

March 24, 2014

Questions (Categorized by Topic)

The following questions were transcribed word-for-word from those submitted by individuals who attended the presentations given by USM and W.M. Jordan on Monday, March 24, 2014 at the Virginia Beach Convention Center. Answers for each question will be posted on the City's arena website as soon as they are available; however, because of their varying complexity, some questions may require more time to be answered and posted. Each answer will be dated and sourced as they are posted. If you have further questions, email vbarena@vbgov.com.

LAST UPDATED: Tuesday, April 8, 2014

Financial

1. What are the proposed costs of the arena?

USM Response (Received 4/5/14): The Arena will be completed at an approximate cost of \$200-million, which includes a significant equity investment by USM. Since our arena would be privately funded, USM will bear the construction and operational risks.

W.M. Jordan Response (Received 4/5/14): The W. M. Jordan team has been working for more than nine months designing and creating financial projections for our proposal. We have completed a very detailed facility program that identifies and quantifies all of the spaces in the Arena from the ice hockey rink to the mascot changing room. Our offer is a cost-plus contract with a Guaranteed Maximum Price not to exceed \$200 million. In this arrangement, the City would have value management options to reduce the cost of the facility, if they so desire.

2. What are the proposed operating costs and what revenue goals would be required to support the costs?

USM Response (Received 4/5/14): USM's proposed costs and revenue are based on conservative projections, since USM will bear all of the risk of construction and operation of the arena. The projections do include as a source of revenue the "but for" taxes and 1% of the hotel tax to support the costs of the facility. USM has provided these projections to the City of Virginia Beach; however this information is held as proprietary under the City's published standard PPEA Procedures.

W.M. Jordan Response (Received 4/5/14): The W. M. Jordan proposal includes 147 annual events, which will more than pay for the operating expenses of the Arena. All operations costs are paid for by the operator, who will guarantee all operating

expenses. Therefore, different from the Convention Center, the City will not bear any responsibility for potential Arena operating losses.

3. What money does city give up over time at revenue goals?

USM Response (Received 4/5/14): The City is not *giving up* any tax dollars under the terms of the USM proposal. Instead, we are requesting that 1% of the existing hotel tax be allocated to this project as a major attraction and revenue generator in the Resort District, thereby meeting the objective of the hotel tax to stimulate tourism in the City. This tax does not support the general fund of the City.

Taxes generated by the operation of the arena (the “but for” taxes) and this 1% hotel tax, will be contributed to the extent they are necessary to amortize project costs and support future arena improvements, as approved by the City. If the arena were never built, these “but for” tax revenues would never exist. Therefore the City is not giving up tax revenue. Projections indicate that approximately \$3-million of hotel tax allocation and \$4-million of project-specific tax revenue generated by arena operations will be reinvested in the facility in the first years.

This number will vary each subsequent year based on hotel and arena revenues, and the increase or decrease in these taxes is a risk that USM will bear. Previous studies have indicated that these taxes would be required for the City to amortize their debt service if they were to finance the arena, and any shortfall would be at the risk of the City in that scenario.

The arena will also create substantial additional economic activity, such as new business to restaurants and shops. This tax revenue creates a net overall increase to the City based on numerous studies conducted by the City in the past and economic analysis of our economists on our model.

W.M. Jordan Response (Received 4/5/14): Our projections are based on tax revenues generated during the first year of operations. As food and beverage sales, merchandise and *ticket prices* increase over time, the taxes on those items, specifically the return on the 10% admissions tax, will increase dramatically. In the W. M. Jordan proposal, the City retains the increased revenue whereas with the USM proposal, USM receives all the benefits of the revenue escalation.

City Response (Received 4/5/14): We are having an independent study performed by CSL International to determine these impacts.

4. If a failed project, what are the implications for the city?

City Response (Received 4/5/14): If City council agrees to begin developing an Interim Agreement and then a Comprehensive Agreement, provisions will be included to protect the City. In this context, the definition of “fail” would not mean that the building closes its doors. The building would continue to operate within its revenues, and other purposes and management would be pursued. In the case of WM Jordan, the City would own the facility, and therefore the City would find another operator or another purpose for the facility to maximize its use. In the case of USM, the building would be

owned by the private entity, and that entity would also find another operator and expand its purpose to make the facility successful. These are the types of provisions that would be included in the final agreements. Through the City Attorney, the City Council, as well as the independent professional arena consultants, provisions would be included to protect the City.

5. If cost overruns, who is responsible?

City Response (Received 4/5/14): The contract will contain language setting a limit on city participation in the case of the WM Jordan proposal, and in the USM proposal, the city will also not participate in cost overruns.

6. Is financing in place under the USM plan?

USM Response (Received 4/5/14): Yes. While financing cannot be finalized until such time as a final agreement is reached with the City, USM is working with a Chinese bank that is a highly rated international lender involved in other major projects around the world. Negotiations remain confidential; however, USM is providing the City with the information it needs to fully vet the lender. USM will also involve a leading US bank to service the loan and handle disbursements, which means that funds will be present and available here in the US to cover all arena construction and opening costs. USM will own and operate the Arena and will assume the associated risks.

7. ROI. What would it be?

City Response (Received 4/5/14): We are having an independent study performed by CSL International to determine the return to the city.

8. What is the city's investment?

City Response (Received 4/5/14): For the W.M. Jordan proposal, the city would invest \$200 million plus the supporting infrastructure, which is currently being calculated. For the USM proposal, the city investment would be the supporting infrastructure only.

9. What taxes, city services, site improvements, public cost share is included in WM Jordan proposal? \$200 million?

W.M. Jordan Response (Received 4/5/14): The City retains all the taxes that are generated in the Arena. We anticipate that the City would provide all normal and customary city services such as traffic management, fire and police, etc. The City would be responsible for the site and parking development, and the City would retain all parking rent, both now and as they increase in the future.

City Response (Received 4/5/14): The City has retained CSL International and Kimley-Horn to determine these costs and impacts. When that information is available it will be made available.

10. If 1% hotel tax revenue goes to arena what happens to other oceanfront initiatives?

City Response (Received 4/5/14): It's too soon to know. It depends on whether the 1% is taken from the existing hotel tax or is added to the tax.

11. Would the ESG proposal restaurant and retail proposed also get the sales tax revenue?

City Response (Received 4/5/14): It is not clear at this point, and would need to be determined in the development of the Comprehensive Agreement.

12. What is the term of the ground lease?

USM Response (Received 4/5/14): A critical component of the USM proposal is that the City makes the land available for construction and long-term operation of the arena. This may be done per a long-term lease with customary terms and conditions as proposed, or through an outright conveyance by the Economic Development Authority, and will be finalized with the City in a manner that meets all regulatory and statutory requirements.

W.M. Jordan Response (Received 4/5/14): Because the City would own the Arena in the W. M. Jordan proposal, there is no ground lease required. The term of the facility lease is contemplated at 25 years, with exit provisions for both parties under certain agreed-upon terms.

City Response (Received 4/5/14): Both proposals ask for no or low cost ground leases.

13. How does W.M. Jordan Group address the fact that risk is assumed by taxpayers in their proposals versus the other proposal?

W.M. Jordan Response (Received 4/5/14): The W. M. Jordan proposal suggests equity contributions totaling \$50 million from the developer, City and Commonwealth of Virginia with a lease and/or management agreement that could readily service the \$150 million bond debt. In our opinion, the risk to the City is more than offset by the control the City would exercise over the facility and its management. The upside potential for the City is a significant increase in tax revenues as event dates increase and ticket prices escalate over the long term. We have been working with HKS Architects, Live Nation and Comcast-Spectacor for the last nine months to complete a comprehensive design, facility program and cost projections for the Arena.

The W.M. Jordan Proposal is not subject to investor and lender scrutiny, therefore upon completion of negotiation of the Operating Agreement, the design and construction can commence. As the owner, the City ensures the project will be completed, and the facility cannot be sold to different ownership group at any time. We have offered a cost

plus contract with a Guaranteed Maximum Price not to exceed \$200 million. The City, through value management, can reduce that cost, if they so desire. Should the cost of the facility exceed \$200 million, the risk is W. M. Jordan's and not the taxpayers of Virginia Beach.

14. Does the city have resources to back WMJ proposal? (- lacking state/federal funds)

City Response (Received 4/5/14): The City would issue bonds for the project, which would mean that the city's debt position would increase.

15. Will projects be bonded?

City Response (Received 4/5/14): Our normal requirements for bonding will be required.

16. What impact will project have on city bond capacity?

City Response (Received 4/5/14): The WM Jordan proposal will increase the city's debt per capita by approximately \$447.

17. How might these proposals effect bond rating of the city?

City Response (Received 4/5/14): Neither proposal would create a negative impact: however, the WM Jordan proposal would create more limitations on future flexibility in debt issuance.

18. What is the bond amount the Jordan proposal requires? i.e. what is the City's exposure?

W.M. Jordan Response (Received 4/5/14): W. M. Jordan is one of the largest contractors in the Commonwealth of Virginia with a bonding capacity well in excess of \$600 million. We would anticipate the City would require a bond equal to the cost of the Arena, which we can readily provide.

19. What are the projections the Garcia groups has for the value of the 1 percent of the city's hotel tax as well as the "but for" tax?

USM Response (Received 4/5/14): Per USM's proposal, 1% of the hotel tax will be allocated to this project as a major attraction and revenue generator in the Resort District, and taxes generated by the operation of the arena (the "but for" taxes) will be contributed to the extent they are necessary to amortize project costs and support future arena improvements, as approved by the City. USM's projections indicate that approximately \$3 million of hotel tax allocation and \$4 million of project-specific "but for" tax revenue generated by arena operations will be reinvested in the arena in the first years. This number will vary each subsequent year based on hotel occupancy rates and arena revenue, however the amount returned to the project would be limited to

that which is required to amortize cumulative project costs, and any excess would be retained by the City.

20. Whether it is publically or privately owned who pays the cost if the Arena does not generate enough revenue to support it?

USM Response (Received 4/5/14): If USM's plan is selected, the arena will be privately financed and privately owned. USM has carefully developed its business model in a way that creates the greatest possible opportunity for success. We have assessed potential areas of operational and financial risk and developed risk mitigation strategies to ensure the continued success and operation of the venue even under difficult circumstances. In the unlikely event that there were cost overages during construction, or revenue shortfalls during operation, USM alone will be responsible. Under USM's proposal, construction and operational risk is transferred away from the City and taxpayers.

W.M. Jordan Response (Received 4/5/14): In the W. M. Jordan proposal, all operations costs are paid for by the operator, who will guarantee all operating expenses. The City has no risk.

21. The Jordan plan did not address who pays for cost overage, addition of loss revenue – what is their plan to guarantee no additional cost in taxpayers like the ESG plan offers?

W.M. Jordan Response (Received 4/5/14): The W. M. Jordan proposal is a cost plus with a Guaranteed Maximum Price, therefore the City will pay up to \$200 million. All overages over \$200 million will be borne by W. M. Jordan. The operator, Comcast-Spectacor, will guarantee all operating expenses. The City will not need to provide an operating subsidy to the Arena, thus mitigating any risk of negative operating cash flow for the City. The management agreement would provide incentives for Comcast-Spectacor, the operator, to maximize profits and penalize the operator if projections fall short.

City Oversight/Involvement

1. Will city have quality oversight?

City Response (Received 4/5/14): This requires four responses:

- a. Most reputable construction firms provide for a quality control program that insures their buildings are constructed according to plans and specifications with good workmanship.
- b. Equally important will be the quality of the amenities provided for in design of the building. Like homes and cars, arenas are not created equal. The level of finish and function can vary greatly between buildings. Arenas with lower construction budgets may only provide for concrete floors, cinder block walls,

narrow passageways, and plastic seats. Higher quality arenas may contain carpeted floors, walls of glass, metal or wood, spacious passageways and generously upholstered seats. These qualities are typically guided by expected use and available budget. Since budgets have been proposed by both teams, a certain level of design has already been determined. With both proposals having a \$200 million budget for an 18,000 seat arena, the expectation is the design quality of both proposals would be similar and on the low end of the scale for design amenities. Upgrading those amenities would be at the expense of the City.

- c. Quality oversight by the City is typically called Quality Assurance, i.e. City inspectors ensuring compliance with plans and specification and quality of workmanship. With the Jordan proposal, the City would hold the construction contract and as such, would have a quality assurance role. With the USM proposal, the developer is building the arena for himself and as such, the City would not hold the construction contract nor have any role in quality assurance.
 - d. The City has made provisions with both projects to find a construction management firm to provide additional construction oversight.
2. Does city have expertise to own facility?

City Response (Received 4/5/14): We interpret this question to mean “Does the City have the expertise to *operate* the facility?” Cities all over the country own and operate arenas and other public assembly facilities, and some chose to contract daily operations to private management companies who specialize in running public assembly facilities. Each team has proposed a different leading private management company to operate the arena which is their prerogative. It is often more advantageous to contract management of arenas as they operate in commercial and competitive environments. The City could however ultimately hire an experienced manager should the need arise or if this were provided for in either of the proposals.

3. Would city have control over what type of events are held?

USM Response (Received 4/5/14): Both proposals are based on attracting similar events such as family shows, concerts, sports tournaments, conferences, and civic gatherings as are typical of arenas of this size and functionality across the country. SMG understands that in order to best meet the entertainment and sports demands of any community, they must stay closely attuned to the interests of all community stakeholders, including the City. It is in the best interest of our community as a whole and the City to have booking decisions made by industry experts who have vast experience in managing the complex day to day operations of a major arena. SMG manages over 1.7 million sports and entertainment seats world-wide and understands

the critical role an arena can play in creating a vibrant cultural life for the community, building tourism, and fostering a robust local economy. It is a matter of routine for them to coordinate activities with the arenas, cities, and convention centers they serve throughout the nation. Additionally, cities across the country have turned to private enterprise as a way to cut costs and deliver the best value to their communities by enabling specialized professionals to do what they do best.

W.M. Jordan Response (Received 4/5/14): Under the W. M. Jordan proposal, the City would have complete control over the events because they would retain ownership of the Arena. This would allow the City to attract larger conventions, trade shows and sporting events that will bring millions of visitors to the oceanfront. These types of events are ideally suited to bolster visitation during the winter and shoulder seasons.

4. What would be the role of CVB & Management arm/interaction of with operations?

USM Response (Received 4/5/14): The USM team envisions a mutually beneficial and cooperative relationship with the Convention and Visitor's Bureau. Specifically, the arena would be operated by SMG, which manages more than 70 convention centers around the nation. SMG understands exactly what is required to effectively run such a facility, and this gives them the perfect insight needed to coordinate with the CVB in a way that helps both venues be successful. To maximize the arena operations and community benefit, SMG would, as is their customary practice, stay abreast of all events occurring in the City and coordinate schedules to capitalize on potential synergies while avoiding conflicts.

WM Jordan Response (Received 4/5/14): With the W. M. Jordan proposal, the City would own the Arena. The Arena would be managed by Comcast-Spectacor, and Live Nation would provide its expertise with the production and promotions of events. The City of Virginia Beach has experience working with both companies at The Sandler Center for Performing Arts and Farm Bureau Live Amphitheater respectively. The team would work closely with the City of Virginia Beach, the Convention and Visitors Bureau and the Convention Center staff to market and brand the Arena to align with the City's branding efforts. We would absolutely have to work together to manage operations including strategizing events so that the Arena and the Convention Center are successful. Emphasis should be placed on booking events that maximize the capabilities of both venues while delivering maximum economic impact to the City. As the owner, the City will have the ability to schedule large city-wide and regional events that might not be as profitable for a private arena owner, but that benefit the City as a whole. Overall events need to be structured for the greater good of the City, and we can work together to accomplish this goal.

City Response (Received 4/5/14): The CVB would partner with the arena's management company to bring larger conventions and sporting events to the City. Funding, often required of high profile sporting events, would need to be identified to attract events of this nature. The Convention Center management team's role would be in coordinating simultaneous events. In addition, the US Management proposal requires that the City provide support for parking lot operations and maintenance and traffic

control. The CVB through its convention center operations may provide this to the new campus. The Convention and Visitors Bureau or another City agency may serve as contract administrator for the new arena depending on the ownership model selected.

5. Would the city own the land if USM were to develop the project? (Could it be transferred?)

City Response (Received 4/5/14): The USM proposal assumes a long term lease from the City for the property the arena occupies.

6. What protection does City of VB have if the companies wish to sell out or bring in new investors?

City Response (Received 4/5/14): That would be determined during the development of the Comprehensive Agreement.

7. Would either proposal envision assuming operation and management of convention center from city?

USM Response (Received 4/5/14): USM does not envision assuming operation and management of the convention center. Under USM's plan, SMG would manage and operate the arena only, however would coordinate with Convention Center staff to maximize joint opportunities for major conventions.

W.M. Jordan Response (Received 4/5/14): Ideally both facilities could be managed by the same entity, but even if they aren't, in our proposal the City retains ownership and would establish operating policies for the different managing companies. Therefore, the Convention Center and the Arena will complement each other versus compete with each other for events and parking.

8. What are the priorities in rank order that the City will use to judge these proposals?

City Response (Received 4/5/14): Among the considerations will be the project's return on investment, effect on tourism, civic pride and quality of life, among others.

9. What does the City want to achieve with an arena?

City Response (Received 4/5/14): The arena provides a significant opportunity for economic development through job creation and new revenues via the economic impact of increased lodging and sales tax revenue. It will also serve as a way to enhance quality of life by introducing entertainment options that currently bypass the region due to the fact that we do not have an adequate facility in the marketplace.

10. Will City be able to rent facility? Will they be able to have input in booking acts?

USM Response (Received 4/5/14): SMG, a recognized industry leader in managing entertainment and sports facilities, will be responsible for booking activities at the arena. As previously mentioned, it is both SMG's standard practice, and in the best interest of the arena, to cooperate with local government and find mutually agreeable times for the City to rent and host civic events.

W.M. Jordan Response (Received 4/5/14): In the W. M. Jordan proposal, the City would own the Arena and therefore be able to set the policies and the time that the City requires for its use. The City would have complete control over programming, booking, managing and operating the facility through both management and lease agreements. This would include booking policies that preclude booking events too far in advance that might impair the City's ability to negotiate future opportunities that would benefit the greater good of the tourism industry in Virginia Beach.

11. City owns the Convention Center, private-owned arena – would there be any conflict?

USM Response (Received 4/5/14): The arena should actually create a benefit to the Convention Center. The synergy created by the combination of the two venues will allow the Convention Center to host civic gatherings as well as attract political, religious and other national events that currently bypass Virginia Beach due to space limitations. For example, faith-based groups often draw up to 20,000 attendees and may view Virginia Beach as a desirable convention site if they had access to both venues and an abundance of hotel rooms available. Virginia Beach will be one of six cities in the country with an arena, convention center and significant hotel accommodations in close proximity, which will give Virginia Beach the opportunity to attract events that will use both the convention center and the arena simultaneously.

W.M. Jordan Proposal (Received 4/5/14): With the W. M. Jordan proposal, the City owns the Arena and therefore would have an ongoing relationship with Comcast-Spectacor and Live Nation so there would be no conflict with the Convention Center. As a result of the City retaining ownership of the Arena and the convention center, the City can take advantage of efficiencies in operations and leverage the marketing and booking capacities of each facility. The City has 18 years of experience working with Live Nation at Farm Bureau Live Amphitheater so this partnership and success have been demonstrated in the past. Additionally, Live Nation promotes more than 85% of all shows in Virginia.

City Response (Received 4/5/14): The question of public versus private is not as important as defining booking priorities for both facilities during the planning stages. By nature, an arena operator will wish to sell as many tickets to an event as possible. Convention centers' missions are more about driving out of town business into the local economy. While both will generate spending in the local economy through sleeping rooms and meals, the economic impact of 2,000 delegate convention will likely be greater than the impact of a concert with 18,000 fans. Other conflicts may arise as a

result of longer lead times for booking conventions verses shorter lead times for booking arenas. While a sharing of infrastructure is anticipated much of the time, adequate parking and roadway infrastructure will be critical to limiting the number of conflicts that may arise.

12. Who will coordinate events between arena and convention center? (Parking, police)

USM Response (Received 4/5/14): SMG will be responsible for coordinating events with the City. With over four decades of experience providing venue management services, SMG is well versed in working closely with municipalities and their publicly owned facilities. SMG currently manages more than 230 facilities world-wide, and in every case they work closely with host cities and communities to ensure that operations are conducted safely and smoothly for both event attendees and the residents of adjacent neighborhoods.

W.M. Jordan Response (Received 4/5/14): As the City would own the Arena in the W. M. Jordan proposal, the City would state the policies to the operator related to issues such as parking, police, etc., to ensure the inherent conflicts would not exist.

13. How often will convention center and arena be live at the same time?

City Response (Received 4/5/14): The Convention Center holds events approximately 305 days per year. The events vary in size from dozens of people to tens of thousands over the course of one or multiple days. It is not uncommon for simultaneous events to take place in the Center. In order for both facilities to be successful, they will almost certainly have to be live at the same time on numerous occasions. It is critical that open lines of communication between the two facilities be part of operational protocol.

14. Is the City ready for crime implications? Trafficking increased panhandling.

City Response (Received 4/5/14): On event days, additional security will be provided and the city will assign adequate police, fire and EMS staffing.

15. Does the City have control over the venues of the Amphitheater and Sandler Center?

City Response (Received 4/5/14): Yes. The Amphitheater is owned by the Virginia Beach Development Authority and the Sandler Center is owned by the City.

16. Why should the City be in the entertainment business?

City Response (Received 4/5/14): Virginia Beach is in the business of economic development – bringing new jobs and businesses to the city to benefit our residents. This project will accomplish both. In addition, tourism is our second largest industry, and the arena would boost that segment of our economy significantly.

Infrastructure/Surrounding Developments

1. Are attendance/revenue projections based on having light rail service?

USM Response (Received 4/5/14): No. Arena projections are not based on having light rail service. While the arena design and locale are compatible with potential mass transit, there is no reason to wait for that transportation option, and it is not an integral part of USM's financial model.

W.M. Jordan Response (Received 4/5/14): Currently, the revenue projections do not factor in light rail. The addition of light rail should only enhance attendance and therefore increase revenue. Also, once light rail is introduced, the ability for the Convention Center and the Arena to have large, combined events will be improved as the parking requirements will decrease.

2. How do these proposals effect LRT study schedule?

City Response (Received 4/5/14): Neither proposal will have any effect on HRT's light rail study schedule.

3. Which businesses/organizations might be displaced by project?

City Response (Received 4/5/14): The Lighthouse Center is not envisioned to remain in its current location.

4. What type and how many retail operations are to be included in project?
(incorporated or free standing?)

USM Response (Received 4/5/14): The number and mix of retail operations are yet to be determined. USM envisions multiple outlets tailored to the festive atmosphere created by the arena operations.

W.M. Jordan Response (Received 4/5/14): The Arena will contain normal and customary food and beverage facilities. The W. M. Jordan proposal does not include any other free-standing exterior facilities to compete with the existing supply of food and beverage establishments offered in the City.

5. How much retail/restaurant space will be made available/included?

USM Response (Received 4/5/14): The conceptual site plan included with the USM proposal includes significant dining and retail adjacent to the outdoor plaza connecting the arena and convention center. The exact amount cannot be determined until construction plans progress and tenant needs and commitments are more fully explored.

W.M. Jordan Response (Received 4/5/14): As stated in [question number 4] above, the W. M. Jordan Arena proposal would only have the normal and customary beverage facilities within the Arena. We believe that creating restaurants outside the facility competes with the Virginia Beach restaurant industry, and would cannibalize rather than enhance the economics for business.

6. Does VB have the hotel quality infrastructure to attract large events?

City Response (Received 4/5/14): The City has over 12,000 hotel rooms to support out of town visitors and those who will attend events at the arena. While quality varies, an arena is likely to encourage development of new higher quality hotels much like the Convention Center did when it opened in 2005.

7. How will transportation hotel-arena be handled? (traffic patterns/ingress-egress)

USM Response (Received 4/5/14): USM would require City participation to handle traffic and parking. In 2012, Kimley-Horn provided an infrastructure assessment for the City addressing the traffic needs generated by a proposed arena in this location. Based on that assessment, the City Council briefing concluded that:

- existing highway and interchange network in the area will still operate at full capacity with the additional traffic load,
- no new interchanges will be needed,
- traffic lanes should be reallocated for faster ingress/egress, and
- development costs can be kept to a minimum because of previous infrastructure investments already made by the City.

W.M. Jordan Response (Received 4/5/14): The W. M. Jordan proposal anticipates that the Arena will primarily be busy in the shoulder and winter seasons. We anticipate that the City's current trolley and bus systems would be utilized to accommodate the demand.

8. How will/what is impact is impact of convention center during construction phase? (i.e. parking)

City Response (Received 4/5/14): Careful planning will have to take place to provide additional parking for the Convention Center prior to demolition of the current parking lot and construction staging areas. The arena site alone will eliminate about 1/3 of the Center's parking, and some of its most proximate. Construction staging may require a similar amount of space. Structured parking may be required at some point to support the convention center and future hotel development.

9. How do both plans compliment city proposals (SGA) i.e. traffic and pedestrian flow?

USM Response (Received 4/5/14): USM's proposal aligns with the City's Resort Strategic Growth Area (SGA) plan to redevelop the 19th Street corridor. A key

recommendation of the Resort SGA is to create a pedestrian-scale, mixed-use entertainment district that connects the convention center area to the oceanfront. Our team member, Clark Nexsen, is already working with the City on this concept and is therefore quite familiar with the infrastructure requirements in the area. Their knowledge will be invaluable in aligning USM's plan for an arena with the 19th Street redevelopment objectives. Traffic would be redirected in some areas of 19th Street, and there would be a pedestrian plaza between the arena and Convention Center. By working together with City planners, our team will help to create a calmer traffic flow on 19th Street that effectively moves traffic and is safer for vehicles and pedestrians alike.

WM Jordan Response (Received 4/5/14): W.M. Jordan's plan recognizes and takes into consideration the Resort Area Strategic Action Plan specifically for the 19th Street/Central Beach District. Our Arena plan complements the City's investment to ensure 19th Street is a vital connection to the oceanfront. This plan furthers the development of a pedestrian-scale, mixed-use entertainment district that connects the Arena and the Convention Center with the beach. We do not anticipate the closure of 19th Street or any related expenses; this was not a SGA or City objective for that corridor.

City Response (Received 4/5/14); The Resort Strategic Action Plan (RASAP) or also known as the Resort Strategic Growth Area (SGA) Plan includes recommendations for an entertainment corridor along 19th Street identified as the "Central Beach District" which is compatible with the Arena proposals. In addition items identified in the Plan and the compatibility of those items to the Arena proposals are listed below.

- The Resort SGA Plan recommends improvements for 17th Street and 19th Street which provide for wide sidewalks, street trees, undergrounding of utilities and traffic lanes.
- 17th and 19th Street will provide vehicular and pedestrian access to the Arena. A traffic study will be completed to determine the appropriate sections and alignments of those streets. It does not appear the concepts in the SGA plan for the area are in conflict with the Arena development.
- The SGA Plan 19th Street plan also identifies the potential for light rail to be included in the street section, this is consistent with the Arena proposals.
- The SGA Plan includes public parking facilities identified for 19th Street in the vicinity of Arctic Avenue and in the vicinity of the Convention Center/Arena area. The recommended parking plan is compatible with the Arena proposals.
- The United States Management (USM) proposal shows a Light Rail alignment currently not under consideration, however, as we proceed with planning for the development of public transit in this area the alignment proposed could be considered.

- The USM proposal shows significant changes to 19th Street adjacent to the Arena. This concept will have to be evaluated along with other traffic related issues. However, the proposed alignment is consistent with the goal of pedestrian connectivity from the Convention Center (Arena area) to the Oceanfront.

In summary, the Arena Proposals while not identical to the Resort Strategic Action plans are consistent with the land uses and vehicular and pedestrian connectivity recommended. A link to the Resort Strategic Action Plan is included below.

<http://www.vbgov.com/government/departments/planning/areaplans/Documents/Oceanfront/ResortAreaStrategicActionPlan120208.pdf>

Should you have any specific comments regarding this question and the responses please contact Barry Frankenfield at 385-2901 or bfranken@vbgov.com.

10. Traffic – who pays for needed improvements to handle extra traffic?

USM Response (Received 4/5/14): Under both proposals, the City will be responsible for any necessary traffic improvements. In 2012, Kimley-Horn provided an infrastructure assessment for the City addressing the traffic needs generated by a proposed arena in this location. Based on that assessment, the City Council briefing concluded that:

- existing highway and interchange network in the area will still operate at full capacity with the additional traffic load,
- no new interchanges will be needed,
- traffic lanes should be reallocated for faster ingress/egress, and
- development costs can be kept to a minimum because of previous infrastructure investments already made by the City.

WM Jordan Response (Received 4/5/14): W. M. Jordan has utilized the Kimley-Horn traffic study as the basis of our site design. Based on the study, we specifically leave 19th Street open and accessible. Modest roadway improvements, paid for by the City, will be needed to accommodate demand, according to the City's study.

City Response (Received 4/5/14): The City is being asked to do those improvements and studies are underway to determine those costs.

11. Is parking sufficient to support both facilities?

City Response (Received 4/5/14): Kimley-Horn has been hired to study what parking and infrastructure may be needed to support both facilities.

12. Is headquarter hotel necessary to success?

City Response (Received 4/5/14): A headquarters hotel adjacent to the Convention Center or arena would make both more successful.

13. Do airport and interstates support envisioned accessibility?

14. Have proposals been reviewed by Oceana?

City Response (Received 4/5/14): As proposed, the USM plan has the arena sited in the same noise zone as the Convention Center which is 70-75dB. Neither resides in an Accident Potential Zone. The Navy and the FAA are aware of the arena proposals.

15. Will jet noise affect attraction of music events?

16. There has been a lot of talk about a hotel is needed for the Pavilion to be really successful, at what point does that enter into even more development?

City Response (Received 4/5/14): The Virginia Beach Convention Center (formerly Pavilion) and other hotels and businesses would benefit greatly from a headquarters hotel. Development of an arena would create more demand for proximate hotel rooms.

17. Where will the additional parking be since this facility will be taking away existing parking?

USM Response (Received 4/5/14): The City will be responsible for providing adequate parking for the venue. Pursuant to USM's conceptual site plan, lost parking will be largely replaced by new surface parking on unutilized City property located to the west of the arena site.

W.M. Jordan Response (Received 4/5/14): With the expansion of parking lots into the City-owned property on 19th Street and Birdneck Road, the City's parking study indicates adequate parking for most events. Larger events will utilize existing City garages at the oceanfront that are currently underutilized in the shoulder and winter seasons. The existing trolley system will also be utilized to shuttle visitors to the Arena.

Market Viability & Comparisons

1. What is the success of the convention center currently?

City Response (Received 4/5/14): Success of Convention Centers are measured a number of ways. Quite possibly the most important measure of success is the number of room nights a center brings to a destination. Since fully opening in 2007, out of town visitors attending events at the Virginia Beach Convention Center have utilized an estimated average of 123,000 room nights per year. These out of town visitors who attend meetings, conventions, and participatory sporting events have spent on average

nearly \$41 million annually in Virginia Beach. In addition to out of town visitors, the Center provides a venue for several hundred thousand residents of Hampton Roads each year who attend community events, corporate events, and consumer shows.

2. How does 550,000 compare to other 18,000 seat arenas?

3. Why is 18,000 the “magic number?”

USM Response (Received 4/5/14): USM’s project team, which includes experts in arena design, construction and management, believes that is the optimal capacity for the range of events it hopes to attract. At 18,000 seats, it would be the largest facility of its kind in Virginia. 18,000 seats would also be the appropriate size for NBA/NHL requirements should a franchise locate in Virginia Beach at some future date.

W.M. Jordan Response (Received 4/5/14): The 18,000 seating capacity is significantly larger than any other arena in Virginia. This size will attract many concerts and events that currently cannot be accommodated in the region. The W. M. Jordan team met with and designed our proposal to work with concert promoters and NCAA major college conferences. Our research also indicates that 18,000 is an attractive number for the NBA and the NHL.

4. Is 18,000 seats enough to compete?

USM Response (Received 4/5/14): Yes. As stated above, USM’s project team, which includes experts in arena design, construction and management, believes that is the optimal capacity for the range of events it hopes to attract. At 18,000 seats, it would be the largest facility of its kind in Virginia. 18,000 seats would be adequate to meet NBA/NHL requirements should a franchise locate in Virginia Beach at some future date.

W.M. Jordan Response (Receive 4/5/14): YES! We have tested this number with major sporting, music and cultural attractions and believe it is the correct number to balance potential events with Arena construction costs. The W.M. Jordan Arena design can be easily adapted to accommodate a professional team. These enhancements have been identified to include adding 24 premium level suites, 16 bunker suites, 8,000 square feet of locker room space, additional 25,000+ square feet of team office space and adaptations for restaurants, clubs and team store. This design will assist the City in attracting a major league tenant and minimize the time required to upgrade the Arena.

5. Is 18,000 seats enough for ACC Tournament? Raleigh 19,500, Greensboro 23,500?

USM Response (Received 4/5/14): Yes, the arena will have enough seats to be eligible for ACC tournaments. Additionally, the Convention Center will greatly benefit such a tournament as it would be utilized to host “ACC Fan Experience” events throughout the tournament week.

W.M. Jordan Response (Received 4/5/14): The ACC is now more interested in the overall market, not just seating capacity. The ACC will play the 2017 and 2018 Men’s

Tournament at Barclay's Center in Brooklyn with a capacity just under 17,000. Greensboro just installed new seats and has reduced its capacity to approximately 21,000. Raleigh is not eligible to host the ACC since it is NC State's home court.

6. What cities w/o professional teams have similar arenas and are they financially successful?

7. Are there sufficient corporations to purchase suites?

USM Response (Received 4/5/14): Yes, there is sufficient corporate demand. One of the City's arena studies conducted for this market states: "Southeastern Virginia is home to 825 corporations large enough to support suites, which is just above average for US NBA and NHL cities." Based on this demographic, SMG's expertise and analysis of their facilities in similar markets, as well as input from other members of our team, USM has refined its premium seating mix to match projected corporate demand. Additionally, the USM team has factored construction flexibility into the overall arena design, which will allow us to tailor the number and type of premium seats to actual demand. Should demand fall short, USM would be at risk, not the City or its taxpayers.

W.M. Jordan Response (4/5/14): In the W. M. Jordan proposal, all the risk and the profitability of the club seats, private suites and loge boxes rest with the operator, Comcast-Spectacor, and not the City. Comcast-Spectacor currently operates 51 arenas across the country, and has a proven track record of success in these operations. One of the attractive features of the Virginia Beach market is the lack of premium seating products in competing venues in the region. Studies indicate there is enough market demand to support our Arena program and financial models. There are several Fortune 500 companies in Hampton Roads and ten including the Richmond MSA. We believe that these companies, combined with the regional business community, will have a great interest in the premium seats, suites and boxes.

8. What are the plans re: Min., women, vet-owned firms?

USM Response (Received 4/5/14): USM places a high value on supporting small businesses and recognizes that Small, Women, Minority and Service Disabled Veteran owned (SWAM) firms offer a broad range of expertise and capabilities to the Virginia Beach and greater Hampton Roads community. To meet the City's objectives in this area, USM will make every effort to utilize local SWAM subcontractors in all phases of the project as much as is financially feasible. SWAM businesses will be sought out to perform as suppliers, as well as to provide both skilled and unskilled services wherever they can bring the best value to the project.

Mortenson Construction and S.B. Ballard Construction Companies have historically been industry leaders in small business utilization on all of their projects. USM believes we can meet or exceed the City of Virginia Beach's goal of utilizing 50% Small, Women, Minority and Service Disabled Veteran owned businesses during arena construction.

W.M. Jordan Response (Received 4/5/14): W. M. Jordan Company has an outstanding track record in Hampton Roads and throughout the Commonwealth of Virginia for inclusion of Small, Women, Minority and Veteran-owned firms. We were the first Construction Manager in the Commonwealth of Virginia to sign a Memorandum of Understanding with the Department of Minority Business Enterprise for our proactive initiatives with supplier diversity. We employ a full-time Supplier Diversity Manager, Sharon Rheinhardt, to actively recruit and retain firms. W. M. Jordan incorporates Small, Women, Minority and Veteran-owned subcontractors and suppliers as a component of our overall procurement process. We developed and provide classes in working and bidding with W. M. Jordan to encourage firms to not only bid on our work, but to help them successfully complete their portion of the projects.

9. With the Scope and Hampton Coliseum, would we be getting additional events or taking events from them?

City Response (Received 4/5/14): A little of both. While the proposed size of this arena is larger than Scope or the Hampton Coliseum, it is likely that some event organizers who hold their events at those two facilities will be interested in an arena in Virginia Beach. Additional, new events will come to the facility because it will be the largest facility in Hampton Roads.

10. Has a privately funded arena ever been turned down? W.M. Jordan said one has never been built – is that because this is the first sufficient offer?

USM/W.M. Jordan Involvement/Operations

1. Who will do bookings for ESG/USM Arena?

USM Response (Received 4/5/14): SMG would be the venue manager and promoter. With over four decades of experience, SMG operates more than 230 arenas, stadiums, convention centers and other public assembly venues worldwide and manages over 1,750,000 seats nationwide. They understand the critical role an arena can play in creating a vibrant cultural life, building tourism, and fostering a robust local economy. SMG hosts more NCAA events than any other company in the country and books entertainment as varied as the largest concert tours to family shows to specialized events. They have a management team dedicated specifically to new venue development and in the past 10 years, they have opened or renovated more than 20 highly successful sports and entertainment properties.

City Response (Received 4/5/14): SMG, a private management company specializing in arena management, would handle bookings for the arena.

2. What is the exit strategy for each team should it fail?

USM Response (Received 4/5/14): USM has carefully developed its business model in a way that creates the greatest possible opportunity for success. We have assessed potential areas of operational and financial risk, and developed risk mitigation strategies to ensure the continued success and operation of the venue even under difficult circumstances. However, in the unlikely event that the arena does not perform up to expectations, USM alone would be at risk for any operational shortcoming. Our proposal includes significant private equity contributions, which would not be made if investors did not believe in the development team's abilities to construct and operate a successful arena in Virginia Beach. USM's principals include Virginia Beach natives and residents, and they will be present here in the community to personally stand behind the arena.

W.M. Jordan Response (Received 4/5/14): The agreements will need to address default and who will own and operate the facility. In our proposal, the City retains the facility and penalties would be due to the City as prescribed in the agreement.

3. For USM, how long will it take to upgrade to professional team? Parking?

USM Response (Received 4/5/14): We cannot predict the future actions of the NBA or NHL, and our model does not depend on a major league franchise to be profitable. That said, the arena is being specifically designed with the capability to readily adapt to NBA or NHL requirements should the opportunity arise. AECOM, a key USM team member, has designed far more NBA-ready arenas than any other architectural firm in the country and has included all of the necessary core functional features into the arena's design. The arena will be readily adaptable, and needed changes would not in any way delay a potential major league franchise deal.

The addition of a professional sports team should not create a need for additional parking because existing resources will already be in place pursuant to studies done for the City by Kimley-Horn.

4. Who owns the naming rights under the Jordan proposal?

W.M. Jordan Response (Received 4/5/14): Comcast-Spectacor will have an operating agreement with the City. Due to the speculative nature of naming rights, Comcast-Spectacor will assume all the risk associated with selling the naming rights. The City will receive less speculative income such as taxes and parking fees.

5. How does each proposal plan to maintain ice quality for hockey in warm weather?

USM Response (Received 4/5/14): Recent concerns about poor ice quality in current NHL venues were raised as a result of outdated ice floor technology and materials as well as inadequate air handling and dehumidification capacity. USM's proposal specifically addresses this issue, and the design and construction team will incorporate state of the art materials and technology into the arena design to ensure that the venue is capable of supporting all events in weather typical for our climate. These additional costs will be vetted with City staff as outlined in our proposal.

W.M. Jordan Response (Received 4/5/14): In the W. M. Jordan proposal, we anticipated the demand for various events that require ice (NCAA regional tournament, amateur hockey, ice show events, etc.) Unlike most proposals, the W. M. Jordan proposal has included state-of-the-art ice system supplemented by additional dehumidification machinery – similar to the PNC Arena in Raleigh.

6. What is breakdown of seating by type (i.e. club, luxury boxes, etc.) under each proposal?

USM Response (Received 4/5/14): USM has refined its premium seating mix to meet projected corporate demand based on the City's arena studies conducted for this market, SMG's expertise and analysis of their facilities in similar markets, as well as input from other members of our team. USM currently projects an initial demand for approximately 24-30 suites and an additional 1,200 loge and club seats. Additionally, the USM team has factored construction flexibility into the overall arena design, which will allow us to tailor the number and type of premium seats to actual demand. Should demand fall short, USM would be at risk, not the City or the taxpayers.

W.M. Jordan Response (Received 4/5/14): Under the W. M. Jordan proposal, the breakdown of seating is 1,000 club seats, 24 private suites with 15 seats each (510 seats), 15 loge boxes with 6 seats each (90 seats), and regular seating of 16,400 for a total of 18,000 seats. In addition, our design allows the ability to add more bunker suites and premium-level suites. As a result of the City owning the Arena, the City would retain exclusive rights to solicit a professional sports team, and control that negotiation, if they so desire. Our Arena has the capability to be modified to accommodate the needs of a professional sports team.

7. For all the talk about the NBA and NHL, what consideration has been given to the WNBA? First, the shorter season would make tickets easier to sell. Second, since they play during the summer, we could induce a large walk-up market from tourists.