Tempe Entertainment District
Bluebird Development RFP Review UPDATE

Presented to:

The City of Tempe

November 9, 2022

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Maria Laughner
Economic Development Program Manager
City of Tempe
31 East 5th Street
Tempe, Arizona 85281

Dear Ms. Laughner,

The City of Tempe previously engaged Hunden Strategic Partners (HSP) to conduct an analysis of the proposed Tempe Entertainment District (Project) located in the City of Tempe, Arizona. Following the initial report, negotiations between the City of Tempe and the Bluebird Development Group (Bluebird or Developer) modified various deal points. This report reflects an updated analysis of the Project in accordance with the most up-to-date negotiation points.

This deliverable has been prepared under the following general assumptions and limiting conditions:

- The findings presented herein reflect analysis of primary and secondary sources of information assumed to be correct. HSP utilized sources deemed to be reliable but cannot guarantee accuracy.
- No responsibility is taken for changes in market conditions after the date of this report and no obligation is assumed to revise this report to reflect events or conditions occurring thereafter.
- HSP has no control over construction costs or timing of construction and opening.
- Macroeconomic events affecting travel and the economy cannot be predicted and may impact the development and performance of the project.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely yours,

Hunden Strategic Partners

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Executive Summary

Purpose of the Report

This analysis, prepared by Hunden Strategic Partners (HSP), provides an updated summary review of the potential Tempe Entertainment District development (Project) in Tempe, Arizona.

The City of Tempe previously issued an RFP relating to the development of an arena-anchored mixed-use sports and entertainment district for land on the corner of West Rio Salado Parkway and North Priest Drive within northern Tempe. Alex Meruelo, the owner of the Arizona Coyotes, and the Bluebird Development Group (Developer or Bluebird) responded to this RFP with the intent of relocating the Arizona Coyotes to the City of Tempe and developing the Tempe Entertainment District (TED or Project).

After receiving a response to the RFP, the City of Tempe engaged HSP to conduct an analysis of the proposed Project with the intention of reviewing the proposal and modeling the benefits to the City of Tempe over a 30-year timeline. HSP submitted an initial draft of this report based on the original Project terms in April 2022. The Project terms have since been renegotiated. This report contains a overview and analysis of the current Project deal terms as of October 2022.

Later in this executive summary and report, HSP will analyze the expected economic, employment, and fiscal impact expected as a result of the Project. HSP considered two primary approaches to impact:

- Net New Impact to Tempe: fiscal and employment impacts generated from net new/recaptured spending and activity due to the Project, both on-site and off-site. This assessment considers that some of the on-site spending may be substituted from other Tempe businesses, while at the same time, there will be more newly induced spending to Tempe at existing Tempe hotels, restaurants, retailers, etc. Both are considered new impacts to Tempe. The net new on-site and off-site spending generates taxes that, but for the Project, would not be generated within Tempe. HSP has netted out any Tempe taxes that are redirected to project incentives.
- Direct On-site Impact: HSP projected taxes generated on-site at the Project (before and after accounting for incentives). This counts all local taxes generated on-site, regardless if net new to Tempe or not. The purpose of this analysis is to understand how bonds may be repaid from the various cashflows and any excess tax revenues that accrue to the City of Tempe.

HSP uses the IMPLAN input-output multiplier model, which determines the level of additional activity in the economy due to additional inputs. For example, for every dollar of direct new spending in Tempe, the IMPLAN model provides multipliers for the indirect and induced spending that will result.

The net new and recaptured direct on-site spending is considered to be the Direct Impact.

From the direct spending figures, indirect and induced impact analyses will be shown.

- Indirect Impacts are the supply of goods and services resulting from the initial direct spending. For example, a visitor's direct expenditure on a hotel room causes the hotel to purchase linens and other items from suppliers. The portion of these hotel purchases that are within the local economy is considered an indirect economic impact.

- Induced Impacts embody the change in spending due to the personal expenditures by employees whose incomes are affected by direct and indirect spending. For example, a waitress at a restaurant may have more personal income as a result of the visitor's visit. The amount of the increased income that the employee spends in the area is considered an induced impact.
- Fiscal Impacts represent the incremental tax revenue collected by the City due to the net new economic activity. The fiscal impact represents the government's share of total economic benefit. Fiscal impacts provide an offset to the potential public expenditures required to support the development.
- Employment Impacts include the incremental employment provided not only on-site, but due to the spending associated with it. For example, the direct, indirect, and induced impacts generate spending, support new and ongoing businesses, and ultimately result in ongoing employment for citizens. HSP will show the number of ongoing jobs supported by the project and provide the resulting income and income taxes generated.

Project Description

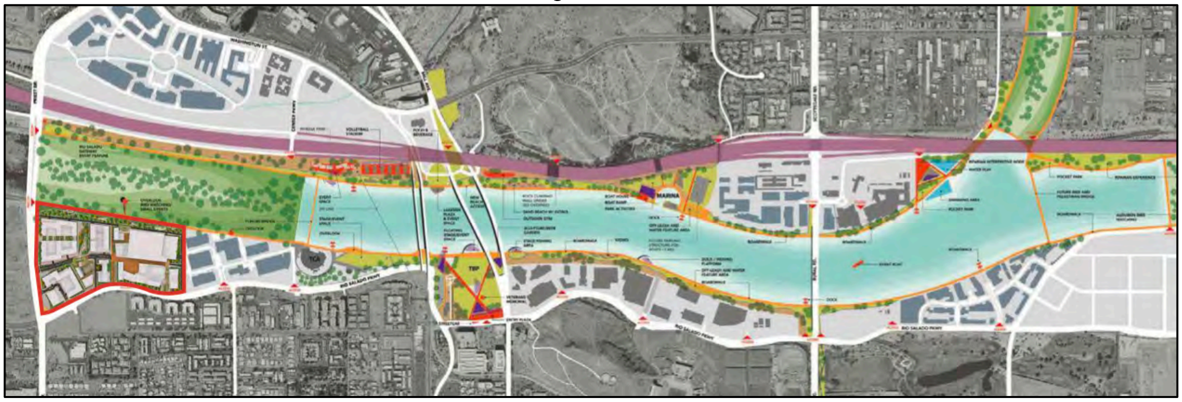
Bluebird's response to the City of Tempe's RFP detailed a two-phase arena anchored development. The Project is estimated to cost $2.1 billion and will contain a minimum of 3.4-million square feet of real estate assets. The proposed Project would be the new, long-term home to the NHL Arizona Coyotes. Surrounding the 16,000-seat arena, Bluebird a mixed-use development with components of entertainment, retail, hospitality, office, and residential elements will be built over two phases. Updated reports indicate Bluebird could break ground on Phase I by June 2023, with the goal of the arena to be operational by the 2026-2027 NHL season.

The following figure provides a rendering of the Tempe Entertainment District following two phases of construction.

Figure 0-1

The following figure shows the location of the Tempe Entertainment District relative to the Tempe Town Lake.

Figure 0-2



As of October 2022, in addition to the 16,000 seat NHL arena, the Tempe Entertainment District development included estimates of a minimum of 1,675 multifamily apartments, 313,000 square feet of retail and restaurant space, 320,000 square feet of Class A office space and 500 hotel rooms across two hotels.

During November 2022, Bluebird indicated the unit count and/or square footage of some of these assets may surpass prior estimates. HSP utilized the unit and square footage counts listed above to model the impacts of the Project, meaning projections may be conservative. Increasing the unit count of these assets creates more sellable space, in turn enhancing the Project's ability to generate taxes.

The Project will be located on a 46-acre site which is currently serving as the Tempe solid waste compost yard and City of Tempe maintenance facility. The site is a brownfield that will require remediation before development occurs.

Project Financing

The Project is projected to cost $2.1 billion, making it one of the of the largest developments in Arizona's history. Alex Meruelo and private construction lenders will privately finance the development of the arena and the district, with the exception of public infrastructure and land remediation being financed through $217 million worth of 'Community Facilities Development' (CFD) bonds. This development would be one of the few major league sports venues in the United States funded solely through private financing and onsite-generated revenues. It is common for municipalities to use existing or newly created tax revenue streams to fund a significant portion of major league developments. In the case of TED, no existing taxpayer dollars would be used.

There will be three ways the Bluebird will repay the bonds: shared on-site tax revenues, a voluntary on-site developer surcharge and real estate tax assessment liens.

Tax Revenues. Following negotiations between the City of Tempe and Bluebird, the following on-site tax share agreement was reached.

Table 0-1

Bond Repayment Deal Structure - On-Site Tax Revenue Share

Revenue Stream	City Keeps	Bond Payment Use
Transaction Privilege Tax Encumbered (0.6%)	100% (0.6%)	0% (0.0%)
Transaction Privilege Tax Unencumbered (1.2%)	25% (0.3%)	75% (0.9%)
Commercial Lease Tax Encumbered (0.6%)	100% (0.6%)	0% (0.0%)
Commercial Lease Tax Unencumbered (1.2%)	25% (0.3%)	75% (0.9%)
Hotel Bed Tax (5.0%)	25% (1.25%)	75% (3.75%)
Property Tax Encumbered (63.1%)	100%	0%
Property Tax Unencumbered (36.9%)	46.90%	53.10%

Source: Hunden Strategic Partners

These taxes shown are revenues that would typically flow to the City of Tempe once generated within city limits. These revenues are either encumbered or unencumbered city revenues. Encumbered taxes are committed city revenues, thus are not revenues subject to discretionary spending by the city.

Voluntary Developer Surcharge. In order to supplement the tax revenues in paying off the bonds, Bluebird agreed to add a minimum surcharge of 2.3 percent on all retail and hotel taxable sales. Sales that would have this surcharge applied are retail & merchandise sales, restaurant & concession purchases, hotel room nights and ticket sales within the district, arena and hotel.

The surcharge is fixed and will be present for the duration of the bond. If the cash flow generated by the surcharge and shared tax revenues are insufficient to cover bond payments, the surcharge will likely be increased beyond 2.3 percent in the following year. In the year where cash flows fall short, a real estate assessment lien will be imposed. It is expected that as the Project ramps up, the surcharge will need to be greater than 2.3 percent.

Real Estate Assessment Lien. As noted above, if the shared tax revenues and surcharge are insufficient to cover bond payments, Bluebird will be responsible to pay the remaining balance or face a real estate assessment lien on the $2.1 billion development. If Bluebird did satisfy a remaining balance on an annual payment, this amount would not be recuperated over the life of the bond. If a year's cash flows exceeded the annual payment, the excess cash flows would go towards the pre-payment of the bond.

GPLET. Similar to many other large-scale developments within the state of Arizona, the development will make use of the Government Property Lease Excise Tax (GPLET). GPLET's are used to encourage private development on complex deals by temporarily substituting a building's property tax with an excise tax. GPLETs offer eight-year tax abatements for assets such as retail, hotel, residential and office buildings, but offer 30-year abatements for entertainment facilities.

Of the Phase I components, the arena, team practice facility & headquarters and the music venue will qualify for a 30-year GPLET, while the remaining elements of the Project qualify for an 8-year GPLET. The estimated total value of GPLET used for the Project is $99 million with the minimum unit and square footage counts.

On-Site Fiscal Impacts

Projects that drive large amounts of tourism, such as arenas and associated entertainment districts, attract visitors that then generate taxes on-site, as well as elsewhere within the city (off-site). This section will overview on-site impacts of the Project (reflecting minimum square footage estimates), with the following section describing substitution and net new spending.

The following table shows the Tempe Entertainment District's impact on spending, earnings, employment and tax dollars generated on-site.

Table 0-2

30-Year Summary Impacts On-Site
City Revenues & Employment

	(millions)
Total Spending On-Site	$13,673
Total Earnings On-Site	$8,720
	Actual (Year 10)
Full-Time Equivalent Employees, On-Site	3,283
City Revenues Generated, On-Site	(millions)
Transaction Privilege Tax (TPT)	$246.1
Commercial Lease Tax (CLT)	$60.6
Property Tax	$40.6
Hotel Bed Tax	$50.3
Total	$397.7

Source: Hunden Strategic Partners

Over 30 years the Tempe Entertainment District is anticipated to generate $13.6 billion in spending on-site. The spending is anticipated to lead to $8.7 billion in employee earnings over 30 years and 3,283 full-time equivalent jobs by Year 10.

HSP projected tax generation on-site for each element of the Tempe Entertainment District. In accordance with the current deal structure for bond payments, the following table shows the total tax dollars the City is expected to receive over 30 years, compared to tax revenues withheld for bond repayment.

Table 0-3

Tempe Entertainment District 30-Year On-Site Tax Share		
Revenue Stream	City Keeps	CFD Bond Repayment
Transaction Privilege Tax Encumbered (0.6%)	$82,039,477	--
Transaction Privilege Tax Unencumbered (1.2%)	$41,019,738	$123,059,215
Commercial Lease Tax Encumbered (0.6%)	$20,198,951	--
Commercial Lease Tax Unencumbered (1.2%)	$10,099,475	$30,298,426
Hotel Bed Tax (5.0%)	$12,581,020	$37,743,061
Property Tax Encumbered (63.1%)	$25,647,697	--
Property Tax Unencumbered (36.9%)	$7,034,257	$7,964,159
Total Tax Revenues	$198,620,615	$199,064,861
Combined Total	$397,685,476	
Total Encumbered	$127,886,124	--
Total Unencumbered	$70,734,491	$199,064,861

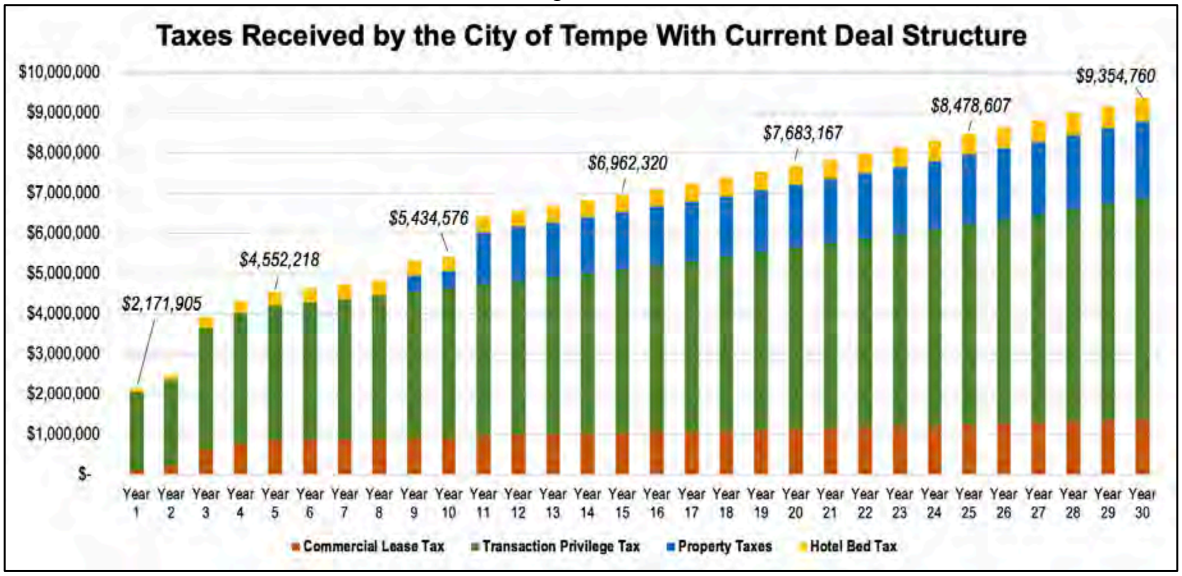
Source: Hunden Strategic Partners

Over 30 years the City of Tempe is expected to capture $198.6 million in on-site taxes from the Project, while $199.0 million will be withheld for bond repayment. Of these city revenues, 64 percent ($70.7 million) are expected to be encumbered taxes.

This analysis assumes the bond is not paid off early. If the bond were to be paid off early, the City would likely receive revenues that exceed projections, as subsequent tax revenues would not be withheld for bond repayment.

The following chart shows the timeliness of tax dollars that would flow to the City of Tempe over the 30-year lifetime of the bond, given the bonds are not paid off early.

Figure 0-3



With the varying GPLET timelines of 8 and 30-years for the qualifying Project elements, property taxes will first be collected in Year 9 of the Project. In the first year, the City is expected to receive over $2.1 million in taxes from the Project. In Year 25, the City is expected to receive $6.9 million in on-site taxes. Of this amount, 15 percent of taxes will be generated by CLT, 58 percent will be generated by TPT, 20 percent by property tax and six percent by hotel bed tax.

Net New Impacts to the City of Tempe

Using HSP's IMPLAN input-output multiplier model based on spending, the following net new impacts were generated.

The following table shows HSP's assumptions on net new versus substitution spending for various elements of the Tempe Entertainment District.

Table 0-4

Projections of Net New Impact
Tempe Entertainment District

Use Type	% Net New	% Substitution
Multifamily	70.0%	30.0%
Office	70.0%	30.0%
Retail	75.0%	25.0%
Hotel (Stabilized)*	65.0%	35.0%
Music Venue	80.0%	20.0%
Arena	98.1%	1.9%

* Net new % is 35% in Yr 1, 50% in Yr 2
Source: Hunden Strategic Partners

These values of substitution were used to generate the following analysis of net new impacts to the City of Tempe with regards to the Tempe Entertainment District Project.

The following table shows the projected net new economic, employment and fiscal impacts generated by the Tempe Entertainment District (with minimum square footage estimates).

Table 0-5

30-Year Summary of Net New Impacts Combined - Including Construction	
Net New Spending	(millions)
Direct	$7,925
Indirect	$2,992
Induced	$1,388
Total	$12,305
Net New Earnings	(millions)
Office	$4,264
From Direct	$3,467
From Indirect	$1,156
From Induced	$643
Total	$9,529
Net New FTE Jobs	Actual (Year 10)
Office	1,724
From Direct	2,078
From Indirect	792
From Induced	370
Total	4,964
Net New City Revenues to Tempe, On-Site & Off-Site	(millions)
Transaction Privilege Tax (TPT)	$200.5
Commercial Lease Tax	$68.7
Property Tax (reduced by GPLET)	$45.0
Hotel Bed Tax	$90.1
Total	$404.3
City Revenues Withheld for Incentives, On-Site	(millions)
Transaction Privilege Tax	$123.1
Commercial Lease Tax	$30.3
Property Tax (not including GPLET)	$8.0
Hotel Bed Tax	$37.7
Total	$199.1
Net New City Revenues to Tempe, Net of Incentives	(millions)
Transaction Privilege Tax (TPT)	$77.5
Commercial Lease Tax	$38.4
Property Tax	$37.0
Hotel Bed Tax	$52.4
Total	$205.3
Construction TPT	$1.4
Total Including Construction	$206.7

Source: Hunden Strategic Partners

Over 30 years, the Project will generate over $12.3 billion in net new spending across Tempe. This figure accounts for substitute spending within Tempe, as well as new spending to Tempe outside of the Project. This net new spending is projected to support $9.5 billion in net new earnings over 30 years and 4,964 jobs (in Year 10) within the City of Tempe.

The Project is expected to generate $404 million in net new City revenues. Following the bond repayment agreement (shown in yellow), only $205.3 million will be received by the City of Tempe (shown in blue) during the 30 years. During construction, $1.4 million in TPT is estimated to be generated from spending within Tempe, bringing the Project's total net new impact to $206.7 million.

These taxes are City revenues that otherwise would not have been generated, but for the Project.

Public Benefits Analysis

The following table summarizes public benefits of the Tempe Entertainment District to the City of Tempe.

Table 0-6

Public Benefits Valuation - City of Tempe (30-Years)

Public Benefit	Valuation
Non-Cash	
1. TED Naming Rights	$ 97,647,367
2. City Use of Arena, Music Theater and Public Spaces	$ 64,908,927
3. Multi-Modal Incentives	$ 9,595,162
4. ASU Venture Challenge Support & Free Office Space	$ 5,739,874
5. Public Art Displays ($7M Less AIPD= $1M)	$ 6,000,000
6. Public Shuttle Service to Arena	$ 4,580,582
7. Free Retail Space Rent for Police Substation	$ 3,000,000
8. Inclusive Arena Features	$ 1,000,000
9. Land Remediation Paid by Bonds	$ 73,000,000
Total Non-Cash	$ 265,471,911
Cash Payment	
10. Proceeds from Land Sales	$ 56,500,000
11. Public Safety	$ 33,000,000
12. Housing and Other Public Contributions	$ 3,500,000
13. Orbit Contribution	$ 1,500,000
Total Cash	$ 94,500,000
Taxes	
14. Net New Tax Revenues	$ 206,686,474
Total Public Benefits	$ 566,658,386

Source: Hunden Strategic Partners

Over 30 years, the Tempe Entertainment District is projected to generate $566.6 million in public benefits to the City of Tempe. Of this, $265.4 million is in non-cash benefits to the Tempe, $94.5 million is in direct cash payments to various organizations within the City, and an estimated $206.6 million would be generated in net new taxes for the City.

In exchange for the $566+ million in benefits, over 30 years the City would allow Bluebird to withhold $199 million in on-site tax revenues and grant GPLETs valued at $99 million.

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PROJECT PROFILE

Project Description

Bluebird Development, LLC ("Bluebird" or "Developer") is an affiliate of the Meruelo Group and the NHL Arizona Coyotes. On September 2, 2021, Bluebird submitted a response to the City of Tempe's request for proposal ("RFP") for the purchase and/or lease of 46 city-owned acres at the intersection of Rio Salado Parkway and Priest Drive.

The Meruelo Group is a privately held company that supports the investments of Alex Meruelo. The company spans many industries including construction and engineering, hospitality and gaming, television and radio, food services, professional sports and financial services. The Meruelo Group supports businesses which generate over $1.1 billion in annual revenues and have over 7,000 employees.

The industries and businesses under the Meruelo Group are outlined below.

- Construction & Engineering – Meruelo Enterprises
- Hospitality & Gaming – Grand Sierra Resort & Sahara Las Vegas
- Radio & Television – Meruelo Media
- Food Services – FujiFood Products and Fujisan Franchising Corp.
- Financial Services – Commercial Bank of California
- Professional Sports – Arizona Coyotes NHL Club and Tucson Roadrunners AHL Club

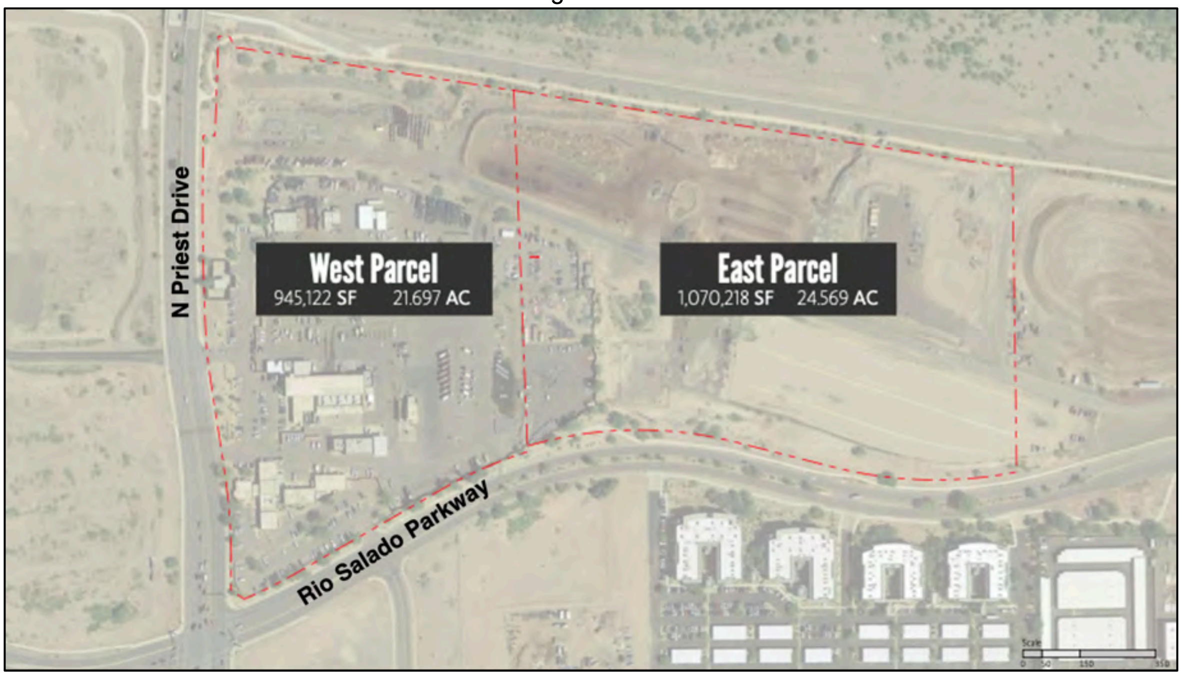
The Developer's response to the RFP detailed a two phase 3.4-million square foot development (Project), estimated to cost $2.1 billion. The proposed Project will be the new, long-term home to the NHL Arizona Coyotes. Surrounding the arena, a mixed-use development with components of retail, hospitality, office, and residential elements will be built. The development will be completed in two phases, with the first phase breaking ground by June 2023.

The Site

The site spans two parcels of land at the intersection of Rio Salado Parkway and Priest Drive.

The following figure shows an overview of the two plots, a western parcel and eastern parcel.

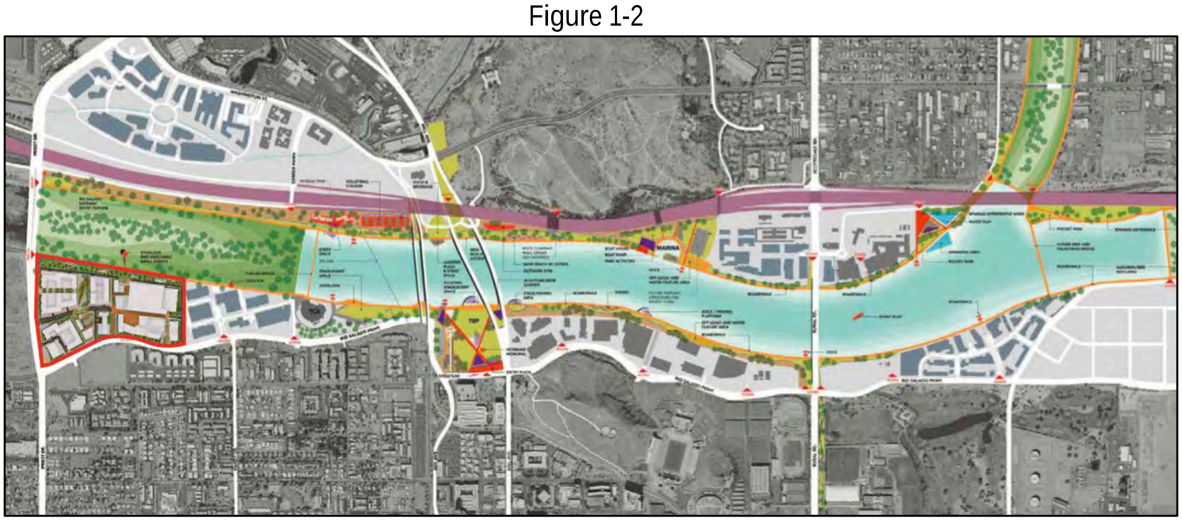
Figure 1-1



Phase I will begin in the eastern parcel. This parcel is a 24.5-acre brownfield site that has previously functioned as a trash landfill. The western parcel is a 21.7-acre plot currently used as a city vehicle maintenance facility. This parcel will be home to Phase II of development.

The figure below shows the site in relation to Tempe Town Lake.

Figure 1-2



The site is located on the left side of the figure, near the western end of Rio Salado Park. The Developer suggests that this project be integrated into the city's existing 2018 Masterplan Vision of Rio Salado and Beach park, with the belief that it will fulfill integral needs of the Masterplan.

During the 1950s, the site operated as a quarry. Subsequently, the site was used for disposal of municipal debris. In 1979, the Tempe Solid Compost Yard was built on the western parcel.

The following table summarizes the site's subsurface debris content.

Table 1-1

Debris and Unsuitable Soils

Parcel	Acres	Tons of Debris/Acre	Total Debris by Tons
Eastern Phase I	24.6	44,825	1,102,695
West Phase II	21.7	19,314	419,114

Source: AECOM (via Bluebird)

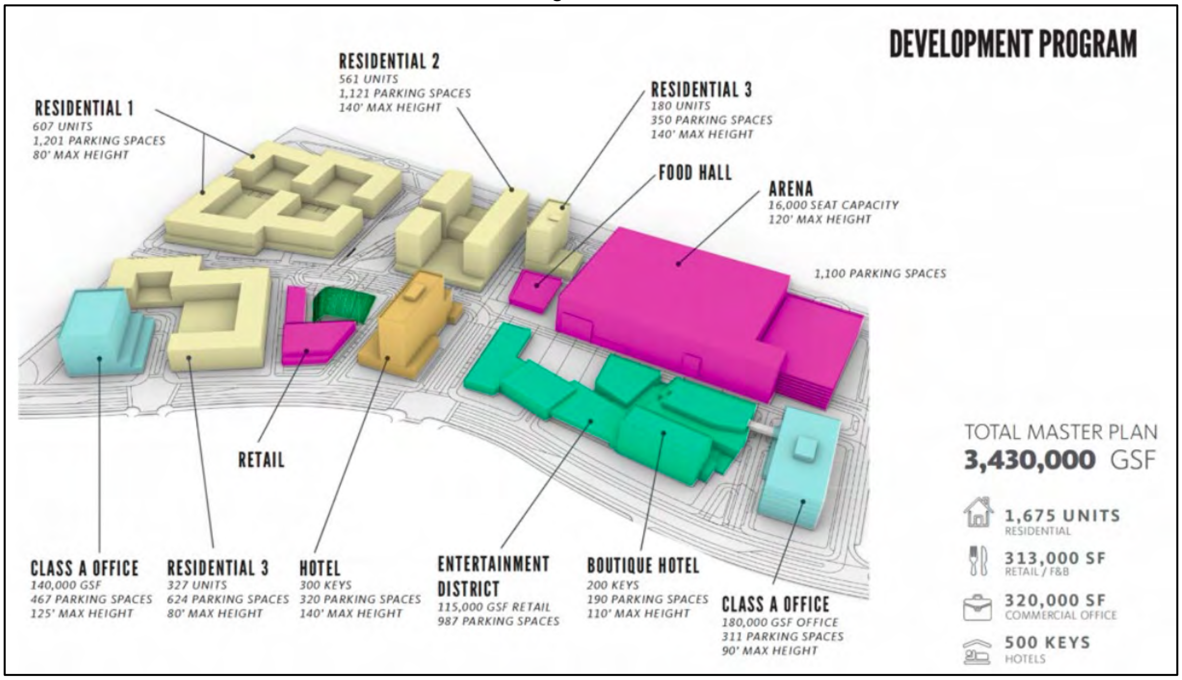
According to AECOM's report on February 9, 2021, the eastern and western parcels have an estimated 1.1 million and 420,000 tons of subsurface debris, respectively.

Development Plan and Costs

The Project will be developed over two phases. Construction of the arena is estimated to cost $578 million and span two years, likely beginning in 2023.

The following figure shows the layout of the Project upon completion of development with minimum unit and square foot estimates.

Figure 1-3



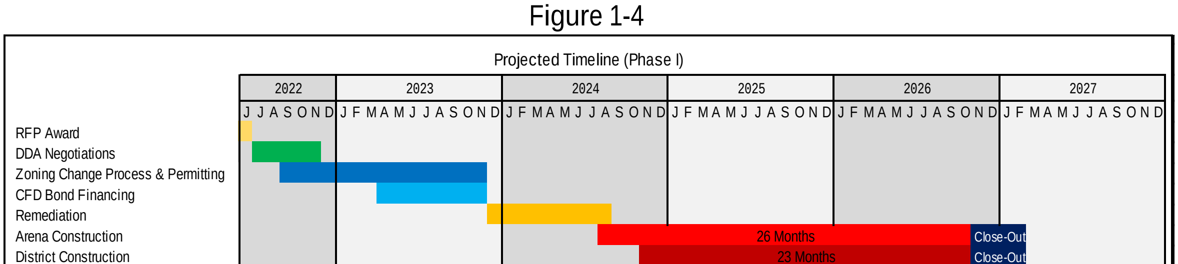
As of October 2022, in addition to the 16,000 seat NHL arena, the Tempe Entertainment District development included estimates of a minimum of 1,675 multifamily apartments, 313,000 square feet of retail and restaurant space, 320,000 square feet of Class A office space and 500 hotel rooms across two hotels.

During November 2022, Bluebird indicated the unit count and/or square footage of some of these assets may surpass prior estimates. HSP utilized the unit and square footage counts listed above to model the Project, meaning impact projections made later in the report are likely conservative. Increasing the unit count of these assets creates more sellable space, in turn enhancing the Project's ability to generate taxes.

Development - Phase I

The Developer intends to have Phase I completed in time for the 2026-27 NHL season. The following figure provides a timeline of Phase I development.

Figure 1-4



Source: Bluebird Development

The NHL hockey season typically begins in October, which means the process may have to be expedited for the arena. Throughout this analysis, HSP assumed the asset will be completed in time for the 2026-27 season.

The following table provides an overview of the assets developed in Phase I, detailing minimum estimates on square footage and/or unit counts.

Table 1-2

Phase I - Tempe Entertainment District

Use	Gross SF	Units	Est. Constr. Cost
Arena	634,804	--	$ 578,511,815
Team Practice Facility and HQ	63,000	--	$ 52,224,612
Music Venue	50,000	--	$ 48,978,024
Retail	165,000	--	$ 102,629,598
Hotel	113,000	120	$ 57,954,075
Residential	192,600	180	$ 81,822,315
Office	180,000	--	$ 69,538,836
Arena Parking Garage	--	1,100	$ 36,000,000
Total	1,398,404	--	$ 1,027,659,275

Source: Bluebird Development

The total cost of construction for Phase I assets is over $1 billion. The arena accounts for just over 56 percent of the total cost of Phase I.

Development - Phase II

Phase II will be conducted on the western parcel after the city maintenance yard has been relocated. The development of these assets is assumed to be completed with a two-year delay of Phase I construction.

A summary and breakdown of the costs for Phase II are shown in the following table, detailing minimum estimates on square footage and/or unit counts.

Table 1-3

Phase II - Tempe Entertainment District

Use	Gross SF	Units	Est. Constr. Cost
Retail	148,000	--	$ 51,647,490
Conference Hotel	169,500	300	$ 100,344,255
Residential	600,270	561	$ 226,106,929
Residential	999,380	934	$ 289,206,369
Office	140,000	--	$ 62,450,773
Total	2,057,150	1,795	$ 729,755,816
Phase I & II	3,455,554		$ 1,757,415,091

Source: Bluebird Development

Phase II has a total construction cost of nearly $730 million, bringing the total private development costs to just over $1.75 billion. There are additional costs associated with building the Project, bringing the true total cost of development to $2.1 billion.

Project Financing

The Project is projected to cost $2.1 billion, making it one of the of the largest developments in Arizona's history. Alex Meruelo and private construction lenders will privately finance the development of the arena and the district, with the exception of public infrastructure and land remediation being financed through $217 million of 'Community Facilities Development' (CFD) bonds. This development will be one of the few major league sports venues in the United States funded solely through private financing and onsite-generated revenues. It is common for municipalities to use existing or newly created tax revenue streams to fund a significant portion of major league developments, given the positive fiscal impact these developments generate. In the case of TED, no existing taxpayer dollars will be used.

According to the RFP Response from the Developer, the bonds will be sold to private investors with a structure that "will not require any obligation by the city or its taxpayers to be responsible for debt service or any principal of interest payments." The City's credit rating will not be affected by the issuance of the bonds, as the collateral for the bonds will only consist of the three sources of repayment.

There will be three ways Bluebird will repay the bonds: shared on-site tax revenues, a voluntary on-site developer surcharge, and real estate tax assessment liens.

Tax Revenues. Following negotiations between the City of Tempe and Bluebird, the following on-site tax share agreement was reached.

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Voluntary Developer Surcharge. In order to supplement the tax revenues in paying off the bonds, Bluebird agreed to add a minimum surcharge of 2.3 percent on all retail and hotel taxable sales. Sales that will have this surcharge applied are retail & merchandise sales, restaurant & concession purchases, hotel room nights and ticket sales within the district, arena and hotel.

The surcharge is fixed and will be present for the duration of the bond. If the cash flow generated by the surcharge and shared tax revenues are not sufficient, the surcharge will likely be increased beyond 2.3 percent the following year, but in that year, a real estate assessment lien will be imposed. It is expected that as the Project stabilizes, the surcharge will need to be higher than 2.3 percent.

Real Estate Assessment Lien. As noted above, if the shared tax revenues and surcharge are insufficient to cover bond payments, Bluebird will be responsible to pay the balance or face a real estate assessment lien on the $2.1 billion development. If Bluebird satisfies a remaining balance on an annual payment, this amount will not be recuperated over the life of the bond. If a following year's cash flows exceed the annual payment, these excess cash flows will go towards the pre-payment of the bond.

GPLET. Similar to many other large-scale developments within the State of Arizona, the Project will make use of the Government Property Lease Excise Tax (GPLET). GPLETs are used to encourage private development on complex deals by temporarily substituting a building's property tax with an excise tax.

The following table shows GPLET timelines by asset type.

Table 1-5

GPLET Timeline by Asset Class

Asset	GPLET Timeline
Multifamily	8 Years
Office	8 Years
Retail & Restaurant	8 Years
Hotel	8 Years
Arena	30 Years
Music Venue	30 Years
HQ & Practice Facility	30 Years

Source: Hunden Strategic Partners

GPLETs offer eight-year tax abatements for assets such as retail, hotel, residential and office buildings, but offer 30-year abatements for entertainment facilities. Of the Phase I components, the arena, team practice facility and headquarters, and the music venue will qualify for a 30-year GPLET, while the remaining elements of the Project qualify for an 8-year GPLET. The estimated total value of GPLET used for the Project is $99 million.

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ECONOMIC & DEMOGRAPHIC ANALYSIS

Local market area characteristics such as population, demographics, a diversified economy, access and attractions influence the potential demand for tourism developments. These facets determine the overall attractiveness of an area to any potential visitor or group. This chapter profiles Tempe and the surrounding area, including an overview of the economic characteristics of the market. These characteristics will help to define the strength of the market and will inform the analysis.

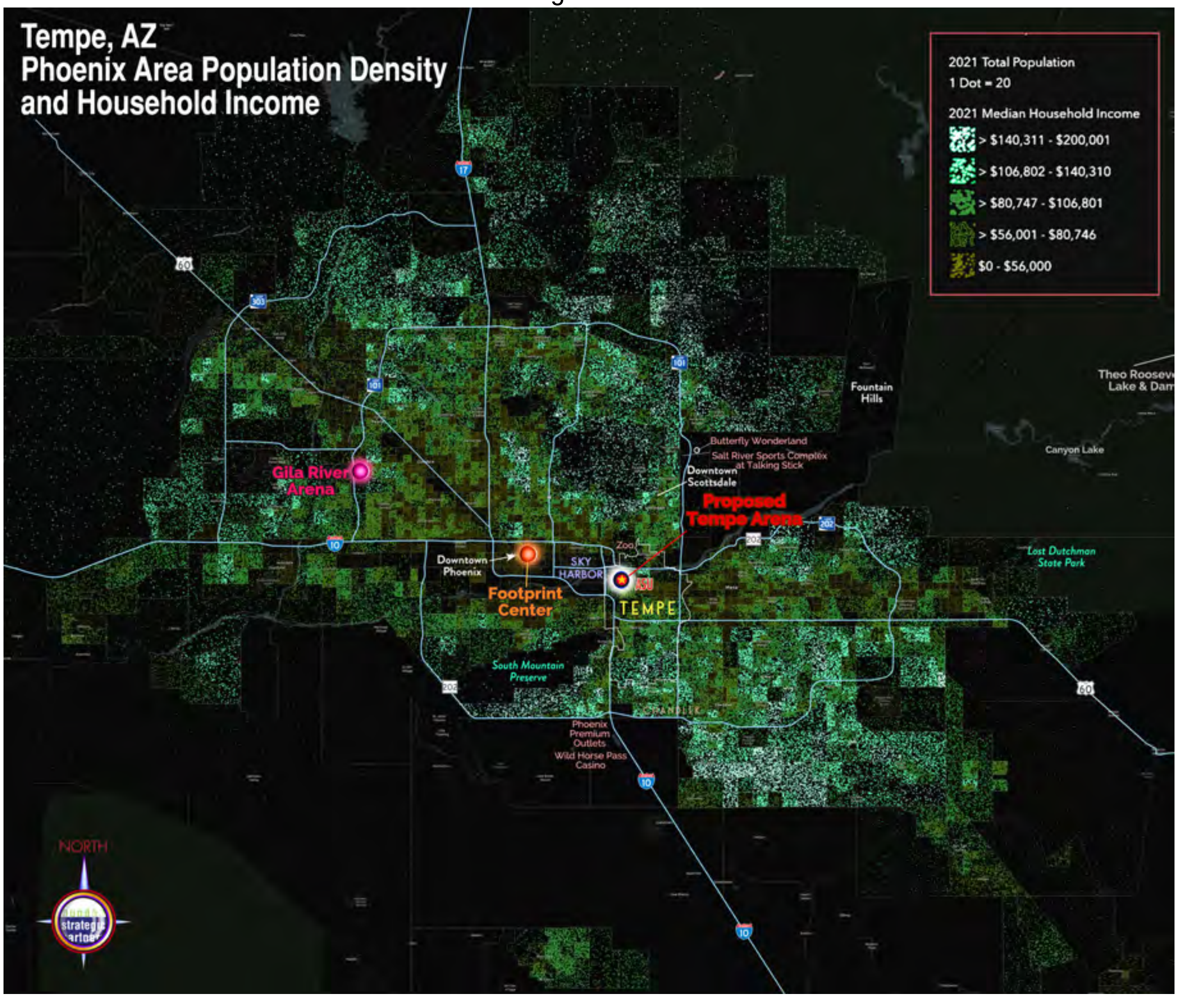
Project Site Overview

Tempe is a centrally located city within the Phoenix, Arizona market and is one of the key commercial, educational and residential development areas in one of the fastest growing, and largest, metro areas in the country. The community and site are highly accessible and central to the market, making it easy to access from all parts of the greater metro area. This central location is key to the analysis for a new NHL and entertainment arena.

As of 2021, Tempe's population is roughly 188,150 people, with strong population growth of approximately 16.3 percent since 2010.

The figure below shows the location of Tempe and of the Project site relative to the MSA.

Figure 2-1



The site in Tempe is located roughly ten miles from downtown Phoenix. When Compared to the location of Gila River Arena, the map shows that the Tempe site is much closer to the downtown core of Phoenix. The heat map of household incomes shows that Tempe is surrounded by higher median household incomes that would be more inclined to attend a professional sporting event and pay the higher prices for retail, restaurant and residential units that are anticipated to be a part of the Tempe Entertainment District.

Population

A sizable regional population base is important to the success and demand of destinations.

The following table shows the population and growth rates of the United States, Arizona, Maricopa County, Phoenix-Mesa-Scottsdale MSA and the City of Tempe.

Table 2-1

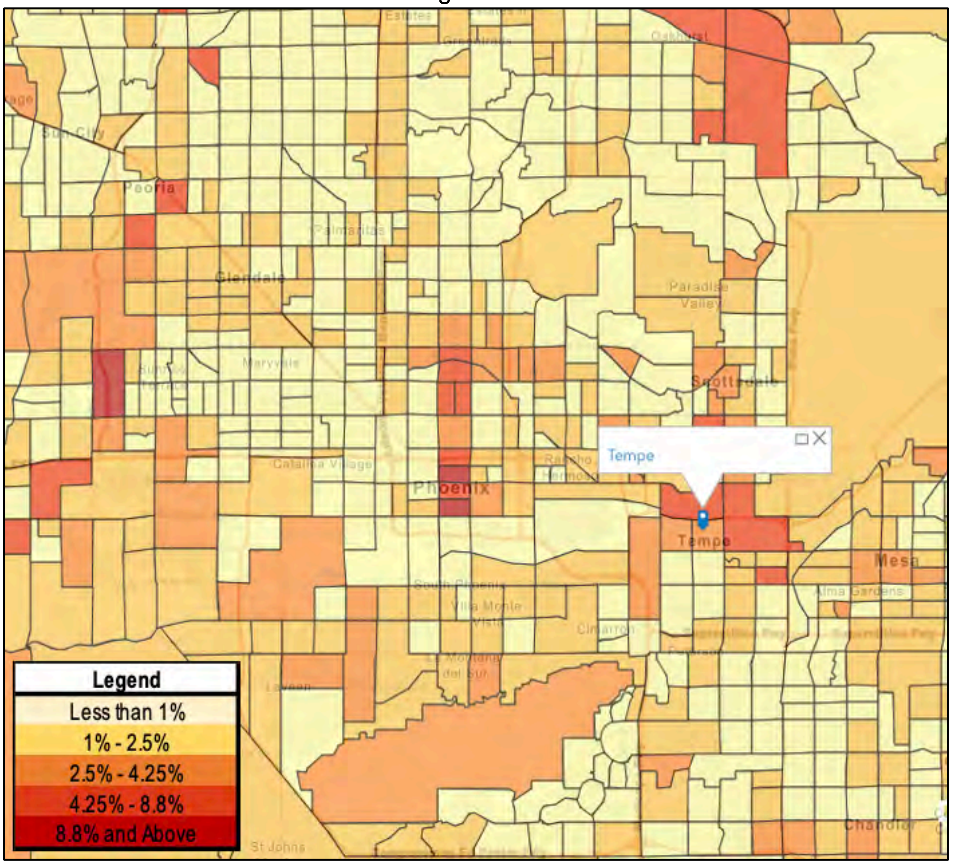
Population and Growth Rates	Population				Percent Change
	2000	2010	2021	2026 Projected	2010 - 2021
United States	281,421,906	308,745,538	331,449,281	345,887,495	7.4%
Arizona	5,130,632	6,392,017	7,426,164	7,938,518	16.2%
Maricopa County	3,072,149	3,817,117	4,528,685	4,885,868	18.6%
Phoenix-Mesa-Scottsdale MSA	3,251,876	4,192,887	4,998,484	5,406,799	19.2%
Tempe	158,733	161,722	188,148	203,058	16.3%

Source: U.S. Census Bureau

Over the period of 2010 to 2021, the population of Arizona increased 16.2 percent, over double the rate than that of the U.S. as a whole. Maricopa County, the Phoenix-Mesa-Scottsdale MSA and Tempe have experienced similar population growth over the same period indicating that the area is a hotspot for attracting new residents. With a growth rate of 19.2 percent between 2010 and 2021, the MSA is one of the fastest growing metropolitan areas in the country. This growth is expected to continue in the coming years with the projected population of 5.4 million by 2026.

The following figure shows projected population growth by zip code between 2021 to 2026 for the greater Phoenix area.

Figure 2-2



In the next five years, the zip codes surrounding the Project site are expected to grow among the highest rates in the Phoenix area. Tempe is capitalizing on the growth of the area, expanding with increasing commercial investments and developing into a hub outside of the downtown core of the city.

Access

This section details the air and road access to Tempe.

Air Access

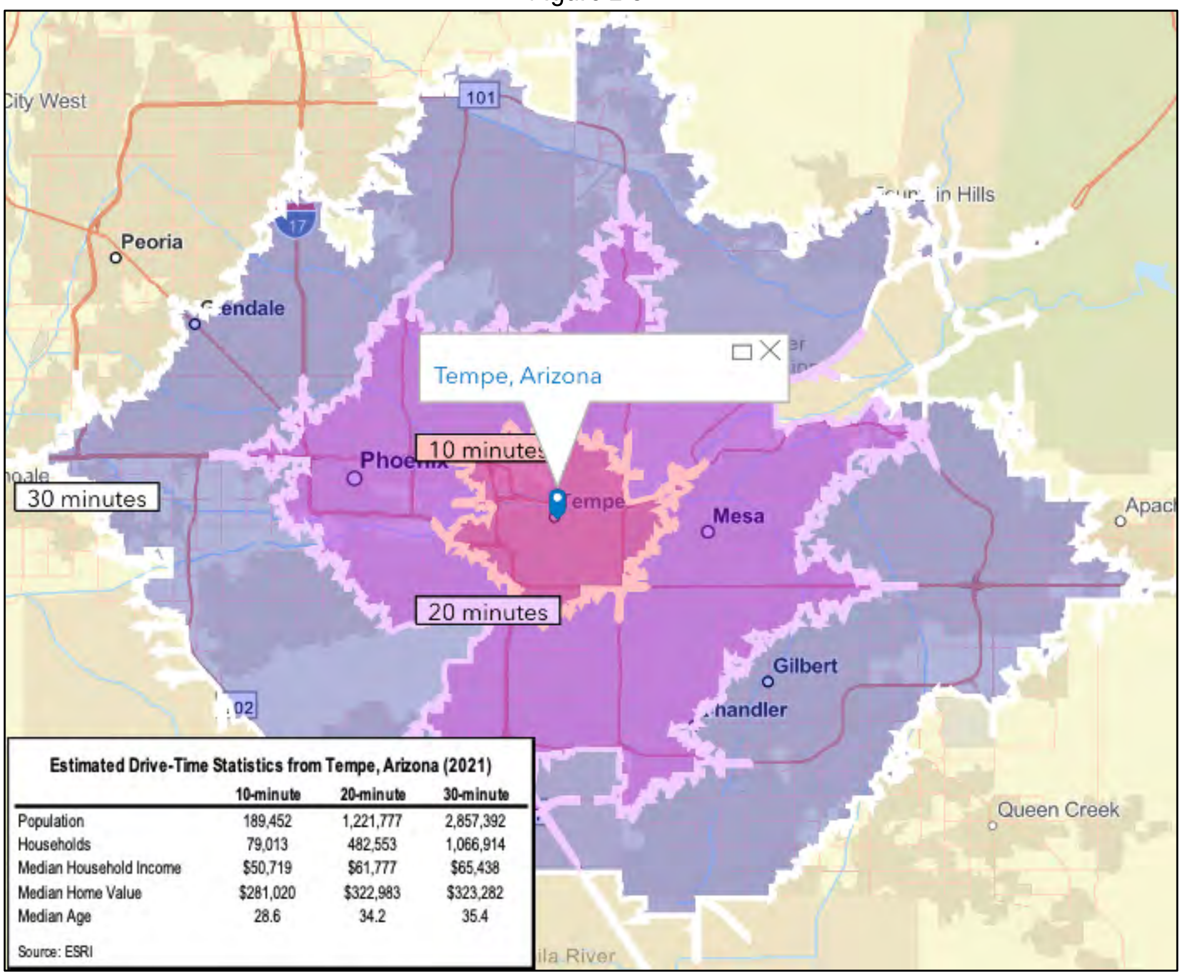
The Phoenix Sky Harbor International Airport (PHX) is the closest major airport to Tempe and is centrally located between Tempe and downtown Phoenix. PHX offers flights from over 20 airlines to locations all over the county and internationally. The PHX location relative to Tempe is a tourism asset for the Project, promoting easy access to Tempe for visitors traveling by airplane.

Road Access

The Project site is located at the corner of North Priest Drive and Rio Salado Parkway in Tempe. State Highway 202 is located on the northern side of Tempe Town Lake, allowing for easy access to PHX and downtown Phoenix. Highways 8, 10 and 17 also run through Phoenix, connecting the city to San Diego, Los Angeles, Tucson and northern Arizona.

The following map shows the demographics for 10-, 20- and 30-minute drive times from downtown Tempe.

Figure 2-3



Estimated Drive-Time Statistics from Tempe, Arizona (2021)

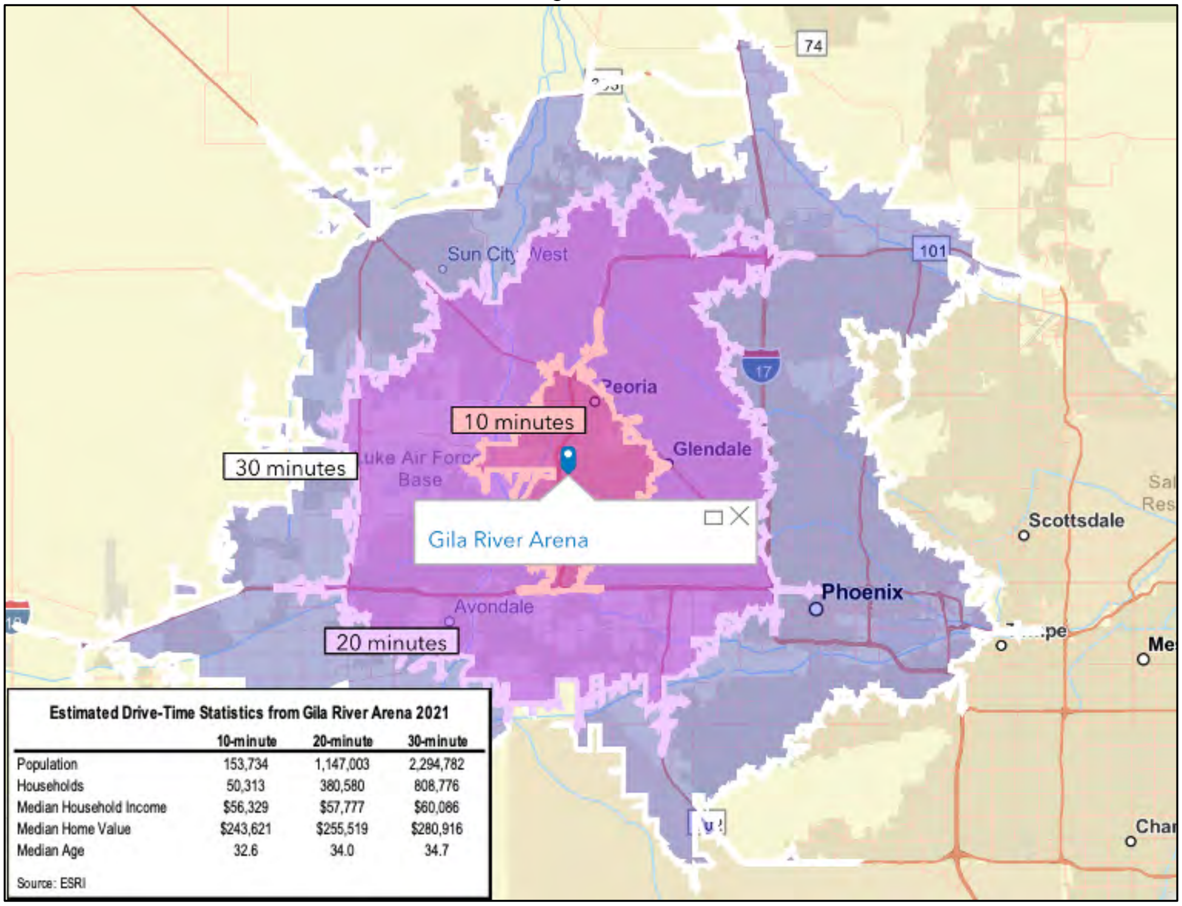
	10-minute	20-minute	30-minute
Population	189,452	1,221,777	2,857,392
Households	79,013	482,553	1,066,914
Median Household Income	$50,719	$61,777	$65,438
Median Home Value	$281,020	$322,983	$323,282
Median Age	28.6	34.2	35.4

Source: ESRI

Within a 30-minute drive time, there are over 2.85 million people and over one million households. Tempe's location makes it easily accessible within the MSA with highway connectivity and a more central location for an arena than the Coyotes Gila River Arena. Median household income within the 30-minute drive time is $65,400, which is higher than the United States average of $62,800.

The following map shows the demographics for 10-, 20- and 30-minute drive times from Glendale.

Figure 2-4



Estimated Drive-Time Statistics from Gila River Arena 2021

	10-minute	20-minute	30-minute
Population	153,734	1,147,003	2,294,782
Households	50,313	380,580	808,776
Median Household Income	$56,329	$57,777	$60,086
Median Home Value	$243,621	$255,519	$280,916
Median Age	32.6	34.0	34.7

Source: ESRI

When comparing the demographics of the 10-, 20- and 30- minute drive time between Gila River Arena and Tempe, Glendale's surrounding area has smaller local population, fewer total households, lower median household income and lower median home values. A 30-minute drivetime from Gila River includes 550,000 fewer people than the 30-minute Tempe drivetime, a 20 percent difference. In addition, the median household income of the 30-minute population base is nearly ten percent higher in the Tempe location than in the Glendale location. This analysis suggests that Tempe has a greater potential to attract an increased number of people that are willing to pay higher ticket prices for games and concerts in Tempe versus in Glendale.

Income, Spending, Employment and Other Demographic Information

The depth and strength of a market's employment base and income levels are indicators of its ability to support real estate developments such as those proposed in the Project. Indicators of a market's overall wealth and growth can include trends in income and employment.

The following table provides data on homeownership, income and retail sales, based on the latest statistics from the U.S. Census Bureau.

Table 2-2

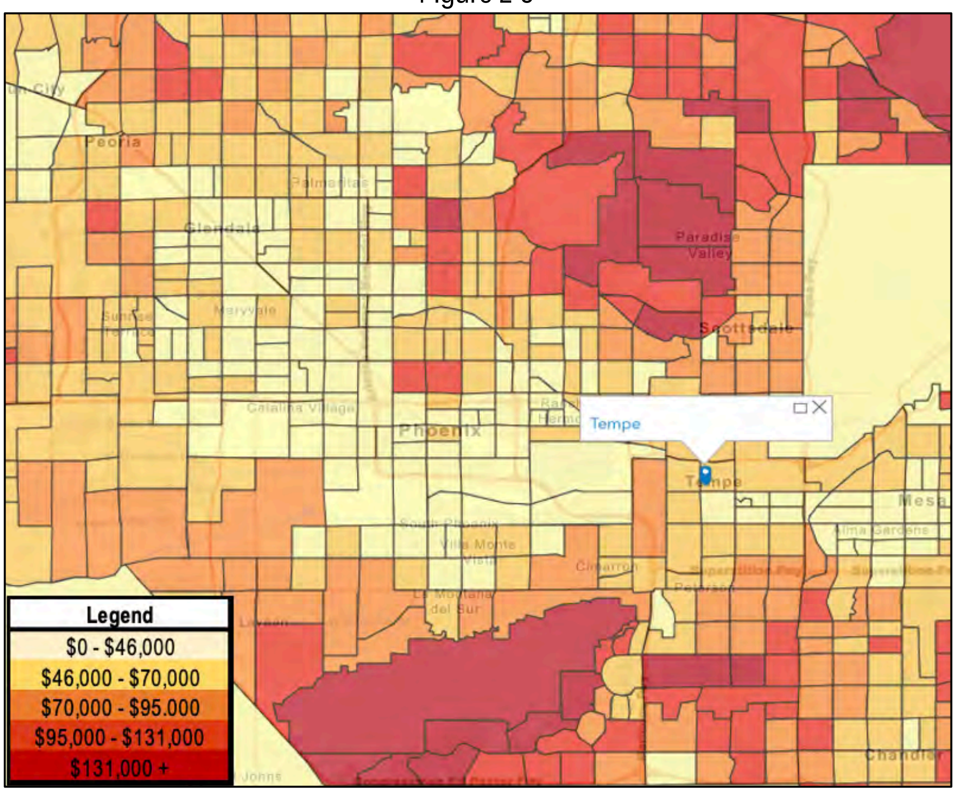
Income, Spending, & Other Demographic Data					
Category	United States	Arizona	Maricopa County	Phoenix-Mesa-Scottsdale MSA	Tempe
Homeownership rate, 2020	64.0%	64.4%	62.2%	58.4%	40.6%
Median value of owner-occupied housing units, 2015-19	$217,500	$225,500	$260,200	$312,305	$272,900
Persons per household, 2015-19	2.62	2.68	2.75	2.69	2.42
Median household income, 2015-19	$62,843	$58,945	$64,468	$68,676	$57,994
Persons below poverty level, percent	11.4%	12.8%	11.6%	12.3%	14.8%
Total employment, 2019	132,989,428	2,614,641	1,796,017	---	---
Total employment, percent change, 2018-2019	1.6%	2.6%	2.7%	---	---

Source: U.S. Census Bureau

The median value of owner-occupied homes in Maricopa County between 2015 and 2019 is considerably higher than the U.S. and the state of Arizona. The homeownership rate from 2015 through 2019 in Maricopa County was 62.2 percent. This is lower than the national and Arizona-wide averages for that same period, but significantly higher than Tempe due to the size of Arizona State University.

The following figure shows a 2021 heat map of median household income in the greater Phoenix area.

Figure 2-5



The eastern side of Phoenix has a higher median income than the western side of the city where the Arizona Coyotes currently play. The Project's site would be more strategically placed within the city considering the high-quality assets expected to be located within the mixed-use district.

Employment

The following table shows the diversity of the Maricopa County workforce as provided by the Bureau of Economic Analysis.

Table 2-3

Maricopa County Employment by Industry - 2019

Description	Employees	% of Total
Total employment (number of jobs)	2,756,485	100%
By type		
Wage and salary employment	2,173,981	78.87%
Proprietors employment	582,504	21.13%
By industry		--
Farm employment	6,239	0.23%
Nonfarm employment	2,750,246	99.77%
Private nonfarm employment	2,511,885	91.13%
Health care and social assistance	313,551	11.38%
Retail trade	269,397	9.77%
Administrative and support and waste management and remediation services	251,791	9.13%
Finance and insurance	217,949	7.91%
Accommodation and food services	205,663	7.46%
Professional, scientific, and technical services	197,412	7.16%
Construction	172,531	6.26%
Real estate and rental and leasing	154,105	5.59%
Other services (except government and government enterprises)	138,795	5.04%
Manufacturing	136,848	4.96%
Transportation and warehousing	134,859	4.89%
Wholesale trade	90,331	3.28%
Educational services	67,475	2.45%
Arts, entertainment, and recreation	62,539	2.27%
Information	47,491	1.72%
Management of companies and enterprises	34,961	1.27%
Utilities	8,376	0.30%
Mining, quarrying, and oil and gas extraction	5,204	0.19%
Forestry, fishing, and related activities	2,607	0.09%
Government and government enterprises	238,361	8.65%
Federal civilian	21,364	0.78%
Military	14,364	0.52%
State and local	202,633	7.35%
State government	49,139	1.78%
Local government	153,494	5.57%

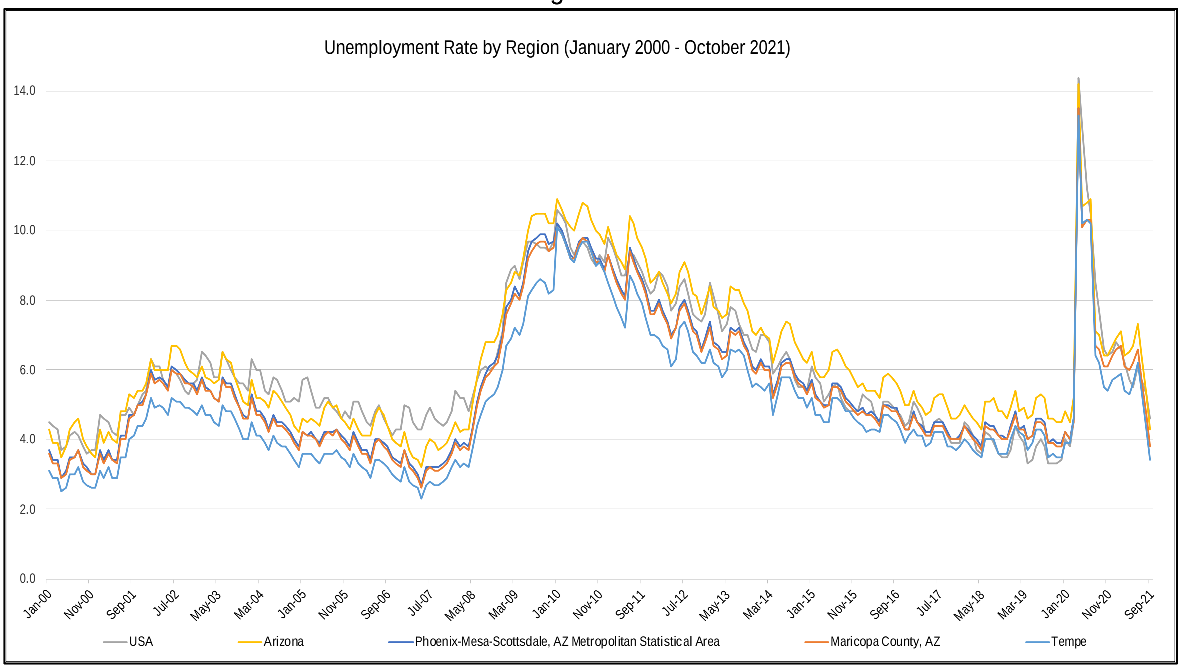
Source: Bureau of Economic Analysis, Hunden Strategic Partners

Maricopa County has over 2.75 million total employed people with 91 percent in the private sector and 9 percent in the public sector. Health care and social assistance make up the largest sector in the county at 11 percent of total employment. Retail trade, administrative services and finance and insurance are other major industries within the county that all account for another 25 percent of total employment in the county.

Unemployment

The following figure shows the unemployment rate in the U.S. (gray line), Arizona (yellow line), Phoenix-Mesa-Scottsdale MSA (dark blue line), Maricopa County (orange line) and Tempe (light blue line) from January 2000 through October 2021.

Figure 2-6



In April 2020, unemployment rates across the county spiked to a record high, nearing 14 percent, due to the pandemic. However, the rate dropped below four percent in Maricopa County by October of 2021. In relation to the country and state, Tempe is lower and in line, respectively.

In general, corporations and larger institutions provide stability and generally consistent employment to a market. They also provide demand for various real estate developments.

The following table shows the top ten major employers in the MSA.

Table 2-4

Tempe Major Employers - 2021	
Company Name	Number of Employees
Arizona State University	8,327
State Farm Insurance	7,536
JPMorgan Chase Bank	3,194
ABM Industries	2,000
Freedom Financial Network	1,946
SRP	1,910
Honeywell	1,559
Adp Inc	1,156
Consumer Cellular	1,080
Bank of the West	1,000
Total Number of Employees	29,708

Source: Tempe Economic Development

ASU is the major employer in the city, supporting one of the largest universities in the country. The top ten employers account for nearly 30,000 of the employees in the market. These employers will be covered in more detail in the report's office market analysis chapter.

Higher Education

Colleges, universities and educational institutions can generate tourism due to events, games, visits from parents and other economic activity.

The following table shows colleges and universities within a five-mile radius of Tempe.

Table 2-5

Institution	Location	Distance from 85281 (miles)	Highest Degree Offered	Enrollment
Arizona State University	Tempe, AZ	0.0	Doctorate	74,795
Bryan University	Tempe, AZ	0.0	Masters	1,350
Brooklyn College - Tempe	Tempe, AZ	0.0	Bachelors	555
Rio Salado College	Tempe, AZ	0.0	Associates	17,362
Sessions College for Professional Design	Tempe, AZ	0.0	Associates	197
Sonoran Desert Institute	Tempe, AZ	0.0	Associates	2,709
Conservatory of Recording Arts and Sciences	Tempe, AZ	2.2	Certificate	629
Southwest College of Naturopathic Medicine & Health Sciences	Tempe, AZ	2.2	Doctorate	509
University of Advancing Technology	Tempe, AZ	4.1	Masters	836
Mesa Community College	Mesa, AZ	4.5	Associates	16,984
Pima Medical Institute-Mesa	Mesa, AZ	4.5	Associates	822
Total				116,748

Tempe Area Colleges & Universities (Within 5 miles)

Source: National Center for Education Statistics

ASU, Rio Salado College and Mesa Community College are the three largest universities in the immediate area. ASU has a large student body with around 52,000 students on the Tempe campus. ASU's student body energizes the downtown core of Tempe and supports the local economy through retail and restaurant spending throughout the school year. ASU also has several Division I sports programs that attract alumni and fans from all over the country for games throughout the year. The presence of so many colleges and universities in the area leads to Tempe and its surrounding suburbs have a highly educated population and contributes to the above average higher median income.

Educational Attainment

The level of education in a community is generally linked to income potential and, consequently, to disposable income and long-term growth. Highly educated people have more options when making employment decisions. The higher the education level, the stronger the labor market and the more disposable income that is available to spend on recreational activities, such as dining out, attending cultural events and sports activities.

The following table shows the education attainment levels in the area.

Table 2-6

Educational Attainment - 2019				
Population Age 25+	United States	Arizona	Maricopa County	Tempe
Did Not Complete High School	11.4%	12.5%	12.3%	4.5%
Completed High School	26.9%	23.7%	22.4%	11.1%
Some College	20.0%	25.0%	24.1%	26.3%
Completed Associate Degree	8.6%	8.7%	8.5%	7.9%
Completed Bachelor Degree	20.3%	18.8%	20.8%	30.0%
Completed Graduate Degree	12.8%	11.3%	11.9%	20.2%

Source: U.S. Census Bureau

Approximately 30.0 percent and 20.2 percent of Tempe's population above 25 years old have completed a bachelor's and graduate degree, respectively. Both percentages are above national averages. ASU has a major effect on the educated population since the school enrolls students from all over the country and then may retain them in the area following graduation. The highly educated population has made Tempe a target for larger corporations looking to take advantage of the employment pool.

Social Media Engagement

The following figures shows a social media heat map of the greater Phoenix area to show activity nodes in the area.

Figure 2-7

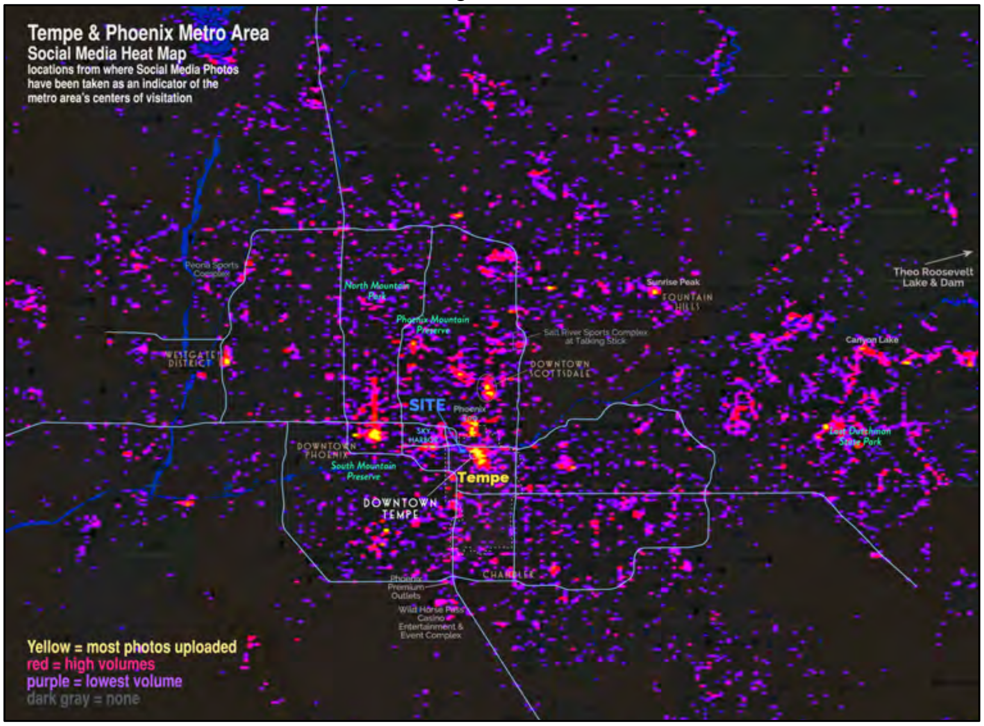
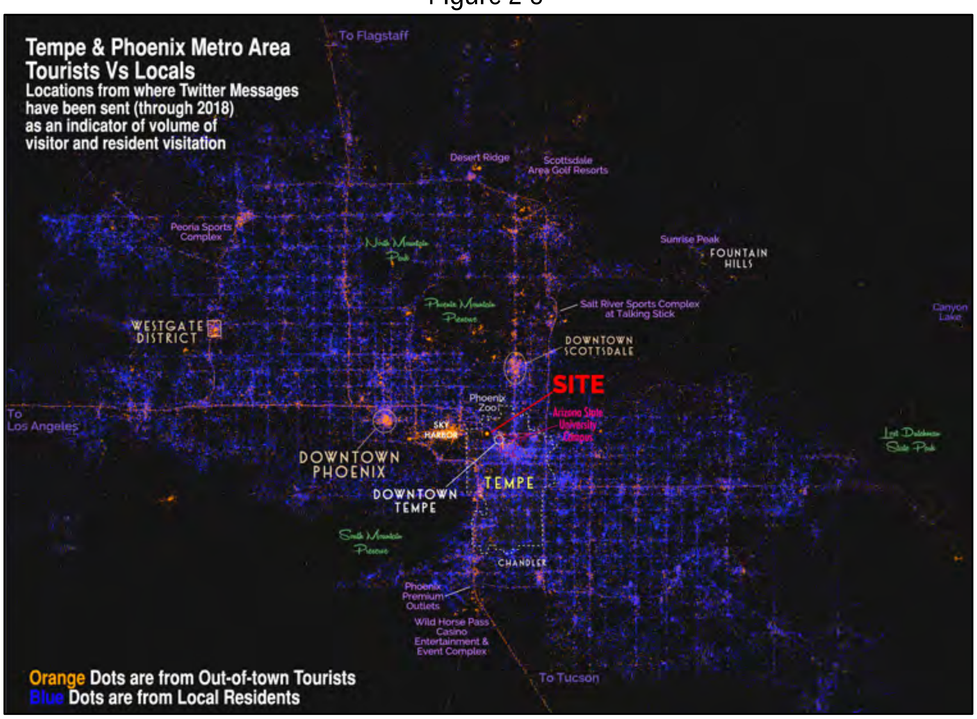


Figure 2-8



Tempe is shown as the most engaged area of social media use in the area, likely due to ASU student activity. The university makes Tempe one of the most active parts of the Phoenix metro area with continued engagement and advertisement. Social media awareness is critical because over time, as it will help market the Project and show off Tempe as the premier entertainment district in the MSA.

Local Attractions

Tempe contains a number of tourism attractions to induce visitation to the community. These attractions are outlined below and offer visitors a wide range of entertainment, educational and leisure tourism opportunities.

The following table lists the top five most popular destinations in the Tempe area in 2019.

Table 2-7

Tempe Area Most Visited Attractions - 2019

Rank	Name	2019 Customers	2019 Visitation	Avg. Visits Per Customer	Type of Attraction
1	Tempe Marketplace	2,800,400	11,500,000	4.11	Shopping Center
2	Sea Life Aquarium + Arizona Mills	2,400,000	6,800,000	2.88	Aquarium + Shopping Center
3	Sun Devil Stadium + Desert Financial Arena	809,600	1,600,000	1.96	Stadium + Arena
4	Phoenix Zoo	708,600	1,100,000	1.59	Zoo
5	Casino Arizona	365,200	1,600,000	4.63	Casino

Visitation numbers are estimates based off of geo-fencing data from Placer.ai

Source: TripAdvisor & Placer.ai

Five of the most popular destinations in Tempe area include Temple Marketplace, Sea Life Aquarium & the Arizona Mills Mall, Sun Devil Stadium & Desert Financial Arena, the Phoenix Zoo, and Casino Arizona.

Another major destination that is not easily captured by geofencing data is the Tempe Town Lake. Tempe Town Lake is a man-made reservoir in the heart of Tempe that is an activity hub for the community. The lake features walking trails, public spaces, rentals for water activities and community events.

The section below profiles the most popular destinations in the Tempe area in 2019.

Tempe Marketplace

Tempe Marketplace is an active retail, restaurant and entertainment destination within the city that attracts local residents and visitors because of its active environment. Tempe Marketplace has over 1.3 million square feet of retail space, 100 different stores and 300 events a year. The marketplace also features a movie theatre, live music events, open central event space, and community spaces with fireplaces and splashpad. The marketplace also is active on social media promoting their events and offerings within the center.

The following figure displays Tempe Marketplace.

Figure 2-9

Tempe Marketplace uses its open-air space for concerts and branded events to attract people within the community. The mix or retail, restaurants and entertainment makes it a popular place within Tempe for people to spend their recreational time.

The following table shows visitation to Tempe Marketplace.

Table 2-8

Tempe Marketplace Visitation
January 1st, 2019 - December 31st, 2019

Visitor Origins by Distance from Site (Colors correspond to charts & maps)	Total Visits: Est. Number of Visits	Total Visits: Percent of Total Visits	Total Unique Customers: Est. Number of Customers	Total Unique Customers: Percent of Total Customers	Avg. Visits per Customer
Locals - Within 10 miles	6,600,000	57.4%	857,200	30.6%	7.70
Regional Distance - Over 10 miles & Less Than 30 miles	2,900,000	25.2%	943,200	33.7%	3.07
Long Distance only - Over 30+ miles	2,000,000	17.4%	1,000,000	35.7%	2.00
Total Visits	11,500,000	100.0%	2,800,400	100.0%	4.11

Source: Placer.ai

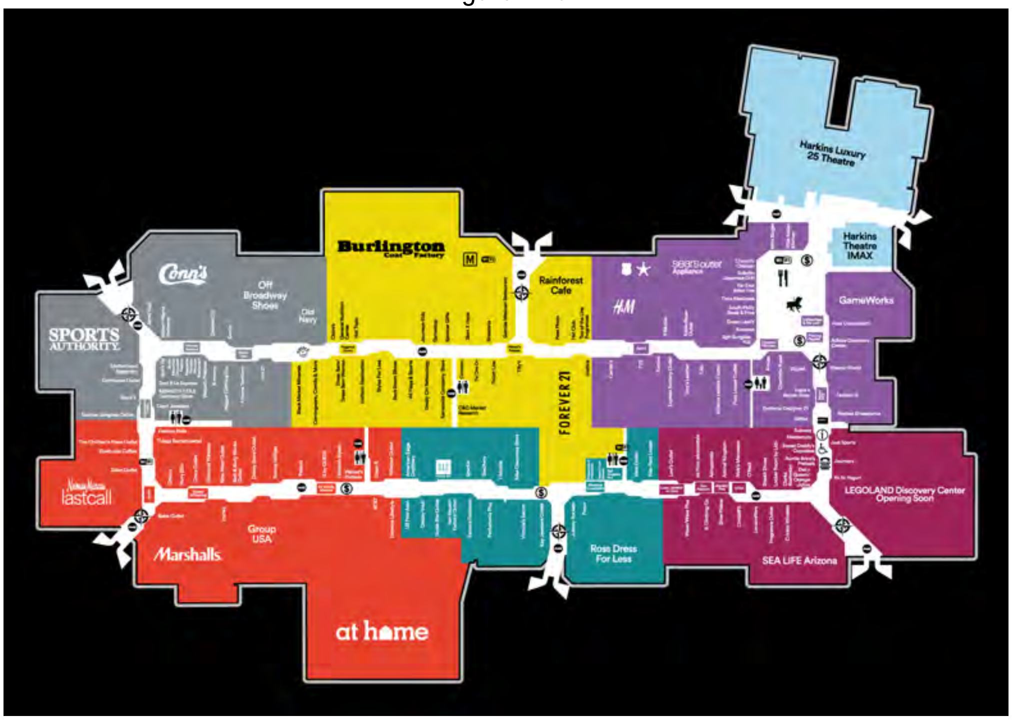
Tempe Marketplace attracted 11.5 million visitors in 2019. Like many shopping centers, the majority of visitation comes from within the local community, but Tempe Marketplace attracted roughly one million unique customers from beyond 30 miles during 2019.

Sea Life Aquarium and Arizona Mills

Sea Life Aquarium is located in the Arizona Mills shopping mall. Sea Life is a worldwide aquarium and attraction company with 50 locations around the world and ten locations across the United States. Sea Life features ticketed special events and education experiences across ten exhibits. The Arizona Mills mall also has 185 retail stores and restaurants, LEGOLAND Discovery Center, Harkins Theatre and the largest IMAX in the state.

The following figure shows the layout of the Arizona Mills mall.

Figure 2-10



The mall features numerous entertainment options and big box retailers. The mall is located just off Highway 10 that connects Tempe to Phoenix and Scottsdale making the mall easily accessible from other parts of the MSA for visitors looking for entertainment and shopping.

The following table shows visitation to Sea Life Aquarium and Arizona Mills mall.

Table 2-9

Sea Life Aquarium and Arizona Mills Mall

January 1st, 2019 - December 31st, 2019

Visitor Origins by Distance from Site (Colors correspond to charts & maps)	Total Visits: Est. Number of Visits	Total Visits: Percent of Total Visits	Total Unique Customers: Est. Number of Customers	Total Unique Customers: Percent of Total Customers	Avg. Visits per Customer
Locals - Within 10 miles	3,300,000	48.5%	698,600	29.5%	4.72
Regional Distance - Over 10 miles & Less Than 30 miles	2,000,000	29.4%	774,600	32.7%	2.58
Long Distance only - Over 30+ miles	1,500,000	22.1%	895,500	37.8%	1.68
Total Visits	6,800,000	100.0%	2,368,700	100.0%	2.87

Source: Placer.ai

The Sea Life Aquarium and Arizona Mills mall attracted 6.8 million visitors in 2019. The aquarium and the other entertainment outlets at Arizona Mills drive visitation from beyond 30 miles of Tempe. The aquarium is an asset for Tempe providing worldwide recognition and unique experiences within the MSA.

Sun Devil Stadium and Desert Financial Arena

Sun Devil Stadium is home the ASU's football team. The stadium has a capacity of over 56,000 and attracts fans throughout the football season. Desert Financial Arena is the home arena for ASU's men's and women's basketball, volleyball, gymnastics and wrestling teams. ASU is a member of the Pacific Athletic Conference (PAC-12), which is one of the five main conferences in the NCAA. These division one programs attract students, alumni and local residents to watch the school's Division I athletic programs throughout the school year. The arena has over 14,000 seats and also hosts graduation ceremonies, concerts and other large school events.

The following figures show Sun Devil Stadium and Desert Financial Arena.

Figure 2-11

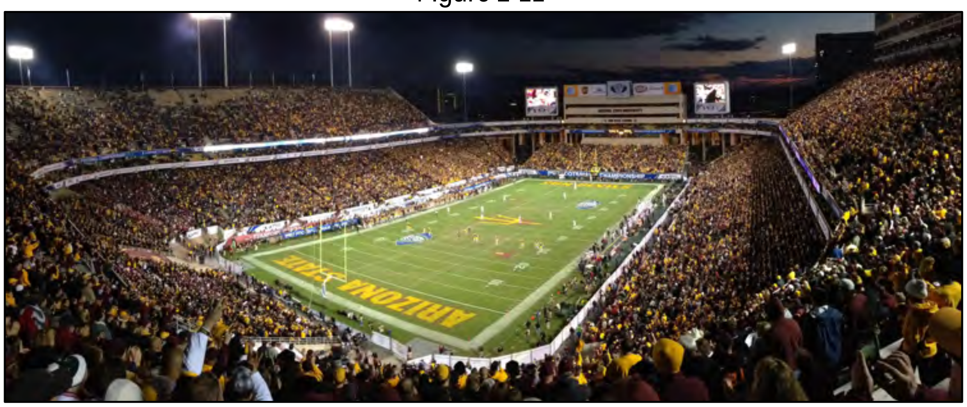
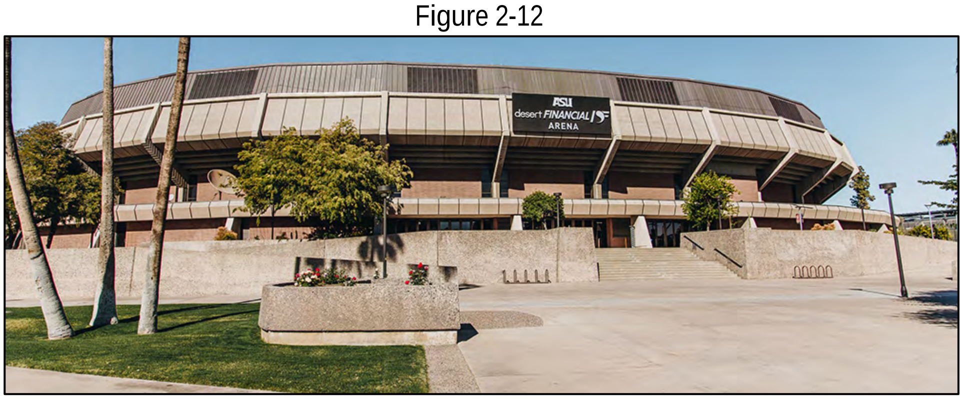


Figure 2-12



Sun Devil Stadium and Desert Financial Arena are located directly next to each other on the northern end of ASU's campus. Both facilities are also located near the Hayden Butte, a popular hiking mountain in Tempe with views of the campus.

The following table shows visitation to Sun Devil Stadium and Desert Financial Arena.

Table 2-10

Sun Devil Stadium and Desert Financial Arena January 1st, 2019 - December 31st, 2019					
	Total Visits		Total Unique Customers		
Visitor Origins by Distance from Site (Colors correspond to charts & maps)	Est. Number of Visits	Percent of Total Visits	Est. Number of Customers	Percent of Total Customers	Avg. Visits per Customer
Locals - Within 10 miles	512,600	32.2%	186,300	23.0%	2.75
Regional Distance - Over 10 miles & Less Than 30 miles	628,400	39.5%	339,100	41.9%	1.85
Long Distance only - Over 30+ miles	448,700	28.2%	284,100	35.1%	1.58
Total Visits	1,589,700	100.0%	809,500	100.0%	1.96

Source: Placer.ai

Sun Devil Stadium and Desert Financial Arena attracted over 1.5 million visitors in 2019. ASU's Division I men's and women's teams compete at the top level of college athletics. This leads to students, local alumni and fans returning to campus for various events throughout the school year.

Phoenix Zoo

The Phoenix Zoo is located across from the Tempe Town Lake. The zoo leads nature conservation efforts and animal protection services in the community. ASU's School of Life Sciences and the zoo have partnered to launch conservation and research programs to enhance education in the community for the future. The zoo is a cultural asset to the community that also supports tourism within the area.

The following figure shows the Phoenix Zoo.

Figure 2-13

The zoo features different terrain and ecosystems to give visitors unique experiences during their visit. The zoo offers nature trials, daily activities, events and tours of their various exhibits.

The following table shows visitation to the Phoenix Zoo.

Table 2-11

Phoenix Zoo January 1st, 2019 - December 31st, 2019	Total Visits		Total Unique Customers		
Visitor Origins by Distance from Site (Colors correspond to charts & maps)	Est. Number of Visits	Percent of Total Visits	Est. Number of Customers	Percent of Total Customers	Avg. Visits per Customer
Locals - Within 10 miles	308,800	27.5%	143,100	20.2%	2.16
Regional Distance - Over 10 miles & Less Than 30 miles	498,300	44.4%	306,300	43.2%	1.63
Long Distance only - Over 30+ miles	316,200	28.1%	259,200	36.6%	1.22
Total Visits	1,123,300	100.0%	708,600	100.0%	1.59

Source: Placer.ai

The Phoenix Zoo attracted over one million visitors in 2019. As the largest zoo in the Phoenix area, it serves as a tourism asset located just north of Tempe.

Casino Arizona

Casino Arizona is located across Tempe Town Lake, five miles northeast of downtown Tempe in Scottsdale. The casino features tables games, slots, bingo, sports bar and six other dining options. The casino's entertainment venue, The Showroom, is a 250-seat venue for touring music acts and shows.

The following figure shows the Casino Arizona.

Figure 2-14

The casino does not have a hotel attached to the facility, but it remains open 24 hours per day. There are over ten casinos in the Phoenix area, but Casino Arizona is the closest to the Project site.

The following table shows visitation to the Casino Arizona.

Table 2-12

Casino Arizona January 1st, 2019 - December 31st, 2019 Visitor Origins by Distance from Site (Colors correspond to charts & maps)	Total Visits Est. Number of Visits	 Percent of Total Visits	Total Unique Customers Est. Number of Customers	 Percent of Total Customers	Avg. Visits per Customer
Locals - Within 10 miles	715,500	45.9%	103,200	27.7%	6.93
Regional Distance - Over 10 miles & Less Than 30 miles	624,200	40.0%	157,000	42.1%	3.98
Long Distance only - Over 30+ miles	219,500	14.1%	112,800	30.2%	1.95
Total Visits	1,559,200	100.0%	373,000	100.0%	4.18

Source: Placer.ai

The Casino Arizona attracted over 1.5 million visitors in 2019. Visitors within ten miles of the casino visited an average of 6.9 times in 2019, which drove the majority of visitation. The casino's mix of entertainment venues, casino games and dining makes the facility a popular destination near Tempe.

Implications

Tempe continues to grow at a rapid pace similar to the overall Phoenix-Mesa-Scottsdale MSA which is one of the fastest growing metropolitan areas in the country. Tempe is surrounded by some of the more affluent parts of Maricopa County, including Paradise Valley and Scottsdale. The City is also becoming more attractive to larger corporations looking to take advantage of the highly educated student body of ASU. Tempe offers many tourism assets that attract different age groups and demographics for entertainment. Additionally, the City is home to many assets that improve the quality of life of the community including Tempe Town Lake for outdoor recreational enjoyment, shopping and dining hubs such as Tempe Marketplace and the Arizona Mills mall and entertainment destinations such as the Sea Life Aquarium, Phoenix Zoo and Casino Arizona.

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ENTERTAINMENT MARKET ASSESSMENT

In this chapter, HSP will analyze the market for events hosted at the arena and music venue components of the Project. This chapter provides an overview of the market for each type of facility and provide implications for future performance. Hunden will compare the Phoenix market to other metropolitan areas to provide context related to the number of major arenas.

To complete this chapter, Hunden conducted interviews with event promoters and operators to understand different use types for events and concerts. To understand historical performance, Hunden gathered venue performance data from Pollstar. Event data may not be exact, but it represents the best available data to make generalized conclusions.

Overall, it is unusual for any but the largest of markets to successfully support more than two major non-collegiate sports/event arenas. Anchor tenants, location, accessibility, age, quality, amenities and adjacent uses are all key factors that determine how such facilities will perform, and how the proposed Project will penetrate the Phoenix market.

Arena Analysis

Bluebird Development's proposal planned for a state-of-the-art, 16,000-capacity arena that will be home to the Arizona Coyotes. The RFP response from Bluebird Development assumed 95 ticketed event days per year and 110 non-ticketed events. Of these ticketed event days, 43 are pre-season/regular season Arizona Coyotes games, while 43 will be for events/concerts, with the remaining events consisting of additional sporting and community events at different levels.

In order to analyze these event assumptions made by the Developer and to generate independent projections, first HSP assessed the market for arena events.

Phoenix Arena Market

Phoenix has several arenas within the market. The following table and figure provide an overview of the arenas within the local market.

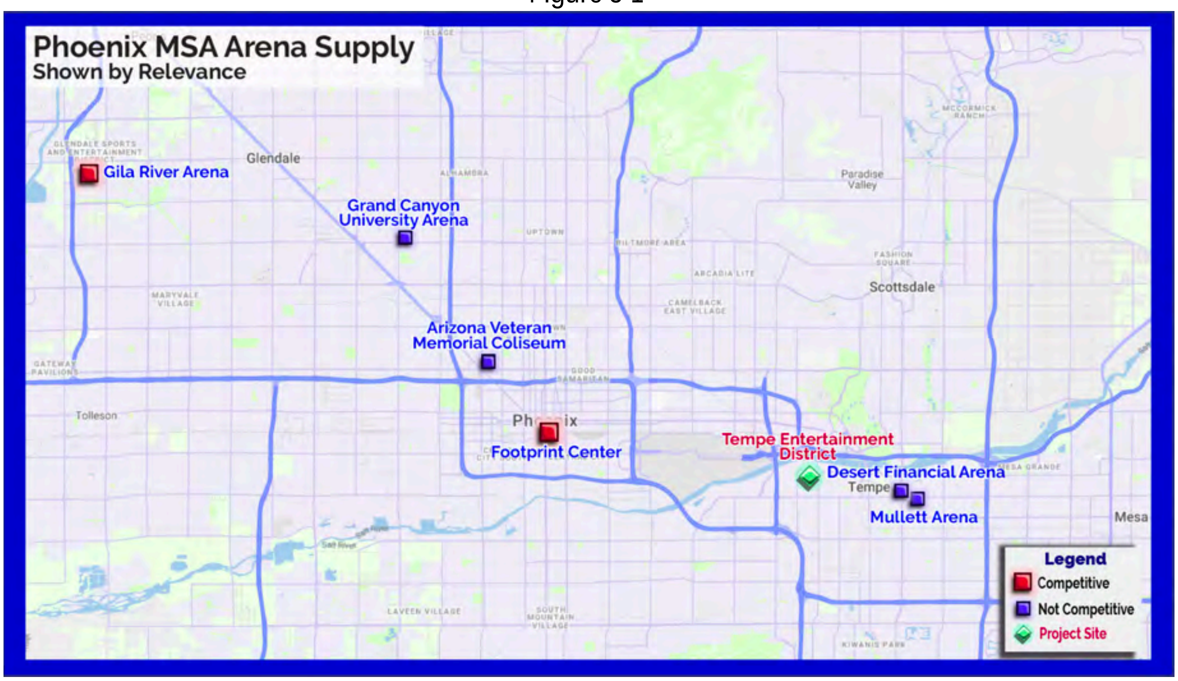
Table 3-1

Phoenix MSA Market | Arena Supply List				
Venue	Year Built	Concert Cap.	Competitive?	Tenant League/Use
Footprint Center	1992	18,422	Yes	NBA, WNBA, IFL
Gila River Arena	2003	18,300	Yes	NHL
Tempe Entertainment District	TBD	16,000	--	TBD NHL
Arizona Veteran Memorial Coliseum	1965	14,870	No	State Fair
Desert Financial Arena	1974	14,198	No	NCAA - ASU
Grand Canyon University Arena	2011	7,000	No	NCAA - GCU
Mullett Arena (ASU Hockey)	2022	5,000	No	NCAA - ASU
Average		*13,399*		

Source: Hunden Strategic Partners

The following figure maps out these arenas and shows their location relative to the Project.

Figure 3-1



Within the market, the Project arena would compete with two facilities for events: Footprint Center and Gila River Arena. The Footprint Center is located in downtown Phoenix, approximately nine miles from Tempe. Gila River is 28 miles west of the Project, located in Glendale. These facilities both are the home to active professional sports teams, regularly host concerts, and are within a similar capacity range to the Project. Event promoters from LiveNation and Feld Entertainment suggested these two facilities would be the only facilities considered alongside a new arena in Tempe for future ticketed events.

Competitive Arenas

The following table shows ticketed concert/event data for the Footprint Center and Gila River Arena from Pollstar. Sporting event data is not included. The period 2009-2019 was highlighted to show pre-pandemic performance for these venues. The table shows a total number of events held in arenas in the market with a heatmap visualizing years with more events than others.

Table 3-2

Phoenix MSA Market | Competitive Arenas

	Footprint Center				Gila River Arena				PHX MSA
Year	# of Shows	Avg. Attendance	Avg. Event Occ.	Avg. Ticket Price	# of Shows	Avg. Attendance	Avg. Event Occ.	Avg. Ticket Price	Total # of Arena Shows in Market
2021	24	7,466	71%	$91	15	6,876	86%	$99	39
2020	15	4,489	63%	$47	4	11,279	100%	$64	19
2019	51	9,217	83%	$84	16	10,833	90%	$95	67
2018	54	7,934	76%	$83	18	9,589	90%	$62	72
2017	59	7,186	69%	$58	16	10,056	83%	$73	75
2016	66	6,084	70%	$61	11	9,026	71%	$61	77
2015	72	6,076	73%	$67	19	9,857	83%	$72	91
2014	54	5,497	64%	$72	16	10,016	96%	$75	70
2013	57	6,854	82%	$65	9	9,582	89%	$66	66
2012	60	5,836	76%	$59	14	8,569	83%	$64	74
2011	61	5,720	68%	$53	11	7,518	71%	$48	72
2010	27	5,592	70%	$58	31	4,860	57%	$61	58
2009	26	6,729	73%	$47	29	10,253	86%	$59	55
2008	33	6,282	77%	$55	30	9,586	92%	$65	63
2007	35	7,548	80%	$56	35	7,760	81%	$57	70
2006	29	7,561	80%	$57	31	8,853	87%	$56	60
2005	42	6,720	70%	$46	32	9,541	85%	$71	74
2004	18	7,643	68%	$54	21	7,553	79%	$48	39
2003	14	11,768	86%	$71	--	--	--	--	14
2002	14	11,790	87%	$54	--	--	--	--	14
2001	15	11,826	85%	$58	--	--	--	--	15
Average*	53	6,611	73%	$64	17	9,105	82%	$67	71

*Average from 2009 - 2019
(--) Facility opened in 2003, no event data
Source: Pollstar

Footprint Center – Phoenix, Arizona. The Footprint Center opened in 1992. As of 2022, the arena is the home to the Phoenix Suns (NBA), Phoenix Mercury (WNBA), and the Arizona Rattlers of the Indoor Football League. The arena was the home to the Phoenix Coyotes for seven years beginning in 1996 before the team moved to Gila River Arena (then renamed to Arizona Coyotes). The facility has undergone two major renovations since its original construction. These renovations finished in 2003 and 2022, respectively. Both renovations were designed to keep the facility competitive for NBA and modern concert standards.

From 2009 to 2019 the Footprint Center hosted an average of 53 event days per year. Concert configurations change by artist and show, meaning any given event may have a capacity up to the max capacity of 18,000. The average historical attendance to ticketed events is just over 6,600 tickets per event, averaging 73 percent occupancy.

After Gila River Arena opened in 2003, Footprint's event numbers grew even with the introduction of a new arena to the market. Average attendance, ticket prices, and event occupancy numbers decreased temporarily in the years following 2003, but have grown significantly since.

In addition to ticketed events counted by Pollstar, the arena hosts 55 regular season games each year. The Indoor Football League's season spans from the end of April to September (eight home games a year). Games in this league are generally held on weekends. The WNBA regular season spans from early May to August (16 home games). The NBA regular season begins in the middle of October and runs through the beginning of April (41 home games a season).

The Footprint Center has an estimated total of ~108 ticketed event days annually, comprised of concerts and sporting events.

Gila River Arena – Glendale, Arizona. Gila River Arena is the anchor to the Westgate Entertainment District. The facility opened in 2003 and is owned by the City of Glendale. Since opening, the facility is most commonly known for being the home to the Arizona Coyotes. The arena has a hockey capacity of 17,125, including 3,075 club seats and 87 luxury suites.

Over the ten-year period from 2009 to 2019, Gila River Arena hosted an average of 17 ticketed events outside of sporting events. The events performed well, averaging over 9,100 tickets with an average of 82 percent occupancy. After opening, the arena saw great success in the events it hosted for seven years, before seeing a decline to a lower consistent of shows.

NHL teams play an average of 41 home games and approximately three preseason games each year. Including concerts, events, and sporting events, Gila River has an average of 58 ticketed event days each year. It is important to note the Arizona Coyotes have since left Gila River and moved their home games to the Mullett Center, the new ASU hockey arena. This vacancy will open more calendar dates for concerts and events at Gila River Arena. Though there will be a more available calendar days, it will likely still be an underdesirable location for promoters.

Halo effect and location. Typically, new venues have a halo effect from being the newest arena in the market, so they attract more events than they otherwise would. Once the newness factor has worn off, events tend to shift to where they are most successful/profitable. In the case of Gila River Arena, it is located on the far west side of the metro, which makes is less ideal for people to access, especially the more monied households on the east side of the market who can afford more entertainment activities.

The following table compares the strength and performance of the two arenas in the Phoenix Market. The table is a color-coded heat map to visualize market share. Green represents a greater percentage, while red represents a lower percentage. Yellow indicates neutral.

Table 3-3

Phoenix MSA| Market Share for Events			
Year	# of Events in Market	Footprint Center	Gila River Arena
2019	67	76%	24%
2018	72	75%	25%
2017	75	79%	21%
2016	77	86%	14%
2015	91	79%	21%
2014	70	77%	23%
2013	66	86%	14%
2012	74	81%	19%
2011	72	85%	15%
2010	58	47%	53%
2009	55	47%	53%
Average	71	74%	26%

Source: Hunden Strategic Partners, Pollstar

Even though Gila River is the newer venue of the two, the Footprint Center has hosted the majority of events and concerts in the market over the years, even with scheduling concerns with multiple sports tenants. Promoters indicated that the centralized location of the Footprint Center is more ideal for hosting events and is why more concerts are held there each year. The Project in Tempe will likely benefit for the same reason, but take significant market share being the newest, highest quality facility on the market.

Non-Competitive Local Arenas

Arizona Veteran Memorial Coliseum – Phoenix, Arizona. The Coliseum is an outdated facility that is located on the state fairgrounds. It does not host concerts and events outside of Arizona State Fair events, thus was determined to be non-competitive to the potential Tempe Entertainment District.

Desert Financial Arena – Tempe, Arizona. Since 1974, DF Arena has been home to Arizona State University's men and women's basketball, volleyball, gymnastics, and wrestling teams. The facility is programmed for and by the university. The facility has not held concerts for many years and as a result, was deemed non-competitive to the Project.

Grand Canyon University Arena – Phoenix, Arizona. GCU Arena was constructed in 2011. The arena hosts many sporting events and concerts programmed for students and faculty each year. Today, the arena does not compete with Footprint and Gila River, thus will not be competitive to the Project.

Mullett Center – Tempe, Arizona. The Mullett Center is the recently completed ASU hockey arena located in downtown Tempe. The arena is being built for ASU's men's and women's hockey teams, but will also host the Arizona Coyotes until the team can find a permanent location. It is expected that there will be concerts hosted at the arena but it is currently unknown if these events will be open to the public or exclusively for students of ASU. The orientation of the Mullett Center as a university asset makes it non-competitive to the Project.

National Market Comparison

If the Tempe Entertainment District is developed, it will be the third major-league-sized active arena in the market. To understand if the Phoenix market could support another arena, HSP compared the market to other large metropolitan areas. Additionally, having more venues does not necessarily lead to more events coming to a market.

The following table shows similar-sized metropolitan areas across the United States and compares their population to arena seating. The list is sorted based on the lowest population per arena seat in the market.

Table 3-4

National Arena Market Comparison (10K - 23K Seats)

City	Metropolitan Statistical Area	# Competitive Arenas in Market	Total Competitive Arena Seats in Market	MSA Population per Seat
Phoenix with TED	4,845,832	3	54,500	89
Minneapolis - St Paul	3,690,261	2	39,855	93
Seattle	4,018,762	2	42,125	95
Phoenix	4,845,832	2	38,500	126
Denver	2,963,821	1	21,000	141
Miami	6,138,333	2	42,457	145
Atlanta	6,089,815	2	34,000	179
Detroit - Ann Arbor	4,392,041	1	21,000	209
Dallas - Fort Worth	7,637,387	2	34,000	225
Average		*2*	*33,297*	*160*

Source: Hunden Strategic Partners, US Census, Pollstar

Competitive arenas were defined as alternative arena options for promoters. HSP defined these as non-college arenas with a capacity over 10,000 seats, with similar programing to the arenas in Phoenix.

Though Phoenix has a rapidly increasing population, the market is currently oversupplied in the number of arena seats comparatively to other metropolitan areas. Phoenix currently has 126 people per arena seat versus the set's average of 160 people per seat. If TED were developed, the Phoenix area would have 89 persons per arena seat, making it the most oversupplied market relative to the competitive set. While this may signal a potential problem in the market, TED will likely perform very well, as it will be the newest, highest quality arena with a centralized location. Also, having more than 50,000 students nearby on the ASU campus is a big plus for concert promoters versus the other two major arenas in the market.

On the other hand, the Gila River Arena will likely suffer due to its location, accessibility, newness, etc. relative to the Footprint and TED. Interviews with event promoters indicated, given available calendar days and proper design, TED would become the premier arena for events in the market.

The following table compares the number of events/concerts held at arenas in selected markets.

Table 3-5

Number of Events Held in Arenas by Market

Year	Minneapolis-St Paul, Minnesota	Seattle, Washington	Phoenix, Arizona	Denver, Colorado	Miami, Florida	Atlanta, Georgia
2019	69	103	67	86	143	112
2018	98	92	72	116	138	95
2017	81	57	75	113	120	102
2016	106	60	77	102	141	113
2015	79	71	91	83	129	97
2014	94	60	70	87	116	86
2013	75	41	66	89	122	82
2012	85	63	74	114	103	87
2011	76	70	72	100	126	113
2010	82	62	58	79	99	83
2009	106	60	55	48	110	94

Seattle market does not include events from Climate Pledge Arena
Source: Hunden Strategic Partners, Pollstar

The Phoenix market has a relatively low number of events in arenas compared to other metropolitan areas, which indicates a potential opportunity for bringing an additional venue to the market. Other factors, such as routing concerns, may be a cause for this low number of events, which will be covered later in the chapter.

Music Venue Analysis

Bluebird Development included plans for a 50,000 square foot, 3,000-capacity fixed seating music venue. The RFP estimates included the assumption of 75 concerts per year.

The size of the venue will make it competitive with other facilities with a capacity of 1,000 to 4,000. The table below shows a list of other music venues in the metropolitan area.

Table 3-6

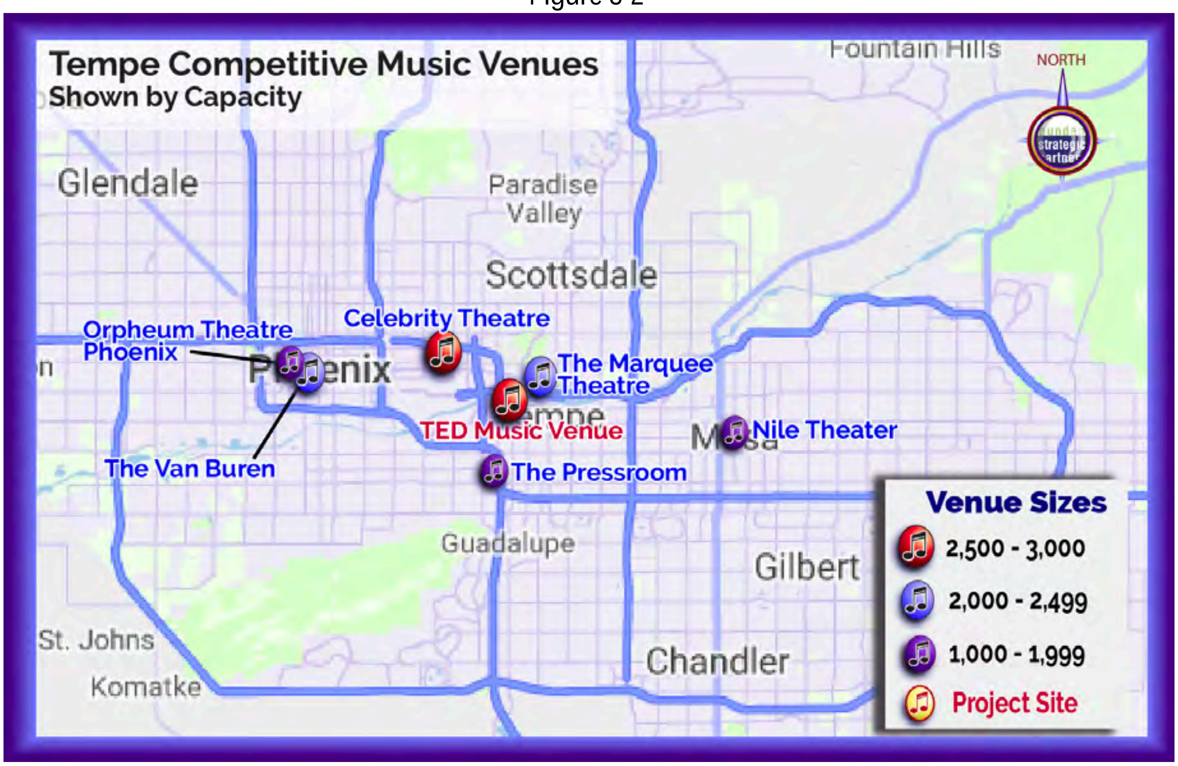
Phoenix Music Venue Market Competitive Venues (1K - 4K Capacity)		
Venue	Capacity	Type
TED Music Venue	3,000	Venue
Celebrity Theatre	2,652	Theater
The Marquee	2,425	Theater
The Van Buren	2,040	Club
Nile Theater	1,096	Theater
Orpheum Theatre	1,364	Theater
The Pressroom	1,040	Club

Source: Pollstar

Theaters are venues with fixed seats, while clubs predominantly have standing room only. The Project plans to have fixed seating most similar to theaters. The TED music venue will fill a gap in venues above 2,500, meaning it will bring a new size offering to the market.

The following figure shows where the competitive music venues are located across the Phoenix market.

Figure 3-2



Hunden determined the Project's venue will not be competitive with the Tempe Center for the Arts, as the Center for the Arts is oriented towards performing and visual arts. Because of different programing, the Tempe Center for the Arts was omitted from the analysis. The only venue in Tempe that the project would compete with is the Marquee. With two music venues in Tempe, cannibalization is likely and will be further explored in this analysis.

The following table shows the market share for events between similar capacity venues in the Phoenix area.

Table 3-7

Phoenix Market | Competitive Music Venues (1K - 3K Capacity)

Year	# Events in Market	Celebrity Theatre	The Marquee	Nile Theater	Orpheum Theatre	The Pressroom	The Van Buren
2019	365	17%	30%	1%	2%	5%	44%
2018	395	10%	33%	4%	4%	8%	40%
2017	310	18%	45%	8%	4%	5%	19%
2016	286	27%	47%	14%	2%	9%	--
2015	276	29%	40%	17%	3%	11%	--
2014	256	18%	46%	18%	4%	14%	--
2013	270	19%	49%	25%	7%	--	--
2012	236	29%	42%	25%	4%	--	--
2011	263	23%	52%	18%	6%	--	--
2010	247	18%	58%	14%	9%	--	--
2009	225	33%	60%	0%	6%	--	--

Source: Hunden Strategic Partners, Pollstar

Historically, the Marquee and the Van Buren held the greatest number of events in the Phoenix market. These two venues play different roles as the Marquee is a standing room venue (but classified as a theater), while the Van Buren is a club. These venues would potentially be competitors to the Project's music venue, but have different performance orientations with no fixed seating.

It is an important note that both of these facilities are located closer to the center of Phoenix compared to other venues in the market. The Van Buren is in downtown Phoenix, while the Marquee is on the north side of Tempe Town Lake. The success of the facilities in the area shows that promoters prefer venues located towards the center of the city. This will potentially reflect in the performance of the music venue.

The Marquee would be a direct competitor for the large population of Arizona State Students due to its proximity to campus. Depending on how the music venue is programmed, there is opportunity for both venues to host events for different demographics and for both to succeed, though some cannibalization is expected. The Project's entertainment venue will have capacity for nearly 600 more attendees compared to the Marquee, meaning it will attract shows that are more optimistic about attendance, while the Marquee could be the more conservative venue for promoters looking to host an event in the 2,000 – 4,000 range. Promoters will also choose a venue based on seating type. The Marquee requires visitors to stand, while the Project would have fixed seating.

The Project would benefit from being the only venue with a true walkable district surrounding the music venue. The other venues in the market have fewer options to visit before and after an event. This provides an opportunity for the Project to use its critical mass to succeed and become a high performing asset in the market.

Interviews: LiveNation, Feld Entertainment, and Creative Artists Agency

The Real Customer is the Production Team. Interviews indicated that a venue's customer is the artist and their production team versus the ticket-buying customer. If a venue has high quality green rooms for artists and can be easily navigated by production crews, it will become a favorite venue for event promoters. With Bluebird Development's proposal conveying intentions to achieve this high-quality, it is likely its success would be sustained for many years.

The Consumer. The Tempe Entertainment District will be highly accessible to large populations even during times of high traffic. The Project is located near large residential populations, large office buildings, and near a large college student population. The locational excellence of the Project will make it an easy venue to attend for many individuals, meaning it is likely customers will not skip a concert based on the inconvenience of traffic and transportation.

Types of Events. Interviews with Feld Entertainment indicated the plans for the arena will make it a viable facility for events such as Disney on Ice, WWE, and many other events. The music venue in the Tempe Entertainment District will be a potential venue for their stage events such as The Trolls Experience and Sesame Street Live. The proposed venue checks all of the boxes for Feld, so it is likely the calendar concerns and rental rates will be the only limiting factors for the promoters like Feld when they bring acts to the Phoenix market. LiveNation indicated that the venue would likely be ideal for virtually any large concert, but the largest shows could go to Footprint or Gila River to get the extra 3,000 ticket sales.

High Ticket Prices and Past Performance. Promoters prefer markets that demand high ticket prices. The Phoenix market has a growing population with increasing wages. The Tempe area is no exception from this trend. Promoters analyze their past event performance in a given market to determine if they decide to host another event in the market. Events in the Phoenix market have performed well in the past, proving that the Phoenix market is strong. The high wages and increasing population show this trend will likely continue with a new arena in this high earning area.

Calendar Concerns. Tour routing is the path that a show moves from one market to the next. This creates tight calendar windows when an artist could perform in a given city. This results in calendar days becoming a deciding factor for shows. The NHL and NBA season overlap, meaning that during sports seasons the calendar will be limited at the Footprint Center and the Tempe Entertainment District. Gila River will benefit from not having a tenant and an open calendar. Other factors are considered when choosing a venue, but often calendar dates are a key decision point. With 41 regular season home games, this will not be a big concern for the Project.

Geographical Isolation. A limiting factor to increasing the number of events in the Phoenix market is its geographical location relative to other large markets. The northeast is often seen as an ideal region for routing shows because many large metropolitan areas are within a short the drive of each other. Phoenix is hurt by its lack of drivability from other major markets and is often a reason that the Phoenix market is removed from a tour.

Conclusion

The Phoenix market will have three venues that will compete for arena concerts; thus available calendar dates, venue location, and quality will become the deciding factors for event promoters.

Arena. Bluebird's analysis assumed 43 events and concerts per year. As a point of reference, in 2019 there were 67 events and concerts between the Footprint Center and Gila River, with 91 (2015) being the record number in recent history. With strong population and economic growth in the Phoenix market, Hunden found it probable that interest from promoters will grow sizably in the coming years, exacerbated by a new arena. While a new arena would likely bring some new events to the market, an arena in Tempe would likely receive most shows via cannibalization from the Footprint Center and especially Glendale.

The Tempe Entertainment District will be the newest, highest quality arena product on the market. The surrounding entertainment district will allow the venue to provide guests with an experience, before, during, and after an event than the other facilities. This fan experience, now in a centralized location, will aid in the success of the facility in the eyes of promoters and customers. As a result of the positives of location, style and experience, Hunden estimated 41 concert and event days annually.

Music Venue. Bluebird's analysis included 75 annual event days for the music venue. Hunden determined this number of events may be achievable, but represents the Project taking a significant portion of an already competitive market. From interviews with promoters and an analysis of current market conditions, Hunden determined 40 annual events to be an achievable number of events. Of these annual events, Hunden assumed 80 percent of shows and visitors would be net new to Tempe. This represents the Project cannibalizing an estimated eight shows per year from the Marquee. The TED music venue and the Marquee are different sizes (3,000 versus 2,400) and set-ups (fixed-seating versus a flat floor), thus attract different types of shows. From the different natures of the venues, HSP's cannibalization estimates are more conservative. These event and cannibalization assumptions are reflected in the report's economic impact analysis.

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MULTIFAMILY MARKET OVERVIEW

In this chapter, HSP will analyze the current conditions of the Tempe residential market, specifically multifamily, and compare it with the proposed residential components within the Tempe Entertainment District.

As previously discussed, after both phases of Project construction, TED will host a minimum of 1,680 apartments. These apartments will be spread across four residential buildings and comprise at least 1.79 million square feet.

Phoenix Multifamily Market

The Phoenix multifamily market experienced tremendous growth over several years prior to the COVID-19 pandemic. The market experienced high population growth and significant price escalation in the single-family housing market. However, due to supply constraints in the single-family home inventory, migrants into the market are now renting out apartments.

The following table summarizes the performance attributes of the Phoenix multifamily market as of Q4 2021.

Table 4-1

KEY INDICATORS

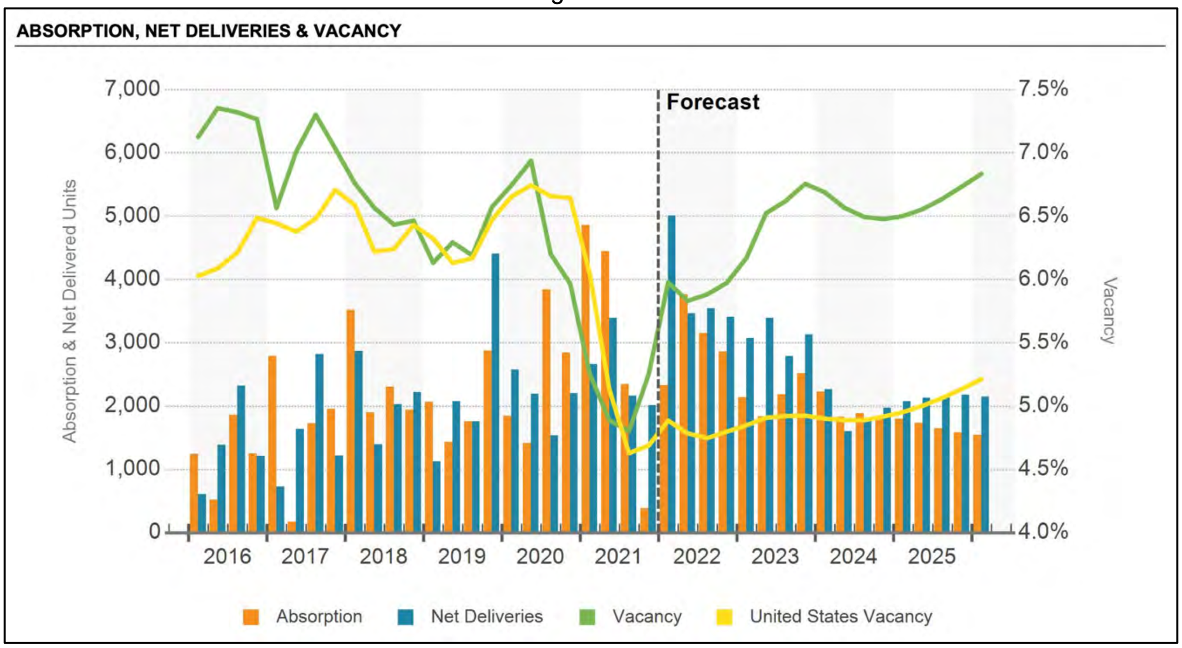
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	150,025	6.5%	$1,854	$1,843	430	682	21,061
3 Star	135,239	4.5%	$1,399	$1,394	(52)	42	6,686
1 & 2 Star	58,458	4.6%	$1,015	$1,010	(63)	6	10
Market	**343,722**	**5.4%**	**$1,554**	**$1,546**	**315**	**730**	**27,757**

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.3%	8.5%	6.5%	12.7%	2009 Q4	4.8%	2021 Q3
Absorption Units	10,559	5,204	8,333	15,999	2021 Q2	(3,968)	2007 Q4
Delivered Units	9,977	5,428	10,534	10,928	2020 Q2	250	2011 Q3
Demolished Units	39	189	188	699	2016 Q2	0	2018 Q2
Asking Rent Growth (YOY)	20.4%	3.2%	5.5%	22.5%	2021 Q3	-7.3%	2009 Q4
Effective Rent Growth (YOY)	20.8%	3.2%	5.5%	23.5%	2021 Q3	-7.2%	2009 Q4
Sales Volume	$15.3B	$3.4B	N/A	$15.2B	2021 Q4	$338.3M	2009 Q1

Phoenix experienced low vacancies of 5.4 percent in Q4 of 2021. The majority of the demand in the market is for Class A (4&5 star) properties, and absorption of units is outpacing the deliveries in the market by a slight margin. The development pipeline in the market is more focused on Class A (4&5 star) properties with over 21,000 units currently under construction and 682 units being delivered in the Q4 of 2021. Asking rents increased by 22 percent in Q3 of 2021.

The following figure shows the relation between deliveries, absorption, and vacancy over time in the Phoenix market.

Figure 4-1



As mentioned earlier, the market is anticipating a major influx of deliveries. Market vacancies are expected to grow to more than 6.5 percent by 2025, which will be higher than the national vacancy average. Absorption is expected to follow with deliveries in the market.

Tempe Multifamily Overview

As a result of the COVID-19 pandemic, multifamily markets have developed differently across the United States. The fundamentals within the Tempe market have improved significantly since 2020. There are two groups that continue to push demand for living space in the area. In recent years, young professionals and students. Tempe has become a nationally recognized market for technology and finance companies, increasing the demand from young professionals. Additionally, the student population has increased as Arizona State University allowed students to return to campus during the fall of 2020.

The following table summarizes the performance attributes of the Tempe multifamily market as of Q4 2021.

Table 4-2

KEY INDICATORS

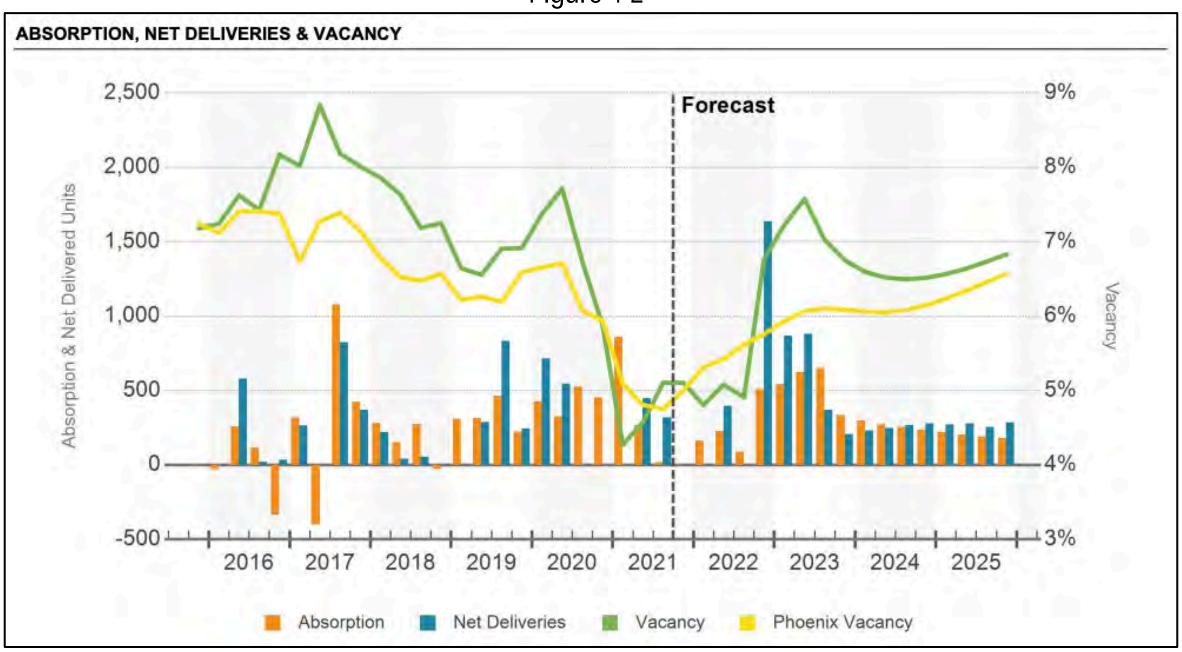
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	17,495	6.0%	$1,830	$1,820	79	0	2,815
3 Star	29,480	5.2%	$1,435	$1,429	(188)	0	1,120
1 & 2 Star	6,986	3.9%	$1,125	$1,120	1	0	0
Submarket	**53,961**	**5.3%**	**$1,561**	**$1,553**	**(108)**	**0**	**3,935**

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.6%	7.7%	6.5%	11.2%	2002 Q2	4.3%	2021 Q1
Absorption Units	1,049	567	1,117	2,158	2021 Q1	(1,461)	2002 Q1
Delivered Units	765	599	1,461	2,338	2020 Q2	0	2011 Q3
Demolished Units	0	29	27	277	2011 Q2	0	2021 Q3
Asking Rent Growth (YOY)	20.8%	2.7%	5.8%	22.9%	2021 Q3	-6.9%	2009 Q4
Effective Rent Growth (YOY)	21.4%	2.7%	5.8%	24.3%	2021 Q3	-6.7%	2009 Q4
Sales Volume	$2.3B	$479.2M	N/A	$1.9B	2021 Q3	$350K	2009 Q1

Vacancy dropped to a historic low in the submarket, sitting at six percent for the Class A (4&5 star) properties in Q4 2021. Asking rent averaged just over $1,800 per unit. Even during the COVID-19 pandemic, the upscale properties saw positive absorption with little to no rent concessions. There were no deliveries in 2021, though nearly 4,000 units are under construction.

The following figure shows the relation between deliveries, absorption, and vacancy over time in the Tempe submarket.

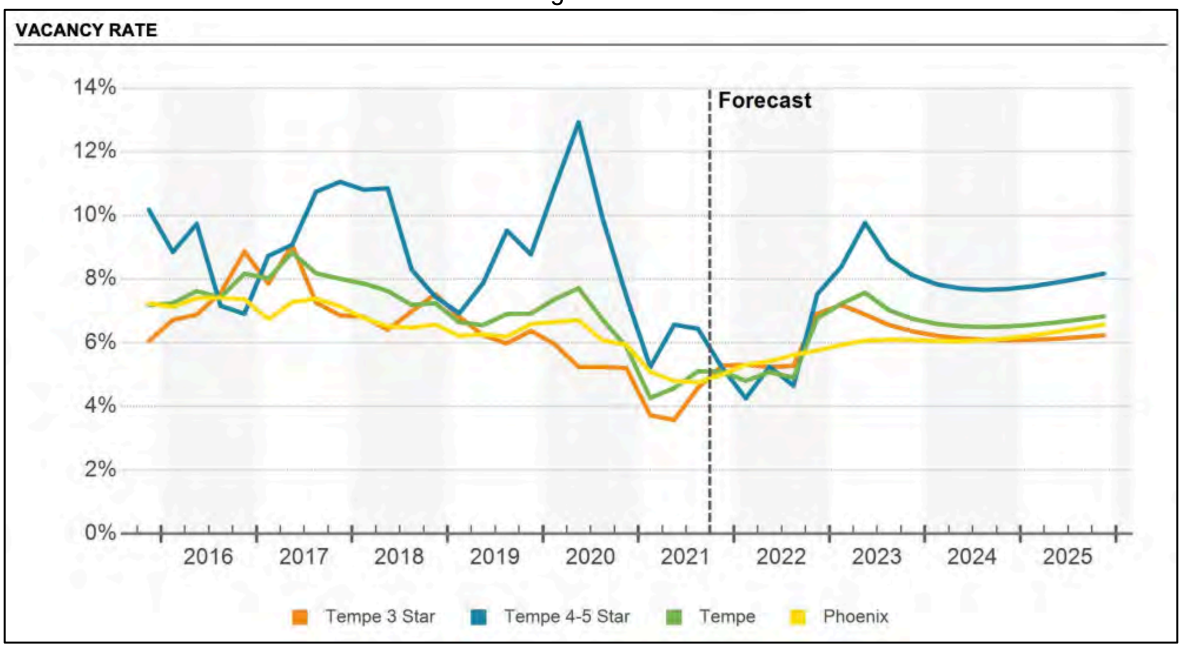
Figure 4-2



As new properties have been introduced to the Tempe market, they have been absorbed readily. This trend is anticipated to continue, even with record levels of construction in the area.

Vacancy levels for multifamily in general are estimated to increase with the new deliveries. As a result of the COVID-19 pandemic and increasing income levels, the Tempe market has seen an increase in demand for higher quality living accommodations. The following figure will show the anticipated impact on vacancy for different quality apartments in the Tempe area.

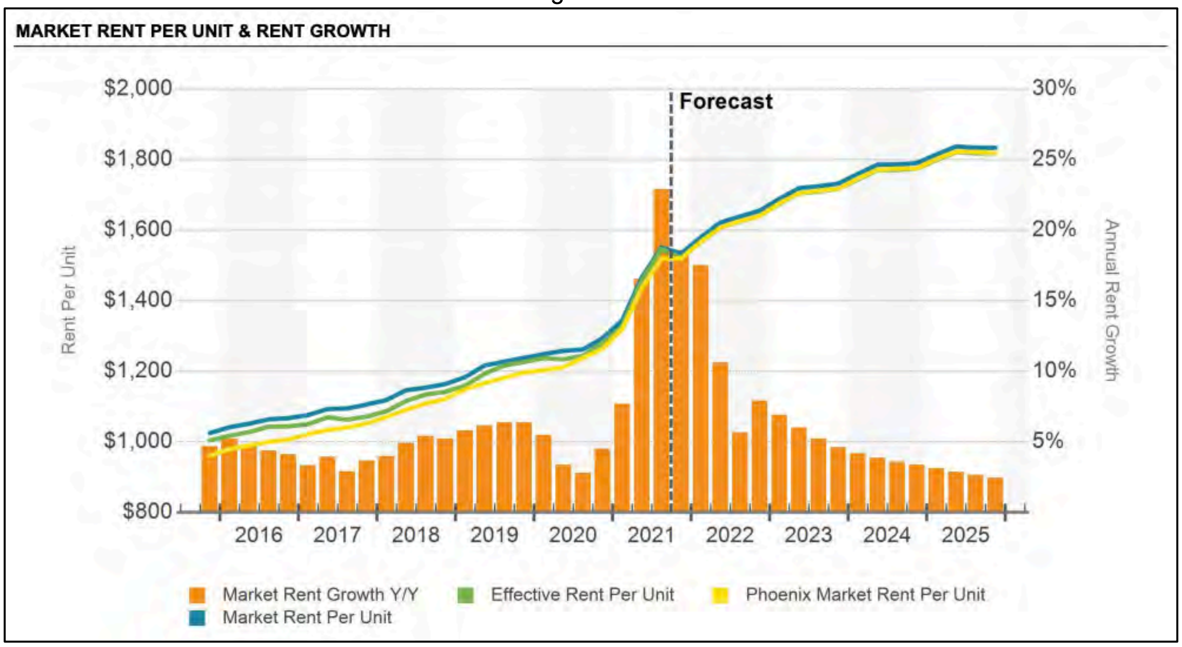
Figure 4-3



Deliveries in Tempe have been concentrated within the Class A (4&5 star) quality levels. As new supply enters the market, Class A (4&5 stars) properties tend to face higher vacancies and require more time to stabilize. This pattern is noticeable in the graph above. Class A properties in the market typically take 12-15 months to stabilize in vacancy.

The following figure shows the impact on rent growth going forward.

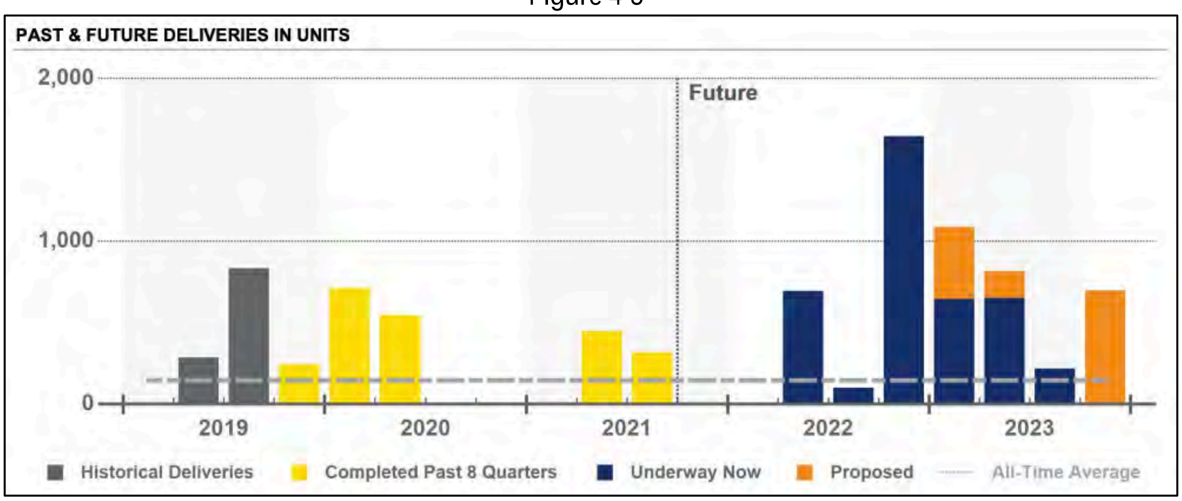
Figure 4-4



The Tempe market rent per unit is expected to grow alongside Phoenix, as both markets have been experiencing significant growth during the COVID-19 pandemic. In the short-term, market rents are expected to grow rapidly as the market experiences a large influx of supply along with high population growth.

The following figure visualizes the deliveries of multifamily assets in the Tempe market.

Figure 4-5



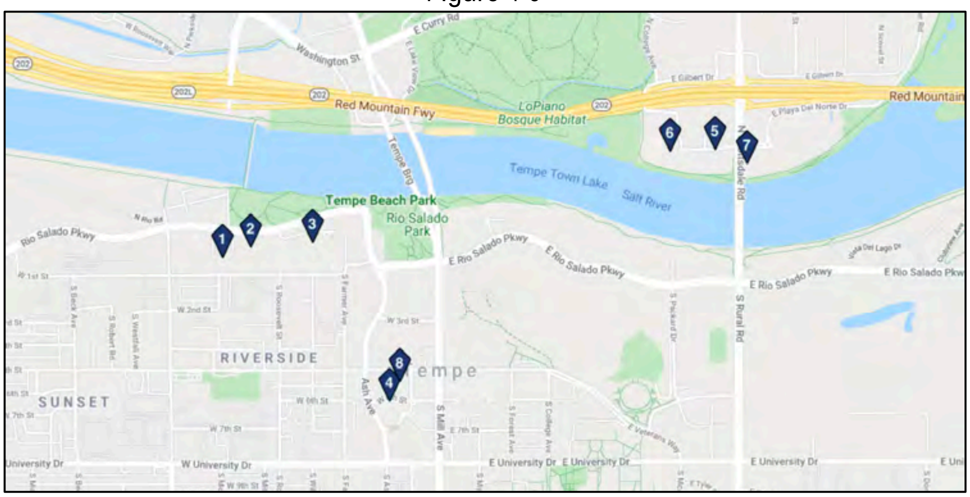
Construction slowed during the COVID-19 pandemic but has begun to ramp up again. Currently there are 3,900 units under construction in the market. These units will increase the Tempe market's apartment inventory by 7.3 percent.

Comparable Multifamily in Tempe

HSP selected eight multifamily properties in close proximity to the proposed Tempe Entertainment District. By understanding these assets, the City of Tempe can gain an understanding of how the Project's 1.7 million square feet of multifamily space could perform.

The following figure maps out the selected supply in relation to Tempe Town Lake.

Figure 4-6



The following table provides an overview of performance of the selected multifamily supply.

Table 4-3

	Name	Address	Year Built	# Unit	SF GBA	Average Rent/Unit	Rent/SF	Average Unit Size	Vacancy	Property Taxes /Unit (2020)
1	Trovita Rio	701 W Rio Salado Pky	2019	209	668,122	$ 2,022	$ 2.02	1,001	1.9%	$ 2,314.88
2	Skywater at Town Lake	601 W Rio Salado Pky	2014	331	370,000	$ 2,251	$ 2.21	1,018	3.0%	$ 1,775.27
3	Lakeside Drive Apartments	500 W 1st St	2019	150	150,000	$ 1,935	$ 2.06	938	2.1%	--
4	West Sixth Tempe	115 W 6th St	2011	375	392,072	$ 2,266	$ 1.96	1,136	8.9%	--
5	Aura Watermark	420 N ScottsDale Rd	2019	360	674,580	$ 2,317	$ 2.61	887	3.1%	--
6	VELA Apartments	555 N College Ave	2016	287	254,354	$ 1,972	$ 2.33	847	5.9%	$ 1,870.49
7	Norte Town Lake	909 E Playe del Norte Dr	2019	244	418,000	$ 1,990	$ 2.56	777	0.5%	$ 953.20
8	Emerson Mill Avenue	101 W 5th St	2015	341	594,222	$ 1,420	$ 1.72	824	2.9%	$ 1,957.10
	Average			287	440,169	$ 2,022	$ 2.18	929	3.9%	$ 1,774.19

Tempe Entertainment District Competitive Set

Source: CoStar

The average rent within the competitive set is approximately $2,000 per unit. The average unit size in the competitive set is approximately 929 square feet. As one of the top attractions in Tempe, the Tempe Town Lake can also serve as a desirable location to live. Six out of the eight properties in the competitive set are located near the lake, as shown in the map above, and have lower vacancies than the Tempe submarket average. Average vacancy is nearly four percent, which is lower than the Tempe submarket average.

The following are profiles of the recent developments along Tempe Town Lark in the multifamily competitive set and are proximal to the Project site.

Trovita Rio

The Trovita Rio residential complex is located along Rio Salado Parkway, adjacent to Tempe Town Lake. The property opened in the 2019 and has a vacancy of nearly three percent. The property features a total of 209 units. The average rent is $2,022 per unit and an average unit size is 1,000 square feet.

The following image shows the exterior of the property.

Figure 4-7

The unit mix available at the complex includes: 18 studio apartments, 72 one-bedroom apartments, and 119 two-bedroom apartments. Other amenities available at the complex include over 400 parking spaces (ratio of 1.93 spaces per unit), clubhouse, luxury pool & spa, fitness center, courtyard rooftop, indoor & outdoor entertainment area with fire pit and grills.

Lakeside Drive Apartments

The Lakeside Drive Apartments residential complex is located along Rio Salado Parkway, adjacent to Tempe Town Lake. The property opened in 2019 and has a vacancy of nearly two percent. The number of units at the property total 150. It has an average rent of $1,935 per unit and an average unit size of 938 square feet.

The following image shows the exterior of the property.

Figure 4-8

The unit mix available at the complex includes: 18 studio apartments, 38 one-bedroom apartments, and 91 two and 3, three-bedroom apartments. Other amenities available at the complex include a business center, clubhouse, outdoor resort-style pool, coffee bar, fitness center, and clubhouse with a community kitchen. The apartment complex is within one mile of the ASU campus and three other school districts.

Supply and Demand Analysis

Analyzing how inventory has been delivered and absorbed in the market is critical in projecting both the ability and rate at which the market absorbs new units as proposed in the Project.

The following table details the overall historical and five-year projected supply and demand for the Tempe submarket.

Table 4-4

OVERALL SUPPLY & DEMAND						
	Inventory			Absorption		
Year	Units	Growth	% Growth	Units	% of Inv	Construction Ratio
2026	49,191	1,029	2.1%	753	1.5%	1.4
2025	48,162	1,062	2.3%	890	1.8%	1.2
2024	47,100	794	1.7%	1,028	2.2%	0.8
2023	46,306	1,962	4.4%	1,593	3.4%	1.2
2022	44,344	2,040	4.8%	1,244	2.8%	1.6
YTD	42,304	0	0%	(9)	0%	0
2021	42,304	765	1.8%	1,193	2.8%	0.6
2020	41,539	1,261	3.1%	1,404	3.4%	0.9
2019	40,278	1,215	3.1%	1,057	2.6%	1.1
2018	39,063	312	0.8%	896	2.3%	0.3
2017	38,751	1,454	3.9%	915	2.4%	1.6
2016	37,297	531	1.4%	731	2.0%	0.7
2015	36,766	1,146	3.2%	519	1.4%	2.2
2014	35,620	364	1.0%	576	1.6%	0.6
2013	35,256	7	0%	443	1.3%	0
2012	35,249	394	1.1%	790	2.2%	0.5
2011	34,855	320	0.9%	421	1.2%	0.8
2010	34,535	(222)	-0.6%	446	1.3%	-

Historically, net absorption of new deliveries in the market have outpaced deliveries. This is due to the population growth in the area and the significant rise in single-family housing prices. However, the five-year projections indicate that new deliveries of apartment complexes will outpace the net absorption of units by a marginal amount per year. As mentioned earlier, there are more than 6,800 units expected to be delivered within the next five years.

Implications

The multifamily market in Tempe has strong fundamentals with a projected high annual growth in population over the next five years, which is profiled in prior chapters. People moving into the area prefer Class A (4- and 5-star) properties with a variety of amenities over older / more affordable residential units. The typical amenities offered at these properties include an outdoor or resort-style pool, clubhouse, social spaces, and fitness center. While most of the proposed Project components will cater to tourists/overnight visitors in the area, the residential elements will be within walking distance of all the Project components. These are often desirable locations for a younger workforce or families who prefer to be close to tourist hotspots as they often have compelling retail, dining, and entertainment options nearby. In addition to the younger workforce and families that are entering the market, the growing student population in the area is contributing to the steady rent growth rate, even during the COVID-19 pandemic, as ASU allowed for in-person instruction after the fall 2020 semester.

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OFFICE MARKET OVERVIEW

In this chapter, HSP will analyze the current conditions of the Tempe office market and compare it with the proposed office components within the Tempe Entertainment District. HSP utilized Costar to provide an overview of the Tempe submarket, followed by an analysis of comparable properties in the market. Market data is sourced from the fourth Quarter of 2021.

As previously discussed, after both phases of Project construction, Bluebird has planned for a minimum of 383,000 square feet of office space with at least 770 parking spaces.

Phoenix Office Market Overview

The Phoenix office market, much like the national office market, experienced a major decline in occupancy as restrictions in gatherings in public spaces has forced office tenants to re-think their space needs. However, as profiled in prior chapters, the strong employment base and strong population growth in the area have warranted the need for additional deliveries of office space in the area.

Currently, new restrictions on public gatherings in the area have allowed employers to bring back employees into their workspaces. In addition, contractions in rent along with concessions offered by landlords have allowed tenants, who were previously priced out of the market or could not find spaces in the market, to find available office space.

The following table summarizes the performance attributes of the Phoenix office market.

Table 5-1

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	65,499,536	19.8%	$32.44	24.0%	(828,765)	0	1,391,796
3 Star	86,700,344	13.1%	$25.89	15.8%	84,354	0	260,103
1 & 2 Star	41,271,771	8.2%	$20.35	9.4%	20,381	0	0
Market	**193,471,651**	**14.3%**	**$26.97**	**17.3%**	**(724,030)**	**0**	**1,651,899**

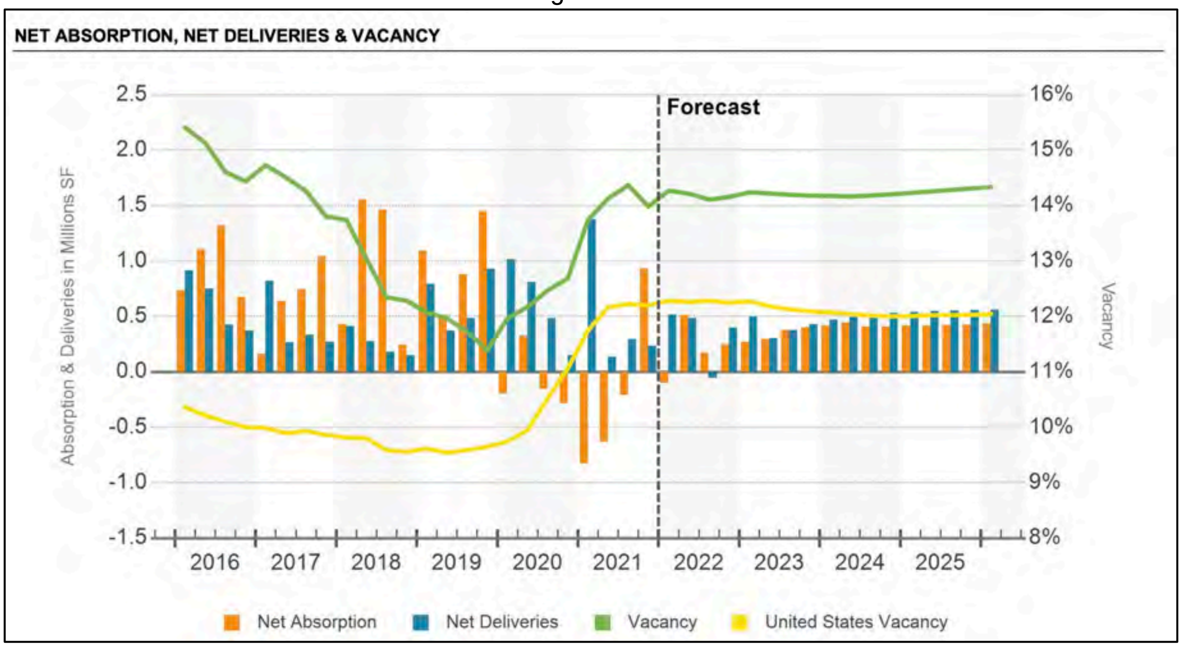
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.3%	14.6%	14.2%	20.4%	2010 Q1	8.8%	1999 Q3
Net Absorption SF	(1.2M)	2,819,628	1,411,167	9,215,388	2006 Q2	(2,934,915)	2009 Q3
Deliveries SF	2M	3,825,403	2,014,915	9,149,396	2007 Q4	302,632	2013 Q4
Rent Growth	2.4%	1.2%	3.9%	11.3%	2006 Q3	-13.0%	2009 Q4
Sales Volume	$3.4B	$1.9B	N/A	$4B	2007 Q3	$347.8M	2010 Q1

The Phoenix office market witnessed a vacancy rate of 14 percent. Most of the vacancy stems from the Class A (4- and 5-star) properties and have experience a negative net absorption of over 828,000 square feet. The development pipeline in the market is more focused on Class A (4- and 5-star) properties with over 1,390,000 square feet under construction. The majority of the supply in the market is focused on 3-star properties. The

12-month rent growth was recorded at approximately two percent. However, it should be noted that the Phoenix office market is forecasted to grow at nearly four percent in total over the next twelve months.

The following figure shows the relation between deliveries, absorption and vacancy overtime in the Phoenix office market.

Figure 5-1



As mentioned earlier, the office market has experienced a large influx of over 1.3 million square feet of space. Market vacancies have been and are expected to remain above the U.S. national average. As the effects of the pandemic and the work-from-home culture persists, the market vacancy is projected to remain slightly above 14 percent, while U.S. national averages will be sustained at just over 12 percent from 2022 through 2025.

Tempe Office Market Overview

The office space in the Tempe Entertainment District is planned to be 243,000 square feet of Class A, 5star office space. This will be on the upper end of the current offerings in the market. As a result, Bluebird Development's proposal has projected to achieve $45 per square foot in rent in year one and 90 percent occupancy by stabilization. In order to verify these assumptions, HSP analyzed the current market conditions of the Tempe office submarket.

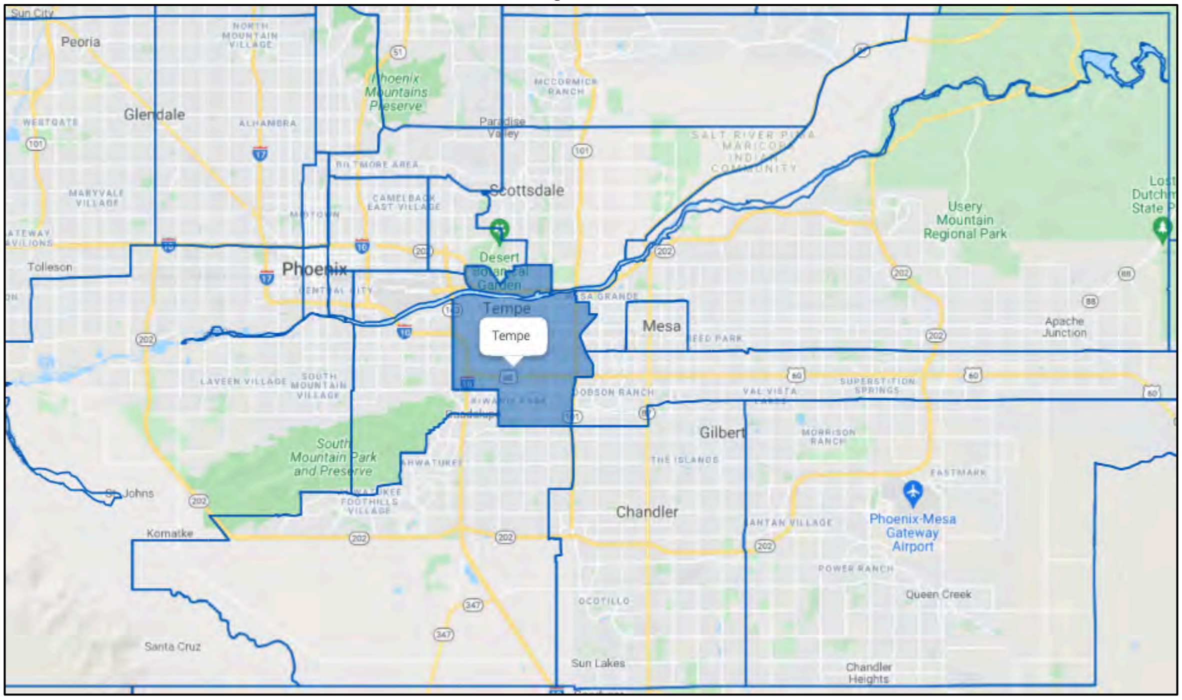
Tempe Office Market Analysis

From a real estate perspective, office fundamentals have softened since the pandemic first introduced the idea of working remotely. As a recovery from the effects of COVID-19 continue, through increased vaccinations, the

Tempe submarket will likely rebound and experience increases in office leasing. This rebound will likely occur at a faster rate compared to other parts of the country due to the number of technology and finance companies that have begun locating to the area.

The location of the Tempe office submarket relative to the Phoenix metro area is shown below.

Figure 5-2



The following table summarizes the performance attributes of the Tempe office market.

Table 5-2

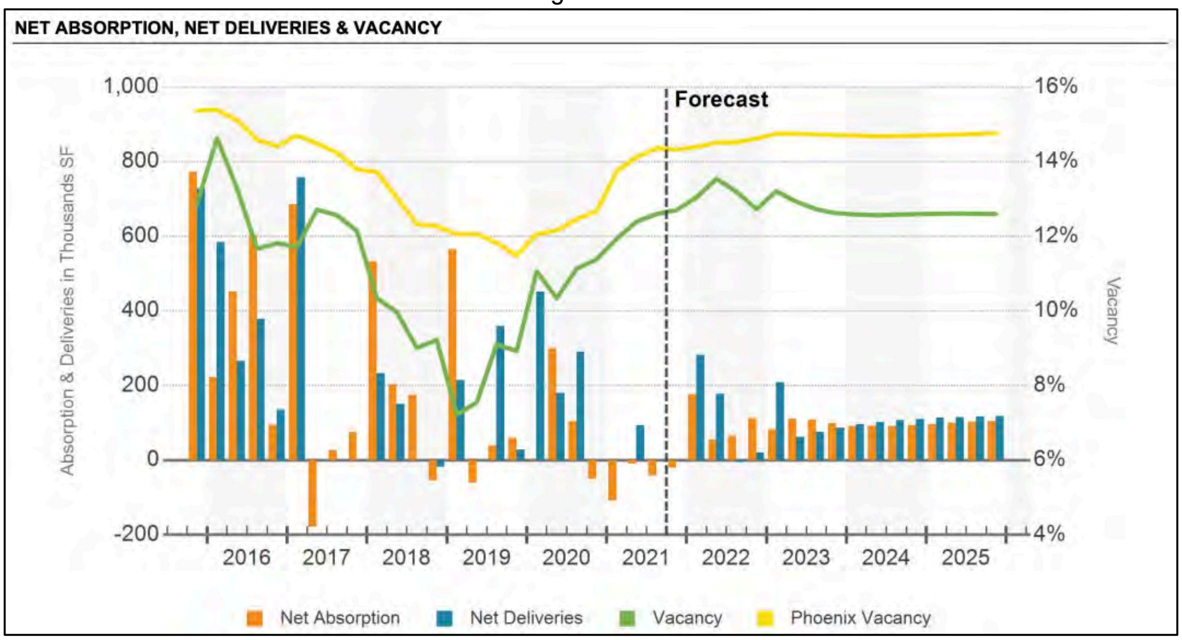
KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	10,173,218	8.7%	$36.06	17.5%	5,993	0	635,526
3 Star	7,048,600	20.8%	$24.59	29.3%	22,952	0	0
1 & 2 Star	2,708,200	4.9%	$19.89	6.0%	(926)	0	0
Submarket	**19,930,018**	**12.5%**	**$30**	**20.0%**	**28,019**	**0**	**635,526**

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.1%	10.9%	12.8%	16.3%	2009 Q3	5.6%	1999 Q1
Net Absorption SF	(133K)	376,338	331,806	2,048,884	2016 Q3	(601,343)	2009 Q3
Deliveries SF	93.1K	465,982	421,593	1,960,839	2016 Q3	0	2014 Q3
Rent Growth	1.7%	1.1%	3.0%	11.0%	2006 Q3	-13.3%	2009 Q4
Sales Volume	$401M	$199.3M	N/A	$1.2B	2018 Q3	$19.7M	2009 Q4

Office vacancies for the Tempe submarket are at an average of approximately 12.5 percent, just below the Phoenix office market at 14 percent. Over 50 percent of the supply in the market is heavily concentrated in the Class A (4- and 5-star) quality with more than 635,000 square feet of Class A office space currently under construction. Growth in rents is slightly above the historical average of 1.1 percent. However, it should be noted that rent growth for this submarket is forecasted to grow at a rate of three percent over the 12 months. This is slightly below the four percent forecasted for the overall Phoenix office market over this same period.

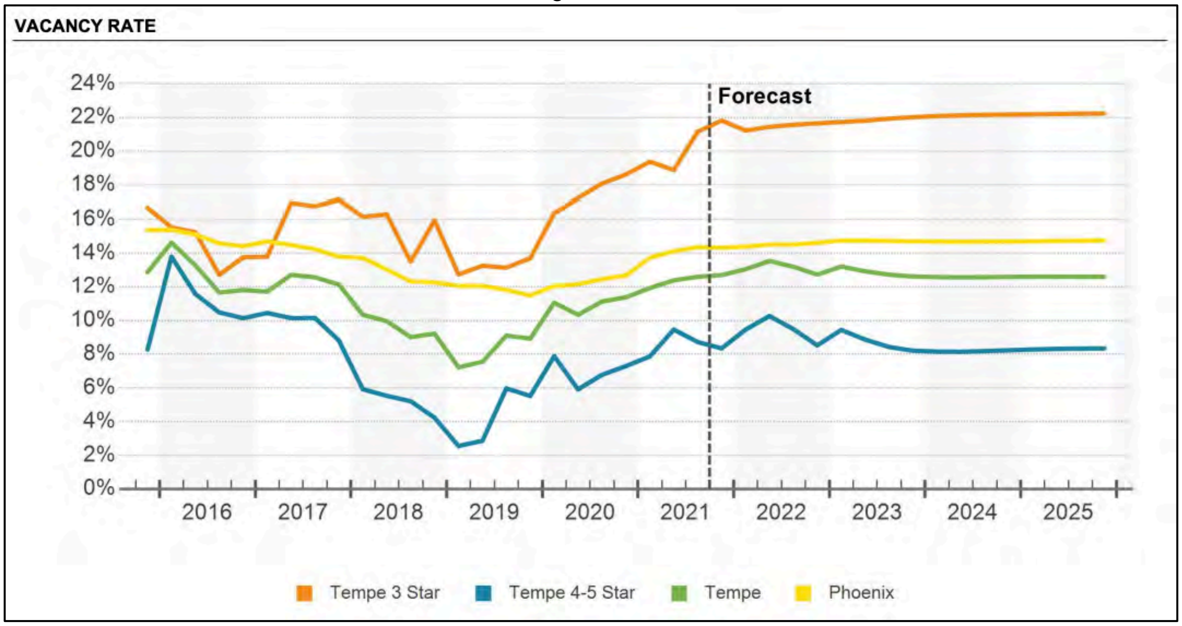
Figure 5-3



.As buildings age in the downtown Phoenix area, this outward trend of office space will continue to exacerbate. The vacancy rate for office space in Tempe is projected to decrease even with the planned constructions coming online in the coming years.

The following figure shows the forecasted vacancy rates by quality of office buildings within the Tempe submarket.

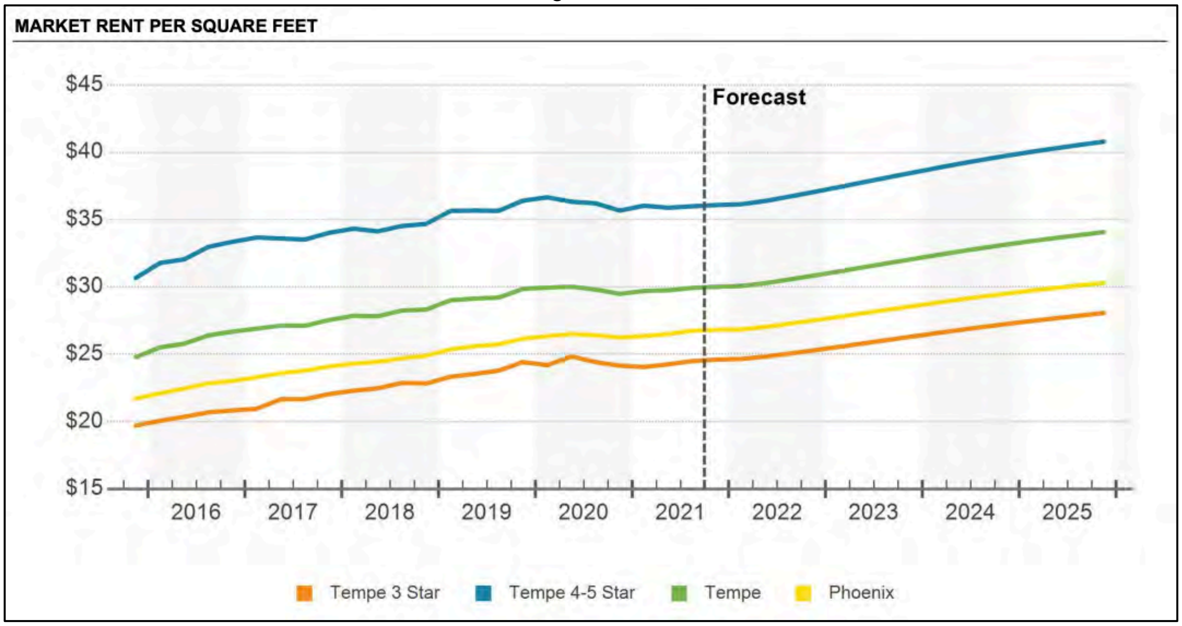
Figure 5-4



Older, outdated office space in the Tempe area is forecasted to see greater levels of vacancy going forward, while 4- and 5-star office space is projected to have the lowest vacancy rates in the area, averaging around eight percent over the next five years. This is significantly lower than the forecasted 14 percent for the Phoenix office market and 12 percent for the U.S through 2025.

Historical and predicted office market rent growth is shown in the following figure.

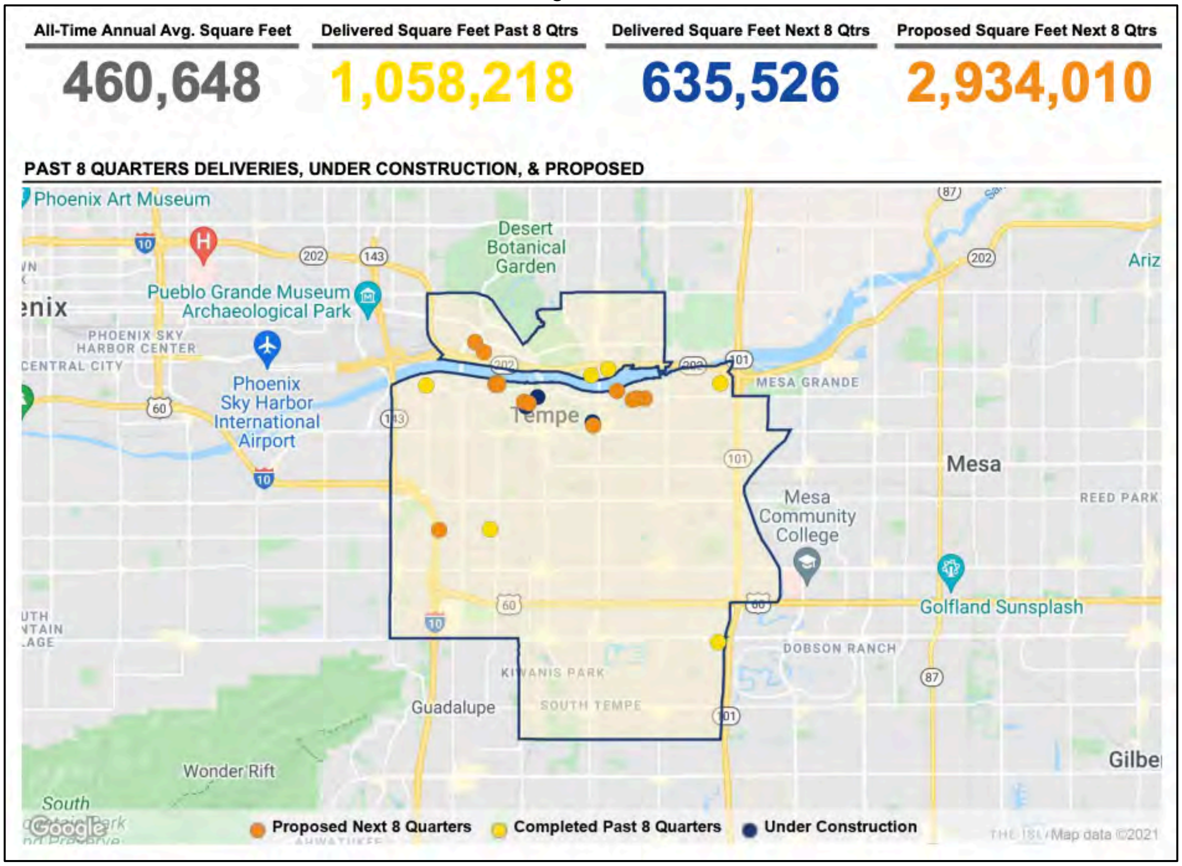
Figure 5-5



High quality office space is expected to grow rents between two and three percent over the next five years. By 2025, high quality office space is expected to lease for $40 per square foot.

An overview of office deliveries to the Tempe submarket is shown in the following figure.

Figure 5-6

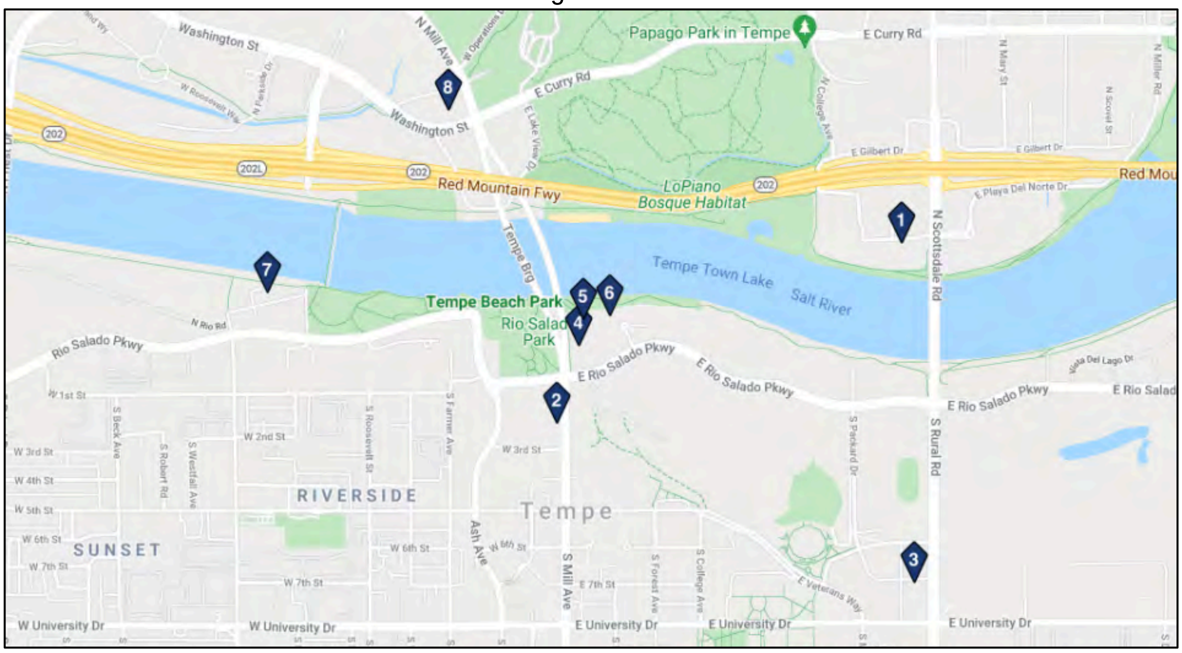


Over the previous eight quarters, more than double the historical average amount of office space has been delivered to the Tempe submarket. This growth is expected to continue given the additional 2.9 million square feet of proposed office space planned over the next two years. As indicated in the map above, the majority of this new office space is located around Tempe Town Lake. An analysis of the current office space in these hotbeds of development will be shown in the following section.

Comparable Office Space in Tempe

HSP selected eight office properties in close proximity to the proposed Tempe Entertainment District, as indicated in the map below.

Figure 5-7



The figure shows that the competitive set is mainly located off of East Rio Salado Parkway and the northern side Tempe Town Lake.

The following table lists the competitive set of office space that is currently in the Tempe submarket.

Table 5-3

Tempe Class A Office Competitive Set

	Name	Year Built	Rentable Office SF	Est. Asking Rent SF	Available Office SF	Vacancy
1	The Watermark Phase I	2020	265,000	$ 45.00	13,707	5.2%
2	Tempe Gateway	2009	263,937	$ 43.00	105,406	39.9%
3	777 Tower at Novus Innovation Corridor	2020	161,500	$ 43.50	30,000	18.6%
4	Hayden Ferry Lakeside III	2015	264,236	$ 40.25	49,425	18.7%
5	Hayden Ferry Lakeside II	2007	299,540	$ 48.50	105,593	35.3%
6	Hayden Ferry Lakeside I	2002	203,113	$ 35.00	76,161	37.5%
7	IDEA Phase I	2020	185,833	$ 39.00	37,758	20.3%
8	Papago Gateway Center	2008	246,770	$ 32.00	81,385	33.0%
	Average		236,241	$ 40.78	62,429	26.1%

Source: CoStar

By understanding these assets, the City of Tempe will gain a better understanding of how the Project's 243,000 square feet of office space could perform.

The following profiles the two most recent office developments within the competitive set.

The Watermark Phase I

The Watermark Phase I property is located on North Scottsdale Road and has a Gross Leasable Area (GLA) of 265,000 square feet with a floor plate of more than 33,000 square feet. The property first opened in 2020 and has an average lease rate of approximately $45 per square foot and occupancy of approximately 87 percent with a diverse set of tenants.

The following figure shows the exterior of the property.

Figure 5-8

The property is anchored by Opendoor Brokerage, occupying more than 100,000 square feet of office space during the pandemic. Other notable tenants include Robinhood, WeWork and Align Technology, Inc. Other amenities offered on-site includes approximately 1,300 parking spaces, a fitness center, meeting spaces, residential units on-site and a proposed connected full-service hotel, ground floor retail and game room.

777 Tower at Novus Innovation Corridor

The Novus Innovation Corridor property has a GLA of 169,500 square feet of space with a floor plate of approximately 30,000 square feet. Opening in 2020, this property has an average lease rate of approximately $43 per square foot with an occupancy of approximately 84 percent with a two key tenants. The property also has 8,000 square feet of ground-floor retail space.

The following image shows the exterior of the property.

Figure 5-9

The property is anchored by Infosys and ASU. The lease structures available at this property are full service gross leases. The 777 Tower benefits by being located within walking distance to the ASU campus, providing the university with new available office space lease as well as giving tenants easy walking distance to various retail, dining and entertainment options.

Supply and Demand Analysis

Analyzing how inventory has been delivered and absorbed in the market is critical in projecting both the ability and rate at which the market absorbs new units as proposed in the Project.

The following table details the overall historical and five-year projected supply and demand for the Tempe submarket.

Table 5-4

OVERALL SUPPLY & DEMAND						
	Inventory			Net Absorption		
Year	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2026	22,458,838	541,425	2.5%	498,549	2.2%	1.1
2025	21,917,413	528,603	2.5%	470,192	2.1%	1.1
2024	21,388,810	485,317	2.3%	440,022	2.1%	1.1
2023	20,903,493	490,800	2.4%	420,013	2.0%	1.2
2022	20,412,693	481,307	2.4%	462,007	2.3%	1.0
YTD	19,931,386	0	0%	(80,093)	-0.4%	-
2021	19,931,386	93,125	0.5%	(116,158)	-0.6%	-
2020	19,838,261	920,733	4.9%	351,615	1.8%	2.6
2019	18,917,528	600,455	3.3%	600,204	3.2%	1.0
2018	18,317,073	362,857	2.0%	853,922	4.7%	0.4
2017	17,954,216	756,704	4.4%	608,016	3.4%	1.2
2016	17,197,512	1,363,525	8.6%	1,370,430	8.0%	1.0
2015	15,833,987	1,030,193	7.0%	648,399	4.1%	1.6
2014	14,803,794	108,998	0.7%	(102,581)	-0.7%	-
2013	14,694,796	0	0%	279,137	1.9%	0
2012	14,694,796	71,810	0.5%	339,086	2.3%	0.2
2011	14,622,986	446,393	3.1%	456,928	3.1%	1.0
2010	14,176,593	(2,200)	0%	187,687	1.3%	-

Prior to the pandemic, new deliveries in the market have outpaced net absorption. As expected, the pandemic negatively impacted this trend by putting a hold on leasing activity as tenants were re-evaluating their space needs. However, the five-year projections indicate that net absorption of office space will track new development in the market. The Project amenities, such as retail/dining and residential spaces, can serve as a catalyst in the recovery and growth of the office market in Tempe.

Implications

The office market in Tempe is mainly supported by a strong finance and technology employer base. These tenants are occupying a large amount of space, specifically within the Class A (4- and 5-star) properties that have recently opened. It is important to note that these new properties often have notable support amenities such as ground-floor retail and/or walkable retail, dining and entertainment options that fit the theme of ‘Live, Work and Play’. This theme is the most attractive in drawing a younger workforce, families and student population to the area. In addition, the lower rent rates and concessions offered by landlords are attractive components in obtaining new tenants. These factors will easily support increases in leasing activity in the near future.

The proposed Project elements lie within the theme of ‘Live, Work and Play’ and are offering rent rates that are similar to that of the competitive set. With increased vaccination rates and employees returning back to their office spaces, the TED site will gain a competitive edge in attracting and leasing office space to tenants with a younger workforce and desire to easily walk to various retail, dining and entertainment clusters.

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RETAIL MARKET OVERVIEW

The retail space in the Tempe Entertainment District is planned to be a minimum of 313,000 square feet of Class A, mixed-use retail space. This will be on the upper end of the current offerings in the market. As a result, Bluebird Development's proposal has projected to achieve $44 per square foot in rent in year one (2025) and 90 percent occupancy by stabilization. To analyze these assumptions, HSP utilized Costar to provide an overview of the Tempe submarket, followed by an analysis of comparable properties in the market. Market data is sourced from the fourth Quarter of 2021.

Phoenix Retail Market Analysis

Before the pandemic, Phoenix had one of the highest vacancy rates among large retail markets in the country. The effects of the pandemic did not help this issue, causing even higher vacancies in the Phoenix market. However, throughout 2021, the market showed strength with accelerated leasing activity in one of the fastest growing areas in the country. The influx of population growth has caused increased demand for home goods, grocery stores, shopping centers and restaurants. Momentum has been strong in the recent months as people have become more comfortable with the effects of the pandemic and desire to shop and dine in public.

The following table summarizes the performance attributes of the Phoenix retail market.

Table 6-1

KEY INDICATORS

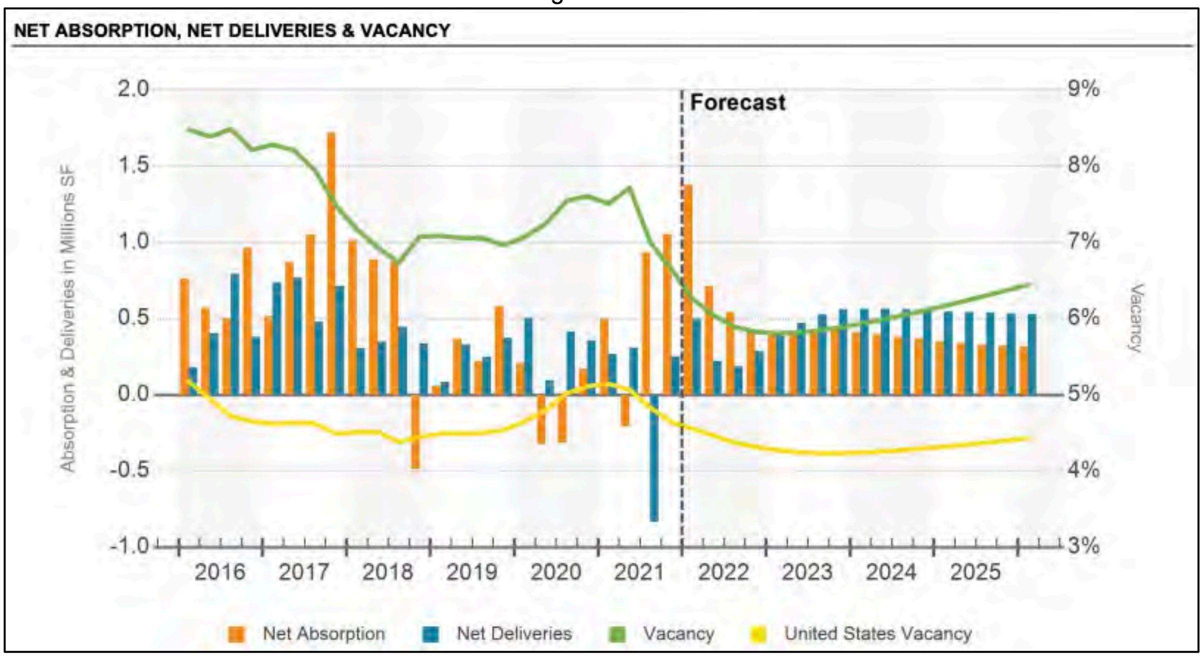
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	16,158,856	12.3%	$26.29	11.2%	396,165	0	0
Power Center	32,191,530	4.9%	$22.96	5.3%	108,214	7,000	0
Neighborhood Center	92,128,317	8.0%	$19.83	8.5%	209,127	14,500	309,184
Strip Center	13,806,760	6.6%	$18	7.4%	24,962	0	101,927
General Retail	78,991,276	3.5%	$19.82	3.5%	106,687	4,200	497,237
Other	2,431,909	11.3%	$19.96	11.6%	1,007	0	82,470
Market	**235,708,648**	**6.3%**	**$20.59**	**6.5%**	**846,162**	**25,700**	**990,818**

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-1.3%	8.8%	6.1%	12.6%	2011 Q3	5.8%	2006 Q4
Net Absorption SF	2.9M	2,472,928	1,915,245	10,838,954	2007 Q3	(2,978,733)	2009 Q3
Deliveries SF	1.2M	3,235,191	2,192,488	12,717,483	2007 Q4	695,090	2011 Q2
Rent Growth	4.8%	-0.4%	3.0%	4.8%	2021 Q4	-9.4%	2009 Q3
Sales Volume	$3.3B	$1.6B	N/A	$3.3B	2021 Q4	$436.2M	2010 Q3

The Phoenix retail market witnessed a vacancy rate of 6.3 percent. Most of the vacancy stems from malls, neighborhood centers and other smaller retailers. There is nearly one million square feet of retail under construction in the Phoenix market. The 12-month rent growth was recorded at 4.8 percent with forecasted growth of three percent over the next twelve months.

The following figure shows the relation between deliveries, absorption and vacancy overtime in the Phoenix retail market.

Figure 6-1



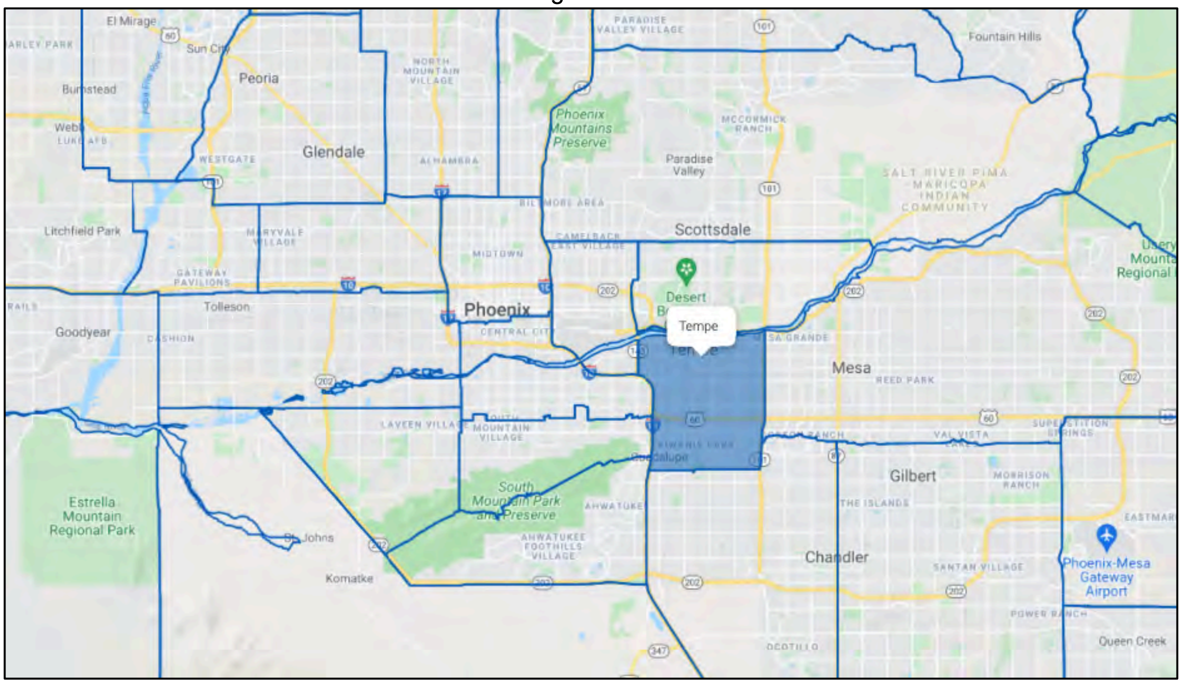
In the figure above, the green line shows the Phoenix market's vacancy dating back to 2016. The line shows that between 2016 and 2018 the market saw falling vacancy rates, but they began to rise again through 2019 and 2020. In 2021, the vacancy rate fell as momentum and demand in the retail market picked up. As large retailers and malls continue to struggle across the country, necessity good stores like grocery stores and home goods stores have begun to take their place in the Phoenix market. Smaller retailers like chains restaurants, coffee shops and gyms have also entered the market to meet the demand of the growing population.

Tempe Retail Market Analysis

At a national level, retail real estate was an asset class that was hit hard during the pandemic. During 2020, the retail vacancies in Tempe were in line with their five-year average with rent growth the strongest over the same time frame, averaging 4.7 percent growth.

The location of the Tempe retail submarket relative to the Phoenix metro area is shown below.

Figure 6-2



The Tempe submarket is a high-traffic area with multiple highways running through it making it a prominent destination for larger retail developments. The retail market in Tempe must also accommodate ASU which provides the opportunity to capitalize on the spending of a large student body, employees and visitors to the university.

The following table shows an overview of key performance metrics for retail in the Tempe submarket.

Table 6-2

KEY INDICATORS

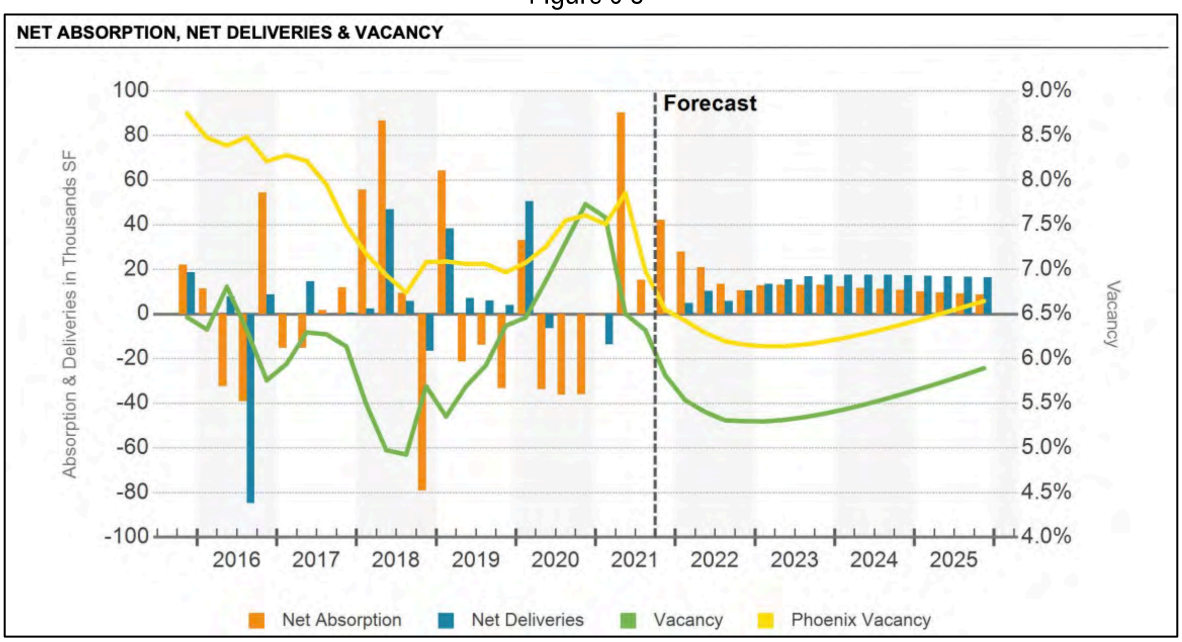
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	1,272,733	0%	$9.75	0%	0	0	0
Power Center	1,109,997	4.9%	$25.56	4.6%	0	0	0
Neighborhood Center	3,014,885	9.4%	$19.54	9.6%	35,589	0	0
Strip Center	541,841	9.6%	$20.64	11.9%	1,544	0	18,500
General Retail	2,419,823	4.2%	$22.55	4.6%	(2,162)	0	0
Other	0	-	-	-	0	0	0
Submarket	**8,359,279**	**5.9%**	**$19.79**	**6.2%**	**34,971**	**0**	**18,500**

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-1.8%	7.2%	5.6%	10.9%	2010 Q1	4.6%	2006 Q3
Net Absorption SF	139K	69,055	63,851	797,963	2007 Q4	(250,187)	2010 Q1
Deliveries SF	2.6K	109,776	63,271	822,438	2007 Q3	2,630	2021 Q3
Rent Growth	4.7%	-0.5%	3.6%	5.0%	2007 Q1	-9.6%	2009 Q3
Sales Volume	$63.6M	$67.8M	N/A	$430.3M	2016 Q2	$4.1M	2010 Q2

During 2020, retail in Tempe had positive absorption, meaning more space was leased than abandoned. The vacancy rate was well below the national average at 5.9 percent. In the past twelve months, rents have grown by nearly five percent across the submarket suggesting rebounding demand from the pandemic.

The figure below visualizes Tempe's retail net absorption, deliveries and vacancy over time.

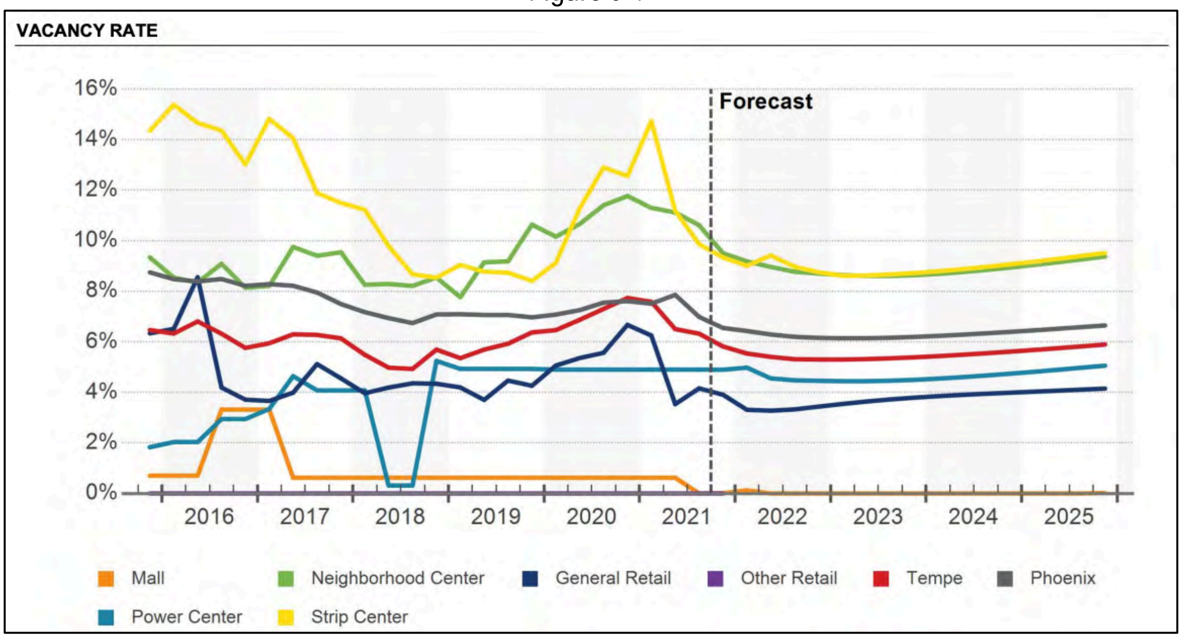
Figure 6-3



Retail in Tempe has historically witnessed lower levels of vacancy compared to greater Phoenix. In 2021, the market recorded large amounts of net absorption, revealing strength during pandemic recovery. Going forward, the market is expected to experience positive delivery of retail space and further lower vacancy rates.

The following figure shows the vacancy rates for different types of retail space in the Tempe submarket compared to greater Phoenix.

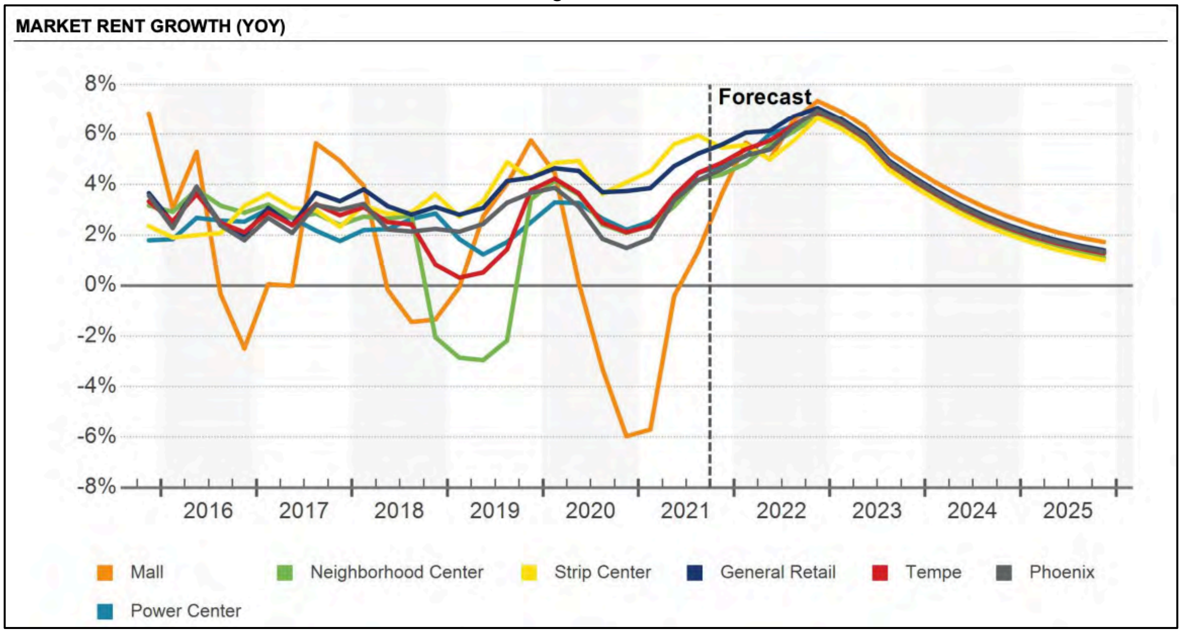
Figure 6-4



General retail, power centers and malls are the best performing types of retail in Tempe since 2016 and is forecasted to continue. Strip centers make up some of the more outdated retail spaces in the market but still remain relevant. The newer more high-end spaces are found within Tempe's shopping center and open-air malls.

The following figure shows the year-over-year rent growth for the Tempe submarket.

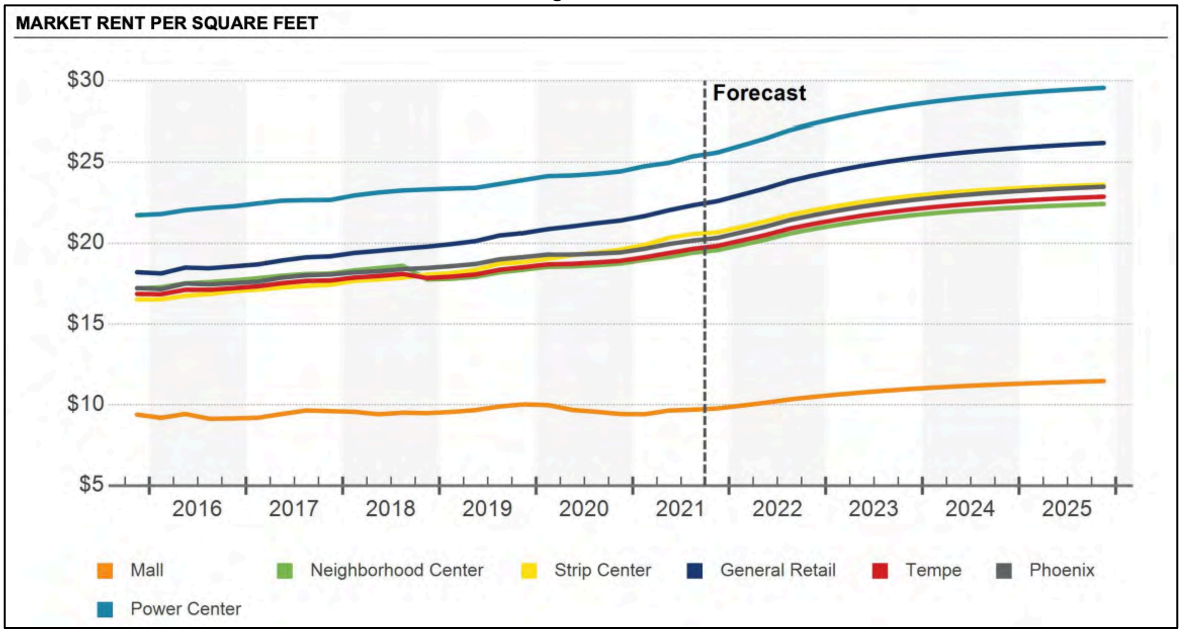
Figure 6-5



Submarket rent growth has been relatively consistent in recent years, with the exception of mall retail. Rent growth is expected to be positive, suggesting continued success within the Tempe submarket in the near future.

The following figure shows the historical and forecasted market rent per square foot for different retail types in the Tempe submarket.

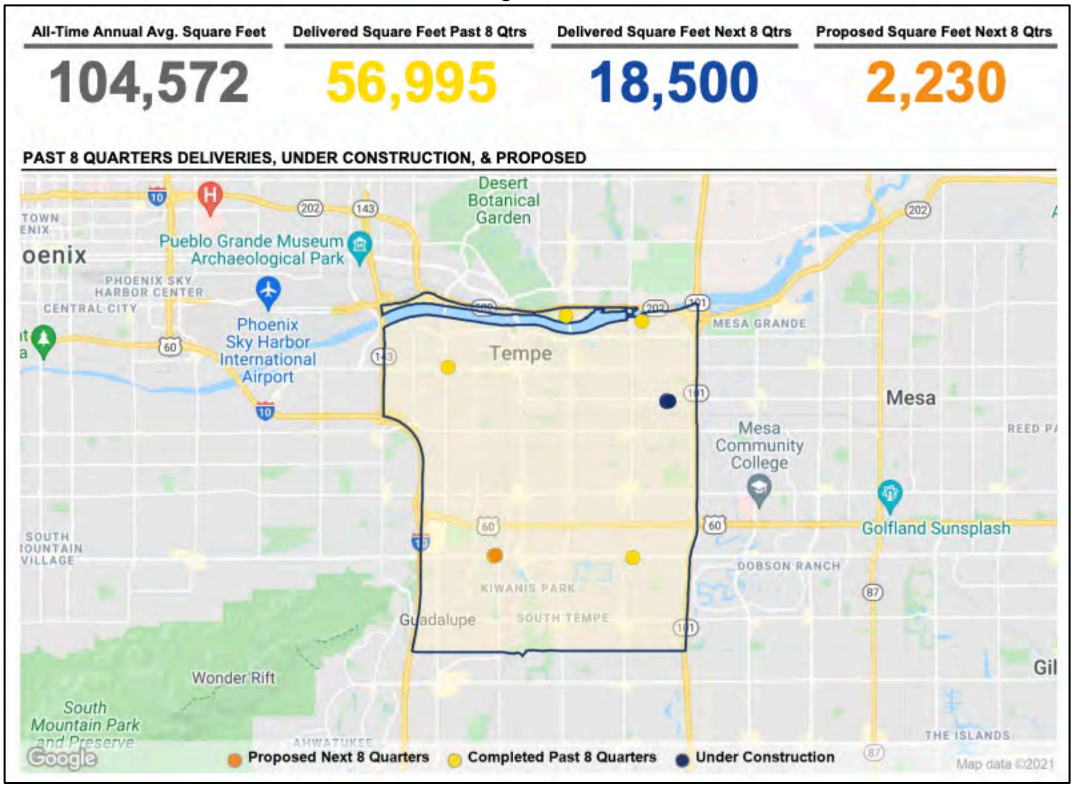
Figure 6-6



Retail within this submarket is expected to grow at a rate around five percent until 2023, growing at two percent year over year thereafter. Power centers currently demand the highest rental rates at $25 per square foot, while malls command the lowest rents at $10 per square foot.

The following figure describes the deliveries and construction planned in the Tempe retail submarket.

Figure 6-7



Retail development has been rather low in the Tempe submarket. Development has been scattered around the submarket, with the majority of development near the Arizona State campus and Tempe Town Lake.

The following table details the overall supply and demand of retail space in the Tempe submarket area.

Figure 6-8

OVERALL SUPPLY & DEMAND

	Inventory			Net Absorption		
Year	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2026	8,643,597	64,848	0.8%	32,909	0.4%	2.0
2025	8,578,749	66,833	0.8%	35,999	0.4%	1.9
2024	8,511,916	69,176	0.8%	42,869	0.5%	1.6
2023	8,442,740	59,476	0.7%	44,733	0.5%	1.3
2022	8,383,264	23,985	0.3%	135,010	1.6%	0.2
YTD	8,359,279	0	0%	10,657	0.1%	0
2021	8,359,279	(13,606)	-0.2%	140,432	1.7%	-
2020	8,372,885	44,012	0.5%	(72,845)	-0.9%	-
2019	8,328,873	55,389	0.7%	(4,293)	-0.1%	-
2018	8,273,484	39,326	0.5%	73,769	0.9%	0.5
2017	8,234,158	15,180	0.2%	(16,887)	-0.2%	-
2016	8,218,978	(68,198)	-0.8%	(5,601)	-0.1%	-
2015	8,287,176	18,757	0.2%	22,383	0.3%	0.8
2014	8,268,419	23,412	0.3%	184,394	2.2%	0.1
2013	8,245,007	10,457	0.1%	18,483	0.2%	0.6
2012	8,234,550	(78,316)	-0.9%	(13,487)	-0.2%	-
2011	8,312,866	(21,465)	-0.3%	2,121	0%	-
2010	8,334,331	18,128	0.2%	99,509	1.2%	0.2

Tempe's total square footage growth fluctuated between 2010 and 2021, growing only slightly during that period. Steady growth typically indicates that the market is healthy, however, demolition of old properties to add new space shows an increase of overall quality in the market.

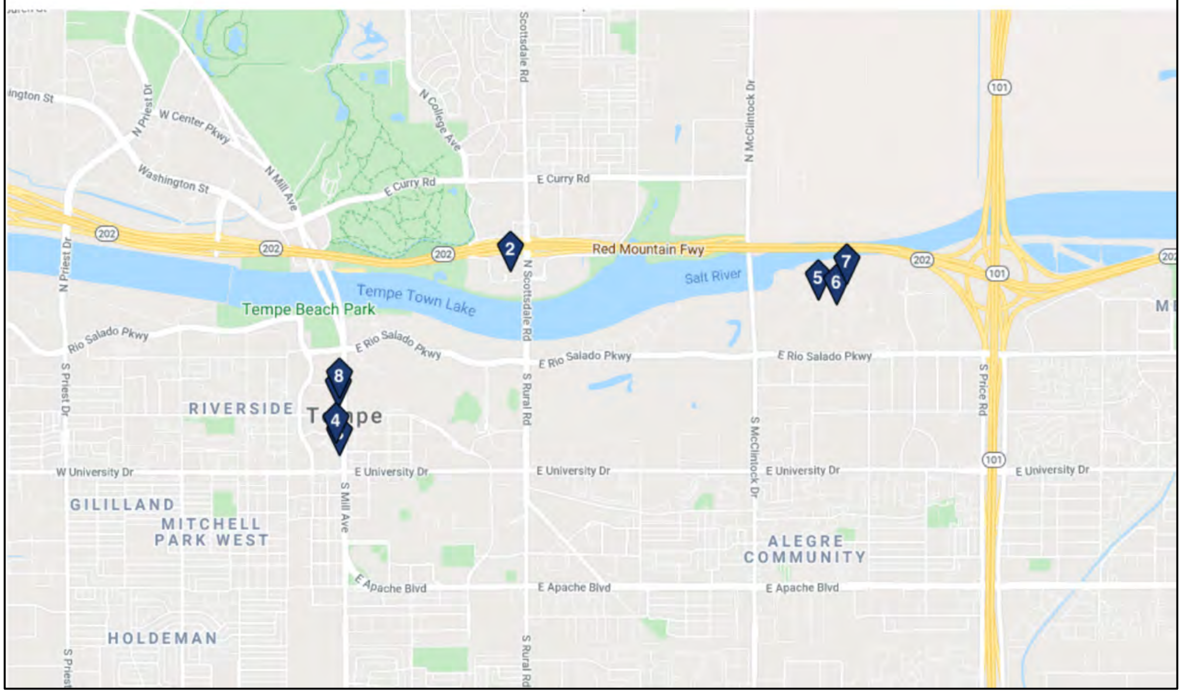
Retail and Restaurant Competitive Set

The following map shows high end retail and restaurant properties within Tempe that attract rental rates above the average market rate. These eight properties are listed in Figure 6-10 on the following pages.

Figure 6-9

Properties	Avg. SF	Avg. Vacancy	Avg. Asking Rent/SF
8	30,053	21.7%	$38.83

PROPERTY LOCATIONS



The property list map shows that the properties among the competitive set are located on South Mill Avenue and the Tempe Marketplace on East Rio Salado Parkway. The northern side of Tempe is home to more of the higher-end, experiential retailers and restaurants while the southern part of the city has numerous strip centers and free-standing retailers. Highway 202 provides the retail properties on the north end of Tempe more exposure to visitation.

The following table shows the competitive set broken down by each property.

Table 6-3

	Tempe Retail Competitive Set			
	Address	Built/Renovated	Size	Est. Asking Rent SF
1	420-501 S Mill Avenue	1998	29,100	$ 41.50
2	430 N Scottsdale Road	2020	44,000	$ 45.00
3	740 S Mill Avenue	1997	49,505	$ 33.76
4	690 S Mille Avenue	1993	12,166	$ 36.97
5	2000 E Rio Salado Parkway (Shops I)	2007	30,570	$ 46.81
6	2010 E Rio Salado Parkway	2007	22,182	$ 51.37
7	2000 E Rio Salado Parkway (Shops C)	2007	19,000	$ 23.85
8	414 S Mill Avenue	1978	33,900	$ 30.00
	Average	2001	30,053	$ 38.66

Source: CoStar

All of the competitive retail properties are found in walkable districts allowing people to easily access stores and restaurants. The section below details the two main districts within the competitive set.

South Mill Avenue

South Mill Avenue is just outside of ASU's campus and is mainly comprised of chain restaurants, bars and small retail shops. There are two main nodes on South Mill Avenue which are Mill Avenue Shops and Centerpoint on Mill. These two nodes are successful because they discourage car traffic with narrow roads, feature outdoor dining and have open, central public spaces.

The following figure shows South Mill Avenue during its Festival of the Arts.

Figure 6-10

South Mill Avenue is an activated downtown core that hosts events such as Festival of the Arts and Second Sundays on Mill. These events close down the street and open for pop-up hops and entertainment such as live music and outdoor games.

Tempe Marketplace

Tempe Marketplace was covered in Chapter 2 of this report and is one of most popular destinations within Tempe. The retail hub is a popular development adjacent to Tempe Town Lake that attracts visitors with over 100 shops and restaurants, live music, public events and a family friendly atmosphere.

The following picture shows Tempe Marketplace.

Figure 6-11

The Marketplace stays active throughout the entire day with offerings such as shopping, restaurants, mini golf and a luxury movie theatre.

Implications

The Tempe retail submarket has rebounded strongly from the pandemic with declining vacancy rates and steady rent growth over the past year. The average lease rate for the Tempe submarket reached nearly $20 per square foot, while rates at the top of the market fall between $35 - $45 per square foot. The properties that charge these high rates are located in on South Mill Avenue by ASU and within Tempe Marketplace, which both attract critical mass given their convenient locations and ability to host festivals, live music and other entertainment options.

The proposed Project would bring a live, work and play district close to Tempe's downtown core anchored by the Arizona Coyotes new arena. The proposed entertainment options, high end retailers, restaurants, hotels, residencies and office space will also generate this critical mass for the Project, allowing these spaces to demand higher rates compared to the overall Tempe market.

TABLE OF CONTENTS

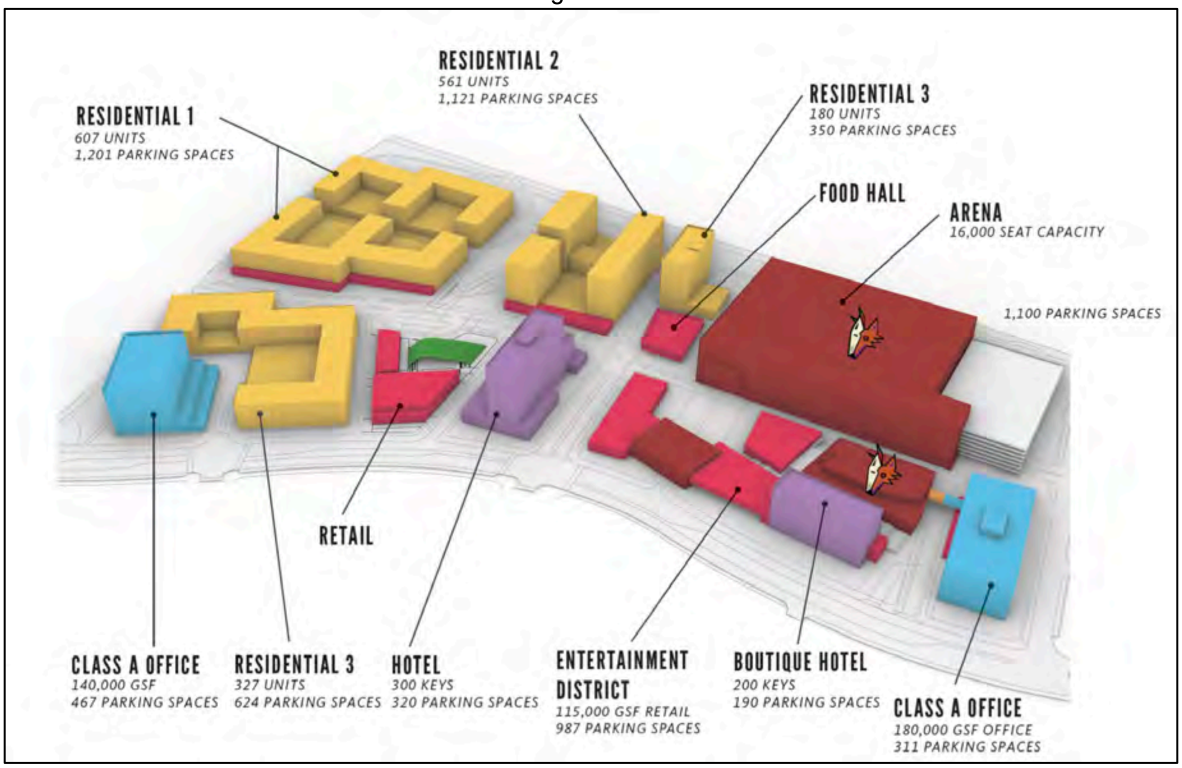
HOTEL MARKET ANALYSIS

The proposed lodging components at the TED will include a boutique and convention hotel. The TED Project site will offer at least 500 rooms.

This chapter will provide a review of national hotel trends as well as an in-depth analysis of the Tempe hotel market.

The following figure shows the location of the hotels relative to the other Project components.

Figure 7-1



As depicted in the figure above, the boutique hotel, totaling 200 rooms, will be located on the east parcel, which is proximal to the office space, the Arena, and the HQ & training facility. The convention/conference hotel, totaling 300 rooms, will be located on the west parcel and will be proximal to the retail and residential components.

National Hotel Market Trends

A thorough understanding of the national hotel market and relevant industry trends is important to the development prospects of any hotel project, whether it involves macro supply and demand issues, amenity trends, COVID-19 analysis, or other trends impacting the industry.

The following table shows selected characteristics of the U.S. lodging industry from 1992 through 2021.

Table 7-1

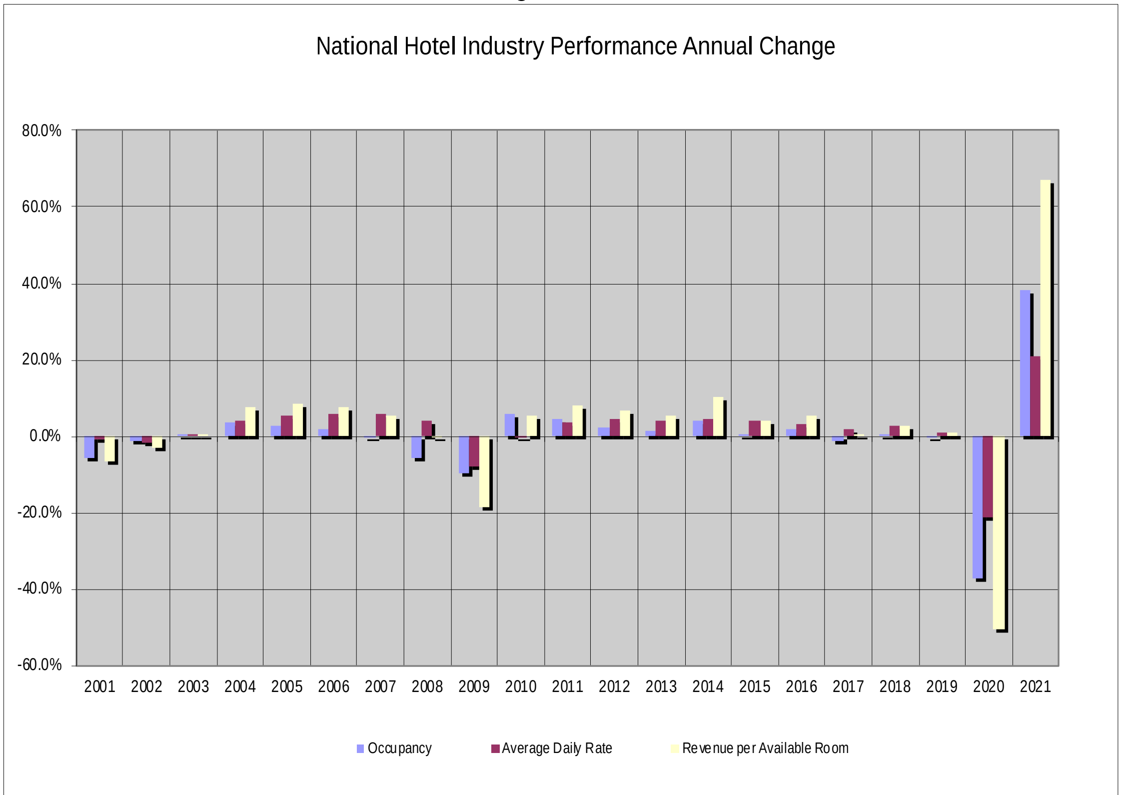
National Lodging Industry Annual Summary						
Year	Occupancy	Change	Average Daily Rate	Change	Revenue per Available Room	Change
1992	61.9%	--	$59.62	--	$36.90	--
1993	63.1%	1.9%	$61.30	2.8%	$38.68	4.8%
1994	64.7%	2.5%	$64.24	4.8%	$41.56	7.4%
1995	65.1%	0.6%	$67.17	4.6%	$43.73	5.2%
1996	65.0%	-0.2%	$70.81	5.4%	$46.03	5.3%
1997	64.5%	-0.8%	$75.31	6.4%	$48.57	5.5%
1998	63.8%	-1.1%	$78.15	3.8%	$49.86	2.7%
1999	63.1%	-1.1%	$81.29	4.0%	$51.29	2.9%
2000	63.5%	0.6%	$85.24	4.9%	$54.13	5.5%
2001	59.8%	-5.8%	$84.45	-0.9%	$50.50	-6.7%
2002	59.0%	-1.3%	$83.20	-1.5%	$49.09	-2.8%
2003	59.2%	0.3%	$83.28	0.1%	$49.30	0.4%
2004	61.3%	3.5%	$86.70	4.1%	$53.15	7.8%
2005	63.1%	2.9%	$91.29	5.3%	$57.61	8.4%
2006	64.2%	1.7%	$96.77	6.0%	$62.13	7.8%
2007	64.1%	-0.2%	$102.38	5.8%	$65.63	5.6%
2008	60.4%	-5.8%	$106.55	4.1%	$65.61	0.0%
2009	54.5%	-9.8%	$98.20	-7.8%	$53.55	-18.4%
2010	57.6%	5.7%	$98.08	-0.1%	$56.47	5.5%
2011	60.1%	4.3%	$101.64	3.6%	$61.06	8.1%
2012	61.4%	2.2%	$106.10	4.4%	$65.17	6.7%
2013	62.3%	1.5%	$110.35	4.0%	$68.69	5.4%
2014	65.0%	4.3%	$115.26	4.4%	$75.66	10.1%
2015	65.5%	0.8%	$120.01	4.1%	$78.67	4.0%
2016	66.7%	1.8%	$124.00	3.3%	$83.00	5.5%
2017	65.9%	-1.2%	$126.29	1.8%	$83.48	0.6%
2018	66.2%	0.5%	$129.83	2.8%	$85.96	3.0%
2019	66.1%	-0.2%	$131.21	1.1%	$86.76	0.9%
2020	41.7%	-36.9%	$103.25	-21.3%	$43.03	-50.4%
2021	57.7%	38.4%	$124.68	20.8%	$71.88	67.0%
Avg. Annual Growth Rate		*0.33%*		*2.78%*		*3.72%*

Source: Smith Travel Research, HSP

The low 2020 figures are a result of the COVID-19 pandemic. The tourism recovery is expected to continue from 2021 through 2023 back towards 2019 levels.

The figure below depicts this data in graph form, highlighting the annual change in performance statistics.

Figure 7-2



Source: Smith Travel Research, HSP

As shown, the industry rebounded in 2021, although with lower occupancy and rate than before the pandemic.

Tempe Hotel Market Analysis

This section will detail the findings of the Tempe hotel market analysis. This analysis will provide an overview of the competitive set hotel market and opportunity for development.

The following table provides an overview of the Tempe hotel market by market class, which is a categorization based upon quality.

Table 7-2

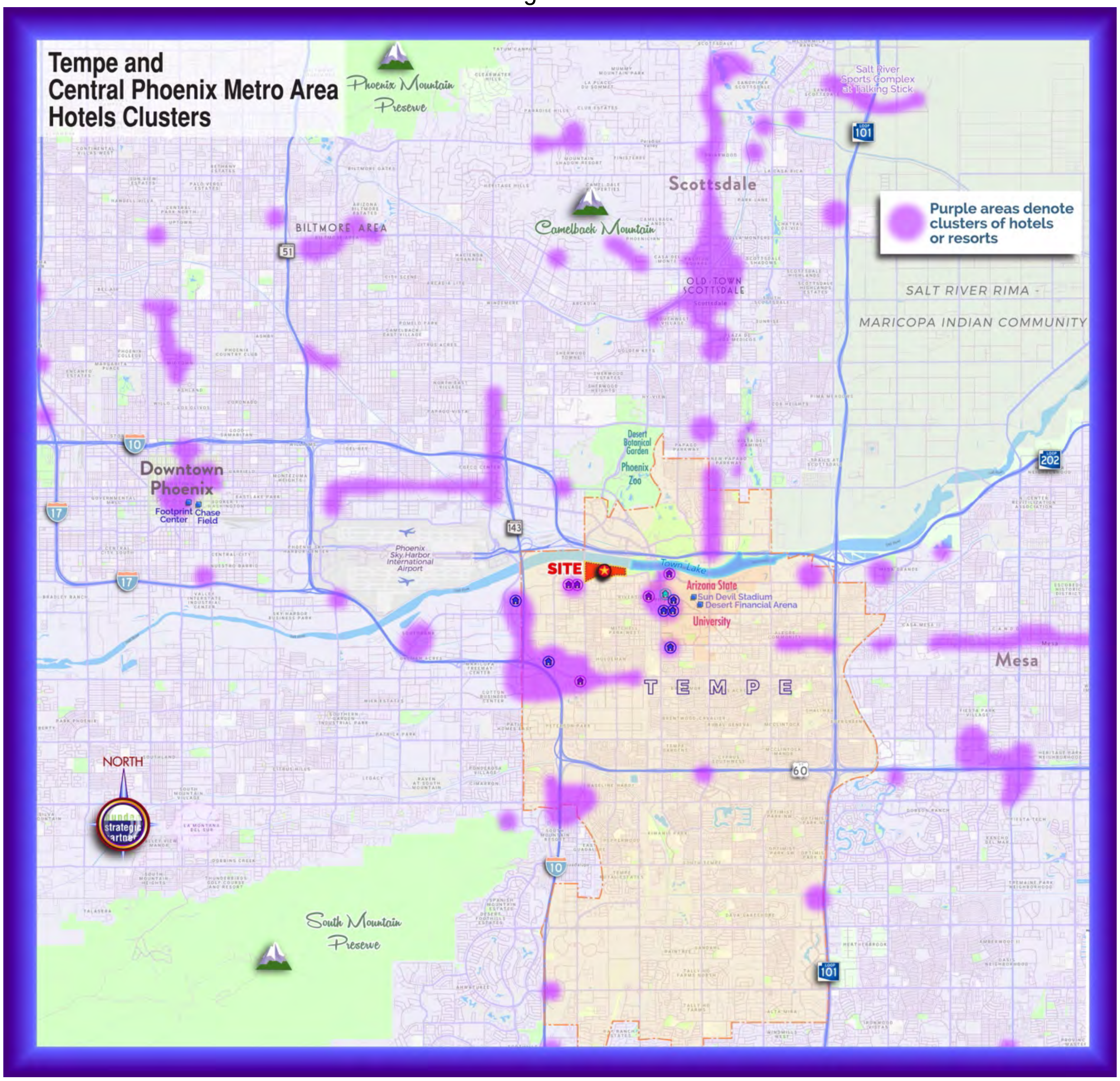
Lodging Summary - Tempe (within a 5-mile radius)						
Chainscale	Rooms	% of Total Rooms	Hotels	Rooms per Hotel	Avg Year Open / Renovated	Avg Age (Years)
Luxury	303	2%	1	303	2012	9
Upper Upscale	2,350	18%	9	261	2014	7
Upscale	3,782	29%	25	151	2007	14
Upper Midscale	2,891	22%	24	120	2006	15
Midscale	748	6%	6	125	2001	20
Economy	1,290	10%	15	86	1981	40
Independent	1,712	13%	18	95	1968	53
Total/Average	13,076	100%	98	163	1996	25

Source: Smith Travel Research, CoStar, Hotel websites, Hunden Strategic Partners

There are currently 98 hotels offering more than 13,000 rooms within a five-mile radius of the Project site. The Tempe market, within the radius parameters, offers a large variety of quality and affordable hotels with more than 50 percent of hotel rooms coming from Upscale and Upper Midscale hotels offering more than 6,600 rooms. Recent developments in the area have been concentrated in Upper Upscale hotels (essentially full-service branded hotels such as Westin, Marriott and Hilton).

The following figure shows the various hotel clusters in Tempe.

Figure 7-3



The largest hotel cluster in Tempe is located downtown, which offers the most substantial and highest quality hotel properties in the market. The two major clusters of hotels within the area are located on Rio Solado Parkway and East Apache Boulevard.

The following table shows the competitive set of existing hotels for the two proposed hotel developments that are part of the TED project. These hotels were selected based on location, quality, size, and interviews with tourism stakeholders.

Table 7-3

Property Name	City	Miles from Site	Rooms	Year Built / Renovated	Total Function Space (SF)	Hotel Class
Hyatt Place Tempe Phoenix Airport	Tempe, AZ	0.4	123	2016	1,586	Upscale
SpringHill Suites Phoenix Tempe/Airport	Tempe, AZ	0.4	130	2010	1,155	Upscale
Sonesta Select Tempe Downtown	Tempe, AZ	1.1	160	2011	1,623	Upscale
AC Hotels by Marriott Phoenix Tempe Downtown	Tempe, AZ	1.2	159	2016	938	Upscale
Destination Hotels Tempe Mission Palms Hotel	Tempe, AZ	1.2	303	2012	18,600	Luxury
The Westin Tempe	Tempe, AZ	1.3	290	2021	21,214	Upper Upscale
Hilton Phoenix Airport	Phoenix, AZ	1.3	259	2015	11,053	Upper Upscale
Residence Inn Tempe Downtown University	Tempe, AZ	1.4	173	2013	3,526	Upscale
Canopy by Hilton Tempe Downtown	Tempe, AZ	1.4	198	2020	5,031	Upper Upscale
Sheraton Hotel Phoenix Airport Tempe	Tempe, AZ	1.7	209	2012	12,631	Upper Upscale
Hyatt Place Tempe/ Phoenix/University	Tempe, AZ	1.8	154	2020	3,900	Upscale
Graduate Hotel Tempe	Tempe, AZ	1.8	140	2014	1,600	Upper Upscale
DoubleTree by Hilton Hotel Phoenix Tempe	Tempe, AZ	1.8	270	1974	31,625	Upscale
Total / Average	13 hotels		2,568	2012	114,482	

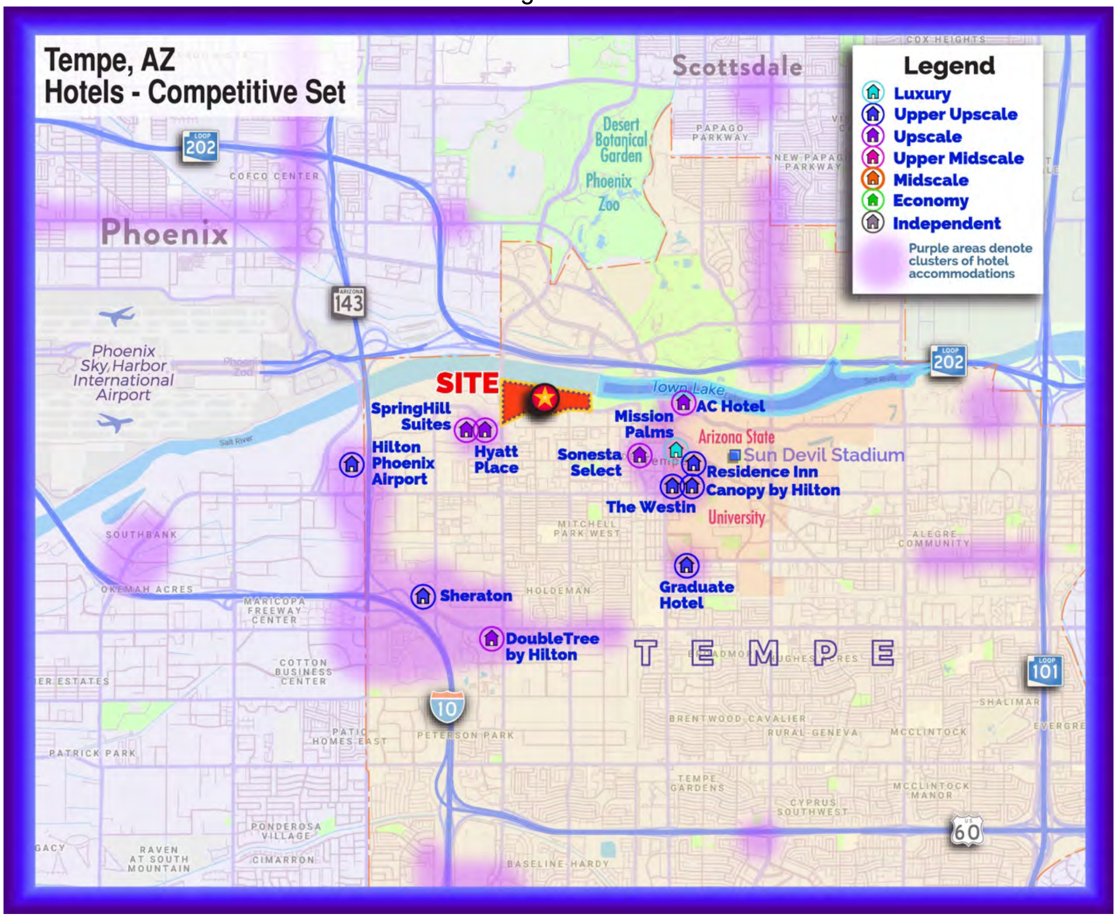
Tempe Hotel Competitive Supply

Source: CoStar, Smith Travel Research

The competitive set features 13 hotels, including three recent properties introduced into the market which are the Westin Tempe (290 rooms), Canopy by Hilton Tempe Downtown (198 rooms) and the Hyatt Place Tempe/ Phoenix/ University (154 rooms). All competitive hotels are located within two miles from the Project site and total 2,568 rooms. The hotels in the competitive set offer a total of 114,482 square feet of function and meeting spaces that range from 938 square feet to more than 31,000 square feet in each hotel. The hotel with the most amount of function space is the DoubleTree by Hilton Hotel Phoenix Tempe with 31,625 square feet of total function space.

The following figure shows a map of the Tempe competitive set hotels that are within a one-mile distance from the Project site.

Figure 7-4



As shown, there are a cluster of properties located within easy walking distance of the Project site. The competitive set represent the highest quality of hotels that are proximal to the Project site and are most comparable to the lodging components proposed at the TED.

Hotel Development Pipeline

OMNI Tempe Hotel at ASU

The OMNI Tempe at ASU is a full-service upper upscale hotel that will be located on 7 East University Drive in Tempe. The hotel is due to be delivered during the spring of 2023 and will feature 330 guest rooms including 11 suites. The property is set to bring in approximately 36,000 square feet of meeting space along with a pool deck, ground floor retail and four on-site restaurants.

The following image is a rendering of the exterior of the OMNI Hotel

Figure 7-5

The hotel will be directly competitive with the proposed lodging components on the Project site in terms of location, size, and offerings. The estimated project cost is $125 million and construction on the hotel began in June 2021. The hotel and conference center will be collaborating with the University of Arizona to bring in conferences to the area that will not only have a lot of impact to the University, but also to the city of Tempe.

The following are profiles of the hotels in the Tempe competitive set that would be most comparable with the proposed lodging components at the TED site.

Destination Hotels Tempe Mission Palms Hotel

The full-service Destination Hotels Tempe Mission Palms is located 1.2 miles away from the Project site and offers 303 rooms. Of the 303 rooms, the mix includes 147 single rooms, 150 double rooms and 6 suites. The hotel features 18,600 square feet of function and meeting space, of which, the largest space is the Palm Ballroom covering 9,400 square feet. Other features include a rooftop outdoor swimming pool, two jacuzzi spas, the Mission Grille restaurant, and courtyard event spaces.

The following figure shows the property's exterior.

Figure 7-6

The hotel recently underwent renovations that included refurbishing hotel rooms, re-designing the decor, and updating the electrical utilities at the hotel. According to management, their off-season is the summer season specifically June through August, while the peak season runs from January through March. The hotel's demand segmentation is divided into 50 percent leisure demand and 50 percent group business. The hotel's meeting and function spaces are generally used for corporate meetings as well as a few association and government meetings.

The Westin Tempe

The Westin Tempe is located 1.3 miles away from the Project site and offers 290 rooms. Of the 290 rooms, the mix includes 186 single rooms, 86 double rooms and 18 suites. The hotel features 21,214 square feet of function and meeting space, of which, the largest space is the Opal Ballroom covering 6,149 square feet along with 13 meeting rooms that range from approximately 500 square feet to 1,200 square feet. Of the 21,000 square feet, approximately 6,000 square feet consist of outdoor space.

The following figure shows the property's exterior.

Figure 7-7

Rates during the peak-season months can range from $224 to $264 per room night and $202 to $224 per room night during the off-season. Penthouse suites rates range from $1,750 per room night during the off-season months to $2,250 per room night during the peak-season months.

Springhill Suites Phoenix Tempe/Airport

The select-service Springhill Suites Phoenix Tempe/Airport is located 0.4 miles away from the Project site and is one of two hotels that are walkable to the Project site. The property offers 130 rooms. The hotel features 1,155 square feet of meeting space, of which, the largest space is the Camelback meeting room covering 795 square feet.

The following figure shows the property's exterior.

Figure 7-8

The off-season rates range from $156 on weekdays and $169 on weekends per room night while off-season rates range from $112 on weekdays and $132 on weekends per room night. This is an indicator of higher demand for room nights by the corporate demand segment. According to management, the ADR during peak months, which last from January through March, range from $269 to $299 while ADR's during the summer are $150. The typical occupancy at the hotel is 70 percent and is often sold out during certain weeks in the peak season. Of the group and corporate transient business captured by the hotel, 30 percent of this demand tends to come from events and/or meetings conducted at the Phoenix Convention Center.

Hyatt Place Tempe/Phoenix Airport

The select-service Hyatt Place Tempe/Phoenix Airport is located 0.4 miles away from the Project site and is another walkable hotel to the Project site. The property offers 123 rooms. The hotel features 1,586 square feet of meeting space that consists of one meeting room that is divisible into three divisible spaces. The maximum seating capacity (theatre seating) is up to 100 guests.

The following figure shows the property's exterior.

Figure 7-9

According to management, the peak season for the hotel lasts from the months of March through April. The ADR during this season is $220 and the occupancy during this period ranges from 90 percent to 100 percent. Off season performance at the hotel has seen an ADR of $100 and occupancy ranging 65 percent to 70 percent. Most of the demand is from corporate transient demand which takes up 65 percent of the demand segmentation. These performance metrics indicate a stable demand base to the hotel.

Accommodated Demand and Competitive Hotel Performance

HSP utilized Smith Travel Research (STR) to analyze the historic performance of the competitive set of hotel properties in Tempe.

The following table shows performance data for the competitive set properties between 2013 and 2021.

Table 7-4

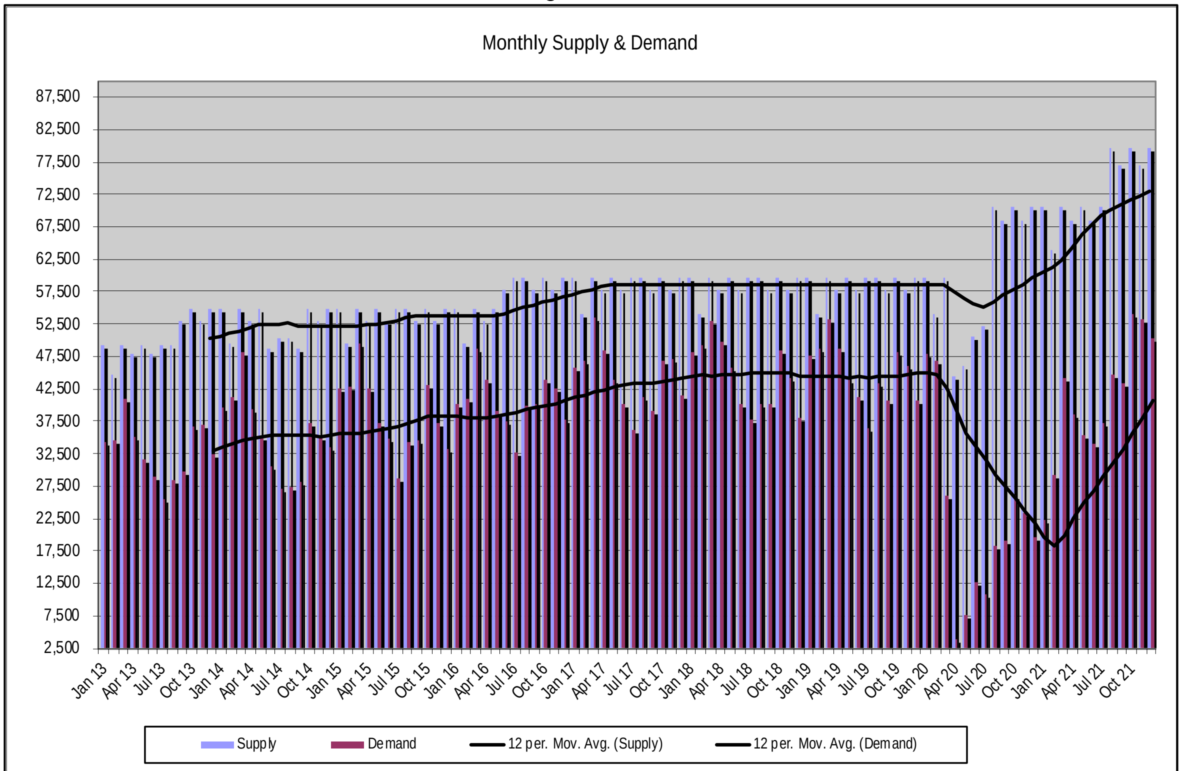
Historical Supply, Demand, Occupancy, ADR, and RevPar for Competitive Hotels											
Year	Annual Avg. Available Rooms	Available Room Nights	% Change	Room Nights Sold	% Change	% Occ.	% Change	ADR	% Change	RevPar	% Change
2013	1,650	602,186	--	395,378	--	65.7	--	$110.94	--	$72.84	--
2014	1,719	627,329	4.2%	422,964	7.0%	67.4	2.7%	$122.38	10.3%	$82.51	13.3%
2015	1,767	644,955	2.8%	460,370	8.8%	71.4	5.9%	$132.40	8.2%	$94.51	14.5%
2016	1,860	678,981	5.3%	487,681	5.9%	71.8	0.6%	$130.83	-1.2%	$93.97	-0.6%
2017	1,926	702,990	3.5%	530,438	8.8%	75.5	5.1%	$131.41	0.4%	$99.15	5.5%
2018	1,926	702,990	0.0%	534,619	0.8%	76.0	0.8%	$133.58	1.7%	$101.59	2.5%
2019	1,926	702,990	0.0%	538,797	0.8%	76.6	0.8%	$139.43	4.4%	$106.86	5.2%
2020	1,959	714,878	1.7%	262,487	-51.3%	36.7	-52.1%	$130.80	-6.2%	$48.03	-55.1%
2021	2,400	875,840	22.5%	486,811	85.5%	55.6	51.4%	$121.66	-7.0%	$67.62	40.8%

Sources: Smith Travel Research, Hunden Strategic Partners

The competitive set performance indicates that room nights sold have increased year-over-year throughout the period, revealing growing demand with a fluctuating period between 2020 and 2021, where the market felt the effects of the COVID-19 pandemic and then a sharp recovery. In the pre-pandemic period, demand for room nights in the area had seen an increase as average annual occupancies within the competitive set grew from 65.7 percent in 2013 to 76.6 percent in 2019. ADR's in the competitive set saw a major change between $110.94 in 2013 and $139.43 in 2019, a change of $28.49. Supply steadily increased over the period except for a 22 percent increase in the supply owing to the introduction of the Canopy by Hilton Tempe Downtown (198 rooms) and Hyatt Place Tempe/ Phoenix/ University (154 rooms) into the market. While the market continues to recover from the effects of the COVID-19 pandemic, pre-pandemic performance metrics indicated a strong and stable demand base within the area.

The following figure shows the supply and demand trends on a monthly basis for the competitive set over the period.

Figure 7-10

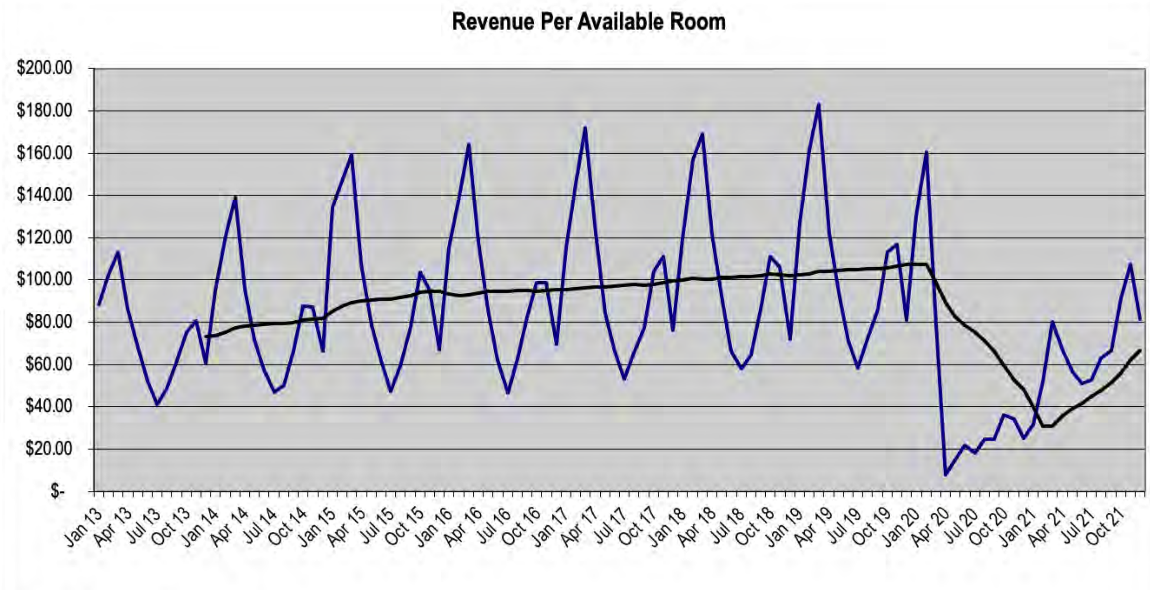


Source: Smith Travel Research, Hunden Strategic Partners

Overall, trends between demand and supply have remained consistent, with slight increases in demand following the opening of new hotels in 2016 and 2020. During the COVID-19 pandemic, supply had steadily increased while demand had declined to a low of approximately 2,600 room nights owing to the restrictions in travel. However, as stated earlier, a quick recovery in demand, due to easing in travel and other restrictions, has seen market demand for room nights at more than 52,000 in late 2021 which indicate a recovery to pre-pandemic levels.

The following figure shows the Revenue Per Available Room (RevPAR), which is the product of occupancy and rate.

Figure 7-11

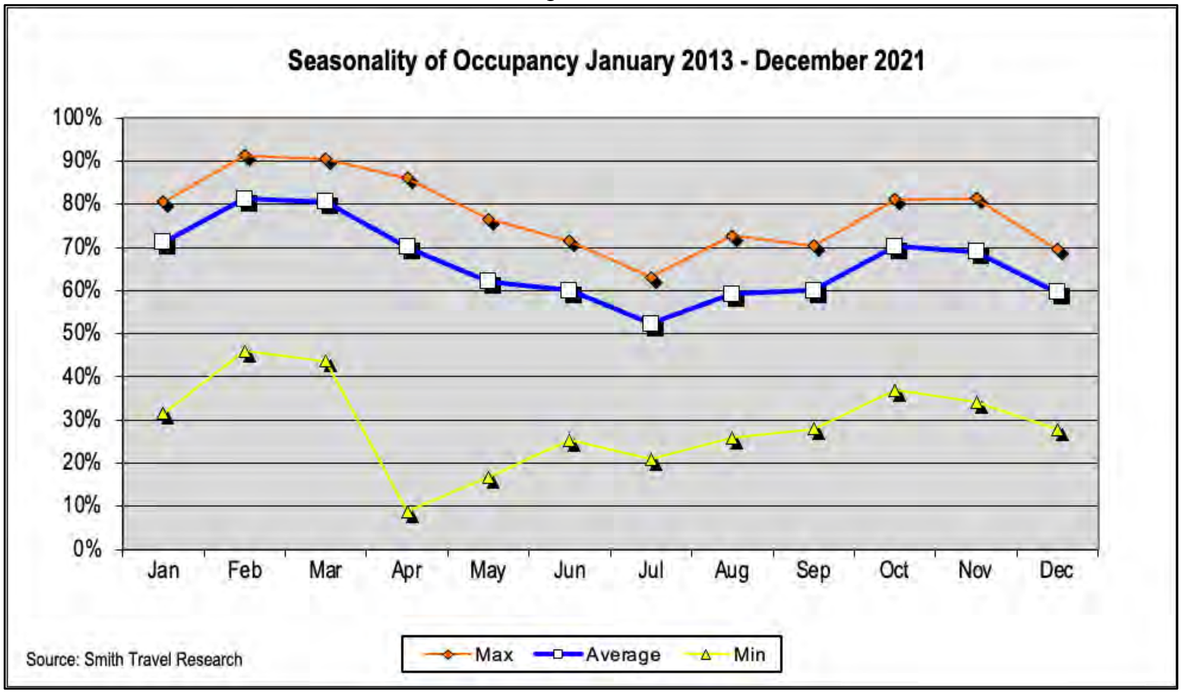


Source: Smith Travel Research, Hunden Strategic Partners

The smooth line in the above figure shows the 12-month moving average. The trend line shows that RevPAR has recorded a $19 increase between 2015 and 2019. During the pre-pandemic period, this was a positive indicator for future hotel development opportunity however, the COVID-19 pandemic had temporary effects on RevPAR in the area. This was quickly reversed from a low of $10 in April 2020 to a $105 in October 2021.

The following figure displays the seasonality of occupancy from January 2013 through December 2021.

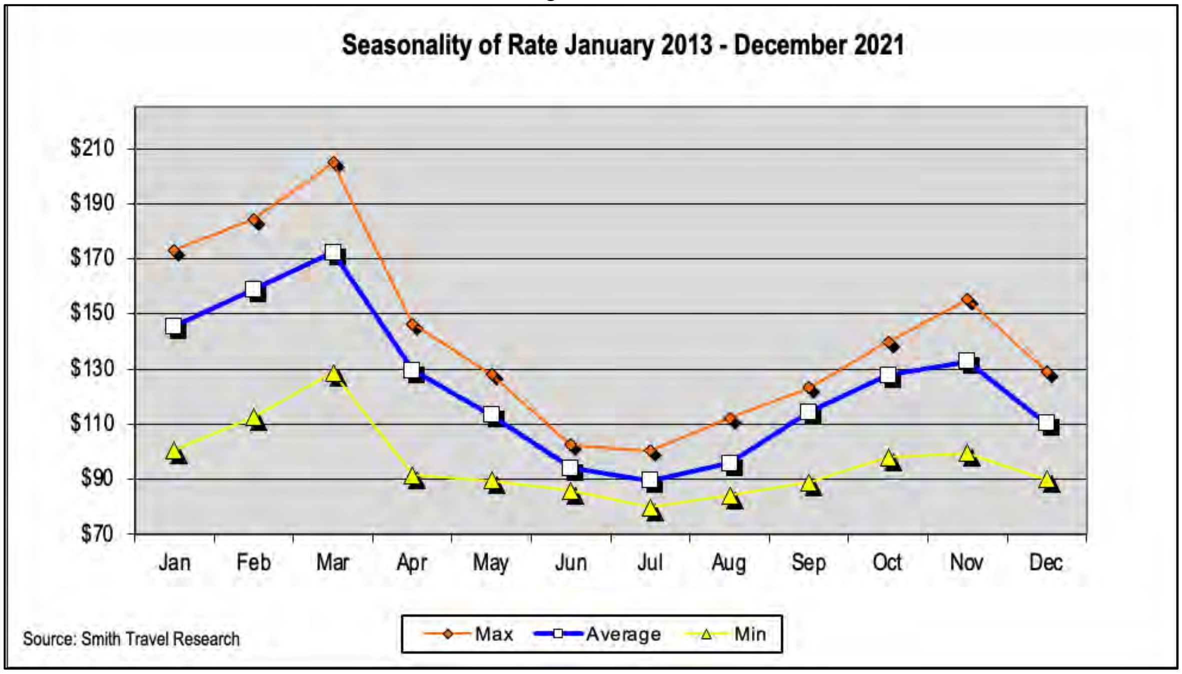
Figure 7-12



As shown, hotels in Tempe experience greater demand in the spring months than the hot summer months. February and March is when the competitive set experiences their highest demand at 80 percent on average. However, during the COVID-19 pandemic, some occupancies dropped to a low of less than 10 percent.

The following figure shows the seasonality of rate from January 2013 through December 2021.

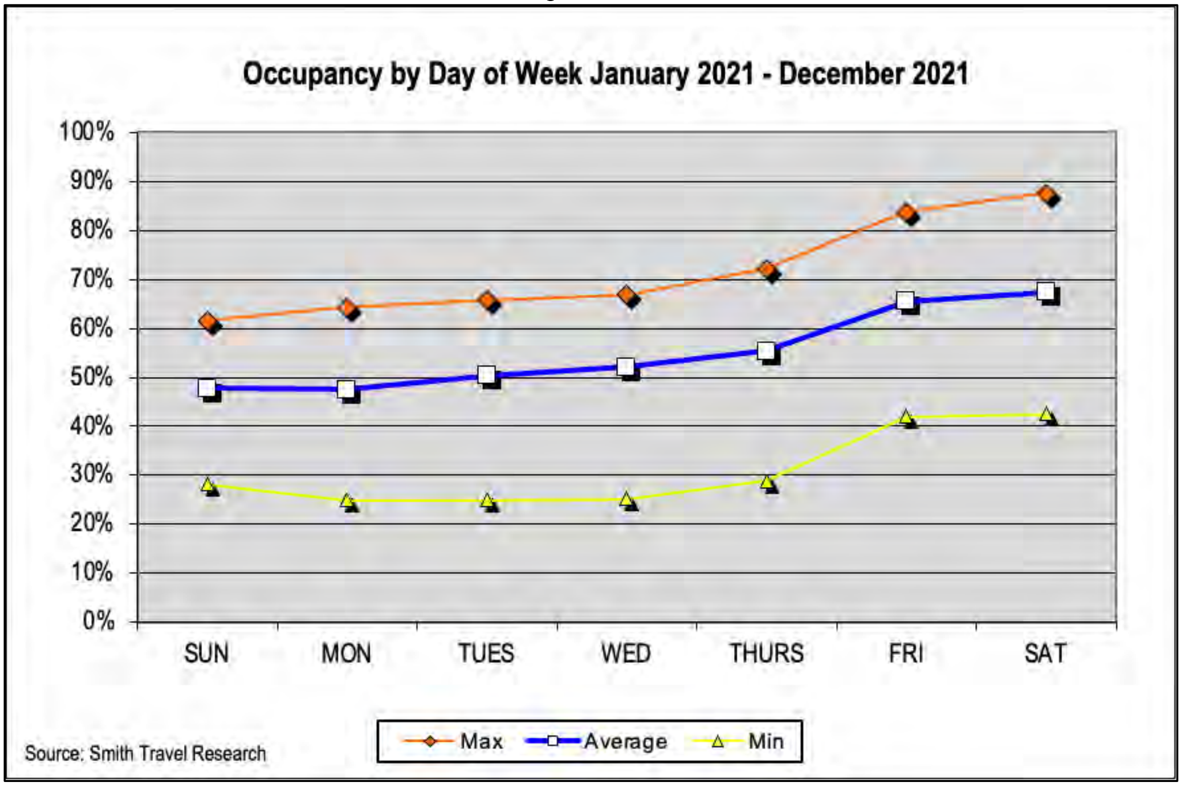
Figure 7-13



Rate is highly impacted by occupancy, often rising and falling much more than occupancy levels. Rates are at their absolute peak in March during spring break, spring training baseball games, the Waste Management Open and peak weather conditions.

The following figure shows the occupancy by day of the week from January 2021 through December 2021.

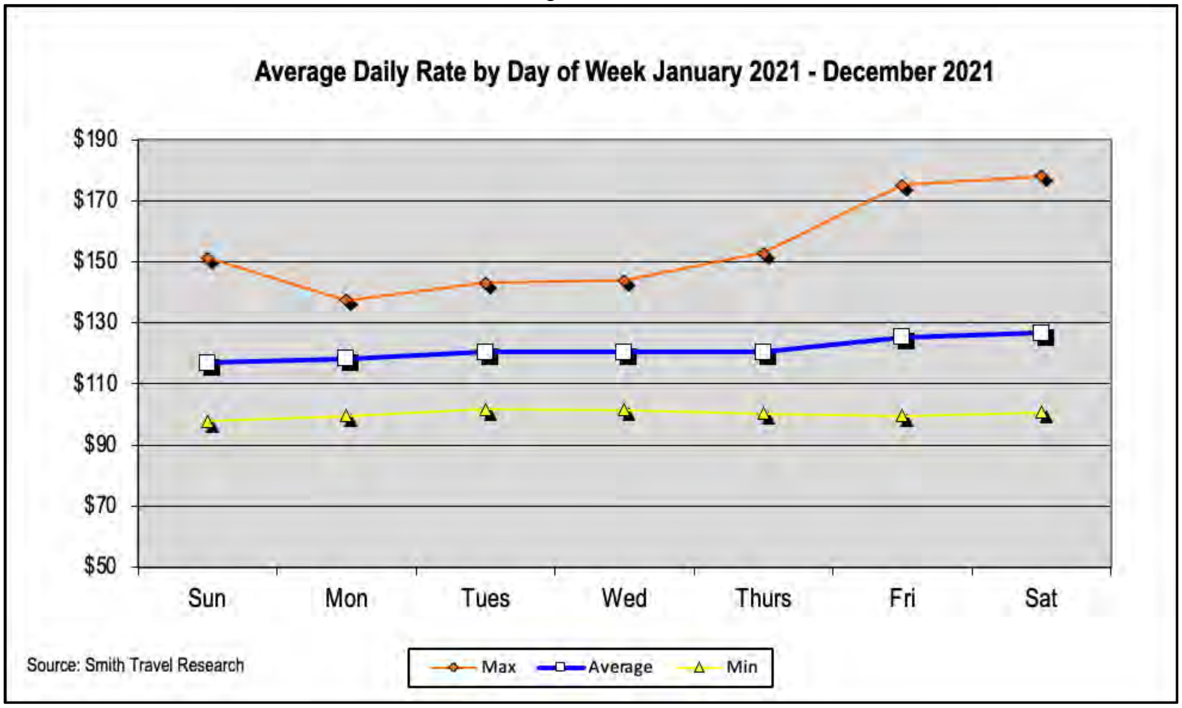
Figure 7-14



The average weekly occupancy in the Tempe market ranges from approximately 50 percent during the weekdays, to nearly 70 percent during the weekends. The higher occupancy during the weekend versus the weekdays indicates that leisure demand is greater than corporate demand. Occupancy is lowest on Sunday nights, which is typical for most markets.

The following figure shows the average daily rate by day of week from January 2021 through December 2021.

Figure 7-15



Seasonality in ADR's generally mirror the seasonality in occupancy. Average ADR in the competitive set remains between $116 and $126 throughout the week.

Unaccommodated Demand

Unaccommodated demand is defined as demand that would have been captured by the market but was not due to a lack of available or quality rooms. This demand is therefore deferred to later dates, accepts lesser-preferred accommodations, moves just outside the competitive set, moves its business to another area, or cancels plans altogether. Therefore, as new properties are added to the market, it is expected that this demand will be accommodated by the new supply. This suggests that when new hotels are added, they do not cannibalize existing market demand, but instead accommodate previously uncaptured demand.

The following table shows the occupancy by day of the week per month from January 2021 through December 2021. Days of the week with occupancy between 60 and 70 percent are shown in yellow, suggesting mild displacement and unaccommodated demand. Orange shows days with 70 to 80 percent occupancy, suggesting very likely displacement. Days in red are for times when occupancy was beyond 80 percent for the set, suggesting near-certain displacement.

Table 7-5

Occupancy Percent by Day of Week by Month - January 2021 - December 2021								
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Jan - 21	28.1%	24.8%	24.9%	25.2%	28.8%	41.9%	42.5%	30.9%
Feb - 21	48.6%	32.8%	32.0%	34.0%	43.5%	63.9%	66.8%	45.9%
Mar - 21	57.1%	48.4%	49.3%	54.3%	65.5%	83.8%	87.5%	63.7%
Apr - 21	47.3%	43.4%	47.5%	49.9%	55.0%	73.4%	75.2%	56.0%
May - 21	44.4%	41.4%	44.3%	46.4%	46.8%	61.1%	66.1%	50.1%
Jun - 21	38.9%	46.9%	49.3%	48.7%	50.5%	56.2%	59.4%	50.0%
Jul - 21	42.7%	45.5%	50.8%	54.3%	52.2%	59.4%	60.4%	52.2%
Aug - 21	47.2%	54.6%	58.1%	59.8%	58.4%	58.7%	59.3%	56.6%
Sep - 21	46.2%	48.4%	54.5%	55.9%	57.9%	62.6%	67.3%	56.1%
Oct - 21	56.3%	59.9%	63.9%	66.4%	69.9%	79.0%	78.1%	67.6%
Nov - 21	61.5%	60.4%	64.1%	66.8%	72.1%	81.7%	81.5%	69.7%
Dec - 21	54.3%	64.3%	65.8%	63.6%	63.7%	64.7%	65.7%	63.2%
Average	47.7%	47.5%	50.4%	52.1%	55.4%	65.5%	67.5%	

Sources: Smith Travel Research

As shown, occupancy peaks in the winter and spring months, exceeding 60 percent in March and October through December. January through February 2021 show low occupancies which are indicative of lingering effects of COVID-19 and its impact on travel and overnight visitation to the area. As earlier mentioned, weekend days (Friday and Saturday) are when occupancies are highest and have seen highs of more than 87 percent as shown in March of 2021.

The following table shows the average daily rate by day of the week per month from January 2021 through December 2021.

Table 7-6

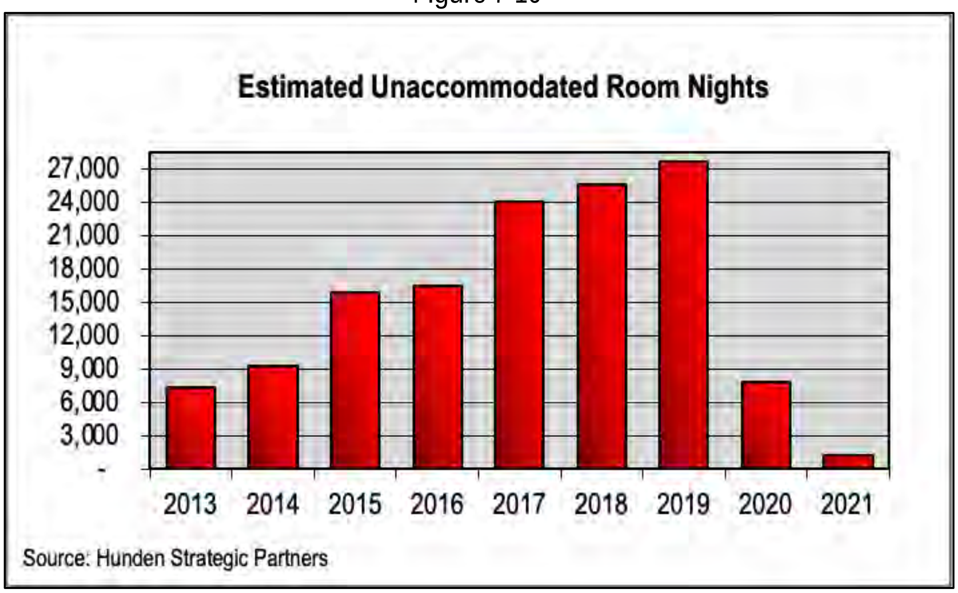
Average Daily Rate by Day of Week by Month - January 2021 - December 2021								
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Jan - 21	99.58	99.55	101.75	101.57	101.17	100.46	100.80	100.70
Feb - 21	112.06	108.18	110.39	109.13	110.91	114.66	117.43	111.82
Mar - 21	121.58	120.41	120.83	125.29	127.86	136.76	139.29	127.43
Apr - 21	110.03	114.71	116.58	117.14	116.37	123.06	123.05	117.28
May - 21	111.97	111.58	114.14	112.32	110.90	112.17	119.09	113.17
Jun - 21	99.83	102.99	103.30	102.95	102.15	101.89	103.53	102.38
Jul - 21	97.71	100.99	101.69	101.83	100.24	99.49	100.77	100.39
Aug - 21	110.23	108.48	110.21	111.55	113.17	115.28	117.10	112.29
Sep - 21	111.72	117.84	122.43	119.13	117.22	119.04	122.92	118.61
Oct - 21	125.65	131.41	134.51	133.55	132.93	137.95	138.80	133.54
Nov - 21	151.24	137.38	143.01	143.97	152.85	175.13	177.98	154.51
Dec - 21	122.65	131.30	132.13	131.99	127.58	130.56	125.90	128.87
Average	116.99	118.29	120.40	120.36	120.53	125.43	126.62	

Sources: Smith Travel Research

As shown, average daily rate did not recover as much by spring of 2021, as the vaccines were just being introduced and travel was still limited. However, November 2021 had an average rate of nearly $155, with weekend nights averaging nearly $180.

The following figure shows the estimate of unaccommodated room nights over the past several years.

Figure 7-16



As previously mentioned, an unaccommodated room night is a night when a traveler seeking accommodations within the market must either cancel their stay or settle for accommodations of lesser quality because the desired facilities have no vacancies or are priced higher than the traveler is willing to pay. The number of estimated unaccommodated room nights is determined in any month when occupancy is higher than 66 percent.

Based on the existing occupancy levels, HSP estimates that there was more than 24,000 unaccommodated room nights in the Tempe market between 2017 and 2019. While COVID-19 had an effect on demand in the region during 2020 and 2021, there were approximately 7,800 and 1,300 unaccommodated room nights in the market, respectively. This is an indicator of a potential gap in the market.

Implications

The hotel market in Tempe is strong throughout the year and is well poised to expand in order to meet the potential demand/visitors to the Project site. The market currently services a large corporate transient demand segment within the area along with visitors to the ASU campus. The proposed Project is anticipated to be a leading force in inducing more leisure visitation into the Tempe market that can have a large economic impact in the region in terms of direct and indirect spending. While the proposed Project rates are higher than a few hotels within the competitive set, this diversifies the number of affordable options in the market. The added convenience of having walkable hotels are typically what event planners and other demand segments prefer when selecting their lodging spaces. Several new, high quality hotels have entered the competitive set recently that bring uplift to ADR's and should ultimately help the proposed TED hotels support their proposed high rates.

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RELEVANT DISTRICT CASE STUDIES

Overview

HSP assessed arena/stadium districts in relevant market situations to determine how the uses within the district performed relative to surrounding area submarket. In addition, the Westgate district was profiled to understand how its location and other factors inhibited its success for the existing NHL team. Because the proposed location in Tempe is not in an existing urban dense downtown, HSP selected mixed-use sports-anchored districts in less dense areas. While there are no perfect comparisons, but HSP believes there are reliable takeaways from the districts profiled here.

Mixed-use arena and stadium districts are an increasingly popular trend across the nation. These districts capitalize on the visitation to their anchor arenas that can be used to fuel peripheral developments. Critical mass around the arena is created by incorporating compelling retail, restaurant, hotel, residential, office and public spaces that support live, work and play environments that drive visitation year-round. The mixed-use districts give people a reason to be in and around the event venue on a regular basis, generating spending and taxes. HSP analyzed Fourth Street Live! in Louisville, Kentucky in order to show the performance of a non-arena anchored mixed-used district. At the end of the chapter, data from the newly constructed SoFi Stadium in Inglewood, California was analyzed to show the effects of the new constructed stadium and the projected effects on the community in the next five years.

The following table shows the summary of mixed-use districts analyzed for key takeaways.

Table 8-1

Relevant Case Studies: Mixed-Use Districts

District	Location	Arena	Residential	Office	Restaurant	Retail	Public Spaces
Westgate Entertainment District	Glendale, AZ	✔	✔	✔	✔	✔	✔
The Battery	Atlanta, GA	✔	✔	✔	✔	✔	✔
Victory Park	Dallas, TX	✔	✔	✔	✔	✔	✔
The Channel District	Tampa, FL	✔	✔	✔	✔	✔	✔
Fourth Street Live!	Louisville, KY	✖	✖	✔	✔	✔	✔

Source: Hunden Strategic Partners

Each district is comprised of the same elements as the Project, but are all uniquely utilized and arranged within the districts. The Battery, Victory Park and the Channel District have all transformed their areas into popular live, work and play environments that keep their anchoring arena activated throughout the year. Mixed-use districts create critical mass around these arenas and offer high-quality real estate developments to meet visitor's expectations of a fun environment and physically attractive settings. As a result, these districts are emerging as highly demand locations for living, working and recreation.

HSP first profiled the Westgate Entertainment District adjacent to Gila River Arena, the current home of the Arizona Coyotes, then identified three relevant stadium-based mixed-use developments that opened within the last 15 years to determine best practices and success among these developments. Visitation data throughout the chapter is 2019 data in order to remove the impacts of the COVID-19 pandemic.

Westgate Entertainment District - Glendale, Arizona

The Westgate Entertainment District is the mixed-use district of the Gila River Arena and State Farm Stadium. Westgate is nearly 20 miles from downtown Phoenix, by way of Interstate-10. The development opened in 2007 but was foreclosed on in 2011 and rebranded with more entertainment, retail and restaurant options to support the district. Phase II of the project opened in 2012.

The following figure shows an aerial view of Westgate with the two anchor tenants, Gila River Arena and State Farm Stadium.

Figure 8-1

Gila River Arena is the current home of the Arizona Coyotes NHL team and State Farm Stadium is the home of the Arizona Cardinals. Gila River Arena is located at the end of Westgate's mixed-use district creating a walkable experience from the live, work and play environment. The Renaissance Hotel is set across the street to the right of Gila River as a convenient hotel for visitors. State Farm Stadium is set further from Westgate but is still a walkable distance from the district.

It is well-reported that the Arizona Coyotes have stated that the existing venue and district are not viable long-term for the team, as the development has several major critical negative factors. The first is something that cannot be mitigated, its location within the greater metro area. As will be shown and discussed, the location of the venue is on the far west side of the market, far from the highest-spending households in the Phoenix metropolitan market (central and east). In addition, as there are many games during weekdays, it is difficult for attendees to get to the arena through traffic after the typical workday ends, then go home late at night.

Beyond location, the mixed-use development was built in a "greenfield" location, where no other commercial development existed. While residential development has continued to spread westward, there was not a strong commercial node of activity in the development area. So the overall development was not expanding an existing developed area or even connected two disconnected areas. It was essentially developed in a green bubble. The lack of adjacent, existing daytime office or other commercial activity inhibits the viability of retail, restaurants and entertainment venues. Real estate brokers and entertainment industry experts, indicated that the lack of commercial activity has inhibited the sustainability and viability of the developments that were developed, especially the arena.

Finally, the quality of the development is a factor. While new when built, the development uses are pretty standard suburban or ex-urban uses, such as nationally-branded retail, restaurants and outlet mall. Even the hotel is a modest brand within a strong brand family. All of the elements and uses could have been curated and developed at a higher level of execution, with unique names and experiences, higher-end brands and other uses that were more destination oriented (perhaps like Kierland Commons), then people would be more likely to make it a destination.

As will be shown by the cell-phone data, the venue does not attract a majority of its visitors from outside of ten miles. In fact, 55 percent of visits are within ten miles. For all of the other comparable districts profiled (which are successful for their team and in general), the local visitation is approximately 25 percent, with 75 percent of visits coming from over ten miles away. This suggests that the location and offerings of these other mixed-use districts are attractive to consumers and fans from a wide geographic area, while Westgate is not.

Alternatively, the location of the proposed arena in Tempe would mitigate the locational issue, as Tempe is centrally located within the market and would be part of a more urban area with an existing mix of uses and near the massive ASU campus with its 52,000 Tempe students.

The following section details the breakdown of the mixed-use district.

Gila River Arena. The arena was opened in 2003 and is owned by the City of Glendale. Gila River has a capacity of 17,125 for hockey games and 18,300 for concerts. The arena features 87 luxury suites, including 12 party suites that accommodate up to 50 people. In addition to the suites there are 400 other premium suites. Gila River also hosts concerts and entertainment shows, drawing in some of the biggest names in music and entertainment. Gila River cost $220 million to build and was 100 percent financed by the City of Glendale.

State Farm Stadium. The stadium was opened in 2006 and is owned by the Arizona Sports and Tourism Authority. State Farm has a capacity of 63,400 for football games and 73,000 for concerts and entertainment. The stadium covers over 1.7 million square feet and has 88 premium lofts and 7,505 club seats. State Farm Stadium has hosted two National Football League Super Bowls, two National College Football Championship games, a National College Basketball Championship, world tours for bands such as Coldplay and Metallica and multiple United States National Team Soccer games. State Farm Stadium cost a total of $455 million with Arizona Sports and Tourism Authority contributing $342 million and the Arizona Cardinals covering the remaining $113 million. The Cardinals were also responsible for purchasing the land for the stadium at $18.5 million.

Retail/Restaurant. 373,000 square feet of total space. In 2011, Westgate was repositioned by executing 50 restaurant / retail and office leases, changing to a more entertainment-focused complex with tenants Dave & Busters and Tavern+Bowl, along with the already existing AMC Theater. Shortly after the Phase II development, The Tanger Outlets opened next to the district attracting additional retail traffic to the development.

Office. 160,000 square feet of total space. The office portion of Westgate consists of 160,000 square feet of Class A space and has major tenants such as RING, Lockheed Martin, Cardinal Health, Terminix and CenturyLink.

Renaissance Hotel. 320 total rooms. The Renaissance Hotel is a four-star hotel and spa set across the street from Westgate. As the closest hotel to the district, it is the most popular hotel for overnight visitors to Westgate and often hosts opponents of the Arizona Coyotes. The hotel also has a total of 81,182 square feet of meeting space across 28 rooms for events in Glendale.

Multifamily. 327 total units. The two developments within Westgate include The Lofts at Westgate and Pillar at Westgate. The Lofts at Westgate was transformed in 2018 to 76 units, consisting of one- and two-bedroom apartments. This complex currently has a 6.6 percent vacancy rate. Pillar at Westgate, opening in 2007, has 251 total units. This complex is a mix of one- and two-bedroom units and currently has a vacancy rate of 4 percent.

Retail. 410,000 square feet (Phase II). The Tanger Outlets were added adjacent to Westgate and generate consistent visitation to the area throughout the year. The outlet mall is home to big brand names that make the shopping plaza a popular destination outside of Phoenix.

Additional Hotel Rooms (Under Construction). 600 total rooms. State Farm Stadium will be hosting the Super Bowl in 2023 and in preparation, Glendale is adding hotel rooms near Westgate to prepare for the event. The Crystal Lagoons Island Resort is currently under construction outside of Westgate. This luxury resort is scheduled to open in 2022 and feature seven distinct areas, retail space, 4-D movie theatres, restaurants, amusement rides and office space.

The following table details the premiums that each asset has the ability to charge because of their presence in the mixed-use district as of 2022.

Table 8-2

Westgate Entertainment District Rates

Asset Class	Mixed-Use Rates	Submarket Average Rate
Retail/Restaurant	$36.30	$17.80
Office	$27.00	$25.29
Multifamily	$1,786.00	$1,333.00

Source: Costar

Rates in each asset class are higher within Westgate than in the broader Glendale market. The critical mass created by the stadium district results in owners charging higher rates. Westgate has created a live, work and play district in Glendale that benefits from the two arena anchors.

Visitation Data

In order to track performance and visitation metrics to Westgate, HSP utilized Placer.ai data to shows trends and statistics of visitation over time to the district.

The following figure and table show a heat map of visitation to Westgate and the breakdown of visitation by distance over the year 2019 (pre-pandemic).

Figure 8-2

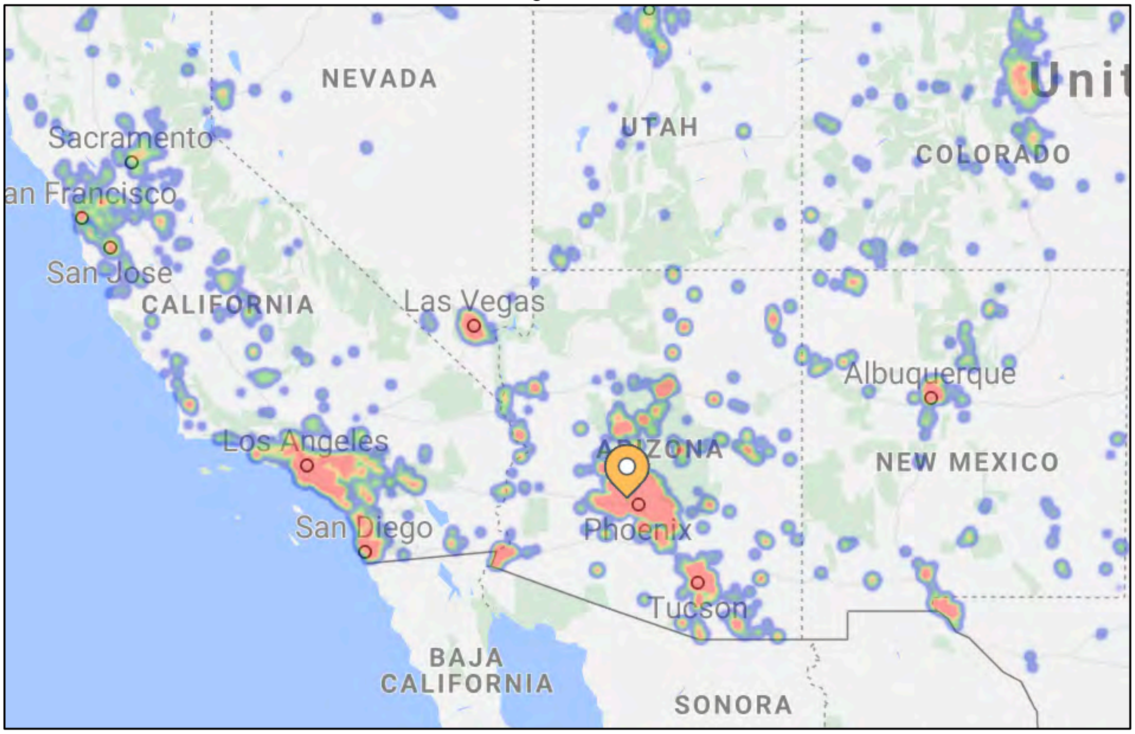


Table 8-3

Westgate Entertainment District Visitation

January 1, 2019 - December 31, 2019

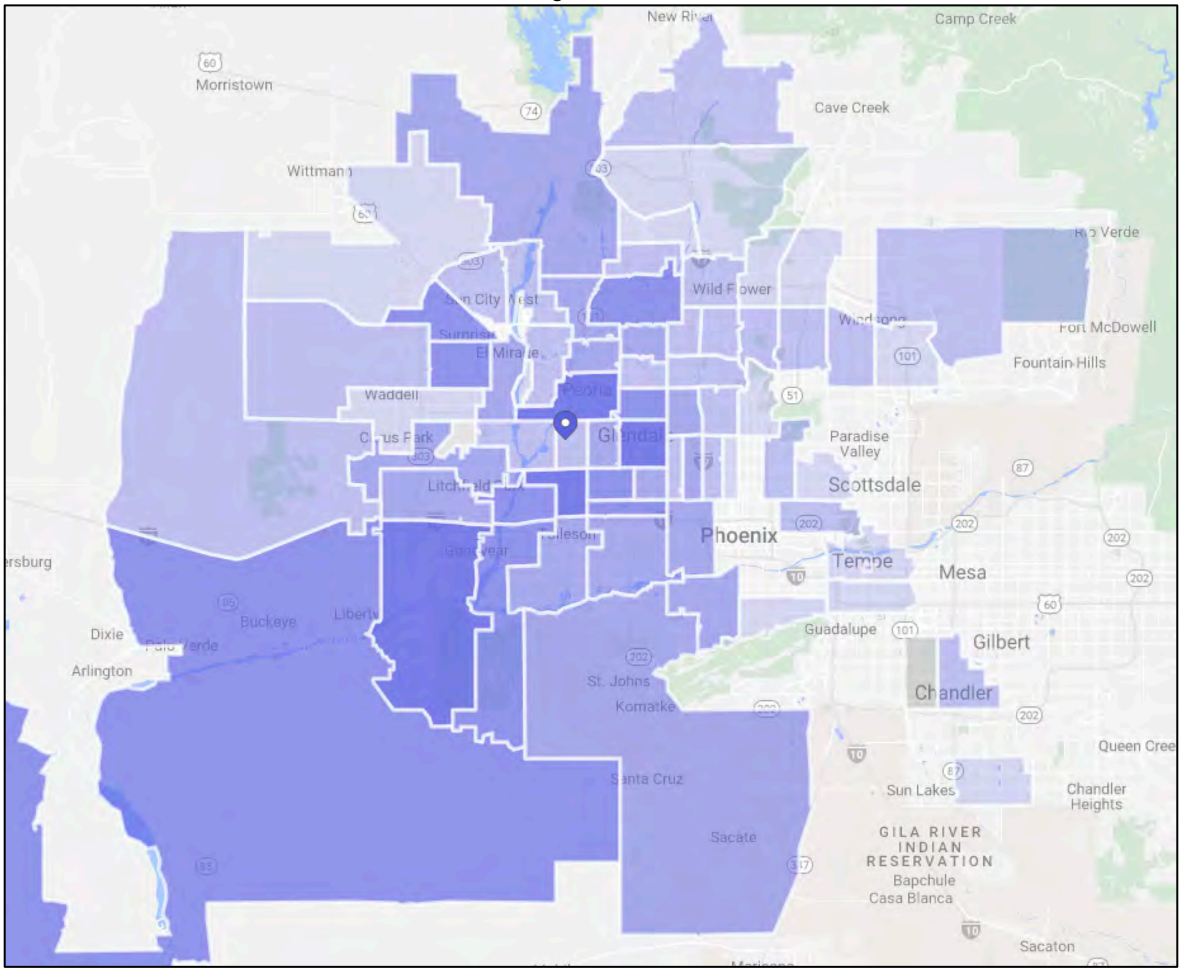
Visitor Origins by Distance from Site (Colors correspond to charts & maps)	Total Visits: Est. Number of Visits	Total Visits: Percent of Total Visits	Total Unique Customers: Est. Number of Customers	Total Unique Customers: Percent of Total Customers	Avg. Visits per Customer
Locals - Within 10 miles	3,630,000	55.3%	783,200	34.9%	4.63
Regional Distance - Over 10 miles & Less Than 30 miles	1,460,000	22.3%	598,200	26.6%	2.44
Long Distance only - Over 30+ miles	1,470,000	22.4%	865,200	38.5%	1.70
Total Visits	6,560,000	100.0%	2,246,600	100.0%	2.92

Source: Placer.ai

The heat maps shows that the most popular visitation hotspots come from the Greater Phoenix area, Tucson, Los Angeles, San Diego, Las Vegas and Albuquerque. The visitation table shows that over 55 percent of the total visitation comes from within ten miles of Westgate. This does not include downtown Phoenix and the large eastern suburbs of Phoenix.

The following figure details visitation to Westgate by zip codes around Phoenix in 2019.

Figure 8-3



Darker shaded areas on the map indicate zip codes that visit Westgate more often. As shown in the map, there is much lower visitation to Westgate from the east side of Phoenix than the Westside.

In interviews with local stakeholders and Arizona Coyotes team officials, it was made clear that visitation is lacking from the east side of the city because of the distance to the complex from the center and eastern portion of the metro (where most of the highest income households are located). People that want to attend a game at Gila River Arena must travel through heavy traffic to make it to a game and then return to the east side of the city after the game. As a result, this discourages people from attending game during the weekdays when getting to the event after a full day of work is difficult or impossible for many. There appears to be a different mindset for Arizona Cardinals games, which are typically played on weekends. Weekends give visitors more time before and after the games to visit the entertainment district.

The following two figures show the visitation to Westgate broken down by days of the week and length of stay in 2019.

Figure 8-4

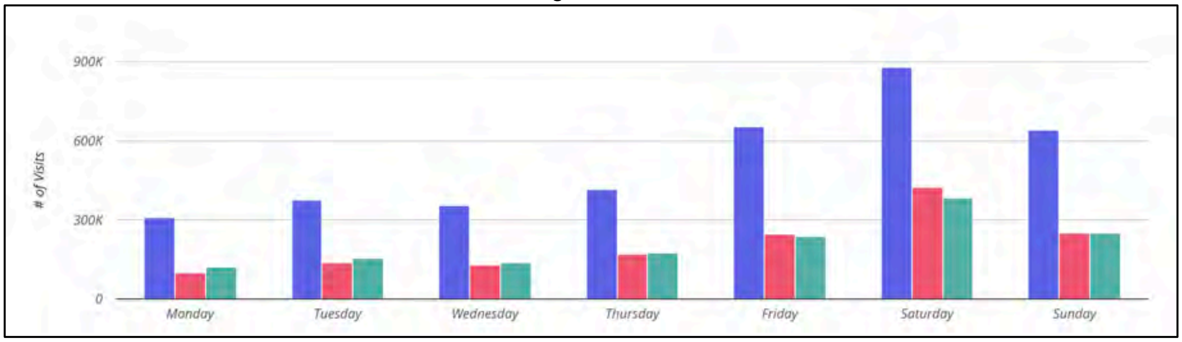
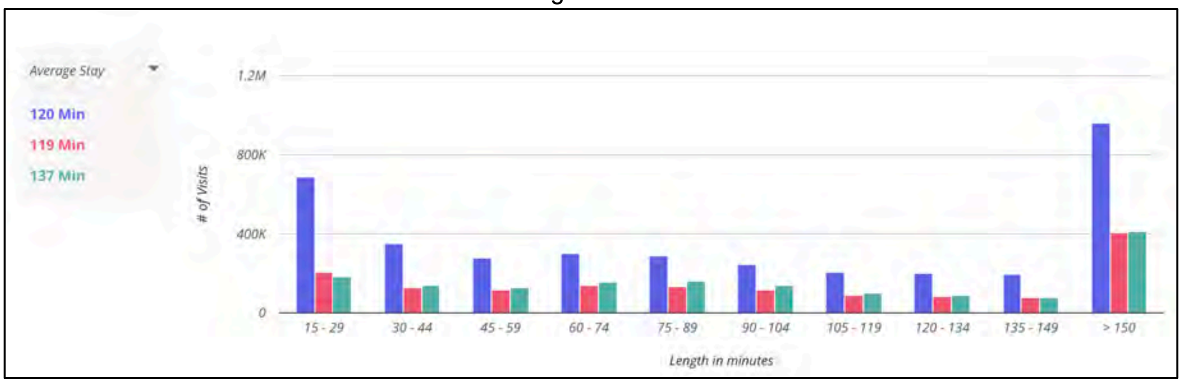


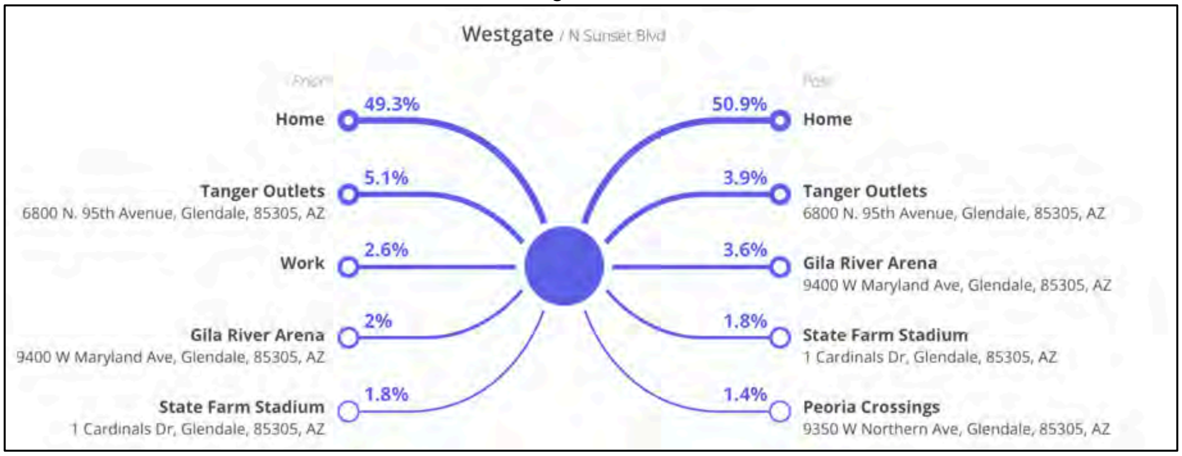
Figure 8-5



The figure above shows that the visitation is fairly similar between Monday and Thursday, but then nearly doubles between Friday and Sunday. In this graphic, the blue bars represent visitors that live within a ten-mile drive of Westgate. Red bars show visitors that live within a ten and 30-mile drive. Green bars show visitors over a 30-mile drive. As the zip code map indicates, visitation mainly came from within ten miles of Westgate. Weekend visitation is much more popular among visitors that live further away from the district. The average stay time across all of the groups is 120 minutes or two hours, meaning people are staying within the district spending money shopping, eating and attending events held within the district.

The following graphic shows the breakdown of the most popular destinations before and after visiting Westgate.

Figure 8-6



Aside from people coming and going directly from home, The Tanger Outlets, Gila River Arena and State Farm Stadium are among the most popular destinations for prior and post visitation. The figure above shows that aside from the two stadium anchors, The Tanger Outlets support the district throughout the year.

Implications

The Westgate Entertainment District has a strong mix of retail, restaurant, residential, office and hospitality as well as two major stadium anchors. Despite the district's strong visitation numbers, its location within the greater Phoenix area is not optimal for capturing maximum visitation. Westgate's location outside of Phoenix discourages people from visiting during weekdays because of the inconvenience of increased travel time due to heavy traffic and distance.

The Battery – Atlanta, Georgia

The Battery is located next to Truist Park in Cobb County, Georgia and offers a mix of boutique shopping and entertainment, residential units, office space and hotels. The Battery is a two million square-foot mixed-use development for people to live, work and play year-round. According to the county, it is estimated that The Battery generates $18.9 million a year for the local community.

The following figure shows an aerial view of The Battery.

Figure 8-7

Truist Park is the current home of the Atlanta Braves MLB team. The Battery is located to the northwest of downtown Atlanta, roughly 16 miles from the city center.

The following section details the breakdown of the mixed-use district.

Truist Park. The stadium was opened in 2017 and is owned by Cobb County. Truist Park has a capacity of 41,084 for baseball games. The stadium has 4,000 premium seats across three separate clubs in the park. Truist Park is an extension of The Battery with restaurants, party decks and playgrounds for children within the park. Truist Park cost a total of $672 million with Cobb County contributing $300 million and the Atlanta Braves covering the remaining $372 million.

Retail/Restaurant. 575,000 square feet of total space. The Battery has a variety of retail options including boutique retail shops and larger flagship locations. There are also over 20 restaurant options ranging from chains to chef-driven experiences. The Battery also has entertainment options including Punch Bowl Social, TopGolf Swing Suite, the Coca-Cola Roxy concert venue (4,000-person capacity) and an upscale movie theatre.

Office. 1,250,000 square feet of Class A space. The Battery includes four "Ballpark Centers" that include office space and headquarters for companies like Papa John's, Comcast, TK Elevators and DCO Flooring. The presence of large corporations within The Battery keeps the district activated throughout the weekdays and allows it to operate independently from the stadium's performance.

Hotels. 1,250 total rooms. The Aloft and Omni are the two main upscale hotels that support the influx of visitation to The Battery whether it is for business or leisure. The Omni hotel has 264 guest rooms, while the Aloft has

142 rooms. The level of activity within the district requires a large number of hotel rooms in order to maintain its ability to be a walkable environment.

Multifamily. 4,000 total units. The main development within The Battery is the Cortland at the Battery Atlanta. The Cortland was built in 2017 and consists of 531 total units with a mix of one-, two- and three-bedroom apartments. The complex currently has a 5.8 percent vacancy rate.

The following table details the premiums that each asset has the ability to charge because of their presence in the mixed-use district as of 2022.

Table 8-4

The Battery District Rates

Asset Class	Mixed-Use Rates	Submarket Average Rate
Retail/Restaurant	$29.00	$22.95
Office	$33.00	$26.11
Multifamily	$2,330.00	$1,567.00

Source: Costar

Rates in each asset class are higher within The Battery than in the broader Atlanta submarket. The Battery has established itself as its own live, work and play district outside of Atlanta that attracts critical mass year-round.

Visitation Data

In order to track performance and visitation metrics to The Battery, HSP utilized Placer.ai data to shows trends and statistics of visitation over time to the district.

The following figure and table show a heat map of visitation to The Battery and the breakdown of visitation by distance over the year 2019 (pre-pandemic).

Figure 8-8

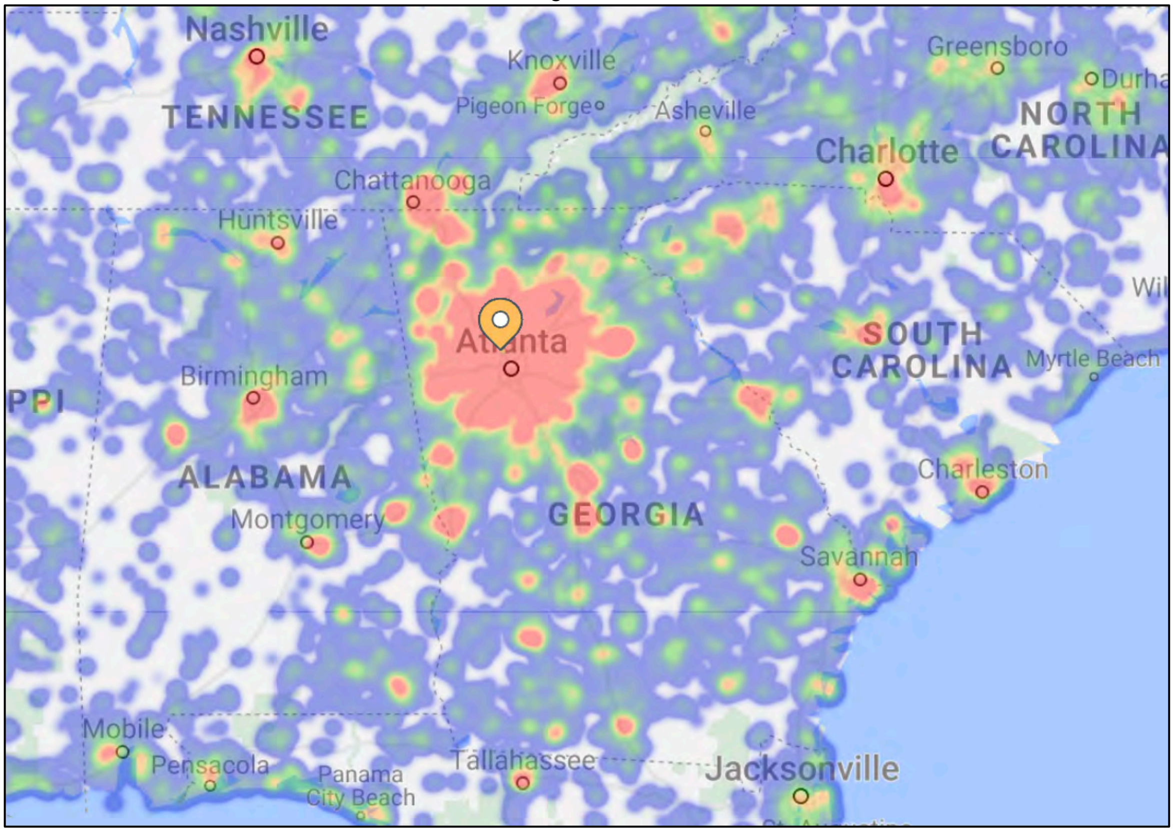


Table 8-5

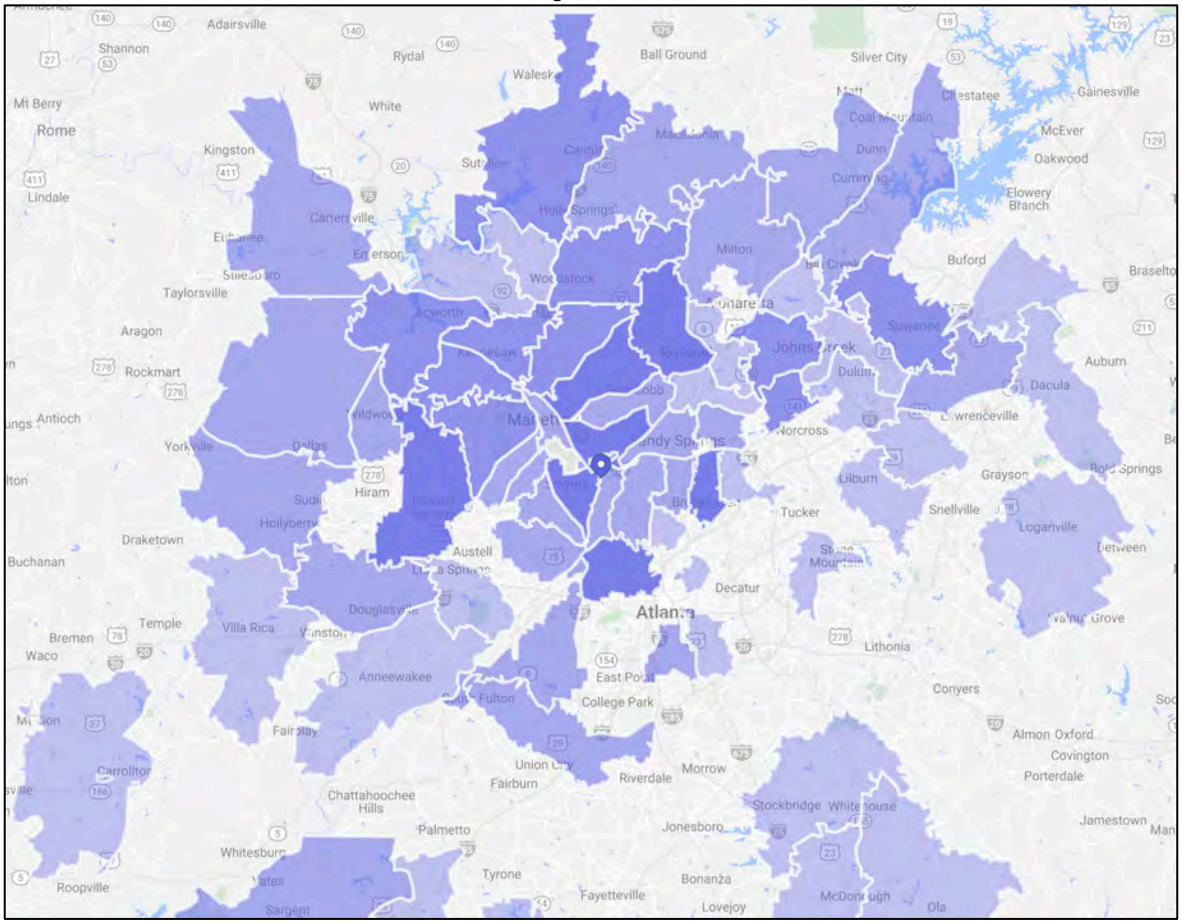
The Battery Visitation January 1, 2019 - December 31, 2019					
	Total Visits		Total Unique Customers		
Visitor Origins by Distance from Site (Colors correspond to charts & maps)	Est. Number of Visits	Percent of Total Visits	Est. Number of Customers	Percent of Total Customers	Avg. Visits per Customer
Locals - Within 10 miles	2,160,000	24.2%	477,600	12.3%	4.52
Regional Distance - Over 10 miles & Less Than 30 miles	2,670,000	29.9%	924,400	23.8%	2.89
Long Distance only - Over 30+ miles	4,100,000	45.9%	2,480,000	63.9%	1.65
Total Visits	8,930,000	100.0%	3,882,000	100.0%	2.30

Source: Placer.ai

The heat maps shows that the most popular visitation hotspots come from the Greater Atlanta area, Nashville, Knoxville, Charlotte, Charleston, Savannah, Montgomery and Birmingham. The visitation table shows that over 45 percent of the total visitation comes from over 30 miles of The Battery meaning that The Battery is a destination and tourism driver within the southern part of the U.S.

The following figure details visitation to The Battery by zip codes around Atlanta in 2019.

Figure 8-9



This map indicates much lower visitation to The Battery from downtown and southern Atlanta compared to the northern parts of the city.

The following two figures show the visitation to The Battery broken down by days of the week and length of stay.

Figure 8-10

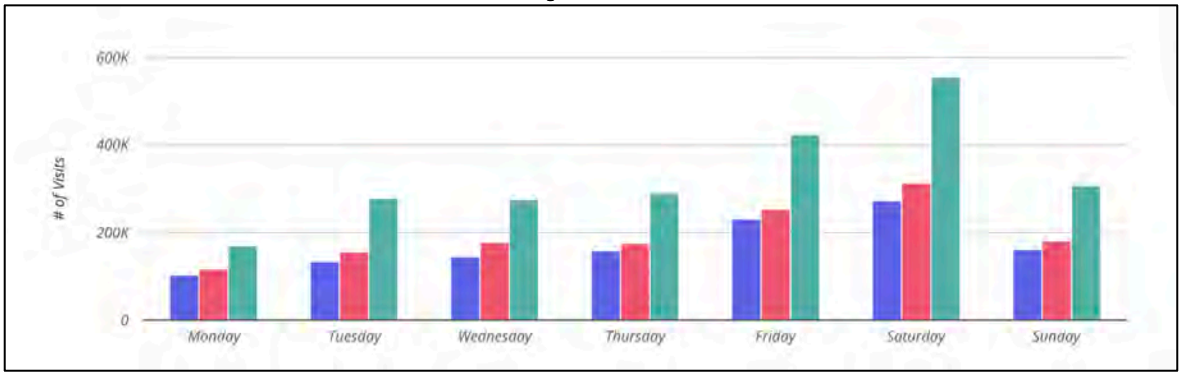
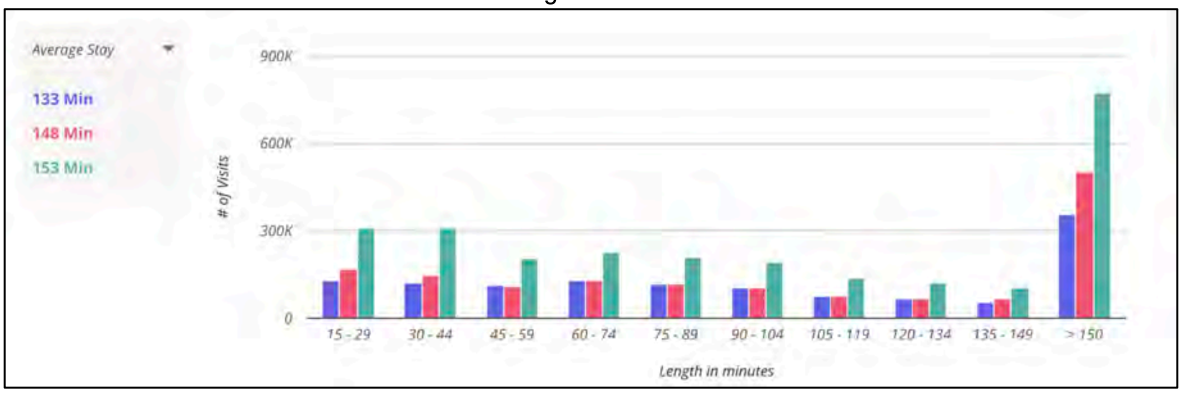


Figure 8-11



In comparison to Westgate's visitation by day, The Battery's visitation is more balanced throughout the week. Friday and Saturday show an increase compared to other days of the week, but the increase is not as severe as Westgate's. The figure also shows that The Battery is a tourist destination because of its ability to successfully attract people that live over 30 miles away on a daily basis. Average visitation at the Battery is higher than Westgate's at an overall average of 145 minutes. The Battery's mix of retail, restaurants and entertainment engages its visitors to experience multiple facets of the mixed-use district resulting in extended stays at The Battery.

Financing

The Battery was entirely funded by the Braves Development Company (BDC). The total cost of the entertainment district was roughly $400 million. Truist Park was an additional $672 million with the Braves responsible for $372 million. Cobb County and the Cumberland Community Improvement District (CID) contributed the remaining $300 million. Since Truist Park and the Battery opened in 2017, Cobb County has reported a total of $19.1 million in total state and local taxes collected. Of the $19.1 million, Cobb County has received $4.5 million, Cobb County Board of Education has received $2.7 million, and Georgia has received $11.8 million. The taxes generated have come from increased sales and use tax, transportation tax, liquor tax, occupancy tax and lodging tax.

Implications

The Battery is one of the of the most popular mixed-use districts in the Southeast and strongly supports Truist Park with a combination of compelling retail and restaurants, Class A office space and hotels. Unlike other developments, the Battery constructed a large amount of commercial office space up front, the difference being that it was executed with tenants that would utilize these spaces as their headquarters and locate thousands of employees to the district on a daily basis. The amount of office and residential space present within the district allows the Battery to be a year-round entertainment destination that provides visitors, residents and employees more than a place to socialize before and after baseball games. The Battery has created a retail and restaurant experience and connected atmosphere where visitors want to spend their time and money.

Victory Park – Dallas, Texas

Victory Park is the mixed-use district surrounding American Airlines Center in Dallas, Texas, the home of the NBA Dallas Mavericks and NHL Dallas Stars. Victory Park offers a mix of bars and restaurants, residential units, office space, hotels, entertainment and public green spaces. Victory Park is located just outside of downtown Dallas and is one of the premier entertainment districts in the city. The mixed-use district was redeveloped in the early 2000s and was formerly located on a rail yard, power plant and landfill. The similarities to Tempe are notable.

The following figure shows an aerial view of Victory Park.

Figure 8-12

Victory Park is full of bars, restaurants, and boutique retail shops to entice daily visitation to the district and an exciting nightlife scene. The district also has a plethora of office space to generate daily activity and hotels to support visitation.

The following section details the breakdown of the mixed-use district.

American Airlines Arena. The arena was opened in 2001 and is owned by the City of Dallas. American Airlines Arena has the capacity of 18,532 for hockey games and nearly 29,000 for basketball. The arena features 83 suites and additional premium courtside seating for basketball games. American Airlines also hosts many of the same world class concerts and entertainment shows that Gila River Arena hosts. American Airlines Arena cost a total of $420 million with half of the cost being covered with public financing and the remaining half covered by the Mavericks and Stars.

Retail/Restaurant. 132,000 square feet of total space. Victory Park features over 20 restaurants and six boutique retailers, PNC Plaza, the House of Blues Dallas and the Cinépolis Luxury Cinema for shopping dining and entertainment. PNC Plaza is the open space between the two mixed-use buildings outside of American Airlines Arena and hosts public events, outdoor dining and pop-up retail shops. The House of Blues Dallas is a restaurant, bar, convert venue and private event venue that holds 2,500 people for smaller concerts and a lively nightlife scene. The Cinépolis Luxury Cinema is an upscale movie theatre with a full restaurant, bar and reclining leather seats. Victory Park is also home to the Perot Museum of Nature and Science.

Office. 620,000 square feet of Class A space. Victory Park includes four Class A office spaces with two more buildings proposed that would add another 1,000,000 square feet of space. Companies that are located within Victory Park include Ernst & Young, DHG, Pier Cloud and Praxard. The presence of large corporations within Victory Park keeps the district activated throughout the weekdays and allows it to operate independently from the stadium's performance.

Hotels. 252 total rooms. The W Hotel is the feature hotel in Victory Park, located across the Street from the American Airlines Center. The W Hotel has 252 guest rooms and is a four-star hotel with a spa, restaurant and meeting space and unique bar on the 33rd floor.

Multifamily. 2,000 total units. Victory Park is surrounded by multifamily developments including five developments that have been built or renovated since 2015. The emergence of supply in the multifamily market has allowed the district to become a live, work and play environment and an attractive neighborhood to live within Dallas.

The following table details the premiums that each asset has the ability to charge because of their presence in the mixed-use district as of 2022.

Table 8-6

Victory Park District Rates

Asset Class	Mixed-Use Rates	Submarket Average Rate
Retail/Restaurant	$42.66	$38.70
Office	$51.50	$43.55
Multifamily	$3,014.60	$2,310.00

Source: Costar

HSP compared the performance of assets in Victory Park to the adjacent Uptown submarket. Victory Park and the Uptown District in Dallas outperform the assets in downtown Dallas in quality and the rates they can charge. Retail and office tenants are willing to pay a premium to be located in the more active districts within cities and people will pay higher rents to be within walking distance to premier shopping, dining and entertainment.

Visitation Data

In order to track performance and visitation metrics to Victory Park, HSP utilized Placer.ai data to shows trends and statistics of visitation over time to the district.

The following figure and table show a heat map of visitation to Victory Park and the breakdown of visitation by distance over the year 2019 (pre-pandemic).

Figure 8-13

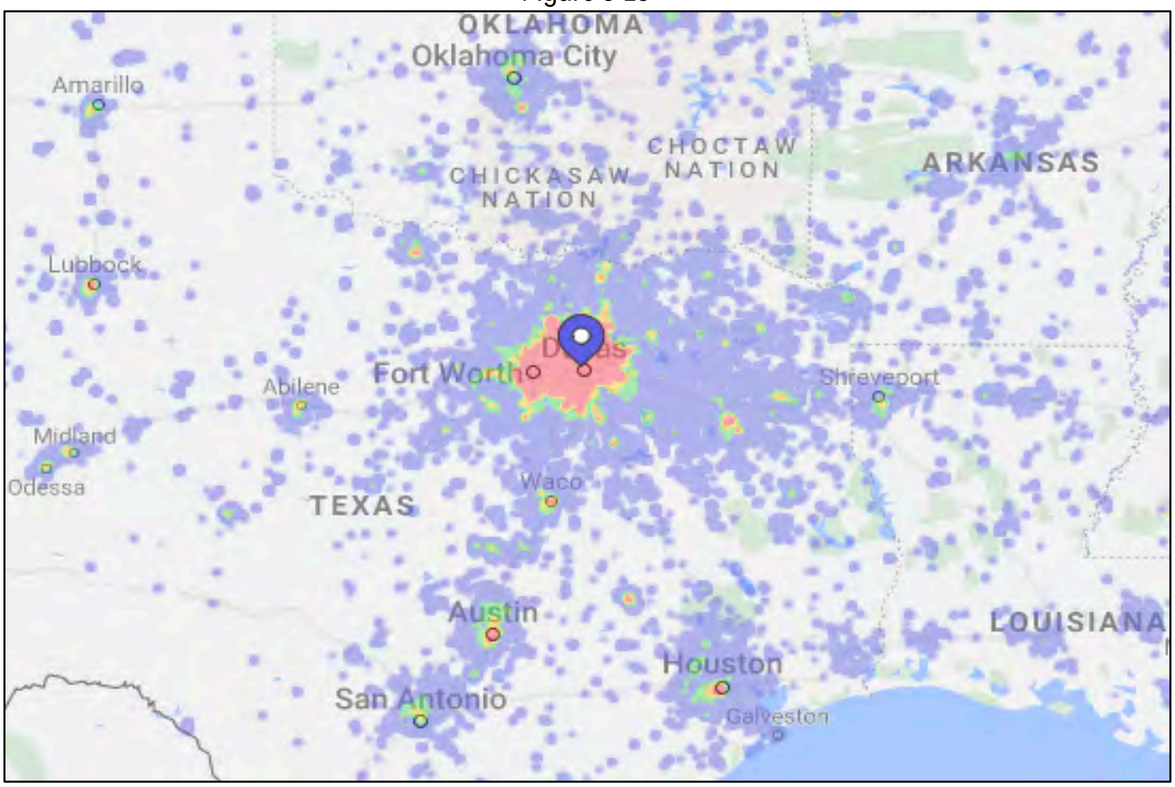


Table 8-7

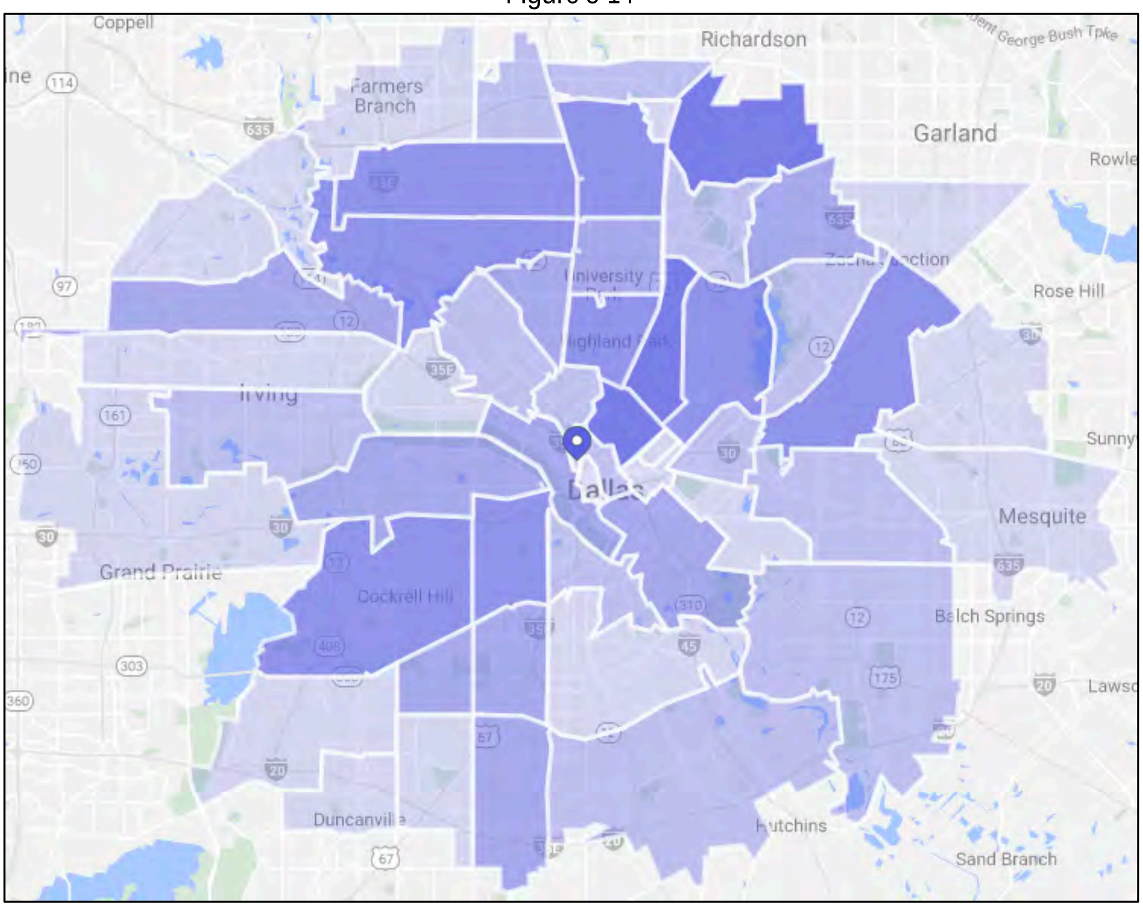
Victory Park Visitation January 1, 2019 - December 31, 2019	Total Visits		Total Unique Customers		
Visitor Origins by Distance from Site (Colors correspond to charts & maps)	Est. Number of Visits	Percent of Total Visits	Est. Number of Customers	Percent of Total Customers	Avg. Visits per Customer
Locals - Within 10 miles	1,600,000	25.8%	468,600	16.3%	3.41
Regional Distance - Over 10 miles & Less Than 30 miles	2,500,000	40.3%	1,100,000	38.3%	2.27
Long Distance only - Over 30+ miles	2,100,000	33.9%	1,300,000	45.3%	1.62
Total Visits	6,200,000	100.0%	2,868,600	100.0%	2.16

Source: Placer.ai

The heat maps shows that the most popular visitation hotspots come from the Dallas-Fort Worth area, Waco, Austin, Houston, San Antonio, Lubbock, Oklahoma City and Shreveport. The visitation table shows that over 74 percent of the total visitation comes from over ten miles from Victory Park meaning that the district is a popular destination for people from out of town to visit when in Dallas.

The following figure details visitation to Victory Park by zip codes around Dallas in 2019.

Figure 8-14



Victory Park is located just northwest of downtown Dallas and is a short trip from the heart of the city. The district has emerged as one of the most popular and active parts of Dallas. Victory Park is located right next to two major highways, 35E and 366 making it easy to access via automobile and also located right next to Victory Station, a train stop for the DART (Dallas Area Rapid Transit).

The following two figures show the visitation to Victory Park broken down by days of the week and length of stay in 2019.

Figure 8-15

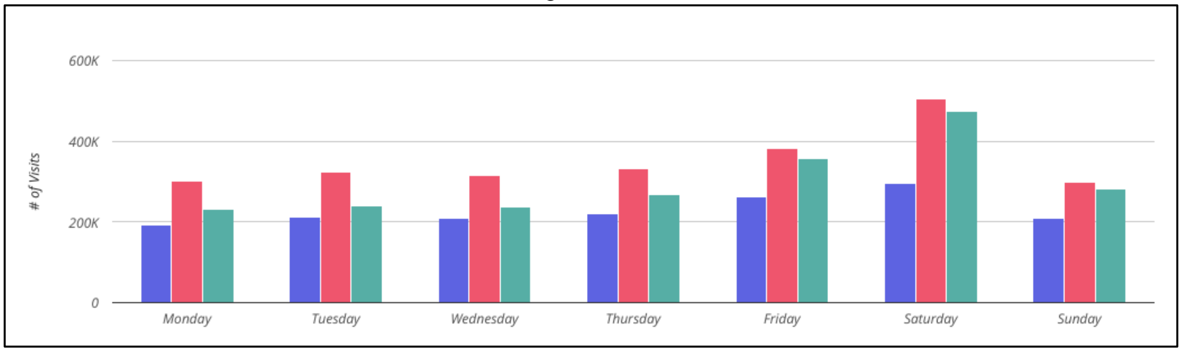
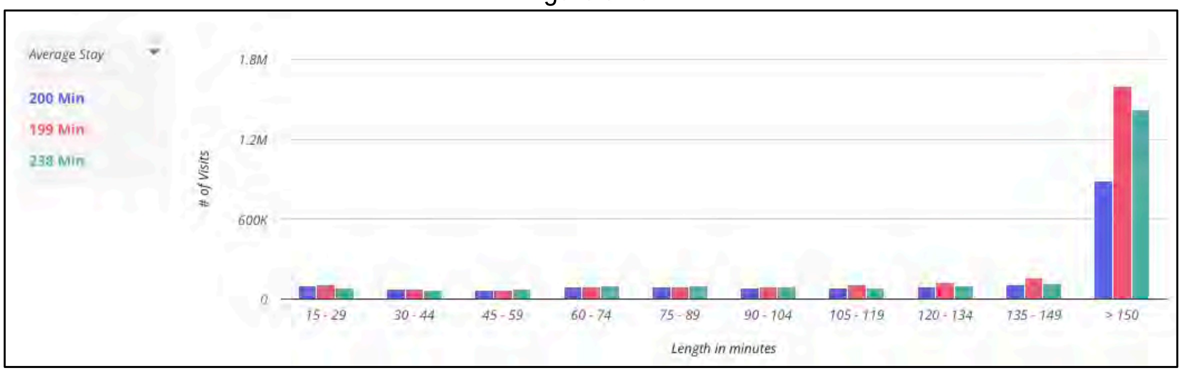


Figure 8-16



In comparison to Westgate's visitation by day, Victory Park's visitation is more balanced throughout the week. Saturday shows an increase compared to other days of the week, but the increase is not as severe as Westgate's. Average visitation at Victory Park is higher than Westgate's at an overall average of 212 minutes. Victory Park has a wide variety of entertainment options to retain people within then district including an arena, concert venue, museum, theatre, parks, boutique retail and chef-driven restaurants. Supporting Class A office space, new residential units and the W Hotel make Victory park and attractive mixed-use district just outside downtown Dallas.

Financing

In 1998, the Sports Arena TIF district was created to help fund public infrastructure improvements that would be necessary to support American Airlines Center. In 2012, the TIF was extended with the focus of increased parking developments that had restricted the growth of the district. The TIF district covers a total of 201 acres and is split into three sub-districts. American Airlines Center and the majority of the mixed-use district are located in the Victory sub-district. In 1998 when the TIF began, the original budget for the sub-district was $38.5 million but throughout the life of the project the budget has been expanded to $148.7 million. The TIF has allowed for the expansion of two critical parking structures, public space development, infrastructure improvements and retail developments. The latest addition to the TIF allowed for the development of 45,000 square feet of retail within the district. The total project cost was $17.7 million, and the developer received $3.5 million in TIF assistance to aid with development costs.

Implications

Victory Park is an example of a mixed-use district that was transformed from a blighted area within Dallas to one of the city's premier entertainment districts. Victory Park is home to some of Dallas's most popular destinations including American Airlines Center, the Perot Museum of Nature and Science, the House of Blues and the Cinépolis Luxury Cinema. Victory Park is located in downtown Dallas allowing for easy access via public transit and connectivity to other parts of the Dallas-Fort Worth area.

Channel District – Tampa, Florida

The Channel District is the mixed-used district outside of Amalie Arena in Tampa, Florida, the home of the Tampa Bay Lightning. The Channel District spans eight blocks in downtown Tampa along the Ybor Chanel. The mixed-use district was redeveloped in the early 2000s and was formerly located on an industrial and commercial area in Tampa that has been repurposed as the center of entertainment in the city. Water Street runs along the bay and is the epicenter of the district. Upon completion of the project, the development will cost roughly $3.5 billion.

The following figure shows an aerial view of The Channel District.

Figure 8-17

The Channel District broke ground in 2018 and is not slated to be finished until 2027. However, the district has made an impact on the east side of the city supporting The Florida Aquarium and the American Victory Ship & Museum.

The following figure shows the plan for the Channel District upon completion.

Figure 8-18

The following section details the breakdown of the mixed-use district.

Amalie Arena. Amalie Arena was opened in 1996 and is owned by Hillsborough County and the Tampa Sports Authority. The arena has the capacity of 19,500 for hockey games, 20,500 for basketball and 21,500 for concerts. The arena features 72 suites and 3,300 club seats for season ticket holders. Amalie Arena also hosts many of the same world class concerts and entertainment shows that Gila River Arena hosts. The project cost a total of $139 million and was financed between The City of Tampa, Hillsborough County, the state of Florida and the Tampa Bay Lightning. Financing included state sales tax bonds, county tourism tax bonds, city parking bonds, ticket surcharges and private revenue bonds. In 2013, a $62 million renovation was completed that was privately funded by Tampa Bay Sports and Entertainment with no financial burden on the community.

Retail/Restaurant. 351,000 square feet of retail and restaurant space. These spaces are spread out among all of the residential buildings, office buildings and hotels in the district. The main retail node in the district is the Sparkman Wharf, an open-air shopping complex with restaurants and bars. Sparkman Wharf uses green spaces and repurposed shipping containers for rotating pop-up retailers to keep its offerings changing throughout the year. Boutique clothing stores, gyms and restaurants are spread out throughout the Channel District.

Office. 2,000,000 square feet of Class A space upon project completion. The Offices at Sparkman Wharf and Thousand & One are the two Class A office spaces within the Channel District. Each building incorporates retail and restaurants on the ground floor with community green spaces for employees. 400 Channelside Drive is the third proposed office building that has not yet started construction.

Hotels. 1,418 total rooms. The Tampa EDITION, JW Marriott Tampa Water Street and Tampa Marriott Water Street are the three hotels within the Channel District. The Tampa Edition has a total of 172 rooms and 30,000 square feet of retail space. The JW Marriott Tampa Water Street has 519 rooms, 9,000 square feet of retail, 30,000 square feet of ballroom space and 73,000 square feet of meeting room space. The Tampa Marriott Water Street has the most hotel rooms with 727, 26,000 square feet of retail space and three restaurants.

Multifamily. 1,336 total units. Asher, Cora, Heron and The Residences at the Tampa EDITION are the four multifamily buildings in the Channel District. The Asher will open in early 2022 and have 490 units and 30,000 square feet of retail space. The Cora was opened in 2021 and has 388 units and 13,000 square feet of retail space. The Heron opened in 2021 with 420 units and 53,000 square feet of retail space. The Residences at the Tampa EDITION are located with The Tampa Edition hotel and have 38 total units and seven restaurants in the building.

The following table details the premiums that each asset has the ability to charge because of their presence in the mixed-use district as of 2022.

Table 8-8

Channel District Rates

Asset Class	Mixed-Use Rates	Submarket Average Rate
Retail/Restaurant	$40.50	$27.80
Office	$41.50	$32.29
Multifamily	$3,514.50	$2,446.00

Source: Costar

HSP compared the performance of assets in the Channel District to the downtown Tampa submarket. The Channel District has outperformed the assets in downtown Tampa in quality and the rates being charge by a wide margin.

Visitation Data

In order to track performance and visitation metrics to the Channel District, HSP utilized Placer.ai data to shows trends and statistics of visitation over time to the district.

The following figure and table show a heat map of visitation to the Channel District and the breakdown of visitation by distance over the year 2019 (pre-pandemic).

Figure 8-19

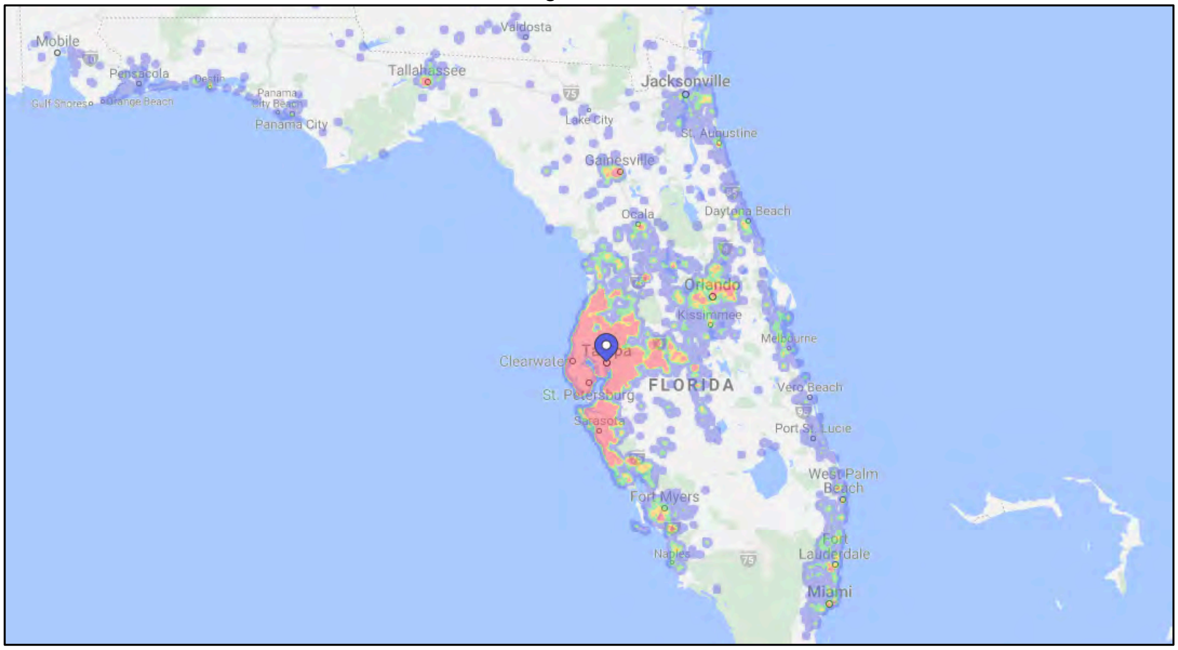


Table 8-9

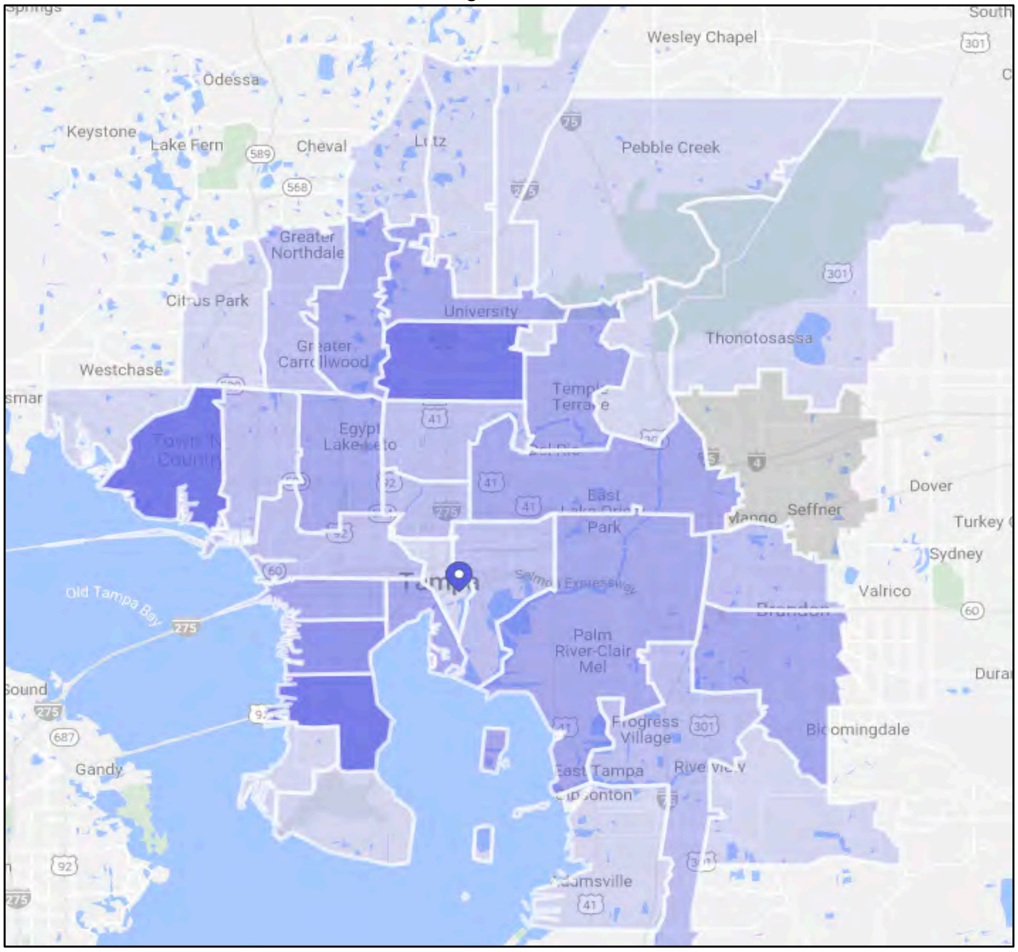
Channel District Visitation January 1, 2019 - December 31, 2019					
	Total Visits		Total Unique Customers		
Visitor Origins by Distance from Site (Colors correspond to charts & maps)	Est. Number of Visits	Percent of Total Visits	Est. Number of Customers	Percent of Total Customers	Avg. Visits per Customer
Locals - Within 10 miles	1,700,000	24.6%	399,800	12.4%	4.25
Regional Distance - Over 10 miles & Less Than 30 miles	2,000,000	29.0%	833,700	25.8%	2.40
Long Distance only - Over 30+ miles	3,200,000	46.4%	2,000,000	61.9%	1.60
Total Visits	6,900,000	100.0%	3,233,500	100.0%	2.13

Source: Placer.ai

The heat maps shows that the most popular visitation hotspots come from Tampa, Clearwater, St. Petersburg, Orlando, Fort Myers, Miami, Fort Lauderdale, Gainesville and Jacksonville. The visitation table shows that over 75 percent of the total visitation comes from over ten miles from Tampa meaning that the district is a popular destination for people from out of town to visit when in Tampa.

The following figure details visitation to the Channel District by zip codes around Tampa in 2019.

Figure 8-20



The Channel District is located directly downtown in Tampa on the bay making it prime real estate that naturally attracts visitors and residents throughout the year. The district has built compelling assets around Amalie Arena and The Florida Aquarium to capture activity generated by these two anchor tenants.

The following two figures show the visitation to the Channel District broken down by days of the week and length of stay.

Figure 8-21

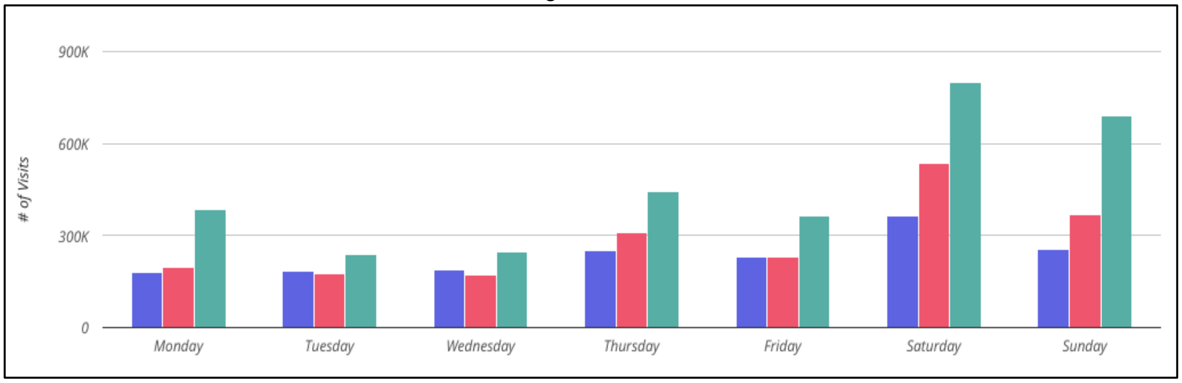
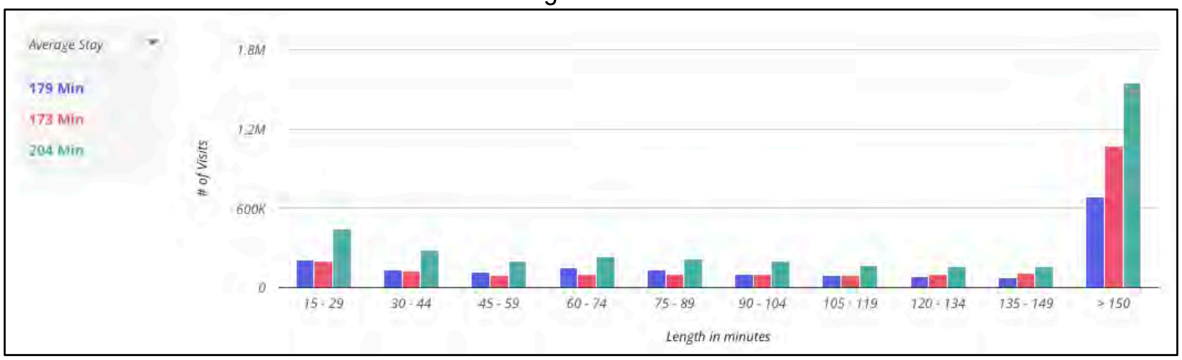


Figure 8-22



Similar to the other arena districts, the Channel Districts visitation is consistent throughout the weekdays but spikes on the weekends when visitors tend to spend more time in the bars and restaurants within the developments. The length of stay is also consistent with other districts with the average time of stay at around three hours. The mix of elements within the districts encourage visitors to experience entertainment, dining and shopping all in one place.

Financing

The Channel District is being developed by Strategic Property group which is a joint venture between the owner of the Tampa Bay Lightning and Bill Gates investment fund, Cascade. Funding for the project has not been disclosed, but the total anticipated project cost will be roughly $3.5 billion when completed.

Implications

Despite not yet being fully built, the Channel District has transformed Tampa and added a compelling mixed-use district around Amalie Arena and The Florida Aquarium. The blend of elements and green space within downtown Tampa give the district much more of a neighborhood feel compared to a typical downtown landscape. The Channel District connects each of the assets with walkways and public art displays to allow visitors to move around the district without interruption from traffic, enhancing the environment and energy of the area.

Fourth Street Live! – Louisville, Kentucky

Fourth Street Live! is the mixed-used district in downtown Louisville, Kentucky. The Cordish Company developed the district after acquiring the land in 2001 from the City of Louisville. Fourth Street Live! spans one block in downtown Louisville between Liberty Street and Muhammad Ali Boulevard. Before the district was developed, the Galleria Mall, a failing urban mall, was in its place with non-compelling retail stores, high vacancies and decrepit infrastructure.

The following figure shows a view inside of Fourth Street Live!

Figure 8-23

Fourth Street Live! is open on both ends of the district and covered with a slanted glass roof. The district primarily features retail and restaurant space with open public areas for over 150 annual concerts and events.

The following section details the breakdown of the mixed-use district.

Retail/Restaurant. 191,000 square feet of retail and restaurant space. The retail and restaurant spaces within Fourth Street Live! are active bars and entertainment venues including spaces like Professional Bull Riding Louisville, Jim Beam Urban Stillhouse, Howl at the Moon, Guy Fieri's Smokehouse and the Goose Island Beer Bridge. Fourth Street Live! hosts bar crawls, watch parties for sporting events and that keep visitors moving throughout the district to keep the venues active and energized.

Office. 677,267 square feet of Class A space. The Brown and Williamson Tower and the Meidinger Tower are on opposite ends of the district. The Brown and Williamson Tower was built in 1982 and renovated in 1996. The building accounts for 346,213 square feet of the total space in the district and has a vacancy rate of 29.37 percent. Meidinger Tower accounts for the other 331,054 square feet of space across 26 floors.

The following table details the premiums that each asset has the ability to charge because of their presence in the mixed-use district as of 2022.

Table 8-10

Fourth Street Live! District Rates

Asset Class	Mixed-Use Rates	Submarket Average Rate
Retail/Restaurant	$18.75	$18.24
Office	$19.50	$17.90

Source: Costar

Fourth Street Live's! retail and restaurant rates are slightly the market average, mainly due to the age of the spaces. The district still remains the entertainment hub of the city but the emergence of the Kentucky Bourbon Trail (KBT) in downtown Louisville has allowed other retail and restaurant spaces around these establishments to charge higher rates. For example, Old Forester Distillery's rental rent is estimated at $20 per square foot and Evan Williams rental rate is estimated at $22 per square foot.

The Omni Louisville Hotel is not part of Fourth Street Live! but was opened in 2018 and is located one block away from the district. The Omni is a four-star, full-service hotel with a rooftop pool and bar and upscale bowling alley with a speakeasy themed bar. The Hyatt Regency is also a four-star hotel a block away from the district, located just across West Liberty Street. These hotel developments have helped Fourth Street Live's! accessibility to out of town visitors that are a short walk from the district while staying in downtown Louisville.

But for the redevelopment of 4th Street Live!, it is unlikely that the Omni would have been developed in its present location or at all, especially given that it also received some public incentives. Significant real estate has been developed in the area around 4th Street Live! since it opened, including a major expansion to the Kentucky International Convention Center.

Visitation Data

In order to track performance and visitation metrics to Fourth Street Live! HSP utilized Placer.ai data to shows trends and statistics of visitation over time to the district.

The following figure and table show a heat map of visitation to Fourth Street Live! and the breakdown of visitation by distance over the year 2019 (pre-pandemic).

Figure 8-24

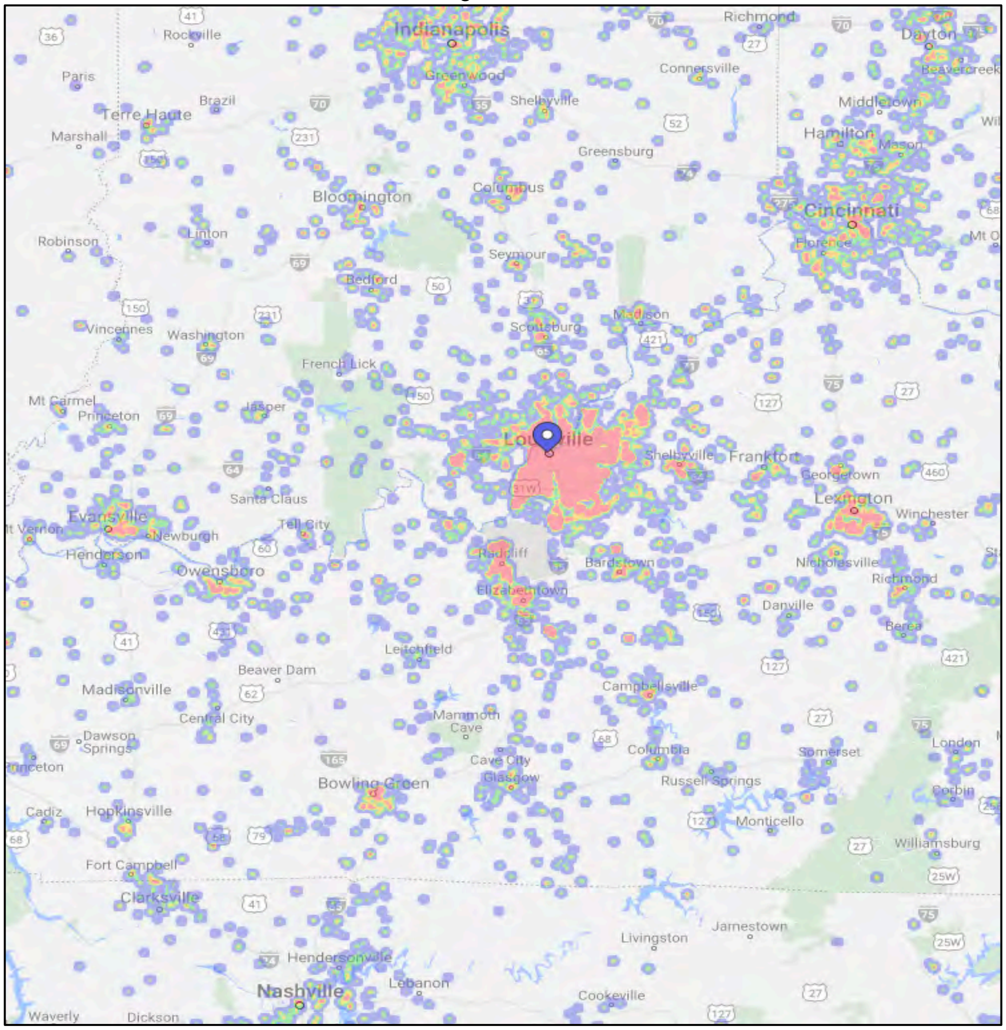


Table 8-11

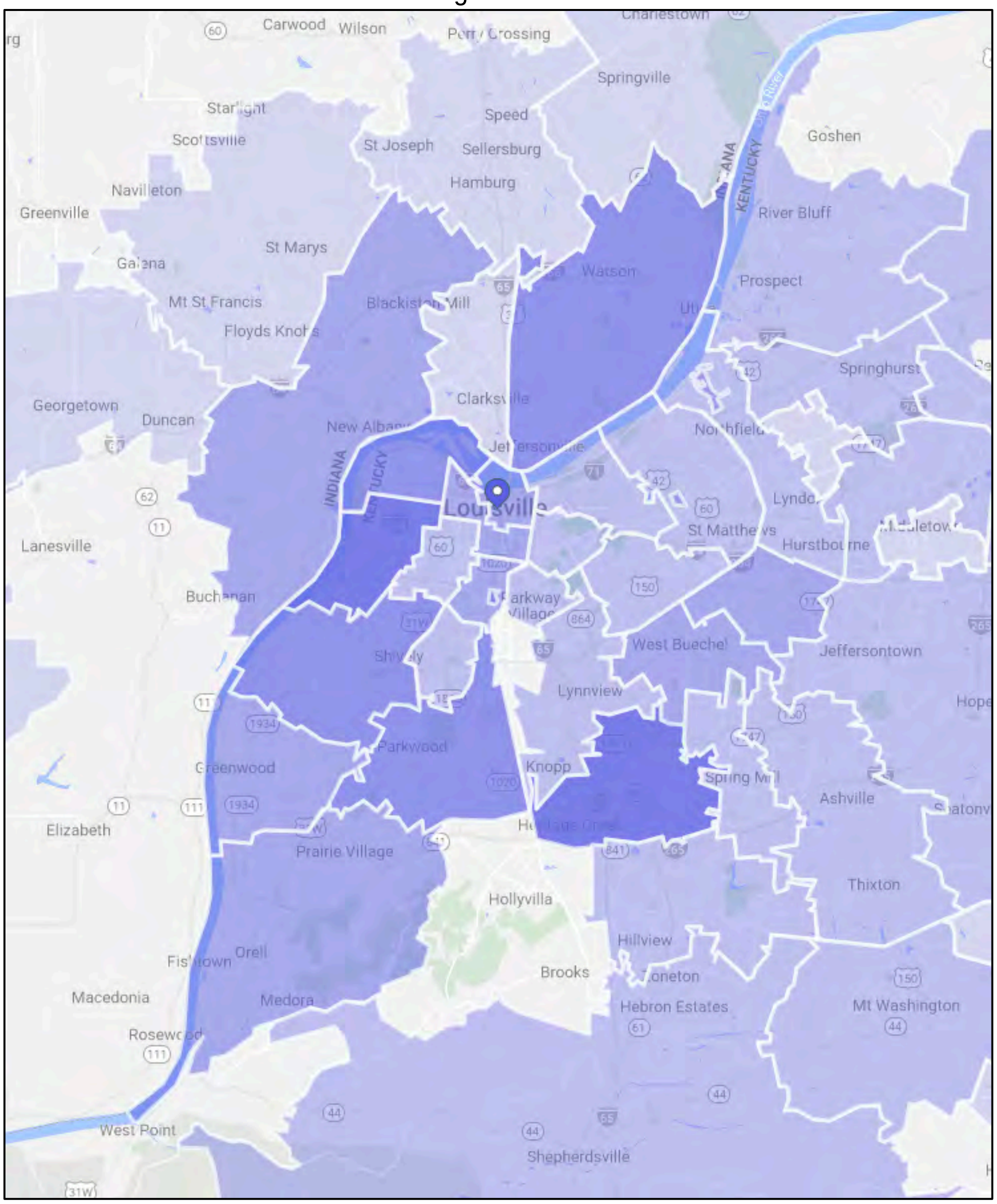
Fourth Street Live! District Visitation January 1, 2019 - December 31, 2019					
	Total Visits		Total Unique Customers		
Visitor Origins by Distance from Site (Colors correspond to charts & maps)	Est. Number of Visits	Percent of Total Visits	Est. Number of Customers	Percent of Total Customers	Avg. Visits per Customer
Locals - Within 10 miles	442,900	22.7%	187,700	15.8%	2.36
Regional Distance - Over 10 miles & Less Than 30 miles	212,400	10.9%	103,500	8.7%	2.05
Long Distance only - Over 30+ miles	1,300,000	66.5%	895,200	75.5%	1.45
Total Visits	1,955,300	100.0%	1,186,400	100.0%	1.65
Source: Placer.ai					

The heat maps shows that the most popular visitation origins are Louisville, Lexington, Cincinnati, Indianapolis and Nashville. Louisville is centrally located between all of these cities. It is within a two-hour drive time of

Lexington, Cincinnati and Indianapolis and a three-hour drive of Nashville. The visitation table shows that over 75 percent of visitation to Fourth Street Live! in 2019 was beyond 30 miles, solidifying it as a tourism destination in downtown Louisville.

The following figure details visitation to Fourth Street Live! by zip codes around Louisville in 2019.

Figure 8-25



Fourth Street Live! is centrally located in downtown Louisville. Louisville has developed into a walkable city with the KBT, The Louisville Slugger Bat Museum and the KFC Yum! Center located less than a half mile away. The

KFC YUM! Center is home to University of Louisville's men's and women's basketball teams and national touring concert acts. Fourth Street Live! attracts people from all over Louisville to visit the district when in the downtown area.

The following two figures show the visitation to Fourth Street Live! broken down by days of the week and length of stay.

Figure 8-26

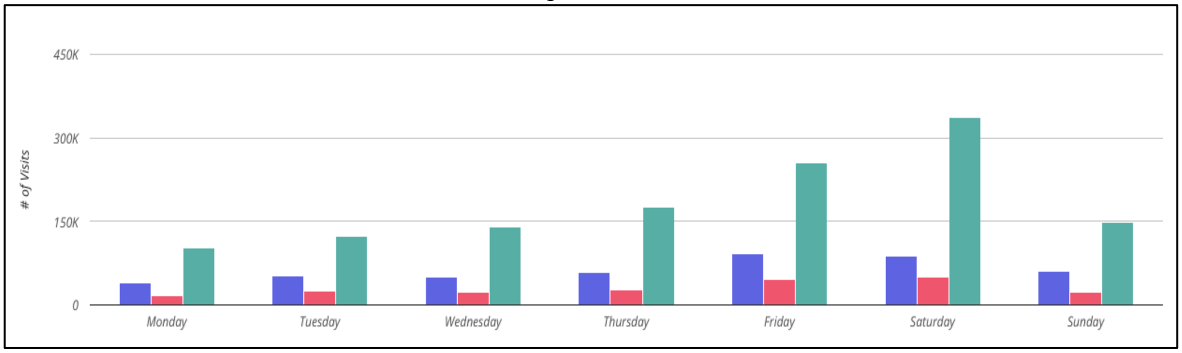
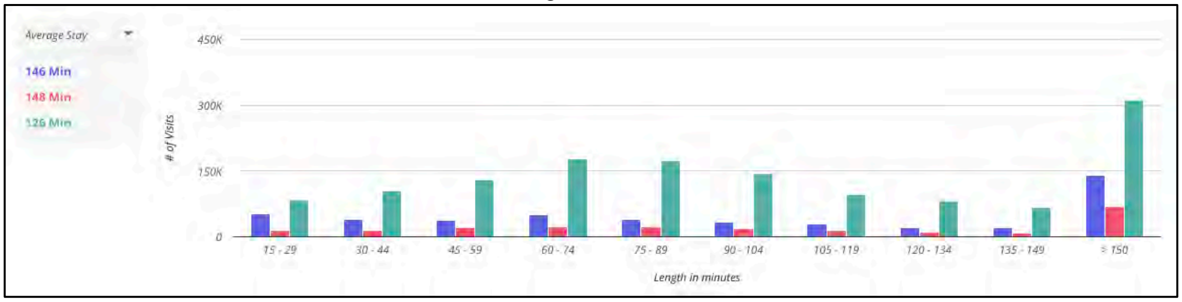


Figure 8-27



Fourth Street Live's! visitation data looks different than the other arena mixed-used districts. Visitation is lower throughout the week without a major sports venue within the district helping visitation throughout the week. Fourth Street Live's! visitation is highest on Fridays and Saturdays due to the nature of the tenants within the district being mainly bars and nightlife entertainment venues.

Financing

Fourth Street Live! was given to The Cordish Company for $1.00 by the City of Louisville. The City also gave The Cordish Company a $9 million grant to assist the development of the project. Of the $9 million, $500,000 was fully reimbursed to Cordish for project plans, marketing plans, and attorney fees. The City also dedicated 722 free parking spaces in the mall's old parking garage and 750 parking spaces in an adjacent parking facility for a small fee.

Implications

Fourth Street Live! is a mixed-used district that is not anchored by a major sports arena but still generates visitation in downtown Louisville. Despite the age of the district, the tenants and events within the district create an active atmosphere that attracts visitors in downtown Louisville. Over 75 percent of the district's visitation come from beyond 30 miles. Louisville's central location relative to other major cities within a three-hour drive time allows it to attract visitation form other nearby cities. Without an arena tenant Fourth Street Live's! visitation is not as high relative to other mixed-use districts but with the presence of the KBT, The Louisville Slugger Bat Museum and The KFC Yum! Center, the district still attracts strong visitation from other attractions downtown.

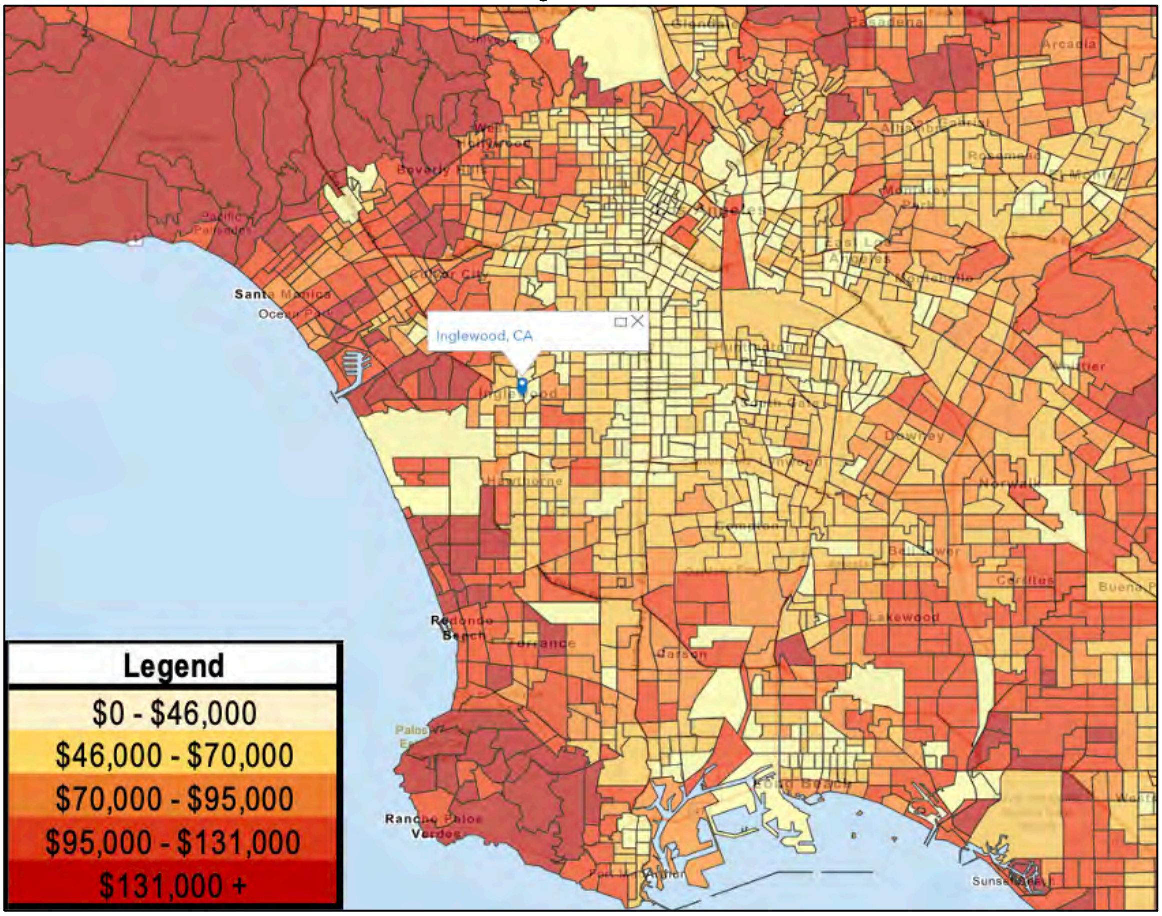
Hollywood Park – Inglewood, California

SoFi Stadium is the centerpiece of Hollywood Park, a new mixed-use district under construction in Inglewood, California. SoFi is home to the Los Angeles (LA) Rams and the LA Chargers and hosts large concerts and other events. The stadium will host the 2022 Super Bowl and is set to host events for the 2028 Summer Olympics Games.

Hollywood Park is not fully developed but upon completion the district will cover 300 acres and is expected to include five million square feet of office space, 2,500 residential units, 890,000 square feet of retail and a 300-room hotel. Hollywood Park's improvements to Inglewood are set to change the landscape of the area and bring in new developments that are of much higher quality that is currently in the market.

The following figure shows a heat map of household median incomes in Los Angeles.

Figure 8-28



Inglewood and downtown Los Angeles are currently among the lowest median incomes in the area. The proposed elements of Hollywood Park are slated to be the best and most attractive assets in Los Angeles and currently the Inglewood area is not on this scale. Since the announcement of SoFi Stadiums and the Hollywood Park district, home values and rents have risen at nearly double the rate of anywhere else in Los Angeles. Developers have rushed to invest in the area to capitalize on the activity at SoFi and the eventual fully built mixed-use district. As reported by hoteliers in the area, typical occupancy in the past has hovered around 50 percent, but throughout the 2021-2022 NFL season and around large entertainment events, occupancies rise around 95 percent.

The following table shows the projected growth between 2021 and 2026 in household income and home values in the Inglewood CCD (Census County Division).

Table 8-12

Projected Income and Home Value Change (Inglewood, CA)	2021	2026 Projected	Percent Change 2021 - 2026
Median Household Income	57,226	65,147	13.8%
Average Household Income	76,150	88,026	15.6%
Per Capita Income	24,493	28,246	15.3%
Median Home Value	$609,022	$703,228	15.5%

Source: U.S. Census Bureau

Between 2021 and 2026, median household income and average household income are expected to grow at rates of 13.8 percent and 15.6 percent, respectively. Job quality and opportunities created by the Hollywood Park district are expected to bring higher-paying jobs to the area and increase the overall health of Inglewood. Home values are expected to grow at a similar pace throughout the period jumping from roughly $610,000 to just over $700,000 at a growth rate of 15.5 percent.

Conclusions

The case studies suggest that well-conceived, high-quality and centrally located mixed-use districts around major sports venues are viable long-term projects that help make the sports venue viable over a long period. In addition, the uses in the district outperform similar uses within the same submarket. Alternatively, mixed-use developments and venues that are of more generic suburban quality, not located centrally to the metro area, and are not adjacent to other existing commercial districts, suffer and do not support the long-term viability of the mixed-use development or the venue. HSP believes these key factors separate the proposed Tempe project (and the successful comparables) from the suffering Westgate development: central location, adjacent developed districts/ dense nodes, quality of each use, uniqueness of offerings, destination appeal and daytime/office uses.

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Demand and Financial Projections

HSP made demand and financial projections for the various elements of the Tempe Entertainment District to analyze project cashflows, feasibility, generate impact calculations and draw conclusions relating to the Project. While the number of units and/or square footage of the real estate assets may be increased, HSP underwrote the minimum amount of each asset to provide a baseline for analysis.

HSP included city taxes generated by each on-site asset under each proforma in this chapter. By doing this, calculations in the following chapter may be easier to follow. For ease of analysis, tax revenue received by the City of Tempe (net of GPLET and CFD repayment) will be highlighted in blue, while taxes and revenues withheld for bond repayment will be highlighted in yellow.

While the actual timeline of the Project may be modified based on external factors, HSP assumed 2026 to be the first year of operation for Phase I assets. Phase II elements are estimated to become operational in Year 3.

The following table shows the breakdown of how taxes and project revenues will be shared for the CFD repayment program. Note the CFD assessment lien is not included as it is not a project revenue or tax.

Table 9-1

Bond Repayment Deal Structure - On-Site Tax Revenue Share

Revenue Stream	City Keeps	Bond Payment Use
Transaction Privilege Tax Encumbered (0.6%)	100% (0.6%)	0% (0.0%)
Transaction Privilege Tax Unencumbered (1.2%)	25% (0.3%)	75% (0.9%)
Commercial Lease Tax Encumbered (0.6%)	100% (0.6%)	0% (0.0%)
Commercial Lease Tax Unencumbered (1.2%)	25% (0.3%)	75% (0.9%)
Hotel Bed Tax (5.0%)	25% (1.25%)	75% (3.75%)
Property Tax Encumbered (63.1%)	100%	0%
Property Tax Unencumbered (36.9%)	46.90%	53.10%

Source: Hunden Strategic Partners

In the following analysis of each asset type, red text denotes property and commercial lease taxes that will be affected by the GPLET and CFD Bond repayment program. Though they may not be fully paid, they are included in the proforma analysis to understand where revenues are generated.

Multifamily

As of October 2022, Phase I of construction includes plans for 180-units of concrete construction apartments. Phase II includes 1,495 additional units composed of a mix of concrete and wood-framed construction. The three residential buildings will include 2,946 total parking spaces over both phases.

The following table overviews the assumptions and projections for the multifamily components of the Project.

Table 9-2

Proforma - Multifamily ($000s)	2026 Yr 1	2027 Yr 2	2028 Yr 3	2029 Yr 4	2030 Yr 5	2031 Yr 6	2032 Yr 7	2033 Yr 8	2034 Yr 9	2035 Yr 10	2045 Yr 20	2055 Yr 30
Number of Units	180	180	1,675	1,675	1,675	1,675	1,675	1,675	1,675	1,675	1,675	1,675
Occupied Units	90	153	1,089	1,340	1,591	1,591	1,591	1,591	1,591	1,591	1,591	1,591
Avg. SF / Unit	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070
Rent/Unit/Year	34,775	35,471	36,180	36,904	37,642	38,394	39,162	39,946	40,744	41,559	50,661	61,755
Leasable SF	192,600	192,600	1,792,250	1,792,250	1,792,250	1,792,250	1,792,250	1,792,250	1,792,250	1,792,250	1,792,250	1,792,250
Occupied SF	96,300	163,710	1,164,963	1,433,800	1,702,638	1,702,638	1,702,638	1,702,638	1,702,638	1,702,638	1,702,638	1,702,638
Annual Lease Rate	$ 32.50	$ 33.15	$ 33.81	$ 34.49	$ 35.18	$ 35.88	$ 36.60	$ 37.33	$ 38.08	$ 38.84	$ 47.35	$ 57.71
Monthly Lease Rate	$ 2.71	$ 2.76	$ 2.82	$ 2.87	$ 2.93	$ 2.99	$ 3.05	$ 3.11	$ 3.17	$ 3.24	$ 3.95	$ 4.81
Parking (Monthly Rate)	$ 50.00	$ 51.00	$ 52.02	$ 53.06	$ 54.12	$ 55.20	$ 56.31	$ 57.43	$ 58.58	$ 59.75	$ 72.84	$ 88.79
On-Site Residents	135	230	1,633	2,010	2,387	2,387	2,387	2,387	2,387	2,387	2,387	2,387
Percent Parking	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Parking Space Demand / Month	121	206	1,469	1,809	2,148	2,148	2,148	2,148	2,148	2,148	2,148	2,148
Revenue												
Gross Potential Rent (000s)	$ 6,260	$ 6,385	$ 60,601	$ 61,813	$ 63,050	$ 64,311	$ 65,597	$ 66,909	$ 68,247	$ 69,612	$ 84,857	$ 103,440
Vacancy	50%	15%	35%	20%	5%	5%	5%	5%	5%	5%	5%	5%
Vacancy Loss	$ 3,130	$ 958	$ 21,210	$ 12,363	$ 3,152	$ 3,216	$ 3,280	$ 3,345	$ 3,412	$ 3,481	$ 4,243	$ 5,172
Collection & Other Losses	$ 113	$ 115	$ 1,091	$ 1,113	$ 1,135	$ 1,158	$ 1,181	$ 1,204	$ 1,228	$ 1,253	$ 1,527	$ 1,862
Gross Effective Rent	$ 3,017	$ 5,312	$ 38,300	$ 48,338	$ 58,762	$ 59,938	$ 61,136	$ 62,359	$ 63,606	$ 64,878	$ 79,086	$ 96,406
Parking Revenue	$ 73	$ 126	$ 917	$ 1,152	$ 1,395	$ 1,423	$ 1,451	$ 1,480	$ 1,510	$ 1,540	$ 1,878	$ 2,289
Gross Operating Income	$ 3,090	$ 5,438	$ 39,217	$ 49,490	$ 60,157	$ 61,360	$ 62,588	$ 63,839	$ 65,116	$ 66,419	$ 80,964	$ 98,694
Expenses												
Salaries & Personnel	$ 300	$ 320	$ 2,178	$ 2,222	$ 2,266	$ 2,312	$ 2,358	$ 2,405	$ 2,453	$ 2,502	$ 3,050	$ 3,718
Insurance	$ 117	$ 119	$ 1,133	$ 1,155	$ 1,178	$ 1,202	$ 1,226	$ 1,251	$ 1,276	$ 1,301	$ 1,586	$ 1,933
Property Taxes	$ 429	$ 438	$ 4,153	$ 4,237	$ 4,321	$ 4,408	$ 4,496	$ 4,586	$ 4,678	$ 4,771	$ 5,816	$ 7,090
Utilities	$ 396	$ 404	$ 3,834	$ 3,911	$ 3,989	$ 4,069	$ 4,150	$ 4,233	$ 4,318	$ 4,404	$ 5,368	$ 6,544
Management Fee	$ 108	$ 110	$ 1,046	$ 1,067	$ 1,088	$ 1,110	$ 1,132	$ 1,154	$ 1,178	$ 1,201	$ 1,464	$ 1,785
Admin	$ 108	$ 110	$ 1,046	$ 1,067	$ 1,088	$ 1,110	$ 1,132	$ 1,154	$ 1,178	$ 1,201	$ 1,464	$ 1,785
Marketing	$ 45	$ 46	$ 436	$ 444	$ 453	$ 462	$ 472	$ 481	$ 491	$ 500	$ 610	$ 744
Cap Ex Reserves	$ 90	$ 92	$ 871	$ 889	$ 907	$ 925	$ 943	$ 962	$ 981	$ 1,001	$ 1,220	$ 1,487
Repairs & Maintenance	$ 311	$ 317	$ 3,006	$ 3,066	$ 3,128	$ 3,190	$ 3,254	$ 3,319	$ 3,385	$ 3,453	$ 4,209	$ 5,131
Commercial Lease Tax - Gr. Eff. Rent	$ 54	$ 96	$ 689	$ 870	$ 1,058	$ 1,079	$ 1,100	$ 1,122	$ 1,145	$ 1,168	$ 1,424	$ 1,735
Commercial Lease Tax - Parking	$ 1	$ 2	$ 17	$ 21	$ 25	$ 26	$ 26	$ 27	$ 27	$ 28	$ 34	$ 41
Other	$ 702	$ 716	$ 6,796	$ 6,932	$ 7,071	$ 7,212	$ 7,357	$ 7,504	$ 7,654	$ 7,807	$ 9,517	$ 11,601
Total Expenses	$ 2,661	$ 2,770	$ 25,205	$ 25,880	$ 26,572	$ 27,103	$ 27,645	$ 28,198	$ 28,762	$ 29,337	$ 35,762	$ 43,594
Net Operating Income	$ 356	$ 2,543	$ 13,095	$ 22,458	$ 32,190	$ 32,834	$ 33,491	$ 34,161	$ 34,844	$ 35,541	$ 43,324	$ 52,812
Operating Margin	*12%*	*48%*	*34%*	*46%*	*55%*	*55%*	*55%*	*55%*	*55%*	*55%*	*55%*	*55%*
On-Site Employment												
FTE Employees	*6*	*6*	*40*	*40*	*40*	*40*	*40*	*40*	*40*	*40*	*40*	*40*
Employee Earnings	*$ 300*	*$ 320*	*$ 2,178*	*$ 2,222*	*$ 2,266*	*$ 2,312*	*$ 2,358*	*$ 2,405*	*$ 2,453*	*$ 2,502*	*$ 3,050*	*$ 3,718*
Avg. Annual Salary/Wage	*$ 50*	*$ 53*	*$ 54*	*$ 56*	*$ 57*	*$ 58*	*$ 59*	*$ 60*	*$ 61*	*$ 63*	*$ 76*	*$ 93*
Taxes Generated (000s)												
Commercial Lease Tax (CLT) - 1.8%												
Commercial Lease Tax Generated	*$ 56*	*$ 98*	*$ 706*	*$ 891*	*$ 1,083*	*$ 1,104*	*$ 1,127*	*$ 1,149*	*$ 1,172*	*$ 1,196*	*$ 1,457*	*$ 1,776*
Comm. Lease Tax Received by Tempe - 50.0%	$ 28	$ 49	$ 353	$ 445	$ 541	$ 552	$ 563	$ 575	$ 586	$ 598	$ 729	$ 888
Comm. Lease Tax Withheld for Bond - 50.0%	$ 28	$ 49	$ 353	$ 445	$ 541	$ 552	$ 563	$ 575	$ 586	$ 598	$ 729	$ 888
Property Taxes												
Property Taxes Generated - $2,383 / Unit (2026)	*$ 429*	*$ 438*	*$ 4,153*	*$ 4,237*	*$ 4,321*	*$ 4,408*	*$ 4,496*	*$ 4,586*	*$ 4,678*	*$ 4,771*	*$ 5,816*	*$ 7,090*
Tempe Portion of Property Taxes - (2.4% / 13.58%)	*$ 76*	*$ 77*	*$ 734*	*$ 749*	*$ 764*	*$ 779*	*$ 795*	*$ 810*	*$ 827*	*$ 843*	*$ 1,028*	*$ 1,253*
Tempe Property Taxes - Net GPLET, Pre-CFD	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ 89*	*$ 91*	*$ 1,028*	*$ 1,253*
Property Taxes Received by Tempe - 80.4%	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ 71*	*$ 73*	*$ 826*	*$ 1,007*
Property Tax Withheld for Bond - 19.6%	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ 17*	*$ 18*	*$ 201*	*$ 245*

Source: Hunden Strategic Partners

The multifamily component is anticipated to stabilize by Year 5. At stabilization, the component is expected to have five percent vacancy and lease for over $35 per square foot. With the strong tailwinds from population and commercial growth in the submarket, HSP estimated that these rental rates and occupancy levels are likely conservative.

In Year 1, operating income is projected to be $335,000, increasing to $52.8 million in Year 30. The proforma includes capital expenditure reserves of $500 per unit annually. These funds will be used to keep the apartment space updated and at the top of the market in terms of quality for the timeline of analysis. After stabilization, revenues and expenses will grow at the assumed inflation rate of two percent. Based on these projections, the project is expected to yield an operating margin of 55 percent by stabilization in Year 5.

On-site employment for the multifamily assets is projected as six full-time equivalent employees in Year 1, increasing to 40 full-time equivalents at full build-out. These employees are projected to earn an average of $50,000 in salary and wages in Year 1.

Commercial lease taxes represent 1.8 percent of gross effective rent on apartments and parking revenues. To calculate property taxes, HSP used comparable Tempe multifamily assets' 2021 tax receipts on a per-unit basis. In 2026, HSP assumed $2,538 per unit in property taxes, increasing two percent per year.

Office

As of October 2022, Phase I includes plans for 180,000 square feet of office space and 63,000 square feet of team practice facility and headquarters (243,000 square feet total). Phase II office construction will add 140,000 square feet of space, bringing the Project total to 383,000 square feet of office. HSP assumed the team practice facility and headquarters will pay the same rent levels as the other office tenants.

Office construction includes plans for 311 and 467 parking spaces, in Phase I and II, respectively. HSP assumed these spaces will be used during the day for office employees and be 90 percent available for use during events held at the arena and music venue (assumed to be held at night).

The following table shows the assumptions and projections for the office components of the Project.

Table 9-3

Proforma - Office ($000s)	2026 Yr 1	2027 Yr 2	2028 Yr 3	2029 Yr 4	2030 Yr 5	2031 Yr 6	2032 Yr 7	2033 Yr 8	2034 Yr 9	2035 Yr 10	2045 Yr 20	2055 Yr 30
Leasable SF	243,000	243,000	383,000	383,000	383,000	383,000	383,000	383,000	383,000	383,000	383,000	383,000
Occupied SF	121,500	182,250	287,250	344,700	344,700	344,700	344,700	344,700	344,700	344,700	344,700	344,700
Lease Rate	$ 41.00	$ 41.82	$ 42.66	$ 43.51	$ 44.38	$ 45.27	$ 46.17	$ 47.10	$ 48.04	$ 49.00	$ 59.73	$ 72.81
Reimbursements												
CAM	$ 4.08	$ 4.16	$ 4.24	$ 4.33	$ 4.42	$ 4.50	$ 4.59	$ 4.69	$ 4.78	$ 4.88	$ 5.94	$ 7.25
Property Taxes	$ 5.07	$ 5.18	$ 5.28	$ 5.38	$ 5.49	$ 5.60	$ 5.71	$ 5.83	$ 5.94	$ 6.06	$ 7.39	$ 9.01
Insurance	$ 0.50	$ 0.51	$ 0.52	$ 0.53	$ 0.54	$ 0.55	$ 0.56	$ 0.57	$ 0.59	$ 0.60	$ 0.73	$ 0.89
Total	$ 9.65	$ 9.85	$ 10.04	$ 10.24	$ 10.45	$ 10.66	$ 10.87	$ 11.09	$ 11.31	$ 11.54	$ 14.06	$ 17.14
Parking (Monthly Rate)	$ 80	$ 82	$ 83	$ 85	$ 87	$ 88	$ 90	$ 92	$ 94	$ 96	$ 117	$ 142
Employees Onsite	608	911	1,436	1,724	1,724	1,724	1,724	1,724	1,724	1,724	1,724	1,724
Percent Parking	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Parking Space Demand	547	820	1,293	1,551	1,551	1,551	1,551	1,551	1,551	1,551	1,551	1,551
Revenue												
Gross Potential Rent	$ 9,963	$ 10,162	$ 16,337	$ 16,664	$ 16,997	$ 17,337	$ 17,684	$ 18,038	$ 18,399	$ 18,767	$ 22,876	$ 27,886
Vacancy	50%	25%	25%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Vacancy Loss	$ 4,982	$ 2,541	$ 4,084	$ 1,666	$ 1,700	$ 1,734	$ 1,768	$ 1,804	$ 1,840	$ 1,877	$ 2,288	$ 2,789
Gross Effective Rent	$ 4,982	$ 7,622	$ 12,253	$ 14,998	$ 15,298	$ 15,604	$ 15,916	$ 16,234	$ 16,559	$ 16,890	$ 20,589	$ 25,097
Team HQ Rent (30-Year GPLET)	$ 2,583	$ 2,635	$ 2,687	$ 2,741	$ 2,796	$ 2,852	$ 2,909	$ 2,967	$ 3,026	$ 3,087	$ 3,763	$ 4,587
CLT for Team HQ (30-Year GPLET)	*$ 46*	*$ 47*	*$ 48*	*$ 49*	*$ 50*	*$ 51*	*$ 52*	*$ 53*	*$ 54*	*$ 56*	*$ 68*	*$ 83*
Parking Revenue - Daily Office Workers	$ 525	$ 803	$ 1,291	$ 1,580	$ 1,612	$ 1,644	$ 1,677	$ 1,711	$ 1,745	$ 1,780	$ 2,169	$ 2,644
Parking Revenue - Events (Calculated in Parking)	$ 378	$ 384	$ 957	$ 973	$ 990	$ 1,007	$ 1,025	$ 1,043	$ 1,062	$ 1,081	$ 1,279	$ 1,299
Tenant Reimbursements	$ 1,173	$ 1,795	$ 2,885	$ 3,531	$ 3,602	$ 3,674	$ 3,747	$ 3,822	$ 3,899	$ 3,977	$ 4,848	$ 5,909
Gross Operating Income	$ 6,679	$ 10,219	$ 16,429	$ 20,109	$ 20,511	$ 20,922	$ 21,340	$ 21,767	$ 22,202	$ 22,646	$ 27,606	$ 33,651
Expenses												
CAM	$ 991	$ 1,011	$ 1,626	$ 1,658	$ 1,691	$ 1,725	$ 1,760	$ 1,795	$ 1,831	$ 1,867	$ 2,276	$ 2,775
Property Taxes	$ 1,233	$ 1,258	$ 2,022	$ 2,062	$ 2,103	$ 2,145	$ 2,188	$ 2,232	$ 2,277	$ 2,322	$ 2,831	$ 3,451
Insurance	$ 122	$ 124	$ 199	$ 203	$ 207	$ 211	$ 216	$ 220	$ 224	$ 229	$ 279	$ 340
Other - Non-Reimbursable	$ 219	$ 223	$ 359	$ 366	$ 373	$ 381	$ 388	$ 396	$ 404	$ 412	$ 502	$ 612
Management Fee	$ 199	$ 305	$ 490	$ 600	$ 612	$ 624	$ 637	$ 649	$ 662	$ 676	$ 824	$ 1,004
Cap Ex Reserves	$ 149	$ 229	$ 368	$ 450	$ 459	$ 468	$ 477	$ 487	$ 497	$ 507	$ 618	$ 753
Commercial Lease Tax - G. Eff. Rent w/ HQ	$ 90	$ 137	$ 221	$ 270	$ 275	$ 281	$ 286	$ 292	$ 298	$ 304	$ 371	$ 452
Commercial Lease Tax - Office Parking	$ 9	$ 14	$ 23	$ 28	$ 29	$ 30	$ 30	$ 31	$ 31	$ 32	$ 39	$ 48
Commerical Lease Tax - Event Parking	$ 7	$ 7	$ 17	$ 18	$ 18	$ 18	$ 18	$ 19	$ 19	$ 19	$ 23	$ 23
Parking Expenses - 20% Revenue	$ 181	$ 237	$ 450	$ 511	$ 520	$ 530	$ 540	$ 551	$ 561	$ 572	$ 690	$ 789
Total Expenses	$ 3,200	$ 3,545	$ 5,774	$ 6,166	$ 6,289	$ 6,414	$ 6,541	$ 6,672	$ 6,805	$ 6,940	$ 8,452	$ 10,246
Net Operating Income	$ 3,480	$ 6,674	$ 10,656	$ 13,943	$ 14,223	$ 14,508	$ 14,799	$ 15,095	$ 15,397	$ 15,706	$ 19,154	$ 23,405
Operating Margin	*52%*	*65%*	*65%*	*69%*	*69%*	*69%*	*69%*	*69%*	*69%*	*69%*	*69%*	*70%*
On-Site Jobs												
FTE Employees	*608*	*911*	*1,436*	*1,724*	*1,724*	*1,724*	*1,724*	*1,724*	*1,724*	*1,724*	*1,724*	*1,724*
Employee Earnings	*$ 54,675*	*$ 83,653*	*$ 134,485*	*$ 164,609*	*$ 167,901*	*$ 171,259*	*$ 174,685*	*$ 178,178*	*$ 181,742*	*$ 185,377*	*$ 225,973*	*$ 275,460*
Avg. Annual Salary/Wage	*$ 90*	*$ 92*	*$ 94*	*$ 96*	*$ 97*	*$ 99*	*$ 101*	*$ 103*	*$ 105*	*$ 108*	*$ 131*	*$ 160*
Taxes Generated (000s)												
Commercial Lease Tax (CLT) - 1.8 % Office Components, Team HQ Excluded (30-Year GPLET)												
Total Commercial Lease Tax Generated	*$ 59*	*$ 111*	*$ 213*	*$ 267*	*$ 272*	*$ 277*	*$ 283*	*$ 288*	*$ 294*	*$ 300*	*$ 365*	*$ 440*
Comm. Lease Tax Received by Tempe - 50.0%	$ 30	$ 56	$ 106	$ 133	$ 136	$ 139	$ 141	$ 144	$ 147	$ 150	$ 182	$ 220
Comm. Lease Tax Withheld for Bond - 50.0%	$ 30	$ 56	$ 106	$ 133	$ 136	$ 139	$ 141	$ 144	$ 147	$ 150	$ 182	$ 220
Property Taxes												
Property Taxes Generated - $5.07 PSF (2026)	*$ 1,233*	*$ 1,258*	*$ 2,022*	*$ 2,062*	*$ 2,103*	*$ 2,145*	*$ 2,188*	*$ 2,232*	*$ 2,277*	*$ 2,322*	*$ 2,831*	*$ 3,451*
Tempe Portion of Property Taxes - (2.4% / 13.58%)	*$ 218*	*$ 222*	*$ 357*	*$ 364*	*$ 372*	*$ 379*	*$ 387*	*$ 394*	*$ 402*	*$ 410*	*$ 500*	*$ 610*
Tempe Property Taxes - Net GPLET, Pre-CFD	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ 255*	*$ 260*	*$ 500*	*$ 610*
Property Taxes Received by Tempe - 80.4%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 205	$ 209	$ 402	$ 490
Property Tax Withheld for Bond - 19.6%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 50	$ 51	$ 98	$ 119

Source: Hunden Strategic Partners

The office component is expected to stabilize in Year 5, when office space is projected to achieve ten percent vacancy and a lease rate of over $44 per square foot. The office components are anticipated to achieve a 69 percent operating margin by stabilization.

On-site employment for the office assets, including building staff and tenant employees, is projected to be 608 full-time equivalent employees in Year 1, increasing to 1,724 full-time equivalents at full build-out. These employees are projected to earn an average of $90,000 in salary and wages in Year 1.

Employment numbers represent the assumption of 200 square feet of occupied space per employee. To accommodate for this demand, HSP assumed 90 percent of employees will require parking spaces onsite and thus, parking space demand is projected to be 547 spaces in Year 1 and stabilize at 1,551 spaces by Year 5. Parking demand surpasses the amount of available parking within the office building structures (778 at full buildout). HSP assumed the additional demand would use spaces available in the arena and multifamily parking structures. These revenues are still to be counted in the office portion of analysis. As long as the parking structures used for these employees are located on-site, the total commercial lease taxes generated on-site from parking will be counted correctly. If off-site options are used, HSP estimates will be conservative as a result of no CFD bond repayment program dollars being withheld. Daily office parking revenue is projected to be $525,000 in Year 1 and increase to $2.6 million by Year 30.

The estimated gross operating income (with reimbursements and daily/event parking) from office assets are projected to total $3.4 million in Year 1, increasing to $23.4 million by Year 30. The proforma includes capital expenditure reserves of three percent of effective gross rent per year. These funds will be used to keep the office space updated and at the top of the market in terms of quality for many years. After stabilization, revenues and expenses are expected to increase at the assumed inflation rate of two percent. The office elements are expected to yield an operating margin of 69 percent at stabilization.

Commercial lease taxes were calculated as 1.8 percent of gross effective rent (not including the team headquarters) and parking revenues from daily office use and event parking in the office structures. To calculate property taxes, HSP used comparable Tempe office assets' 2021 tax receipts on a per square foot basis. HSP assumed property taxes of $5.07 per square foot per year starting in 2026.

Restaurant / Retail

As of October 2022, Phase I construction will contain 165,000 square feet of restaurant/retail space. The RFP response denotes it will be classified as a 'retail center.' Phase II restaurant/retail components will cover 148,000 square feet of space, classified as 'neighborhood retail space.' After both phases of construction, the total Project will include 313,000 square feet of restaurant/retail space and 987 parking spaces in the entertainment district parking structure. The entertainment district parking was assumed to be used for daily retail/restaurant use and during events, all of these revenues were included in the restaurant/retail proforma.

The following table overviews the assumptions and projections for the restaurant/retail components of the Project.

Table 9-4

Proforma - Restaurant/Retail ($000s)	2026 Yr 1	2027 Yr 2	2028 Yr 3	2029 Yr 4	2030 Yr 5	2031 Yr 6	2032 Yr 7	2033 Yr 8	2034 Yr 9	2035 Yr 10	2045 Yr 20	2055 Yr 30
Leasable SF	165,000	165,000	313,000	313,000	313,000	313,000	313,000	313,000	313,000	313,000	313,000	313,000
Occupied SF	82,500	123,750	266,050	297,350	297,350	297,350	297,350	297,350	297,350	297,350	297,350	297,350
Lease Rate	$ 46.00	$ 46.92	$ 47.86	$ 48.82	$ 49.79	$ 50.79	$ 51.80	$ 52.84	$ 53.90	$ 54.97	$ 67.01	$ 81.69
Reimbursements												
CAM	$ 2.30	$ 2.35	$ 2.39	$ 2.44	$ 2.49	$ 2.54	$ 2.59	$ 2.64	$ 2.69	$ 2.75	$ 3.35	$ 4.08
Property Taxes	$ 2.68	$ 2.73	$ 2.79	$ 2.85	$ 2.90	$ 2.96	$ 3.02	$ 3.08	$ 3.14	$ 3.20	$ 3.91	$ 4.76
Insurance	$ 1.85	$ 1.89	$ 1.92	$ 1.96	$ 2.00	$ 2.04	$ 2.08	$ 2.13	$ 2.17	$ 2.21	$ 2.70	$ 3.29
Total	$ 8.01	$ 8.17	$ 8.33	$ 8.50	$ 8.67	$ 8.84	$ 9.02	$ 9.20	$ 9.38	$ 9.57	$ 11.66	$ 14.22
Daily Use Parking												
Parking (Hourly Rate) (Free)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Parking Usage (Hours) (2.0 People Per Car) (000s)	620	930	2,000	2,235	2,235	2,235	2,235	2,235	2,235	2,235	2,235	2,235
Total Number of Visitors (000s)	1,240	1,860	3,999	4,470	4,470	4,470	4,470	4,470	4,470	4,470	4,470	4,470
Percent Parking	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Parking Space Demand (000s)	558	837	1,800	2,011	2,011	2,011	2,011	2,011	2,011	2,011	2,011	2,011
Event Parking												
Parking Space Demand (000s)	81	80	80	79	79	78	78	77	77	76	71	66
Parking Revenue	$ 1,619	$ 1,640	$ 1,661	$ 1,682	$ 1,704	$ 1,726	$ 1,750	$ 1,774	$ 1,797	$ 1,821	$ 2,074	$ 2,354
Revenue												
Gross Potential Rent	$ 7,590	$ 7,742	$ 14,980	$ 15,279	$ 15,585	$ 15,897	$ 16,214	$ 16,539	$ 16,870	$ 17,207	$ 20,975	$ 25,569
Vacancy	50%	25%	15%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Vacancy Loss	$ 3,795	$ 1,935	$ 2,247	$ 764	$ 779	$ 795	$ 811	$ 827	$ 843	$ 860	$ 1,049	$ 1,278
Gross Effective Rent	$ 3,795	$ 5,806	$ 12,733	$ 14,515	$ 14,806	$ 15,102	$ 15,404	$ 15,712	$ 16,026	$ 16,347	$ 19,926	$ 24,290
Daily Parking Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Event Parking	$ 1,619	$ 1,640	$ 1,661	$ 1,682	$ 1,704	$ 1,726	$ 1,750	$ 1,774	$ 1,797	$ 1,821	$ 2,074	$ 2,354
Tentant Reimbursements	$ 661	$ 1,011	$ 2,216	$ 2,527	$ 2,577	$ 2,629	$ 2,681	$ 2,735	$ 2,790	$ 2,845	$ 3,468	$ 4,228
Gross Operating Income	$ 4,456	$ 6,817	$ 14,949	$ 17,042	$ 17,383	$ 17,730	$ 18,085	$ 18,447	$ 18,816	$ 19,192	$ 23,395	$ 28,518
Expenses												
CAM	$ 99	$ 101	$ 195	$ 199	$ 203	$ 207	$ 211	$ 216	$ 220	$ 224	$ 274	$ 334
Grease Traps	$ 17	$ 17	$ 33	$ 33	$ 34	$ 35	$ 35	$ 36	$ 37	$ 37	$ 46	$ 56
Trash Removal	$ 66	$ 67	$ 130	$ 133	$ 136	$ 138	$ 141	$ 144	$ 147	$ 150	$ 182	$ 222
Day Porter & Supplies	$ 99	$ 101	$ 195	$ 199	$ 203	$ 207	$ 211	$ 216	$ 220	$ 224	$ 274	$ 334
Landscaping	$ 17	$ 17	$ 33	$ 33	$ 34	$ 35	$ 35	$ 36	$ 37	$ 37	$ 46	$ 56
CAM Electricity	$ 61	$ 62	$ 120	$ 123	$ 125	$ 128	$ 130	$ 133	$ 136	$ 138	$ 169	$ 206
Water & Sewer	$ 68	$ 69	$ 134	$ 136	$ 139	$ 142	$ 145	$ 147	$ 150	$ 153	$ 187	$ 228
Property Taxes	$ 442	$ 451	$ 873	$ 891	$ 908	$ 926	$ 945	$ 964	$ 983	$ 1,003	$ 1,222	$ 1,490
Management & Admin	$ 271	$ 276	$ 534	$ 545	$ 556	$ 567	$ 578	$ 590	$ 601	$ 613	$ 748	$ 912
Insurance	$ 59	$ 61	$ 117	$ 120	$ 122	$ 124	$ 127	$ 129	$ 132	$ 135	$ 164	$ 200
Parking Expenses - 20%	$ 324	$ 328	$ 332	$ 336	$ 341	$ 345	$ 350	$ 355	$ 359	$ 364	$ 415	$ 471
Cap Ex Reserves	$ 33	$ 34	$ 65	$ 66	$ 68	$ 69	$ 70	$ 72	$ 73	$ 75	$ 91	$ 111
Commercial Lease Tax - G Eff. Rent	$ 68	$ 105	$ 229	$ 261	$ 267	$ 272	$ 277	$ 283	$ 288	$ 294	$ 359	$ 437
Commercial Lease Tax - Daily Parking	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial Lease Tax - Parking Events	$ 29	$ 30	$ 30	$ 30	$ 31	$ 31	$ 32	$ 32	$ 32	$ 33	$ 37	$ 42
Fire, Life & Safety	$ 17	$ 17	$ 33	$ 33	$ 34	$ 35	$ 35	$ 36	$ 37	$ 37	$ 46	$ 56
Total Expenses	$ 1,669	$ 1,734	$ 3,053	$ 3,139	$ 3,200	$ 3,261	$ 3,324	$ 3,388	$ 3,453	$ 3,520	$ 4,258	$ 5,153
Net Operating Income	$ 2,787	$ 5,083	$ 11,896	$ 13,902	$ 14,183	$ 14,469	$ 14,761	$ 15,059	$ 15,363	$ 15,672	$ 19,136	$ 23,365
Operating Margin	*63%*	*75%*	*80%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*	*82%*
NOI Without Parking	$ 1,492	$ 3,771	$ 10,567	$ 12,557	$ 12,820	$ 13,088	$ 13,361	$ 13,640	$ 13,925	$ 14,216	$ 17,477	$ 21,482
On-Site Jobs												
FTE Employees	310	465	999	1,117	1,117	1,117	1,117	1,117	1,117	1,117	1,117	1,117
Employee Earnings	$ 13,482	$ 20,627	$ 45,233	$ 51,566	$ 52,597	$ 53,649	$ 54,722	$ 55,816	$ 56,933	$ 58,071	$ 70,789	$ 86,291
Avg. Annual Salary/Wage	*$ 44*	*$ 44*	*$ 45*	*$ 46*	*$ 47*	*$ 48*	*$ 49*	*$ 50*	*$ 51*	*$ 52*	*$ 63*	*$ 77*
Taxes Generated (000s)												
Commercial Lease Tax (CLT) - 1.8%												
Total Commercial Lease Tax Generated	*$ 97*	*$ 134*	*$ 259*	*$ 292*	*$ 297*	*$ 303*	*$ 309*	*$ 315*	*$ 321*	*$ 327*	*$ 396*	*$ 480*
Comm. Lease Tax Received by Tempe - 50.0%	$ 49	$ 67	$ 130	$ 146	$ 149	$ 151	$ 154	$ 157	$ 160	$ 164	$ 198	$ 240
Comm. Lease Tax Withheld for Bond - 50.0%	$ 49	$ 67	$ 130	$ 146	$ 149	$ 151	$ 154	$ 157	$ 160	$ 164	$ 198	$ 240
Transaction Privilege Tax (TPT) - 1.8%												
Implied Sales/SF - actual dollars	*$ 511*	*$ 521*	*$ 532*	*$ 542*	*$ 553*	*$ 564*	*$ 576*	*$ 587*	*$ 599*	*$ 611*	*$ 745*	*$ 908*
Total Sales	*$ 42,167*	*$ 64,515*	*$ 141,475*	*$ 161,281*	*$ 164,507*	*$ 167,797*	*$ 171,153*	*$ 174,576*	*$ 178,067*	*$ 181,629*	*$ 221,405*	*$ 269,891*
TPT Generated	*$ 759*	*$ 1,161*	*$ 2,547*	*$ 2,903*	*$ 2,961*	*$ 3,020*	*$ 3,081*	*$ 3,142*	*$ 3,205*	*$ 3,269*	*$ 3,985*	*$ 4,858*
TPT Received by Tempe - 50.0%	$ 380	$ 581	$ 1,273	$ 1,452	$ 1,481	$ 1,510	$ 1,540	$ 1,571	$ 1,603	$ 1,635	$ 1,993	$ 2,429
TPT Withheld for Bond - 50.0%	$ 380	$ 581	$ 1,273	$ 1,452	$ 1,481	$ 1,510	$ 1,540	$ 1,571	$ 1,603	$ 1,635	$ 1,993	$ 2,429
Property Taxes												
Property Taxes Generated - $2.68 PSF (2026)	*$ 442*	*$ 451*	*$ 873*	*$ 891*	*$ 908*	*$ 926*	*$ 945*	*$ 964*	*$ 983*	*$ 1,003*	*$ 1,222*	*$ 1,490*
Tempe Portion of Property Taxes - (2.4% / 13.58%)	*$ 78*	*$ 80*	*$ 154*	*$ 157*	*$ 161*	*$ 164*	*$ 167*	*$ 170*	*$ 174*	*$ 177*	*$ 216*	*$ 263*
Tempe Property Taxes - Net GPLET, Pre-CFD	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ 92*	*$ 93*	*$ 216*	*$ 263*
Property Taxes Received by Tempe - 80.4%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 74	$ 75	$ 174	$ 212
Property Tax Withheld for Bond - 19.6%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 18	$ 18	$ 42	$ 52

Source: Hunden Strategic Partners

The Developer has committed 1,500 square feet of retail space to the Tempe Police for a substation. HSP assumed the Police Station will occupy vacant space with no rent charged and no commercial lease tax to be paid. The substation therefore was not included in the proforma.

The assumed lease rate for these spaces starts at $46 per square foot in Year 1, increasing by two percent thereafter. The restaurant/retail space is estimated to achieve 95 percent occupancy by stabilization in Year 4. These rates surpass current market conditions, but with the Project uniqueness, centralized location and traffic driven by the anchor tenant, these rates are believed to be feasible and achievable. Interviews with local real estate brokers indicated that by 2026, these rates may likely be conservative for such a development.

Assumptions relating to average check and total on-site sales resulted in an estimated 1.24 million visitors in Year 1, increasing to 4.47 million at stabilization. Assuming 90 percent of customers utilize parking and with an average of two visitors per car, parking space demand is estimated to total 620,000 hours in Year 1, stabilizing at 2.01 million hours after full build-out of all restaurant/retail elements. HSP assumed daily parking for the retail elements will be free, generating no commercial lease tax.

Projected revenues for the retail real estate assets will generate a gross operating income of $2.78 million in Year 1, increasing to $23.3 million by Year 30. The proforma includes capital expenditure reserves of $0.20 per square foot per year. These funds will be used to keep the restaurant and retail space updated and at the top of the market in terms of quality for the lifetime of the assets. After stabilization, revenues and expenses are expected to increase at the assumed inflation rate of two percent. Based on these projections, the restaurant/retail component is expected to yield an operating margin of 82 percent at stabilization.

On-site employment for the restaurant/retail assets is projected to be 310 full-time equivalent employees in Year 1, increasing to 1,117 full-time equivalents at full build out. These employees are projected to earn an average of $44,000 salary and wages in Year 1.

Commercial lease taxes were generated from gross effective retail rents and parking revenues in the entertainment district parking structures. Transaction privilege taxes were generated from the calculation of $511 sales per square foot (of leased space) in 2026. To calculate property taxes, HSP used Tempe retail properties' 2021 tax receipts on a per square foot basis. Based on these retail properties, HSP assumed $2.68 per square foot per year starting in 2026.

Hotel

The hospitality components assumed in the Phase I build out (on the East parcel) include a 200-room full-service near-luxury boutique hotel with 190 parking spaces. The Phase II hospitality component (on the West parcel) includes a 300-room convention hotel with 320 parking spaces.

The following table overviews the assumptions and projections for the hotel components of the Project.

Table 9-5

Proforma - Hotels (Full-Service Boutique (200) & Conference Hotel (300)) ($000s)	2026 Yr 1	2027 Yr 2	2028 Yr 3	2029 Yr 4	2030 Yr 5	2031 Yr 6	2032 Yr 7	2033 Yr 8	2034 Yr 9	2035 Yr 10	2045 Yr 20	2055 Yr 30
Rooms	200	200	500	500	500	500	500	500	500	500	500	500
Occupancy Rate	65%	70%	65%	70%	75%	75%	75%	75%	75%	75%	75%	75%
Average Daily Rate	$ 188	$ 192	$ 196	$ 200	$ 204	$ 208	$ 212	$ 216	$ 221	$ 225	$ 274	$ 334
Occupied Room Nights	47,450	51,100	118,625	127,750	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875
Parking (Daily Rate) (Actual)	$ 25	$ 26	$ 26	$ 27	$ 27	$ 28	$ 28	$ 29	$ 29	$ 30	$ 36	$ 44
Percent Parking	33%	32%	31%	30%	29%	28%	27%	26%	25%	24%	14%	4%
Parking Space Demand	15,659	16,352	36,774	38,325	39,694	38,325	36,956	35,588	34,219	32,850	19,163	5,475
Revenue												
Rooms	$ 8,931	$ 9,811	$ 23,230	$ 25,518	$ 27,887	$ 28,445	$ 29,014	$ 29,594	$ 30,186	$ 30,790	$ 37,533	$ 45,752
Parking	$ 391	$ 417	$ 956	$ 1,017	$ 1,074	$ 1,058	$ 1,040	$ 1,022	$ 1,002	$ 981	$ 698	$ 243
Food, Beverage & Other	$ 2,858	$ 3,139	$ 7,434	$ 8,166	$ 8,924	$ 9,102	$ 9,284	$ 9,470	$ 9,660	$ 9,853	$ 12,010	$ 14,641
Total	$ 12,181	$ 13,367	$ 31,621	$ 34,700	$ 37,885	$ 38,605	$ 39,339	$ 40,086	$ 40,848	$ 41,624	$ 50,241	$ 60,636
Expenses												
Departmental Expenses												
Rooms	$ 2,233	$ 2,453	$ 5,808	$ 6,379	$ 6,972	$ 7,111	$ 7,253	$ 7,399	$ 7,547	$ 7,697	$ 9,383	$ 11,438
Parking	$ 117	$ 125	$ 287	$ 305	$ 322	$ 317	$ 312	$ 307	$ 301	$ 294	$ 209	$ 73
Commercial Lease Tax - Parking	$ 7	$ 8	$ 17	$ 18	$ 19	$ 19	$ 19	$ 18	$ 18	$ 18	$ 13	$ 4
Food, Beverage & Other	$ 1,915	$ 2,103	$ 4,981	$ 5,471	$ 5,979	$ 6,099	$ 6,221	$ 6,345	$ 6,472	$ 6,601	$ 8,047	$ 9,809
Total	$ 4,272	$ 4,689	$ 11,092	$ 12,174	$ 13,292	$ 13,546	$ 13,805	$ 14,069	$ 14,337	$ 14,611	$ 17,652	$ 21,325
Gross Operating Income	$ 7,909	$ 8,678	$ 20,528	$ 22,526	$ 24,593	$ 25,059	$ 25,534	$ 26,018	$ 26,511	$ 27,013	$ 32,589	$ 39,311
Undistributed Operating Expenses												
Admin & General	$ 792	$ 869	$ 2,055	$ 2,256	$ 2,463	$ 2,509	$ 2,557	$ 2,606	$ 2,655	$ 2,706	$ 3,266	$ 3,941
Marketing	$ 670	$ 735	$ 1,739	$ 1,909	$ 2,084	$ 2,123	$ 2,164	$ 2,205	$ 2,247	$ 2,289	$ 2,763	$ 3,335
Utlities	$ 487	$ 535	$ 1,265	$ 1,388	$ 1,515	$ 1,544	$ 1,574	$ 1,603	$ 1,634	$ 1,665	$ 2,010	$ 2,425
Operations & Maintenance	$ 487	$ 535	$ 1,265	$ 1,388	$ 1,515	$ 1,544	$ 1,574	$ 1,603	$ 1,634	$ 1,665	$ 2,010	$ 2,425
Total Expenses	$ 2,436	$ 2,673	$ 6,324	$ 6,940	$ 7,577	$ 7,721	$ 7,868	$ 8,017	$ 8,170	$ 8,325	$ 10,048	$ 12,127
Gross Operating Profit	$ 5,472	$ 6,005	$ 14,204	$ 15,586	$ 17,016	$ 17,338	$ 17,666	$ 18,001	$ 18,341	$ 18,688	$ 22,541	$ 27,184
Franchise Fees (of Gross Rooms Rev)	$ 804	$ 883	$ 2,091	$ 2,297	$ 2,510	$ 2,560	$ 2,611	$ 2,663	$ 2,717	$ 2,771	$ 3,378	$ 4,118
Fixed Expenses												
Property Taxes (per Key)	$ 319	$ 325	$ 829	$ 846	$ 863	$ 880	$ 897	$ 915	$ 934	$ 952	$ 1,161	$ 1,415
Insurance	$ 122	$ 134	$ 316	$ 347	$ 379	$ 386	$ 393	$ 401	$ 408	$ 416	$ 502	$ 606
Management Fee	$ 426	$ 468	$ 1,107	$ 1,215	$ 1,326	$ 1,351	$ 1,377	$ 1,403	$ 1,430	$ 1,457	$ 1,758	$ 2,122
Cap Ex Reserves	$ 487	$ 535	$ 1,265	$ 1,388	$ 1,515	$ 1,544	$ 1,574	$ 1,603	$ 1,634	$ 1,665	$ 2,010	$ 2,425
Total	$ 1,354	$ 1,461	$ 3,517	$ 3,795	$ 4,083	$ 4,161	$ 4,241	$ 4,323	$ 4,406	$ 4,490	$ 5,431	$ 6,569
Net Operating Income	$ 3,315	$ 3,661	$ 8,597	$ 9,495	$ 10,423	$ 10,617	$ 10,814	$ 11,014	$ 11,219	$ 11,427	$ 13,731	$ 16,497
Operating Margin	*27%*	*27%*	*27%*	*27%*	*28%*	*28%*	*27%*	*27%*	*27%*	*27%*	*27%*	*27%*
On-Site Employment												
FTE Employees	*94*	*102*	*236*	*254*	*272*	*272*	*272*	*272*	*272*	*272*	*272*	*272*
Employee Earnings	*$ 3,559*	*$ 3,905*	*$ 9,238*	*$ 10,137*	*$ 11,067*	*$ 11,277*	*$ 11,490*	*$ 11,708*	*$ 11,930*	*$ 12,156*	*$ 14,665*	*$ 17,690*
Avg. Annual Salary/Wage	*$ 38*	*$ 38*	*$ 39*	*$ 40*	*$ 41*	*$ 41*	*$ 42*	*$ 43*	*$ 44*	*$ 45*	*$ 54*	*$ 65*
Taxes Generated (000s)												
Commercial Lease Tax - 1.8%												
Total Commercial Lease Tax Generated	*$ 7*	*$ 8*	*$ 17*	*$ 18*	*$ 19*	*$ 19*	*$ 19*	*$ 18*	*$ 18*	*$ 18*	*$ 13*	*$ 4*
Comm. Lease Tax Received by Tempe - 50.0%	$ 4	$ 4	$ 9	$ 9	$ 10	$ 10	$ 9	$ 9	$ 9	$ 9	$ 6	$ 2
Comm. Lease Tax Withheld for Bond - 50.0%	$ 4	$ 4	$ 9	$ 9	$ 10	$ 10	$ 9	$ 9	$ 9	$ 9	$ 6	$ 2
Transaction Privilege Tax (TPT) - 1.8%												
Total Food, Beverage and Other Sales & Hotel Rev.	*$ 11,789*	*$ 12,950*	*$ 30,664*	*$ 33,684*	*$ 36,811*	*$ 37,547*	*$ 38,298*	*$ 39,064*	*$ 39,846*	*$ 40,643*	*$ 49,543*	*$ 60,393*
TPT Generated	*$ 212*	*$ 233*	*$ 552*	*$ 606*	*$ 663*	*$ 676*	*$ 689*	*$ 703*	*$ 717*	*$ 732*	*$ 892*	*$ 1,087*
TPT Received by Tempe - 50.0%	$ 106	$ 117	$ 276	$ 303	$ 331	$ 338	$ 345	$ 352	$ 359	$ 366	$ 446	$ 544
TPT Withheld for Bond - 50.0%	$ 106	$ 117	$ 276	$ 303	$ 331	$ 338	$ 345	$ 352	$ 359	$ 366	$ 446	$ 544
Hotel Tax - 5%												
Hotel Tax Generated	*$ 447*	*$ 491*	*$ 1,162*	*$ 1,276*	*$ 1,394*	*$ 1,422*	*$ 1,451*	*$ 1,480*	*$ 1,509*	*$ 1,539*	*$ 1,877*	*$ 2,288*
Hotel Tax Recieved by Tempe - 25%	$ 112	$ 123	$ 290	$ 319	$ 349	$ 356	$ 363	$ 370	$ 377	$ 385	$ 469	$ 572
Hotel Tax Withheld for CFD Bond - 75%	$ 335	$ 368	$ 871	$ 957	$ 1,046	$ 1,067	$ 1,088	$ 1,110	$ 1,132	$ 1,155	$ 1,407	$ 1,716
Property Taxes												
Property Tax Generated - $1,593.89 / Key (2026)	*$ 319*	*$ 325*	*$ 829*	*$ 846*	*$ 863*	*$ 880*	*$ 897*	*$ 915*	*$ 934*	*$ 952*	*$ 1,161*	*$ 1,415*
Tempe Portion of Property Taxes - (2.4% / 13.58%)	*$ 56*	*$ 57*	*$ 147*	*$ 149*	*$ 152*	*$ 156*	*$ 159*	*$ 162*	*$ 165*	*$ 168*	*$ 205*	*$ 250*
Tempe Property Taxes - Net GPLET, Pre-CFD	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ 66*	*$ 67*	*$ 205*	*$ 250*
Property Taxes Received by Tempe - 80.4%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 53	$ 54	$ 165	$ 201
Property Tax Withheld for Bond - 19.6%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 13	$ 13	$ 40	$ 49

Source: Hunden Strategic Partners

Based on market analytics, HSP assumed a starting ADR of $188 in Year 1, stabilizing at $204 by Year 5. These rates are based on the performance of a competitive set of hotels within the market identified by HSP and inflation growth between 2022 and 2026. The hotel components will be the newest hotel assets in a high demand area and will likely command top of the market rates. The proforma includes capital expenditure reserves. These funds will be used to keep the hotel updated and at the top of the market in terms of quality. After stabilization, revenues and expenses are anticipated to increase at an assumed inflation rate of two percent.

HSP analyzed competitive hotel parking rates per year and assumed a daily rate of $25. Over time HSP assumed parking needs will decrease by one percent a year as an assumption of greater use of ride-sharing and public transportation options by hotel customers.

The hotel is expected to achieve a 65 percent occupancy rate in Year 1, leading to 47,450 occupied room nights. In Year 5, occupancy is expected to stabilize at 75 percent, generating nearly 137,000 room nights annually. Net operating income is expected to be $3.3 million in Year 1, increasing to nearly $16.5 million in Year 30. After stabilization, revenues and expenses are expected to increase at the assumed inflation rate of two percent. Based on these projections, the hotel assets are expected to a yield an operating margin of 27 percent by stabilization.

On-site employment for the hospitality assets is projected to be 94 full-time equivalent employees in Year 1, increasing to 272 full-time equivalents at full build out. These employees are projected to earn an average of salary or wage of $38,000 in Year 1.

Commercial lease taxes were generated from the parking in the hotel structures. Transaction privilege taxes were generated from the hotel room revenues, food & beverage, and other sales revenues. When an individual purchases a night in the hotel, the individual will pay a five percent hotel tax and a 1.8 percent Transaction Privilege Tax in addition to the cost of the room. To calculate property taxes, HSP used comparable Tempe hotel properties' 2021 tax receipts on a per room basis to arrive at $1,594 per room per year in 2026.

Arena / Music Venue

The arena and music venue components will be built in the first phase of construction on the East parcel. The arena will have a capacity of 16,000 while the music venue will have a fixed-seating capacity of 3,000.

The following table overviews the assumptions and projections for the arena and music venue components of the Project.

Table 9-6

Tempe Entertainment District Arena/Music Venue Projections	2026 Year 1	2027 Year 2	2028 Year 3	2029 Year 4	2030 Year 5	2031 Year 6	2032 Year 7	2033 Year 8	2034 Year 9	2035 Year 10	2045 Year 20	2055 Year 30
Events by Type												
Ticketed Events												
Coyotes Regular Season	41	41	41	41	41	41	41	41	41	41	41	41
Coyotes Pre Season	2	2	2	2	2	2	2	2	2	2	2	2
WWE	1	1	1	1	1	1	1	1	1	1	1	1
UFC	1	1	1	1	1	1	1	1	1	1	1	1
ASU Men's Basketball	-	-	-	-	-	-	-	-	-	-	-	-
NCAA Men's Basketball	-	-	-	-	-	-	-	-	-	-	-	-
High School Basketball	4	4	4	4	4	4	4	4	4	4	4	4
Disney on Ice	6	6	6	6	6	6	6	6	6	6	6	6
Disney Live	1	1	1	1	1	1	1	1	1	1	1	1
Full Concert	18	18	18	18	18	18	18	18	18	18	18	18
Small Concert	4	4	4	4	4	4	4	4	4	4	4	4
Theatre Concert	2	2	2	2	2	2	2	2	2	2	2	2
Festival Event	4	4	4	4	4	4	4	4	4	4	4	4
Cirque	3	3	3	3	3	3	3	3	3	3	3	3
Comedian	1	1	1	1	1	1	1	1	1	1	1	1
Music Venue - Concert	40	40	40	40	40	40	40	40	40	40	40	40
Total Ticketed Events	128	128	128	128	128	128	128	128	128	128	128	128
Events in the Arena	88	88	88	88	88	88	88	88	88	88	88	88
# of Arena Non-Sporting Events	41	41	41	41	41	41	41	41	41	41	41	41
Non Ticketed Events												
Catered Events	90	90	90	90	90	90	90	90	90	90	90	90
Religious/Political Gatherings	5	5	5	5	5	5	5	5	5	5	5	5
Graduations	3	3	3	3	3	3	3	3	3	3	3	3
Other	4	4	4	4	4	4	4	4	4	4	4	4
Total Non Ticketed Events	102	102	102	102	102	102	102	102	102	102	102	102
Total Events	230	230	230	230	230	230	230	230	230	230	230	230
Total Turnstile Annual Attendance												
Ticketed Events												
Coyotes Regular Season	584,250	572,565	561,114	561,114	561,114	561,114	561,114	561,114	561,114	561,114	561,114	561,114
Coyotes Pre Season	17,100	16,758	16,423	16,423	16,423	16,423	16,423	16,423	16,423	16,423	16,423	16,423
WWE	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
UFC	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
High School Basketball	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800
Disney on Ice	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500
Disney Live	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975
Full Concert	252,000	252,000	252,000	252,000	252,000	252,000	252,000	252,000	252,000	252,000	252,000	252,000
Small Concert	25,600	25,600	25,600	25,600	25,600	25,600	25,600	25,600	25,600	25,600	25,600	25,600
Theatre Concert	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800
Festival Event	23,600	23,600	23,600	23,600	23,600	23,600	23,600	23,600	23,600	23,600	23,600	23,600
Cirque	17,700	17,700	17,700	17,700	17,700	17,700	17,700	17,700	17,700	17,700	17,700	17,700
Comedian	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Music Venue - Concert	84,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000
Total Ticketed Events	1,075,525	1,063,498	1,051,712	1,051,712	1,051,712	1,051,712	1,051,712	1,051,712	1,051,712	1,051,712	1,051,712	1,051,712
Non Ticketed Events												
Catered Events	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500
Religious/Political Gatherings	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Graduations	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Other	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Total Non Ticketed Events	115,500	115,500	115,500	115,500	115,500	115,500	115,500	115,500	115,500	115,500	115,500	115,500
Total Turnstile Annual Attendance	1,191,025	1,178,998	1,167,212	1,167,212	1,167,212	1,167,212	1,167,212	1,167,212	1,167,212	1,167,212	1,167,212	1,167,212

Source: Hunden Strategic Partners

The number of events detailed by Hunden represent conservative estimates to reflect the competition amongst arenas in the market. The arena may likely surpass estimates as a result of its centralized location, high quality facilities, and as the newest arena in the market. The horizontal grey-highlighted rows represent music venue performance estimates.

The majority of events at the arena will consist of Arizona Coyotes home games, which account for 43 out of 88 total ticketed events at the arena. This compares to an estimated 108 ticketed events at the Footprint Center (included NBA, WNBA and Indoor Football sporting events) and 59 ticketed events at Gila River in 2019.

In 2019, the Arizona Coyotes ranked 28 out of 31 NHL teams in attendance per game. The Coyotes averaged 14,605 attendees per home game compared to the league average of 17,423. HSP's estimates of 14,250 visitors reflect conservative turnstile attendance numbers in Year 1, stabilizing at 13,600 per game in Year 4. Turnstile attendance reflects the number of people who buy a ticket and also attend the game. Based on team performance and success of the district, it is likely the average attendance per game will exceed these conservative estimates.

The music venue will also face competition in the market. As a result, Hunden projected a conservative but likely estimate of 40 ticketed events in the music venue per year. Hunden believes it is probable the venue could outperform event and attendance projections if programmed correctly.

The table below shows the projections for the arena and music venue over 30 years.

Table 9-7

Proforma - Tempe Entertainment District Arena (16,000-Capacity) & Music Venue (3,000-Capacity) ($000s)	2026 Yr 1	2027 Yr 2	2028 Yr 3	2029 Yr 4	2030 Yr 5	2035 Yr 10	2045 Yr 20	2055 Yr 30
Total Sales - NHL and Other Activities - for TPT Basis								
Total Ticket Sales	*$ 81,493*	*$ 81,919*	*$ 82,353*	*$ 84,000*	*$ 85,680*	*$ 94,598*	*$ 115,314*	*$ 140,568*
Total Gross Concessions	*$ 26,435*	*$ 26,675*	*$ 26,921*	*$ 27,459*	*$ 28,008*	*$ 30,923*	*$ 37,695*	*$ 45,950*
Total Merchandise Gross	*$ 4,197*	*$ 4,229*	*$ 4,261*	*$ 4,347*	*$ 4,434*	*$ 4,895*	*$ 5,967*	*$ 7,274*
Operating Revenues								
NHL Rent	$ 14,433	$ 14,722	$ 15,016	$ 15,316	$ 15,623	$ 17,249	$ 21,026	$ 25,631
Non-NHL Ticket Sales Revenue - *(8% Non-NHL Ticket Sales)*	$ 2,648	$ 2,701	$ 2,755	$ 2,810	$ 2,866	$ 3,164	$ 3,857	$ 4,702
Premium Seat Revenue	$ 48,427	$ 49,396	$ 50,384	$ 51,391	$ 52,419	$ 57,875	$ 70,549	$ 85,999
Sponsorship	$ 34,200	$ 34,884	$ 35,582	$ 36,293	$ 37,019	$ 40,872	$ 49,823	$ 60,734
Exterior Signage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-NHL Merchandise (net) - *20% Share with Arena*	$ 279	$ 285	$ 290	$ 296	$ 302	$ 333	$ 406	$ 496
Non-NHL Concessions (net) - *50% Share with Arena*	$ 2,030	$ 2,071	$ 2,112	$ 2,154	$ 2,197	$ 2,426	$ 2,957	$ 3,605
Facility Fees	$ 3,334	$ 3,359	$ 3,384	$ 3,452	$ 3,521	$ 3,887	$ 4,738	$ 5,776
Parking Revenues - *Arena Parking Structure 1,100 Spaces*	$ 2,214	$ 2,251	$ 2,288	$ 2,327	$ 2,366	$ 2,563	$ 2,989	$ 3,466
Total	$ 107,564	$ 109,667	$ 111,811	$ 114,040	$ 116,313	$ 128,370	$ 156,347	$ 190,409
Operating Expenses								
Debt Service	$ 34,478	$ 34,478	$ 34,478	$ 34,478	$ 34,478	$ 34,478	$ 34,478	$ 34,478
Sponsorship Fulfilment Costs	$ 3,420	$ 3,488	$ 3,558	$ 3,629	$ 3,702	$ 4,087	$ 4,982	$ 6,073
Marketing	$ 3,000	$ 3,060	$ 3,121	$ 3,184	$ 3,247	$ 3,585	$ 4,370	$ 5,328
Arena Operations	$ 1,792	$ 1,828	$ 1,864	$ 1,902	$ 1,940	$ 2,142	$ 2,611	$ 3,182
Premium Seating Sales	$ 4,843	$ 4,940	$ 5,038	$ 5,139	$ 5,242	$ 5,787	$ 7,055	$ 8,600
Staff	$ 2,400	$ 2,448	$ 2,497	$ 2,547	$ 2,598	$ 2,868	$ 3,496	$ 4,262
General & Admin	$ 2,800	$ 2,856	$ 2,913	$ 2,971	$ 3,031	$ 3,346	$ 4,079	$ 4,972
Parking Expenses	$ 221	$ 226	$ 230	$ 235	$ 240	$ 265	$ 322	$ 393
Insurance	$ 6,760	$ 6,895	$ 7,033	$ 7,174	$ 7,317	$ 8,079	$ 9,848	$ 12,005
Utilities	$ 5,378	$ 5,483	$ 5,591	$ 5,702	$ 5,816	$ 6,419	$ 7,817	$ 9,520
Property Taxes	$ 16,472	$ 16,472	$ 16,472	$ 16,472	$ 16,472	$ 16,472	$ 16,472	$ 16,472
Capital Reserve	$ 4,303	$ 4,387	$ 4,472	$ 4,562	$ 4,653	$ 5,135	$ 6,254	$ 7,616
Total	$ 85,867	$ 86,561	$ 87,269	$ 87,995	$ 88,735	$ 92,663	$ 101,786	$ 112,902
Net Operating Income	$ 21,697	$ 23,105	$ 24,542	$ 26,045	$ 27,578	$ 35,707	$ 54,562	$ 77,506
Operating Margin	*20%*	*21%*	*22%*	*23%*	*24%*	*28%*	*35%*	*41%*
Net Operating Income Excluding Arena Parking Structure	*$ 19,705*	*$ 21,080*	*$ 22,484*	*$ 23,953*	*$ 25,452*	*$ 33,408*	*$ 51,895*	*$ 74,433*
On-Site Employment								
FTE Employees (Does not include AZ Coyotes Asso.)	*130*	*130*	*130*	*130*	*130*	*130*	*130*	*130*
Employee Earnings	*$ 6,200*	*$ 6,324*	*$ 6,450*	*$ 6,579*	*$ 6,711*	*$ 7,410*	*$ 9,032*	*$ 11,010*
Avg. Annual Salary/Wage	*$ 48*	*$ 49*	*$ 50*	*$ 51*	*$ 52*	*$ 57*	*$ 69*	*$ 85*
Taxes Generated ($000s)								
Commercial Lease Tax (CLT) - 1.8%								
Total Commercial Lease Tax Generated	*$ 40*	*$ 41*	*$ 41*	*$ 42*	*$ 43*	*$ 46*	*$ 54*	*$ 62*
Comm. Lease Tax Received by Tempe - 50.0%	$ 20	$ 20	$ 21	$ 21	$ 21	$ 23	$ 27	$ 31
Comm. Lease Tax Withheld for Bond - 50.0%	$ 20	$ 20	$ 21	$ 21	$ 21	$ 23	$ 27	$ 31
Transaction Privilege Tax (TPT) - 1.8%								
Total Tickets, Premium Seats, Merch & Concess. Sales	*$ 160,552*	*$ 162,219*	*$ 163,919*	*$ 167,197*	*$ 170,541*	*$ 188,291*	*$ 229,526*	*$ 279,791*
TPT Generated	$ 2,890	$ 2,920	$ 2,951	$ 3,010	$ 3,070	$ 3,389	$ 4,131	$ 5,036
TPT Received by Tempe - 50.0%	$ 1,445	$ 1,460	$ 1,475	$ 1,505	$ 1,535	$ 1,695	$ 2,066	$ 2,518
TPT Withheld for Bond - 50.0%	$ 1,445	$ 1,460	$ 1,475	$ 1,505	$ 1,535	$ 1,695	$ 2,066	$ 2,518
Property Tax - 30-Year GPLET (No Property Tax Paid Over 30-Year Timeline)								
Property Taxes Generated - Cost/Assessed Value Basis	*$ 16,472*	*$ 16,472*	*$ 16,472*	*$ 16,472*	*$ 16,472*	*$ 16,472*	*$ 16,472*	*$ 16,472*
Tempe Portion of Property Taxes - (2.4% / 13.58%)	*$ 2,911*	*$ 2,911*	*$ 2,911*	*$ 2,911*	*$ 2,911*	*$ 2,911*	*$ 2,911*	*$ 2,911*
Tempe Property Taxes - Net GPLET, Pre-CFD	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*
Property Taxes Received by Tempe - 80.4%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Property Tax Withheld for Bond - 19.6%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Source: Hunden Strategic Partners

Because of the ownership/tenant structure of the Proposed Tempe Entertainment District, it is difficult to separate tenant and ownership revenues. The above table represents estimates to show the feasibility of the arena as an independent asset. The figures used represent similar revenue and expense structures from recent NHL arena deals. The majority of revenues for the arena and music venue will come from NHL rent, premium seat revenue, and sponsorships. In Year 1, without the GPLET but including parking revenues, net operating income is projected to reach over $21.6 million and increase to nearly $77.5 million by Year 30.

On-site employment for the entertainment assets is projected to be 130 full-time equivalent employees across the period of analysis. These employees are projected to earn an average of $48,000 in salary and wages in the first year.

Off-Site Projections

The Project masterplan includes the development of 5,887 parking spaces over the two phases. To predict the amount of off-site parking per event, HSP performed a complex parking model under the following assumptions:

- The usage of public transportation and ride sharing options will increase overtime, decreasing the number of cars requiring parking for events,
- Both on-site and off-site, the price to park per event will be $20 in Year 1, increasing by two percent thereafter.

To predict parking revenues and commercial lease taxes, HSP assumed parking will occur in a sequential order:

- First, the arena parking structure will fill up to max capacity (1,100), given additional demand,
- Cars will flow to the entertainment district parking structure until capacity is reached (987),
- If demand remains, parking flows to the office buildings, of which 90 percent of office parking will be deemed available for use (701),
- If additional demand remains, parking will flow off-site to nearby Tempe lots. These revenues will pay unencumbered commercial lease tax.

The impact of this sequential analysis on on-site parking spaces is reflected in the proformas shown earlier in the chapter.

The following table shows the demand for off-site parking spaces during various events by year.

Table 9-8

Additional Event Parking Needs Off-Site	2026 Yr 1	2027 Yr 2	2028 Yr 3	2029 Yr 4	2030 Yr 5	2035 Yr 10	2040 Yr 15	2045 Yr 20	2050 Yr 25	2055 Yr 30
Events	Annual Event Driven Demand for Parking Spaces Off-Site									
Coyotes Regular Season	85,239	79,303	56,271	54,026	51,782	40,559	29,337	18,115	6,893	0
Coyotes Pre Season	601	427	0	0	0	0	0	0	0	0
Full Concert	36,018	35,010	26,424	25,416	24,408	19,368	14,328	9,288	4,248	0
Religious/Political Gatherings	5,325	5,105	2,780	2,560	2,340	1,240	140	0	0	0
Total Additional Parking Needs - Off-Site	127,183	119,845	85,475	82,002	78,530	61,167	43,805	27,403	11,141	0
Price / Parking Space Per Event	$ 20	$ 20	$ 21	$ 21	$ 22	$ 24	$ 26	$ 29	$ 32	$ 36
Off-Site Event Parking Revenues ($000s)	$ 2,544	$ 2,445	$ 1,779	$ 1,740	$ 1,700	$ 1,462	$ 1,156	$ 798	$ 358	$ -
Commercial Lease Tax Generated - Off-Site	*$ 46*	*$ 44*	*$ 32*	*$ 31*	*$ 31*	*$ 26*	*$ 21*	*$ 14*	*$ 6*	*$ -*

Source: Hunden Strategic Partners

Demand is expected to surpass what is available onsite by nearly 127,200 spaces in Year 1. This demand is expected to generate $2.5 million in revenues, generating $46,000 in commercial lease tax that will be fully paid to the city.

The table below shows the projected rise in property values/taxes and commercial lease taxes as a result of the Project.

Table 9-9

Halo Effect - Net New Off-Site Property and Commercial Lease Taxes
Increase in Property Values/Rental Rates & Parking Usage Within 0.6 Miles

	2026 Yr 1	2027 Yr 2	2028 Yr 3	2029 Yr 4	2030 Yr 5	2031 Yr 6	2032 Yr 7	2033 Yr 8	2034 Yr 9	2035 Yr 10	2045 Yr 20	2055 Yr 30	30 Year Total
Multifamily - 2,998,209 SF													
Estimated Property Tax Annual	*$ 6,678*	*$ 6,812*	*$ 6,948*	*$ 7,087*	*$ 7,229*	*$ 7,374*	*$ 7,521*	*$ 7,671*	*$ 7,825*	*$ 7,981*	*$ 9,729*	*$ 11,860*	–
Increase in Property Tax - 5%	$ 334	$ 341	$ 347	$ 354	$ 361	$ 369	$ 376	$ 384	$ 391	$ 399	$ 486	$ 593	$ 13,547
Tempe Portion of Property Tax Increase	$ 59	$ 60	$ 61	$ 63	$ 64	$ 65	$ 66	$ 68	$ 69	$ 71	$ 86	$ 105	$ 2,394
Increase to Rents - $2.00	*$ 5,996*	*$ 6,116*	*$ 6,239*	*$ 6,363*	*$ 6,491*	*$ 6,621*	*$ 6,753*	*$ 6,888*	*$ 7,026*	*$ 7,166*	*$ 8,736*	*$ 10,649*	–
Additional CLT Generated	$ 108	$ 110	$ 112	$ 115	$ 117	$ 119	$ 122	$ 124	$ 126	$ 129	$ 157	$ 192	$ 4,379
Office - 2,433,950 SF (including proposed)													
Estimated Annual Property Tax	*$ 5,307*	*$ 5,413*	*$ 5,522*	*$ 5,632*	*$ 5,745*	*$ 5,860*	*$ 5,977*	*$ 6,096*	*$ 6,218*	*$ 6,343*	*$ 7,732*	*$ 9,425*	–
Increase in Property Tax - 5%	$ 265	$ 271	$ 276	$ 282	$ 287	$ 293	$ 299	$ 305	$ 311	$ 317	$ 387	$ 471	$ 10,765
Tempe Portion of Property Tax Increase	$ 47	$ 48	$ 49	$ 50	$ 51	$ 52	$ 53	$ 54	$ 55	$ 56	$ 68	$ 83	$ 1,903
Increase to Rents - $2.00	*$ 4,868*	*$ 4,965*	*$ 5,065*	*$ 5,166*	*$ 5,269*	*$ 5,375*	*$ 5,482*	*$ 5,592*	*$ 5,704*	*$ 5,818*	*$ 7,092*	*$ 8,645*	–
Additional CLT Generated	$ 88	$ 89	$ 91	$ 93	$ 95	$ 97	$ 99	$ 101	$ 103	$ 105	$ 128	$ 156	$ 3,555
Retail / Restaurant - 73,944 SF													
Estimated Annual Property Tax	*$ 81*	*$ 83*	*$ 84*	*$ 86*	*$ 88*	*$ 89*	*$ 91*	*$ 93*	*$ 95*	*$ 97*	*$ 118*	*$ 144*	–
Increase in Property Tax - 5%	$ 4	$ 4	$ 4	$ 4	$ 4	$ 4	$ 5	$ 5	$ 5	$ 5	$ 6	$ 7	$ 164
Tempe Portion of Property Tax Increase	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 29
Increase to Rents - $2.00	*$ 148*	*$ 151*	*$ 154*	*$ 157*	*$ 160*	*$ 163*	*$ 167*	*$ 170*	*$ 173*	*$ 177*	*$ 215*	*$ 263*	–
Additional CLT Generated	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 4	$ 5	$ 108
Event Parking - Commercial Lease Tax *	$ 46	$ 44	$ 32	$ 31	$ 31	$ 30	$ 29	$ 28	$ 27	$ 26	$ 14	$ -	$ 582
Total Increase in Property Taxes	$ 107	$ 109	$ 111	$ 113	$ 115	$ 118	$ 120	$ 122	$ 125	$ 127	$ 155	$ 189	$ 4,326
Total Additional Comm. Lease Taxes	$ 244	$ 202	$ 206	$ 210	$ 215	$ 219	$ 223	$ 228	$ 232	$ 237	$ 289	$ 352	$ 8,087

** Calculated in 'Additional Event Parking Needs Off-Site' table*

Source: Hunden Strategic Partners

As a result of the Halo Effect, HSP estimates the City will receive $4.3 million in increased property taxes and $8.0 million in commercial lease taxes over 30 years.

The following chapter will discuss the economic impact of the Project on-site and off-site.

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Analysis of Economic Impact

This chapter will analyze the expected economic, employment, and fiscal impact expected as a result of the Project. HSP considered two primary approaches to impact:

- Net New Impact to Tempe: fiscal and employment impacts generated from net new/recaptured spending and activity due to the Project, both on-site and off-site. This assessment considers that some of the on-site spending may be cannibalized from other Tempe businesses, while at the same time, there will be more newly induced spending to Tempe at existing Tempe hotels, restaurants, retailers, etc. Both are considered new impacts to Tempe. That net new on-site and off-site spending generates taxes to Tempe that, but for the Project, would not be generated. HSP has netted out any Tempe taxes that are redirected to project incentives.
- Direct On-Site Impact. HSP projected taxes generated at the Project only (before and after accounting for incentives). This counts all local taxes generated on-site, regardless if net new to Tempe or not. The purpose of this analysis is to understand how bonds may be repaid from the various cashflows as proposed by the RFP and any excess tax revenues that accrue to the City of Tempe.

HSP projected the assets and their impacts according to the October 2022 square foot and unit counts. During November 2022, Bluebird indicated the unit count and/or square footage of some of these assets may surpass prior estimates. Increasing the unit count of these assets creates more sellable space, in turn enhancing the Project's ability to generate taxes. If unit counts were increased, the Project would likely surpass impact estimates.

The actualized taxes received by the City on-site are shown in blue highlight throughout this chapter, while the City revenues withheld for CFD repayment are shown in a yellow highlight. Off-site taxes received by the City are shown in green highlight in the summary table at the end of the chapter.

Impacts

HSP uses the IMPLAN input-output multiplier model, which determines the level of additional activity in the economy due to additional inputs. For example, for every dollar of direct new spending in Tempe, the IMPLAN model provides multipliers for the indirect and induced spending that will result.

The net new and recaptured direct on-site spending is considered to be the Direct Impact.

From the direct spending figures, indirect and induced impact analyses will be shown.

- Indirect Impacts are the supply of goods and services resulting from the initial direct spending. For example, a visitor's direct expenditure on a hotel room causes the hotel to purchase linens and other items from suppliers. The portion of these hotel purchases that are within the local economy is considered an indirect economic impact.
- Induced Impacts embody the change in spending due to the personal expenditures by employees whose incomes are affected by direct and indirect spending. For example, a waitress at a restaurant may have more personal income as a result of the visitor's visit. The amount of the increased income that the employee spends in the area is considered an induced impact.

- Fiscal Impacts represent the incremental tax revenue collected by the City due to the net new economic activity. The fiscal impact represents the government's share of total economic benefit. Fiscal impacts provide an offset to the potential public expenditures required to support the development.
- Employment Impacts include the incremental employment provided not only on-site, but due to the spending associated with it. For example, the direct, indirect, and induced impacts generate spending, support new and ongoing businesses, and ultimately result in ongoing employment for citizens. HSP will show the number of ongoing jobs supported by the project and provide the resulting income and income taxes generated.

Net New Impact

The "net new" assessment takes into account substitution of existing businesses and spending due to the Project, but also gives credit to the Project for induced visitor spending to businesses outside of the Project. This net new perspective also gives credit to the halo effect of rising property values nearby and the benefits to other Tempe entities from having the Project nearby. The "net new" assessment is the traditional way that the public sector would assess a project, the value of incentives, etc.

The following table shows HSP's projections of substitution/cannibalization within Tempe of each asset within the district.

Table 10-1

Projections of Net New Impact
Tempe Entertainment District

Use Type	% Net New	% Substitution
Multifamily	70.0%	30.0%
Office	70.0%	30.0%
Retail	75.0%	25.0%
Hotel (Stabilized)*	65.0%	35.0%
Music Venue	80.0%	20.0%
Arena	98.1%	1.9%

* Net new % is 35% in Yr 1, 50% in Yr 2
Source: Hunden Strategic Partners

The percent net new reflects the spending on-site that would not have occurred but for the Project. The percent substitution reflects the Project's cannibalized spending from other areas in Tempe. These numbers were used to generate the following report, with additional off-site spending factored in.

The following table shows the projected net new and recaptured spending related to the Project.

Table 10-2

Tempe, AZ | Net New Spending On-Site and Off-Site - Combined, Not Including Ticket Sales ($000s)

	2026 Year 1	2027 Year 2	2028 Year 3	2029 Year 4	2030 Year 5	2035 Year 10	2040 Year 15	2045 Year 20	2050 Year 25	2055 Year 30	30 Year Total
Food & Beverage	$ 64,912	$ 82,292	$ 144,998	$ 161,628	$ 165,784	$ 182,419	$ 200,786	$ 221,064	$ 243,453	$ 268,172	$ 5,990,258
Lodging	$ 6,780	$ 8,608	$ 18,852	$ 20,414	$ 22,031	$ 24,324	$ 26,855	$ 29,651	$ 32,737	$ 36,144	$ 796,451
Retail	$ 7,512	$ 7,774	$ 10,567	$ 11,302	$ 12,011	$ 12,961	$ 14,011	$ 15,170	$ 16,450	$ 17,863	$ 419,510
Transportation	$ 4,312	$ 4,871	$ 8,735	$ 9,997	$ 10,996	$ 11,936	$ 12,953	$ 14,052	$ 15,239	$ 16,522	$ 381,203
Other	$ 4,270	$ 4,585	$ 8,379	$ 9,273	$ 10,127	$ 10,774	$ 11,490	$ 12,280	$ 13,152	$ 14,115	$ 337,553
Total	$ 87,786	$ 108,130	$ 191,530	$ 212,615	$ 220,948	$ 242,416	$ 266,096	$ 292,217	$ 321,031	$ 352,816	$ 7,924,975

Source: Hunden Strategic Partners

After Phase II is built, net new spending on-site and off-site is estimated to be $191.5 million in Year 3.

Over 30 years, the Project is expected to generate nearly $7.9 billion in net new spending within the City of Tempe. These spending estimates do not include ticket spending, as HSP assumed these revenues do not get filtered back into the Tempe economy, nor lead to increased earnings and employment per se. However, the events and spending associated with the events do lead to increased earnings and employment.

Based on the direct spending in the table above, the following table summarizes direct, indirect and induced net new spending due to the Project.

Table 10-3

Tempe, AZ | Net New Direct, Indirect & Induced Spending ($000s) - Combined

	2026 Year 1	2027 Year 2	2028 Year 3	2029 Year 4	2030 Year 5	2035 Year 10	2040 Year 15	2045 Year 20	2050 Year 25	2055 Year 30	30 Year Total
Direct	$ 87,786	$ 108,130	$ 191,530	$ 212,615	$ 220,948	$ 242,416	$ 266,096	$ 292,217	$ 321,031	$ 352,816	$ 7,924,975
Indirect	$ 33,253	$ 40,910	$ 72,275	$ 80,222	$ 83,380	$ 91,497	$ 100,450	$ 110,324	$ 121,213	$ 133,224	$ 2,991,941
Induced	$ 15,542	$ 18,977	$ 33,548	$ 37,270	$ 38,847	$ 42,554	$ 46,641	$ 51,147	$ 56,116	$ 61,594	$ 1,388,067
Total	$ 136,580	$ 168,017	$ 297,353	$ 330,106	$ 343,176	$ 376,467	$ 413,187	$ 453,688	$ 498,361	$ 547,634	$ 12,304,983

Source: Hunden Strategic Partners

Over 30 years, the Tempe Entertainment District is estimated to generate nearly $12.3 billion in direct, indirect and induced spending within the City of Tempe.

Spending will support earnings and full-time equivalent jobs within the Tempe economy. These projections are based on the IMPLAN multipliers for the various types of spending in the City and are shown below.

Table 10-4

Tempe, AZ | Net New Earnings & FTE Jobs from Direct, Indirect & Induced Spending ($000s) - Combined

	2026 Year 1	2027 Year 2	2028 Year 3	2029 Year 4	2030 Year 5	2035 Year 10	2040 Year 15	2045 Year 20	2050 Year 25	2055 Year 30	30 Year
Net New Earnings											Total
Onsite Earnings (Office)	$ 38,273	$ 58,557	$ 94,139	$ 115,226	$ 117,531	$ 129,764	$ 143,270	$ 158,181	$ 174,645	$ 192,822	$ 4,263,571
From Direct	$ 38,630	$ 47,435	$ 83,826	$ 93,101	$ 96,805	$ 106,139	$ 116,435	$ 127,791	$ 140,316	$ 154,131	$ 3,466,954
From Indirect	$ 12,657	$ 15,593	$ 27,934	$ 30,914	$ 32,199	$ 35,346	$ 38,820	$ 42,653	$ 46,883	$ 51,551	$ 1,156,092
From Induced	$ 7,139	$ 8,725	$ 15,553	$ 17,240	$ 17,981	$ 19,697	$ 21,590	$ 23,679	$ 25,984	$ 28,528	$ 642,523
Total	$ 96,699	$ 130,310	$ 221,453	$ 256,481	$ 264,515	$ 290,946	$ 320,114	$ 352,304	$ 387,828	$ 427,032	$ 9,529,141
Net New FTE Jobs											FBO Average
On-Site Office Jobs	608	911	1,436	1,724	1,724	1,724	1,724	1,724	1,724	1,724	1,713
From Direct	915	1,096	1,883	2,049	2,091	2,078	2,065	2,053	2,042	2,032	2,053
From Indirect	350	418	717	781	797	792	787	783	779	775	783
From Induced	165	195	335	364	373	370	368	365	362	360	365
Total	2,037	2,621	4,371	4,918	4,986	4,964	4,943	4,924	4,907	4,890	4,914
Avg Annual Salary/Wage	$47	$50	$51	$52	$53	$59	$65	$72	$79	$87	$ 68

FBO = After Full-Build Out (Year 3 - 30)
Source: Hunden Strategic Partners

Over 30 years the Project is estimated to generate $9.5 billion in net new earnings within Tempe. Combined spending after full build-out is expected to support an average of 4,900 full-time job equivalents within Tempe, with direct spending supporting a full build-out average of over 2,050 full-time equivalent jobs.

The table below summarizes all expected net new impacts from the Project on-site and off-site.

Table 10-5

30-Year Summary of Net New Impacts Combined - Including Construction	
Net New Spending	(millions)
Direct	$7,925
Indirect	$2,992
Induced	$1,388
Total	$12,305
Net New Earnings	(millions)
Office	$4,264
From Direct	$3,467
From Indirect	$1,156
From Induced	$643
Total	$9,529
Net New FTE Jobs	Actual (Year 10)
Office	1,724
From Direct	2,078
From Indirect	792
From Induced	370
Total	4,964
Net New City Revenues to Tempe, On-Site & Off-Site	(millions)
Transaction Privilege Tax (TPT)	$200.5
Commercial Lease Tax	$68.7
Property Tax (reduced by GPLET)	$45.0
Hotel Bed Tax	$90.1
Total	$404.3
City Revenues Withheld for Incentives, On-Site	(millions)
Transaction Privilege Tax	$123.1
Commercial Lease Tax	$30.3
Property Tax (not including GPLET)	$8.0
Hotel Bed Tax	$37.7
Total	$199.1
Net New City Revenues to Tempe, Net of Incentives	(millions)
Transaction Privilege Tax (TPT)	$77.5
Commercial Lease Tax	$38.4
Property Tax	$37.0
Hotel Bed Tax	$52.4
Total	$205.3
Construction TPT	$1.4
Total Including Construction	$206.7

Source: Hunden Strategic Partners

Over 30 years, the Project will generate over $12.3 billion in net new spending across Tempe. This figure accounts for substitute spending within Tempe, as well as new spending to Tempe outside of the Project. This net new spending is projected to support $9.5 billion in net new earnings over 30 years and 4,964 jobs (in Year 10) within the City of Tempe.

The Project is expected to generate $404 million in net new City revenues. Following the bond repayment agreement (shown in yellow), only $205.3 million will be received by the City of Tempe (shown in blue) during the 30 years. During construction, $1.4 million in TPT is estimated to be generated from spending within Tempe, bringing the Project's total net new impact to $206.7 million.

On-Site Fiscal Impacts

The on-site perspective provides an assessment that shows how the Project itself will generate the revenues needed to cover obligations without regard to substitution spending.

The following table shows the Tempe Entertainment District's impact on spending, earnings, employment and tax dollars generated on-site.

Table 10-6

30-Year Summary Impacts On-Site City Revenues & Employment	
	(millions)
Total Spending On-Site	$13,673
Total Earnings On-Site	$8,720
	Actual (Year 10)
Full-Time Equivalent Employees, On-Site	3,283
City Revenues Generated, On-Site	(millions)
Transaction Privilege Tax (TPT)	$246.1
Commercial Lease Tax (CLT)	$60.6
Property Tax	$40.6
Hotel Bed Tax	$50.3
Total	$397.7

Source: Hunden Strategic Partners

Over 30 years the Tempe Entertainment District is anticipated to generate $13.6 billion in spending on-site. The spending is anticipated to lead to $8.7 billion in employee earnings over 30 years and 3,283 full-time equivalent jobs by Year 10.

HSP projected tax generation on-site for each element of the Tempe Entertainment District. In accordance with the current deal structure for bond payments, the following table shows the total tax dollars the City is expected to receive over 30 years, compared to tax revenues withheld for bond repayment.

Table 10-7

Tempe Entertainment District 30-Year On-Site Tax Share		
Revenue Stream	City Keeps	CFD Bond Repayment
Transaction Privilege Tax Encumbered (0.6%)	$82,039,477	--
Transaction Privilege Tax Unencumbered (1.2%)	$41,019,738	$123,059,215
Commercial Lease Tax Encumbered (0.6%)	$20,198,951	--
Commercial Lease Tax Unencumbered (1.2%)	$10,099,475	$30,298,426
Hotel Bed Tax (5.0%)	$12,581,020	$37,743,061
Property Tax Encumbered (63.1%)	$25,647,697	--
Property Tax Unencumbered (36.9%)	$7,034,257	$7,964,159
Total Tax Revenues	$198,620,615	$199,064,861
Combined Total	$397,685,476	
Total Encumbered	$127,886,124	--
Total Unencumbered	$70,734,491	$199,064,861

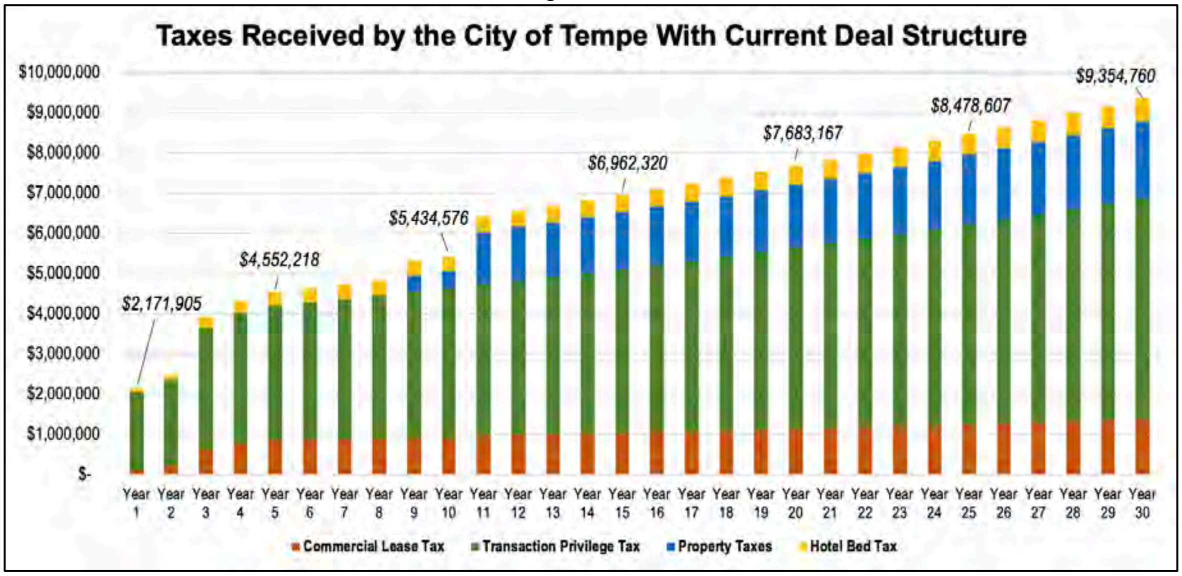
Source: Hunden Strategic Partners

Over 30 years the City of Tempe is expected to capture $198.6 million in on-site taxes from the Project, while $199.0 million will be withheld for bond repayment. Of these city revenues, 64 percent ($70.7 million) are expected to be encumbered taxes.

This analysis assumes the bond is not paid off early. If the bond were to be paid off early, the City would likely receive revenues that exceed projections, as subsequent tax revenues would not be withheld for bond repayment.

The following chart shows the timeliness of tax dollars that would flow to the City of Tempe over the 30-year lifetime of the bond, given the bonds are not paid off early.

Figure 10-1



With the varying GPLET timelines of 8 and 30-years for the qualifying Project elements, property taxes will first be collected in Year 9 of the Project. In the first year, the City is expected to receive over $2.1 million in taxes from the Project. In Year 25, the City is expected to receive $6.9 million in on-site taxes. Of this amount, 15 percent of taxes will be generated by CLT, 58 percent will be generated by TPT, 20 percent by property tax and six percent by hotel bed tax.

Surcharge and Real Estate Assessment Liens

In order to supplement the withheld tax revenues for bond repayment, Bluebird agreed to add a minimum surcharge of 2.3 percent on all retail and hotel taxable sales within the district. Sales that would have this surcharge applied are retail & merchandise sales, restaurant & concession purchases, hotel room nights and ticket sales within the district, arena and hotel.

The surcharge is fixed and will be present for the duration of the bond. If the cash flow generated by the surcharge and shared tax revenues are insufficient, the surcharge will likely be increased beyond 2.3 percent the following year, but in the given year, a real estate assessment lien will be imposed if the Developer does not fulfill this gap with additional funding. It is expected that as the Project ramps up, the surcharge will need to be higher than 2.3 percent.

If Bluebird did satisfy a remaining balance on an annual payment as an alternative to a real estate assessment lien, this amount would not be recuperated over the life of the bond. If a following year's cash flows exceeded the annual payment the excess cash flows would go towards the pre-payment of the bond.

The following table shows the projections for voluntary developer surcharge to pay off the CFD bond.

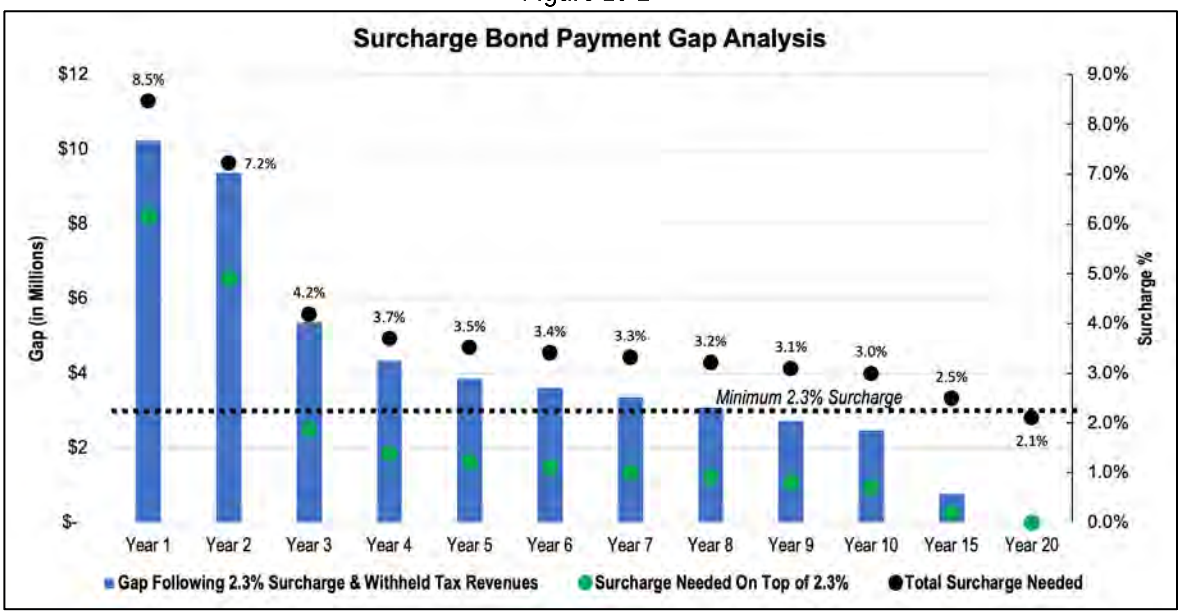
Table 10-8

Voluntary Developer Surcharge for CFD Bond Repayment ($000s)	2026 Yr 1	2027 Yr 2	2028 Yr 3	2029 Yr 4	2030 Yr 5	2031 Yr 6	2032 Yr 7	2033 Yr 8	2034 Yr 9	2035 Yr 10	2040 Yr 15	2045 Yr 20	2050 Yr 25	2055 Yr 30	30 Year Total/*Average*
Annual CFD Bond Payments	$ 16,459	$ 16,459	$ 16,459	$ 16,459	$ 16,459	$ 16,459	$ 16,459	$ 16,459	$ 16,459	$ 16,459	$ 16,459	$ 16,459	$ 16,459	$ 16,459	$ 493,772
City Revenues Withheld	$ 2,395	$ 2,721	$ 4,514	$ 4,971	$ 5,249	$ 5,354	$ 5,460	$ 5,569	$ 5,778	$ 5,893	$ 6,738	$ 7,436	$ 8,206	$ 9,053	$ 199,065
Remaining Balance (Need for Surcharge)	$ 14,064	$ 13,738	$ 11,945	$ 11,488	$ 11,210	$ 11,105	$ 10,999	$ 10,890	$ 10,681	$ 10,566	$ 9,721	$ 9,023	$ 8,253	$ 7,406	$ 294,707
Surcharge Basis - Total Sales															
Retail & Restaurant Sales	$ 42,167	$ 64,515	$ 141,475	$ 161,281	$ 164,507	$ 167,797	$ 171,153	$ 174,576	$ 178,067	$ 181,629	$ 200,533	$ 221,405	$ 244,449	$ 269,891	
Hotel Food & Beverage and Other Sales	$ 11,789	$ 12,950	$ 30,664	$ 33,684	$ 36,811	$ 37,547	$ 38,298	$ 39,064	$ 39,846	$ 40,643	$ 44,873	$ 49,543	$ 54,700	$ 60,393	
Ticket Sales	$ 81,493	$ 81,919	$ 82,353	$ 84,000	$ 85,680	$ 87,394	$ 89,142	$ 90,925	$ 92,743	$ 94,598	$ 104,444	$ 115,314	$ 127,316	$ 140,568	
Arena Concessions	$ 26,435	$ 26,675	$ 26,921	$ 27,459	$ 28,008	$ 28,568	$ 29,140	$ 29,722	$ 30,317	$ 30,923	$ 34,142	$ 37,695	$ 41,619	$ 45,950	
Arena Merchandise	$ 4,197	$ 4,229	$ 4,261	$ 4,347	$ 4,434	$ 4,522	$ 4,613	$ 4,705	$ 4,799	$ 4,895	$ 5,404	$ 5,967	$ 6,588	$ 7,274	
Total	$ 166,081	$ 190,288	$ 285,674	$ 310,771	$ 319,440	$ 325,829	$ 332,345	$ 338,992	$ 345,772	$ 352,688	$ 389,396	$ 429,924	$ 474,671	$ 524,075	
2.3% Minimum Surcharge Value	$ 3,820	$ 4,377	$ 6,571	$ 7,148	$ 7,347	$ 7,494	$ 7,644	$ 7,797	$ 7,953	$ 8,112	$ 8,956	$ 9,888	$ 10,917	$ 12,054	
Gap (need for Add. Surcharge or Lien)	$ 10,244	$ 9,362	$ 5,375	$ 4,340	$ 3,863	$ 3,611	$ 3,355	$ 3,093	$ 2,728	$ 2,454	$ 764	–	–	–	$ 55,842
Additional Surcharge Needed	6.2%	4.9%	1.9%	1.4%	1.2%	1.1%	1.0%	0.9%	0.8%	0.7%	0.2%	0.0%	0.0%	0.0%	*0.7%*
Total Surcharge (Incl. 2.3%)	8.5%	7.2%	4.2%	3.7%	3.5%	3.4%	3.3%	3.2%	3.1%	3.0%	2.5%	2.1%	1.7%	1.4%	*2.8%*

Source: Hunden Strategic Partners

The following chart provides a visualization of the data above. The graphic shows the gap following withheld revenues and the 2.3 percent minimum surcharge and then compares it to the required surcharge amount.

Figure 10-2



Throughout the 30-year period, the withheld City revenues and minimum surcharge will leave a gap of $55.8 million that will need to be funded through an increased additional surcharge on top of the minimum 2.3 percent or be satisfied independently by the Developer. The annual gap is drastically reduced once the Phase II assets are fully built in Year 3.

Following HSP's estimates, bond repayment would be satisfied in Year 1 and Year 2 if the developer had a total surcharge of 8.5 and 7.2 percent, respectively. As an alternative the Developer may elect to satisfy this debt payment by paying the needed $10.2 and $9.3 million out of pocket over the first two years.

GPLET Valuation

Similar to many other large-scale developments within the state of Arizona, the development will make use of the Government Property Lease Excise Tax (GPLET). GPLET's are used to encourage private development on complex deals by temporarily substituting a building's property tax with an excise tax.

Of the Phase I components, the arena, team practice facility and headquarters and the music venue qualify for a 30-year GPLET, while the remaining elements of the Project qualify for an 8-year GPLET.

The following table shows the value of the GPLET to the City.

Table 10-9

The Value of the GPLET Tax Abatement to the City of Tempe
Inclusive of all Phases (Not Including State and County Portion of PropertyTax/Abatement)

Commercial Components	2025 Yr 1	2026 Yr 2	2027 Yr 3	2028 Yr 4	2029 Yr 5	2030 Yr 6	2031 Yr 7	2032 Yr 8	2033 Yr 9	2034 Yr 10	2044 Yr 20	2054 Yr 30	30 Year Total
30-Year Elements													
Arena	$ 2,499,171	$ 2,499,171	$ 2,499,171	$ 2,499,171	$ 2,499,171	$ 2,499,171	$ 2,499,171	$ 2,499,171	$ 2,499,171	$ 2,499,171	$ 2,499,171	$ 2,499,171	$ 74,975,131
Coyotes HQ & Practice Facility	$ 225,610	$ 225,610	$ 225,610	$ 225,610	$ 225,610	$ 225,610	$ 225,610	$ 225,610	$ 225,610	$ 225,610	$ 225,610	$ 225,610	$ 6,768,310
Music Venue	$ 186,390	$ 186,390	$ 186,390	$ 186,390	$ 186,390	$ 186,390	$ 186,390	$ 186,390	$ 186,390	$ 186,390	$ 186,390	$ 186,390	$ 5,591,692
30-Year Total	$ 2,911,171	$ 2,911,171	$ 2,911,171	$ 2,911,171	$ 2,911,171	$ 2,911,171	$ 2,911,171	$ 2,911,171	$ 2,911,171	$ 2,911,171	$ 2,911,171	$ 2,911,171	$ 87,335,133
8-Year Elements (Phased)													
Multifamily	$ 75,820	$ 77,336	$ 734,050	$ 748,731	$ 763,705	$ 778,980	$ 794,559	$ 810,450	$ 737,824	$ 752,581	$ -	$ -	$ 6,274,036
Office	$ 217,887	$ 222,244	$ 357,292	$ 364,438	$ 371,727	$ 379,161	$ 386,744	$ 394,479	$ 147,080	$ 150,022	$ -	$ -	$ 2,991,074
Retail	$ 78,178	$ 79,742	$ 154,293	$ 157,379	$ 160,527	$ 163,737	$ 167,012	$ 170,352	$ 82,161	$ 83,804	$ -	$ -	$ 1,297,184
Hotel	$ 56,338	$ 57,464	$ 146,534	$ 149,465	$ 152,454	$ 155,504	$ 158,614	$ 161,786	$ 99,013	$ 100,993	$ -	$ -	$ 1,238,166
8-Year Total	$ 428,222	$ 436,787	$ 1,392,169	$ 1,420,013	$ 1,448,413	$ 1,477,381	$ 1,506,929	$ 1,537,068	$ 1,066,078	$ 1,087,400	$ -	$ -	$ 11,800,460
Combined GPLET Total	$ 3,339,394	$ 3,347,958	$ 4,303,341	$ 4,331,184	$ 4,359,584	$ 4,388,552	$ 4,418,100	$ 4,448,239	$ 3,977,249	$ 3,998,571	$ 2,911,171	$ 2,911,171	$ 99,135,594

Source: Hunden Strategic Partners

The table above shows that the GPLET program will reduce City revenues by $99.1 million over 30 years. The 30-year GPLETs for the arena, music venue and practice facility are estimated to be valued at $87.3 million, while the 8-year GPLETs are valued at $11.8 million (the GPLET for Phase I assets begin in Year 1, while Phase II assets begin in Year 3).

After the sunset period for each asset's GPLET, the CFD repayment program will begin to withhold a portion of property taxes, which will further limit the revenues received by the City.

It is important to note that due to cost to build the arena and the nature of the cashflows within, the Project would not be feasible without the GPLET program.

Alternative Project Comparison

HSP compared the Project to the IDEA campus to understand the tax revenues received by the City for each Project. To make the comparison equivalent, HSP analyzed both projects at full build-out and adjusted the IDEA campus as though it maintained its square footage per acre as of 2022, but on the same 46 acres as the Project. The IDEA campus is shown to have 2.5 million gross leasable square footage, while it actually will have one million square feet of office space at full build-out.

Table 10-10

IDEA Campus v. TED City Revenue Comparison Assumed Full Build-Out	IDEA On-Site	TED On-Site
Acres	18	46
SF	1,000,000	3,400,000
SF/Acre	55,556	73,913
Buildable GLA*	2,555,556	3,400,000
On-Site Property Tax - 30 (22) Years	$ 73,292,153	$ 32,681,953
On-Site TPT - 30 Years	$ -	$ 123,059,215
On-Site Commercial Lease Tax - 30 Years	$ 76,115,777	$ 30,298,426
Hotel Tax	$ -	$ 12,581,020
Total Taxes	$ 149,407,930	$ 198,620,615
Incremental Difference	$ (49,212,685)	$ 49,212,685

TED figures show city revenues net of incentives
** Based on current IDEA office GLA relative to acreage*
Source: Hunden Strategic Partners

Over 30 years, the Tempe Entertainment District would likely generate an estimated $49.2 million more in City revenue on-site than the IDEA Campus even after the CFD bond repayment program. After the CFD bond is paid off in 30 years, TED will continue to generate more revenue to the City, as many tax streams would not be withheld by the bond repayment program.

This analysis only considers on-site impacts, underselling TED's ability to generate taxes off-site from being a tourism driver.

Implications

The Tempe Entertainment District will be a new product in the Tempe market that will bring many visitors to the area that would not otherwise visit the City. While the district will provide a reduced amount tax dollars to the City because of the bond repayment program, it will still generate nearly $50 million more in on-site taxes than an alternative office development.

With minimum unit counts, the Project is estimated to net the City of Tempe $198.6 million in on-site taxes over 30 years. The greatest impact of the development will be seen off-site from net new visitors spending money in other areas of Tempe, as well as the halo effect in local property values. The net new fiscal impact to Tempe totals $404.3 million over 30 years, but of this net new amount, the bond repayment program reduces the amount realized by the City to $206.7 million over 30 years.

Without the tax incentives associated with the GPLET program and the CFD bonds, the Project would not provide sufficient cashflows to be deemed feasible.

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Public Benefits Valuation Analysis

In this chapter, HSP has provided market valuations for the various public benefits in the Proposal.

In exchange for the proposed public benefits, the Developer has requested incentives in the form of a GPLET tax abatement and the establishment of a 'Community Facilities District' Special Revenue Assessment Bond to fund the public infrastructure improvements. Details regarding the requested incentives are found later in this report.

Below is a summary table showing the valuations of the public benefits to the City of Tempe generated by the Tempe Entertainment District.

Table 11-1

Public Benefits Valuation - City of Tempe (30-Years)

Public Benefit		Valuation
Non-Cash		
1. TED Naming Rights	$	97,647,367
2. City Use of Arena, Music Theater and Public Spaces	$	64,908,927
3. Multi-Modal Incentives	$	9,595,162
4. ASU Venture Challenge Support & Free Office Space	$	5,739,874
5. Public Art Displays ($7M Less AIPD= $1M)	$	6,000,000
6. Public Shuttle Service to Arena	$	4,580,582
7. Free Retail Space Rent for Police Substation	$	3,000,000
8. Inclusive Arena Features	$	1,000,000
9. Land Remediation Paid by Bonds	$	73,000,000
Total Non-Cash	$	265,471,911
Cash Payment		
10. Proceeds from Land Sales	$	56,500,000
11. Public Safety	$	33,000,000
12. Housing and Other Public Contributions	$	3,500,000
13. Orbit Contribution	$	1,500,000
Total Cash	$	94,500,000
Taxes		
14. Net New Tax Revenues	$	206,686,474
Total Public Benefits	$	566,658,386

Source: Hunden Strategic Partners

Each line item will be discussed in further detail below. The Developer's valuation and HSP's valuations will be shown below.

1. TED Naming Rights: The naming rights to the Arena and the Entertainment District will incorporate the name 'Tempe' both on the center-ice rink at the Arena (preceded by the name of a future naming rights partner) and on the exterior signage of the district, named the 'Tempe Entertainment District'. In addition, upon the sale of

the naming rights to a third-party, team ownership will incorporate the name of the naming rights partner into the 'Arena at Tempe' signage at the Arena.

The following table provides a summary of the benefits associated with the naming rights and inclusion of the name "Tempe" on the center ice rink and the entertainment district as determined by HSP.

Table 11-2

Public Benefit from Naming Rights: HSP Assumptions

Broadcasts (Center Ice Value)			
Category	Impressions	Value	Value per Impression
On-Site	698,535	$84,000	$0.12
Broadcast	84,468,750	$830,000	$0.01
Paid & Earned Media	1,316,885	$31,000	$0.02
Totals - 2021 Dollars	86,484,170	$945,000	$0.01

Earned Media (District Value)			
Category	Impressions	Value	Value per Impression
On-Site	3,000,000	$150,000	$0.05
Earned Media	70,550,000	$1,272,000	$0.02
Paid Media	5,000,000	$40,000	$0.01
Totals - 2021 Dollars	78,550,000	$1,462,000	$0.02

Source: Hunden Strategic Partners

HSP estimates the annual benefit made from impressions total $2.4 million.

The following table shows the projection of the annual benefit to Tempe through the naming rights component over 30-years.

Table 11-3

TED Naming Rights Benefits: HSP Projections (30-Years)				
Year	Broadcasts (Center Ice)	Earned Media (District)	Total	Growth Rate
Year 1	$945,000	$1,462,000	$2,407,000	--
Year 2	$963,900	$1,491,240	$2,455,140	2%
Year 3	$983,178	$1,521,065	$2,504,243	2%
Year 4	$1,002,842	$1,551,486	$2,554,328	2%
Year 5	$1,022,898	$1,582,516	$2,605,414	2%
Year 6	$1,043,356	$1,614,166	$2,657,522	2%
Year 7	$1,064,223	$1,646,449	$2,710,673	2%
Year 8	$1,085,508	$1,679,378	$2,764,886	2%
Year 9	$1,107,218	$1,712,966	$2,820,184	2%
Year 10	$1,129,362	$1,747,225	$2,876,588	2%
Year 11	$1,151,950	$1,782,170	$2,934,120	2%
Year 12	$1,174,989	$1,817,813	$2,992,802	2%
Year 13	$1,198,488	$1,854,170	$3,052,658	2%
Year 14	$1,222,458	$1,891,253	$3,113,711	2%
Year 15	$1,246,907	$1,929,078	$3,175,985	2%
Year 16	$1,271,846	$1,967,660	$3,239,505	2%
Year 17	$1,297,282	$2,007,013	$3,304,295	2%
Year 18	$1,323,228	$2,047,153	$3,370,381	2%
Year 19	$1,349,693	$2,088,096	$3,437,789	2%
Year 20	$1,376,687	$2,129,858	$3,506,544	2%
Year 21	$1,404,220	$2,172,455	$3,576,675	2%
Year 22	$1,432,305	$2,215,904	$3,648,209	2%
Year 23	$1,460,951	$2,260,222	$3,721,173	2%
Year 24	$1,490,170	$2,305,427	$3,795,597	2%
Year 25	$1,519,973	$2,351,535	$3,871,508	2%
Year 26	$1,550,373	$2,398,566	$3,948,939	2%
Year 27	$1,581,380	$2,446,537	$4,027,917	2%
Year 28	$1,613,008	$2,495,468	$4,108,476	2%
Year 29	$1,645,268	$2,545,377	$4,190,645	2%
Year 30	$1,678,173	$2,596,285	$4,274,458	2%
Total	$38,336,835	$59,310,532	$97,647,367	

Source: Hunden Strategic Partners

As show in the table above, HSP grew the annual benefit of $2.4 million received through the TED naming rights by a consistent inflation rate of two percent over a 30-year period. The total benefit at the end of the period is estimated to be more than $97.64 million.

2. City Use of Arena, Music Venue, and Public Space: Team ownership will provide free annual usage of their event facilities for events hosted by the City of Tempe.

The following table shows the breakdown of number of free events in each event venue that can be used by the City of Tempe free of charge.

Table 11-4

City Use of Venues: Valuation

Venue	# of Events	Amount per Event	Annual Benefit
Arena	3	$500,000	$1,500,000
Town Square	5	$10,000	$50,000
Music Venue	5	$5,000	$25,000
Covered Outdoor Venue	10	$2,500	$25,000
Total	23	$69,565	$1,600,000

Source: Bluebird

The City of Tempe will have free access to four venues for 23 events annually. HSP believes that the estimates provided by Bluebird reflect the fair market value of renting out these facilities given that the costs also include the staffing costs per event.

The following table shows the value to the City for the use of the venues over a 30-year period.

Table 11-5

City Use of Public Venues Projections: HSP Projections (30-Years)						
Year	Arena	Town Square	Music Venue	Covered Outdoor Venue	Total	Growth Rate
Year 1	$1,500,000	$50,000	$25,000	$25,000	$1,600,000	--
Year 2	$1,530,000	$51,000	$25,500	$25,500	$1,632,000	2%
Year 3	$1,560,600	$52,020	$26,010	$26,010	$1,664,640	2%
Year 4	$1,591,812	$53,060	$26,530	$26,530	$1,697,933	2%
Year 5	$1,623,648	$54,122	$27,061	$27,061	$1,731,891	2%
Year 6	$1,656,121	$55,204	$27,602	$27,602	$1,766,529	2%
Year 7	$1,689,244	$56,308	$28,154	$28,154	$1,801,860	2%
Year 8	$1,723,029	$57,434	$28,717	$28,717	$1,837,897	2%
Year 9	$1,757,489	$58,583	$29,291	$29,291	$1,874,655	2%
Year 10	$1,792,639	$59,755	$29,877	$29,877	$1,912,148	2%
Year 11	$1,828,492	$60,950	$30,475	$30,475	$1,950,391	2%
Year 12	$1,865,061	$62,169	$31,084	$31,084	$1,989,399	2%
Year 13	$1,902,363	$63,412	$31,706	$31,706	$2,029,187	2%
Year 14	$1,940,410	$64,680	$32,340	$32,340	$2,069,771	2%
Year 15	$1,979,218	$65,974	$32,987	$32,987	$2,111,166	2%
Year 16	$2,018,803	$67,293	$33,647	$33,647	$2,153,389	2%
Year 17	$2,059,179	$68,639	$34,320	$34,320	$2,196,457	2%
Year 18	$2,100,362	$70,012	$35,006	$35,006	$2,240,386	2%
Year 19	$2,142,369	$71,412	$35,706	$35,706	$2,285,194	2%
Year 20	$2,185,217	$72,841	$36,420	$36,420	$2,330,898	2%
Year 21	$2,228,921	$74,297	$37,149	$37,149	$2,377,516	2%
Year 22	$2,273,500	$75,783	$37,892	$37,892	$2,425,066	2%
Year 23	$2,318,970	$77,299	$38,649	$38,649	$2,473,567	2%
Year 24	$2,365,349	$78,845	$39,422	$39,422	$2,523,039	2%
Year 25	$2,412,656	$80,422	$40,211	$40,211	$2,573,500	2%
Year 26	$2,460,909	$82,030	$41,015	$41,015	$2,624,970	2%
Year 27	$2,510,127	$83,671	$41,835	$41,835	$2,677,469	2%
Year 28	$2,560,330	$85,344	$42,672	$42,672	$2,731,018	2%
Year 29	$2,611,536	$87,051	$43,526	$43,526	$2,785,639	2%
Year 30	$2,663,767	$88,792	$44,396	$44,396	$2,841,352	2%
Total	$60,852,119	$2,028,404	$1,014,202	$1,014,202	$64,908,927	

Source: Hunden Strategic Partners

The annual benefit from all venues totals $1.6 million in Year 1 and grows to more than $2.84 million by Year 30. These annual benefits increased by rate of two percent totals more than $64.9 million over 30 years.

3. Multi Modal Incentives: Team ownership has committed to include a surcharge of thirty cents on tickets for game-days or other high-capacity events that would bring in more than 12,000 in attendance. Proceeds from the surcharge will be given to the Valley Metro Rail system to permit the use of tickets for event days as access

tickets to the Valley Metro Rail system. Team ownership has also committed to provide three 'ride-sharing service' access points for attendees utilizing those services to be transported to and from the Arena.

The following table shows HSP's assumptions for high-capacity events at the Arena.

Table 11-6

High Capacity Events Assumptions: HSP Assumptions/Valuations

	Coyotes Regular Season	Full Concert	Total / *Average*
Event Projected Max Attendance	15,000	14,500	*14,361*
Number of Events	41	18	61
Tickets Surcharge	$0.30	$0.30	$0.30
Tickets Sold	90%	90%	90%
Total	$166,050	$70,470	$236,520

Source: Hunden Strategic Partners

HSP made projections in earlier chapters (Demand and Revenue Projections) on potential high-capacity events at the arena. There are two event types that will bring in more than 12,000 attendees or high-capacity events to the Arena: Coyotes regular season games and large concerts. These represent nearly 46 percent of all ticketed events (128 total ticketed events) at the arena. The annual benefit from the high-capacity events at the Arena totals $236,520.

The following table shows the projections of the annual benefit from the high-capacity events from the Arena over 30 years.

Table 11-7

Summary of Benefits to the Valley Metro Light Rail System: HSP Projections				
Year	Coyotes Regular Season	Full Concert	Total	Growth Rate
Year 1	$166,050	$70,470	$236,520	--
Year 2	$169,371	$71,879	$241,250	2%
Year 3	$172,758	$73,317	$246,075	2%
Year 4	$176,214	$74,783	$250,997	2%
Year 5	$179,738	$76,279	$256,017	2%
Year 6	$183,333	$77,805	$261,137	2%
Year 7	$186,999	$79,361	$266,360	2%
Year 8	$190,739	$80,948	$271,687	2%
Year 9	$194,554	$82,567	$277,121	2%
Year 10	$198,445	$84,218	$282,663	2%
Year 11	$202,414	$85,903	$288,317	2%
Year 12	$206,462	$87,621	$294,083	2%
Year 13	$210,592	$89,373	$299,965	2%
Year 14	$214,803	$91,160	$305,964	2%
Year 15	$219,099	$92,984	$312,083	2%
Year 16	$223,481	$94,843	$318,325	2%
Year 17	$227,951	$96,740	$324,691	2%
Year 18	$232,510	$98,675	$331,185	2%
Year 19	$237,160	$100,649	$337,809	2%
Year 20	$241,903	$102,661	$344,565	2%
Year 21	$246,742	$104,715	$351,456	2%
Year 22	$251,676	$106,809	$358,485	2%
Year 23	$256,710	$108,945	$365,655	2%
Year 24	$261,844	$111,124	$372,968	2%
Year 25	$267,081	$113,347	$380,428	2%
Year 26	$272,423	$115,614	$388,036	2%
Year 27	$277,871	$117,926	$395,797	2%
Year 28	$283,428	$120,284	$403,713	2%
Year 29	$289,097	$122,690	$411,787	2%
Year 30	$294,879	$125,144	$420,023	2%
Total	$6,736,330	$2,858,833	$9,595,162	2%

Source: Hunden Strategic Partners

With a two percent escalator, the total public benefit over 30 years totals $9.5 million.

4. ASU Venture Challenges Support & Free Office Space: Team ownership has committed to provide annual contributions of $25,000 to the ASU Business School Innovation Venture Challenge along with providing 3,000 square feet of free office space within the Project site for ASU Venture Challenge.

The following table shows the assumptions and projections made by HSP to value the public benefit of the ASU Venture Challenge Support and free office space over 30 years.

Table 11-8

ASU Venture Challenge Support and Free Office Space Benefits: HSP Valuation (30-Years)	
Annual Contribution	$25,000
Market Rent / SF	$41.00
Total SF	3,000
Inflation Rate	2.00%

Year	Annual Contribution	Free Office Rent	Total	Growth Rate
Year 1	$25,000	$123,000	$148,000	--
Year 2	$25,000	$125,460	$150,460	2%
Year 3	$25,000	$127,969	$152,969	2%
Year 4	$25,000	$130,529	$155,529	2%
Year 5	$25,000	$133,139	$158,139	2%
Year 6	$25,000	$135,802	$160,802	2%
Year 7	$25,000	$138,518	$163,518	2%
Year 8	$25,000	$141,288	$166,288	2%
Year 9	$25,000	$144,114	$169,114	2%
Year 10	$25,000	$146,996	$171,996	2%
Year 11	$25,000	$149,936	$174,936	2%
Year 12	$25,000	$152,935	$177,935	2%
Year 13	$25,000	$155,994	$180,994	2%
Year 14	$25,000	$159,114	$184,114	2%
Year 15	$25,000	$162,296	$187,296	2%
Year 16	$25,000	$165,542	$190,542	2%
Year 17	$25,000	$168,853	$193,853	2%
Year 18	$25,000	$172,230	$197,230	2%
Year 19	$25,000	$175,674	$200,674	2%
Year 20	$25,000	$179,188	$204,188	2%
Year 21	$25,000	$182,772	$207,772	2%
Year 22	$25,000	$186,427	$211,427	2%
Year 23	$25,000	$190,155	$215,155	2%
Year 24	$25,000	$193,959	$218,959	2%
Year 25	$25,000	$197,838	$222,838	2%
Year 26	$25,000	$201,795	$226,795	2%
Year 27	$25,000	$205,830	$230,830	2%
Year 28	$25,000	$209,947	$234,947	2%
Year 29	$25,000	$214,146	$239,146	2%
Year 30	$25,000	$218,429	$243,429	2%
Total	$750,000	$4,989,874	$5,739,874	

Source: Hunden Strategic Partners

HSP assumed a Year 1 lease rate of $41 per square foot and an inflation rate of two percent. This results in an annual benefit of $148,000 in Year 1, increasing to $243,439 in Year 30. The total benefit over 30 years totals $5.7 million.

6. Public Art Displays: As part of the masterplan development, Team ownership will devote space within the development to incorporate public art displays, including a mural, a tribute to construction personnel (that

worked on the TED district), and art lighting packages. The total contribution by team ownership towards these public art displays totals $7 million.

HSP adjusted the value of the contribution to $6 million because the 'Art in Private Development' ordinance (4-407) within the City of Tempe requires either a minimum of $1 million in public art displays to be installed on-site or a contribution to the Tempe Municipal Arts Fund. Therefore, the total public benefit to Tempe from these public art displays is the amount that goes beyond this ordinance minimum ($6 million).

6. Public shuttle service to the Arena: In addition to the multi-modal incentives, the team ownership has committed to providing four shuttle stops for attendees on high-capacity event days. These shuttles will be accessible between the Arena and the Valley Metro Rail stations. Shuttle stops will be located on the following streets: Priest Drive, Washington Street, 3rd Street, and Mill Avenue.

The following table shows the assumptions and projections that HSP made on the annual public benefit from the public shuttle service.

Table 11-9

Public Shuttle Service for High Capacity Events: HSP Projections (30-Years)				
Year	Number of Events	Cost Per Event	Total Cost	Growth Rate
Year 1	61	$1,851	$112,911	--
Year 2	61	$1,888	$115,169	2%
Year 3	61	$1,926	$117,473	2%
Year 4	61	$1,964	$119,822	2%
Year 5	61	$2,004	$122,218	2%
Year 6	61	$2,044	$124,663	2%
Year 7	61	$2,085	$127,156	2%
Year 8	61	$2,126	$129,699	2%
Year 9	61	$2,169	$132,293	2%
Year 10	61	$2,212	$134,939	2%
Year 11	61	$2,256	$137,638	2%
Year 12	61	$2,301	$140,391	2%
Year 13	61	$2,348	$143,198	2%
Year 14	61	$2,394	$146,062	2%
Year 15	61	$2,442	$148,984	2%
Year 16	61	$2,491	$151,963	2%
Year 17	61	$2,541	$155,003	2%
Year 18	61	$2,592	$158,103	2%
Year 19	61	$2,644	$161,265	2%
Year 20	61	$2,697	$164,490	2%
Year 21	61	$2,750	$167,780	2%
Year 22	61	$2,805	$171,135	2%
Year 23	61	$2,862	$174,558	2%
Year 24	61	$2,919	$178,049	2%
Year 25	61	$2,977	$181,610	2%
Year 26	61	$3,037	$185,242	2%
Year 27	61	$3,097	$188,947	2%
Year 28	61	$3,159	$192,726	2%
Year 29	61	$3,223	$196,581	2%
Year 30	61	$3,287	$200,512	2%
Total	61	$75,092	$4,580,582	

Source: Hunden Strategic Partners

The total cost to operate the public shuttle service in Year 1 totals $112,911 and will grow to $200,512 in Year 30. The total annual benefit from the public shuttle service over 30 years totals $4.58 million.

7. Free Retail Space Rent for Police Substation: Team ownership has committed to providing 1,500 square feet of retail space free of charge for a substation for the Tempe Police Department within TED.

Bluebird indicated the value of rent for this particular storefront to be $100,000 annually. Over 30 years, this brings the non-cash value of the free retail space to $3 million.

8. Inclusive Arena Features: The inclusive arena features go above and beyond what is required by the ADA.

These features are catered to attendees (children and adults) that have sensory disabilities. Team ownership will offer sensory backpacks at the arena, free of charge, that include headphones, weighted blankets, fidget toys and battery chargers. Team ownerships are committing $1 million to provide for these features.

9. Land Remediation Paid by Bonds: The estimated value of land remediation is $73 million, an obligation that would otherwise fall onto the City.

10. Proceeds from Land Sale: Cash flows from the land sale represent a purchase price of $48.5 million and an "extra" $8 million flowing to the City at bond issuance.

In discussions between the City and the Developer, the City of Tempe indicated it would need to fully realize the purchase price of the land and has certain investment return goals. To achieve these investment goals the Developer committing an additional $8 million. To satisfy this, the City and Developer agreed to fund the $56.5 million in proceeds through the bond sale.

11. Public Safety: The Developer committed annual cash donations of $1.1 million for 30 years to assist in funding the Tempe Police costs.

12. Housing and Other Public Contributions: The Developer committed four annual donations of $500,000 to housing programs within Tempe. These donations will total $2 million. Additionally, the Developer committed to eight annual donations of $187,500 as a GPLET cash makeup, totaling a $1.5 million value.

13. Orbit Contributions: The Developer pledged annual donations of $50,000 for 30 years to Orbit, Tempe's local shuttle service. Over 30 years this amount will total $1.5 million.

14. Net New Tax Revenues: As shown in Chapter 10, HSP estimates the Tempe Entertainment District will generate a net new fiscal impact of $206.6 million over 30 years within the City of Tempe. This amount considers on and off-site spending, as well as substitution spending within the City.

Conclusion

HSP projects that the City of Tempe will receive $566.6 million in public benefits over 30 years from the Tempe Entertainment District project. In exchange for the $566 million in benefits, over 30 years the City would allow Bluebird to withhold $199 million in on-site tax revenues for bond payments and grant GPLETs valued at $99 million.