



## **EXECUTIVE SUMMARY LAS VEGAS NATIONAL SPORTS CENTER**

The Las Vegas National Sports Center consists of three venues, one each for basketball, baseball and soccer. The basketball arena will have the ability to host hockey given the relative size of the playing surfaces. The soccer stadium will have the ability to host football given the relative size of the fields. The ballpark is expandable in the event of the substitution of MLB.

Project Name	:	Las Vegas National Sports Center
Land Area	:	Approx. 70 Acres
Principal Structures	:	Arena 17,500 NBA Stadium 50,000 MLS Ballpark 9,000 AAA
New Taxation Required	:	None
Existing Tax Redirection	:	None
District	:	LVNSC Athletic Improvement District
Increment	:	Internal to the Venues (would not otherwise exist)
Recourse	:	District Only
FA (Venues)	:	Goldman Sachs & Co. (District Bonds, Commercial Construction)
FA (Franchises)	:	Morgan Stanley Inc. (Buy-Side Advisory, Equity, League Finance Facilities)
Developer	:	IDM
General Contractor	:	Turner
Sports Architecture	:	360
Construction Start	:	October 2011
Construction Completion	:	October 2013
Venue Cost	:	\$1,050,000,000
Franchise Cost	:	<u>\$525,000,000</u> \$1,575,000,000
Legal Counsel	:	Local - McDonald Carano Wilson (Las Vegas) Corporate - Pillsbury Winthrop (New York) Sports - DLA Piper (New York)
Principal Content	:	NBA, MLS, AAA (or MLB)
NCAA Content	:	UNLV, MWC
Non-Owned Content	:	Various Las Vegas Events

The Las Vegas National Sports Center is privately owned and financed wherein ownership of the professional sports franchises and the physical venues is consolidated (ref MLSE and MSG). No new taxes or redirection of existing taxes are required. Any increment generated only by the venues themselves is recycled back into the venues to assist in defraying some of the costs of construction. A subset of the Symphony Park master plan drawings can be downloaded by clicking on the following link <https://idmcapital.box.net/shared/static/a3lkz5razd.pdf>

The venues are being constructed to house professional sports. However, they will be able to host a variety of other events including collegiate sports. In prior discussions with UNLV we have offered that LVNSC will provide access to the venues under long term license agreements for UNLV's basketball, baseball, soccer and football programs.

These long term licenses will provide for UNLV use of the facilities for \$1.00 per year plus game day expenses only. UNLV will retain its gate and merchandise. That revenue alone, with no associated venue ownership expense, will more than offset prior revenue associated with operating the aging Thomas & Mack Center and Sam Boyd Stadium.

## **LAS VEGAS NATIONAL SPORTS CENTER COMPARATIVE ISSUES FOR CONSIDERATION**

### **APPROPRIATE BUILDING SIZES FOR THE INTENDED SPORTS**

LVNSC has spent the last two years quietly (for the most part) designing venues which are optimized for their specific sports, organizing financing, and positioning itself to acquire professional sports franchises and relocate them to Las Vegas. Consequently, we have a good handle on the current design requirements of the principal sports venues, their respective costs and their financing.

#### **Arena**

Basketball (NBA) and hockey (NHL) can share the same venue. A basketball arena is optimized at 17,500 total fixed seats divided between a lower and upper bowl and one or more rings of suites. The rake of the bowls and the site lines from all seats are key concerns, as is the fan energy level demanded by the games. A basketball arena of 17,500 fixed seats translates into approximately 16,000 fixed seats for hockey when seating is pushed back to the dasher boards. Buildings larger than 20,000 fixed seats are not acceptable for basketball as they rarely fill to capacity, dissipating the energy of the game. This is an extremely important consideration in any basketball or hockey venue. Collegiate facilities are typically smaller. The NBA disapproves of facilities any larger for professional play. Blacking-out the upper deck of a large venue is an unsatisfactory solution (although doing so can remove empty seats from view, it does not reduce the size and volume of the building).

#### **Ballpark**

A baseball park for minor league play is 9,000 fixed seats (PCL AAA); and for contemporary major league (MLB) play is 36,000 fixed seats. Given the number of games baseball plays, the older larger ballparks are now rarely filled to capacity, excepting the Yankees which is an exception given conditions of market and history.

#### **Stadium**

A major league soccer (MLS) stadium is optimized at 25,000 fixed seats. Collegiate football varies depending on the size of the school and ranges from 25,000 to 75,000. For NFL the minimum regulation seating capacity is 63,500 with the ability to reach a minimum of 72,500 for the Super Bowl.

There have been numerous proposals for the use of large scale hydraulics to move entire building surfaces to reduce, enlarge or reconfigure a venue. To date this has not been implemented by any owner due to concerns over cost to construct, long term cost to operate, workability and dependability once delivered, and the potential failure of the system at critical game changes.

LVNSC is constructing three separate venues which are optimized for their specific sports. This maximizes the fan and player experience with minimal technical and execution risk. The UNLV Now proposal for a 40,000 fixed seat stadium is appropriate for UNLV football only, but in no way is it appropriate for any other NCAA or professional sport.

### **BUILDING COSTS**

#### **Arena**

The proper metric for a modern state-of-the-art arena is a hard cost of \$20,000 per fixed seat plus 30% for soft costs including interest and other financing expenses, but excluding land and parking. Consequently, expect an all-in cost for a new 17,500 seat arena in the range of \$450 million. The gross bond amount including issuance costs of 8.0% would be in the range of \$486 million. The cost to amortize these bonds over 30 years at a tax-exempt rate of 7.0% is \$52 million annually.

#### **Ballpark**

The proper metric for a modern state-of-the-art ballpark is a hard cost of \$5,000 per fixed seat for AAA (NCAA collegiate equivalent) and \$10,000 per fixed seat for MLB, plus 30% for soft costs including interest and other financing expenses, but excluding land and parking. Consequently, expect an all-in cost for a new 9,000 seat NCAA/AAA ballpark in the range of \$60 million, and for a new 36,000 seat MLB ballpark in the range of \$470 million. The gross bond amount for an NCAA/AAA ballpark including issuance costs of 8.0% would be in the range of \$64.8 million. The cost to amortize these bonds over 30 years at a tax-exempt rate of 7.0% is \$6.9 million annually.

#### **Stadium**

The proper metric for a modern state-of-the-art stadium is a hard cost of \$10,000 per fixed seat plus 30% for soft costs including interest and other financing expenses, but excluding land and parking. Consequently, expect an

all-in cost for a new 40,000 seat stadium in the range of \$520 million. The gross bond amount including issuance costs of 8.0% would be in the range of \$560 million. The cost to amortize these bonds over 30 years at a tax-exempt rate of 7.0% is \$45 million annually.

#### **APPROPRIATE OF USE OF ALUMNI CONTRIBUTIONS**

LVNSC's offer is to provide long term licenses for UNLV's use of its venues for \$1.00 per year plus game day expenses only. UNLV will retain its gate and merchandise. This projected revenue alone, with no associated venue ownership expense will more than offset prior revenue associated with operating the aging Thomas & Mack Center and Sam Boyd Stadium.

Therefore, it should be considered if, pursuant to the UNLV Now proposal, it is an appropriate use of alumni contributions to invest \$100 million (assuming that amount could be raised) in a new football-only facility when academic higher education budgets are being slashed by as much as 40%, given that there is an alternative available in the private sector which has no cost to UNLV, should increase net revenues, and enhance recruiting

That the LVNSC venues are privately owned and operated relieves UNLV and the public sector of the costs and risks associated with constructing, owning, operating and paying for new and expensive venues; and unburdens the school from the costs and risks associated with continuing to operate the aging Thomas & Mack and Sam Boyd. It will also make UNLV one of the only schools west of the Mississippi to play in professional venues.

#### **MCCARRAN AIRPORT AND THE FEDERAL AVIATION ADMINISTRATION**

McCarran Airport (KLAS) is located immediately adjacent to the UNLV main campus. KLAS is one of only 37 Class B Airports in the United States. All air traffic into, out of, and transiting the KLAS airspace is subject to prescribed instrument procedures. These procedures can only be changed by the FAA (the FAA controls the airspace not the airport). A change in any procedure may necessitate a review of all procedure segments for conflicts. The process can take years, given both the complexity of the analysis, and the backlog of requests at the FAA.

Attached as Exhibit A are four images (i) a map with the extended centerline of Runways 01L/R at KLAS, (ii) the KLAS Airport Diagram, (iii) the Las Vegas Three Departure Procedure LAS3.LAS with respect to Runway 01R, and (iv) the LAS RNAV (GPS) Runway 19L Approach Procedure. Arrivals typically occur on 19R and departures on 01R (the reciprocal parallel runway - so departure climb-outs are occurring closest to UNLV's campus).

You will note that the extended centerline of Runway 01R (the rightmost blue dashed line) goes directly over the parking lots and intramural fields to the west of the Thomas & Mack Center. Further, in order to not conflict with the Nellis military airspace, the Runway 01R departure clearance is usually given with a call for an immediate right turn upon positive rate which is indicated by the red dashed line (as typically flown).

With respect to the UNLV Now proposal, in order to construct a building of any type, much less a stadium filled with people, in this location the FAA must issue a Determination of Non-Hazard or DNH. The FAA does not control local land use decisions, that is the prevue in this case of the Clark County Commission or BCC. The BCC has never issued entitlements or building permits which contravene a DNH. Consequently, the effect of the FAA's DNH will be to set the maximum height above ground level that a building can be permitted for construction given the floor of the overlying Obstacle Clearance Surface or OCS.

The OCS forms a cone extending up and out from the runway end point. Consequently the closer to the runway centerline (west from T&M into the parking areas) and the closer to the runway end point (south from T&M) the lower the OCS becomes logarithmically. The OCS is affected by many factors, not just in this case the 01R departures, and consequently a detailed analysis would be necessary which may encompass a review of hundreds of individual segments which together constitute the transitions, approach, departure, missed approach and other procedures at KLAS, including a SEO (single engine out) departure from either of the 01's.

However, in the most simple analysis, the OCS typically starts at 35' above the runway end point and rises at a rate of 3 degrees. The UNLV parking lots west of the Thomas & Mack Center are less than one-half mile from the end point of runway 01R and are nearly directly under it. Based on publicly available data provided by the FAA from prior DNH's issued in the immediate area, it's unlikely that the FAA will permit any building height greater than 100' (in the range of 65'-100') above ground level in the area west of Thomas & Mack Center. A stadium dome typically peaks 185'-225' above ground level. The difference in this case is too great to go down for practical reasons and the level of the water table in the area also makes that cost prohibitive.

There would also certainly be significant noise attenuation necessary for any smaller buildings constructed in this area irrespective of the DNH limit. There is also the precedence issue. The McCarran administration has gone to great lengths to protect the immediate environs of the airport from development due to issues related to life safety and future litigation risk mitigation (irrespective of DNH height restrictions).

In summary, even a casual analysis of the facts makes it a virtual certainty that there is next to no chance whatsoever that the FAA will issue a DNH adequate to allow a stadium to be constructed where it's been proposed, and the administration of McCarran is highly likely to oppose any building of this nature to be constructed 2,500' off the departure end of one of its four principal runways.

The Thomas & Mack Center is where it is for a reason. The only way a new arena or stadium could be constructed on the UNLV campus is if Thomas & Mack were itself demolished and the new building constructed in its place. To the extent the new building is larger (in this case proposed to be nearly twice the size) it would need to extend east into the main body of the UNLV campus, not west into the current surface parking lots.

If anything other than surface parking were ever to be permitted in the current lots west of the Thomas & Mack Center it would be very limited in height. If retail was permitted the noise attenuation requirements would add a significant additional cost burden. Given the noise, life safety and precedent issues, it's very unlikely that any residential, especially student housing, would ever be permitted.

An FAA consultant would need to be engaged to perform a proper analysis to determine the expected DNH results before making application to the FAA, but given the public data for DNH's already issued in the surrounding area, that would seem to be a futile effort. DNH's are not a negotiable item with the FAA, they are the result of technical analysis which don't vary as a function of who is making the request.

The vacant land west of Thomas & Mack Center on either side of Paradise could not be in a worse (more restrictive) location if it were anywhere else in Clark County. The prospect of putting 40,000 people in a building 2,500' off the departure end of 01R is ill advised to say the least. It also appears that there may be deed restrictions on some or all of this property previously imposed by McCarran which may limit development, building types, and heights to 65' AGL; although we have not undertaken a deed records search.

## **RELOCATION OF SWENSON**

The relocation of Swenson would be a major undertaking. It is not just a surface street, it is a primary artery into and out of the terminals at McCarran. To relocate it, much less put it in an underground tunnel, would entail costs that only a public body could carry.

## **DEPENDENCE ON RETAIL SALES TO GENERATE TAX INCREMENT FOR THE PROJECT**

The UNLV Now proposal calls for \$100 million of alumni contributions plus the development of a new lifestyle retail development within a special increment district. Assuming for a moment that it's politically palatable to form a tax district which encompasses more than the stadium itself, there are two approaches to formation of the district. Either through the use of the existing TID vehicle and the issuance of STAR bonds, or a request of the legislature to form a new increment district specifically for this purpose. We address each as follows,

### **STAR Bonds**

The all-in cost of a new 40,000 stadium would require a gross bond issuance in the range of \$560m. STAR bonds must mature within 20 years of the date the ordinance creating the district is adopted pursuant to [NRS 271A.120\(4\)](#) assuming pursuant to [NRS 271A.070\(4\)](#) the TID is not within an existing RDA (if so it can't be formed after October 1, 2009).

The UNLV campus is not in an existing RDA and therefore the maximum available amortization period of TID bonds if issued this year would be 18 years (20 year maximum term less 2 years during construction before revenue would be available). The bonds would be tax exempt so we've used a rate of 7.0%, a term of 18 years and a gross amount of \$560 million. The payments required to fully amortize those bonds would be approximately \$55.6 million annually.

None of the retail development exists today. Therefore, all of the increment would be fully prospective. In today's financial environment, the coverage ratio on the bonds would need to be approximately 2.5x. Therefore, the total sales tax that would be required from the retail development is in the range of \$139 million per year.

The STAR bond regime allows for the issuer to retain a maximum of 75% of the tax receipts collected under [NRS 372.105](#), [NRS 372.185](#), [NRS 374.110](#), [NRS 374.190](#) and [NRS 377.030](#) subject to meeting certain statutory requirements including approval by the County Commission, the State Commission on Tourism, and the Governor. This works out to be 4.88% of qualifying taxable retail sales, wherein such definition includes non-grocery food & beverage sales. Therefore, the retail development would need to generate annual qualifying taxable retail sales of approximately \$2.85 billion. A well managed regional mall generates overall retail sales of approximately \$400 per square foot of inline (non-anchor) GLA.

Based on this, the retail development would need to contain 7.1 million square feet of inline GLA. The average regional mall is 1.5 million square feet of inline GLA (so exclusive of anchors for which typically the rent is \$0). This amounts to the equivalent of 4.76 regional malls (inline retail component only).

A substantial portion of this space would need to be pre-leased. For comparative purposes, if the anchors were properly included, it's about 7.5 regional mall equivalents. The higher the projected sales per square foot, the lower the needed GLA, but the financing gap based on the UNLV Now proposal is apparently massive. Further it can't be ignored that the Town Square development which is new and similar in concept although better located for a consumer perspective, just filed for bankruptcy.

The idea of a retail development in a TID issuing STAR bonds under [NRS 271A.120](#) servicing \$560 million of gross bonds, amortized over an 18 year period, even assuming a 7.0% tax-exempt rate, with realistic financial coverage sufficient to sell the bonds, is beyond a doubt unachievable.

### **New Legislation**

A new district could be formed by the legislature and this appears to be UNLV Now's objective. In this case all the incremental sales, use and ad valorem tax could be captured and recycled into the stadium. There are a number of very important differences between the projects in this regard.

At LVNSC the venues are privately owned and financed, with taxes generated only by the venues recycled into defraying some of the costs of construction of the venues. The tax rebates act as an incentive to activate substantial private capital. This is possible because ownership of the professional franchises and venues are consolidated, and the venues are for-profit investments that are being constructed to house professional sports for the Las Vegas market.

In the case of UNLV Now, the proposed stadium is a single 40,000 fixed seat venue that is appropriate in size only for collegiate football. There is no professional sports franchise which can use a building of this size. Consequently, the UNLV Now building will have little potential to generate meaningful revenue to offset its cost. Consequently, it's necessary that the UNLV Now proposal include a material retail and hotel component that is intended to generate tax receipts which will be used to service district bonds, the net proceeds of which will be used to pay for construction of the stadium (after application of a proposed \$100 million in alumni contributions).

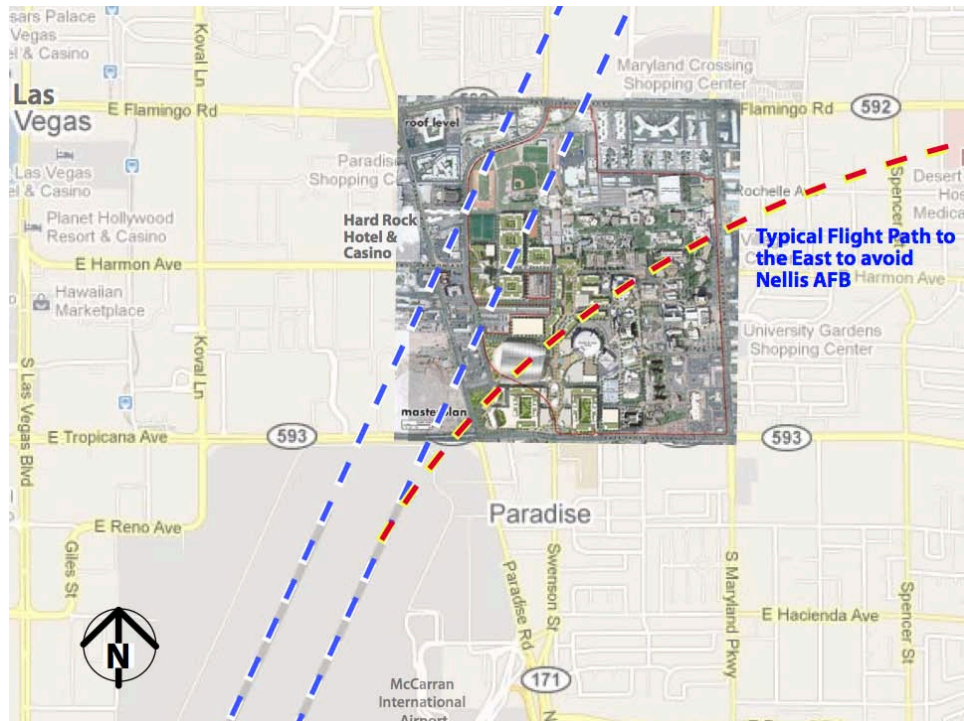
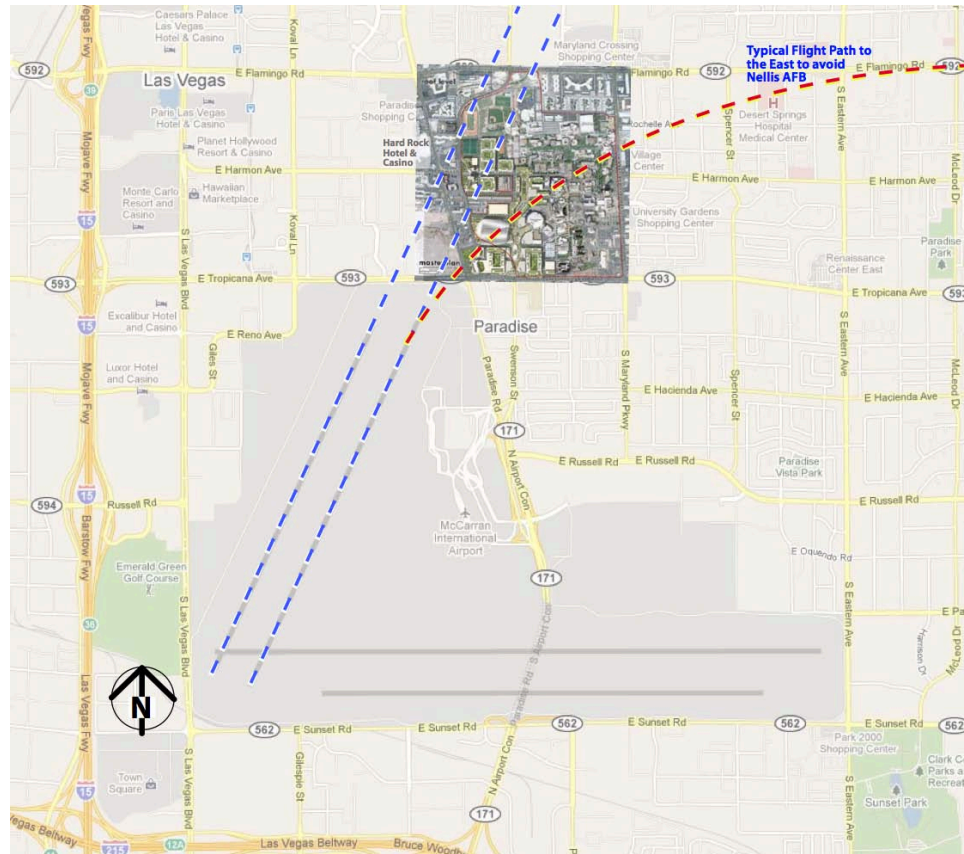
Consequently, LVNSC and UNLV Now are very different animals. UNLV Now's intent to rebate taxes from other business (other than the stadium proper) runs counter to the pledge many legislators have made against new taxation. As importantly however, this assumes that there is a demand for that much retail space and hotel rooms in that location, and that enough of it has been pre-leased so that the story is believable with respect to financing the prospective increment.

Given the economic conditions in Las Vegas, the off-strip nature of the UNLV campus, and the recent bankruptcy of Town Square, it's ridiculous to hypothecate that the equivalent of 4 to 5 regional malls could be constructed on or around the UNLV campus, absorbed and stabilized, such that they could support the servicing of bonds adequately to construct a fully enclosed 40,000 fixed seat football stadium.

### **USE OF PUBLIC UNIVERSITY PROPERTY WITHOUT COMPETITIVE TENDER**

There may be an issue with UNLV signing an Exclusive Negotiating Agreement or ENA with a single private sector company to develop a portion of its campus without going through a well organized and public tender process. It seems unlikely that UNLV could simply enter into any agreement with a private entity for the development of a new stadium, much less 1/3 of its entire campus, without a university managed, public and open tender process. It may also be worth consulting with the City of Las Vegas to seek their guidance on how the use of ENA's too early in a process may or may not have benefited the City in achieving its objectives.

**EXHIBIT A**  
**McCarran Airport**





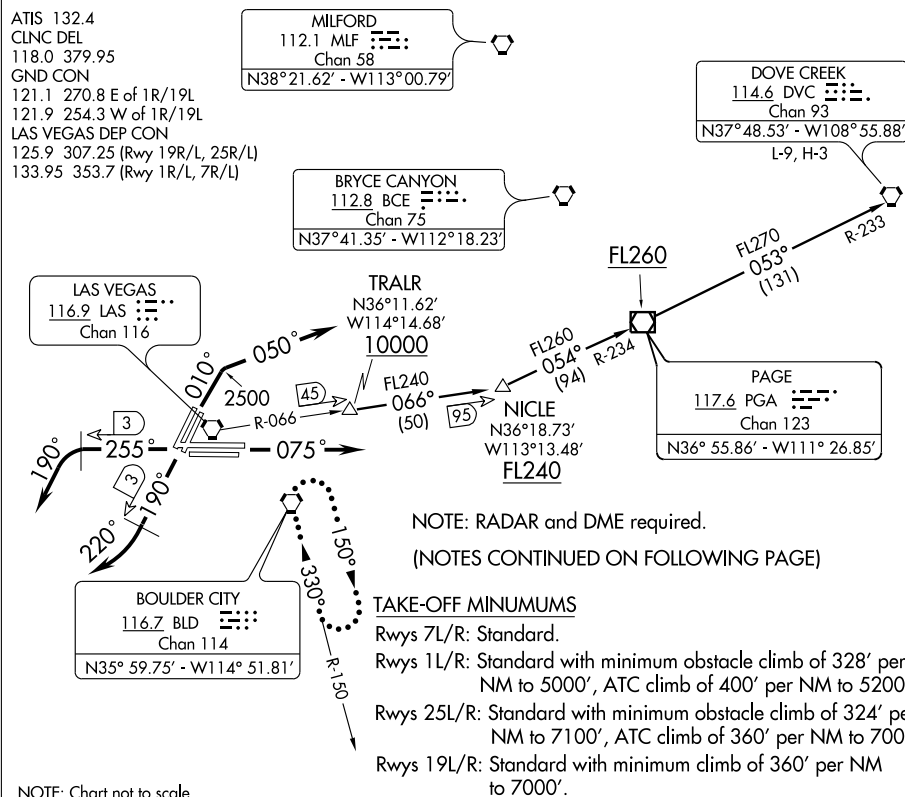


(LAS3.LAS) 09351

SL-662 (FAA)

## LAS VEGAS THREE DEPARTURE

LAS VEGAS/MC CARRAN INTL (LAS)  
LAS VEGAS, NEVADA



SW-4, 13 JAN 2011 to 10 FEB 2011

SW-4, 13 JAN 2011 to 10 FEB 2011



### DEPARTURE ROUTE DESCRIPTION

**TAKE-OFF RUNWAYS 1L/R:** Climb via heading 010° to 2500, then climbing right turn via heading 050°, thence ....

**TAKE-OFF RUNWAYS 7L/R:** Climb via heading 075°, thence ....

**TAKE-OFF RUNWAYS 19L/R:** Climb via heading 190° until LAS VORTAC 3 DME, then right turn via heading 220°, thence ....

**TAKE-OFF RUNWAYS 25L/R:** Climb via heading 255° until LAS VORTAC 3 DME, then left turn via heading 190°, thence ....

.... via radar vector to transition or assigned route, maintain 7000', expect clearance to filed altitude two minutes after departure.

**LOST COMMUNICATIONS:** If no contact with ATC upon reaching 7000', proceed direct BLD VORTAC then climb in BLD VORTAC holding pattern to appropriate MEA for route of flight.

**DOVE CREEK TRANSITION (LAS3.DVC):** From over TRALR INT via LAS R-066 to NICLE INT, then via PGA R-234 to PGA VOR/DME, then via PGA R-053 and DVC R-233 to DVC VORTAC.

LAS VEGAS THREE DEPARTURE  
(LAS3.LAS) 09351

LAS VEGAS, NEVADA  
LAS VEGAS/MC CARRAN INTL (LAS)



AL-662 (FAA)

APP CRS	Rwy Idg	<b>8745</b>
<b>200°</b>	TDZE	<b>2113</b>
	Apt Elev	<b>2181</b>

# RNAV (GPS) RWY 19L

## LAS VEGAS/MC CARRAN INTL (LAS)

<b>T</b>	If local altimeter setting not received, use North Las Vegas
<b>A</b>	altimeter setting and increase all MDAs 40 feet. DME/DME RNP- 0.3 NA. VDP NA when using North Las Vegas altimeter setting.

**MISSED APPROACH:** Climbing left turn to 6000 direct LAPIN and hold.

ATIS 132.4	LAS VEGAS APP CON 125.025 379.15	LAS VEGAS TOWER 118.75 257.8 (Rwy 1L/19R, 1R/19L) 119.9 257.8 (Rwy 7L/25R, 7R/25L)	GND CON 121.1 270.8 E of 1R/19L 121.9 254.3 W of 1R/19L	CLNC DEL 118.0 379.95
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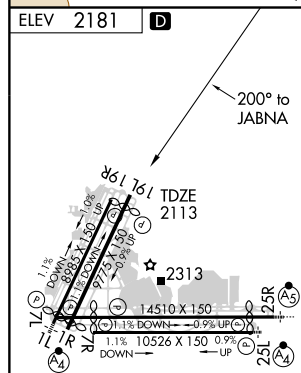
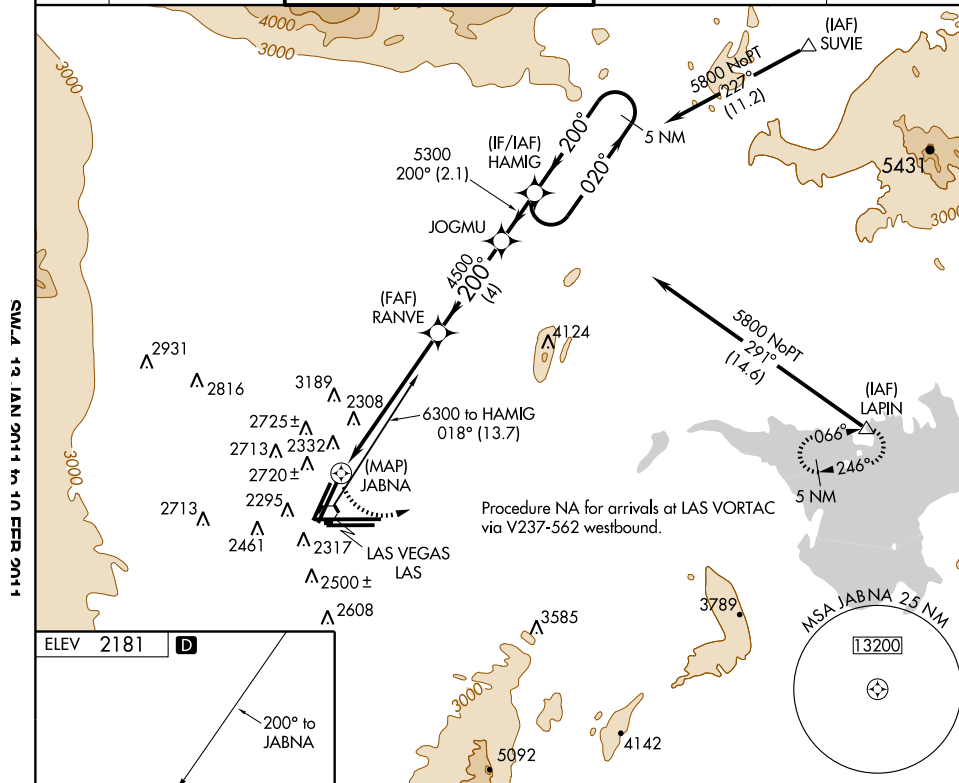


Diagram illustrating a 5 NM Holding Pattern for the JABNA VOR station. The pattern is defined by a 3.35° TCH 75° angle. Key features include:

- 6000 ft Altitude Limit
- 1.9 NM to JABNA
- 4.2 NM to RANVE
- 4 NM to JOGMU
- 2.1 NM to HAMIG
- 5 NM Holding Pattern
- 020° / 200° Heading
- Altitudes: 4500, 5300, 5800

CATEGORY	A	B	C	D
LNAV MDA	2920-1 807 (800-1)	2920-1¼ 807 (800-1¼)	2920-2¼ 807 (800-2¼)	2920-2½ 807 (800-2½)
CIRCLING	3020-1 839 (900-1)	3020-1¼ 839 (900-1¼)	3080-2¾ 899 (900-2¾)	3080-3 899 (900-3)

REIL Rwy 1L, 1R, 7R, 19L and 19R  
MIRL Rwy 1R-19L  
HIRL Rwy 1L-19R, 7L-25R and 7R-25L

LAS VEGAS, NEVADA  
Amdt 1 09351

36°05'N - 115°09'W

LAS VEGAS/MC CARRAN INTL (LAS)  
RNAV (GPS) RWY 19L

SW-4, 13 JAN 2011 to 10 FEB 2011