



July 17, 2013

Jeff Kraft
Director of Business Funding and Incentives
Office of Economic Development and International Trade
1625 Broadway, Suite 2700
Denver, CO 80202

RE: City for Champions
Review of Colorado Springs 2013 Regional Tourism Act Application for Completeness

Dear Mr. Jeff Kraft:

Enclosed you will find the City of Colorado Springs' responses to your July 11, 2013 request for additional information. The City for Champions team greatly appreciates having the opportunity to provide additional clarity in response to your requests and to provide the appropriate information in the most suitable format for OEDIT staff, the third part analyst and, ultimately, the Economic Development Commission.

The response is separated into three sections: the first section provides the specific information requested in each of the six bullet points contained in your email, the second section provides elaboration and clarification in relation to certain topics that were discussed during our meeting on July 15, 2013, and the third section consists of tables as referenced in sections 1 and 2. Once we have confirmed that we have addressed these issues to your satisfaction, we will coordinate with your office the incorporation of this information into an updated application document.

During our meeting, your team made some very astute observations that have resulted in our expanding and clarifying certain concepts in the application. One of those concepts is the interconnectivity among the project elements, and the synergy effect of four unique and extraordinary tourist venues that together will transform Colorado Springs into a major tourist hub.

I trust that the enclosed response will address the requested checklist items to your satisfaction. If you should have any additional question, please do not hesitate to contact me to provide appropriate information or clarification.

On behalf of the entire City for Champions team, thank you again for the opportunity to assure that we are providing the best information in the appropriate format resulting in the best possible application.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bob Cope", is written over a light gray rectangular background.

Bob Cope
Principal Analyst - City of Colorado Springs

ADDITIONAL INFO

The following is a summary of responses to your initial review of City for Champions RTA Application per the email from Jeff Kraft dated July 11, 2013 requesting additional information.

1. Provide pro forma financial analysis showing, development, construction, and operating costs; a 10 year cash flow estimating operating costs and revenues; use of construction financing; all sources of public financing:

OEDIT | We didn't receive a full 10 year cash flow assessment for all four projects. The only detailed projection received was a 10 year Operating pro forma for the Olympic Museum. This was missing for the Ball Park, Medical Center and AFA Visitor Center. Also we did get high level construction costs and high level financing sources. The third party analyst can probably piece together the cash flow analysis for the museum but not for any other attraction. This information should include all information rolled up into a single cash flow model across all four project components with each project shown separately and totaled together.

U.S. Olympic Museum 10 Year Cash Flow Assessment

As reflected in the RTA application, a feasibility study was completed by BarrieProjects in December 2012, which included a projected Operating Pro Forma. A copy of the complete feasibility study is included in the Appendix to the RTA application. Key assumptions used in the preparation of the Pro Forma are detailed in pages 31 through 38 of the Feasibility Study.

The U.S. Olympic Museum Operating Pro Forma has been reproduced in Table 1 at the end of this document. As shown, the Museum is expected to generate a net operating surplus of \$696,655 in Year 1, increasing to \$1,418,844 in Year 10. In addition, the Museum could benefit from Endowment Income of approximately \$375,000 annually. This would increase Net Operating Income in each year that this income was contributed. It is anticipated that any Net Operating Income generated from the Museum (including endowment income) will be reinvested to provide a reserve for replacement and/or new exhibits and attractions.

Downtown Stadium and Events Center 10 Year Cash Flow Assessment

The Downtown Stadium and Events Center Operating Pro Forma is shown in Table 2 at the end of this document. For the purposes of this response, the Pro Forma reflects general stadium and event center operations. Revenues and expenses shown reflect the entire operation of the facility and includes impacts from both baseball games and special events. Assumptions used in the Operating Pro Forma were based on the April 13, 2013 Stadium Market Analysis prepared by Summit Economics. A copy of the complete market analysis is included in the Appendix to the RTA application. As shown in Table 2, the Stadium is expected to generate a net operating surplus of \$1,889,470 in Year 1, decreasing to \$960,713 in Year 10. It is anticipated that any Net Operating Income generated from the Stadium will be reinvested to provide a reserve for replacement and/or enhancements to the fan experience.



UCCS Sports Medicine and Performance Center 10 Year Cash Flow Assessment

The UCCS Sports Medicine and Performance Center Operating Pro Forma is shown in Table 3 at the end of this document. For the purposes of this response, the Pro Forma reflects UCCS' ownership and operation of the Center. Revenues and expenses shown reflect the entire operation of the facility. Assumptions used in the Operating Pro Forma were based on conversations with UCCS facility and operations personnel. As shown in Table 3, the Center is expected to generate a net operating surplus of \$585,230 in Year 1, increasing to \$929,161 in Year 10. It is anticipated that any Net Operating Income generated from the Center will be reinvested to provide a reserve for replacement and/or enhancements to the patient experience.

Air Force Academy Gateway at Falcon Stadium Visitor Center 10 Year Cash Flow Assessment

The Gateway at Falcon Stadium Visitors Center operates as an extension of the Air Force Academy Public Affairs Office whose annual funds are budgeted with congressionally appropriated funds. Generally the first and lasting impression of the United States Air Force Academy and Air Force, the Visitor Center is a critical piece to public image and perception of this prestigious service academy and therefore is a top priority. It is for this reason that the Gateway at Falcon Stadium Visitors Center will not charge an admission fee and is completely open to the public.

A percentage of revenues generated from the operation of the Falcon Gift Shop will be used to keep the visitor experience current, fresh and relevant. This could include the development and operation of a new indoor sky diving exhibit open to the public and used for Cadet training, an F-22 flight simulator, and other interactive experiences that allow visitors to experience life as an Air Force Academy cadet. Additional revenue could be obtained if these featured exhibits were to charge admission but have not been considered in this cash flow analysis. The remainder of the revenues for the gift shop will return to the Air Force Academy Athletic Department.

Because the new Gateway at Falcon Stadium will be located adjacent to Falcon Stadium and on Federal property, congressionally appropriated funds will continue to cover the long-term operating costs of the Visitors Center.

Appropriated funds cover the routine and long-term operating costs associated with the Visitors Center. The costs absorbed by the Department of the Air Force include:

- Staff Salaries and Wages of Visitor Center Federal Employees
- General and Administrative Costs
- Facility Maintenance and Building Repair
- Utilities
- Cleaning and Refuse Collection

Jointly, the awe-inspiring prestige of the United States Air Force Academy and a state-of-the-art Gateway at Falcon Stadium Visitors Center will enrich the overall visitor experience and will attract visitors near and afar to Colorado in search of an experience unlike any other our state has to offer.

The Visitor Center Operating Pro Forma is shown in Table 4 at the end of this document along with Table 5 which summarizes the net operating performance of the Project in total.

2. The pro forma should also include appropriate calculations of returns including IRR, NPV and return on cost that demonstrate that without the state financing the project does not provide a reasonable rate of return and that with the state financing the project returns are fair and reasonable given the associated risks:

OEDIT | As mentioned above, the application did not include detailed Cash Flows. It also did not include the IRR, NPV and RoR calculations demonstrating the need for TIF revenue to make the project viable. For the Olympic Museum, much of this information appears to be available in various parts of the application and appendix and might pulled together using some assumptions about up front construction cost timing and financing costs added onto the Operating pro forma along with assumptions about the RTA TIF allocation. However, we are really looking for the applicant to provide this analysis pulled together in a single place. Additionally, there was not information provided to do this cash flow analysis for the other three project components (Ball Park, Medical Center, Visitor Center).

City for Champions project components with government and non-profit ownership structures do not lend themselves to traditional IRR, NPV and RoR analysis. Please refer to the Full 10 Year Cash Flow Analysis for each project (Tables 1-4) located in Section 3 of this document and Table 5, the combined Summary of Cash Flow. In addition, refer to the response to question #5

3. Project construction budget by phase:

OEDIT | The application provided the projected “total” costs for each facility (broken out by: building; soft costs; contingency; exhibits; parking; etc) and some general information about phases but there was not detailed cost information by phase.

City for Champions will be accomplished in one primary phase with a secondary phase follow up that includes both building and infrastructure projects that will occur because the initial four venues are developed. While two phases are proposed, RTA funds will only be applied to Phase 1 eligible costs and improvements and Phase 2 simply addresses the catalytic effect that occurs.

Phase: 1 - Primary Development Phase (recipient of RTA funding)

Description:

Primary development phase where all four venues + downtown infrastructure projects will be developed concurrently on development schedules specific to each venue.

Length of Time:

Beginning in early 2014 and ending late 2016



Phase 1 eligible costs and improvements to receive RTA funding:

- United States Olympic Museum
- Downtown Stadium and Event Center
- Sports Medicine and Performance Center
- Gateway at Falcon Stadium Visitors Center
- Infrastructure Improvements for Southwest Downtown Urban Renewal Area

Phase: 2 - Secondary Development Phase (non-recipient of RTA funding)

Description:

Secondary development phase of both building and infrastructure projects that are not directly connected to any of the four venues + downtown infrastructure project. This phase is realized due to the successful implementation of Phase 1.

Length of Time:

Beginning in mid 2015 and ending late 2017

Phase 2 improvements NOT receiving RTA funding:

- Colorado Springs Science Center
- Pikes Peak Children's Museum
- CDOT interchange improvements at U.S. 24 and I-25
- Downtown Apartments

As noted in the description above and on pg.70 of the application, there is overlap between the two phases but a clear line is drawn on which is to receive RTA funds and which will be funded through means outside of what has been identified in the application.

4. Permanent employment by job or wage level by phase:

OEDIT | *Again, for the museum with its 10 year pro forma has something close to this but nothing for the other three buildings.*

Table 5-6 on page 57 of the RTA application summarizes employment and income impacts from the Project. These impacts are isolated to the four Project components which will be potentially funded with SSTIF dollars, only occurring in Phase 1. Table 5-6 shows permanent and construction employment for each Project component and then summarizes annual employment and income at build-out. As shown in our phasing diagram on page 70 of the RTA application, these Project components will be constructed over the period 2014 to 2016. Table 6 at the end of this document shows annual employment and income impacts over this time period.

5. Local government has provided reliable economic data demonstrating that in the absence of state sales tax increment revenue, the project is not reasonably anticipated to be developed within the foreseeable future:

OEDIT | This criteria was not directly addressed other than, at a very high level explaining how much the state funds will contribute to the project: \$218.6 M is needed for all project components with funding coming from: \$82.1M in State Sales Tax Increment Bond / \$75.0M Public Sources / \$61.5M Private Funds. The full cash flow pro forma referenced above is a key part of this argument. Additional evidence for this criteria should also be provided see application guideline page 3.

The four project components cannot be built absent RTA funding. As facilities owned and operated by governmental entities and non-profit organizations, it has always been envisioned that the four venues would be financially sustainable on an operating basis, thereby producing an operating cash flow sufficient to cover ongoing operating costs, with any excess going into a responsible reserve for replacement and refreshment. But the venues do not have the ability to produce sufficient cash flow to service capital debt. Thus, the projects have never been built.

Total capital costs for the City of Champions project components are estimated to be \$218 million. This amount will be funded in the following estimated amounts:

The entities promoting the individual project components have analyzed the potential to raise private funds and have concluded that the reasonable maximum amount that can be raised philanthropically is \$61 million.

It is likewise estimated that the capacity to provide Public Sector Funding is limited to \$74 million; broken down as follows: Colorado Springs Urban Renewal \$24 million, New Market Tax Credits \$10 million, and local bonds of \$40 million.

Accordingly, absent RTA funding, the project is left with a capital shortfall of \$83M. If this gap is filled through the Regional Tourism Act, the project is financially viable, thereby meeting the “but for” test of the legislation and demonstrating that **IN THE ABSENCE OF STATE SALES TAX INCREMENT REVENUE, THE PROJECT IS NOT REASONABLY ANTICIPATED TO BE DEVELOPED WITHIN THE FORESEEABLE FUTURE**. Proof of this conclusion is evidenced by the simple fact that if the City for Champions projects could have been funded without RTA support, they would have been built years ago, as it is well known that these projects have been “on the shelf” for many years, if not decades, but have languished due to a viable capital funding plan.



6. Portion of new Tourism that is net new economic development activity to the State (excludes tourism activity cannibalized from existing attractions):

OEDIT | *Based on our reading of the application, it appears to effectively assume all new out of state tourists going to the attractions are net new to the state and do not cannibalize any visits/spend at other in state attractions. We need to understand the evidence and assumptions at play here.*

The information is provided in the following tables located at the end of the application appendix:

- U.S. Olympic Museum Potential SSTIF Estimates - June 2013
- Downtown Stadium and Event Center Potential SSTIF Estimates - June 2013
- UCCS Sports Medicine and Performance Center Potential SSTIF Estimates - June 2013
- Air Force Academy Gateway at Falcon Stadium Visitors Center Potential SSTIF Estimates - June 2013

In summary:

Total Visitor Spending (all Project components):	\$16,895,708,223
Total Spending (Net New Out-of-State):	\$6,954,688,311
% of Total Spending from Net New Out-of-State Visitors:	41.2%
State Sales Tax from Net New Out-of-State Visitors:	\$201,685,231

Therefore, we believe that 41.2% of total visitor spending from the Project is net new out-of-state spending. Based on revisions to the Museum visitor estimates described herein, the State Sales Tax from Net New Out-of-State Visitors will be \$173,220,851, or 35.4% of total visitor spending.

CLARIFICATIONS

The following is a summary of responses to additional questions or points of clarification discussed in at a meeting with the City for Champions team and OEDIT staff on July 15, 2013.

1. Clarification and description of the synergistic and collective benefit of developing all four components of the City for Champions application.

Travel is an industry that presents a never-ending list of competition domestically as well as internationally. When choosing a destination, the traveler is faced with so many factors and options, as well as influences like online travel agents, word-of-mouth, print, online, broadcast and outdoor advertising. In today's market there's so much noise, destinations need to be able to stand out and offer something that can't be experienced anywhere else. These proposed projects each present an individual visitor opportunity, but are further enhanced by one another.

Each component of City for Champions impacts tourism in Colorado and in the local Colorado Springs region communities by diversifying and strengthening tourism from within.

- The United States Olympic Museum is the only museum to be dedicated to honoring the heritage and pride of the Olympic and Paralympic Movement in the US
- The Downtown Stadium and Event Center provides an urban venue that hosts a myriad of sporting and special events for professionals and amateurs
- The Sports Medicine and Performance Center at UCCS is a cutting edge collaborative sport-themed rehabilitation facility unlike any other in the state and will rival internationally recognized clinics such as the Mayo Clinic, the Cleveland Clinic, and others.
- The Gateway at the U.S. Air Force Academy's Visitors Center redefines the visitor experience at the Air Force Academy by welcoming visitors without an added barrier of security to explore the history, prestige and honor of this renowned national institution.

But when these four entities combine, they create a symbiotic, united vision for drawing 440,000 new, out-of-state annual visitors to the state of Colorado. As a benefit, these attractions will define the future face of tourism throughout Colorado.

According to the most recent Longwood's Study, in 2011, 1 in 10 Colorado overnight tourists originated from the Pacific region, with somewhat fewer coming from the South and Midwest. Only 1 in 20 vacationers visited Colorado from the Northeast. With these new entities working together, there is much stronger enticement for travelers from outside of the state to visit the region. On their trips in 2011, the most common pursuits for Colorado leisure visitors included visiting a famous landmark or historic site.

These four sites are all considered landmarks on their own, but the synergy produced by these four compelling venues spreads well beyond the city's geographic boundaries, having catalytic economic impacts through nearly every sector of commerce.



While City for Champions collectively catalyzes a renewal within Colorado Springs, there are tangible and distinctive collisions that happen because these facilities exist.

US Olympic Museum + Downtown Stadium and Event Center

Co-locating these two venues creates new opportunities for the 26 National Governing Bodies of the various Olympic Sports that call the area home to hold one-of-a-kind tournaments, trials and qualifiers as athletes strive for the goal of competing and winning gold. The US Olympic Museum draws a national and international audience while the Downtown Stadium and Event Center is a significant local experience with the ability to house national and international audiences; each leveraging the strength of the other. Coordinated programming and events between the National Governing Bodies, Olympic Training Center and US Olympic Committee give visitors a reason to come, in addition to extending their stay.

Sports Medicine and Performance Center + US Olympic Museum

A powerful and profound relationship is being cultivated between the University of Colorado Colorado Springs and the various entities that comprise the US Olympic Movement in Colorado Springs. Bolstering the Olympic Movement in Colorado Springs with the US Olympic Museum will attract additional amateur sports-related organizations, businesses and athletes to Colorado Springs, building upon the critical mass of the US Olympic Committee, Olympic Training Center and the National Governing Bodies. Growth in the sports economy equates to additional athletes, staff, trainers, doctors and sports medicine professionals, clinical research, etc. The emphasis of the Sports Medicine and Performance Center on recovery, rehabilitation, health and wellness of disabled and able-bodied athletes is in sync with the vision of each Olympic sport, the US Olympic Committee. In fact, current faculty serve as trainers, coaches and team doctors for anchoring organizations listed above.

Gateway at Falcon Stadium Visitors Center + Sports Medicine and Performance Center + Downtown Stadium and Event Center

Among the many sport-focused events that occur in existing venues throughout Colorado, none has the unique ability to unite Colorado with the nation and world like the Warrior Games. Each year in May, the city hosts the Warrior Games and hundreds of its disabled athletes, relatives, spectators and fans as they compete in seven sports over six days. These games reach an international audience and attract well-known figures such as Britain's Prince Harry and First Lady Michelle Obama. The addition of the Downtown Stadium and Event Center provides a world-class sport venue for the Warrior Games that easily accesses the Olympic Training Center, the athletic fields at the United States Air Force Academy and the event center at UCCS; all existing venues.

These are qualitative examples of the immeasurable synergies around City for Champions and combine to create a project with both qualitative and quantitative results that will profoundly impact tourism in Colorado. We are currently working to create a quantitative analysis that attempts to measure the collective economic benefit and synergy of all four venues.

2. Clarification on whether 100% of the 82% of visitors to the museum originated from out-of-state were all net new.

The SSTIF estimates in the application assumed that 82% of the visitors to the Olympic Museum would represent net new out-of-state visitors to Colorado. Based on discussions with representatives of BarrieProjects, the authors of the Museum feasibility study, we have revised this estimate to 60%. This results in a decrease of potential SSTIF revenues for the Project from \$201.7 million over 30 years to \$173.2 million over 30 years.

BarrieProjects indicated that, while the scope of their feasibility study did not include an estimate for net new out-of-state visitors, the Olympic Museum has significant potential to be a “pilgrimage” museum – an attraction for which people will plan a vacation around. They cited several U.S. museums which have become these types of attractions, such as the Baseball Hall of Fame in Cooperstown, NY, the Football Hall of Fame in Canton, OH, the Rock and Roll Hall of Fame in Cleveland, OH, the Mob Museum in Las Vegas, NV, and the Spy Museum in Washington, DC. Their feeling, and that of other museum experts they conferred with, is that 60% to 70% of out-of-state visitors could be net new to the State. Our adjustment from 82% to 60% was based on this estimate, as well as the uniqueness of the Olympic Museum, not only in the U.S. but internationally.

3. Clarification on the meaning of acronyms in the table on page 24 of the Olympic Museum Feasibility Study.

These acronyms typically describe the different phases of building design and construction:

Schematic Design:

An initial design scheme that defines the general scope and conceptual design of the project including scale and relationships between building components. The design team will provide the owner with the opportunity to verify that the design team has correctly interpreted the client’s desired functional relationships between various activities as well as the general exterior aesthetics of the building. Schematic Design cost estimates are typically calculated on a cost per unit basis as many of the details have yet to be decided.

Design Development:

A stage subsequent to schematic design where the schematic design decisions are worked out in greater detail. A clear and coordinated description of all aspects of the design including Architectural, Mechanical, Plumbing, Electrical and Fire Protection Systems is worked out providing a basis for the preparation of construction documents. At the end of the design development phase the design team will provide the client with drafted to-scale drawings that will illustrate the project as it would look when it’s constructed. Design Development cost estimates are more detailed and will include more accurate costs of major building systems.



Construction Documents:

Documents that set forth the detailed requirements for the construction of a building project. They consist of Drawings and Specifications created by the design team. Drawings are the illustrative component of construction documents, whereas Specifications are written requirements pertaining to building materials, equipment, and construction systems that outline the standards to be met in the construction of a project. When the construction drawings are complete the client will have sufficient information to secure contractor bids and obtain the required permits.

Construction Administration:

The physical building portion of the project and process wherein the Owner and/or Construction Manager, working in concert with the design team, to oversee construction and ensure conformity of the Contractor's work with the construction drawings, specifications, and standards.

4. Clarification on how specific revenue sources were classified in the application and specifically what the source of the \$7M identified as part of the funding for the ballpark was.

The following is a list of categorical funding sources listed in the application with specific information and/or descriptions regarding named sources.

Private Funding

- Capital Campaigns
- Endowment Funds
- Property Contribution
- Individual gifts and donations / Philanthropy
- Corporate donations and sponsors
- Leased Space
- Clinic Revenues

Public Sector Funding

- New Market Tax Credits
- Urban Renewal Authority - Tax Increment Financing
- Sales Tax Increment Funding
- Property Tax Increment Funding
- Downtown Development Authority - Development Grant
- Improvement Districts
- Local Bonds

Public Sector Funding (UCCS)

- State of Colorado higher education capital improvement funds

SSTIF Funding

- RTA Funds

To clarify the public sources of funding Table 5.1 in the application indicates that there will be a requirement for Public Sector Funding in the amount of approximately \$74 million. It is anticipated that this amount will be funded as estimated below:

Colorado Springs Urban Renewal Authority TIF	\$24 Million
New Market Tax Credits	\$10 Million
Local Bond(s)	\$40 Million

The reference to the \$7M identified as part of the funding for the Downtown Stadium and Event Center relates to potential General Fund Revenues for the City of Colorado Springs from which a portion may become available to service future bond debt.

5. In reference to pg. 50, clarification regarding the reliability of economic data.

The economic and research data used in the application was gathered from various credible sources, studys and reports. The following is a list of sources used throughout the application:

- Colorado Longwoods Report 2011
- Olympic Museum Feasibility Study : BarrieProjects
- Market Analysis and Economic Impact of the Proposed Sky Sox Relocation to Downtown Colorado Springs : Summit Economics
- Colorado Springs Downtown Ballpark Preliminary Development Plan : ICON Venue Group
- US Air Force Academy Economic Impact Analysis / Fiscal Year 2011 : Financial Analysis Division of the United States Air Force
- UCCS Master Plan - September 2012 : University of Colorado Colorado Springs
- ULI Advisory Services Panel Report - Downtown Colorado Springs Colorado - June 24-29, 2012 - Urban Land Institute
- Colorado Springs Urban Renewal Economic Impact Analysis 2012
- Dean Runyan Associates Economic Impact of Travel on Colorado 2011



**TABLE 6
POTENTIAL EMPLOYMENT/ECONOMIC IMPACT ESTIMATES**

Project Components	Construction Employment			Permanent Employment		
	2014	2015	2016	2014	2015	2016
U.S. Olympic Museum	82	82	82	0	18	53
Downtown Stadium and Events Center	84	84	84	0	80	240
UCCS Sports Science and Research Center	28	28	28	0	4	12
Air Force Academy Gateway at Falcon Stadium Vis	38	38	38	0	24	72
Total	233	233	233	0	126	377
Regional Employment Multiplier*	1.5	1.5	1.5	1.5	1.5	1.5
Total New Employees Generated	349	349	349	0	189	566
Average Annual Income/Employee	\$40,000	\$40,000	\$40,000	\$35,000	\$35,000	\$35,000
Total Annual Income from New Employment	\$13,961,583	\$13,961,583	\$13,961,583	\$0	\$6,599,752	\$19,799,256

