

**CITY OF SACRAMENTO
ENTERTAINMENT & SPORTS COMPLEX
SUMMARY PRESENTATION FOR SACRAMENTO CITY COUNCIL**



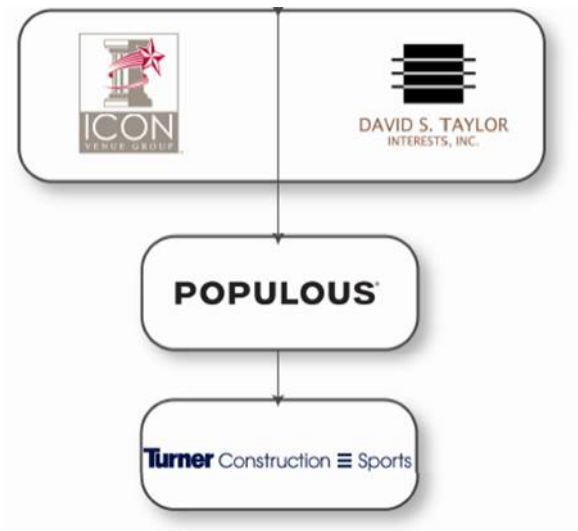
**PREPARED BY:
BARRETT SPORTS GROUP, LLC**

- **Background**
- Team and ESC Economics
- Market Overview
- Overview of Sports Facility Finance
- Overview of Funding Options
- Suggested Next Steps

ICON-Taylor Feasibility Study



- Railyards land can accommodate ESC
- NBA Type Arena and World Class Design Scheme Created
- Total Costs of \$387 Million (Hard and Soft Costs) – Subject to Change
- Completed by Early 2015
- ESC can be Financially Viable
- **ESC is Fundable – Public/Private Partnership Required**



Power Balance Pavilion vs. Proposed ESC



	POWER BALANCE PAVILION <i>(Formerly Arco Arena)</i>	PROPOSED DOWNTOWN ESC <i>(Subject to Revision)</i>
Owner	Sacramento Financing Authority	Public entity TBD (City, JPA)
Operator	Malooof Sports & Entertainment	Third-party operator (TBD)
Opening Date	1988	2015
Capacity	17,317	18,594
Luxury Suites	30	50*
Mini-Suites	0	20 – 25
Loge Boxes	0	50
Club Seats	442	1,200 – 1,400

**Power Balance Pavilion
Lacks State-of-the-Art
Amenities Found in Newer
Arenas : Premium Inventory
Not Considered State-of-
the-Art**

**Additional Refinements
Possible After Consultation
with Key Stakeholders and
Premium Seating Market
Demand Surveys**

* Does not include 4 Event party suites (24 seats).

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League and local economics play major role in success of teams

TEAM REVENUES

- **ESC REVENUES**
 - ✓ Tickets
 - ✓ Concessions & Novelties
 - ✓ Parking
 - ✓ Naming Rights/Advertising/Sponsors
 - ✓ Premium Seating (Suites/Loge/Club)
- **LOCAL BROADCAST REVENUES**
 - ✓ Local Television
 - ✓ Local Radio
- **LEAGUE COMMON REVENUES**
- **OTHER REVENUES**
 - ✓ Publications
 - ✓ Promotions
 - ✓ Outreach & Hospitality

+

TEAM EXPENSES

- **ESC EXPENSES**
 - ✓ Rent
 - ✓ Game Day Expenses
 - ✓ ESC Annual Operating Expenses
 - ✓ ESC Capital Repairs/Replacement
- **SALARIES AND WAGES**
 - ✓ Players / Coaches
 - ✓ Administrative
- **LEAGUE COMMON EXPENSES**
- **OTHER EXPENSES**
 - ✓ Team Travel and Administration
 - ✓ Broadcasting Expenses
 - ✓ Marketing/Advertising/Promotion/PR

= **TEAM NET
OPERATING
INCOME /
(LOSS)***

* Does not include annual debt service.

Deal structure with team will impact ESC net income

ESC REVENUES

- RENT

- FAN AND CORPORATE SPENDING

- ✓ Naming Rights
- ✓ Advertising
- ✓ Sponsorships
- ✓ Concessions
- ✓ Novelties
- ✓ Parking
- ✓ Premium Seating (Suites/Loge/Club)

- OTHER REVENUES

- ✓ Convenience Charge Rebates
- ✓ Facility Fees

+

ESC EXPENSES

- GAME DAY/EVENT EXPENSES

- ✓ Ticket Takers/Ushers
- ✓ Security

- ESC OPERATING EXPENSES

- ✓ Salaries & Wages
- ✓ General & Administrative
- ✓ Utilities
- ✓ Insurance
- ✓ Marketing
- ✓ Legal/Professional
- ✓ Repairs and Maintenance
- ✓ Management Fee
- ✓ Property/Possessory Interest Tax

= ESC NET
OPERATING
INCOME /
(LOSS)*

* Does not include annual debt service or capital replacement/reserves.

- Background
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- **Market area size and characteristics** impact team's ability to generate revenue
 - Market demographics
 - Competition
- Conducted **limited review** of key demographic factors
- Focus on **key metrics**
 - Population
 - Households
 - Income
 - Age
 - Unemployment
 - Media market
 - Corporate base
- **Two methodologies**
 - Base demographics
 - Adjusted demographics (*considers number of professional sports teams in market*)

Sacramento ranks as one of smaller NBA markets

Statistical Measure (Base)	Sacramento (CBSA area)	Rank	NBA Average (excl. Sacramento)
POPULATION			
2011 Population (000s)	2,147.2	21	5,425.8
2016 Population (000s)	2,337.0	21	5,671.9
Estimated 5 Year Growth Rate	8.80%	8	5.30%
HOUSEHOLDS			
2011 Households (000s)	787.8	22	1,952.30
2016 Households (000s)	859.8	21	2,038.50
Estimated 5 Year Growth Rate	9.10%	6	5.40%
INCOME			
Average Household Income	\$74,537	15	\$74,757
Median Household Income	\$57,829	12	\$56,090
Per Capita Income	\$27,630	10	\$27,774
High Income Households (000s)	179.2	19	479.5
MEDIA MARKET			
TV Population	3,847.0	19	6,457.2
Radio Population	1,850.2	21	4,586.6
CORPORATE BASE			
Companies with > \$50MM Sales	84	27	347
Companies with > 500 Employees	102	23	266

- **Average market** in terms of Income
- **Below average market** in terms of population, households, and media market
- **Well below average market** in terms of inventory of large corporations
 - Impacts demand for premium seating, sponsorships, etc.

Sacramento's ranking improves after accounting for the number of major professional teams in the market

Statistical Measure (Adjusted)	Sacramento (CBSA area)	Rank	NBA Average (excl. Sacramento)
Number of Major League Teams	1	NA	3.5
POPULATION			
2011 Population (000s)	2,147.2	5	1,450.5
2016 Population (000s)	2,337.0	3	1,532.6
HOUSEHOLDS			
2011 Households (000s)	787.8	3	528.6
2016 Households (000s)	859.8	3	558.3
INCOME			
High Income Households (000s)	179.2	4	117.1
MEDIA MARKET			
TV Population	3,847.0	1	1,827.8
Radio Population	1,850.2	2	1,240.4
CORPORATE BASE			
Companies with > \$50MM Sales	84	17	97
Companies with > 500 Employees	102	6	75

- Kings are **only major professional team** in market
 - Significant competitive advantage
- Sacramento ranks as **one of larger NBA markets** in terms of adjusted metrics
 - Population
 - Households
 - High Income Households
 - Media Market
- Comparison is provided for illustrative purposes

New ESC would face limited competition

- Limited **direct competition**
 - Assumes PowerBalance Pavilion would not continue to operate
 - Demolished
 - Non-compete agreement
- Limited **indirect competition**
 - Raley Field
 - Other stadiums, amphitheaters, performing arts centers, entertainment facilities
- Limited competition from **regional facilities**
 - Oakland
 - San Francisco
 - San Jose
 - Other

- Background
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- **Market conditions and political environment** play critical role
- Increasingly difficult to fund due to **public resistance, high costs**
- Combination of **both public and private participation** cornerstone of current financing structures
- Planning and construction **can take many years**
 - Financing challenges
 - Typical construction risks
 - Voter approval
 - Political debate
- **Teams and private management firms** have increasingly taken over management and operations of sports facilities

- **Sales Taxes**

- Chesapeake Energy Arena (Oklahoma City, OK)
- Jobing.com Arena (Glendale, AZ)
- Lambeau Field (Green Bay, WI)

- **Hotel/Motel Taxes**

- Amway Center (Orlando, FL)
- Time Warner Cable Arena (Charlotte, NC)
- American Airlines Center (Dallas, TX)

- **Car Rental Taxes**

- AT&T Center (San Antonio, TX)
- Time Warner Cable Arena (Charlotte, NC)
- FedEx Forum (Memphis, TN)

- **Restaurant Taxes**

- Consec Fieldhouse (Indianapolis, IN)
- Safeco Field (Seattle, WA)
- Lucas Oil Stadium (Indianapolis, IN)

- **Sin Taxes (Liquor/Tobacco)**

- Quicken Loans Arena (Cleveland, OH)
- Consec Fieldhouse (Indianapolis, IN)
- Cleveland Browns Stadium (Cleveland, OH)

- **Lottery and Gaming Revenue**

- Safeco Field (Seattle, WA)
- Camden Yards (Baltimore, MD)
- M&T Bank Stadium (Baltimore, MD)

- **Player Income Tax**

- University of Phoenix Stadium (Glendale, AZ)
- New Orleans Arena (New Orleans, LA)

- **Land Sales/Leases**

- Amway Center (Orlando, FL)
- Time Warner Cable Arena (Charlotte, NC)
- Ford Field (Detroit, MI)

Private Sector Funding Sources – Examples



- Rent
- Ticket Surcharge/Fees (Facility Specific)
- Premium Seating
- Advertising/Sponsorships
- Naming Rights
- Concessions (Novelties)
- Pouring Rights
- Parking
- Personal Seat Licenses (PSLs)
- Private Donations or Donor Contributions

- General Obligation Bonds
- Revenue-Backed Obligation Bonds
- Lease Revenue Financing Arrangements
- Tax Increment Financing (TIF) and Other Redevelopment Bonds
- Infrastructure Financing District (IFD)
- Community Facilities Districts (Mello-Roos Bonds)
- Business Improvement Districts (Assessment Bonds)
- Conduit Revenue Bonds
- **EB-5 Financing**

EB-5 Financing

- **Federal program** that allows foreign investors to invest in job-creating enterprises in US and in return are granted a green card
- Potential opportunity for **short-term, low-cost borrowing**
- Minimum investment either **\$500K or \$1MM**, depending on certain target area restrictions
- Could be used in period prior to period when actual ESC-related revenues are realized, providing **timing benefit and capitalized interest relief**
- Used for the **Atlantic Yards Project** in Brooklyn, NY
 - Ancillary development related to Barclays Center (New Jersey Nets arena)
 - EB-5 not used directly for Barclays Center construction

- Security of debt will have **significant impact** on interest rates
- Potential **credit structures range** from most secure (General Obligations) to least secure (Project Finance)
- **Debt coverage requirements** for sports facilities financed on stand-alone basis have historically ranged from **1.5X to 2.0X**
 - Reduced if public sector provides credit enhancement or specific tax revenues pledged
 - Current economy and sports finance market may require higher coverage ratios
- Private or public sector guarantees may be used to **enhance credit rating**
- **Limit the potential impact** and cost of issuing debt
 - Credit Enhancement
 - Debt Service Reserve Fund
 - Operating Reserve Fund
 - Capital Replacement Reserve Fund
 - Interest Rate Swap

- Critical factor driving financing sports facilities is **tax status of financing arrangements**
- Difficult to utilize **tax-exempt debt** given current tax regulations
- **1986 Tax Act** restricted general availability of tax-exempt financing since facilities are viewed as private purpose facilities
- To issue tax-exempt debt, facility must pass **Private Activity Test (PAT)** and other guidelines
- Use of tax-exempt financing may impact **Arena Management Structure (QMA)**

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Over 50 Funding Options Considered



Broad-Based Financing Sources (City-County)

1. Sales Tax – City
2. Sales Tax – County
3. Transient Occupancy Tax – City
4. Transient Occupancy Tax – County
5. Car Rental Tax
6. Restaurant Tax – City
7. Restaurant Tax – County
8. Sin Tax (Cigarettes, Alcohol)

Transient Occupancy Tax

9. 2002 Refunding Bonds – Mature 2012
10. 1993 Lease Revenue Bonds – Mature 2020
11. Reallocation
12. Other

Business Improvement District(s)

13. Hotels
14. Restaurant
15. Parking
16. ESC Zone

Land Sales

17. Sacramento Kings – Natomas
18. City – Natomas
19. City – Other

Other – Taxes/Fees

20. Business Operating Tax/Other

Equity

21. Sacramento Kings
22. Arena Operator/Developer
23. Other Developer
24. Concessionaire
25. Ticketing Service
26. Corporate Investment/Support
27. Other

Rebates/Incentives/Other – ESC

28. Permits/Fees
29. Sales Tax
30. Utilities Tax
31. Sales Tax - Construction

ESC Related Sources

32. Sacramento Kings Rent
33. Revenue Sharing
34. Ticket Surcharge
35. Naming Rights
36. Possessory Interest Tax
37. Event Parking
38. Other

Cell Phone Towers

39. Cell Towers – ESC
40. Cell Towers – Other

Digital Signage

41. Freeway Signage
42. ESC Signage District

Parking

43. Privatization (Sale)
44. Public-Private Partnership (Lease)
45. Garage Naming Rights/Advertising Opportunities

Tax Increment Financing

46. Railyards Project Area
47. Downtown Project Area

Other Sources/Mechanisms

48. Intermodal User Fees
49. Life Insurance Settlement Financing
50. Casino/Card Rooms
51. P3 Development Option
52. REIT Opportunity
53. Real Estate Entitlements
54. EB-5 Financing
55. New Market Tax Credits
56. Enterprise Zone
57. Empowerment Zone
58. Community Development Block Grant

List Narrowed After Initial Analysis



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- **Deal Structure** with Kings / ESC operator-developer / other key stakeholders will impact potential funding sources

- **Funding Categories**
 1. **Private**
 - Private Sector upfront equity/payments

 2. **Public**
 - Public sector will own facility – direct investment required

 3. **Users / Beneficiaries:**
 - Those that use the facility shall contribute
 - Those that benefit (directly/indirectly) from the facility shall contribute
 - Revenues that would not otherwise exist but for the development of the facility

Note: Category 3 reflects “Hybrid” category that includes revenues potentially generated by both public and private sources

Preliminary Assessment of Funding Options

(Does Not Include Potential Revenue Generated by Parking Opportunities)



PRIVATE

- **Contribution**
 - Sacramento Kings
 - Arena operator / developer
 - Other developer
 - ESC vendors
 - Concessionaire
 - Ticketing service
 - Other
- **Land**
 - Natomas (Kings)

Note: Sacramento Kings annual payments (rent, ticket surcharge, etc.) reflect private sector investment

Preliminary Range:
\$91M - \$156M

PUBLIC

- **Public Land**
 - Natomas
 - Other parcels
- **Transient Occupancy Taxes (Debt Relief/Reallocation)**
- **Other**
 - Digital signage
 - Air rights (Intermodal)

Preliminary Range:
\$94M - \$123M

USERS / BENEFICIARIES*

- **ESC-Related Sources**
 - Rent
 - Revenue sharing
 - Event parking
 - Ticket surcharge
 - Naming rights
 - Possessory interest tax
 - Cell phone towers
 - Rebates/Incentives
- **Business Improvement Districts (BIDs) or Similar**
 - Hotels
 - Parking
 - Restaurants
 - ESC Zone

Preliminary Range:
\$90M - \$121M

* "Hybrid" category that includes revenues potentially generated by both public and private sources

Overview of Parking Opportunities



	APPROACH 1: PRIVATIZATION <i>(Sell City Assets)</i>	APPROACH 2: PUBLIC-PRIVATE PARTNERSHIP <i>(Lease City Assets)</i>	APPROACH 3: PARKING BUSINESS IMPROVEMENT DISTRICT (BID)	APPROACH 4: EVENT REVENUE FROM CITY GARAGES
Parking Inventory Owner	<ul style="list-style-type: none"> • Third Party Entity 	<ul style="list-style-type: none"> • City of Sacramento 	<ul style="list-style-type: none"> • Mix of publicly and privately owned assets within defined “district” 	<ul style="list-style-type: none"> • City of Sacramento
Parking Inventory Operator	<ul style="list-style-type: none"> • Third Party Entity 	<ul style="list-style-type: none"> • Third Party Entity (subject to lease/concession agreement) 	<ul style="list-style-type: none"> • Mix of publicly and privately operated assets within “district” 	<ul style="list-style-type: none"> • City of Sacramento
Funding Potential	<ul style="list-style-type: none"> • Significant upfront payment possible from sale of assets 	<ul style="list-style-type: none"> • Significant upfront and / or annual payment from lease of assets 	<ul style="list-style-type: none"> • Moderate annual payment possible (financing required for upfront proceeds) 	<ul style="list-style-type: none"> • Moderate annual payment possible (financing required for upfront proceeds)
Other Factors	<ul style="list-style-type: none"> • City loses control of parking operations and related assets 	<ul style="list-style-type: none"> • City retains some control of assets through lease/concessions agreement 	<ul style="list-style-type: none"> • City would issue bonds supported by BID revenues 	<ul style="list-style-type: none"> • City maintains control of assets


 Additional analysis
NOT RECOMMENDED


 Additional analysis
RECOMMENDED


 Additional analysis
RECOMMENDED


 Additional analysis
RECOMMENDED

Key Considerations for Parking Analysis



- Assets Included (Restrictive Covenants)
 - Off-street Garages/Land
 - On-street Meters
- Rate increases
- Impact on Employees
- Enforcement
- Hours of operation
- Capital expenditure/technology requirements
- Non-compete
- ***General Fund impact***

Case Studies – Summary Level

Presented for Illustrative Purposes – Sacramento Opportunity will be a Function of Market Size and Demand

- City of Chicago (Garages)
 - Transaction Year 2006
 - Concession Length 99 Years
 - Garage Spaces 9,178
 - Upfront Payment \$563 Million
 - Ongoing Revenue Share \$0

- City of Chicago (Meters)
 - Transaction Year 2008
 - Concession Length 75 Years
 - Metered Spaces 36,000
 - Annual Revenue \$25 Million
 - Upfront Payment \$1.16 Billion
 - Ongoing Revenue Share \$0

Case Studies – Summary Level (continued)

– City of Pittsburgh (Garages/Meters)

- Transaction Year City Council Voted Against Transaction – 2010
- Concession Length 50 Years
- Garage Spaces 8,946
- Neighborhood Spaces 1,729
- Metered Spaces 7,012 (922 To be Added by Concessionaire)
- Annual Revenue \$33 Million (Confirm)
- Upfront Payment (Proposed) \$451.7 Million
- Ongoing Revenue Share \$0

– City of Indianapolis (Meters)

- Transaction Year 2010
- Concession Length 50 Years
- Metered Spaces 3,669
- Annual Revenue \$4.1 Million
- Upfront Payment \$20 Million
- Ongoing Revenue Share 30% of Revenues \leq \$7 Million
60% of Revenues \geq \$7 Million

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Suggested Next Steps for Financial Analysis: September – December 2011



- 1. Explore parking opportunities aggressively**
- 2. Engage NBA/Kings and other key stakeholders in discussions on deal structure**
- 3. Evaluate and select other public funding options (financial/legal/political viability)**
 - Transient Occupancy Tax
 - Business Improvement Districts
 - Land Sales
 - Digital Signage and Cell Towers
 - Intermodal Air Rights
 - Rebates and Incentives
- 4. Further analyze critical project-related issues**
 - Credit Structure and Debt Security
 - Kings Loan
 - Natomas Reuse
- 5. Prepare definitive financing plan by end of December**

Q&A

APPENDIX

Appendix A – Market Demographics



• CBSA Designation – Population and Households

Market	2011		2016		Est. % Growth		2011		2016		Est. % Growth	
	Population (000s)	Rank	Population (000s)	Rank	2011-2016	Rank	Households (000s)	Rank	Households (000s)	Rank	2011-2016	Rank
New Jersey Nets	19,089.5	1	19,377.5	1	1.5%	26	6,885.3	1	6,978.2	1	1.3%	26
New York Knicks	19,089.5	1	19,377.5	1	1.5%	26	6,885.3	1	6,978.2	1	1.3%	26
LA Clippers	13,082.8	3	13,631.0	3	4.2%	18	4,225.1	3	4,394.6	3	4.0%	19
LA Lakers	13,082.8	3	13,631.0	3	4.2%	18	4,225.1	3	4,394.6	3	4.0%	19
Chicago Bulls	9,570.9	5	9,783.9	5	2.2%	24	3,433.7	5	3,510.9	5	2.2%	24
Dallas Mavericks	6,627.7	6	7,257.6	6	9.5%	6	2,367.0	6	2,582.4	6	9.1%	7
Philadelphia 76ers	6,045.7	7	6,147.9	9	1.7%	25	2,291.4	7	2,345.0	7	2.3%	23
Houston Rockets	6,036.7	8	6,604.2	7	9.4%	7	2,091.6	10	2,271.5	9	8.6%	9
Toronto Raptors	5,772.0	9	6,481.1	8	12.3%	1	2,045.1	11	2,322.2	8	13.6%	1
Washington Wizards	5,612.1	10	5,919.9	11	5.5%	14	2,110.6	8	2,227.6	10	5.5%	13
Miami Heat	5,596.2	11	5,831.0	12	4.2%	17	2,103.4	9	2,160.9	12	2.7%	22
Atlanta Hawks	5,490.4	12	6,075.6	10	10.7%	4	1,975.6	12	2,175.3	11	10.1%	5
Boston Celtics	4,577.6	13	4,681.9	14	2.3%	23	1,757.3	13	1,792.7	13	2.0%	25
Golden State Warriors	4,362.9	14	4,546.3	15	4.2%	16	1,608.7	15	1,679.3	15	4.4%	16
Detroit Pistons	4,352.6	15	4,287.7	16	-1.5%	29	1,671.4	14	1,653.0	16	-1.1%	29
Phoenix Suns	4,325.9	16	4,840.5	13	11.9%	2	1,535.8	16	1,716.7	14	11.8%	2
Minnesota Timberwolves	3,329.8	17	3,467.1	17	4.1%	20	1,289.8	17	1,342.8	17	4.1%	18
Denver Nuggets	2,582.4	18	2,772.9	18	7.4%	11	995.4	18	1,066.2	18	7.1%	11
Portland Trail Blazers	2,262.7	19	2,410.6	19	6.5%	12	867.5	19	928.7	19	7.1%	12
Orlando Magic	2,147.8	20	2,360.1	20	9.9%	5	802.7	21	885.6	20	10.3%	4
Sacramento Kings	2,147.2	21	2,337.0	21	8.8%	8	787.8	22	859.8	21	9.1%	6
San Antonio Spurs	2,133.6	22	2,314.2	22	8.5%	9	748.3	23	812.7	23	8.6%	8
Cleveland Cavaliers	2,080.5	23	2,042.6	23	-1.8%	30	839.0	20	822.5	22	-2.0%	30
Charlotte Bobcats	1,820.2	24	2,026.4	24	11.3%	3	705.3	24	785.0	24	11.3%	3
Indiana Pacers	1,786.3	25	1,885.7	25	5.6%	13	700.3	25	737.0	25	5.2%	14
Milwaukee Bucks	1,551.2	26	1,562.2	26	0.7%	28	618.4	26	625.3	26	1.1%	28
Memphis Grizzlies	1,318.1	27	1,357.9	27	3.0%	22	498.0	28	515.5	28	3.5%	21
Oklahoma City Thunder	1,263.4	28	1,327.6	28	5.1%	15	499.8	27	525.5	27	5.1%	15
New Orleans Hornets	1,219.8	29	1,261.3	29	3.4%	21	465.7	29	485.1	29	4.2%	17
Utah Jazz	1,137.8	30	1,221.9	30	7.4%	10	372.7	30	400.7	30	7.5%	10
Average (Excluding Sacramento)	5,425.8		5,671.9		5.3%		1,952.3		2,038.5		5.4%	

Sources: Claritas 2011, PCensus, TV Basics, Arbitron, and Dun and Bradstreet.

Appendix A – Market Demographics

- CBSA Designation – Income**

Market	Average Household		Median Household		Per Capita		HHs w/ Income \$100,000+	
	Income	Rank	Income	Rank	Income	Rank	(000s)	Rank
Washington Wizards	\$103,664	1	\$80,854	1	\$39,272	1	802.7	6
Golden State Warriors	\$100,093	2	\$73,467	2	\$37,278	2	564.1	7
Boston Celtics	\$88,867	3	\$67,153	3	\$34,530	3	531.2	9
New Jersey Nets	\$86,308	4	\$61,660	5	\$31,414	4	1,956.3	1
New York Knicks	\$86,308	4	\$61,660	5	\$31,414	4	1,956.3	1
Toronto Raptors	\$81,443	6	\$55,868	16	NA	NA	476.9	11
LA Clippers	\$79,744	7	\$56,946	13	\$26,048	18	1,048.5	3
LA Lakers	\$79,744	7	\$56,946	13	\$26,048	18	1,048.5	3
Minnesota Timberwolves	\$79,660	9	\$63,729	4	\$31,162	6	316.4	15
Chicago Bulls	\$77,837	10	\$59,569	8	\$28,187	9	812.4	5
Denver Nuggets	\$77,110	11	\$59,668	7	\$29,944	7	228.4	18
Philadelphia 76ers	\$77,054	12	\$58,492	9	\$29,599	8	553.7	8
Atlanta Hawks	\$75,648	13	\$58,099	10	\$27,492	11	431.4	13
Dallas Mavericks	\$74,845	14	\$55,943	15	\$26,929	16	518.9	10
Sacramento Kings	\$74,537	15	\$57,829	12	\$27,630	10	179.2	19
Houston Rockets	\$73,951	16	\$54,081	18	\$25,789	20	464.7	12
Utah Jazz	\$73,114	17	\$57,945	11	\$24,159	25	75.8	27
Portland Trail Blazers	\$70,649	18	\$55,542	17	\$27,349	12	169.9	20
Phoenix Suns	\$70,289	19	\$53,229	19	\$25,173	23	296.6	17
Charlotte Bobcats	\$69,772	20	\$52,932	20	\$27,241	13	130.2	22
Indiana Pacers	\$68,149	21	\$52,495	23	\$27,001	15	127.4	24
Miami Heat	\$67,724	22	\$47,200	26	\$25,711	22	381.7	14
Detroit Pistons	\$67,711	23	\$52,543	21	\$26,226	17	313.0	16
Milwaukee Bucks	\$67,564	24	\$52,528	22	\$27,214	14	111.5	26
Orlando Magic	\$64,363	25	\$48,483	24	\$24,262	24	127.4	23
Cleveland Cavaliers	\$63,096	26	\$47,820	25	\$25,720	21	132.1	21
New Orleans Hornets	\$62,287	27	\$45,297	28	\$23,995	26	74.6	28
San Antonio Spurs	\$61,635	28	\$46,420	27	\$21,912	29	114.2	25
Memphis Grizzlies	\$60,445	29	\$45,147	29	\$23,040	28	72.3	29
Oklahoma City Thunder	\$58,877	30	\$44,905	30	\$23,562	27	68.4	30
Average (Excluding Sacramento)	\$74,757		\$56,090		\$27,774		479.5	

Sources: Claritas 2011, PCensus, TV Basics, Arbitron, and Dun and Bradstreet.

Appendix A – Market Demographics

- CBSA Designation – Age and Unemployment**

Market	Average		Median		Unemployment	
	Age	Rank	Age	Rank	Rate	Rank
Utah Jazz	33.4	1	31.4	1	5.96%	2
Dallas Mavericks	34.4	2	33.3	3	7.46%	9
Houston Rockets	34.4	2	33.3	2	6.91%	5
Atlanta Hawks	35.2	4	34.8	7	9.63%	25
San Antonio Spurs	35.5	5	33.9	4	6.72%	4
Phoenix Suns	35.6	6	34.0	5	7.80%	10
Charlotte Bobcats	35.8	7	35.4	11	9.27%	22
Memphis Grizzlies	36.0	8	35.0	10	10.58%	28
LA Clippers	36.2	9	35.0	8	8.54%	18
LA Lakers	36.2	9	35.0	8	8.54%	18
Indiana Pacers	36.4	11	35.7	12	8.36%	15
Oklahoma City Thunder	36.5	12	34.6	6	5.84%	1
Chicago Bulls	36.7	13	35.8	13	9.38%	23
Washington Wizards	36.8	14	36.7	17	6.08%	3
Minnesota Timberwolves	36.8	14	36.2	15	7.04%	6
Denver Nuggets	36.9	16	36.7	18	7.14%	7
Sacramento Kings	37.0	17	35.9	14	9.62%	24
Milwaukee Bucks	37.8	18	37.0	19	7.84%	11
Orlando Magic	37.8	18	36.5	16	9.63%	26
Portland Trail Blazers	37.9	20	37.8	22	9.25%	21
New Orleans Hornets	38.0	21	37.5	21	8.37%	16
New Jersey Nets	38.4	22	37.9	24	7.85%	12
New York Knicks	38.4	22	37.9	24	7.85%	12
Philadelphia 76ers	38.4	22	37.9	23	8.39%	17
Detroit Pistons	38.6	25	38.8	28	13.60%	29
Golden State Warriors	38.8	26	38.5	27	7.95%	14
Boston Celtics	38.8	26	38.4	26	7.17%	8
Miami Heat	39.8	28	39.3	29	9.24%	20
Cleveland Cavaliers	39.8	28	40.2	30	10.22%	27
Toronto Raptors	NA	NA	37.2	20	NA	NA
Average (Excluding Sacramento)	37.0		36.3		8.31%	

Sources: Claritas 2011, PCensus, TV Basics, Arbitron, and Dun and Bradstreet.

Appendix A – Market Demographics

- CBSA Designation – Media Market**

Market	2011 TV		2011 Radio	
	Population (000s)	Rank	Population (000s)	Rank
New Jersey Nets	20,141.0	1	15,730.0	1
New York Knicks	20,141.0	1	15,730.0	1
LA Clippers	17,057.0	3	11,028.0	3
LA Lakers	17,057.0	3	11,028.0	3
Chicago Bulls	9,386.0	5	7,875.8	5
Philadelphia 76ers	7,599.0	6	4,474.3	11
Toronto Raptors	7,174.0	7	4,779.6	9
Dallas Mavericks	6,927.0	8	5,326.5	7
Golden State Warriors	6,773.0	9	6,186.9	6
Atlanta Hawks	6,378.0	10	4,479.8	10
Boston Celtics	6,101.0	11	4,054.6	13
Washington Wizards	6,069.0	12	4,394.6	12
Houston Rockets	6,030.0	13	4,919.2	8
Phoenix Suns	5,004.0	14	3,326.2	16
Detroit Pistons	4,747.0	15	3,824.4	14
Minnesota Timberwolves	4,331.0	16	2,749.0	17
Miami Heat	4,220.0	17	3,647.2	15
Denver Nuggets	3,916.0	18	2,391.7	18
Sacramento Kings	3,847.0	19	1,850.2	21
Cleveland Cavaliers	3,678.0	20	1,772.2	22
Orlando Magic	3,561.0	21	1,529.3	25
Portland Trail Blazers	3,042.0	22	2,133.6	19
Charlotte Bobcats	2,868.0	23	2,040.0	20
Utah Jazz	2,852.0	24	1,756.5	23
Indiana Pacers	2,676.0	25	1,412.4	27
San Antonio Spurs	2,298.0	26	1,733.8	24
Milwaukee Bucks	2,180.0	27	1,459.4	26
Memphis Grizzlies	1,741.0	28	1,086.8	29
Oklahoma City Thunder	1,691.0	29	1,125.6	28
New Orleans Hornets	1,621.0	30	1,015.6	30
Average (Excluding Sacramento)	6,457.2		4,586.6	

Sources: Claritas 2011, PCensus, TV Basics, Arbitron, and Dun and Bradstreet.

Appendix A – Market Demographics

- CBSA Designation – Corporate Base**

Market	Companies w/ \$50mm Sales		Companies w/ 500+ Employees	
		Rank		Rank
New Jersey Nets	1,055	1	757	1
New York Knicks	1,055	1	757	1
Chicago Bulls	721	3	572	3
LA Clippers	602	4	495	5
LA Lakers	602	4	495	5
Washington Wizards	564	6	548	4
Houston Rockets	546	7	314	8
Philadelphia 76ers	448	8	335	7
Boston Celtics	408	9	292	9
Dallas Mavericks	397	10	278	11
Golden State Warriors	395	11	233	13
Atlanta Hawks	392	12	281	10
Detroit Pistons	311	13	254	12
Minnesota Timberwolves	308	14	230	14
Denver Nuggets	224	15	181	16
Phoenix Suns	204	16	200	15
Portland Trail Blazers	169	17	119	20
Miami Heat	165	18	123	18
Milwaukee Bucks	158	19	116	21
Cleveland Cavaliers	153	20	130	17
Indiana Pacers	147	21	120	19
Utah Jazz	132	22	89	26
Charlotte Bobcats	116	23	93	25
Oklahoma City Thunder	104	24	73	27
San Antonio Spurs	102	25	100	24
Orlando Magic	100	26	107	22
Sacramento Kings	84	27	102	23
Memphis Grizzlies	79	28	73	27
New Orleans Hornets	64	29	70	29
Toronto Raptors	NA	NA	NA	NA
Average (Excluding Sacramento)	347		266	

Sources: Claritas 2011, PCensus, TVBasics, Arbitron, and Dun and Bradstreet.

Appendix A – Market Demographics

- CBSA Designation – Population, Households, and Income (Adjusted)**

Market	Number of 2011 Population		2016 Population		2011 Households		2016 Households		HHs w/ Income \$100,000+	
	Teams	(000s) Rank	(000s) Rank	(000s) Rank	(000s) Rank	(000s) Rank	(000s) Rank	(000s) Rank	(000s) - (2) Rank	
Portland Trail Blazers	1	2,262.7 1	2,410.6 1	867.5 1	928.7 1	169.9 7				
LA Clippers	6	2,180.5 2	2,271.8 5	704.2 7	732.4 9	174.8 5				
LA Lakers	6	2,180.5 2	2,271.8 5	704.2 7	732.4 9	174.8 5				
Orlando Magic	1	2,147.8 4	2,360.1 2	802.7 2	885.6 2	127.4 15				
Sacramento Kings	1	2,147.2 5	2,337.0 3	787.8 3	859.8 3	179.2 4				
San Antonio Spurs	1	2,133.6 6	2,314.2 4	748.3 6	812.7 4	114.2 16				
New Jersey Nets	9	2,121.1 7	2,153.1 9	765.0 4	775.4 5	217.4 1				
New York Knicks	9	2,121.1 7	2,153.1 9	765.0 4	775.4 5	217.4 1				
Houston Rockets	3	2,012.2 9	2,201.4 7	697.2 9	757.2 8	154.9 10				
Toronto Raptors	3	1,924.0 10	2,160.4 8	681.7 11	774.1 7	159.0 9				
Chicago Bulls	5	1,914.2 11	1,956.8 12	686.7 10	702.2 12	162.5 8				
Atlanta Hawks	3	1,830.1 12	2,025.2 11	658.5 12	725.1 11	143.8 11				
Dallas Mavericks	4	1,656.9 13	1,814.4 13	591.8 13	645.6 13	129.7 14				
Philadelphia 76ers	4	1,511.4 14	1,537.0 14	572.8 14	586.2 14	138.4 12				
Washington Wizards	4	1,403.0 15	1,480.0 15	527.6 15	556.9 15	200.7 3				
Miami Heat	4	1,399.1 16	1,457.7 16	525.8 16	540.2 16	95.4 18				
Memphis Grizzlies	1	1,318.1 17	1,357.9 17	498.0 18	515.5 18	72.3 23				
Oklahoma City Thunder	1	1,263.4 18	1,327.6 18	499.8 17	525.5 17	68.4 24				
Boston Celtics	4	1,144.4 19	1,170.5 21	439.3 19	448.2 19	132.8 13				
Utah Jazz	1	1,137.8 20	1,221.9 19	372.7 22	400.7 22	75.8 21				
Detroit Pistons	4	1,088.2 21	1,071.9 22	417.9 20	413.2 21	78.2 20				
Phoenix Suns	4	1,081.5 22	1,210.1 20	384.0 21	429.2 20	74.1 22				
Charlotte Bobcats	2	910.1 23	1,013.2 23	352.7 23	392.5 23	65.1 25				
Indiana Pacers	2	893.1 24	942.8 24	350.2 24	368.5 24	63.7 26				
Golden State Warriors	5	872.6 25	909.3 25	321.7 26	335.9 25	112.8 17				
Minnesota Timberwolves	4	832.4 26	866.8 26	322.5 25	335.7 26	79.1 19				
Milwaukee Bucks	2	775.6 27	781.1 27	309.2 27	312.7 27	55.8 28				
Cleveland Cavaliers	3	693.5 28	680.9 29	279.7 28	274.2 28	44.0 29				
Denver Nuggets	4	645.6 29	693.2 28	248.8 29	266.5 29	57.1 27				
New Orleans Hornets	2	609.9 30	630.6 30	232.9 30	242.6 30	37.3 30				
Average (Excluding Sacramento)		1,450.5	1,532.6	528.6	558.3	117.1				

Sources: Claritas 2011, PCensus, TV Basics, Arbitron, and Dun and Bradstreet.

Appendix A – Market Demographics

- CBSA Designation – Media Market (Adjusted)**

Market	Number of Teams	2011 TV Population (000s)	Rank	2011 Radio Population (000s)	Rank
Sacramento Kings	1	3,847.0	1	1,850.2	2
Orlando Magic	1	3,561.0	2	1,529.3	12
Portland Trail Blazers	1	3,042.0	3	2,133.6	1
Utah Jazz	1	2,852.0	4	1,756.5	5
LA Clippers	6	2,842.8	5	1,838.0	3
LA Lakers	6	2,842.8	5	1,838.0	3
Toronto Raptors	3	2,391.3	7	1,593.2	10
San Antonio Spurs	1	2,298.0	8	1,733.8	8
New Jersey Nets	9	2,237.9	9	1,747.8	6
New York Knicks	9	2,237.9	9	1,747.8	6
Atlanta Hawks	3	2,126.0	11	1,493.3	13
Houston Rockets	3	2,010.0	12	1,639.7	9
Philadelphia 76ers	4	1,899.8	13	1,118.6	16
Chicago Bulls	5	1,877.2	14	1,575.2	11
Memphis Grizzlies	1	1,741.0	15	1,086.8	18
Dallas Mavericks	4	1,731.8	16	1,331.6	14
Oklahoma City Thunder	1	1,691.0	17	1,125.6	15
Boston Celtics	4	1,525.3	18	1,013.7	21
Washington Wizards	4	1,517.3	19	1,098.7	17
Charlotte Bobcats	2	1,434.0	20	1,020.0	20
Indiana Pacers	2	1,338.0	21	706.2	26
Phoenix Suns	4	1,251.0	22	831.6	24
Cleveland Cavaliers	3	1,226.0	23	590.7	29
Detroit Pistons	4	1,186.8	24	956.1	22
Golden State Warriors	6	1,128.8	25	1,031.2	19
Milwaukee Bucks	2	1,090.0	26	729.7	25
Minnesota Timberwolves	4	1,082.8	27	687.3	27
Miami Heat	4	1,055.0	28	911.8	23
Denver Nuggets	4	979.0	29	597.9	28
New Orleans Hornets	2	810.5	30	507.8	30
Average (Excluding Sacramento)		1,827.8		1,240.4	

Sources: Claritas 2011, PCensus, TVBasics, Arbitron, and Dun and Bradstreet.

Appendix A – Market Demographics

- CBSA Designation – Corporate Base (Adjusted)**

Market	Number of Teams	Companies w/ \$50mm Sales		Companies w/ 500+ Employees	
			Rank		Rank
Houston Rockets	3	182	1	105	5
Portland Trail Blazers	1	169	2	119	2
Chicago Bulls	5	144	3	114	3
Washington Wizards	4	141	4	137	1
Utah Jazz	1	132	5	89	9
Atlanta Hawks	3	131	6	94	8
New Jersey Nets	9	117	7	84	10
New York Knicks	9	117	7	84	10
Philadelphia 76ers	4	112	9	84	12
Oklahoma City Thunder	1	104	10	73	15
San Antonio Spurs	1	102	11	100	7
Boston Celtics	4	102	11	73	15
LA Clippers	6	100	13	83	13
LA Lakers	6	100	13	83	13
Orlando Magic	1	100	15	107	4
Dallas Mavericks	4	99	16	70	18
Sacramento Kings	1	84	17	102	6
Memphis Grizzlies	1	79	18	73	15
Milwaukee Bucks	2	79	18	58	21
Golden State Warriors	5	79	18	47	24
Detroit Pistons	4	78	21	64	19
Minnesota Timberwolves	4	77	22	58	22
Indiana Pacers	2	74	23	60	20
Charlotte Bobcats	2	58	24	47	25
Denver Nuggets	4	56	25	45	26
Phoenix Suns	4	51	26	50	23
Cleveland Cavaliers	3	51	26	43	27
Miami Heat	4	41	28	31	29
New Orleans Hornets	2	32	29	35	28
Toronto Raptors	3	NA	NA	NA	NA
Average (Excluding Sacramento)		97		75	

Sources: Claritas 2011, PCensus, TVBasics, Arbitron, and Dun and Bradstreet.

Appendix B – Consulting Team



- **Barrett Sports Group, LLC (BSG) is a leading sports industry specialist**
- **BSG has worked on numerous similar projects – 21 years experience and over 1,000 sports industry projects**
- **BSG has extensive arena feasibility and project financing experience**
- **BSG has an in-depth knowledge and understanding of the NBA and the Sacramento market**
- **Daniel S. Barrett, Principal**
 - Formerly Managing Director for Western Region Sports and Entertainment Investment Banking Division of A.G. Edwards & Sons, Inc.
 - Formerly Lead Western Region Hospitality Sports and Leisure Consulting Practice for Deloitte & Touche LLP
 - Sports Industry Expert Witness
 - Adjunct Professor University of San Francisco Sports Management Graduate Program
 - UCLA, BA – Economics/International Studies
 - USC, MBA – Finance/Real Estate

- **Additional advisory support provided by**
 - Goldman Sachs (investment bank)
 - Orrick, Herrington and Sutcliffe (bond counsel)
 - Nielsen Merksamer Parrinello Gross & Leoni LLP
 - City of Sacramento Staff
 - Think BIG Finance and JPA Subcommittees

Barrett Sports Group: Limiting Conditions and Assumptions



- **This analysis is subject to our contractual terms, as well as the following limiting conditions and assumptions:**
 - The analysis has been prepared for internal decision making purposes of the Client only and shall not be used for any other purposes without the prior written permission of Barrett Sports Group, LLC.
 - The analysis includes findings and recommendations; however, all decisions in connection with the implementation of such findings and recommendations shall be Client’s responsibility.
 - Ownership and management of the arena are assumed to be in competent and responsible hands. Ownership and management can materially impact the findings of this analysis.
 - Any estimates of historical or future prices, revenues, rents, expenses, occupancy, net operating income, mortgage debt service, capital outlays, cash flows, inflation, capitalization rates, yield rates or interest rates are intended solely for analytical purposes and are not to be construed as predictions of the analysts. They represent only the judgment of the authors based on information provided by operators and owners active in the market place, and their accuracy is in no way guaranteed.
 - Our work has been based in part on review and analysis of information provided by unrelated sources which are believed accurate, but cannot be assured to be accurate. No audit or other verification has been completed.
 - Current and anticipated market conditions are influenced by a large number of external factors. We have not knowingly withheld any pertinent facts, but we do not guarantee that we have knowledge of all factors which might influence the operating potential of the facility. Due to rapid changes in the external factors, the actual results may vary significantly from estimates presented in this report.
 - The analysts reserve the right to make such adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional data or more reliable data which may become available.
 - The analysis is intended to be read and used as a whole and not in parts. Separation of any section or page from the main body of the report is expressly forbidden and invalidates the analysis.
 - Possession of the analysis does not carry with it the right of publication. It shall be used for its intended purpose only and by the parties to whom it is addressed. Other parties should not rely on the findings of this report for any purpose and should perform their own due diligence.
 - Our performance of the tasks completed does not constitute an opinion of value or appraisal, or a projection of financial performance or audit of the facility in accordance with generally accepted audit standards. Estimates of value (ranges) have been prepared to illustrate current and possible future market conditions.
 - The analysis shall not be used in any matters pertaining to any financing, or real estate or other securities offering, registration, or exemption with any state or with the federal Securities and Exchange Commission.
 - No liability is assumed for matters which are legal or environmental in nature.