in the first year of operations to about \$3.4 million by year five of operations. The cost of goods sold (COGS) increase with the rising revenues from approximately \$700,000 in year one up to \$1.1 million in year five, and overhead costs (Operating Expenses) are expected to increase slightly from \$1.1 million in year one to approximately \$1.2 million by facility maturity in year five.

As demonstrated, the facility is expected to require an operational subsidy of \$227,000 in the first year of operation before breaking even in year two and generating \$490,000 at maturity in year five. (EBITDA – which stands for Earnings Before Interest, Tax, Depreciation, and Amortization – is the number that shows the direct profit/loss of operations.)

Economic Impact

Based on the events projected on the outdoor multi-purpose fields in the financial forecast, SFA analyzed the expected impact on the local community as a result of out-of-town visitors to the new facility as a result of hosting events. SFA analyzed the two most important drivers of economic impact: non-local days in market and room nights generated for each event projected. Non-local days in market are the number of days that non-local visitors will spend in the Madison area because of the event they are attending. Hotel room nights are the number of nights that visitors will stay in the local area to take part in events.

The tables below summarize the total economic impact projected for the facility in years one through five of operations. To arrive at the direct spending projection, SFA multiplied the average daily expenditure (\$134.67) by the total non-local days in market for each year.

Economic Impact Drivers

	Year 1	Year 2	Year 3	Year 4	Year 5
Non-Local Days in Market	78,435	83,187	112,932	117,684	117,684
Room Nights	17,928	19,014	25,813	26,899	26,899

Economic Impact

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Direct Spending	\$10,563,127	\$11,203,096	\$15,208,964	\$15,848,933	\$15,848,933
Total Indirect Spending	\$0	\$0	\$0	\$0	\$0
Total Economic Impact	\$10,563,127	\$11,203,096	\$15,208,964	\$15,848,933	\$15,848,933

The facility is projected to generate approximately \$10.6 million of direct spending in its first year and \$15.8 million by maturity in year five. In addition to direct spending, SFA projects that activities and events hosted by the facility will create more than 26,000 room nights in year five of operations and will continue to do so annually.

Key Findings and Recommendations

Through the completion of the full financial forecast and economic impact analysis, SFA found that the development of the Madison Area Multisport Complex as outlined in this report has the potential to meet all of the Project Team's definitions of success.

SFA believes that there is an opportunity to develop a new indoor turf facility in conjunction with an outdoor multi-purpose field complex in the Madison area. A potential partnership between the MASC, the City of Madison, and HCGM can successfully meet the Project Team's goals if the complex is properly staffed, effectively marketed and operated, and has a funding mechanism to cover upfront development costs, early-year operating losses, and ongoing capital improvement costs.

SFA welcomes the opportunity to discuss these findings with the Project Team in order to support the formulation of a decision related to the development of new sports, recreation, and event facilities in the Madison area.