



FINAL REPORT:

FEASIBILITY STUDY FOR A REGIONAL INDOOR
SPORTS CENTER IN TURLOCK, CALIFORNIA

MAY 27, 2022





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Please Note: This report relies on a variety of information and assumptions to develop market, financial, and economic projections. Sources of information and assumptions include, but may not be limited to, information provided by Opportunity Stanislaus, input and opinions provided by relevant third parties, Victus Advisors' industry experience and previous studies, and publicly available data from various industry sources. Any such information collected by Victus Advisors has not been audited or verified and has been assumed to be correct. There will be differences between actual events and the projections contained herein, and we express no assurances of any kind related to any projected information. Differences between projections and actual events may be material.



EXECUTIVE SUMMARY



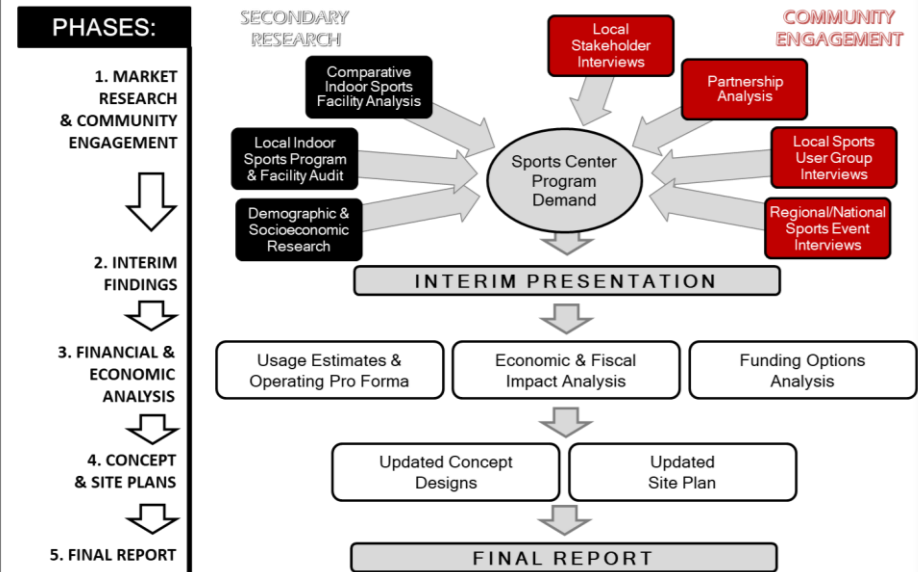
PROJECT BACKGROUND



Project Background - Victus Advisors (or “Victus”) was engaged in February 2022 by a multi-stakeholder group led by Opportunity Stanislaus to conduct a comprehensive market, financial, and economic feasibility study for a proposed new regional indoor sports center in the City of Turlock, California (or “Turlock”). Victus Advisors’ primary project goals for this study include:

- 1) Market Demand Analysis - Determine market demand and market opportunity for an indoor sports center, for both local and regional use.
- 2) Facility Program - Develop recommendations for program needs and amenities that could be associated with a new indoor sports center in Turlock.
- 3) Financial Operating Analysis - Develop a custom financial operating model for at least the first five (5) years of operations of the proposed venue.
- 4) Economic & Fiscal Impact Analysis - Develop estimates of the economic and fiscal impacts that could be generated within Stanislaus County by a new indoor sports center in Turlock.
- 5) Funding Options & Partnership Analysis - Analyze and quantify potential funding sources for the development of a new indoor sports center in Turlock, and identify potential project partners.
- 6) Concept Plans - Preliminary conceptual building/site plans and construction cost estimate for the recommended facility program.

Study Methodology -



Disclaimer: Please note that this Executive Summary contains a high-level overview of some of Victus Advisors’ research, analysis, and recommendations, however our full report should be read for a complete presentation of findings and detailed understanding of underlying methodologies, findings, assumptions, and estimates.



DEMOGRAPHIC & SOCIOECONOMIC ANALYSIS



Stanislaus County (or the “County”) has a population of 546,055. Turlock and Modesto are the County’s two largest cities, combining to account for more than 52% of the County’s population. The City of Turlock has a population of 72,725.

Population Data -

- Over the past 20 years, the populations of Turlock and Stanislaus County have both grown at over 1% annually, which is a higher growth rate than Modesto, the State of California, and the U.S. as a whole.
- In terms of median age, Turlock and Stanislaus County have a lower median age than Modesto, the State, and the U.S. average. A lower median age tends to represent a larger presence of working-age populations, which can be a positive indicator for youth/amateur sports and community recreation demand.

Household Data -

- After indexing for cost-of-living (COLI), the COLI-adjusted median household income in Turlock, Modesto, and Stanislaus County is comparable to the U.S. median income. Whereas, the COLI-adjusted median household income for the State of California as a whole is more than 30% lower than the national average, which indicates Stanislaus County residents may have more disposable income that can be spent on sports/recreation than would residents in more expensive areas of California.

Weekday Sports Usage Drive-Time Zones - There is a population of just over 166,000 people within a 15-minute drive time of Turlock, and over 642,000 people within a 30-minute drive time of the City.

Regional Tournament Drive-Time Zones - There is a population of over 14.1 million people within a 2.5-hour drive time of Turlock and over 25 million people within a 5-hour drive time of Turlock, to potentially draw from for sports tourism events.



LOCAL INDOOR SPORTS PROGRAM & FACILITY AUDIT



Local Indoor Sports Program Inventory - Sports groups within the County frequently use middle and high school gyms. These groups, as well as others that may not have been identified in our initial inventory, may have the potential to utilize a new indoor sports center in Turlock. In addition, a new indoor sports center has the potential to allow these groups and others to expand beyond the current programs they offer.

Local Indoor Sports Facilities - Victus Advisors compiled the list below of local indoor sports facilities that have been frequently utilized by local stakeholders and sports user groups in Stanislaus County. These facilities have primarily been utilized for local practices and games, as tournament activities have often been limited by a lack of capacity.

Indoor Facilities

- 1 Backyard Sports Academy
- 2 Big Valley Christian School Gym
- 3 Ceres High School Gym
- 4 Happy Indoor Soccer
- 5 Mark Gallo Health and Fitness Center
- 6 Modesto Christian School
- 7 Modesto Indoor Soccer
- 8 Modesto Junior College Gymnasium
- 9 Salida Middle School
- 10 Thomas Downey High School Gym
- 11 Turlock High School
- 12 Turlock Indoor Soccer

Local Indoor Sports Facilities Summary - As shown below, the vast majority of indoor sports court facilities in Stanislaus County are school facilities. There is no indoor sports facility within the County that has more than three (3) courts, and no facility that is primarily available for public rental access that has more than one (1) court.

As for indoor soccer, there are three (3) private facilities in Turlock and Modesto, with a total of four (4) indoor soccer fields that are available for public rental access and program participation.

<u>Facilities</u>	<u>Location</u>	<u>Owner/Operator</u>	<u>Indoor Basketball Courts</u>	<u>Indoor Turf Fields</u>
Backyard Sports Academy	Turlock	Private	1	-
Big Valley Christian School Gym	Modesto	Big Valley Christian	3	-
Ceres High School Gym	Ceres	Ceres Unified School District	1	-
Happy Indoor Soccer	Modesto	Private	-	1
Mark Gallo Health and Fitness Center	Modesto	Central Catholic High School	1	-
Modesto Christian School	Modesto	Modesto Christian School	1	-
Modesto Indoor Soccer	Modesto	Private	-	1
Modesto Junior College Gymnasium	Modesto	Modesto Junior College	1	-
Pitman High School	Turlock	Turlock Unified School District	3	-
Salida Middle School	Salida	Salida Union School District	1	-
Thomas Downey High School Gym	Modesto	Modesto City Schools	2	-
Turlock High School	Turlock	Turlock Unified School District	3	-
Turlock Junior High School	Turlock	Turlock Unified School District	2	-
Turlock Indoor Soccer	Turlock	Private	-	2



COMPARATIVE INDOOR SPORTS FACILITY & COMPETITIVE SET ANALYSIS



Regional Indoor Sports Facilities - Victus Advisors compiled the list below of regional indoor sports facilities that have been most frequently utilized by the local and regional sports groups that we interviewed for this study.

Regional Indoor Facilities

- 1 Capital Sports Center
- 2 Courtside Sports Manteca
- 3 Hardwood Palace
- 4 John Muir Health Ultimate Fieldhouse
- 5 Melody Arena
- 6 Roebbelen Center

Regional Indoor Sports Facilities Summary - As shown below, the facilities profiled have maximum capacity for:

- between 3 and 12 basketball courts (6.8 basketball courts on average), and
- between 5 and 24 volleyball courts (9.8 volleyball courts on average).

<u>Facilities</u>	<u>Location</u>	<u>Owner</u>	<u>Operator</u>	<u>Square Footage</u>	<u>Indoor Basketball Courts</u>	<u>Indoor Volleyball Courts</u>
Capital Sports Center	McClellan Park	Private	Private	40,000	-	12
Courtside Sports Manteca	Manteca	Private	Private	21,000	3	5
Hardwood Palace	Rocklin	Private	Private	70,000	8	8
John Muir Health Ultimate Fieldhouse	Walnut Creek	Private	Private	40,000	4	4
Melody Arena	Ripon	City of Ripon	Rage Volleyball Club	28,000	-	6
Roebbelen Center	Roseville	Placer County	Private	160,000	12	24



STAKEHOLDER INTERVIEWS & PARTNERSHIP ANALYSIS

Overview - In March 2022, Opportunity Stanislaus identified participants and scheduled a series of in-person, virtual, and telephone interviews for Victus Advisors. The goals of these interviews were to gather feedback from key stakeholders, community leaders, and potential project partners regarding the market potential for a new indoor sports center in Turlock. The set of topics and questions included perceptions of Stanislaus County's current indoor sports facility offerings, potential support for the project, opportunities for public-public and/or public-private partnerships, and other such feedback concerning the proposed venue.

Key Takeaways -

- Interviewees indicated that the County seriously lacks in publicly-available indoor sports facilities, and many local sports groups have difficulty finding practice time.
- Generally speaking, there was significant support for the concept of a new indoor sports center in Turlock. One interviewee felt the facility could be a “game changing asset” as an essential piece to creating a better environment in Stanislaus County for businesses to recruit and retain talent.
- Several interviewees cited that the County is home to five (5) Fortune 500 companies and that there could be interest from corporations, families, and philanthropists to be financial contributors to the project. However, such potential partners would likely contribute in later project development stages.

Project Partnership Opportunities in Turlock & Stanislaus County -

- **City of Turlock** - The majority of stakeholders (both public and private) that we met with felt that it was important for the City of Turlock to take a leadership role in this sports center project, since the facility is envisioned to be located in Turlock. There are opportunities for partnership, as described below, but most felt that it would be difficult to attract other key partners without the City's leadership.
- **CSU Stanislaus** - Leadership indicated they would be willing to discuss potential partnership opportunities with the City of Turlock that could involve CSU providing the land at the intersection of Geer and Monte Visa in exchange for student/faculty/staff access to the new indoor sports center.
- **Stanislaus County** - If the City of Turlock secured land and committed funding for an indoor sports center, Victus recommends that the City (and their project partners) could approach the County regarding additional funding support for the project. Based on feedback from a variety of stakeholders, the County does have a history of helping to fund community facilities within the municipalities, however first the City must prioritize the project and commit funding to demonstrate viability.



LOCAL USER GROUP & REGIONAL SPORTS EVENT INTERVIEWS



Overview - In April 2022, Victus Advisors conducted telephone interviews with a representative sample of local sports groups and regional sports event organizers who could be potential users of a new indoor sports center in Turlock. The goals of these interviews were to gather feedback regarding the market opportunity for local and regional events to be held at a new indoor sports center in Turlock. The set of topics and questions included perceptions of Turlock as a sports tourism destination, possible comparable and competitive venues and markets, potential annual levels of usage, minimum amenities required in order to attract events, and other feedback concerning the proposed indoor sports center.

Key Takeaways -

- All interviewees said finding court time at schools is very difficult, unless you have a school employee on the coaching staff who can facilitate access and secure discounted rent.
- Most interviewees felt that restrooms were must-haves. Bleacher seating was also cited as a need for some interviewees, but most felt that a few rows per court would probably be more than enough. Lastly, locker rooms were not a significant need for interviewees.
- Feedback from interviewees was mixed when asked about the COVID-19 impact on their clubs/events. One interviewee felt that AAU basketball clubs in Stanislaus County have been hit hard by the pandemic, citing decreased participation numbers. Whereas another interviewee felt the pandemic has had a positive impact on their club's online visibility.

User Group & Event Demand Summary -

Group/Organization	Sport	Likelihood of Usage	Type of Usage	Ideal # of Courts*	Number of Annual Events**
Bulldawgs Basketball Club	Basketball	Would Not Use	-	-	-
California USA Wrestling	Wrestling	Likely Use	Events	-	5
Central Valley Pickleball Club	Pickleball	Likely Use	Practices, Games	6	-
Central Valley Youth Basketball	Basketball	Definitely Use	Practices, Games, Events	8	3
CIF Sac-Joaquin Section	Volleyball	Likely Use	Events	2	1
Elite Event Partners	Volleyball	Likely Use	Events	24	7
Jam On It	Basketball	Possibly Use	Events	6	5
Lady Starx Volleyball Club	Volleyball	Would Not Use	-	-	-
Modesto Magic Basketball	Basketball	Would Not Use	-	-	-
Modesto Siam-N-Jam	Basketball	Possibly Use	Practices, Games, Events	6	10
Northern California Volleyball Association	Volleyball	Definitely Use	Events	12	24
Pacific AAU	Basketball	Would Not Use	-	-	-
Stanco Stampede Basketball	Basketball	Likely Use	Practices, Games, Events	8	20
Stanislaus County Police Athletic League	Multi	Would Not Use	-	-	-
Travis Lady Jets	Basketball	Would Not Use	-	-	-
Turlock Crush Volleyball	Volleyball	Likely Use	Practices, Games, Events	4	5
West Coast Elite Basketball	Basketball	Possibly Use	Events	8	1
					81

Victus Advisors interviewed a representative sample of potential indoor sports center users/events:

- 11 of the sports groups we interviewed expressed interest in using a new indoor sports center in Turlock.
- Usage ranged from weekday use for games and practices to weekend tournament event usage.
- Most groups who said that they “Would Not Use” the facility cited the distance to Turlock on weeknights as the primary reason, since most of their participants reside Modesto.
- Overall, we found initial interest for up to 81 annual tournaments/weekend events. These events ranged in terms of both the number of courts needed and the number of event days needed.

INDOOR SPORTS CENTER PROGRAM DEMAND & RECOMMENDATIONS



Overview - Our demand assessment is based primarily upon the following primary and secondary research conducted by Victus Advisors over the course of this study:

- Analysis of the Turlock/Stanislaus County's unique market characteristics.
- Review of comparative and competitive facilities.
- Interviews conducted with stakeholders, local sports groups, and regional event organizers.

Venue Recommendation - There is significant market demand for the development of an indoor, multi-court, tournament-caliber sports and events facility. Based upon the results of our market and facility analysis, Victus Advisors recommends that a new indoor sports center in Turlock should have:

- **Courts Area:** Up to eight (8) basketball courts, which should be convertible to up to 2x volleyball courts (or 16 volleyball courts). These column-free, hardwood surfaces could also be used by wrestling, cheer, futsal, pickleball, etc. During the week, these courts would primarily be used for local programs, practices, and games, with weekends dedicated to tournament activity.
- **Other Support Areas & Amenities:** Lobby, restrooms, concessions, meeting/flex rooms that could also be used by tournament organizers, administrative offices, HVAC, mechanical/electrical, storage, circulation, etc. A fitness center could also be included if CSU Stanislaus is a project partner.

Partnership Recommendation - In order to enhance the feasibility of the indoor sports center project, Victus Advisors believes that a multi-stakeholder partnership is likely necessary in order to secure a viable project site and identify funding sources for the project.

The majority of stakeholders (both public and private) that we met felt that it was important for the City of Turlock to take a leadership role in this sports center project, since the facility is envisioned to be located in Turlock. Most felt that it would be difficult to attract other key partners without the City's leadership.

Additionally, the indoor sports center potentially could be developed on property owned by the CSU System that is located at the northeast corner of Geer Road and Monte Vista Avenue in Turlock. If the site was contributed by the CSU System there would be no land acquisition costs, thus making the project development costs more affordable. The CSU site is close to CA-99 and existing hospitality infrastructure such as hotels, restaurant, retail, etc., and because this site is larger than might be necessary to accommodate an indoor sports center alone, there could be additional on-site development opportunities such as a hotel, retail, restaurant, or outdoor recreation amenities.

Lastly, if a project partnership is formed between the City and CSU Stanislaus, and the City is able to identify financial resources to commit to a portion of facility construction, then Victus recommends that the City could approach the County regarding additional funding support for the project.



USAGE MODEL & FINANCIAL OPERATING PROJECTIONS



Operating Model - Victus Advisors recommends a lease agreement relationship. In these types of arrangements, the operator must be confident that they can generate positive annual operating income via management of the venue, since the operator is responsible for all facility operating revenues and expenses. The annual lease fee paid by the operator to the owner is often a percentage of incremental annual operating income generated above a certain minimum income threshold, once the facility has reached a sustainable year of operations.

Estimated Annual Utilization - It is estimated that the proposed indoor sports center in Turlock could host approximately 90 annual sports tournament days, primarily on the weekends or during holidays. While weekend tournaments and events would draw athletes, spectators, and participants from outside of Stanislaus County (Friday through Sunday), it should be noted that local use (local programming, practices, etc.) would primarily be Turlock and other Stanislaus County residents (typically Monday through Thursday).

Total Estimated Out-of-County Visitation - It is estimated that visitors from outside of Stanislaus County could account for about 57% of annual attendance at the proposed indoor sports center in Turlock.

It is assumed that weekday usage would primarily be regional programming, including youth and adult sports. Whereas weekend use would primarily be dedicated to youth/amateur sports tournaments.

Financial Pro Forma - In a stabilized year of operations, it is estimated that a new indoor sports center in Turlock could generate an 18% annual operating margin, prior to any lease payments that may be made to the facility owner.

	Year:				
	1	2	3	4	5
Operating Revenues:					
Rental Income (Tournaments, Practices, etc.)	\$945,700	\$1,148,350	\$1,351,000	\$1,391,530	\$1,433,276
Concessions (Net)	\$354,900	\$430,950	\$507,000	\$522,210	\$537,876
Programming (Leagues, Camps, Clinics)	\$161,000	\$195,500	\$230,000	\$236,900	\$244,007
Advertising & Sponsorship	\$32,900	\$39,950	\$47,000	\$48,410	\$49,862
Other	\$7,000	\$8,500	\$10,000	\$10,300	\$10,609
Total Revenues	\$1,501,500	\$1,823,250	\$2,145,000	\$2,209,350	\$2,275,631
Operating Expenses:					
Salaries, Wages, & Benefits	\$893,000	\$893,000	\$893,000	\$919,790	\$947,384
Utilities	\$396,000	\$396,000	\$396,000	\$407,880	\$420,116
Program Expenses	\$112,700	\$136,850	\$161,280	\$166,118	\$171,102
Advertising, Marketing, & Promotion	\$50,000	\$50,000	\$50,000	\$51,500	\$53,045
General, Administrative, & Other	\$100,000	\$100,000	\$100,000	\$103,000	\$106,090
Maintenance/Repair	\$75,000	\$75,000	\$75,000	\$77,250	\$79,568
Materials/Supplies	\$75,000	\$75,000	\$75,000	\$77,250	\$79,568
Total Expenses	\$1,701,700	\$1,725,850	\$1,750,280	\$1,802,788	\$1,856,872
EBITDA	(\$200,200)	\$97,400	\$394,720	\$406,562	\$418,758
Estimated Operating Margin	-13%	5%	18%	18%	18%



ECONOMIC IMPACT ANALYSIS



Annual Net Impacts - After adjusting estimates of gross direct spending for displacement, it is estimated that approximately 63% of gross spending associated with the annual operations of the proposed indoor sports center would have a net impact on Stanislaus County.

Annual Economic Impacts - It is estimated that Net Direct Spending resulting from the new indoor sports center could generate over \$56.3 million in net annual economic output and 1,105 net new jobs in Stanislaus County.

Annual Economic Impacts By Industry - It is estimated that Food & Beverage, Lodging, and Shopping in Stanislaus County would benefit the most from the new indoor sports center (approximately 39%, 19%, and 18% of incremental output, respectively).

Fiscal Impacts - It is estimated that the proposed indoor sports center could generate approximately \$661,000 in incremental annual transient occupancy taxes within the City of Turlock and over \$1 million annually in incremental City and County sales taxes.

Tax Type	Entity	Tax Rate	Est. Tax Revenue
Turlock Transient Occupancy Tax	City	9.00%	\$661,000
Turlock Sales Tax	City	0.75%	\$290,000
Total Annual Tax Revenue - City of Turlock:			\$951,000
Stanislaus County Local Tax	County	1.00%	\$387,000
Stanislaus County District Tax	County	0.625%	\$242,000
Stanislaus County Sales Tax	County	0.25%	\$97,000
Total Annual Tax Revenue - Stanislaus County:			\$726,000

Hotel Impacts - Victus Advisors estimates that sports tourism associated with the new indoor sports center could generate over 76,500 incremental annual hotel nights in Turlock, as shown below.

Estimated Incremental Annual Hotel Impacts - City of Turlock	
Total Visitors Staying in Turlock Hotel/Motel:	229,641
Estimated People Per Room	3.0
Total Rooms Utilized	76,547
Average Nights per Room:	1.0
Total - Incremental Annual Room Nights in Turlock:	76,547
Average Daily Room Rate (ADR):	\$96.00
Total - Incremental Turlock Hotel Room Spending:	\$7,348,517

Summary of Net Impacts Over Time - Over a 30-year period, the proposed indoor sports center is estimated to have cumulative net impacts within Stanislaus County with a net present value (NPV) of approximately \$1.3 billion in net economic output, \$1.2 billion in wages, \$15.3 million in City transient occupancy taxes, \$6.7 million in City sales taxes, and \$16.9 million in County sales taxes.



FUNDING OPTIONS ANALYSIS

Overview - The purpose of this analysis is to provide an overview of the various financing tools and revenue sources that may be available to fund construction and development of a new indoor sports center in Turlock.

Debt Financing Tools -

- **AB 2 Community Revitalization & Investment (CRIA)** - CRIA is intended to use tax increment revenue to improve infrastructure, assist business, and support affordable housing in disadvantaged communities.
- **Certificates of Participation (COPs)** - COPs are financial instruments whereby investors purchase shares of the lease revenues rather than a fixed bond payment being secured by those revenues.
- **Community Facilities District (CFD)** - A CFD allows for the financing of public improvements and services through the levy of voter approved special taxes.
- **Enhanced Infrastructure Financing Districts (EIFD)** - (EIFD) were authorized with the adoption of SB 628 (Beall) and AB 313 and were intended to fill the hole that was left by the dissolution of redevelopment agencies in California.
- **General Obligation Bonds (GO)** - GO bonds are secured by the issuing government entity's pledge to use all legally available resources, including tax revenues, to pay debt service.
- **Revenue Bonds** - Revenue Bonds are payable solely from a dedicated revenue source, often: a) an available tax source, or b) from the revenues of the project that is being financed.

Potential Revenue Sources -

- **Ad Valorem Taxes** - Ad valorem taxes are taxes collected on the value of a transaction or property, typically in the form of property taxes or sales taxes.
- **Business Improvement District** - With this structure, the private businesses within the district could choose to fund specific services or promote specific events at the facility.
- **Contractually Obligated Revenue Streams (COR)** - COR is facility-related revenue that is typically generated by multi-year contracts on commercial leases and naming rights.
- **General Funds** - Allocation of general funds typically requires available funds (or an unexpected revenue windfall) that is free and clear of any other municipal obligation.
- **Parking Surcharges** - Another revenue option could be to charge for parking at the facility for weekend tournament events.
- **Private Fundraising** - Project stakeholders could engage in private fundraising efforts to help pay for a portion of the projected costs of constructing a new indoor sports center in Turlock.
- **Visitor Taxes** - Currently the City of Turlock maintains a 9% Transient Occupancy Tax (TOT) within City limits on occupancy rates charged by the operator of a hotel/motel. It is estimated that an additional increase to the TOT could generate approximately over \$2 million of capital project funding for every 1% increase.



CONCEPT PLANS & COST ESTIMATE

Overview - Based upon the results of our market feasibility analysis, Victus Advisors engaged PBLA and ASC Development to develop initial concept plans and a preliminary cost estimate for a new indoor sports center in Turlock. The site chosen for the concept plans was the CSU site at the intersection of Geer and Monte Vista.

Building Floor Plan - The total conceptual floor plan shown below is approximately 113,000 sq. ft.



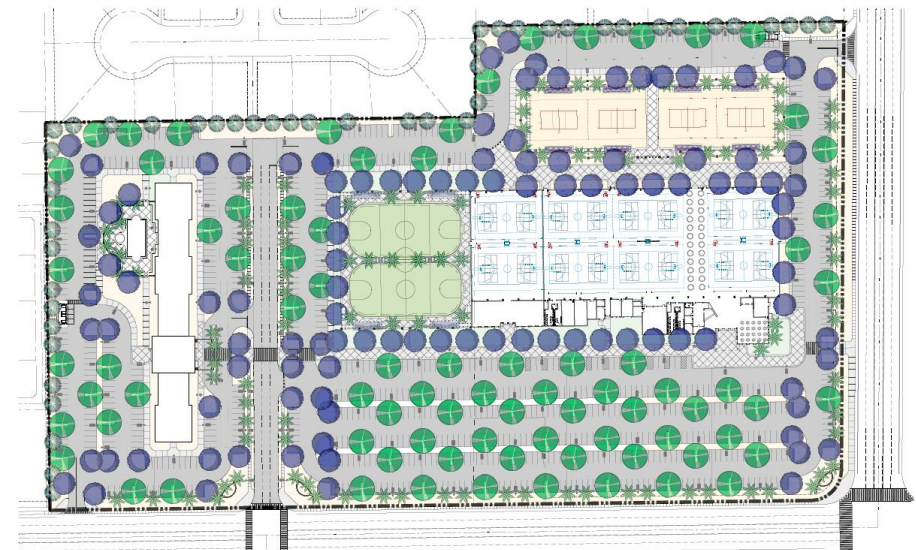
Turlock Sports Center Development
Turlock, California

May 16, 2022
Field House - Conceptual Floor Plan



Preliminary Opinion of Construction Costs - PBLA preliminarily estimates that the total development cost for a new indoor sports center in Turlock could be approximately \$24.3 million in current construction dollars (Q2 2022). This estimate includes both hard and soft costs, including but not limited to professional service fees, earthwork, site work (including paved parking), utilities, the indoor sports center (including basketball/volleyball courts and university gymnasium/fitness center), fencing, site amenities, landscape and irrigation systems, and site lighting.

Conceptual Site Plan with Additional Sample Options - Lastly, PBLA created a conceptual site plan for both the indoor sports center and other sample amenities that could also fit on the site (such as a hotel and/or other outdoor recreation features).





1. INTRODUCTION



PROJECT BACKGROUND



Victus Advisors (or “Victus”) was engaged in February 2022 by a multi-stakeholder group led by **Opportunity Stanislaus** to conduct a comprehensive market, financial, and economic feasibility study for a proposed new regional indoor sports center in the **City of Turlock**, California (or “Turlock”). Victus Advisors’ primary project goals for this study include:

- 1) **Market Demand Analysis** - Determine market demand and market opportunity for an indoor sports center, for both local and regional use.
- 2) **Facility Program** - Develop recommendations for program needs and amenities that could be associated with a new indoor sports center in Turlock.
- 3) **Financial Operating Analysis** - Develop a custom financial operating model for at least the first five (5) years of operations of the proposed venue.
- 4) **Economic & Fiscal Impact Analysis** - Develop estimates of the economic and fiscal impacts that could be generated within Stanislaus County by a new indoor sports center in Turlock.
- 5) **Funding Options & Partnership Analysis** - Analyze and quantify potential funding sources for the development of a new indoor sports center in Turlock, and identify potential project partners.
- 6) **Concept Plans** - Preliminary conceptual building/site plans and construction cost estimate for the recommended facility program.

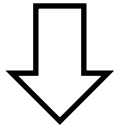
The flow chart on the next page shows a more detailed visualization of our study methodology.



STUDY METHODOLOGY

PHASES:

1. MARKET RESEARCH & COMMUNITY ENGAGEMENT



2. INTERIM FINDINGS



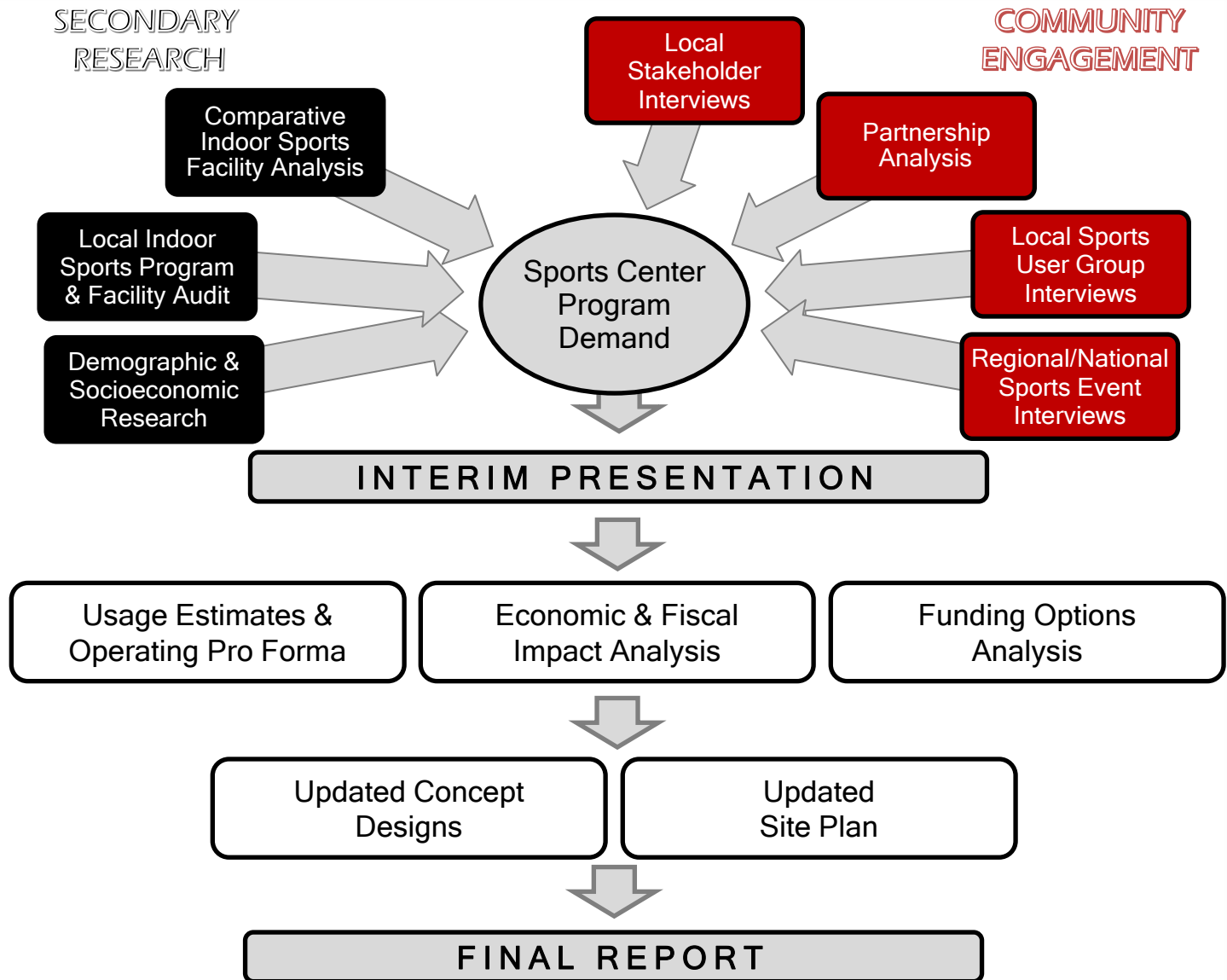
3. FINANCIAL & ECONOMIC ANALYSIS



4. CONCEPT & SITE PLANS



5. FINAL REPORT

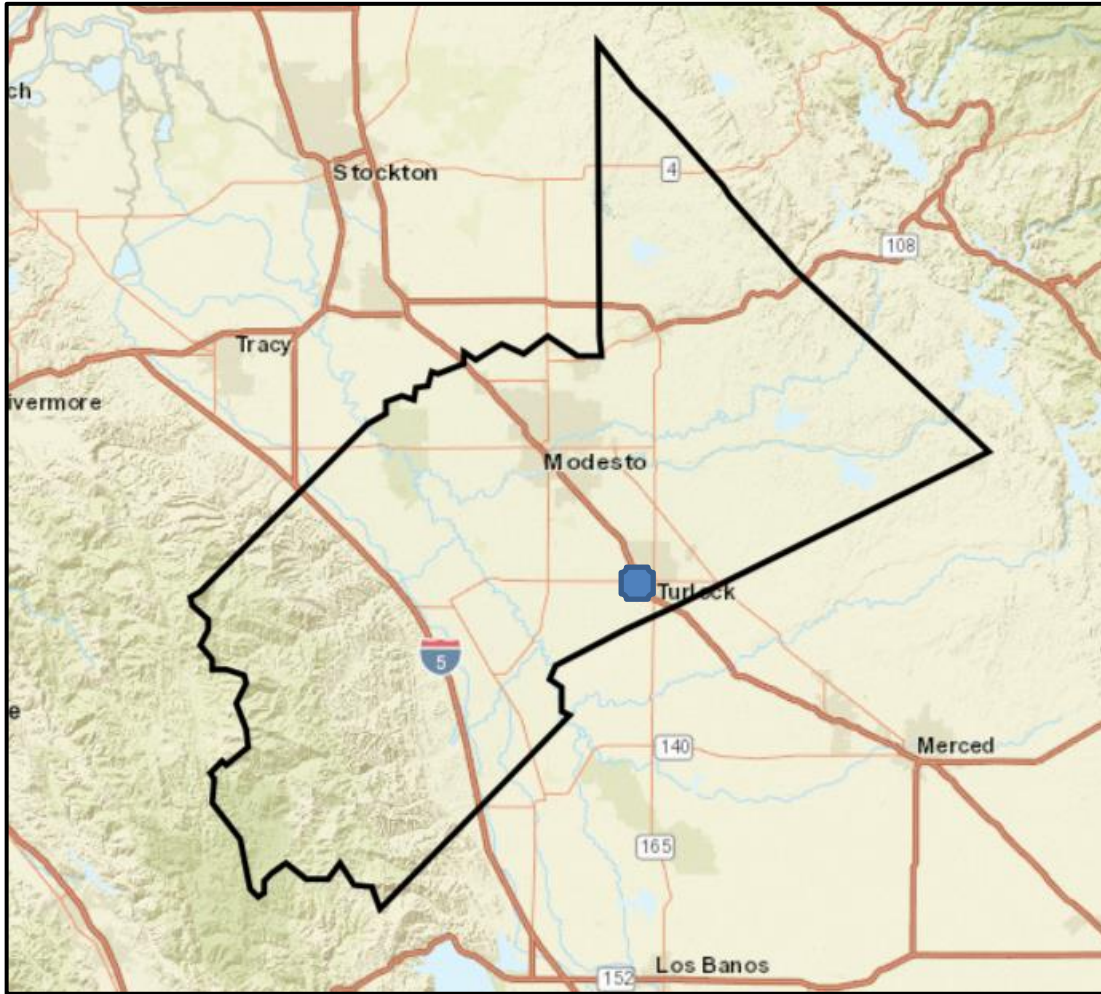




2. DEMOGRAPHIC & SOCIOECONOMIC ANALYSIS



STANISLAUS COUNTY



Source: Esri

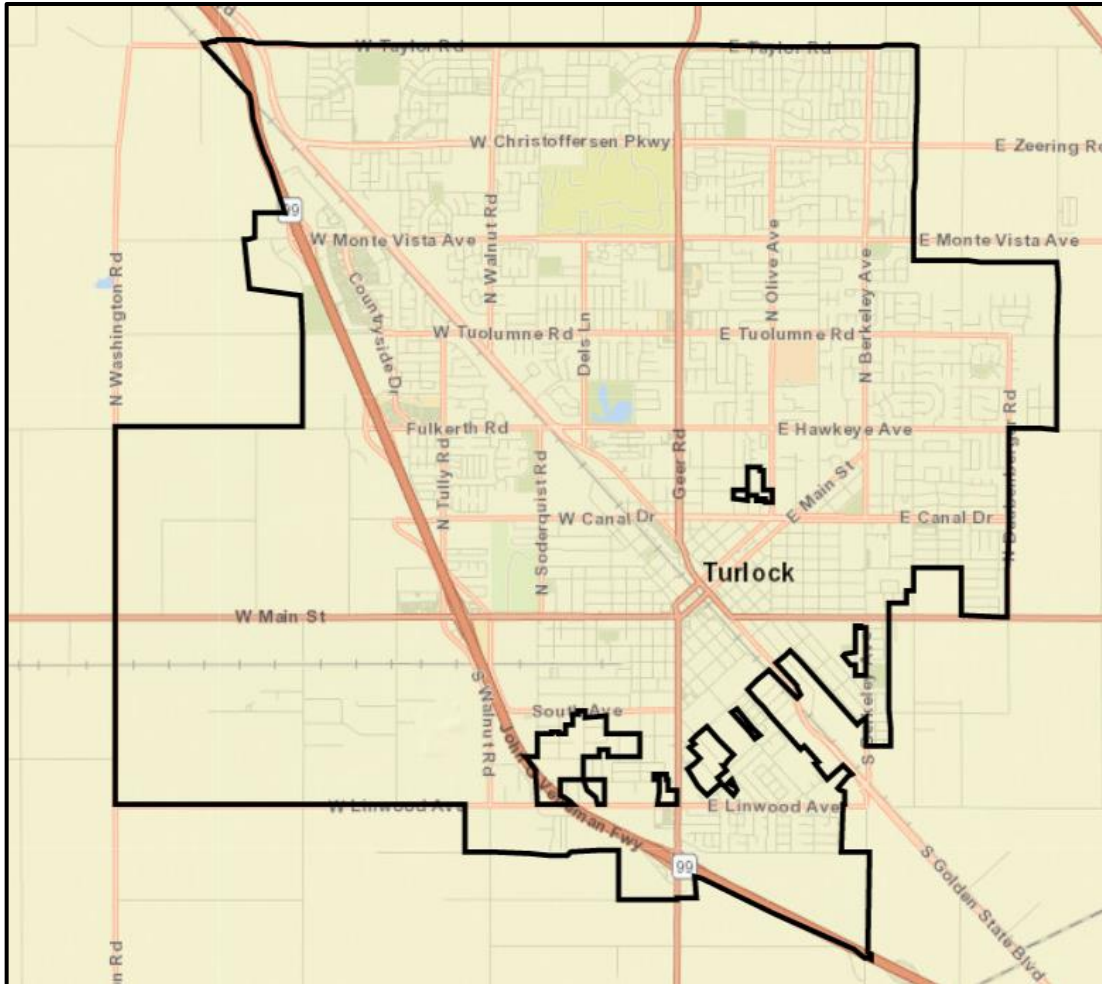
Note:  Denotes Turlock marker for the remainder of the report.

Stanislaus County (or the “County”) has a population of 546,055. Turlock and Modesto are the County’s two largest cities, combining to account for more than 52% of the County’s population.

It is envisioned that a regional indoor sports center located in Turlock could be designed to also accommodate the sports and recreation needs of residents of Modesto and other parts of Stanislaus County.



CITY OF TURLOCK

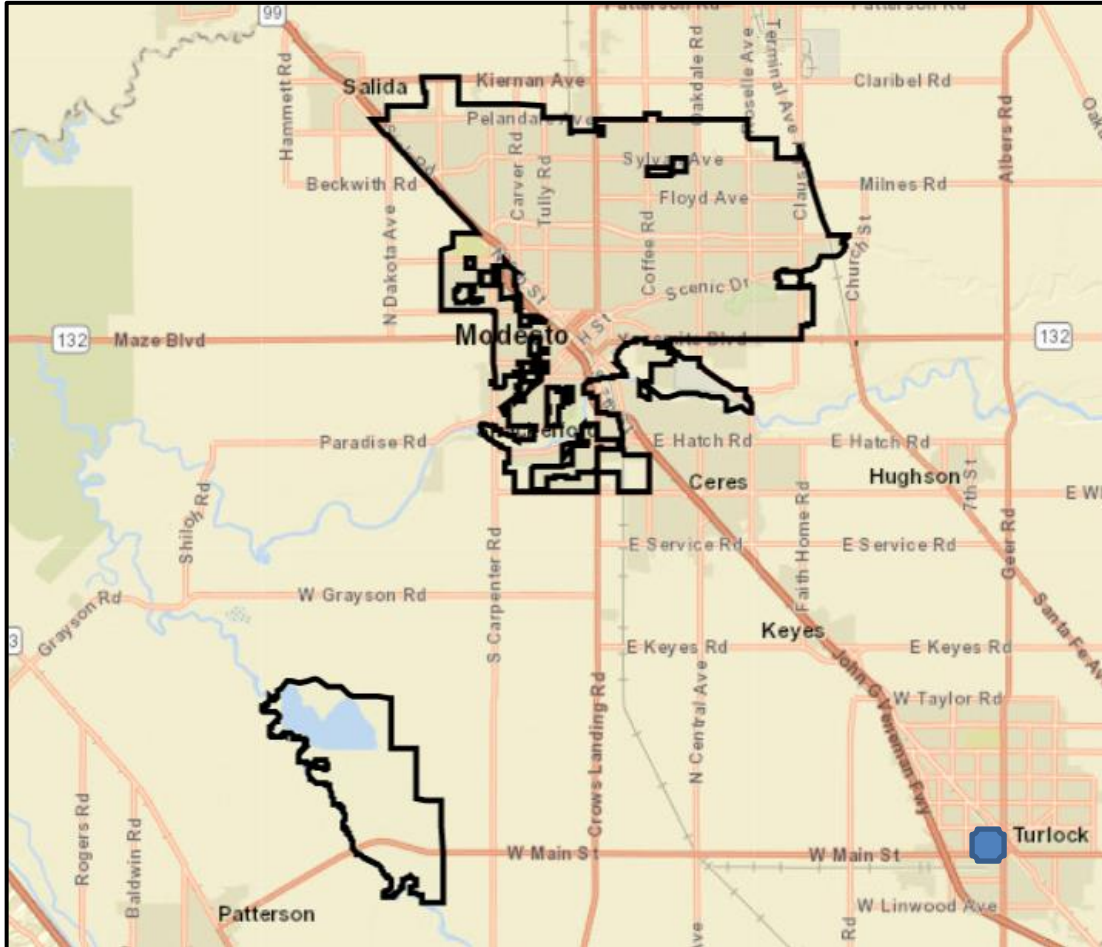


The City of Turlock (shown at left) has a population of 72,725.

Source: Esri



CITY OF MODESTO



The City of Modesto (shown at left) is located approximately 13 miles northwest of Turlock along highway CA-99. Modesto has a population of 212,146.

Source: Esri



POPULATION DATA

	Turlock	Modesto	Stanislaus County	State of California	United States
Population	72,725	212,146	546,055	39,476,705	333,934,112
Population Under 18	17,994	51,048	139,030	8,931,956	72,620,219
Percentage of Population Under 18	24.7%	24.1%	25.5%	22.6%	21.7%
Population Growth:					
Annual Pop. Growth (2000 to 2021)	1.2%	0.5%	1.0%	0.7%	0.8%
Annual Pop. Growth (5-year Projection)	0.5%	0.4%	0.5%	0.5%	0.7%
Projected Population (2026)	74,619	216,675	560,523	40,507,842	345,887,495
Median Age	34.5	35.6	34.4	36.6	38.8

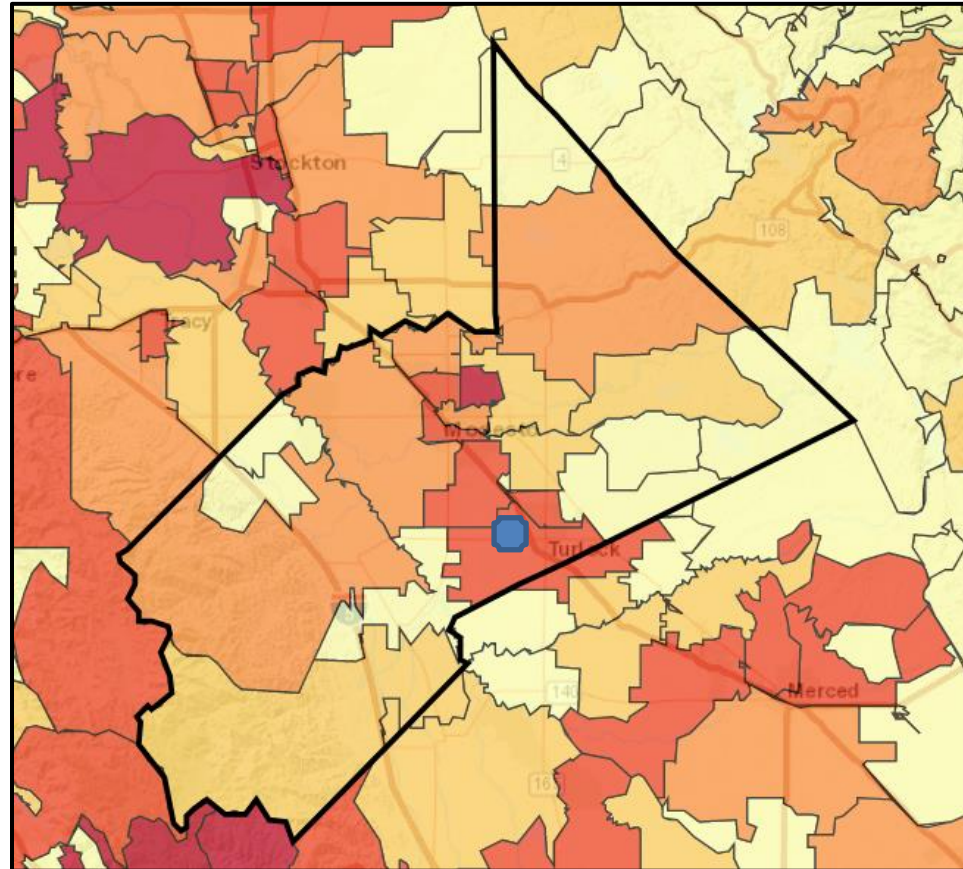
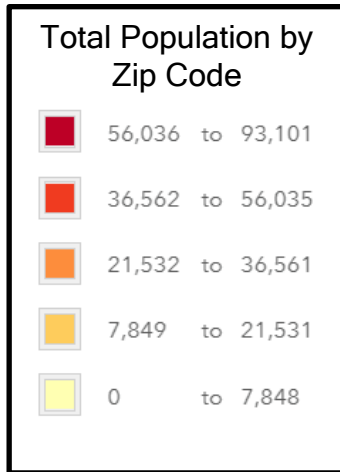
Source: Esri

Over the past 20 years, the populations of Turlock and Stanislaus County have both grown at over 1% annually, which is a higher growth rate than Modesto, the State of California, and the U.S. as a whole.

In terms of median age, Turlock and Stanislaus County have a lower median age than Modesto, the State, and the U.S. average. A lower median age tends to represent a larger presence of working-age populations, which can be a positive indicator for youth/amateur sports and community recreation demand.



POPULATION DISTRIBUTION

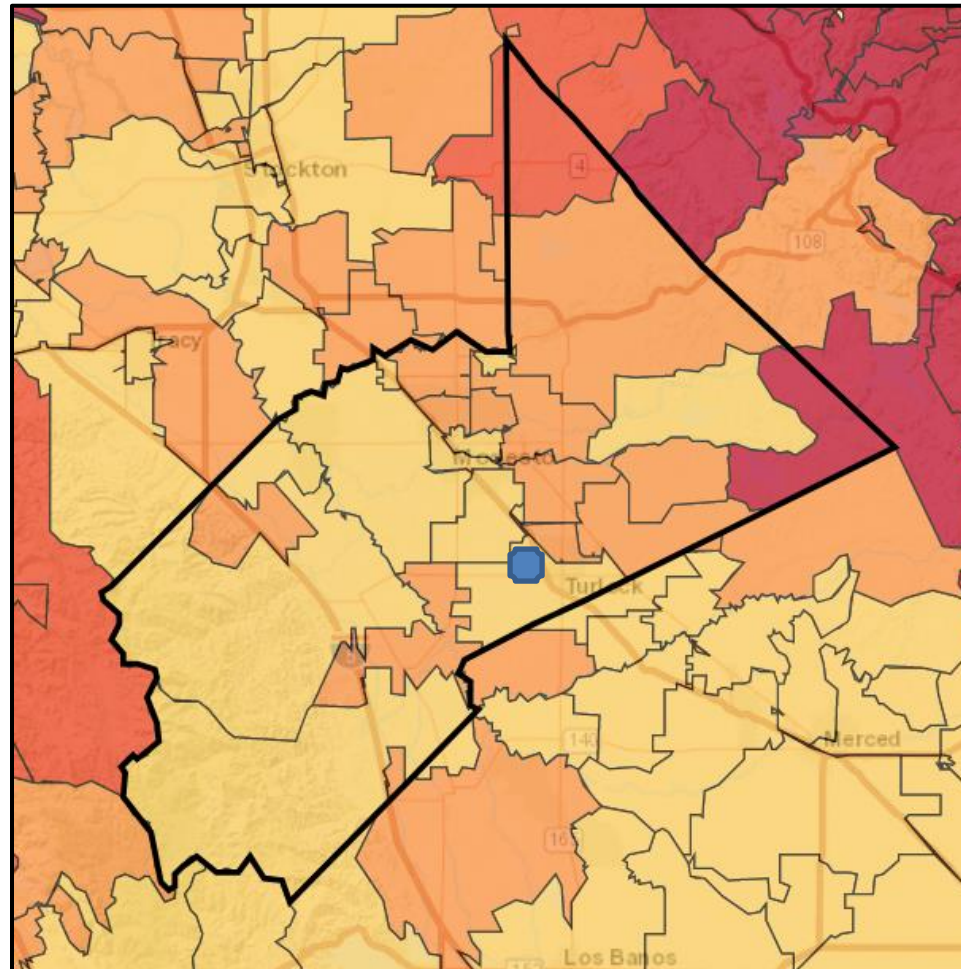
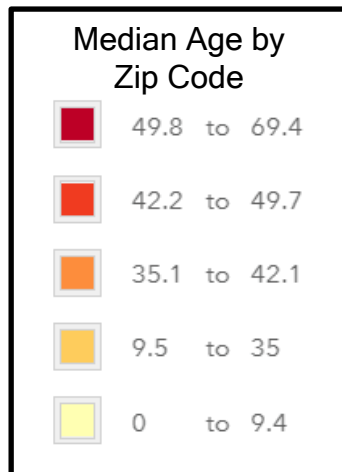


Source: Esri

Population density within Stanislaus County is highest along CA-99 from Modesto to Turlock.



AGE DISTRIBUTION



Source: Esri

Median age appears to be somewhat equally distributed throughout the County.



HOUSEHOLD DATA

	Turlock	Modesto	Stanislaus County	State of California	United States
Total Households	24,112	72,622	174,571	13,283,432	126,470,675
Households With Children Under 18	17,557	51,197	130,840	9,112,729	82,824,624
Percentage of Households With Children	72.8%	70.5%	74.9%	68.6%	65.5%

Source: Esri

	Turlock	Modesto	Stanislaus County	State of California	United States
Median Household Income	\$61,635	\$62,331	\$63,145	\$80,044	\$64,730
Adjusted Median Household Income (1)	\$62,195	\$63,538	\$66,259	\$44,406	

Sources: Esri, Sperling, Council for Community and Economic Research

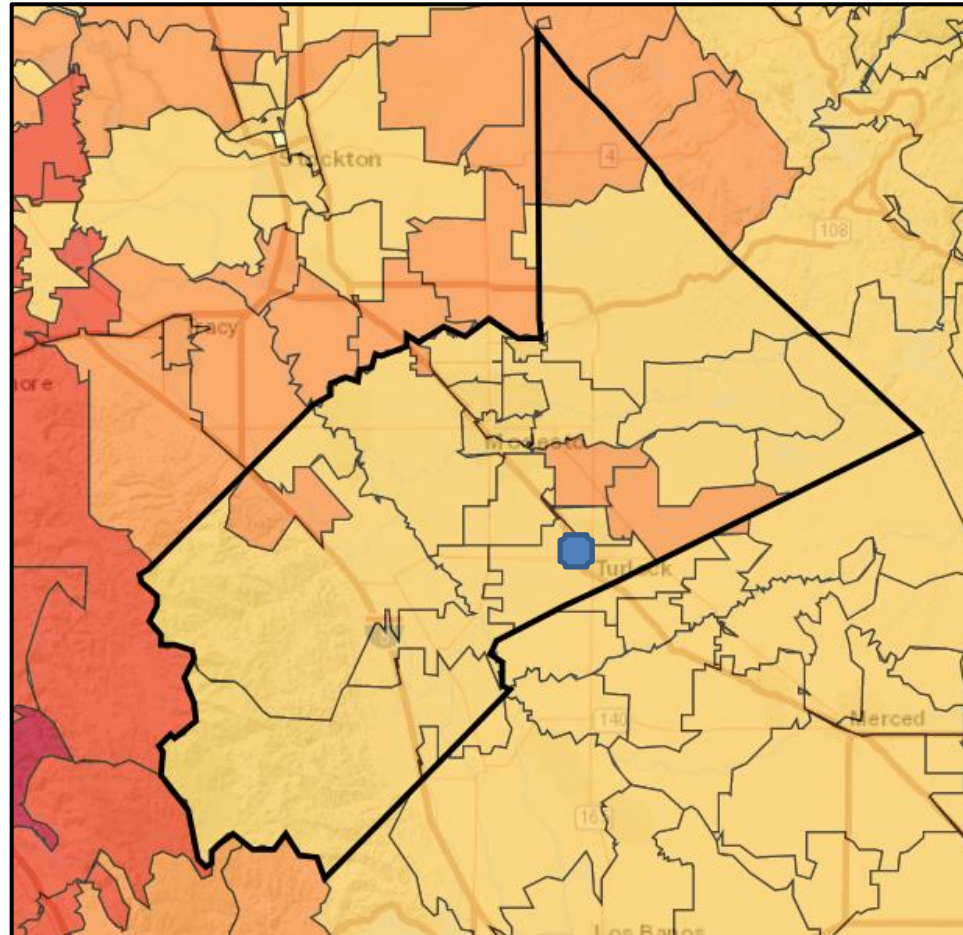
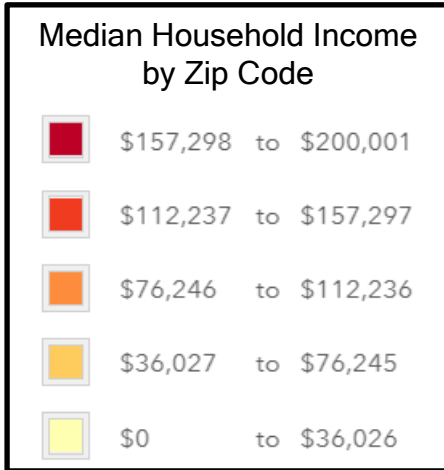
Note: (1) Adjusted for cost of living according to Sperling, Council for Community and Economic Research

Turlock and Stanislaus County both have a higher percentage of households with children than Modesto, the State, and the U.S. average. A high percentage of households with children can be a positive indicator for youth sports/recreation participation demand in the local area.

After accounting for cost-of-living indexes (COLI), the COLI-adjusted median household income in Turlock, Modesto, and Stanislaus County is comparable to the U.S. median income. Whereas, the COLI-adjusted median household income for the State of California as a whole is more than 30% lower than the national average, which indicates Stanislaus County residents may have more disposable income that can be spent on sports/recreation than would residents in more expensive areas of California.



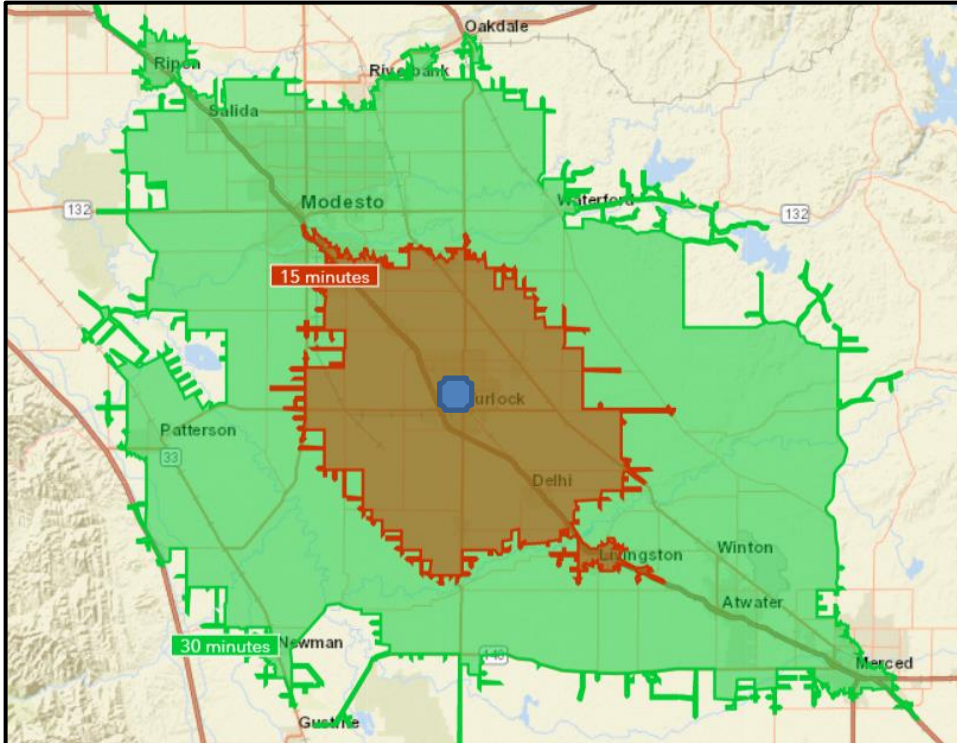
INCOME DISTRIBUTION



Source: Esri

Median Household Income is somewhat equally distributed throughout the County.

WEEKDAY SPORTS USAGE DRIVE-TIME ZONES



Source: Esri

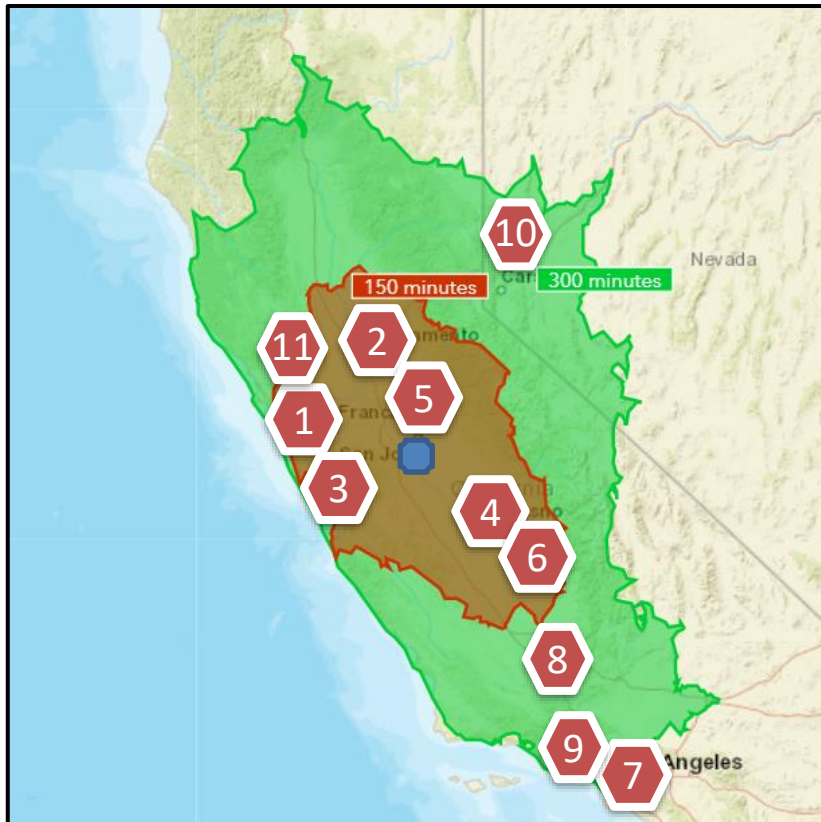
Based upon Victus Advisors' experience, primary weekday attendance for sports centers (typically in the late afternoons and evenings) is usually drawn from within a 15-to-30 minute drive radius.

There is a population of just over 166,000 people within a 15-minute drive time of Turlock, and over 642,000 people within a 30-minute drive time of the City.

Note: Regional, multi-day, weekend tournament attendance will typically be drawn from a much wider drive radius, as shown on the next page.



REGIONAL TOURNAMENT DRIVE-TIME ZONES



Source: Esri

There is a population of over 14.1 million people within a 2.5-hour drive time of Turlock and over 25 million people within a 5-hour drive time of Turlock, to potentially draw from for sports tourism events.

Large MSAs Within a 2-3 Hour Drive

- 1 San Francisco-Oakland MSA
4,641,032
- 2 Sacramento MSA
2,366,968
- 3 San Jose MSA
1,992,544
- 4 Fresno MSA
1,010,443
- 5 Stockton MSA
772,241
- 6 Visalia MSA
476,491

Large MSA's Within a 5-6 Hour Drive

- 7 Los Angeles MSA
13,303,870
- 8 Bakersfield MSA
904,554
- 9 Oxnard MSA
847,478
- 10 Reno MSA
499,878
- 11 Santa Rosa MSA
489,521

METROPOLITAN STATISTICAL AREA (MSA)

MSA's are defined by U.S. Office of Management & Budget as adjacent counties with a high degree of social/economic integration and an urban core of 50,000 people or more.



3. LOCAL INDOOR SPORTS PROGRAM & FACILITY AUDIT



LOCAL INDOOR SPORTS PROGRAM INVENTORY



Club/Organization	Location	Sport	Type	Facilities Used
Central Valley Hornets Youth Basketball	Salida	Basketball	League	Salida Middle School
Happy Indoor Soccer	Modesto	Indoor Soccer	Leagues	Happy Indoor Soccer
Lady Sharx Volleyball Club	Modesto	Volleyball	Club	Ceres High School Gym
Modesto Magic Basketball	Modesto	Basketball	Club/League	Modesto Christian School
Modesto Slam-N-Jam	Modesto	Basketball	League	Big Valley Christian School Gym
Modesto Youth Basketball League	Modesto	Basketball	League	Thomas Downey High School Gym
Stanco Stampede Basketball	Turlock	Basketball	Club	Turlock High School
Stanislaus County PAL	Modesto	Basketball	League	Mark Gallo Health and Fitness Center
Turlock Indoor Soccer	Turlock	Indoor Soccer	Leagues	Turlock Indoor Soccer
Velocity Volleyball Club	Modesto	Volleyball	Club	Modesto Junior College Gymnasium

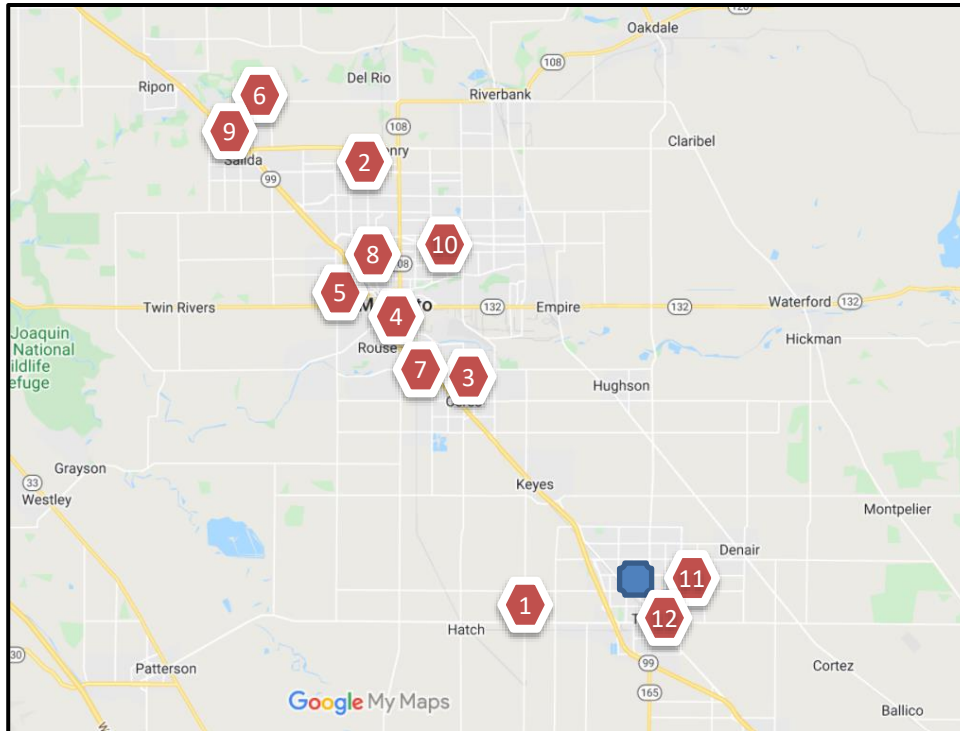
Source: Victus research

Notes: Sorted by Club/Organization in alphabetical order. Represents an initial market scan by Victus and may not include all active indoor sports groups of all sizes.

Victus conducted an initial scan of the current youth and amateur indoor sports programs and leagues in Stanislaus County, as shown above. Sports groups within the County frequently use middle and high school gyms. The groups shown above, as well as others that may not have been identified in our initial inventory, may have the potential to utilize a new indoor sports center in Turlock. In addition, a new indoor sports center has the potential to allow these groups and others to expand beyond the current programs they offer.



LOCAL INDOOR SPORTS FACILITIES



Indoor Facilities

- 1 Backyard Sports Academy
- 2 Big Valley Christian School Gym
- 3 Ceres High School Gym
- 4 Happy Indoor Soccer
- 5 Mark Gallo Health and Fitness Center
- 6 Modesto Christian School
- 7 Modesto Indoor Soccer
- 8 Modesto Junior College Gymnasium
- 9 Salida Middle School
- 10 Thomas Downey High School Gym
- 11 Turlock High School
- 12 Turlock Indoor Soccer

Source: Google Maps

Notes: (1) For purposes of this analysis "Local" means Stanislaus County (2) Facilities are listed in alphabetical order (3) This list is not intended to be comprehensive, but rather a sample of facilities that have been used or are currently used by various sports groups that we interviewed or identified via research.

Victus Advisors compiled the list above of local indoor sports facilities that have been frequently utilized by local stakeholders and sports user groups in Stanislaus County. These facilities have primarily been utilized for local practices and games, as tournament activities have often been limited by a lack of capacity.



LOCAL INDOOR SPORTS FACILITIES (CONT.)

Backyard Sports Academy

- Location: Turlock
- Owner/Operator: Private
- Indoor Features:
 - Batting cages
 - Pitching tunnels
 - 1 multi-purpose sport court
- Programming: Youth basketball leagues



Big Valley Christian School Gym

- Location: Modesto
- Owner/Operator: Big Valley Christian
- Indoor Features:
 - 3 basketball courts
- Programming: School athletics and local recreation
- Users/Tenants: Modesto Slam-N-Jam
- Rental Rates: Modesto Slam-N-Jam typically pays a discounted rate of \$50/hour for the entire facility





LOCAL INDOOR SPORTS FACILITIES (CONT.)

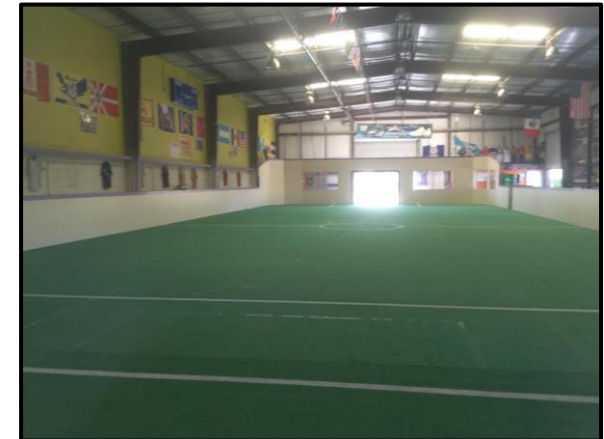
Ceres High School Gym

- Location: Ceres
- Owner/Operator: Ceres Unified School District
- Indoor Features:
 - 1 basketball court, multi-use space
- Programming: High school athletics and local recreation
- Users/Tenants: Lady Sharx Volleyball Club



Happy Indoor Soccer

- Location: Modesto
- Owner/Operator: Private
- Indoor Features:
 - 1 indoor soccer field
- Programming: Indoor soccer leagues

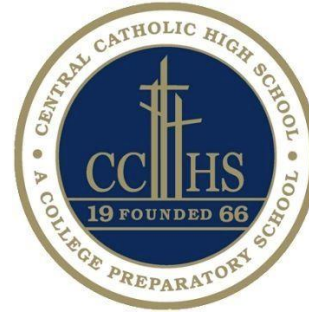




LOCAL INDOOR SPORTS FACILITIES (CONT.)

Mark Gallo Health and Fitness Center

- Location: Modesto
- Owner/Operator: Central Catholic High School
- Indoor Features:
 - 1 basketball court, multi-use space
 - 1,100 seat capacity
 - 2 classrooms
 - Commercial kitchen, offices, training center
- Programming: High school athletics and local recreation
- Users/Tenants: Stanislaus County PAL



Modesto Christian School

- Location: Modesto
- Owner/Operator: Modesto Christian School
- Indoor Features:
 - 1 basketball court
- Programming: High school athletics and local recreation
- Users/Tenants: Modesto Magic Basketball
- Rental Rates: Modesto Magic Basketball pays \$50/hour for the court





LOCAL INDOOR SPORTS FACILITIES (CONT.)

Modesto Indoor Soccer

- Location: Modesto
- Owner/Operator: Private
- Indoor Features:
 - 1 indoor soccer field
- Programming: Indoor soccer leagues



Modesto Junior College Gymnasium

- Location: Modesto
- Owner/Operator: Modesto Junior College
- Indoor Features:
 - 1 basketball court, multi-use space
- Programming: College athletics and local recreation
- Users/Tenants: Velocity Volleyball Club





LOCAL INDOOR SPORTS FACILITIES (CONT.)

Pitman High School Gyms

- Location: Turlock
- Owner/Operator: Turlock Union School District
- Indoor Features:
 - 3 basketball courts convertible to 3 volleyball courts
- Programming: High school athletics
- Users/Tenants: Turlock Crush Volleyball & Stanco Stampede Basketball
- Rental Rates: Turlock Crush Volleyball pays \$60/hour for the entire facility



Salida Middle School Gym

- Location: Salida
- Owner/Operator: Salida Union School District
- Indoor Features:
 - 1 basketball court
- Programming: Middle school athletics and local recreation





LOCAL INDOOR SPORTS FACILITIES (CONT.)

Thomas Downey High School Gym

- Location: Modesto
- Owner/Operator: Modesto City Schools
- Indoor Features:
 - 2 basketball courts
- Programming: High school athletics and local recreation
- Users/Tenants: Modesto Youth Basketball League



Turlock High School Gym

- Location: Turlock
- Owner/Operator: Turlock Unified School District
- Indoor Features:
 - 3 basketball courts
- Programming: High school athletics and local recreation
- Users/Tenants: Stanco Stampede Basketball
- Rental Rates: Stanco Stampede Basketball pays \$75/hour for the girls gym and \$90/hour for the boys gym (main gym)





LOCAL INDOOR SPORTS FACILITIES (CONT.)

Turlock Indoor Soccer

- Location: Turlock
- Owner/Operator: Private
- Indoor Features:
 - 2 indoor soccer fields
- Programming: Indoor soccer leagues and home
- Users/Tenants: Turlock Cal Express (Major Arena Soccer League)



Turlock Junior High School Gym

- Location: Turlock
- Owner/Operator: Turlock Unified School District
- Indoor Features:
 - 2 basketball court
- Programming: School athletics and local recreation
- Users/Tenants: Turlock Crush Volleyball
- Rental Rates: Turlock Crush Volleyball pays \$70/hour for the entire facility





LOCAL INDOOR SPORTS FACILITIES SUMMARY



<u>Facilities</u>	<u>Location</u>	<u>Owner/Operator</u>	<u>Indoor Basketball Courts</u>	<u>Indoor Turf Fields</u>
Backyard Sports Academy	Turlock	Private	1	-
Big Valley Christian School Gym	Modesto	Big Valley Christian	3	-
Ceres High School Gym	Ceres	Ceres Unified School District	1	-
Happy Indoor Soccer	Modesto	Private	-	1
Mark Gallo Health and Fitness Center	Modesto	Central Catholic High School	1	-
Modesto Christian School	Modesto	Modesto Christian School	1	-
Modesto Indoor Soccer	Modesto	Private	-	1
Modesto Junior College Gymnasium	Modesto	Modesto Junior College	1	-
Pitman High School	Turlock	Turlock Unified School District	3	-
Salida Middle School	Salida	Salida Union School District	1	-
Thomas Downey High School Gym	Modesto	Modesto City Schools	2	-
Turlock High School	Turlock	Turlock Unified School District	3	-
Turlock Junior High School	Turlock	Turlock Unified School District	2	-
Turlock Indoor Soccer	Turlock	Private	-	2

Source: Victus research

Notes: (1) Sorted by Facilities in alphabetical order. May not include all active indoor sports facilities. (2) Basketball courts typically can be converted to 1-2x volleyball courts

LOCAL INDOOR SPORTS FACILITIES NOTES

As shown above, the vast majority of indoor sports court facilities in Stanislaus County are school facilities. There is no indoor sports facility within the County that has more than three (3) courts, and no facility that is primarily available for public rental access that has more than one (1) court.

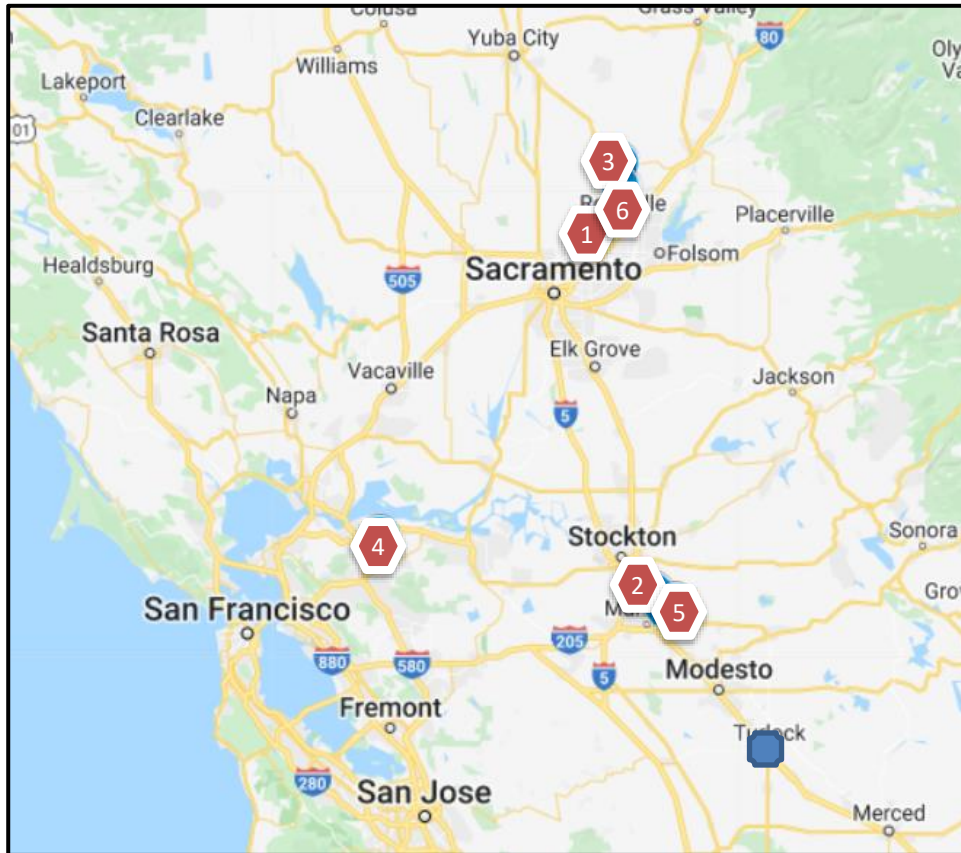
As for indoor soccer, there are three (3) private facilities in Turlock and Modesto, with a total of four (4) indoor soccer fields that are available for public rental access and program participation.



4. COMPARATIVE INDOOR SPORTS FACILITY & COMPETITIVE SET ANALYSIS



REGIONAL INDOOR SPORTS FACILITIES



Source: Google Maps
Note: Facilities in alphabetical order

Regional Indoor Facilities

- 1 Capital Sports Center
- 2 Courtside Sports Manteca
- 3 Hardwood Palace
- 4 John Muir Health Ultimate Fieldhouse
- 5 Melody Arena
- 6 Roebbelen Center

Victus Advisors compiled the list above of regional indoor sports facilities that have been most frequently utilized by the local and regional sports groups that we interviewed for this study.

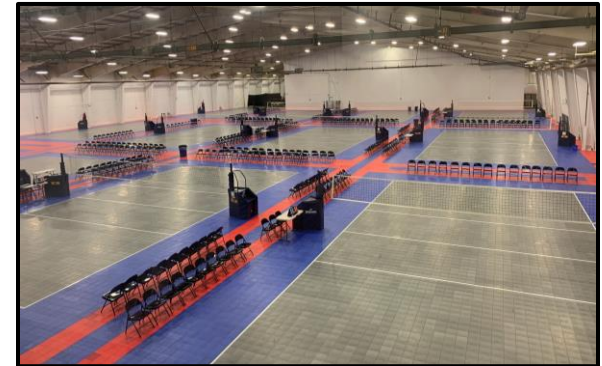
Please note, this is not intended to be a comprehensive list, but rather those indoor facilities most cited by local and regional sports user groups.



CAPITAL SPORTS CENTER

McClellan Park

- Opened: n/a (formerly a military airplane hangar)
- Construction Cost: n/a
- Owner/Operator: Private
- Footprint: 40,000 sq. ft.
- Features:
 - 12 volleyball courts
 - 10 meeting rooms
- Programming:
 - Home facility for the Northern California Volleyball Association
 - The facility hosts volleyball, gymnastics, and other sports tournaments and competitions in addition to gun shows and other non-sports events.



RENTAL RATES

- Volleyball Court: \$45 per hour
- Full Facility for Weekend Events: Between \$5,000 and \$7,000 per day depending on user.



COURTSIDE SPORTS MANTECA



Manteca

- Opened: 2022
- Construction Cost: n/a
- Owner/Operator: Private
- Footprint: 21,000 sq. ft.
- Features:
 - 3 basketball courts convertible to 5 volleyball courts
 - Floor is also adaptable for futsal and other sports
 - Space for fitness classes
- Programming:
 - The facility will run youth and adult basketball, volleyball, and futsal leagues, camps/clinics, and open play for pickleball and other sports.
 - The facility plans on hosting basketball, volleyball, and futsal tournaments.



RENTAL RATES

- Basketball (Half-Court): \$50 per hour
- Basketball (Full-Court): \$95 per hour
 - Volleyball: \$50 per hour



HARDWOOD PALACE

Rocklin

- Opened: n/a
- Construction Cost: n/a
- Owner/Operator: Private
- Footprint: 70,000 sq. ft.
- Features:
 - 8 basketball courts convertible to 8 volleyball courts
 - Meeting rooms
 - Concessions stand
- Programming:
 - The facility hosts youth and adult basketball practices, games, leagues, camps/clinics and tournaments.



RENTAL RATES

- Single Court: \$65 per hour
- Multi-Court: \$55 per hour
- Meeting Room: \$65 per hour; \$175 for half-day; \$325 for full day



JOHN MUIR HEALTH ULTIMATE FIELDHOUSE



Walnut Creek

- Opened: 2015
- Construction Cost: n/a
- Owner/Operator: Private
- Footprint: 40,000 sq. ft.
- Features:
 - 4 basketball courts convertible to 4 volleyball courts
 - 1 Training court
- Programming:
 - The facility hosts basketball and volleyball practices, games, and tournaments in addition to camps and clinics.





MELODY ARENA

Ripon

- Opened: 2019
- Construction Cost: \$2M (\$2.2M in Q1 2022 dollars*)
- Owner: City of Ripon; Operator: Rage Volleyball Club
- Footprint: 28,000 sq. ft.
- Features:
 - 6 volleyball courts
- Programming:
 - Rage Volleyball practices, games, and tournaments.
- Additional Notes:
 - Rage Volleyball Club pays over \$100,000 in annual rent to the City of Ripon.



RENTAL RATES

- The facility is operated for the exclusive use of Rage Volleyball Club, and therefore is not available for private rentals.



ROEBBELEN CENTER

Roseville

- Opened: 2020
- Construction Cost: \$34M (\$36.3M in Q1 2022 dollars*)
- Owner: Placer County; Operator: Placer Valley Sports Complex
- Footprint: 160,000 sq. ft.
- Features:
 - 12 basketball courts convertible to 24 volleyball courts
 - 8 flexible meeting rooms
 - 10,000 sq. ft. lobby with flexible gathering space
 - Capable of hosting meetings of up to 6,000 people
- Programming:
 - The facility hosts basketball, volleyball, and dance competitions and tournaments in addition to expos and other non-sports events.



RENTAL RATES

- Elite Event Partners pays \$10,000/day for weekend volleyball tournaments and between \$5,000 and \$7,000/day for weekday volleyball tournaments.



REGIONAL INDOOR SPORTS FACILITIES SUMMARY



<u>Facilities</u>	<u>Location</u>	<u>Owner</u>	<u>Operator</u>	<u>Square Footage</u>	<u>Indoor Basketball Courts</u>	<u>Indoor Volleyball Courts</u>
Capital Sports Center	McClellan Park	Private	Private	40,000	-	12
Courtside Sports Manteca	Manteca	Private	Private	21,000	3	5
Hardwood Palace	Rocklin	Private	Private	70,000	8	8
John Muir Health Ultimate Fieldhouse	Walnut Creek	Private	Private	40,000	4	4
Melody Arena	Ripon	City of Ripon	Rage Volleyball Club	28,000	-	6
Roebbelen Center	Roseville	Placer County	Private	160,000	12	24

Source: Victus research

*Please note, in most cases the basketball courts are convertible to volleyball courts at a ratio of 1-2x. The exceptions are Capital Sports Center and Melody Arena, which are dedicated volleyball facilities and do not have basketball courts.

Note: Sorted by Facilities in alphabetical order. May not include all active indoor sports facilities.

REGIONAL INDOOR SPORTS FACILITIES NOTES

As shown above, the facilities profiled have maximum capacity for:

- between 3 and 12 basketball courts (6.8 basketball courts on average), and
- between 5 and 24 volleyball courts (9.8 volleyball courts on average).



5. STAKEHOLDER INTERVIEWS & PARTNERSHIP ANALYSIS



OVERVIEW



In March 2022, Opportunity Stanislaus identified participants and scheduled a series of in-person, virtual, and telephone interviews for Victus Advisors. The goals of these interviews were to gather feedback from key stakeholders, community leaders, and potential project partners regarding the market potential for a new indoor sports center in Turlock. The set of topics and questions included perceptions of Stanislaus County's current indoor sports facility offerings, potential support for the project, opportunities for public-public and/or public-private partnerships, and other such feedback concerning the proposed venue.

INTERVIEWS - Victus Advisors conducted in-person, virtual and telephone interviews with representatives from the following 12 stakeholder groups (in alphabetical order):

- Ali Cox (Community advocate)
- Beard Land Improvement Company
- California State University, Stanislaus
- City of Turlock
- Fred Michaelson (Community advocate)
- JKB Homes
- Opportunity Stanislaus
- P&F Metals
- Stanislaus County*
- Sutter Health
- Turlock Irrigation District
- Turlock Sports Park

**Note: A County Supervisor spoke with us from their personal perspective as a resident of Stanislaus County and was not speaking on behalf of the County's Board of Supervisors.*



PERCEPTIONS OF CURRENT FACILITIES

STAKEHOLDER PERCEPTIONS OF CURRENT INDOOR FACILITIES IN STANISLAUS COUNTY

- In 2017, the City of Turlock commissioned a Sports & Recreation Facilities Prioritization Study that identified an indoor recreation center as the 2nd-highest priority due to a lack of indoor recreation space in the City. The study recommended a gymnasium, indoor sports programs, and fitness/wellness programs, among other indoor recreation uses.
- Interviewees indicated that the County seriously lacks in publicly-available indoor sports facilities, and many local sports groups have difficulty finding practice time.
- One interviewee stated that if an athlete wants to compete at a high level, they need to leave the area to get access to quality indoor facilities. Many interviewees noted that families and individuals frequently travel to San Joaquin County and other adjacent counties to access indoor sports space.
- Backyard Sports Academy is frequently used by local athletes and teams, but the organization does not enough space to meet the demand in the community.
- Several interviewees mentioned that Turlock has a deeply-rooted sports culture, with numerous past Olympians who are native to the area.
- CSU Stanislaus representatives noted the school has a need for a new student recreation center, but they have been unable to identify direct funding sources for the project via the CSU System.



PROJECT SUPPORT

STAKEHOLDER SUPPORT FOR A NEW INDOOR SPORTS CENTER IN TURLOCK

- Generally speaking, there was significant support for the concept of a new indoor sports center in Turlock. One interviewee felt the facility could be a “game changing asset” as an essential piece to creating a better environment in Stanislaus County for businesses to recruit and retain talent. However, there are also several challenges that could impede the potential project moving forward:
 - **Project Ownership:** Several interviewees asked who actually “owns” this potential project and suggested at a minimum that it needs to be led by the City of Turlock and/or Stanislaus County to attract private investment. A few interviewees also recommended that the project has a plan in place to encourage additional ancillary development (retail, hotel, etc.) around the venue.
 - **Organizational Support:** One interviewee noted that Turlock lacks a visitor bureau or sports commission that could help contribute to the long-term success of a regional sports facility. They suggested forming a task force with influential local participants that include both Turlock-based businesses and local government leaders to identify ways to support the facility.
- Several interviewees cited that the County is home to five (5) Fortune 500 companies and that there could be interest from corporations, families, and philanthropists to be financial contributors to the project. However, such potential partners would likely contribute in later project development stages.
- CSU Stanislaus is only inclined to participate in this project if it’s on or adjacent to their campus, as their priority is providing access for students and staff/faculty.



PARTNERSHIP ANALYSIS

Public-public and public-private partnerships are very common in the youth and amateur sports facility industry. Before we present a summary of stakeholder feedback regarding potential partnerships, we first would like to provide context via an overview of common sports facility partnership opportunities that we have frequently observed in comparable projects across the country:

- **Joint Powers Authorities/Agreements** - The most common form of public-public partnerships in the sports facility industry is a joint powers authority or agreement (JPA), where multiple public entities (such as cities, counties, school districts, public universities, etc.) establish a combined entity or agreement for ownership of and capital contributions to (both up-front construction capital and long-term capital improvements) a sports facility. These joint entities often take the form of a capital improvement board, public facility district, sports authority, or other such JPA. The primary benefit of a JPA is to pool regional public resources for construction and capital maintenance of a facility that will benefit users from multiple municipalities. Some JPA's may also hire their own operating staff to manage the sports facility, however it is common for public entities to contract with a private third-party operating firm with a proven track record in managing sports facilities, as detailed below.
- **Private Facility Management of Public Venues** - The most common form of public-private partnership for youth/amateur sports venues is for the facility to be owned by a public entity (and thus exempt from property taxes) and operated by a private third-party under a long-term management agreement. In this model, the public owner retains the rights and privileges of ownership, while the management firm performs assigned operations, maintenance, and marketing functions. Typically, the private manager is compensated via either:



PARTNERSHIP ANALYSIS (CONT.)

- a) **Service Contract** - A fixed annual management fee is paid by the ownership entity. Private management fees in the sports facility industry can often range from \$10,000 to \$20,000 per month depending on the size and scale of the facility or complex. Or,
- b) **Lease Agreement** - The private manager pays an annual lease fee to the ownership entity once positive operating income generated by the sports facility exceeds an agreed upon benchmark. Often the annual lease payment will be an agreed upon percentage of net operating income above an established benchmark once the facility has reached sustainable annual operating levels.
- **Private Developer/Operator with Public Incentives** - Although not as common as the models described above, we have seen examples where development of a regional sports facility is led by a private developer who builds and operates the sports facility as a portion of a larger mixed-use development project. In this model, sports facility construction costs may be split between private funds and public incentives provided by a local municipality or other public entity. Common public incentives for a private developer may include but are not limited to: property tax abatements, public financing via payments in lieu of taxes (PILOT) and/or tax increment financing (TIF) districts, levy and allocation of special facility user fees, public contribution of land via long-term ground lease, other forms of tax abatement or waivers, etc.



PARTNERSHIP ANALYSIS (CONT.)

- **Contribution of Land Parcels** - Total development costs for a new sports facility are not limited to just design and construction of the facility itself. Land acquisition for the both the facility and the necessary parking to support the facility's operations can often be a significant additional cost. As a result, it is common for contribution of land to be a key component of both public-public and public-private sports facility partnerships. For example, a public entity might contribute land they own to a facility project, or a private entity might donate land to a project that they see as beneficial (whether it is a private company that seeks economic benefit from the project or a private donor that wishes to support broader community benefits that could be generated via the project).
- **Contractually-Obligated Revenue from Private Entities** - Lastly, it is becoming increasingly common for private companies to sign multi-year contracts during the project development phases to support the on-going operations of a sports facility. Contractually-obligated revenue is facility-related revenue that is typically generated by multi-year contracts such as facility naming rights or commercial space leases with private entities, as described below:
 - a) **Naming Rights** - Private sector corporations (or private foundations) often obtain long-term naming rights on sports venues, in exchange for a commitment of funds over several years. When a public facility owner sells venue naming rights, the revenue generated is often a part of financing for the upfront capital construction costs. Whereas, if the private facility manager sells venue naming rights, the revenue streams will frequently be applied to the annual operations. Victus maintains a database of youth sports complex naming rights agreements across the country for which naming terms are publicly available, as shown on the next page:



PARTNERSHIP ANALYSIS (CONT.)



SAMPLE OF ACTIVE NAMING RIGHTS DEALS FOR YOUTH & AMATEUR SPORTS COMPLEXES

Youth/Amateur Sports Complex	Location	Naming Rights Buyer	Total Price	Term	Annual Average
Great Park presented by UCI Health	Irvine, CA	UCI Health	\$5,700,000	10	\$570,000
UW Health Sports Factory	Rockford, IL	UW Health	\$1,940,000	10	\$194,000
TCO Sports Garden	Vadnais Heights, MN	Twin Cities Orthopedics	\$1,950,000	15	\$130,000
Scheels Overland Park Sports Complex	Overland Park, KS	Scheels Sporting Goods	\$625,000	5	\$125,000
Woodman's Indoor Athletic & Conference Center	Janesville, WI	Woodman's Food Markets	\$2,000,000	Life	\$100,000
Kaiser Permanente Sports Village	Bakersfield, CA	Kaiser Permanente	\$500,000	5	\$100,000
Parkway Bank Sports Complex	Rosemont, IL	Parkway Bank & Trust	\$300,000	3	\$100,000
Citynet Center	Bridgeport, WV	CityNet	\$1,000,000	10	\$100,000
Art Van Sports Complex*	Grand Rapids, MI	Art Van Furniture	\$1,800,000	Life	\$90,000
Tarina Homes Sports Complex	Bakersfield, CA	Tarina Homes, Inc.	\$200,000	3	\$66,667
St. Luke's Proctor Sports & Events Center	Duluth, MN	St. Luke's Health System	\$300,000	10	\$30,000
Average			\$1,483,182	10	\$145,970
Median			\$1,000,000	10	\$100,000

**Note: for naming rights agreements with a lifetime term, we have assumed 20 years is the primary period over which the naming benefits will be earned*

It should be noted that the commercial naming rights deals shown above average nearly \$1,500,000 in total value, a 10-year term, and nearly \$146,000 in annual value. It should also be noted that the most common naming rights buyer for these types of sports facilities is a local/regional health provider, which represents five (5) of the 11 deals shown above.

- b) **Commercial Leases** - If the facility includes any leasable commercial spaces, such as retail, restaurant, performance training, physical therapy, or health/wellness, those spaces can often provide annual lease income that could be dedicated towards either the payment of project debt service or annual maintenance/operations expenses. Unused land on the site may also be leased to a developer for the purpose of a hotel and/or other mixed-use development.



OVERVIEW OF PROJECT PARTNERSHIP OPPORTUNITIES IN TURLOCK & STANISLAUS COUNTY

- **City of Turlock** - The majority of stakeholders (both public and private) that we met with felt that it was important for the City of Turlock to take a leadership role in this sports center project, since the facility is envisioned to be located in Turlock. There are opportunities for partnership, as described below, but most felt that it would be difficult to attract other key partners without the City's leadership.
- **California State University (CSU), Stanislaus** - The California State University System owns vacant land in Turlock at the northeast corner of Geer Road and Monte Vista Avenue. Until the early 1990's, the site was used for CSU Stanislaus dormitories, but the dormitories have since been demolished. CSU Stanislaus leadership indicated to Victus that they have a need for new student recreation amenities such as basketball courts and a fitness center, however they currently do not have the funding to build it. They indicated they would be willing to discuss potential partnership opportunities with the City of Turlock that could involve CSU providing the land at the intersection of Geer and Monte Visa in exchange for student/faculty/staff access to the new indoor sports center. However, they also noted that any potential partnership would be subject to approval by the CSU System.
- **Stanislaus County** - If the City of Turlock secured land and committed funding for an indoor sports center, Victus believes that the City (and their project partners) could approach the County regarding additional funding support for the project. Based on feedback from a variety of stakeholders, the County does have a history of helping to fund community facilities within the municipalities, however first the City must prioritize the project and commit funding to demonstrate viability.



- **Regional Health Providers** - As previously noted in this section, regional health providers have purchased naming rights for other sports facility projects in California communities in recent years. Victus met with local representatives of two (2) regional health systems that have a presence in Stanislaus County. The local representative of Sutter Health indicated that they recently made a large financial commitment to a children's museum project in Stanislaus County, and that they could be willing to discuss a similar commitment for a new youth/amateur sports center, however they prefer to commit such funds at the later stages of a development project to help it across the finish line. The local representative of Kaiser Permanente indicated that they are aware of Kaiser's support for similar projects in other California communities, however it would ultimately be up to Kaiser's corporate leadership to determine their interest in a sports center project in Turlock.
- **Private Developers** - Victus met with two (2) local land developers, and both indicated support for the project as residents of Stanislaus County. However, both asked questions regarding the financial feasibility of the project, in particular its viability without significant public funding contributions from the City, County, and/or other State or Federal grants. Some other stakeholders also felt that there could be potential for a private developer to build a new hotel in close proximity to a new sports center in Turlock, as they've seen examples in other communities where multi-day sports tournament activity has generated enough overnight visitors to help support a new hotel.
- **Private Donors** - A number of stakeholders felt that there could also be potential for private donors and foundations in the Stanislaus Community to help support this project, however they also believed it was important for project viability to be demonstrated with significant leadership from public entities before major private donors would feel comfortable committing funds to the project.



6. LOCAL USER GROUP & REGIONAL SPORTS EVENT INTERVIEWS



OVERVIEW

In April 2022, Victus Advisors conducted telephone interviews with a representative sample of local sports groups and regional sports event organizers who could be potential users of a new indoor sports center in Turlock. The goals of these interviews were to gather feedback regarding the market opportunity for local and regional events to be held at a new indoor sports center in Turlock. The set of topics and questions included perceptions of Turlock as a sports tourism destination, possible comparable and competitive venues and markets, potential annual levels of usage, minimum amenities required in order to attract events, and other feedback concerning the proposed indoor sports center.

INTERVIEWS - Victus Advisors conducted telephone interviews with representatives from the following 17 local and regional sports groups and event organizers (in alphabetical order):

- Bulldawgs Basketball Club
- California USA Wrestling
- Central Valley Pickleball Club
- Central Valley Youth Basketball
- CIF Sac-Joaquin Section
- Elite Event Partners
- Jam On It
- Lady Sharx Volleyball Club
- Modesto Magic Basketball
- Modesto Slam-N-Jam
- Northern California Volleyball Association
- Pacific AAU
- Stanco Stampede Basketball
- Stanislaus County Police Athletic League
- Travis Lady Jets
- Turlock Crush Volleyball
- West Coast Elite Basketball



LOCAL (STANISLAUS COUNTY) INDOOR FACILITIES USED

- **Basketball Groups:**
 - Big Valley Christian High School
 - Modesto Christian High School
 - Pittman High School
 - Turlock High School
 - One group also indicated that they use facilities north in Ripon (San Joaquin County)

- **Volleyball Groups:**
 - Cornerstone Church
 - Pittman High School
 - Turlock Junior High School

- **General:** All interviewees indicated that finding court time at schools is very difficult, unless you have a school employee on the coaching staff who can facilitate access and potentially secure discounted rental rates for court use.



COMPARATIVE VENUES

Local and regional sports groups and event organizers were asked what indoor sports facilities they have traveled to in the past for games and tournaments in northern California. The facilities cited most often were (in alphabetical order):

- **Capital Sports Center (McClellan Park)**
- **Courtside Sports Manteca (Manteca)**
- **Hardwood Palace (Rocklin)**
- **John Muir Health Ultimate Fieldhouse (Walnut Creek)**
- **Melody Arena (Ripon)**
- **Roebbelen Center (Roseville)**



IDEAL AMENITIES FOR A NEW INDOOR SPORTS CENTER

- **General:** Most interviewees felt that several restrooms were must-haves. Bleacher seating was also cited as a need for some interviewees, but most felt that a few rows per court would probably be more than enough. Lastly, locker rooms were not a significant need for interviewees.
- **Basketball:** Interviewees felt that between six (6) and eight (8) basketball courts would be ideal to be able to host larger basketball events.
- **Volleyball:** Demand among interviewees ranged from two (2) courts for one-day championships to up to 24 volleyball courts for larger, multi-day tournaments.
- **Other Sports:** Pickleball and wrestling groups would be able to use basketball/volleyball courts for their events.



IMPACT OF COVID-19

- Feedback from interviewees was mixed when asked about the COVID-19 impact on their clubs/events.
- One interviewee felt that AAU basketball clubs in Stanislaus County have been hit hard by the pandemic, citing decreased participation numbers. They did however indicate that they expect a significant recovery in 2023.
- Whereas another interviewee felt the pandemic has had a positive impact on their club. They stated that they've been able to adapt to the circumstances by educating athletes about health and providing training opportunities via zoom, etc. As a result, their club has received more visibility and awareness, and several participants have received college scholarships during the pandemic.
- One event organizer indicated that they are trying to recover and build up existing events. Some events (pre-pandemic) would host up to 1,000 teams. Those same events have been reduced to around 200 teams. They feel like participation will go back up, but they are unsure if pre-pandemic figures will ever be duplicated.
- A few interviewees felt that commitment amongst youth participants has decreased. They weren't sure if this was due to the youth having less desire or if parents were being too forceful in returning to activity.



USER GROUP & EVENT DEMAND SUMMARY



Group/Organization	Sport	Likelihood of Usage	Type of Usage	Ideal # of Courts*	Number of Annual Events**
Bulldawgs Basketball Club	Basketball	Would Not Use	-	-	-
California USA Wrestling	Wrestling	Likely Use	Events	-	5
Central Valley Pickleball Club	Pickleball	Likely Use	Practices, Games	6	-
Central Valley Youth Basketball	Basketball	Definitely Use	Practices, Games, Events	8	3
CIF Sac-Joaquin Section	Volleyball	Likely Use	Events	2	1
Elite Event Partners	Volleyball	Likely Use	Events	24	7
Jam On It	Basketball	Possibly Use	Events	6	5
Lady Sharx Volleyball Club	Volleyball	Would Not Use	-	-	-
Modesto Magic Basketball	Basketball	Would Not Use	-	-	-
Modesto Slam-N-Jam	Basketball	Possibly Use	Practices, Games, Events	6	10
Northern California Volleyball Association	Volleyball	Definitely Use	Events	12	24
Pacific AAU	Basketball	Would Not Use	-	-	-
Stanco Stampede Basketball	Basketball	Likely Use	Practices, Games, Events	8	20
Stanislaus County Police Athletic League	Multi	Would Not Use	-	-	-
Travis Lady Jets	Basketball	Would Not Use	-	-	-
Turlock Crush Volleyball	Volleyball	Likely Use	Practices, Games, Events	4	5
West Coast Elite Basketball	Basketball	Possibly Use	Events	8	1

81

Source: Victus research

Notes: Sorted by Group/Organization in alphabetical order. This is a representative sample of potential users, and the potential usage shown above is based solely on the interviewees contacted by Victus Advisors. (*) Courts are sport specific (basketball or volleyball) according to Group/Organization. (**) Northern California Volleyball Association and Stanco Stampede Basketball indicated that most of their annual events would be one-day events.

Victus Advisors interviewed a representative sample of potential indoor sports center users/events:

- 11 of the sports groups we interviewed expressed interest in using a new indoor sports center in Turlock.
- Usage ranged from weekday use for games and practices to weekend tournament event usage.
- Most groups who said that they “Would Not Use” the facility cited the distance to Turlock on weeknights as the primary reason, since most of their participants reside Modesto.
- Overall, we found initial interest for up to 81 annual tournaments/weekend events. These events ranged in terms of both the number of courts needed and the number of event days needed.



7. INDOOR SPORTS CENTER PROGRAM DEMAND & RECOMMENDATIONS



OVERVIEW

Our demand assessment is based primarily upon the following primary and secondary research conducted by Victus Advisors over the course of this study:

- Analysis of the Turlock/Stanislaus County's unique market characteristics.
- Review of comparative and competitive facilities.
- Interviews conducted with stakeholders, local sports groups, and regional event organizers.

Based on customized research and our extensive industry experience, we have identified that demand exists for a new indoor sports center in Turlock. The following pages summarize our market demand findings.



FACILITY RECOMMENDATION

VENUE RECOMMENDATION: Opportunity Stanislaus should consider the development of an indoor, multi-court, tournament-caliber sports and events facility. Based upon the results of our market and facility analysis, Victus Advisors recommends that a new indoor sports center in Turlock should have:

- **Courts Area:** Up to eight (8) basketball courts, which should be convertible to up to 2x volleyball courts (or 16 volleyball courts). These column-free, hardwood surfaces could also be used by wrestling, cheer, futsal, pickleball, etc. During the week, these courts would primarily be used for local programs, practices, and games, with weekends dedicated to sports tournament activity.
- **Other Support Areas & Amenities:** Lobby, restrooms, concessions, meeting/flex rooms that could also be used by tournament organizers, administrative offices, HVAC, mechanical/electrical, storage, circulation, etc.*

**Note: Depending on the project site and partnership structure, a fitness room may also be included for usage by CSU Stanislaus students, faculty, and staff.*

RATIONALE:

- There is no indoor sports facility within Stanislaus County that has more than three (3) basketball courts, and many local sports groups have difficulty in finding practice time.
- 11 local/regional groups that we interviewed expressed interest in regularly using a new indoor sports center.
- Generally speaking, there was significant support among interviewees for a new indoor sports center in Turlock. One interviewee felt the facility could be a “game changing asset” and that it’s an essential piece to creating a better business environment in Stanislaus County.



FACILITY RECOMMENDATION (CONT.)

PARTNERSHIP RECOMMENDATION: In order to enhance the feasibility of the indoor sports center project, Victus Advisors believes that a multi-stakeholder partnership is likely necessary in order to secure a viable project site and identify funding sources for the project.

The majority of stakeholders (both public and private) that we met felt that it was important for the City of Turlock to take a leadership role in this sports center project, since the facility is envisioned to be located in Turlock. Most felt that it would be difficult to attract other key partners without the City's leadership.

Additionally, the indoor sports center potentially could be developed on property owned by the CSU System that is located at the northeast corner of Geer Road and Monte Vista Avenue in Turlock. If the site was contributed by the CSU System there would be no land acquisition costs, thus making the project development costs more affordable. The CSU site is close to CA-99 and existing hospitality infrastructure such as hotels, restaurant, retail, etc., and because this site is larger than might be necessary to accommodate an indoor sports center alone, there could be additional on-site development opportunities such as a hotel, retail, restaurant, or outdoor recreation amenities.

Lastly, if a project partnership is formed between the City and CSU Stanislaus, and the City is able to identify financial resources to commit to a portion of facility construction, then Victus recommends that the City could approach the County regarding additional funding support for the project. Based on feedback from a variety of stakeholders, the County does have a history of helping to fund community facilities within the municipalities, however cities must prioritize their projects first and commit funding to demonstrate viability.



8. USAGE MODEL & FINANCIAL OPERATING PROJECTIONS



KEY ASSUMPTIONS

The following key assumptions were utilized by Victus Advisors in order to develop operating and financial projections for a new indoor sports center in Turlock:

- Please note that these projections represent a stabilized year of operations which is expected to occur by the third year of operations, at which point the COVID-19 pandemic is assumed to be over.
- It is assumed that the facility will be owned by a public entity and thus exempt from property taxes.
- Given the multi-stakeholder model that is envisioned for this project, we have assumed that the facility is likely to be operated by a third-party management firm with proven experience in the sports and recreation industry. That said, in the operating pro forma presented in this section, we have not yet shown any management fees or lease payments, as those would be subject to future negotiation between the relevant parties. More discussion of the recommended operating model is presented on the next page.
- It is assumed that the private operator would maintain the facility and provide access to up to two (2) courts during the week, at least Monday through Thursday, to CSU Stanislaus students, faculty, and staff. However, it is assumed in this model that any student/staff programming would be the responsibility of the University. That said, it should also be noted that a separate program operating agreement could potentially be negotiated between the University and the operator.
- This section shows annual operations results only, which are prior to debt service, taxes, capital improvement funds, or lease payments.
- Revenues and expenses are based upon the recommended building program and estimated annual utilization presented in this section.
- The facility will offer competitive rental rates and aggressively market both locally (for teams, leagues, camps, and clinics) and regionally for sports tournaments.
- It has been assumed that the venue operator would market and operate local-use programming such as sports leagues, camps, and clinics, such as basketball, volleyball, etc., in order to enhance the revenues of the facility.
- These projections are based on current market circumstances, and therefore assume that there will be no other major changes to the available indoor sports facility inventory within or near Stanislaus County.
- The financial projections displayed on the following pages utilize a variety of additional assumptions, including data gathered from third-party sources, and Victus Advisors' industry experience. There will be differences between these projections and actual events, and these differences may be material.



KEY ASSUMPTIONS (CONT.)

OPERATING MODEL - As mentioned in Section 5 of this report, the most common form of public-private partnership for youth/amateur sports venues is for the facility to be owned by a public entity (and thus exempt from property taxes) and operated by a private third-party under a long-term management agreement. In this model, the public owner retains the rights and privileges of ownership, while the management firm performs assigned operations, maintenance, and marketing functions. Typically, private management via a third-party is procured either a **service agreement** (where the owner pays the manager for their services) or a **lease agreement** (where the manager operates the facility at risk and makes a lease payment to the owner out of any positive operating income generated by the facility).

For the proposed indoor sports center in Turlock, Victus Advisors recommends a **lease agreement** relationship. In these types of arrangements, the operator must be confident that they can generate positive annual operating income via management of the venue, since the operator is responsible for all facility operating revenues and expenses. The annual lease fee paid by the operator is often a percentage of incremental annual operating income generated above a certain minimum income threshold, once the facility has reached a sustainable year of operations. It should also be noted that the manager/operator is typically responsible for routine maintenance of the facility, whereas the long-term capital maintenance and replacement is typically the responsibility of the owner. In many situations, the facility owner will dedicate the lease payments from the operator to a long-term capital maintenance fund for the facility.

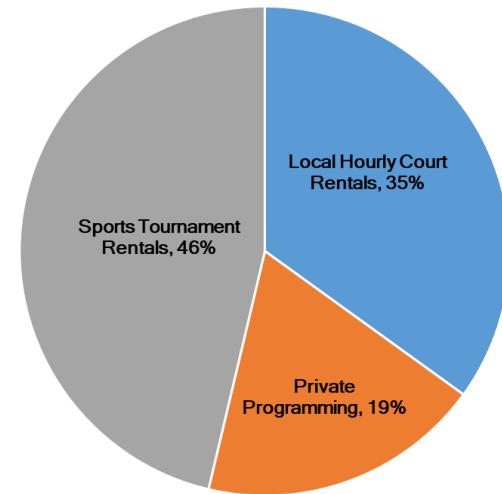


ESTIMATED ANNUAL UTILIZATION

It is estimated that the proposed indoor sports center in Turlock could host approximately 90 annual sports tournament days*, primarily on the weekends or during holidays. While weekend tournaments and events would draw athletes, spectators, and participants from outside of Stanislaus County (Friday through Sunday), it should be noted that local use (local programming, practices, etc.) would primarily be Turlock and other Stanislaus County residents (typically Monday through Thursday).

<u>Event</u>	<u>Facility Hours</u>
Sports Tournament Rentals	9,400
Local Hourly Court Rentals	7,100
Private Programming	3,800
TOTAL	20,300

Note: Sorted by Facility Hours in descending order



Estimated Annual Basketball Tournament Days: 40
Estimated Annual Volleyball Tournaments Days: 40
Estimated Annual Other Sports Tournaments Days: 10

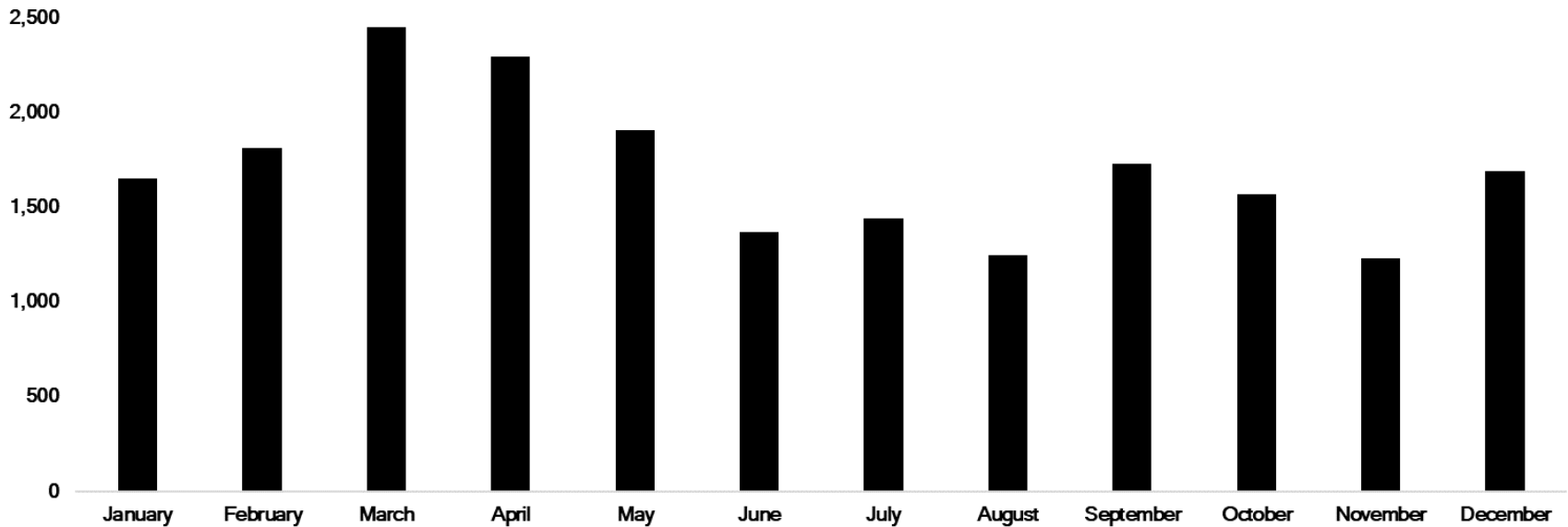
Total Estimated Annual Visits: 745,800**

Notes: () Tournament days a calendar day in which tournament activity is held in the facility. (**) Includes estimated athletes, officials, coaches, parents/family, spectators, etc. (**) Represents unique daily visits. For example, if an athlete participated in practices on a Tuesday and a Thursday one week, that would count as two (2) unique visits that week.*



ESTIMATED ANNUAL UTILIZATION BY MONTH

Court Hours:



Victus Advisors estimates that there would be fairly consistent levels of usage of the proposed indoor sports center in Turlock throughout the calendar year, with a likely peak in activity from December through May.

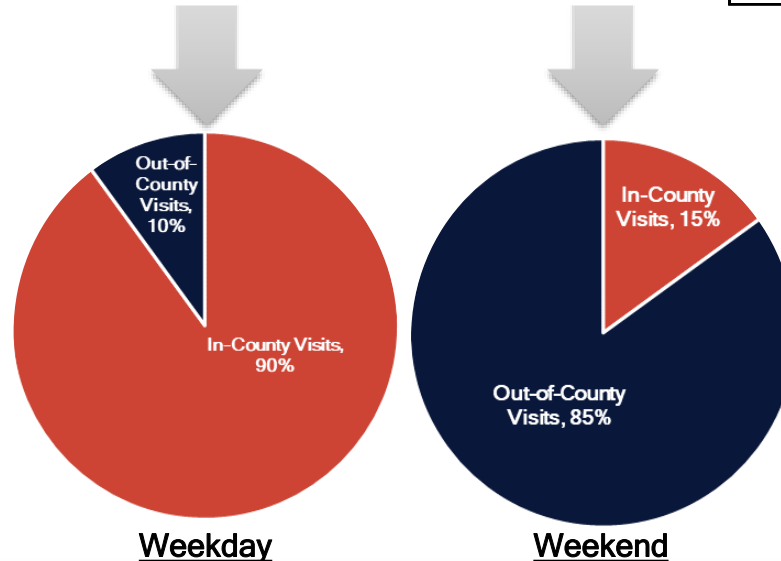


TOTAL ESTIMATED OUT-OF-COUNTY VISITATION

It is estimated that visitors from outside of Stanislaus County could account for about 57% of annual attendance at the proposed indoor sports center in Turlock.

It is assumed that weekday usage would primarily be regional programming, including youth and adult sports. Whereas weekend use would primarily be dedicated to youth/amateur sports tournaments.

	<u>Weekday</u>	<u>Weekend</u>	<u>TOTAL</u>
In-County Visits	246,400	70,800	317,200
Out-of-County Visits	27,400	401,200	428,600
TOTAL VISITORS	273,800	472,000	745,800



**Notes: (1) "Out-of-town" refers to visitors from outside Turlock/Stanislaus County. (2) Visitors include estimated athletes, officials, coaches, parents/family, spectators, etc. Visitors also represent unique daily visits. For example, if an athlete participated in practices on a Tuesday and a Thursday one week, that would count as two (2) unique visits that week.*



FINANCIAL PRO FORMA



	Year:				
Operating Revenues:	1	2	3	4	5
Rental Income (Tournaments, Practices, etc.)	\$945,700	\$1,148,350	\$1,351,000	\$1,391,530	\$1,433,276
Concessions (Net)	\$354,900	\$430,950	\$507,000	\$522,210	\$537,876
Programming (Leagues, Camps, Clinics)	\$161,000	\$195,500	\$230,000	\$236,900	\$244,007
Advertising & Sponsorship	\$32,900	\$39,950	\$47,000	\$48,410	\$49,862
Other	\$7,000	\$8,500	\$10,000	\$10,300	\$10,609
Total Revenues	\$1,501,500	\$1,823,250	\$2,145,000	\$2,209,350	\$2,275,631
Operating Expenses:					
Salaries, Wages, & Benefits	\$893,000	\$893,000	\$893,000	\$919,790	\$947,384
Utilities	\$396,000	\$396,000	\$396,000	\$407,880	\$420,116
Program Expenses	\$112,700	\$136,850	\$161,280	\$166,118	\$171,102
Advertising, Marketing, & Promotion	\$50,000	\$50,000	\$50,000	\$51,500	\$53,045
General, Administrative, & Other	\$100,000	\$100,000	\$100,000	\$103,000	\$106,090
Maintenance/Repair	\$75,000	\$75,000	\$75,000	\$77,250	\$79,568
Materials/Supplies	\$75,000	\$75,000	\$75,000	\$77,250	\$79,568
Total Expenses	\$1,701,700	\$1,725,850	\$1,750,280	\$1,802,788	\$1,856,872
EBITDA	(\$200,200)	\$97,400	\$394,720	\$406,562	\$418,758
Estimated Operating Margin	-13%	5%	18%	18%	18%

Notes:

(1) Presented in 2022 dollars. (2) Stabilized year of operations typically occurs by Year 3. (3) EBITDA represents "earnings before interest, taxes, depreciation, and amortization" and has also been shown prior to any potential lease payments from the manager to the owner.

In a stabilized year of operations, it is estimated that a new indoor sports center in Turlock could generate an 18% annual operating margin, prior to any lease payments that may be made to the facility owner.



REVENUES

Revenue generated by the proposed new indoor sports center in Turlock is expected to consist primarily of rental income, program revenue, concessions, and advertising. A brief description of each potential revenue source is provided below.

Rental Income:

Facility rent is typically one of the largest revenue sources for an indoor sports center. Rentals typically occur for practices and league play (primarily local-use within Turlock and Stanislaus County) and tournaments/meets (regional usage). We have conservatively assumed, based on competitive rental rates within the market, that average rental rates for the facility would be approximately **\$95 per hour per court**. Lastly, we have assumed a tournament rate of approximately **\$7,500 per day for the entire facility**.

Concessions:

Concessions revenue consists of sales of various food and beverage items at various points-of-sale throughout the facility. Gross revenue assumptions are based on estimated usage and attendance, and comparable per capita spending from facilities across the country (approximately \$1-\$3 per visitor per day). Profit margins on concessions sales are typically at least 20-30%. In addition, it is assumed that the facility would have the ability to sell alcohol during tournament events.

Programming (Leagues, Camps, etc.):

Programming consist of camps, clinics, and leagues organized by the facility operator, with revenue primarily consisting of registration fees.



REVENUES (CONT.)

Advertising & Sponsorship:

Advertising and sponsorship revenues are assumed to be derived from the sale of wall and board banners (\$200 per banner), permanent signage (\$200 per sign), scoreboard signage (\$300 per scoreboard), and presenting/founding level partnerships (\$5,000 per founding partner). Overall, we have conservatively assumed that no more than 80% of the available inventory would be sold.

Other Revenue:

Other revenue opportunities would primarily consist of any equipment rental fees or other special service charges. We have conservatively projected \$10,000 in annual other revenues.



EXPENSES

Operating expenses expected to be generated by the proposed new indoor sports center in Turlock include salaries, wages, and benefits, operations/programming costs, utilities, and other expenses. It should be noted that we have yet to make any assumptions for operator lease payments, which would be an additional expense for a private operator. A brief description of each potential major source of expense is provided below.

Salaries, Wages & Benefits:

Based upon comparable venues, we have assumed that the new indoor sports center would have at least 10 full-time equivalent (FTE) employees (including both salaried and part-time employees) at a total annual payroll (including salaries, wages, and benefits) of \$892,500. This includes general management, event management, sales/marketing, accounting, facility maintenance, and custodial staff.

Utilities:

Utilities often represent one of the largest expenses incurred by indoor sports facility operators. Cost estimates for utilities include use of electricity, gas, water, and steam, and are based upon comparable utility costs per square foot at similar facilities.

Program Expenses:

Direct expenses from operating programs at the facility, such as referees or jerseys for league play, have been assumed to be approximately 30% of facility program revenues, based on costs at comparable facilities. Please note, this does not include the overhead costs included in Salaries, Wages & Benefits for full-time staff whose responsibilities would include administrative tasks related to programming.



EXPENSES (CONT.)

Other Expenses:

Other expenses expected to be incurred by the proposed new indoor sports center include general and administrative expenses, repairs and maintenance, materials, supplies, marketing costs, insurance, and other such expenses described below, which have been estimated based upon comparable venues:

- Maintenance and repairs for structures, equipment, grounds, etc.
- Materials and supplies for administration and operations of the facility such as office supplies, sports equipment, janitorial supplies, etc.
- General liability insurance to cover the grounds, restrooms, and other such areas. (Note: third-party events are typically required to carry their own liability insurance for their events at the venue.)
- Office and administrative expenses, including but not limited to marketing and advertising, telecommunications, travel costs, permits, bad debt, bank service charges, licenses, dues/subscriptions service fees, and other such operating expenses.

Capital Reserve Funding:

In addition to the annual operations of the proposed indoor sports center, current industry best practices recommend that facility owners should budget for long-term capital improvement needs. We typically recommend that an amount equal to at least 0.5% of facility construction costs, adjusted annually for inflation, should be contributed annually to a capital reserve fund by the facility owner. Whereas the operator is typically responsible for routine maintenance, a capital reserve fund can be drawn upon by the project owner to pay for necessary capital maintenance and replacement as the facility ages.



9. ECONOMIC IMPACT ANALYSIS



1. ESTIMATE GROSS DIRECT SPENDING

The first step in projecting the potential economic and fiscal impacts of a new indoor sports center in Turlock is estimating the Gross Direct Spending activity that could occur due to the on-going annual operations of the new facility.

Gross Direct Spending represents all of the direct spending that could be associated with the project, regardless of income source or spending location.

Primary Sources of Direct Spending from a New Indoor Sports Center in Turlock

Ongoing Facility Operations

In-Facility Revenues:

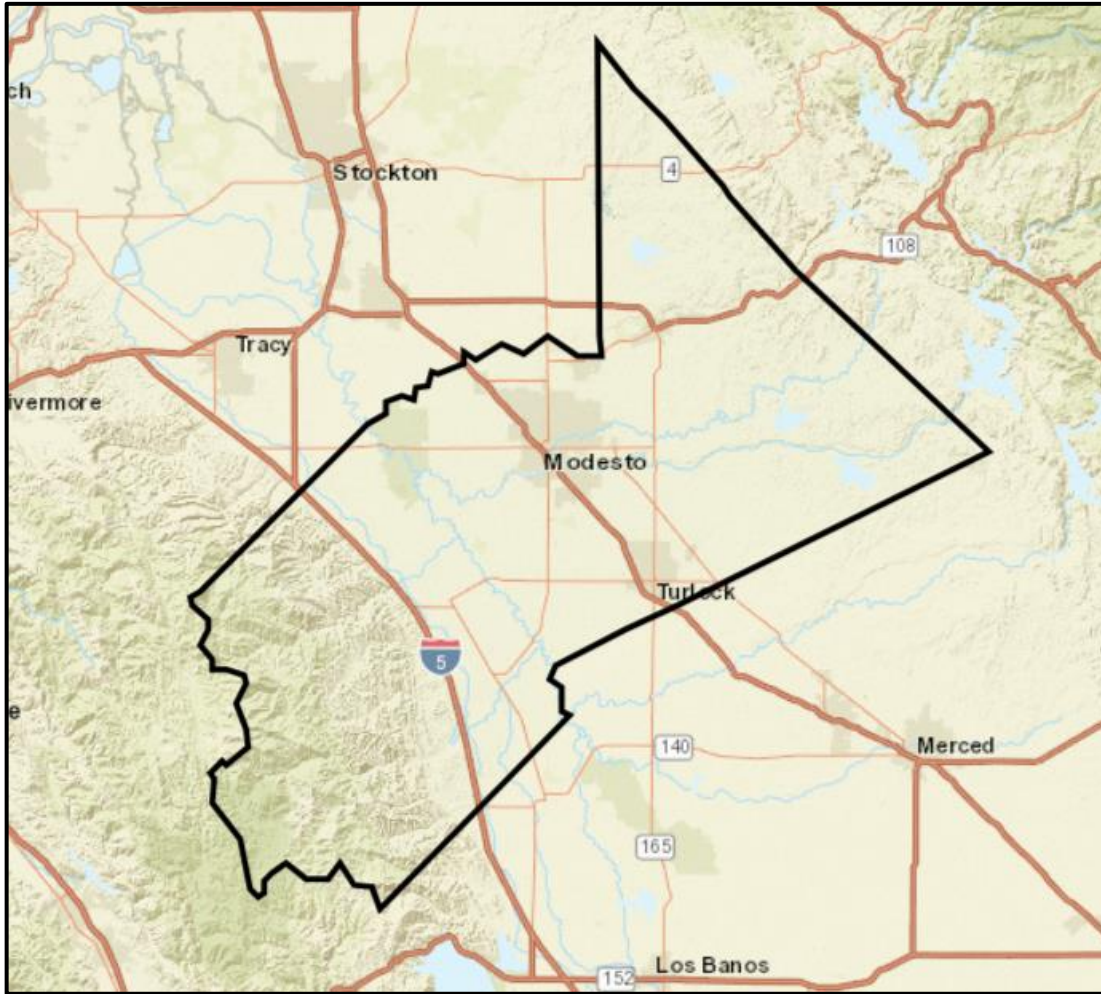
- Facility Rental Fees
- Programming Revenue
- Concessions Sales
- Sponsorships/Advertising

City-Wide Visitor Spending:

- Lodging
- Restaurants
- Entertainment
- Retail
- Transportation



2. IDENTIFY “LOCAL” ECONOMY



Source: Esri

For purposes of this study, Victus Advisors has been tasked with identifying the potential economic and fiscal impacts on Stanislaus County. Therefore, the local economy studied in this analysis is the physical area solely within the County limits of Stanislaus (as shown at left).

As described on the next page, “Net” Direct Spending only occurs when the spending source originates outside of County limits and occurs within the County’s limits, which most often occurs during tournaments, as well as during some league games. Local practices typically do not drive net economic impacts.



3. CALCULATE NET IMPACTS

After estimating the “Gross” economic activity associated with the proposed indoor sports center, Victus Advisors estimated the portion of Gross Direct Spending that could represent incremental (or “Net”) spending within the County’s economy. Net Direct Spending accounts for the phenomenon of “displacement”, as described below.

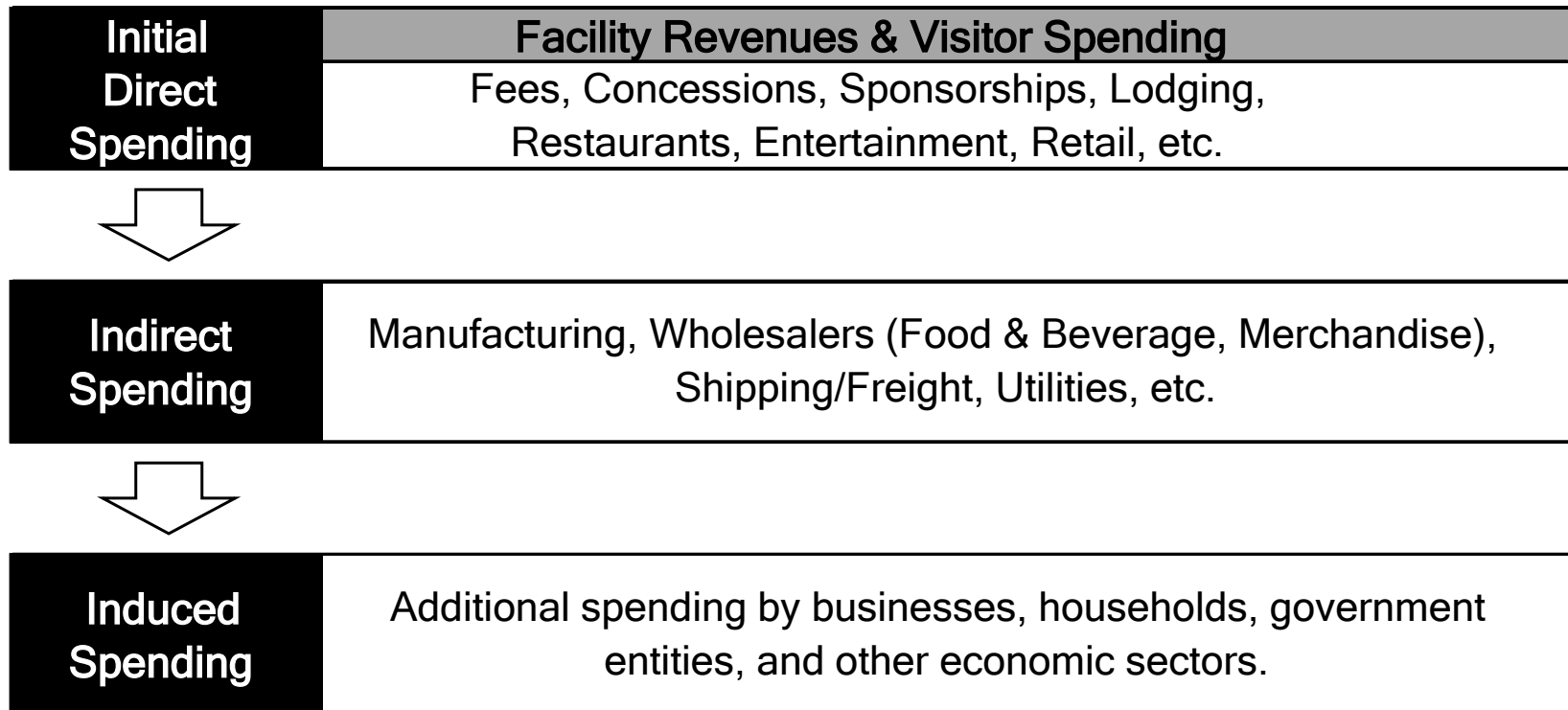
DISPLACEMENT is the economic principle that assumes a household’s (or business’) sports and recreation budget would be spent within the local economy with or without development of a new indoor sports center. For purposes of this study, we have assumed that local usage spending would be displaced (i.e. spent elsewhere within the Stanislaus County economy) without the presence of a new indoor sports center. Therefore...

NET IMPACTS estimated by Victus Advisors will only include the estimated dollars spent within Stanislaus County limits by visitors who come to the County because of the presence of a new indoor sports center, thus injecting new incremental dollars into the County’s economy.



4. THE MULTIPLIER EFFECT

Direct Spending that is captured in Stanislaus County is subsequently re-spent, both inside and outside the local economy. The cumulative impact of the re-spending cycles that occur within the County is called the “Multiplier Effect”.





4. THE MULTIPLIER EFFECT (CONT.)

Victus Advisors utilized IMPLAN* multipliers specific to Stanislaus County (as demonstrated by the sample of multipliers shown below) to estimate the following **Net Economic Impacts**:

- **TOTAL OUTPUT** (direct, indirect & induced spending in Stanislaus County)
- **EMPLOYMENT** (full-time & part-time jobs in Stanislaus County)
- **LABOR INCOME** (salaries & personal earnings associated with Stanislaus County jobs)
- **TAX REVENUES** (taxes associated with the total output)

IMPLAN MULTIPLIERS - STANISLAUS COUNTY

Industry	Total Output Multiplier	Employment Multiplier	Labor Income Multiplier
Retail Stores	1.57209	21.1800	1.37294
Transit & Ground Passenger Transportation	1.48203	28.2000	1.28291
Fitness & Recreational Sports Centers	1.66722	26.1100	1.45939
Hotels & Motels, Including Casino Hotels	1.48934	13.8800	1.44349
Food Service & Drinking Places	1.46070	17.5700	1.37301

** IMPLAN is the most common economic modeling system utilized by government agencies across the country. Currently, there are hundreds of licensed users throughout the United States including universities, government agencies, and private companies. This computer software package consists of data and procedures for developing input-output models to quantify interactions between firms, industries, and institutions within a local economy. IMPLAN's economic multipliers are updated annually and come from data collected by the U. S. Department of Commerce, the U.S. Bureau of Labor Statistics, and other federal and state government agencies.*



ANNUAL IMPACTS

ONGOING IMPACTS OF OPERATIONS - ANNUAL IMPACTS:

After adjusting estimates of gross direct spending for displacement, it is estimated that approximately 63% of gross spending associated with the annual operations of the proposed indoor sports center would have a net impact on Stanislaus County.

ESTIMATED GROSS DIRECT SPENDING ASSOCIATED WITH INDOOR SPORTS CENTER	
\$58,912,967	
DISPLACEMENT ADJUSTMENT	
NET DIRECT SPENDING IMPACTING STANISLAUS COUNTY	
Estimated In-Facility Direct Spending (Net)	\$1,775,280
Estimated Out-of-Facility Direct Spending (Net)	\$35,222,790
Total Estimated Direct Spending - Net:	\$36,998,070
Net Spending as % of Gross:	63%

Notes: "Net" Direct Spending only accounts for spending occurring in Stanislaus County by outside visitors to the County. Represents annual spending, presented in 2022 dollars.



ANNUAL ECONOMIC IMPACTS

It is estimated that Net Direct Spending resulting from the new indoor sports center could generate over \$56.3 million in net annual economic output and 1,105 net new jobs in Stanislaus County.

NET ANNUAL IMPACTS

**NET DIRECT SPENDING
IN STANISLAUS COUNTY**

\$36,998,070

**MULTIPLIER
EFFECT**

TOTAL ECONOMIC OUTPUT

\$56,268,000

EMPLOYMENT

1,105

WAGES

\$51,647,000



ANNUAL ECONOMIC IMPACTS BY INDUSTRY

It is estimated that Food & Beverage, Lodging, and Shopping in Stanislaus County would benefit the most from the new indoor sports center (approximately 39%, 19%, and 18% of incremental output, respectively).

NET ANNUAL IMPACTS

TOTAL OUTPUT:

Sports	\$2,960,000	5%
Lodging	\$10,944,000	19%
Food & Beverage	\$21,924,000	39%
Shopping	\$10,112,000	18%
Entertainment	\$7,150,000	13%
Transportation	\$3,178,000	6%
TOTAL:	\$56,268,000	100%

EMPLOYMENT:

Sports	77	7%
Lodging	152	14%
Food & Beverage	385	35%
Shopping	214	19%
Entertainment	187	17%
Transportation	90	8%
TOTAL:	1,105	100%

LABOR INCOME:

Sports	\$2,591,000	5%
Lodging	\$10,608,000	21%
Food & Beverage	\$20,608,000	40%
Shopping	\$8,831,000	17%
Entertainment	\$6,258,000	12%
Transportation	\$2,751,000	5%
TOTAL:	\$51,647,000	100%



FISCAL IMPACTS

It is estimated that the proposed indoor sports center could generate approximately \$661,000 in incremental annual transient occupancy taxes within the City of Turlock and over \$1 million annually in incremental City and County sales taxes.

INCREMENTAL (OR "NET") ANNUAL TAX REVENUE

Tax Type	Entity	Tax Rate	Est. Tax Revenue
Turlock Transient Occupancy Tax	City	9.00%	\$661,000
Turlock Sales Tax	City	0.75%	\$290,000
Total Annual Tax Revenue - City of Turlock:			\$951,000
Stanislaus County Local Tax	County	1.00%	\$387,000
Stanislaus County District Tax	County	0.625%	\$242,000
Stanislaus County Sales Tax	County	0.25%	\$97,000
Total Annual Tax Revenue - Stanislaus County:			\$726,000

Notes:

- (1) Sorted by Est. Tax Revenue in descending order
- (2) Assumes 90% of overnight visitors would stay in Turlock hotels
- (3) The tax sources listed above are still pending review by the municipalities as of the date of this report, and therefore they may be subject to change in future versions of this report.



HOTEL IMPACTS

Victus Advisors estimates that sports tourism associated with the new indoor sports center could generate over 76,000 incremental annual hotel nights in Turlock, as shown below.

Estimated Incremental Annual Hotel Impacts - City of Turlock	
Total Visitors Staying in Turlock Hotel/Motel:	229,641
Estimated People Per Room	3.0
Total Rooms Utilized	76,547
Average Nights per Room:	1.0
Total - Incremental Annual Room Nights in Turlock:	76,547
Average Daily Room Rate (ADR):	\$96.00
Total - Incremental Turlock Hotel Room Spending:	\$7,348,517

Notes:

- (1) Overnight Visitors estimate developed by Victus Advisors as part of our Utilization & Attendance Estimates*
- (2) Total Hotel Room Spending represents direct hotel room spending only in 2022 dollars, and does not include indirect or induced impacts*



SUMMARY OF NET IMPACTS OVER TIME



Year	Direct Spending	Total Output	Employment	Wages	Hotel Nights	City Hotel Tax	City Sales Tax	County Sales Taxes
1	\$22,198,842	\$33,760,800	663	\$30,988,200	45,928	\$396,600	\$174,000	\$435,600
2	29,598,456	45,014,400	884	41,317,600	61,238	528,800	232,000	580,800
3	36,998,070	56,268,000	1,105	51,647,000	76,547	661,000	290,000	726,000
4	38,108,012	57,956,040	1,105	53,196,410	76,547	680,830	298,700	747,780
5	39,251,252	59,694,721	1,105	54,792,302	76,547	701,255	307,661	770,213
6	40,428,790	61,485,563	1,105	56,436,071	76,547	722,293	316,891	793,320
7	41,641,654	63,330,130	1,105	58,129,154	76,547	743,961	326,398	817,119
8	42,890,903	65,230,034	1,105	59,873,028	76,547	766,280	336,189	841,633
9	44,177,630	67,186,935	1,105	61,669,219	76,547	789,269	346,275	866,882
10	45,502,959	69,202,543	1,105	63,519,296	76,547	812,947	356,663	892,888
11	46,868,048	71,278,619	1,105	65,424,874	76,547	837,335	367,363	919,675
12	48,274,090	73,416,978	1,105	67,387,621	76,547	862,455	378,384	947,265
13	49,722,312	75,619,487	1,105	69,409,249	76,547	888,329	389,736	975,683
14	51,213,982	77,888,071	1,105	71,491,527	76,547	914,979	401,428	1,004,954
15	52,750,401	80,224,714	1,105	73,636,273	76,547	942,428	413,471	1,035,102
16	54,332,913	82,631,455	1,105	75,845,361	76,547	970,701	425,875	1,066,155
17	55,962,901	85,110,399	1,105	78,120,722	76,547	999,822	438,651	1,098,140
18	57,641,788	87,663,711	1,105	80,464,343	76,547	1,029,816	451,811	1,131,084
19	59,371,041	90,293,622	1,105	82,878,273	76,547	1,060,711	465,365	1,165,017
20	61,152,172	93,002,431	1,105	85,364,622	76,547	1,092,532	479,326	1,199,967
21	62,986,738	95,792,503	1,105	87,925,560	76,547	1,125,308	493,706	1,235,966
22	64,876,340	98,666,279	1,105	90,563,327	76,547	1,159,068	508,517	1,273,045
23	66,822,630	101,626,267	1,105	93,280,227	76,547	1,193,840	523,772	1,311,237
24	68,827,309	104,675,055	1,105	96,078,634	76,547	1,229,655	539,485	1,350,574
25	70,892,128	107,815,307	1,105	98,960,993	76,547	1,266,544	555,670	1,391,091
26	73,018,892	111,049,766	1,105	101,929,823	76,547	1,304,541	572,340	1,432,824
27	75,209,459	114,381,259	1,105	104,987,717	76,547	1,343,677	589,510	1,475,809
28	77,465,742	117,812,697	1,105	108,137,349	76,547	1,383,987	607,196	1,520,083
29	79,789,715	121,347,077	1,105	111,381,469	76,547	1,425,507	625,411	1,565,685
30	82,183,406	124,987,490	1,105	114,722,913	76,547	1,468,272	644,174	1,612,656
Cumulative Total:	\$1,640,159,000	\$2,494,412,000	1,105	\$2,289,559,000	2,250,000	\$29,303,000	\$12,856,000	\$32,184,000
Net Present Value:	\$859,506,000	\$1,307,168,000	n/a	\$1,199,817,000	n/a	\$15,356,000	\$6,737,000	\$16,866,000

Over a 30-year period, the proposed indoor sports center is estimated to have cumulative net impacts within Stanislaus County with a net present value (NPV) of approximately \$1.3 billion in net economic output, \$1.2 billion in wages, \$15.3 million in City transient occupancy taxes, \$6.7 million in City sales taxes, and \$16.9 million in County sales taxes.

Notes: (1) Assumes 3% annual inflation. (2) NPV was calculated based upon a 4% discount rate



10. FUNDING OPTIONS ANALYSIS



OVERVIEW

The purpose of this analysis is to provide an overview of the various financing tools and revenue sources that may be available to fund construction and development of a new indoor sports center in Turlock. This analysis is based upon a review of comparable venues across the country, as well as unique financing vehicles that may be available within the State of California.

The analysis in this section is organized into two primary sections, with debt-related financing vehicles presented at the beginning, followed by a summary of various revenue streams that are often used to pay sports facility debt service or to generate upfront capital contributions. Please note, the options in these two sections are presented in alphabetical order:

Debt Financing Tools:

- AB 2 Community Revitalization & Investment
- Certificates of Participation
- Community Facilities District
- Enhanced Infrastructure Financing Districts
- General Obligation Bonds
- Revenue Bonds

Potential Revenue Sources:

- Ad Valorem Taxes
- Business Improvement District
- Contractually Obligated Revenue Streams
- General Funds
- Parking Surcharges
- Private Fundraising
- Visitor Taxes



DEBT TOOLS: AB 2 COMMUNITY REVITALIZATION & INVEST.



DESCRIPTION

AB 2 Community Revitalization & Investment Authorities (CRIA) are a form of tax increment financing in the State of California. A CRIA is intended to use tax increment revenue to improve infrastructure, assist business, and support affordable housing in disadvantaged communities. There are two different types of CRIAs:

1. Single member authority with only a city or a county as the initiating agency, or a city and a county working together to create the CRIA.
2. Joint powers authority (JPA) that can be created by one or more special districts, however no schools or redevelopment successor agencies are allowed to participate in a CRIA.

Each CRIA must develop a community revitalization and investment authority plan, which must include a description of the principal goals and objectives of the plan. The boundaries of a CRIA are restricted to areas with high unemployment, and 80% of the district must be designated as being or having low income, inadequate infrastructure, dilapidated residents, or areas of high crime. There is also a requirement that 25% of the proceeds must be expended on affordable housing. In order to adopt the plan, the CRIA must hold a series of public hearings and votes. The plan must also include:

- Description of how the deteriorated or inadequate infrastructure within the revitalization area will be improved
- Housing program, with estimated housing revenues and expenditures
- Program to remedy or remove hazardous materials where needed
- Program to provide funding or to facilitate economic revitalization



DEBT TOOLS: AB 2 COMMUNITY REVITALIZATION & INVEST. (CONT.)



The CRIA is also required to perform an annual review of the plan and an annual independent financial audit paid for from revenues to the authority.

RECOMMENDATION FOR TURLOCK

The CRIA approach is not likely to be utilized by the City of Turlock for this project, as the proposed location of the indoor sports center is not likely to qualify as a dilapidated, low income, and high crime area.



DEBT TOOLS: CERTIFICATES OF PARTICIPATION

DESCRIPTION

Another option for financing to be considered are Certificates of Participation (COP). COPs are financial instruments whereby investors purchase shares of the lease revenues rather than a fixed bond payment being secured by those revenues. COPs typically do not require the government entity to repay the certificate holders beyond the annual appropriations, and thus do not typically require voter approval. The City of Turlock utilized COPs in 2004 and 2007 for the benefit of the Emanuel Medical Center.

PROS AND CONS - Although COPs can offer greater flexibility for the issuer, the marketability of COPs depends on investors' perceptions of the risk and reliability associated with the dedicated lease revenues. As a result, COPs usually have a higher interest rate than traditional GO bonds, and in some cases, in order to reduce investor risk a public sector entity issuing COPs has had to provide a commitment to back the COPs in the case of project default. It should also be noted that COPs can prove to be more administratively complicated for the issuer, as they typically rely on a trustee for handling payments and distributing payments to certificate holders.

RECOMMENDATION FOR TURLOCK - For the proposed indoor sports center, it is not likely that COPs would be a viable funding instrument, as it will be a publicly-owned facility that does not generate large enough lease payments to cover debt service.



DEBT TOOLS: COMMUNITY FACILITIES DISTRICT



DESCRIPTION

A Community Facilities District (CFD), otherwise known as a Mello-Roos Community Facilities District, allows for the financing of public improvements and services through the levy of voter approved special taxes. The ability to form a CFD was established with the adoption of the Mello-Roos Community Facilities Act of 1982.

The Act allows any county, city, special district, school district or joint powers authority to establish a CFD, which allows for the development of public improvements with a useful life of five years or more and allows for financing of facilities by issuing bonds or other debt. Passage of the formation of a CFD requires a two-thirds approval by the voters.

RECOMMENDATION FOR TURLOCK

A CFD could potentially be a viable financing option for this project, depending on the size of the district and the other new development included within the district, however it should be noted that it would require two-thirds voter approval.



DEBT TOOLS: EIFD

DESCRIPTION

Enhanced Infrastructure Financing Districts (EIFD) were authorized with the adoption of SB 628 (Beall) and AB 313 and were intended to fill the hole that was left by the dissolution of redevelopment agencies in California. This legislation upgraded existing Infrastructure Districts (IFD), a mechanism rarely utilized. The old IFDs had shorter time periods and served a narrower focus than the new EIFD concept.

To form an EIFD, a goal must be established by a city or a county or a group of cities, counties or other local agencies. An EIFD can be a few blocks, or a large regional project. With consent of the other relevant taxing agencies within the district, EIFDs may be used to fund facilities and infrastructure improvements with the annual property tax increment, however EIFDs cannot divert annual property tax increment from schools or from any non-consenting agency. Any facility or infrastructure to be financed with an EIFD must have a useful life of 15 years or longer and must have community-wide benefit.

It should also be noted that if a prior redevelopment agency existed within the area considered for the EIFD, there are specific State requirements that must be met, including preparation of an Infrastructure Financing Plan (IFP) and replacement/relocation of low income housing.



DEBT TOOLS: EIFD (CONT.)

To implement an EIFD, the city or county would be required to create a Public Financing Authority (PFA) to govern the EIFD. This PFA would be comprised of 3 legislative members of the initiating entity (or entities) plus two members of the public. Prior to approval of the plan, public hearings must be held to provide an opportunity for comments from landowners within the district, taxing agencies and members of the public. In order to issue bonds under the PFA, there is a requirement to have voter approval (by registered voters within the EIFD) of 55%. With approval from a vote, the EIFD may establish a bond period of up to 45 years from the date of bonding approval.

RECOMMENDATION FOR TURLOCK

The EIFD approach may be a viable option for the City relative to other tax increment financing approaches, as in order to issue bonds via a PFA that governs an EIFD, the voter approval requirements are lower (at 55%) than the 2/3 majority required for a Mello-Roos District, and only subject to registered voters within the EIFD, rather than City-wide.



DEBT TOOLS: GENERAL OBLIGATION BONDS



DESCRIPTION

The City of Turlock and/or Stanislaus County may use the full faith and credit of the City and/or County to issue General Obligation (GO) bonds for all or part of the indoor sports center. GO bonds are secured by the issuing government entity's pledge to use all legally available resources, including tax revenues, to pay debt service.

PROS AND CONS

The primary advantage of GO bonds is that they typically carry a lower interest rate, assuming the issuing government entity carries a strong credit rating. Generally speaking, the better the issuer's credit rating, the lower the interest rate. The primary disadvantage associated with GO bond financing is that the GO indebtedness reduces the available bonding capacity for other potential capital projects.

RECOMMENDATION FOR TURLOCK

A GO bond issue for this indoor sports center project may be difficult to pass if it is perceived as taking away funds that could be allocated to other uses that the public may favor, such as other capital projects, improvements to services or infrastructure, etc.

As of June 30, 2020, according to the City's CAFR, the City had approximately \$9.6 million of unassigned general funds while as of June 30, 2021, according to the County's CAFR, the County had approximately \$9.3 million of unassigned general funds. It is also possible that a portion of available general funds may be applied towards project costs, thus reducing the amount of debt to be incurred.



DEBT TOOLS: REVENUE BONDS

DESCRIPTION

Revenue Bonds are payable solely from a dedicated revenue source, often: a) an available tax source, or b) from the revenues of the project that is being financed. Since debt service is tied to particular revenue streams, rather than the general obligation of the taxing authority, revenue bonds are considered to have a much higher risk of default than GO bonds and thus carry a higher interest rate.

As shown below, depending on the interest rate and debt coverage ratio, it is generally estimated that for every \$1 million of revenue that is applicable to debt service, 30-year revenue bonds could fund anywhere from approximately \$7 million to \$14 million in project costs:

<u>Interest Rate</u>	<u>Bond Term (Yr)</u>	<u>Funding Capacity per \$1M of Available Project Income</u>			
		<u>Debt Coverage Ratio:</u>			
		<u>1.25x</u>	<u>1.5x</u>	<u>1.75x</u>	<u>2.0x</u>
4%	30	\$13,833,627	\$11,528,022	\$9,881,162	\$8,646,017
5%	30	\$12,297,961	\$10,248,301	\$8,784,258	\$7,686,226
6%	30	\$11,011,865	\$9,176,554	\$7,865,618	\$6,882,416



DEBT TOOLS: REVENUE BONDS (CONT.)

PROS AND CONS

One advantage to revenue bonds is that they are project specific, and thus do not diminish the City and/or County's bonding capacity for future General Obligation bonds. One disadvantage to revenue bonds is that they typically carry a higher interest rate than GO bonds, and due to debt service reserve requirements and other credit enhancements, the bonds are usually larger with higher payment terms.

RECOMMENDATION FOR TURLOCK

Based on the table shown on the prior page, it is estimated that a \$25 million project financed via 30-year revenue bonds with a 4% interest rate and a 1.5x debt coverage ratio would likely require annual debt service payments of more than \$2.1 million.

It should be noted that youth/amateur sports center operating income tends to not be a viable funding source for debt service payments for indoor sports centers, therefore any revenue bonds would likely have to be issued against a dedicated incremental tax source.



REVENUE TOOLS: AD VALOREM TAXES

DESCRIPTION

Ad valorem taxes are taxes collected on the value of a transaction or property, typically in the form of property taxes or sales taxes. Turlock currently assesses a 0.75% sales tax, while Stanislaus County assesses a 0.25% sales tax, 0.625% district tax (library and Measure L), and 1.0% local tax. The chart below illustrates the current sales taxes for cities within Stanislaus County and other surrounding communities:

<u>Entity</u>	<u>Rate</u>
Stockton	1.25%
Turlock	0.75%
Ceres	0.50%
Oakdale	0.50%
Manteca	0.50%
Merced	0.50%
Modesto	0.00%

Source: Victus research

Note: Sorted by Rate in descending order

RECOMMENDATION FOR TURLOCK

In 2020, Turlock voters passed Measure A which implemented a local 0.75% City sales tax. The City has the second highest sales tax rate among cities in the region, however Stockton has a higher rate of 1.25%. Although the Turlock sales tax could potentially be increased to a level similar to Stockton, it may be difficult to increase the rate again so soon after it was just increased in 2020.



REVENUE TOOLS: BUSINESS IMPROVEMENT DISTRICT

DESCRIPTION

The City or County could facilitate the development of a **Business Improvement District (BID)** with businesses and property owners that would look for a positive economic impact from an indoor sports center. With this structure, the private businesses within the district could choose to fund specific services or promote specific events at the facility.

Utilizing the Property and Business District Law of 1994, a BID is initiated by the private sector, providing services financed by a self-imposed and self-governed assessment. Services financed by a BID are intended to enhance, not replace existing City or County services. The services that can be provided are extensive and include public safety, maintenance, marketing, economic development, special events, and parking management. There is an “owners association” of property/business owners to govern the district, ensuring that the district is directed by those who are paying for the district.

RECOMMENDATION FOR TURLOCK

The Turlock Downtown Property Owners Association (TDPOA) is an example of a local business improvement district within the City that assesses an incremental property tax to business owners on an annual basis to help fund projects within the downtown area. The TDPOA board recently decided to lower the assessment fee back to the original amount of \$0.3779 per square foot of first floor space in a building. A maximum increase of 2.5 percent per year will be calculated and added to the assessment fee, starting in the second year. It is unknown if a similar group of likeminded business owners exists around the proposed project site.



REVENUE TOOLS: CONTRACTUALLY OBLIGATED REVENUE



DESCRIPTION

Contractually Obligated Revenue (COR) is facility-related revenue that is typically generated by multi-year contracts on commercial leases and naming rights:

- **Commercial Leases:** If the project includes any commercial store, office and/or restaurant lease space, those spaces can provide lease income to go toward the payment of debt service, and/or cover maintenance and operations expenses.
- **Naming Rights:** Private sector corporations often purchase long-term naming rights on large public venues, and those revenue streams may either be applied to capital costs or operations. A sample of naming rights deals for youth and amateur sports facilities is shown below:

SAMPLE OF ACTIVE NAMING RIGHTS DEALS FOR YOUTH & AMATEUR SPORTS COMPLEXES

<u>Youth/Amateur Sports Complex</u>	<u>Location</u>	<u>Naming Rights Buyer</u>	<u>Total Price</u>	<u>Term</u>	<u>Annual Average</u>
Great Park presented by UCI Health	Irvine, CA	UCI Health	\$5,700,000	10	\$570,000
UW Health Sports Factory	Rockford, IL	UW Health	\$1,940,000	10	\$194,000
TCO Sports Garden	Vadnais Heights, MN	Twin Cities Orthopedics	\$1,950,000	15	\$130,000
Scheels Overland Park Sports Complex	Overland Park, KS	Scheels Sporting Goods	\$625,000	5	\$125,000
Woodman's Indoor Athletic & Conference Center	Janesville, WI	Woodman's Food Markets	\$2,000,000	Life	\$100,000
Kaiser Permanente Sports Village	Bakersfield, CA	Kaiser Permanente	\$500,000	5	\$100,000
Parkway Bank Sports Complex	Rosemont, IL	Parkway Bank & Trust	\$300,000	3	\$100,000
Citynet Center	Bridgeport, WV	CityNet	\$1,000,000	10	\$100,000
Art Van Sports Complex*	Grand Rapids, MI	Art Van Furniture	\$1,800,000	Life	\$90,000
Tarina Homes Sports Complex	Bakersfield, CA	Tarina Homes, Inc.	\$200,000	3	\$66,667
St. Luke's Proctor Sports & Events Center	Duluth, MN	St. Luke's Health System	\$300,000	10	\$30,000
Average			\$1,483,182	10	\$145,970
Median			\$1,000,000	10	\$100,000

**Note: for naming rights agreements with a lifetime term, we have assumed 20 years is the primary period over which the naming benefits will be earned*



REVENUE TOOLS: GENERAL FUNDS



DESCRIPTION

The City of Turlock and/or Stanislaus County may choose to support the proposed indoor sports center project with general funds from the City and/or County's budget. Allocation of general funds typically requires available funds (or an unexpected revenue windfall) that is free and clear of any other municipal obligation.

In most cases where general funds have been used to develop comparable facilities, general funds have not been used to pay for the entire capital project, but rather used to pay a portion of development costs and thus reduce the amount of debt that needs to be issued.

RECOMMENDATION FOR TURLOCK

If the City or County has available general funds that may be dedicated to this project, general funds could be considered as a component of the overall project funding plan, added together with other debt-funded sources to increase project feasibility. We reviewed the most recent CAFR for both the City and the County, however it should be noted that the totals listed below are not current as of this report date:

- As of June 30, 2020, according to the City's CAFR, the City had approximately \$9.6 million of unassigned general funds.
- As of June 30, 2021, according to the County's CAFR, the County had approximately \$9.3 million of unassigned general funds.



REVENUE TOOLS: PARKING SURCHARGES

DESCRIPTION & RECOMMENDATION FOR TURLOCK

Another revenue option could be to charge for parking at the facility for weekend tournament events.

The following table shows the projected capital project funding potential for different scenarios by adjusting the number of cars parked annually and parking charge per car. For example, if 150,000 cars were parked per year at \$5.00 per car, it is estimated that nearly \$8.7 million could be raised for construction costs (based on 30-year bonds, 1.25x coverage, 5.5% interest):

Annual Cars Parked	Estimated Funding Potential via Per Car Surcharge*				
	\$1.00	\$2.00	\$3.00	\$4.00	\$5.00
100,000	\$1,162,700	\$2,325,400	\$3,488,100	\$4,650,800	\$5,813,500
125,000	\$1,453,370	\$2,906,750	\$4,360,120	\$5,813,500	\$7,266,870
150,000	\$1,744,050	\$3,488,100	\$5,232,150	\$6,976,200	\$8,720,250
175,000	\$2,034,720	\$4,069,450	\$6,104,170	\$8,138,900	\$10,173,620
200,000	\$2,325,400	\$4,650,800	\$6,976,200	\$9,301,600	\$11,627,000

**Assumes 30-year bonds, 1.25x coverage ratio, 5.5% interest*



REVENUE TOOLS: PRIVATE FUNDRAISING

DESCRIPTION

Project stakeholders could engage in private fundraising efforts to help pay for a portion of the projected costs of constructing a new indoor sports center in Turlock. If this option is pursued, it is highly recommended that a qualified fundraising consultant should be engaged to conduct a private fundraising feasibility study to assess the total contributions that could be realistically achieved.

When non-profit fundraising efforts are organized for a sports or event facility, often the naming rights to the facility are granted to the largest donation, which is typically announced as the lead gift to the campaign. In some cases, the lead/naming gift will be structured as a “matching gift” that is paid by the donor once additional donation support is provided that helps the campaign reach its goal. Additional donor recognition opportunities can range from plaques inside the facility to naming opportunities for key locations within the facility (such as plaza areas, the lobby, the playing surfaces, seating areas, locker rooms, team/meeting rooms, etc.).

Unlike corporate naming deals, which frequently have annual payments tied to a multi-year term, private naming gifts are often given as a lump sum that can be applied towards upfront capital costs. Even if the facility is publicly-owned, it should be noted that “charitable contributions to governmental units are tax-deductible under section 170(c)(1) of the Internal Revenue Code if made for a public purpose” (source: irs.gov).

Lastly, it should also be noted that facility naming rights values tied to private donations can often be comparable in total value to the corporate naming rights values shown previously in this section.



REVENUE TOOLS: VISITOR TAXES

DESCRIPTION

Currently the City of Turlock maintains a 9% Transient Occupancy Tax (TOT) within City limits on occupancy rates charged by the operator of a hotel/motel. The chart below illustrates the current TOT for cities within Stanislaus County and other surrounding communities:

<u>Entity</u>	<u>Rate</u>
San Francisco	14.00%
Oakland	14.00%
Manteca	12.00%
Sacramento	12.00%
Ceres	10.00%
Merced	10.00%
Modesto	10.00%
Turlock	9.00%
Stockton	8.00%
Oakdale	7.00%

Source: Victus research

Note: Sorted by Rate in descending order

As shown above, the City of Turlock has a relatively low TOT rate when compared to some other cities in Northern California.



REVENUE TOOLS: VISITOR TAXES (CONT.)

RECOMMENDATION FOR TURLOCK

According to the analysis shown below, it is estimated that an additional increase to the TOT could generate approximately over \$2 million of capital project funding for every 1% increase:

	City of Turlock TOT Collections in FY2018*	Scenario 1: 1.0% Increase	Scenario 2 2.0% Increase	Scenario 3 3.0% Increase
Total Taxable Sales	\$17,826,933	\$17,826,933	\$17,826,933	\$17,826,933
TOT Rate	9.0%	10.0%	11.0%	12.0%
TOT Collections	\$1,604,424	\$1,782,693	\$1,960,963	\$2,139,232
Annual Incremental TOT Revenues	-	\$178,269	\$356,539	\$534,808
Estimated Funding Potential		\$2,055,000	\$4,110,000	\$6,165,000

Source: Victus research

Note: Assumes 4.0% interest rate, 30-year bonds, and 1.5x debt service coverage ratio.

** The 2018 fiscal year was selected as the base year because it reflects pre-Covid TOT revenue levels.*



11. CONCEPT PLANS & COST ESTIMATE



OVERVIEW



Based upon the results of our market feasibility analysis, Victus Advisors engaged PBLA and ASC Development to develop initial concept plans and a preliminary cost estimate for a new indoor sports center in Turlock.

PBLA was specifically tasked with creating a conceptual building layout and floor plan for the proposed indoor sports center, developing a preliminary opinion of probable construction costs for the building plan, and creating a sample site concept plan for the overall development.

Please note that the sample site concept plan created by PBLA is based on a potential project partnership model that includes CSU Stanislaus, and therefore PBLA drew their site plan on property owned by the CSU System that is located at the northeast corner of Geer Road and Monte Vista Avenue in Turlock. Because the site is larger than might be necessary to accommodate an indoor sports center alone, PBLA has also shown examples of other potential development options that could help fill out the site, such as a hotel or outdoor recreation amenities such as sand volleyball and small-sided soccer. All of the building and site concepts shown herein are preliminary in nature and subject to change.

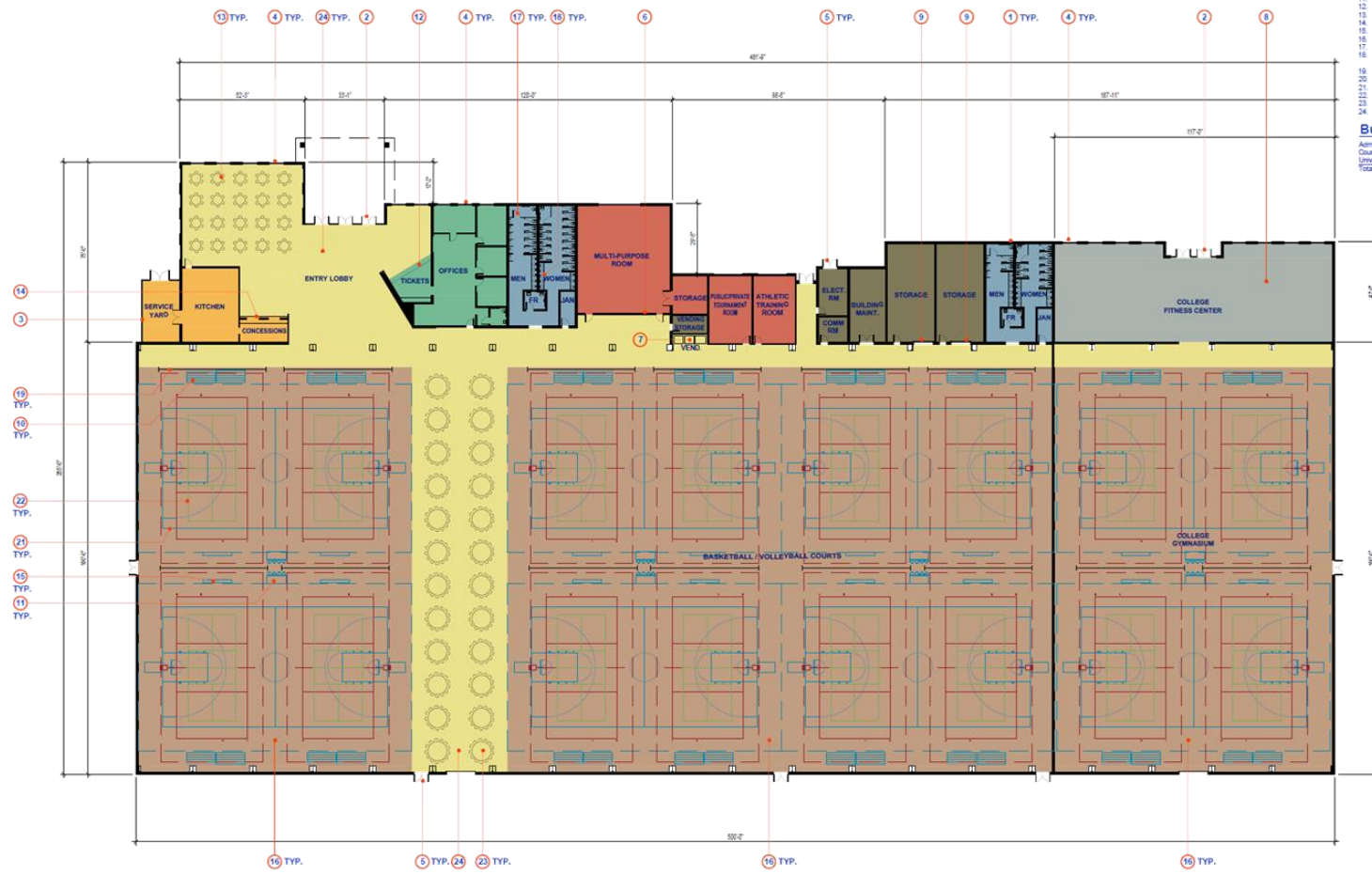
The remainder of this section includes:

- Building Floor Plan
- Building Elevations
- Construction Cost Estimate
- Sample Site Concept



BUILDING FLOOR PLAN

The total conceptual floor plan shown below is approximately 113,000 sq. ft.



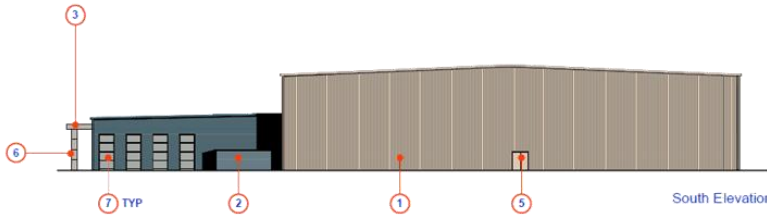
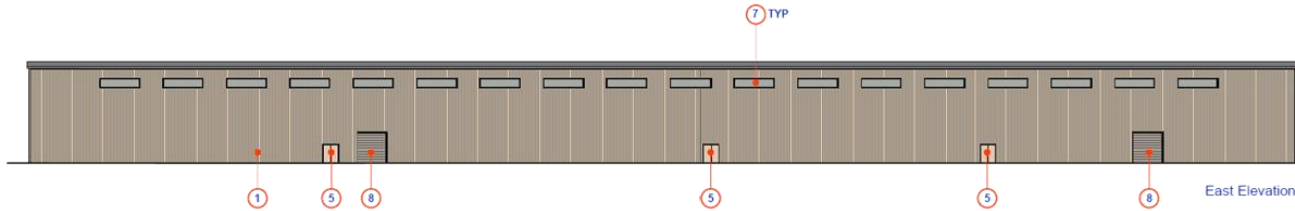
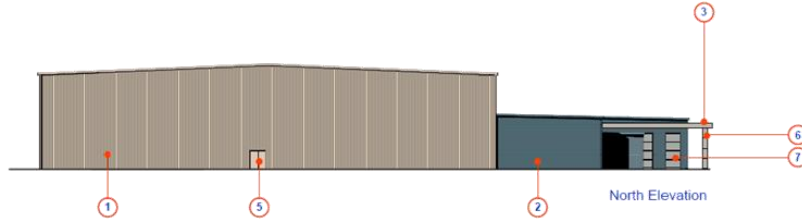
- Keynotes:**
1. Pre-Engineered Metal Building.
 2. Aluminum stone front entry with dual glazed glass.
 3. Open service yard for kitchen.
 4. Aluminum stone front window system with dual glazed glass.
 5. Hollow metal door and frame.
 6. Interior aluminum window system with clear glass.
 7. Vending Machines.
 8. Rubber sports flooring.
 9. Steel roll-up service door.
 10. 3 row aluminum portable bleacher.
 11. Soccer's table.
 12. Quartz reception/concession counter.
 13. Concession tables.
 14. Quartz concession service counter.
 15. Aluminum jigsaw bench.
 16. Wood sports flooring.
 17. Solid plastic toilet partitions. Typical at all restrooms.
 18. Quartz counter top with sink and faucet. Typical at all restrooms.
 19. Roll-up court divider net.
 20. Volleyball Court.
 21. Basketball Court.
 22. Pickleball Court.
 23. Team Tables.
 24. Concrete floor with stain finish.
- Building Area:**
- | | |
|------------------------------|--------------|
| Administrative Support Areas | 18,400 S.F. |
| Courtyard | 60,000 S.F. |
| University Fitness Center | 20,000 S.F. |
| Total Building Area | 113,000 S.F. |



BUILDING ELEVATIONS

Feature Legend:

1. Pre-Engineered vertical metal building panels.
2. Pre-Engineered horizontal metal building panels.
3. Composite metal fascia panels at horizontal roof element.
4. Aluminum entry storefront system with energy efficient glazing.
5. Hollow metal door and frame, painted.
6. Composite metal column cover.
7. Aluminum window with energy efficient glazing.
8. Steel roll-up service door, painted.





PRELIMINARY OPINION OF CONSTRUCTION COSTS



PBLA preliminarily estimates that the total development cost for a new indoor sports center in Turlock could be approximately \$24.3 million in current construction dollars (Q2 2022). As shown below, this estimate includes both hard and soft costs, including but not limited to professional service fees, earthwork, site work (including paved parking), utilities, the indoor sports center (including basketball/volleyball courts and university gymnasium/fitness center), fencing, site amenities, landscape and irrigation systems, and site lighting.

PBLA Estimate - Page 1 of 3

BASE BID ITEMS	QTY	UNIT	UNIT COST	SUB TOTAL BASE COST	EXTENSION OF BASE COST	EXTENSION TOTALS
Consulting Fees						
AISC Management / Coordination	1	Allow	\$47,946.92	\$47,946.92		
Architectural Coordination (pre-design/program/schematic design)	1	Allow	\$63,929.22	\$63,929.22		
Environmental	1	Allow	\$179,800.94	\$179,800.94		
Civil Engineering - On Site	1	Allow	\$159,823.06	\$159,823.06		
Architecture - Building	1	Allow	\$319,646.11	\$319,646.11		
Structural Engineering	1	Allow	\$79,911.53	\$79,911.53		
Mechanical Engineering	1	Allow	\$119,867.29	\$119,867.29		
Plumbing Engineering	1	Allow	\$31,964.61	\$31,964.61		
Electrical Engineering - Building	1	Allow	\$39,955.76	\$39,955.76		
Electrical Engineering - Site	1	Allow	\$47,946.92	\$47,946.92		
Architecture - Site	1	Allow	\$39,955.76	\$39,955.76		
Landscape Architect	1	Allow	\$39,955.76	\$39,955.76		
Irrigation Design	1	Allow	\$47,946.92	\$47,946.92		
Cost Estimating	1	Allow	\$15,982.31	\$15,982.31		
Construction Administration	1	Allow	\$95,893.83	\$95,893.83		
Sub-Total					\$1,336,626.94	
Construction Management - <i>By Other</i>	1	Allow	\$639,292.22	\$639,292.22		
Geotechnical Inspection - <i>By Other</i>	1	Allow	\$79,911.53	\$79,911.53		
Not included in total Sub-Total					\$719,203.75	
Total						2,049,730.69
Construction Costs						
Mobilization/Overhead & Profit						
Mobilization/Overhead & Profit	1	Allow	\$1,000,000.00	\$1,000,000.00		
Sub-Total					\$1,000,000.00	
Earthwork						
Cut and Fill / Over Excavation	1	Allow	\$400,000.00	\$400,000.00		
Sub-Total					\$400,000.00	
Site Work						
Asphalt Paving w/ Curb & Gutter	273.152	SF	\$6.50	\$2,321,792.00		
Concrete Paving	74.683	SF	\$10.00	\$746,830.00		
Trash Enclosure w/ Steel Gates	1	LS	\$25,000.00	\$25,000.00		
Sub-Total					\$3,093,622.00	

PBLA Estimate - Page 2 of 3

Utilities						
Sewer Line	210	LF	\$75.00	\$15,750.00		
Sewer Cleanouts	2	EA	\$800.00	\$1,600.00		
Sewer Manhole	1	EA	\$3,500.00	\$3,500.00		
Domestic Water Line	210	LF	\$150.00	\$31,500.00		
Gas Line	210	LF	\$150.00	\$31,500.00		
Electrical	210	LF	\$150.00	\$31,500.00		
Sub-Total					\$116,350.00	
2 Court Field House						
2 Court Field House - Steel Building - Precast Steel	87,405	SF	\$65.00	\$5,681,325.00		
Electrical	87,405	SF	\$15.00	\$1,311,075.00		
Mechanical	87,405	SF	\$10.00	\$874,050.00		
Entry Lobby	9,855	SF	\$25.00	\$246,375.00		
Restrooms	2,502	SF	\$150.00	\$375,300.00		
Offices/Tickets	1,841	SF	\$25.00	\$46,025.00		
Kitchen/Concession	944	SF	\$400.00	\$377,600.00		
Multi-Purpose/Storage	2,977	SF	\$30.00	\$89,310.00		
Backstop, Side Fold with brace, 25' AFF direct attach to roof trusses, key switch operation, freight included	12	EA	\$5,895.00	\$70,740.00		
Installation of Basketball Structures - 16 units	1	EA	\$36,000.00	\$36,000.00		
Tip and Roll Bleacher	20	EA	\$1,695.00	\$33,900.00		
Player Bench	20	EA	\$325.00	\$6,500.00		
Bleacher & Bench freight	1	EA	\$7,500.00	\$7,500.00		
Volleyball System, includes complete system, floor sleeves and covers, referee stand, freight	12	EA	\$4,509.00	\$54,108.00		
Installation 32 sleeves and covers	1	EA	\$7,200.00	\$7,200.00		
Flooring Delivered and installed - 3/4" Maple including game lines and wall base	1	EA	\$1,110,435.00	\$1,110,435.00		
Sub-Total					\$10,297,673.00	
University Gymnasium						
2 Court Field House - Steel Building - Precast Steel	25,650	SF	\$65.00	\$1,667,250.00		
Electrical	25,650	SF	\$15.00	\$384,750.00		
Mechanical	25,650	SF	\$10.00	\$256,500.00		
Fitness Center	4,608	SF	\$54.00	\$248,832.00		
Backstop, Side Fold with brace, 25' AFF direct attach to roof trusses, key switch operation, freight included	4	EA	\$5,895.00	\$23,580.00		
Installation of Basketball Structures - 16 units	1	EA	\$12,000.00	\$12,000.00		
Tip and Roll Bleacher	12	EA	\$1,695.00	\$20,340.00		
Player Bench	12	EA	\$325.00	\$3,900.00		
Bleacher & Bench freight	1	EA	\$4,500.00	\$4,500.00		
Volleyball System, includes complete system, floor sleeves and covers, referee stand, freight	4	EA	\$4,509.00	\$18,036.00		
Installation 32 sleeves and covers	1	EA	\$2,400.00	\$2,400.00		

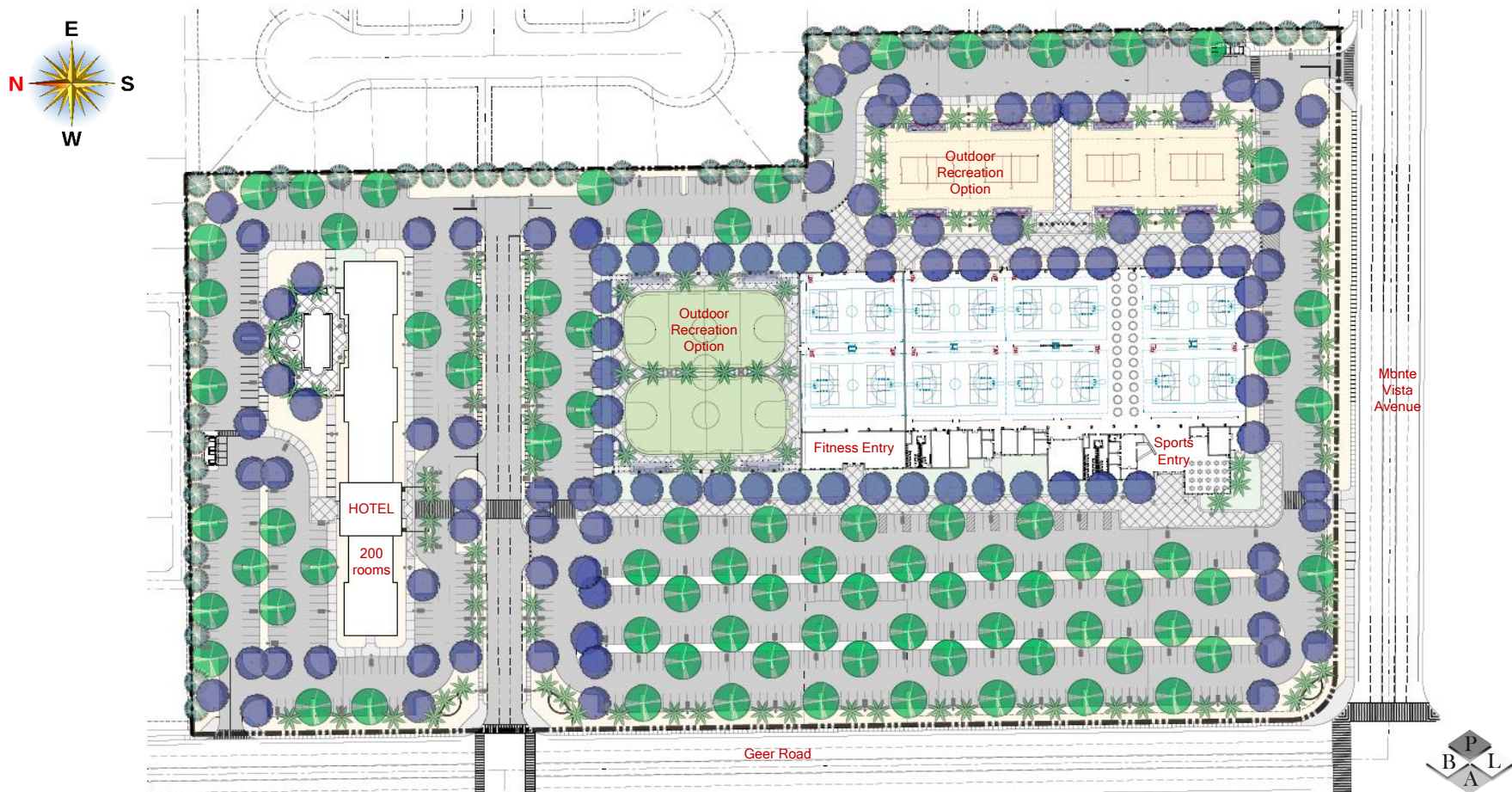
PBLA Estimate - Page 3 of 3

Flooring Delivered and installed - 3/4" Maple including game lines and wall base	1	EA	\$328,295.00	\$328,295.00		
Sub-Total						\$328,295.00
Fencing						
8' High Block Wall @ Property Line	1,120	LF	\$150.00	\$168,000.00		
8.5' High x 30" Square Pile	24	EA	\$4,500.00	\$108,000.00		
Sub-Total						\$276,000.00
Site Amenities						
Entry Monument Signage	2	EA	\$50,000.00	\$100,000.00		
Outside Benches	14	EA	\$3,500.00	\$49,000.00		
Outside Trash Receptacles	14	EA	\$2,500.00	\$35,000.00		
Removable Benches	17	EA	\$2,500.00	\$42,500.00		
Sub-Total						\$226,500.00
Landscape & Irrigation System						
Irrigation System	156,784	SF	\$1.25	\$196,980.00		
Landscape (drought tolerant) shrubs/GC	156,784	SF	\$6.00	\$940,704.00		
15 Gallon Tree	25	EA	\$50.00	\$1,250.00		
24" Box Trees	61	EA	\$20.00	\$1,220.00		
30" Box Trees	84	EA	\$350.00	\$29,400.00		
12' BTH Palm Trees (Date Palms)	82	EA	\$2,400.00	\$196,800.00		
Sub-Total						\$1,365,354.00
Site Lighting						
Parking Lot Light Standards	88	EA	\$4,500.00	\$396,000.00		
Walkway Light Standards	20	EA	\$3,500.00	\$70,000.00		
Electrical Gear and Pad	1	EA	\$25,000.00	\$25,000.00		
Sub-Total						\$491,000.00
Sub Total						\$15,977,852.00
15% Contingency						\$2,396,682.30
Construction Total						\$18,374,534.30
Consulting Fees						\$3,358,626.94
Grand Total						\$21,733,161.24



CONCEPTUAL SITE PLAN WITH ADDITIONAL OPTIONS

Lastly, PBLA created a conceptual site plan for both the indoor sports center and other sample amenities that could fit on the site (such as a hotel and/or other outdoor recreation features). As previously noted, the site shown below is located at the northeast corner of Geer Road and Monte Vista Avenue in Turlock, and all of the building and site concepts shown below are preliminary in nature and subject to change.





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