



SIoux FALLS PUBLIC ASSEMBLY FACILITY STRATEGIC PLANNING

APRIL 11, 2018





April 11, 2018

Mr. Scott Rust
Purchasing Manager
City of Sioux Falls
224 West Ninth Street
Sioux Falls, SD 57117

Dear Mr. Rust:

We have completed the study process and preparation of the Sioux Falls Public Assembly Facility Strategic Planning report, focusing potential future Sioux Falls Arena facility and site area investment and/or repositioning. The findings and recommendations are based on significant research focused on historical Sioux Falls event facility operations, competitive and comparable facility impacts, and surveys of past, current and potential facility users.

This Strategic Plan will serve as a valuable tool in helping to make decisions as to the future of the Arena, and how facility investment and policies can help to increase overall event activity in the market. The analysis also includes research regarding the Sioux Falls Stadium, focusing on current facility usage and comparisons of stadium conditions in other communities that host an American Association of Independent Professional Baseball (AAIPB) franchise. This research is designed to provide general recommendations as to future stadium renovation and/or new development options. We have also conducted an analysis of the Orpheum Theater, focusing on an assessment of the expected future financial obligations of the City of Sioux Falls (City) and various management options for the venue.

The participation of City, facility and destination marketing leadership has been integral to the success of the study process. We greatly appreciate your professionalism in all respects during the preparation of this Plan.

Very truly yours,

CSL International
CSL International

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Introduction

Conventions, Sports & Leisure International (CSL) was retained by the City of Sioux Falls (City) to complete a Public Assembly Facility Strategic Plan focusing on an analysis of potential future building and site development options for the Sioux Falls Arena (Arena). Other aspects of this study include a benchmarking analysis of the Sioux Falls Stadium (Stadium), and an analysis of financial and event implications of the existing operating structure of the Sioux Falls Orpheum Theater. This executive summary outlines the key findings and recommendations associated with the study. The full written report should be reviewed in its entirety to gain an understanding of the study's methods, limitations and implications. This study process consisted of detailed research and analysis, including a comprehensive set of market-specific information derived from the following:

- Past experience with more than 1,000 arena, convention center, ballpark, theater and other event facility projects throughout the country, including extensive previous work in Sioux Falls.
- Local market visit at the outset of the project, including community and site tours.
- Interviews/meetings with representatives from a wide variety of local visitor industry, event facility, hospitality, elected officials, economic development and other organizations.
- Analysis of the historical operations of existing local event facilities.
- Analysis of competitive/regional and comparable markets.
- Interviews with event organizers and promoters representing current, past and potential users of the Arena, Orpheum Theater, Stadium and Sioux Falls Convention Center (SFCC).
- Development of models to help assess the potential financial return associated with various facility investment scenarios.

Local Market Analysis

A destination offering ample restaurants, retail, entertainment, attractions and other amenities unique to the market creates a competitive advantage. Although there has been significant recent investment in attraction and amenity offerings throughout the Sioux Falls market, it is important to note that they all must be accessed by car or other mode of transportation.

There are currently seven local facilities that can accommodate events/performances that draw attendance levels of less than 2,000 people. At the same time, management of the DSPC indicated that the smallest promoted event they are typically interested in hosting would attract approximately 4,000 people. The Sioux Falls Arena therefore has the potential to operate in the seating gaps between 2,000 and 4,000 attendees. We also note that there may be physical and structural aspects of the Arena (such as the rigging capabilities, load-in/out deficiencies, retractable seating, back of house amenities, and the overall age and condition of the facility) that are limiting its ability to attract and accommodate touring concerts and other live entertainment events.

Since 2000, the City's population has increased by nearly 30 percent, and is expected to continue to increase over the next five years by a total of approximately nine percent. In addition to the population growth within the city of Sioux Falls, there has been substantial growth in the economic development of and investment in the market. Named Forbes' best small city for business and careers in 2017, Sioux Falls has established itself as a growing economy in the biomedical and finance industries, among other sectors. These conditions help to support an event attendee base.

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Historical Operations Analysis

Based on information provided by facility management, we have analyzed historical event data for the Sioux Falls Arena for the seven-year period spanning 2012 through 2018. Arena usage declined subsequent to the opening of the DSPC; however, Arena event activity has increased each of the past two years, and further increases are expected for 2018. This growth can be largely attributed to management's efforts to generate increases in youth/amateur sports and convention/trade show activity.

Arena occupancy percentages have shown steady growth since 2015 and reached a high of 24 percent in 2017. Based on current bookings, Arena occupancy could surpass 26 percent in 2018. Occupancy levels for a fully utilized sports/entertainment arena with no major tenant should peak at approximately 33 percent (not counting event setup, maintenance and other use days), and the Sioux Falls Arena is starting to approach these levels. In recent years, attendance has been steady, averaging more than 136,000 people per year. Although event activity has increased in recent years, there is significant capacity for added events throughout at least nine months of the year.

The study also considered the potential need for SFCC expansion, which would impact viable options for future Arena/site usage. On an average annual basis, occupancy levels within SFCC exhibit space have approximated 52 to 53 percent over the past three years. These data suggest that SFCC expansion is not supported in the near term, and that future occupancy growth may require some element of change/improvement to the surrounding area/walkable hotel, restaurant and other visitor amenities and services. We also note that any significant increase in SFCC space would likely require added hotel room inventory near the SFCC.

Competitive/Comparable Facility Analysis

It is not uncommon for markets similar to Sioux Falls to provide more than one arena facility of at least 4,000 seats. Among the 11 markets analyzed (including Sioux Falls), the total number of market-wide arena seats ranges from 7,200 to 32,700. On average, there are a total of nearly 22,000 arena seats in each market, or ten percent more than the number of total seats within the Premier Center and Arena. When considering population-per-seat data, Sioux Falls operates with somewhat above average arena venue capacity; however, without the Arena, the market would be somewhat below average in arena seating capacity.

To understand whether there are any opportunities for added event types at the Sioux Falls Arena, we have analyzed the types of events that are currently being accommodated at the Arena and the DSPC, as well as the types of events currently being held at competitive/comparable arenas. The types of events currently being held at the Arena are generally similar in nature to those held at competitive/comparable arena venues.

However, events such as monster trucks, performing arts and rodeo/bull riding events are not currently rotating to the Arena. These flat floor "dirt" events (such as monster trucks and rodeo/bull riding) typically require facilities with a larger flat floor space, as well as larger seating capacity than currently available at the Arena. Additionally, performing arts events tend to utilize smaller, more intimate facilities or ones that offer a curtaining system to provide for a more intimate experience. Within Sioux Falls, the DSPC and numerous performing arts venues are currently accommodating these event segments. Market demand research presented later in this report has been conducted to determine the potential to increase Arena usage in existing event sectors such as concerts, family shows and sporting events.

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Market Demand Analysis

Our market demand analysis consisted of more than 100 interviews of current/past Arena users, potential future Arena customers, current/past SFCC users and potential future SFCC users.

Current and past Arena customers provided the following insight.

- The Arena’s seating capacity, location, competitive rental rates, and date availability are all commonly cited strengths associated with hosting events at the facility.
- Although the Sioux Falls Arena is nearly 60 years old and operates with several physical shortcomings, it is currently the only mid-size arena facility in the market that can accommodate events at much lower cost structure than other local venues, including the DSPC and the Sanford Pentagon.
- Approximately 38 percent of current and past Arena users could not be accommodated within exhibit/convention space, citing demand for the fixed seating, ceiling heights, and other offerings typically found in arena type venues. Planners of many of these events noted that the price to rent the Premier Center if it were to be available is not affordable.
- Additional contiguous exhibit space was most noted among SFCC full-building users, the majority of which indicated that an additional 50,000 square feet of exhibit space would meet their needs. The full building users tend to require a presence in Sioux Falls, and it is therefore not highly likely that they would leave the market even without significant flat floor space expansion.

For potential future Arena customers, we have summarized the incremental market demand for the Sioux Falls Arena, segmented by primary event types. Demand levels for purposes of this analysis are generally characterized as high, moderate and low. High demand reflects an event market with a strong interest in the venue, a significant base of potential attendees and limited local or regional competition. Low demand reflects a market with a smaller attendee base, poor attendee demographics and significant regional competition. Moderate demand would fall between the low and high demand profiles. A summary of our findings is presented below.

- Concerts – Interviews indicate moderate demand for additional small to mid-sized concerts assuming a modest investment in the Arena is made. The Arena serves a need in the 2,000 to 4,000 seat range, and with various facility improvements, five to six added events could potentially be attracted.
- Tenant Sporting Events – With the exception of Augustana basketball, there is low demand for additional sporting event tenants at the Arena. Sioux Falls is home to basketball, indoor football and hockey franchises—all of which have transitioned from the Arena to newer facilities.
- Youth & Amateur Sporting Events – Opportunity exists to moderately increase the number of youth and amateur sporting events at the Arena. To retain existing customers and increase market capture, it will be important to consider updates to the upper seating areas, locker rooms, A/V capabilities, restrooms and concession areas. With these improvements, it is estimated that the Arena could be positioned to attract five to seven youth/amateur sports events per year, with attendance generally ranging from 2,000 to 3,000 per event.

EXECUTIVE SUMMARY

Market Demand Analysis (continued)

- Family Shows – These events consist of family-oriented acts (such as Disney on Ice and Sesame Street Live) that are usually held over a run of consecutive days, averaging six to eight performances. Demand for the Arena is low given the frequent need for rigging capabilities to accommodate elaborate set/production elements. Although the Shrine Circus continues to take place at the Arena, all other family show events have moved to the DSPC.
- Other Live Entertainment – Live acts such as comedy, speeches/lectures, and other performances could represent one to two additional events at the Arena each year. This overall low demand level is based on the general preference for a more intimate theater-style venue (such as the Washington Pavilion).
- Trade and Consumer Shows – A number of large recurring annual events take place at all three facilities (i.e., Sioux Empire Home Show, Central Plains Dairy Expo, etc.) and utilize the Arena floor as spillover space to accommodate exhibits. Demand for additional Arena events in this segment is low; however, if the market is able to attract additional large events such as Pheasants Forever, it may be possible to generate limited additional activity in this segment.
- General Sessions / Banquets – The SFCC does not provide traditional, dedicated ballroom space. Upgrades to the Arena (i.e., curtaining and lighting) could create an upscale ambience suitable for some flat floor food and beverage functions, while potentially freeing up exhibit space at the SFCC to accommodate other events. While demand is characterized as low, three to four new events could be expected within this segment.

The survey data suggest that potential added sports, entertainment, concert and other such event demand exists for the Arena in the capacity range unmet by the DSPC or other smaller venues (between 2,000 and 4,000 seats). Of the more than 400 touring promoted events that occurred nationally within the past four months, approximately 48 percent of box office ticket sales were between the capacities of 2,000 and 4,000.

However, interviews with facility management and conversations with promoters of touring live entertainment suggest that a number of facility related limitations negatively impact the Arena's ability to attract such events. These include, but are not limited to the following:

- lack of a rigging grid suitable for hanging modern lighting and sound equipment for modern concerts and other live entertainment
- lack of a traditional loading dock and the resulting inefficiencies with regard to load in/out
- limited back-of-house amenities and artist services
- inability to create a more intimate setting for smaller shows/events
- seating capacity limitations (some promoters focus on larger events)
- overall facility quality and feel of the Arena, including concession, restroom, dressing/locker room and other such areas

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Recommendations

The recommendations presented herein first focus on investment in the Arena and/or site that could yield increases in event activity, operating revenue and economic impact. We have also developed several broader recommendations designed to help increase market capture for Sioux Falls in the sports, entertainment, consumer show, convention and other public assembly event sectors. As supportable investment in the Arena will be impacted by future SFCC, hotel, entertainment and other needs, we have also developed findings and recommendations in these areas.

Sioux Falls Arena Investment

Given current and expected near-term market demand conditions, it would be advisable to maintain the existing Arena facility, with numerous modest improvements designed to allow for increased functionality and maximum utilization of the venue. We also note that given the age of the Arena, at some point it will likely be more cost effective to demolish the venue for a higher and better use, potentially an SFCC expansion. As a result, investing significant funds into the existing structure would not be recommended. Specific areas of improvement that can increase near-term usage without large-scale investment (some of which are included in management's capital improvement plan) are described below.

Create a Ceiling Grid

The existing Arena is deficient in terms of rigging capacity for modern concert and entertainment events. Management at several older arenas have installed customized structural grids designed to improve these conditions. Consideration should be given to some type of improvement to the rigging capabilities for the Arena. Engineering experts should evaluate the Arena for potential solutions unique to the venue that add both rigging capacity and the ability to utilize a curtaining system.

Conversations with event promoters and facility management indicate that approximately six new mid-sized entertainment events could be attracted to the market each year with enhanced rigging capabilities at the Arena.

Create Flexible Seating Capacities

Very few existing events utilize all of the existing seating capacity within the Arena. The Washington Pavilion has a capacity of 1,800; however, there is a potential void in the market for a venue capable of hosting events attracting between 2,000 and 4,000 attendees. A modern curtaining system could be installed to create a more intimate environment for smaller entertainment events, with the flexibility to accommodate multiple capacities and configurations. This curtaining system could also be beneficial for other smaller events including sporting events, graduations and banquets.

Replace Seating

Existing retractable seating equipment has aged beyond its useful life. Consideration could be given to replacing and upgrading portions of the retractable seating. Fixed seating within the Arena bowl is largely original to the building, and replacement of these seats should also be considered.

Other Facility Improvements

Investment in the aesthetic conditions in areas such as dressing rooms, restrooms and concession areas should be considered to address persistent event planner concerns. Recent Arena events have experienced significant wait times for concessions due to limited points of sale. Retaining architects to evaluate opportunities for adding concession space should also be considered. Lighting and HVAC investment identified by management as need areas should

EXECUTIVE SUMMARY

Recommendations (continued)

We have also developed an assessment of the potential incremental revenue and resulting supportable investment in the Arena from a return on investment standpoint. Given the recent increases in Arena usage, the need for the fixed seats by Augustana and other events, the lack of need for the SFCC to use the Arena site for expansion, and the potential to increase future Arena usage, we suggest that a ten-year lifecycle be adopted for considering any future Arena improvements.

Under this timeframe, any investment in improvements would have to be amortized over no more than ten years in order to prevent a net loss of invested funds. Assuming a discount rate (or cost of borrowing rate) of 3.0 percent and an inflation rate of 2.5 percent, the net present value of the increased net Arena revenue (assuming the revenue stream starts in year three to allow for improvements), would approximate \$2.38 million.

The following chart presents a range of general budgets for these types of improvements. It should be noted that these budgets are designed to be generally consistent with the value of potential increased revenue, and not based on detailed architectural and engineering planning. Such planning efforts should be undertaken to verify the order of magnitude estimates presented below.

	Low Budget	High Budget
Develop Rigging Grid	\$1,000,000	\$2,000,000
Replace Retractable Arena Seating	650,000	800,000
Replace Fixed Arena Seating	-	1,500,000
Renovation of Existing Space	761,000	900,000
Total	\$2,411,000	\$5,200,000

The budget range for enhanced rigging capabilities is based on several recent projects around the country as noted earlier in this report.

It is very possible that a solution to rigging unique to the Arena could be developed that would be somewhat different from others used in the industry, and this may impact the cost estimate. The low budget range assumes a slightly lower cost alternative for the Arena, while the high budget total reflects the uncertainty as to how this type of improvement could be developed within the existing Arena.

The low budget for a retractable seating improvement project is based on the current capital plan. A modest increase is assumed for the high budget scenario. Aesthetic improvements focus on concession, restroom and locker space. There is a total of approximately 7,611 square feet in these areas, and the budget assumes a \$100 per square foot renovation cost. Again, a modest increase is assumed for the high budget scenario.

The \$2.41 million low budget for Arena improvements presented above is relatively close to the \$2.38 million in net present value associated with added Arena revenue generated as a result of the improvements. This analysis suggests that a ten-year Arena improvement budget in the \$2.4 million range as described above could be supported based on potential increased net revenue. Under the high budget scenario, it may be difficult to create a supportable ten year ROI scenario.

Future Site/Amenity Needs for the SFCC

Based on general industry average per-square foot construction cost totals, tearing down the existing Arena and doubling the size of the SFCC could cost a minimum of approximately \$50 million, assuming roughly 60,500 square feet of new sellable space; similar square footage for back of house, lobby and other areas; a \$350 construction cost per square foot; and a 25 percent soft cost factor.

EXECUTIVE SUMMARY

Recommendations (continued)

The results of the market analysis presented herein suggest that this type of significant investment would have a low probability of generating significant return on investment or increases in high-impact event activity, particularly if there are no increases in walkable hotel and restaurant inventory.

Near term SFCC improvements that could be considered to address emerging industry trends include improved in-facility food service options, potentially involving portable food carts with the ability to offer a wide variety of menu options, as well as convenient seating areas. This seating area can also be designed to cater to the emerging trend of Open Space Learning. Consideration could also be given to further investing in acoustics and equipment to address current industry standards (i.e., permanently mounted projectors, modern audio equipment, etc.). Many SFCC users utilize pipe and drape systems for backdrops, displays, trade show booths. Based on conversations with SFCC management, given the age and condition of the current inventory of the drape material in the pipe and drape equipment, consideration should be given to replacing it.

There may also be opportunities with respect to the Sioux Falls Convention Center to create date availability for additional high-impact/room night generating events. This would require delaying the booking confirmation of locally oriented meetings to within a short-term window. Data suggest that there several blocks of at least five days that could be created during the months of May to September by moving low room night conferences, meetings or banquets to other dates on the calendar. Based on our review of typical provisions within the industry, a potential booking policy for the SFCC would define event categories in terms of their ability to generate economic impacts by taking into account factors such as number of event days, peak and/or total hotel room nights, and space needs.

Sioux Falls Stadium Analysis

CSL also conducted an analysis of recent usage of the Sioux Falls Stadium, as well as a benchmarking comparison of the current facility to other similar stadiums in the American Association of Independent Professional Baseball (AAIPB). Based on this analysis, we've derived the following findings:

- Originally built in 1964, the Sioux Falls Stadium has long served the local community as both the home of the American Association of Independent Professional Baseball's (AAIPB) Sioux Falls Canaries and a multipurpose event venue for tournaments, festivals and other community events.
- Nearly 20 years have passed since any major improvements have been made.
- Since 2013, average attendance levels have continued to decline on an annual basis, which may be indicative of the aging facility and resulting game experience.
- It is estimated that all capital repair projects would cost approximately \$2.5 million and could be funded through the Stadium's capital repair and operating budget over the next 12 years.
- It is possible that a new stadium in Sioux Falls could provide a more modern game day entertainment experience, thereby leading to increases in the average attendance, moving closer to AAIPB averages.

Given the age of Stadium relative to others in the league, it is reasonable to assume that new stadium construction in the near future would be warranted.

EXECUTIVE SUMMARY

Recommendations (continued)

To create a superior before and after game experience for fans, many markets see stadium development take place in downtown areas that are within close proximity of restaurants and entertainment. This type of setting for any new stadium development in Sioux Falls should be pursued. Further market demand research will be needed to establish appropriate seating, suite, club seat and other stadium capacity measures.

Sioux Falls Orpheum Theater Analysis

Our research and analysis also included an evaluation of the financial and event implications of the existing operating structure of the Sioux Falls Orpheum Theater. Primary findings of this analysis are presented below, followed by a summary of our recommendations.

- The Orpheum Theater has generated between 110 and 144 event days annually over the past five years. Performing arts, particularly the Sioux Empire Theater Company, generates by far the largest share of usage. Concerts and comedy events have dropped annually over the past five years.
- Averaging more than 30,000, annual attendance has remained fairly constant over the past five years, with performing arts and concert/comedy events generating a majority of this usage.
- Revenues for the three-year period spanning 2014 through 2016 ranged between \$118,000 and \$133,000, with a three-year average of \$124,000. Expenses ranged between \$441,000 and \$616,000, averaging \$528,000. The net financial results for the Theater showed a loss of between \$307,000 and \$495,000, averaging \$404,000.

Under a scenario whereby a separate, third party management entity takes operational control of the Theater, there would be expected changes to the financial operating performance. These include added labor costs to reflect the need for additional operations, event management, janitorial, sales and general manager positions. Today, there are significant shared labor conditions that exist with the DSPC, SFCC and Arena. These conditions would cease to exist under separate third party management. We would also expect that various expenses related to the annual audit and snow removal would increase due to lack of shared expense opportunities. At the same time, cost reductions could be realized with the elimination of the current management fee.

Expenses under a new third party management scenario are assumed to increase by approximately \$226,000, increasing the estimated annual deficit to approximately \$630,000. It will be important for a source of funds to be identified that can accommodate these deficits, while also allowing for occasional major capital repair and replacement needs. For example, if an endowment were to be established to pay for net operating losses, assuming a 4 percent rate of interest, the endowment would have to be established at approximately \$16 million.



1.0 INTRODUCTION

INTRODUCTION

1.1 Study Overview



We have completed the Sioux Falls Public Assembly Facility Strategic Planning report, which focuses on an analysis of potential future building and site development options for the Sioux Falls Arena (Arena). The Arena exists as part of a complex of venues that includes the Denny Sanford Premier Center (DSPC), the Sioux Falls Convention Center (SFCC), Sioux Falls Stadium (Stadium), Howard Wood Field and the Sheraton Sioux Falls & Convention Center hotel. Given the compactness and interaction between venues, we have also reviewed aspects of overall campus operations and market demand in order to assess viable options for future Arena/site use.

These venues have been highly successful in attracting a very broad set of events, including professional sports, top tier concerts, local banquets and receptions, and conventions and trade shows such as the 2018 National Pheasant Fest and Quail Classic, which recently attracted nearly 30,000 people to Sioux Falls. Recommendations presented herein take into consideration various cost and benefit parameters, as well as market demand characteristics unique to Sioux Falls. Specific areas of focus include Arena investment that could help maintain and increase market capture, use of the Arena site for convention/hospitality development, viable long-term investment in convention facilities, and the need for added walkable hotel, restaurant and entertainment assets.

We have also conducted selected research regarding the Sioux Falls Stadium, focusing on current facility usage and comparisons of stadium conditions in other communities that host an American Association of Independent Professional Baseball (AAIPB) franchise. This research is designed to provide general recommendations as to future stadium renovation and/or new development options.

Finally, we have reviewed event activity and operations of the Orpheum Theater in order to identify management approaches that could be beneficial to event generation and/or financial operations.



INTRODUCTION

1.2 Study Process

This study process consisted of detailed research and analysis, including a comprehensive set of market-specific information derived from the following:

- ✓ Past experience with more than 1,000 arena, convention center, ballpark, theater and other event facility projects throughout the country, including extensive previous work in Sioux Falls.
- ✓ Local market visit at the outset of the project, including community and site tours.
- ✓ In-person interviews/meetings with local individuals, including representatives from the City of Sioux Falls, Sheraton Sioux Falls & Convention Center, Sioux Empire Community Theater, Sioux Falls Canaries, Sioux Falls Convention & Visitors Bureau, SMG, and other local visitor industry stakeholders. A number of follow-up telephone interviews were also conducted with local area stakeholders.
- ✓ Analysis of the historical operations of existing local event facilities.
- ✓ Analysis of competitive/regional and comparable markets.
- ✓ Telephone and online interviews with event organizers and promoters representing current, past and potential users of the Sioux Falls Arena, Orpheum Theater, Stadium and Convention Center.
- ✓ Development of models to help assess the potential financial return associated with various facility investment scenarios.



INTRODUCTION

1.3 Interviewed Stakeholders

Our research process considered feedback collected through a great deal of in-person, telephone and online interviews with local visitor industry stakeholders, in addition to approximately 75 event organizers and promoters representing current and past users of the Sioux Falls Convention Center, Sioux Falls Arena, and Orpheum Theater. A listing of the organizations interviewed by CSL is presented below.

- | | | |
|--|--|---|
| 41st Street Church of Christ | Farm Credit Services of America | Sioux Empire Christian Home Educators |
| AARP South Dakota | FIAT Chrysler Automobiles | Sioux Empire Community Theatre |
| ABATE of Sioux Falls, Inc. | First PREMIER Bank/PREMIER Bankcard | Sioux Empire Farm Show |
| Aerostar International, Inc | Fuel LLC | Sioux Falls Canaries |
| Ag Partners, LLC | Gunn Productions | Sioux Falls Convention & Visitors Bureau |
| Alpha Center | Helpline Center | Sioux Falls Firefighters Benevolent Foundation |
| Arise! Ukraine | Home Builders Association of the Sioux Empire | Sioux Falls Irish Club |
| Associated General Contractor of SD | Huffman Productions, Inc. | Sioux Falls Jazz and Blues Society |
| Augustana University | ITA Group | Sioux Falls Quilt Guild |
| Avera Health Leadership & Organizational Development | Johnstone Supply | Sioux Falls Sports Authority |
| Avera Heart Hospital and North Central Heart Institute | Juvenile Diabetes Research Foundation | Sioux Falls Storm |
| Bella & Bash Consulting | KSFY-TV | SMG |
| Business Resource Network | Lincoln High Hall of Fame | South Dakota CPA Society |
| Catholic Community Foundation for Eastern South Dakota | M. G. Oil Dart Leagues | South Dakota Dental Association |
| Cenaiko Productions, Inc. | Mended Little Hearts of the Sioux Empire | South Dakota Department of Education |
| Central Plains Dairy Association | Midco | South Dakota Department of Revenue |
| Children's Home Society | Mycogen Seeds | South Dakota District LCMS |
| City of Sioux Falls - Economic Development | NTCA-The Rural Broadband Association | South Dakota Early Childhood Childhood Education Conference |
| Click Rain | Orpheum Theatre Center | South Dakota High School Activities Association |
| Costco Wholesale | Professional Bull Riders, LLC | South Dakota Music Education Association |
| Dakota Angler | Raven Industries | South Dakota Office of Homeland Security |
| Dance Network of South Dakota | Realtor Association of the Sioux Empire, Inc. | South Dakota Safety Council |
| Department of Education | Rosenbauer America | South Dakota Synod, ELCA |
| Dynamic Cheer and Dance | Sales & Marketing Executives, Inc of Sioux Falls | South Dakota Unified Judicial System |
| East Dakota Chapter of the National Wild turkey Federation | Sammons Financial Group | The Community Outreach |
| Family Child Care Professionals of South Dakota, Inc | Sheraton Sioux Falls & Convention Center | TriTech Software Systems |
| FamilyLife | Shrine Circus | University of Sioux Falls |
| | | Up Tempo Music Lessons |

An aerial photograph of a large sports arena and stadium complex, overlaid with a semi-transparent blue filter. The arena, labeled 'Denny Sanford Arena Center', is a large, modern building with a curved facade and several arched glass sections. To its right is a baseball stadium with a visible field. The surrounding area includes parking lots, roads, and other buildings. The text '2.0 LOCAL MARKET ANALYSIS' is prominently displayed in white, bold, sans-serif font across the middle of the image. A thin white vertical line is positioned to the left of the text.

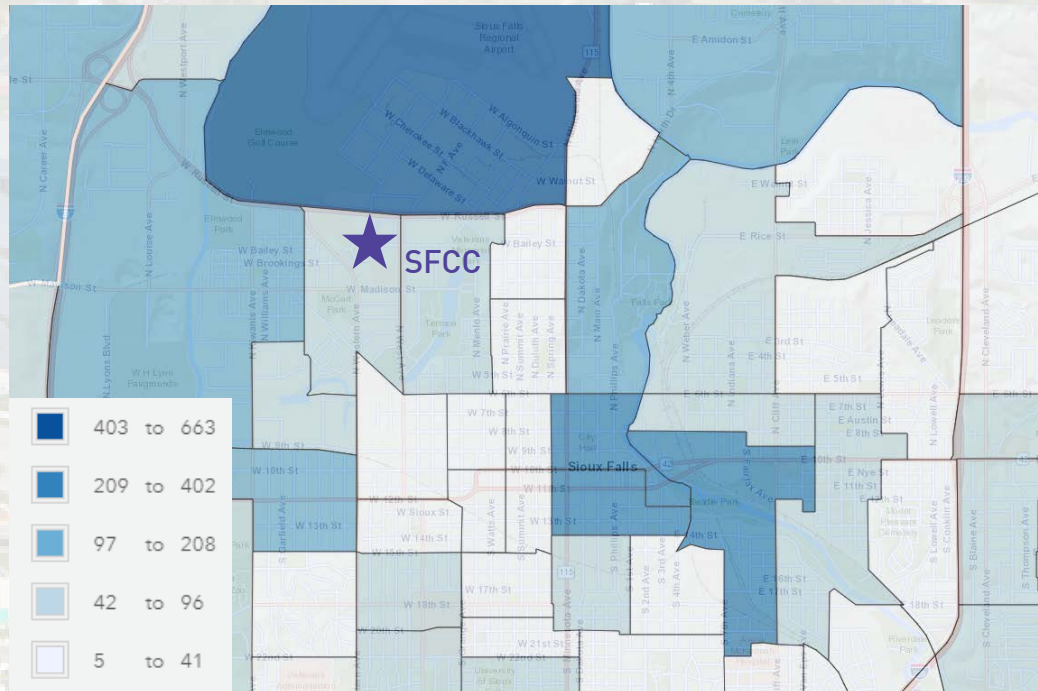
2.0 LOCAL MARKET ANALYSIS

LOCAL MARKET ANALYSIS

2.1 Existing Sioux Falls Economy



Sioux Falls Number of Businesses Heat Map



Source: Esri, 2018.

The overall economy, major development projects and inventory of public assembly facilities in any market will impact demand levels for future event facility investment. We have therefore conducted a review of these features for Sioux Falls as described throughout this section. The economy of any destination can be influenced by many factors outside the control of community leaders. Economic conditions, corporate relocations, changes in governmental or institutional presence and other factors will influence employment, income, tax revenues and other critical aspects of an economy.

With a metropolitan area population of just over 250,000, Sioux Falls is the largest city in the state of South Dakota. Since 2000, the City's population has increased by nearly 30 percent, and is expected to continue to increase over the next five years by a total of approximately nine percent. Average household income is also expected to increase over the next five years, from approximately \$73,913 to \$85,857 in 2022 (an approximate 14 percent increase).

According to Esri, a geographic information system software supplier, as of 2017, there were more than 7,200 businesses within Sioux Falls. The adjacent heatmap presents group blocks of the number of businesses near the event facility complex.

As shown, the largest number of businesses are concentrated near the Sioux Falls Regional Airport and in downtown Sioux Falls. There are relatively few businesses proximate to the event facility complex in Sioux Falls, the impacts of which will be discussed further throughout this report.

LOCAL MARKET ANALYSIS

2.2 Recent or Planned Developments



In addition to the population growth within and surrounding Sioux Falls, there has been substantial growth in the economic development of and investment in the market. Named Forbes' best small city for business and careers in 2017, Sioux Falls has established itself as a growing economy in the biomedical and finance industries, among other sectors. Avera Health employs more than 7,500 people and is currently investing \$174 million in a new surgical hospital in Sioux Falls. Sanford Health, the largest employer in Sioux Falls with more than 9,000 employees, recently completed the development of a new \$42 million Imagenetics building on their medical center campus. Other notable projects include:

- A total of \$39 million of investments at the Sioux Falls Regional Airport have taken place over the past three years.
- The 130-acre Lake Lorraine lifestyle center, which includes retail, restaurant, office and residential units and a hotel.
- The downtown Washington Square project includes a mix of retail, office space and residential units.
- Jones421, a new 200-unit apartment complex downtown provides both office and retail space.
- The indoor/outdoor Midco Aquatic Center opened in 2016 and features a 50-meter Olympic pool, warm water pool, outdoor splash pad, among other amenities that.

Although not all of the above projects are directly impactful to the event/visitor experience, these types of developments help ensure the long-term economic health and population growth which help support the hospitality industry amenities needed to attract sports, entertainment, convention and other public assembly events.

LOCAL MARKET ANALYSIS

2.2 Recent or Planned Developments

From an event and visitor industry perspective, a destination offering ample restaurants, retail, entertainment, attractions and other amenities unique to the market creates a competitive advantage. There have been numerous projects that benefit and enhance the Sioux Falls event package.

Specifically, there are more than 5,000 hotel rooms in Sioux Falls and the city continues to see two to three new hotels open a year. Examples of recently completed and planned hotel developments include:

- The 93-room Hampton Inn & Suites Southwest opened in 2017.
- The 116-room Holiday Inn Hotel & Suites is planned to open near the complex in 2018.
- The 107-room Aloft Hotel is expected to open in 2019 at Lake Lorraine.
- The Best Western PLUS Ramkota Hotel & Conference Center is currently undergoing a \$7 million renovation.
- The new 76-room AeroStay hotel opened at the Sioux Falls Regional Airport.



Attractions such as the state-of-the-art outdoor concert venue, Levitt at the Falls, will begin construction in 2018. When completed in 2019, the facility will be able to accommodate up to 5,000 people and host more than 50 concerts each year. The Stockyards Ag Experience located at Falls Park and offers interactive learning experiences that highlight Sioux Falls' history, science and culture recently opened and is expected to become a regional attraction. Several unique, new restaurants have recently opened in downtown Sioux Falls. Additionally, there are now six craft breweries throughout the city, including a "Brewer's Row" downtown. Three new bars have also opened downtown, adding to the growing nightlife scene.

In addition to these recent or planned amenities, there are numerous existing amenities and attractions within the area, and the map on following page highlights the location of these offerings relative to the complex of event facilities in Sioux Falls.

LOCAL MARKET ANALYSIS

2.3 Local Attractions & Amenities

Existing Sioux Falls Attractions/Amenities



Map Key	Attractions and Amenities	Distance to SFCC
1	Falls Park	2.1
2	Great Plains Zoo	2.1
3	Downtown Sioux Falls	2.3
4	Sioux Falls Regional Airport	2.5
5	Sanford Sports Complex	3.1
6	Empire Mall	4.9

As shown, there are several attractions and amenities within close proximity to the Arena/Convention Center/DSPCC (as depicted by the star in the adjacent map). The Sioux Falls Regional Airport, which has undergone more than \$39 million in investments over the past three years, is located just over two miles from the complex, making it easily accessible to fly-in visitors.

Also within three miles, attendees of events taking place at the complex can visit Falls Park, the Great Plains Zoo and downtown Sioux Falls. Other nearby amenities and attractions include the Sanford Sports Complex and The Empire Mall.

Although there has been significant recent investment in attraction and amenity offerings throughout the Sioux Falls market, it is important to note that they all must be accessed by car or other mode of transportation. Additionally, the inventory of hotel rooms near the event facility complex is relatively limited and can limit its ability to attract large events with significant non-local attendance. The impacts of a lack of walkable visitor amenities surrounding the event facilities in Sioux Falls will be discussed further in a subsequent chapter of this report.

LOCAL MARKET ANALYSIS

2.4 Sioux Falls Event Facility History



As previously noted, the Sioux Falls Arena, Convention Center and Premier Center are located directly south of the Sioux Falls Regional Airport and just over two miles from downtown Sioux Falls. The 243 room Sheraton Sioux Falls & Convention Center, the 12,000-seat Howard Wood Football Stadium and the 4,462-seat Sioux Falls Canaries Baseball Stadium, as well as 4,000 parking spaces are also located on the campus.

The Sioux Falls Arena originally opened in 1961 at a total cost of approximately \$1.4 million. The 8,000-seat arena has long served the community hosting a variety of concerts, sports tenants and events, conventions and tradeshow, and community events, among others. In its prime, the Arena was host to such acts as Elvis Presley, Stevie Ray Vaughan, Elton John and many other top tier performers. The Arena is the current home of the Augustana University men's and women's basketball teams.

In 1997, the Sioux Falls Convention Center was completed at a total cost of approximately \$24 million. Offering 60,500 square feet of total space including 33,600 square feet of exhibit, 16,800 square feet of ballroom space and 10,100 square feet of meeting space, the SFCC is one of the largest convention and tradeshow facilities in the region.

In the early 2000's Sioux Falls began to investigate the need for a 10,000 to 12,000-seat event venue. Based on the findings of numerous feasibility analyses conducted, it was determined that a 12,000-seat venue could be supported in the Sioux Falls market.

In 2014, the 12,000-seat Denny Sanford Premier Center opened at a total cost of approximately \$117 million. The Center is the new home to the Sioux Falls Stampede (USHL hockey) and the Sioux Falls Storm (IFL football), both prior tenants of the Sioux Falls Arena.

LOCAL MARKET ANALYSIS

2.5 Existing Sioux Falls Public Assembly Facilities

In order to determine whether there are any facility seating or space gaps within the Sioux Falls market, we have collected and reviewed data associated with existing local indoor amateur sports facilities, as well as indoor fixed seating venues. The adjacent exhibit highlights the offerings of seven local venue, providing information on the number of courts, the largest fixed seating capacity, as well as their distance from the Sioux Falls Arena.

As shown, excluding local schools, there are a total of seven indoor sports facilities in the market that offer at least one basketball court. Of those, the Denny Sanford Premier Center and the Sioux Falls Arena offer the largest fixed seating capacities. Although this is advantageous for larger youth and amateur sports events that require a large seating capacity, the limited amount of flat floor space available to accommodate courts can be seen as a disadvantage to organizers of various sports tournaments requiring multiple courts.

Opened in 2014, the Sanford Pentagon offers a total of eight full-size basketball courts and one championship court with a seating capacity of 3,250. The Pentagon is home to the NBA G-League’s Sioux Falls Skyforce, previous tenants at the Sioux Falls Arena. The Pentagon is part of the 162-acre Sanford Sports Complex that also includes the Sanford Fieldhouse (62,000 square foot indoor turf facility), the Scheels Ice Complex (three full-sized ice rinks), the Huether Family Match Point (six indoor tennis courts) and the South Dakota Junior Football Park (nine outdoor full-sized football fields).

From an event planner’s perspective, a state-of-the-art indoor amateur sports complex offering a large amount of flat floor/court space (such as the Sanford Pentagon) is ideal for large regional and national tournaments and events. However, the price of renting the Sanford Pentagon is significantly higher than that of the Sioux Falls Arena, which may be more financially feasible for smaller events that do not require a large number of court facilities. Additional perspective from organizers of youth and amateur sports events will be discussed in the market demand section of this report.

Existing Sioux Falls Indoor Sports Facilities

Facility	Miles to SFCC	No. of Courts	Largest Fixed Seating Capacity
Sanford Pentagon	3.1	9	3,250
The Elmen Center at Augustana University	3.1	4	4,000
Stewart Center at University of Sioux Falls	2.3	2	1,842
Denny Sanford PREMIER Center	0.0	1	12,000
Avera McKennan Fitness Center	5.8	1	-
Avera Sports Institute	3.5	1	-
Sioux Falls Arena		1	7,200
Average	3.0	3	5,273
Median	3.1	2	3,625

LOCAL MARKET ANALYSIS

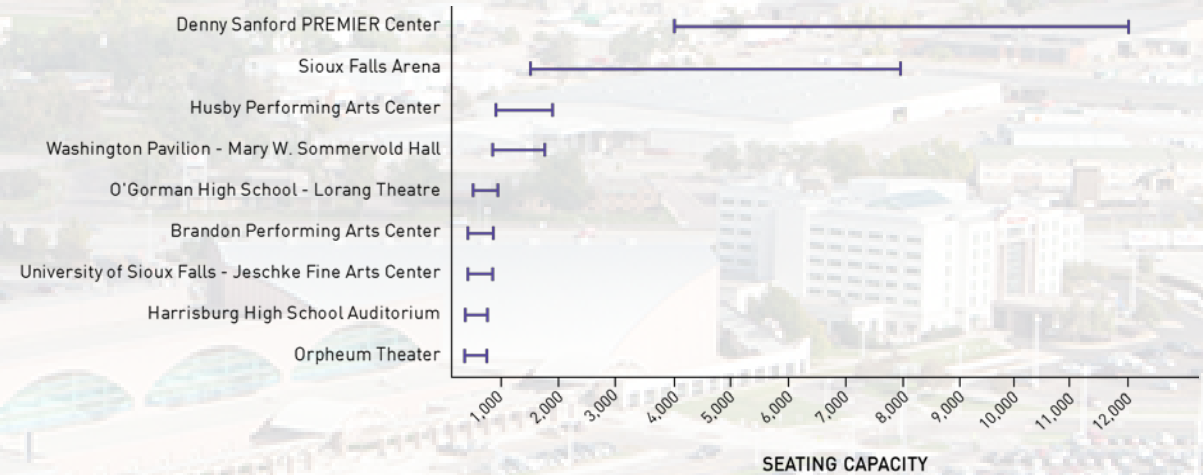
2.5 Existing Sioux Falls Public Assembly Facilities

We have also inventoried fixed seating venues throughout the greater Sioux Falls market that offer more than 500 seats. The following exhibits summarize the existing venues, their capacities and distance from the Sioux Falls Arena. Additionally, in order to determine whether there are any gaps in the marketplace for fixed-seated venues, the exhibit shows the estimated minimum and maximum seating capacities of each identified facility. It should be noted that these attendance ranges are estimates and may not reflect particularly large or small events.

Existing Sioux Falls Fixed Seat Event Venues

Facility	Market	Miles to SFCC	Fixed Seating Capacity	Maximum Seating Capacity
Denny Sanford PREMIER Center	Sioux Falls, SD	0.0	12,000	12,000
Husby Performing Arts Center	Sioux Falls, SD	2.1	1,900	1,900
Washington Pavilion - Mary W. Sommervold Hall	Sioux Falls, SD	2.1	1,800	1,800
O'Gorman High School - Lorang Theatre	Sioux Falls, SD	3.8	924	938
Brandon Performing Arts Center	Brandon, SD	10.9	802	802
University of Sioux Falls - Jeschke Fine Arts Center	Sioux Falls, SD	2.3	800	800
Harrisburg High School Auditorium	Harrisburg, SD	10.2	697	697
Orpheum Theater	Sioux Falls, SD	1.8	686	686
Sioux Falls Arena			7,200	8,000
Average		4.2	2,451	2,453
Median		2.2	863	870

Sioux Falls Fixed Seat Event Venues Seating Capacity Range



As shown, there are currently seven facilities including the Orpheum Theater within the greater market that can accommodate events/performances that draw attendance levels of less than 2,000 people. At the same time, management of the DSPC indicated that the smallest promoted event they are typically interested in hosting would attract approximately 4,000 people.

The Sioux Falls Arena therefore has the potential to operate in the seating gaps between 2,000 and 4,000 attendees. It is critical to assess the actual market potential for events with attendance in this range, and the results of our outreach to concert and entertainment promoters is discussed later in this report. We also note that there may be physical and structural aspects of the Arena (such as the rigging capabilities, load-in/out deficiencies, retractable seating, back of house amenities, and the overall age and condition of the facility) that are limiting its ability to attract and accommodate touring concerts and other live entertainment events.

An aerial photograph of a large sports arena complex, likely the Denny Sanford PREMIER Center, with a blue overlay. The arena has a curved facade and several arched windows. A parking lot is visible in front of the arena, and a baseball field is visible to the right. The text "3.0 HISTORICAL OPERATIONS ANALYSIS" is overlaid in white, bold, sans-serif font. A vertical white line is positioned to the left of the text.

3.0 HISTORICAL OPERATIONS ANALYSIS

HISTORICAL OPERATIONS ANALYSIS

3.1 Historical Arena Operations

The purpose of this chapter is to inventory and analyze key elements of the historical operations of Sioux Falls event facilities. Understanding utilization and attendance levels, event mix and other such characteristics of a facility is important in providing a basis from which to evaluate existing facility performance, shortcomings and potential unmet demand for event space in the market. Based on information provided by SMG (the third-party management firm that operates the Arena, DSPC and SFCC), we have analyzed historical event data for the Sioux Falls Arena for the seven year period spanning 2012 through 2018. The exhibit below lists examples of actual events held at the Arena over the past several years.

Amateur Sports

- All American Gymnastics
- Augustana Basketball
- Dakota Spirit
- SD State Basketball Tournament
- Sioux Falls Roller Dollz

Meeting/Banquet

- Aerostar
- Sammons Financial Staff Meeting
- SD Corn Growers Meeting
- Weight Watchers Meeting

Convention/Trade Show

- Central Plains Dairy Expo
- Sioux Empire Farm Show
- Sioux Empire Home Show
- TIE Convention

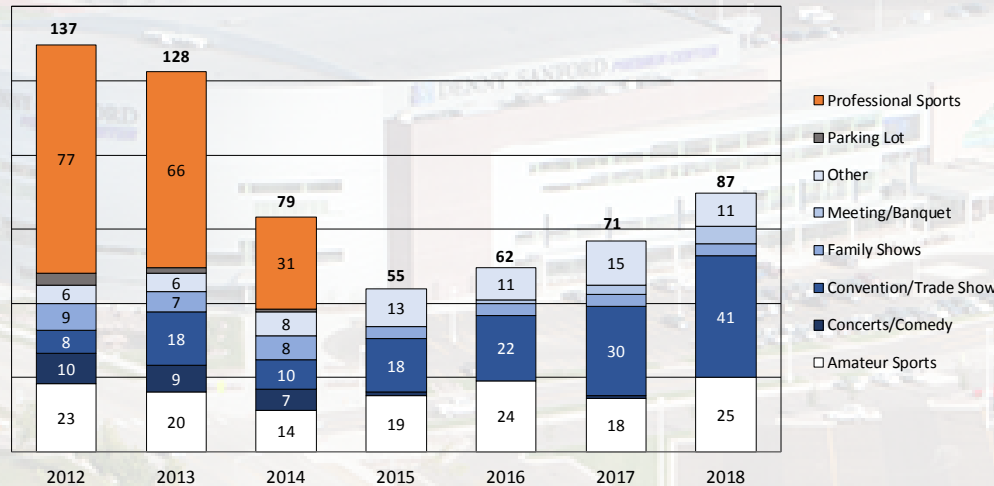
Other

- Augustana Graduation
- Garth Brooks Pre-Party
- Magic Men Live
- SE Technical Institute Graduation
- Sioux Empire Wacipi

Family Shows

- Ribfest
- Shrine Circus

SF Arena Event Days by Event Type (2012 - 2018)



Note: The Sioux Falls Stampede, Sky Force, and Storm have moved their home games to more up-to-date facilities.
Source: Facility Management - CSL Research, 2018

To begin to characterize Arena event activity, a summary of the number of event days by type of event is presented in the adjacent exhibit. Overall, there was a general decline in the number of event days at the Arena, from a high of 137 in 2012 to a low of 55 in 2015. This is due mainly to the loss of three professional sports tenants: the Sioux Falls Stampede, Skyforce and Storm, all of which have moved their home games from the Arena to either the Denny Sanford Premier Center or the Sanford Pentagon. The large majority of other ticketed events, including concerts and family shows began using the Denny Sanford Premier Center beginning in late 2014, reducing overall event activity taking place at the Sioux Falls Arena. However, event activity has increased each of the past two years, and further increases are expected for 2018. This growth can be largely attributed to management's efforts to generate increases in youth/amateur sports and convention/trade show activity. The six pre-party event days during Garth Brooks' performances at the DSPC helped to increase 2017 usage.

When excluding professional sports, the total number of event days over the seven years reviewed is generally consistent, averaging approximately 63. However, total event days (excluding professional sports) have increased each of the past three years, from a total of 48 event days in 2014 to a projected 87 event days in 2018.

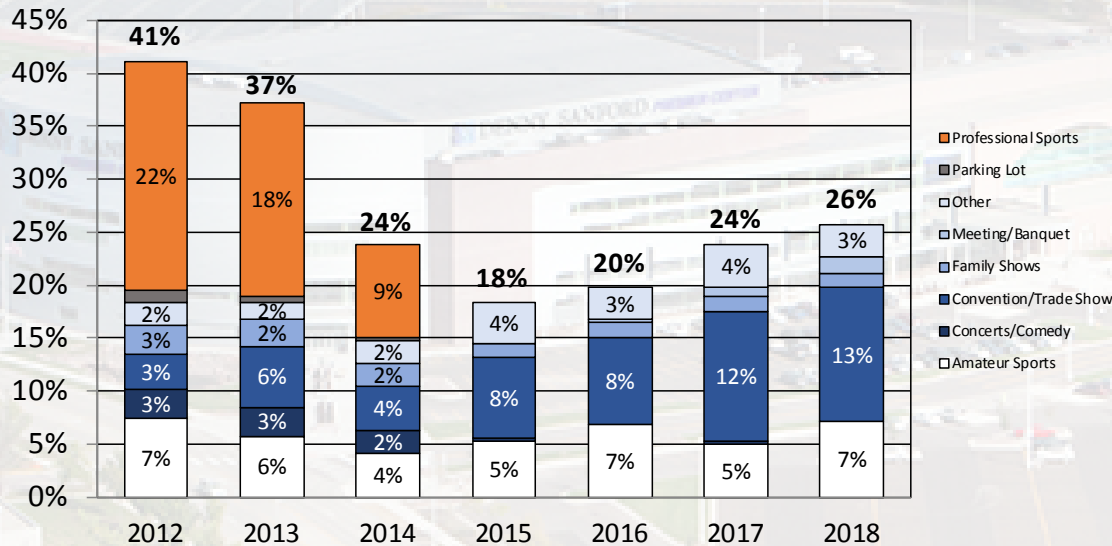
HISTORICAL OPERATIONS ANALYSIS

3.1 Historical Arena Operations

As presented in the analysis below, Arena occupancy decreased significantly between 2012 and 2015, corresponding to the development and success of the DSPC. As noted in previous exhibits, when excluding professional sports, total arena utilization has been increasing in recent years. In terms of occupancy, the Arena has shown steady growth since 2015 and reached a high of 24 percent in 2017. Based on current bookings, Arena occupancy could surpass 26 percent in 2018. Convention/trade shows and amateur sports remain the second and third largest contributors to overall utilization. Occupancy levels for a fully utilized sports/entertainment arena with no major tenant should peak at approximately 33 percent (not counting event setup, maintenance and other use days), and the Sioux Falls Arena is starting to approach these levels.

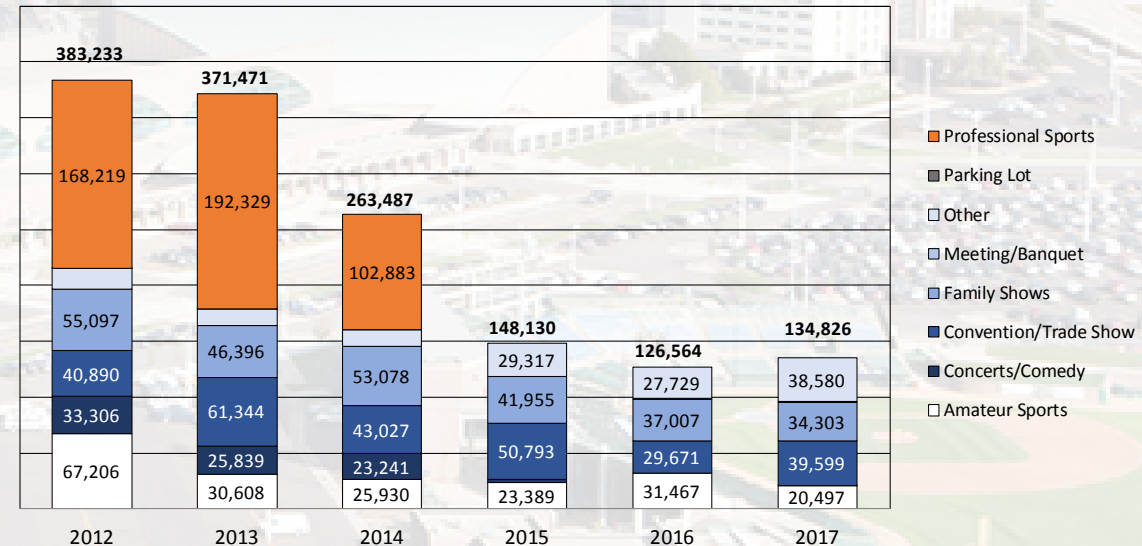
Attendance has followed a similar trend, experiencing significant decreases since the opening of the DSPC. In recent years, attendance has been steady, averaging more than 136,000 people per year. Conventions and trade shows, family shows and meetings/banquets comprise the largest portions of Arena attendance, with each segment typically attracting in excess of 30,000 people each year. Overall, the number of ticketed events that utilize significant portions of the Arena's seating is relatively low. In recent years, the Shrine Circus has drawn the largest attendance (approximately 4,500 for its largest show), or more than half of the total 8,000 seat capacity available in the Arena.

SF Arena Occupancy by Event Type (2012 - 2018)



Note: The Sioux Falls Stampede, SkyForce, and Storm have moved their home games to more up-to-date facilities.
Source: Facility Management - CSL Research, 2018

SF Arena Attendance by Event Type (2012 - 2018)

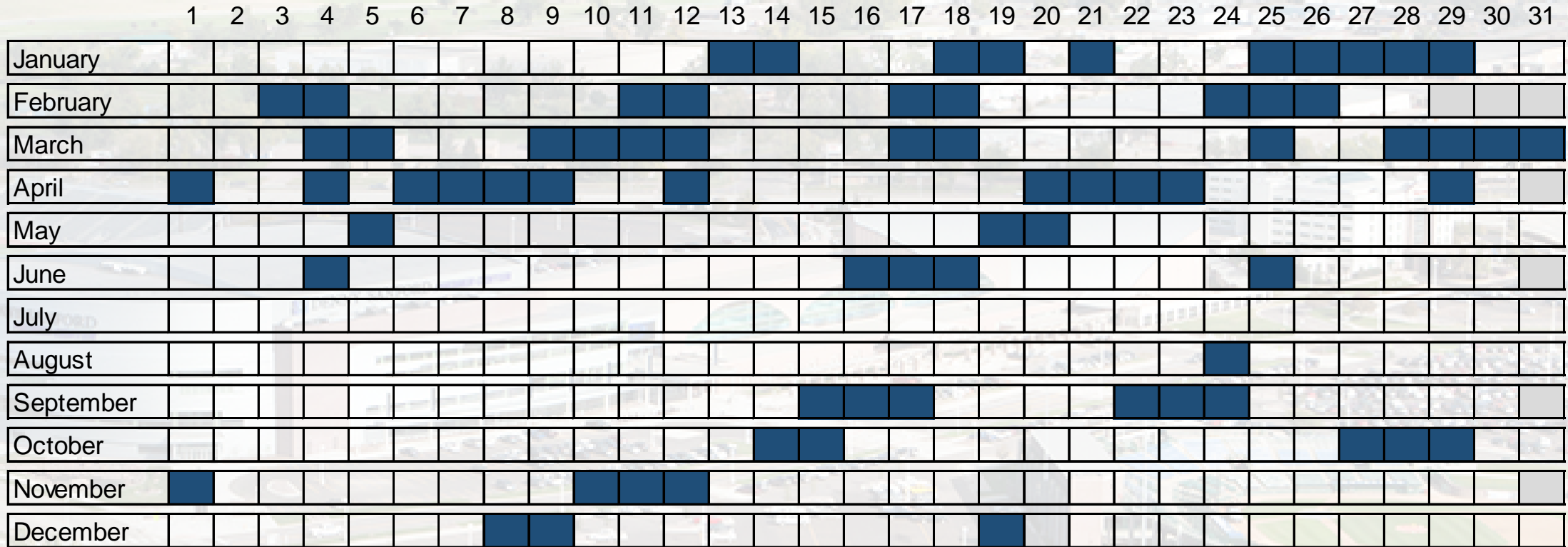


Note: The Sioux Falls Stampede, SkyForce, and Storm have moved their home games to more up-to-date facilities.
Source: Facility Management - CSL Research, 2018

HISTORICAL OPERATIONS ANALYSIS

3.1 Historical Arena Seasonality

A calendar of all events taking place at the Arena throughout 2017 was created in an effort to highlight the seasonality of Arena events, as well as to identify blocks of availability. As presented earlier, overall Arena occupancy has averaged 22 percent over the past two years. It is important to note that nearly two-thirds of all Arena total utilization occurred during the first quarter of the year. Additionally, 18 percent of total utilization occurred in the month of March, primarily due to large events such as the Dairy Expo and the Sioux Empire Sportsmen’s Show. Although event activity has increased in recent years, these data show significant capacity for added events throughout at least nine months of the year.

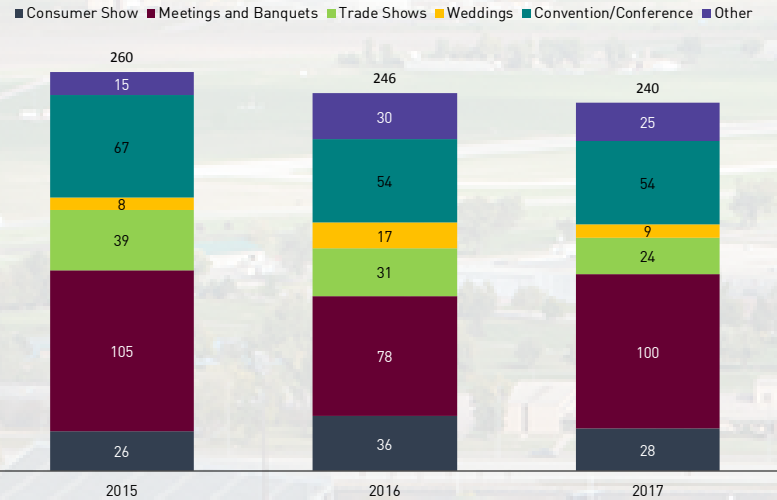


Source: Facility Management – CSL Research, 2018

HISTORICAL OPERATIONS ANALYSIS

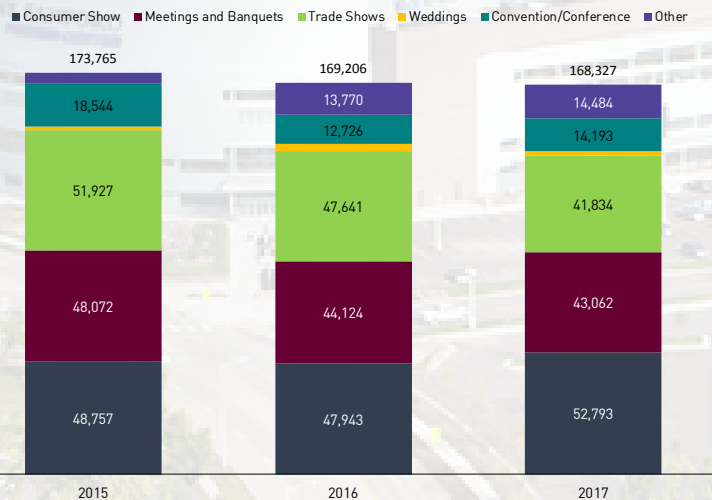
3.2 Historical SFCC Operations

Exhibit Hall Event Days by Event Type (2015 – 2017)



Source: Facility management, 2017.

Exhibit Hall Attendance by Event Type (2015 – 2017)



Source: Facility management, 2017.

Given the location, age and utilization of the Arena, our study also takes into account the operations of and market demand for the SFCC. Pressure for additional convention space could warrant a potential expansion of the SFCC, thus impacting the future of the Arena. With this in mind, we have analyzed the event activity and revenue generation taking place at the SFCC over the past several years.

The adjacent exhibits highlight event days and attendance activity for the three year period spanning 2015 to 2017. Due to a change in booking systems, consistent data for previous years is not available.

As presented in the first exhibit, total SFCC event days within the exhibit halls have remained fairly consistent over the three year analysis period, decreasing only slightly from year to year. It should be noted that during July of 2017, the exhibit halls and ballroom were closed during a renovation project. For purposes of this analysis, a single event held over three days counts as three event days. Meetings and banquets, which provide an important community function, generate nearly 50 percent of exhibit hall usage. Conventions and conferences also account for a large portion of event day usage at the SFCC, but have decreased from 2015 to 2016, remaining consistent in 2017. Trade shows have seen the largest decrease, from 39 event days in 2015 to 24 in 2017.

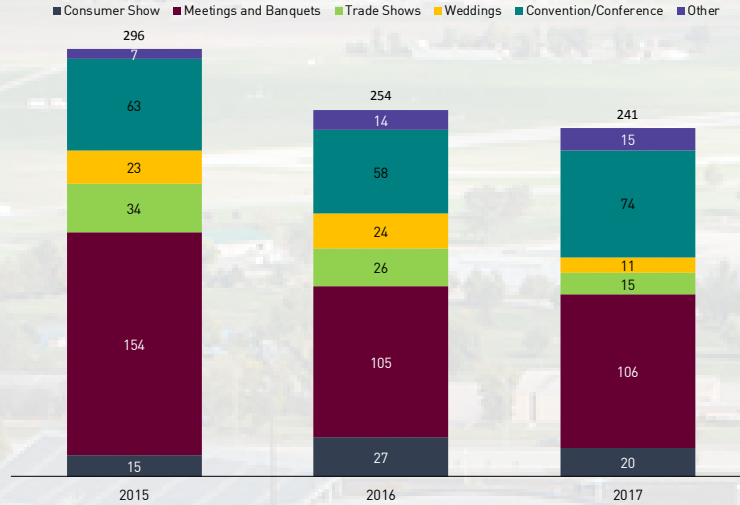
Annual attendance among events utilizing exhibit space decreased by approximately three percent between 2015 and 2017, from 173,800 to 168,300. Attendance generated by trade shows and meetings/banquets experienced the most significant change, falling by 19 percent and 10 percent, respectively. In speaking with SFCC staff, the decline in trade show attendance is largely due to decreases in attendance at events including the Sioux Empire Farm Show and the Central Plains Dairy Expo. Attendance among consumer shows and other events increased over the period reviewed.

The overall level of consistency exemplified by these data provides some indication of a mature product with respect to the facility and related features of the destination. Future growth may require some element of change/improvement to the basic event facility and/or surrounding area amenities and services.

HISTORICAL OPERATIONS ANALYSIS

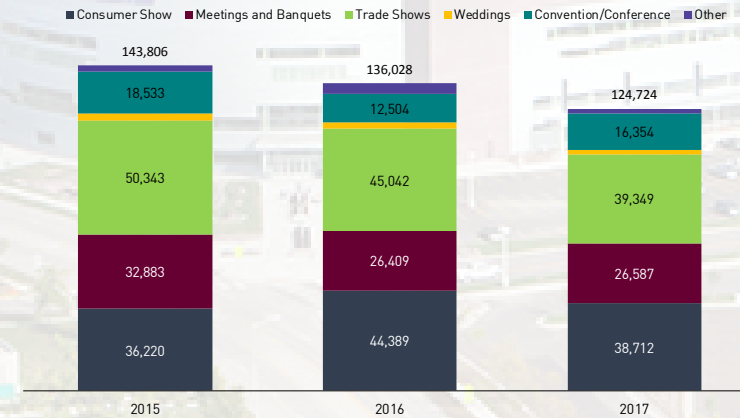
3.2 Historical SFCC Operations

Ballroom Event Days by Event Type (2015 – 2017)



Source: Facility management, 2017.

Ballroom Attendance by Event Type (2015 – 2017)



Source: Facility management, 2017.

We have also analyzed the event days and attendance by event type for functions taking place within the SFCC ballroom between 2015 and 2017, as summarized in the adjacent exhibits. Total ballroom event days follow a pattern similar to the activity within the exhibit hall, declining each year over the period reviewed (from 296 to 241, or 19 percent). Decreases between 2015 and 2016 result from fewer meetings and banquets, trade shows and conventions/conferences. Meeting/banquet use stabilized between 2016 and 2017, with significant increases in convention/conference activity and reductions in weddings and tradeshow.

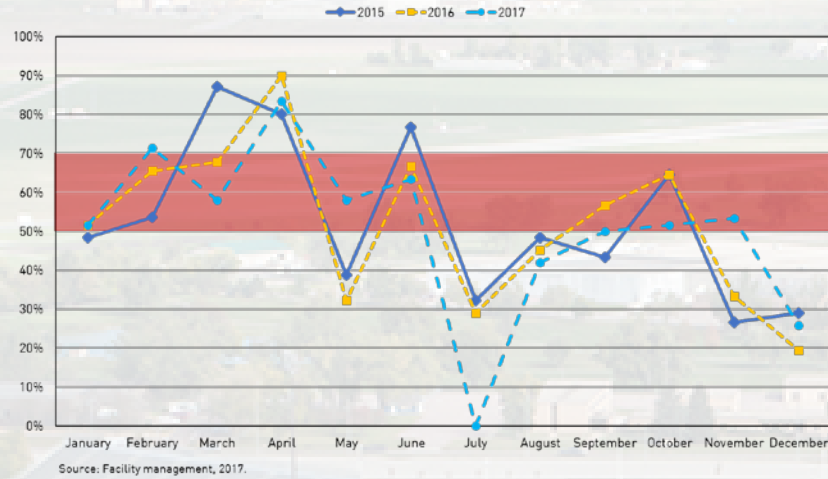
From a total use perspective, meetings/banquets and conventions/conferences generate the largest majority of ballroom space use. This pattern is typical in the industry, and raises the question faced in most markets related to the priority certain event types are given when booking the SFCC. For example, aggressive booking of meetings and banquets can limit the ability to book larger conventions/conferences that also require ballroom space. This issue is discussed later in this section.

Attendance among events utilizing the ballroom dropped by approximately 13 percent (from 143,800 to 124,700) over the past three years. It is interesting to note that the annual attendance by event type is generally consistent among conventions/conferences, trade shows, meetings and banquets, and consumer shows for 2016 and 2017, with slight decreases between 2016 and 2017. Attendance at trade shows dropped significantly between 2015 and 2016 for reasons previously discussed.

HISTORICAL OPERATIONS ANALYSIS

3.2 Historical SFCC Operations

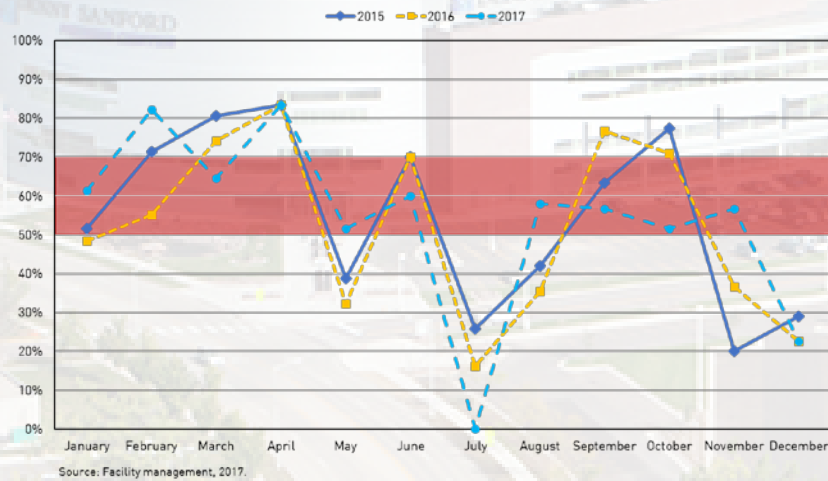
Exhibit Hall 1 Occupancy by Month (2015 – 2017)



Convention center occupancy levels (measured by dividing the total amount of sold event space during the year by the total amount of sellable space within the facility) can indicate the degree to which usage of a facility has reached a maximum capacity or is carrying excess space. Occupancy levels below 50 percent may indicate that a center has not attracted sufficient market share necessary to support existing space levels. Occupancy percentages in the high 60s indicate that a facility is beginning to reach full capacity, and above 70 percent occupancy, a facility has exceeded practical maximum capacity and may be turning away a significant amount of business.

These maximum occupancy assumptions account for the reality that a portion of the facility's total capacity is unsellable due to holidays, maintenance days and inherent booking inefficiencies that result when events cannot be scheduled immediately back-to-back. We also note that weather conditions can impact the ability to generate occupancy. For example, colder weather markets such as Sioux Falls are able to sell fewer dates annually to high-impact national and international conventions.

Exhibit Hall 2 Occupancy by Month (2015 – 2017)



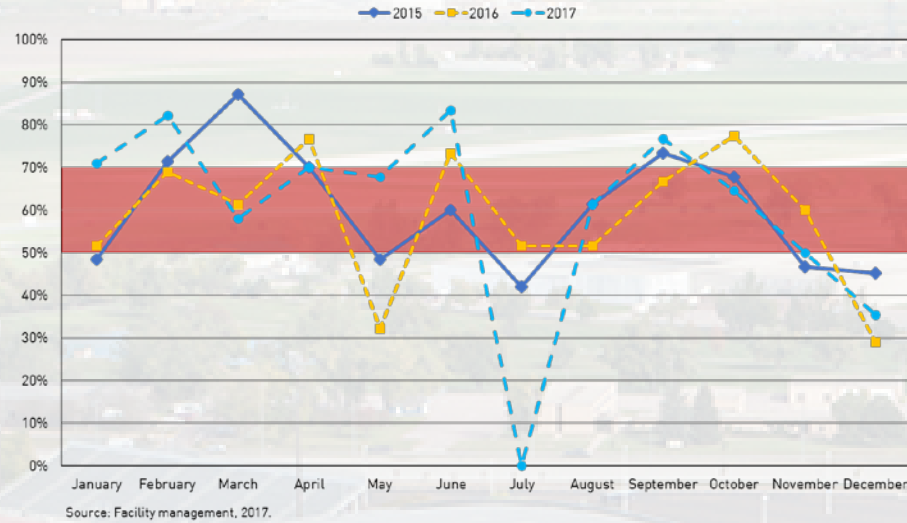
SFCC occupancy levels by month over the past three years are presented in the adjacent charts for both exhibit halls from 2015 to 2017. As previously noted, in July of 2017, there were no events occurring in the exhibit hall and ballroom during a renovation project.

As presented, SFCC exhibit hall occupancy peaks during spring and fall high demand periods for conventions and trade shows. Annual occupancy is higher than average in the months of January and February driven by trade shows such as the Farm Show, South Dakota Ag Expo and Dakota Territory Gun Collectors Association, among others. Occupancy is also higher in June, which can be attributed to hosting larger rotating conventions such as the Good Samaritan convention and the American Guild of English Handbells convention. On an average annual basis, occupancy levels within SFCC exhibit space have approximated 52 to 53 percent over the past three years. In order to grow SFCC occupancy, it would be necessary to attract added event activity during the May to September (excluding June) and November to December periods. Similar seasonality data for the SFCC ballroom are summarized in the exhibits on the following page.

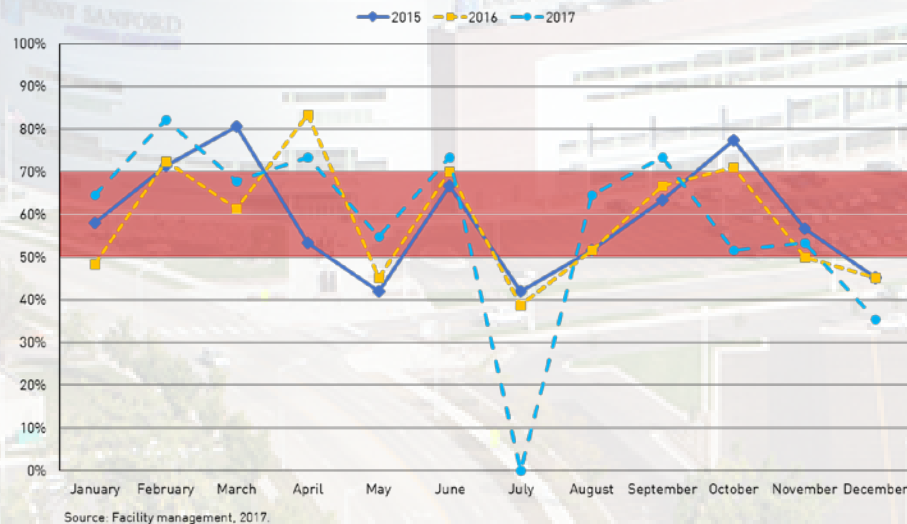
HISTORICAL OPERATIONS ANALYSIS

3.2 Historical SFCC Operations

Ballroom A Occupancy by Month (2015 – 2017)



Ballroom B Occupancy by Month (2015 – 2017)



As shown, SFCC ballroom occupancy follows a seasonality pattern similar to the exhibit hall. Overall annual ballroom occupancy levels have averaged approximately 60 percent in recent years, which is somewhat higher than occupancy levels within the exhibit halls.

The high demand for ballroom space, particularly from meetings, banquets, conventions and conferences will have implications for future development of SFCC event space.

We have also developed an analysis of daily use of SFCC exhibit and ballroom space for the 2016 calendar year. These data have been considered on a per-day basis by event type, as presented on the following page. We have also worked with SFCC staff to identify events that generate significant Center revenue and/or significant room nights. The analysis is intended to identify gaps in the existing calendar of event activity, and sets of dates during which low impact or revenue events are booked, potentially precluding the booking of conventions that may generate significant room nights.

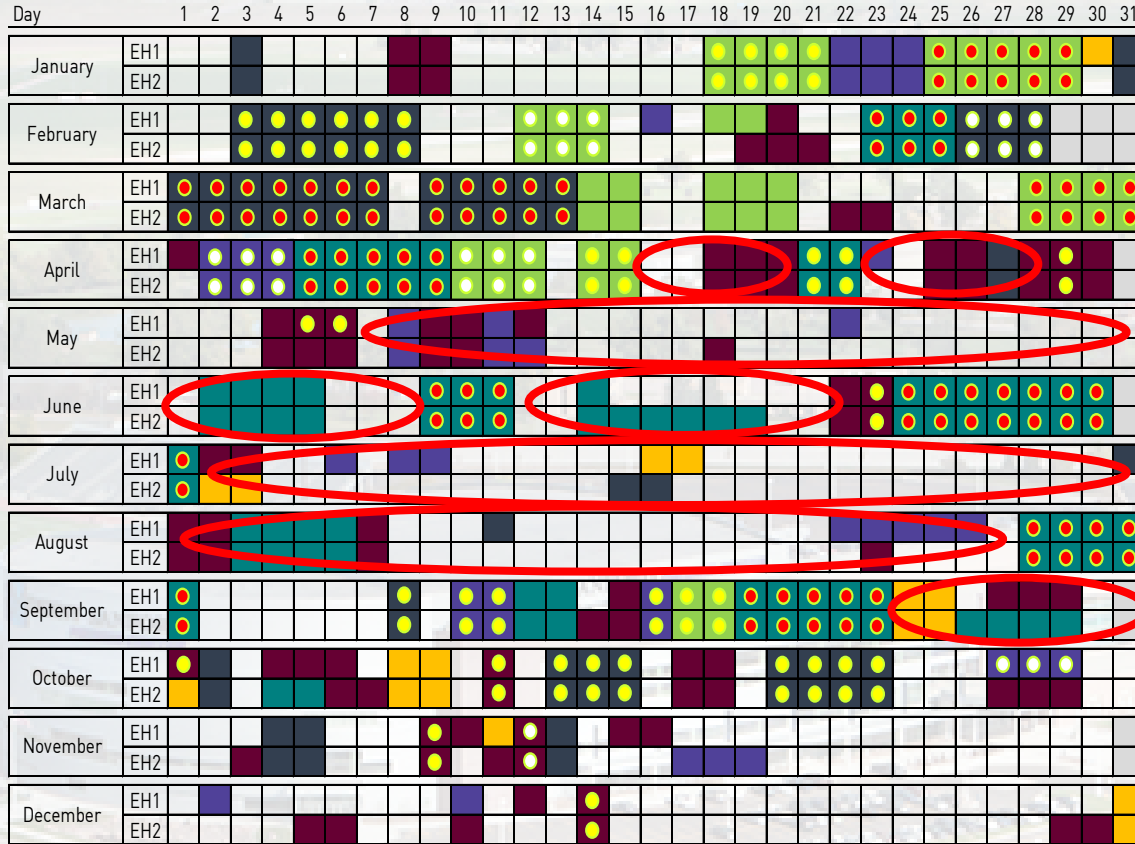
In reviewing these exhibits, there appear to be eight to ten sets of at least five consecutive days between April and September during which a low impact event is booked into the exhibit hall. Similarly, there are even more such date sets that are booked into the ballroom during this period. In many cases, the low impact events are booked within a 12-month period with little impact on the ability to book higher impact events. However, there are likely cases during which dates for the low impact events are committed (though not contracted) outside a 12-month window, creating potential booking challenges for events with room night generating potential.

It is possible that limiting the hosting of low impact events in favor of higher impact/room night generating conventions and tradeshow could help to accommodate any unmet demand in the market, without the need for the addition of significant event space. These data are carefully considered when developing recommendations for optimizing the inventory and performance of event facilities in Sioux Falls, and are also considered in terms of the potential for refined SFCC booking guidelines.

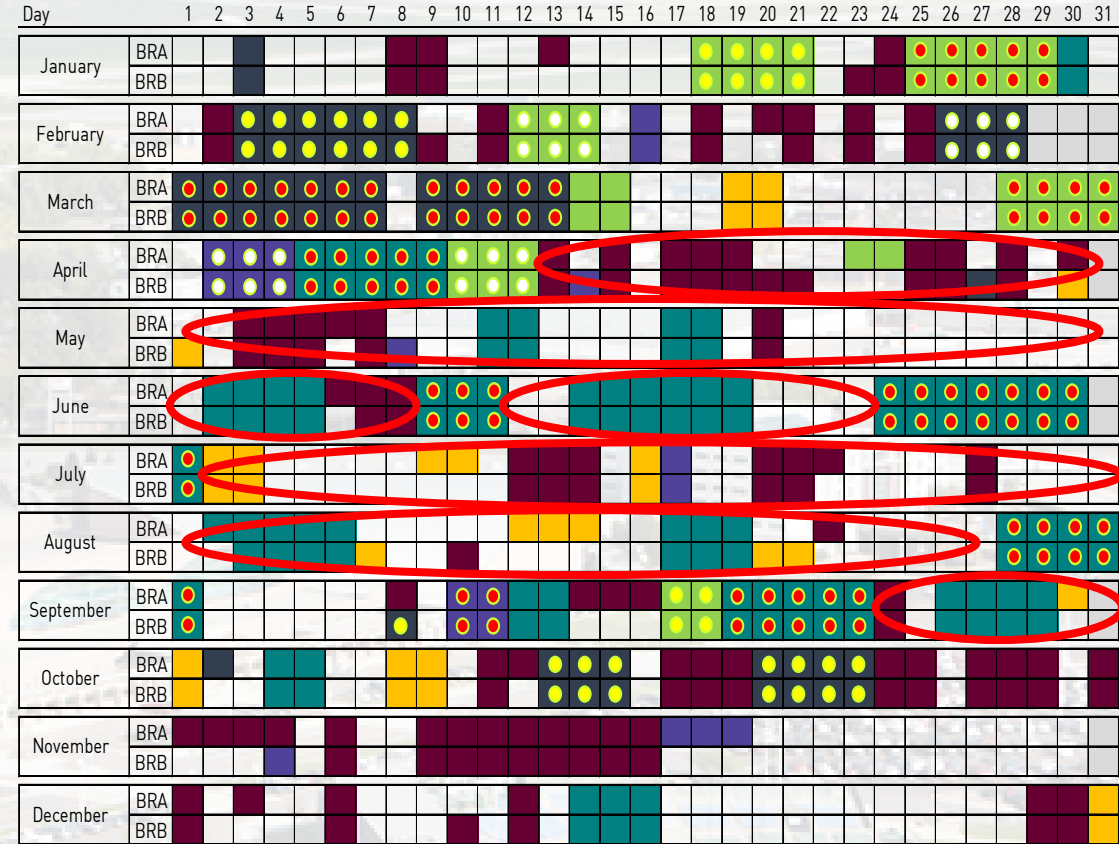
HISTORICAL OPERATIONS ANALYSIS

3.2 Historical SFCC Operations

2016 EXHIBIT HALL DAILY EVENT USAGE



2016 BALLROOM DAILY EVENT USAGE



KEY

Consumer Shows

Meetings & Banquets

Trade Shows

Weddings

Conventions/Conferences

Other

- High Impact
- High Revenue
- Both

An aerial photograph of a large sports arena complex, likely the Denny Sanford Arena, with a baseball field and stadium seating visible. The image is overlaid with a semi-transparent blue filter. The text "4.0 COMPETITIVE AND COMPARABLE FACILITY ANALYSIS" is prominently displayed in white, bold, sans-serif font on the left side of the image.

4.0 COMPETITIVE AND COMPARABLE FACILITY ANALYSIS

COMPETITIVE/COMPARABLE FACILITY ANALYSIS

4.1 Competitive/Comparable Arenas

As part of this study effort, we have conducted an analysis of various physical and operational characteristics of both competitive and comparable arena facilities. To begin, we have identified 10 competitive and comparable markets throughout the country that may offer some level of competition or are comparable in some ways to Sioux Falls. The exhibit below highlights important aspects of each market's primary fixed seat arena facilities, including seating capacities, age, construction costs (adjusted to 2018 dollars), owner and operator.

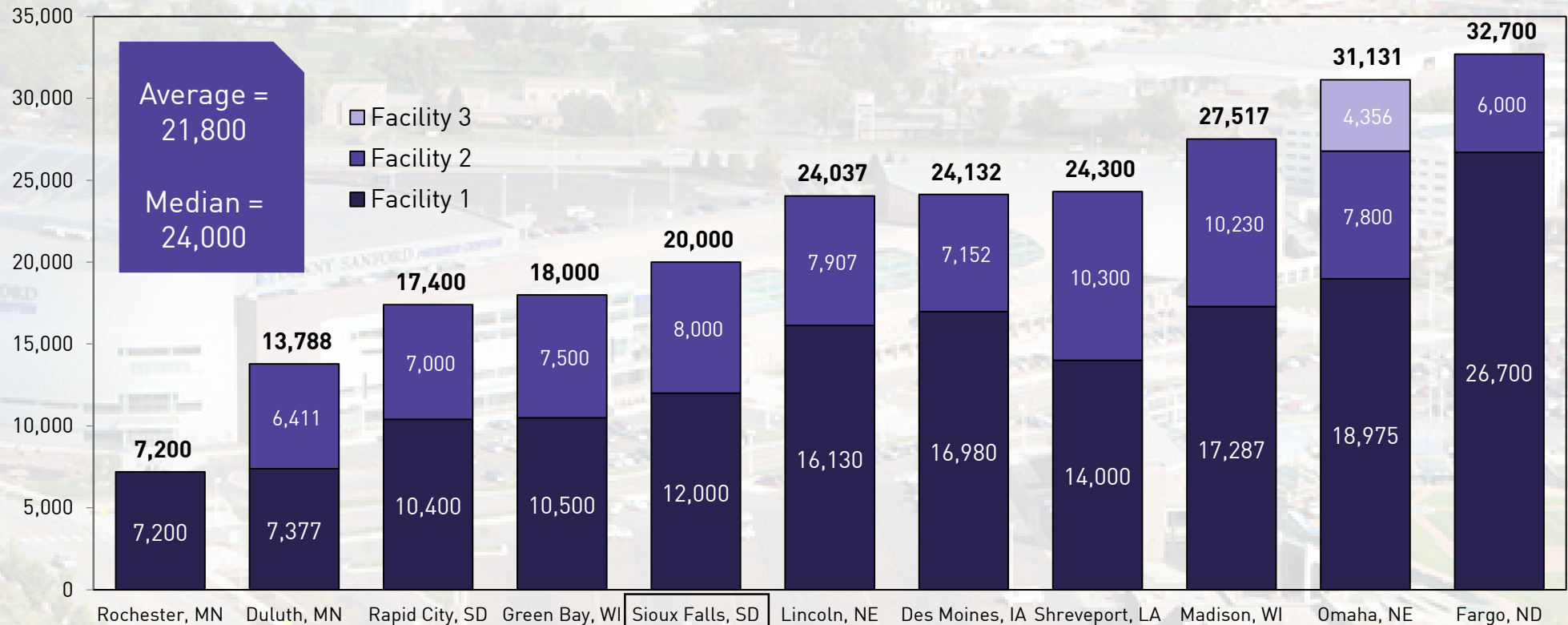
Market	Fixed Seating Capacity	Concert Seating Capacity	Year Opened	Construction Cost	Owner	Operator
Des Moines, IA						
Wells Fargo Arena	16,110	16,980	2005	\$117 mil. (\$151.4 in 2018 dollars)	Polk County	Spectra
Knapp Center	7,152	N/A	1990	\$12.5 mil. (\$22.5 in 2018 dollars)	Drake University	Drake University
Duluth, MN						
AMSOIL Arena	6,742	7,377	2010	\$80 mil. (\$92.5 in 2018 dollars)	Duluth Entertainment Conv. Ctr.	Duluth Entertainment Conv. Ctr.
DECC Arena	4,741	6,411	1966	\$6.5 mil (\$50.6 in 2018 dollars)	Duluth Entertainment Conv. Ctr.	Duluth Entertainment Convention Center
Fargo, ND						
Fargodome	18,200	26,700	1992	\$48 mil. (\$86.2 in 2018 dollars)	City of Fargo	City of Fargo
Scheels Arena	5,000	6,000	2008	\$25 mil. (\$29.3 in 2018 dollars)	Metro Sports Foundation	Metro Sports Foundation
Green Bay, WI						
Brown County Vet. Memorial Arena	3,800	7,500	1958	\$2 mil. (\$17.3 in 2018 dollars)	Brown County	PMI Entertainment Group
Resch Center	7,480	10,500	2002	\$45 mil. (\$63.0 in 2018 dollars)	Brown County	PMI Entertainment Group
Lincoln, NE						
Bob Devaney Sports Center	7,907	N/A	1976	\$13 mil. (\$57.6 in 2018 dollars)	University of Nebraska	University of Nebraska
Pinnacle Bank Arena	15,500	16,130	2013	\$180.8 mil. (\$195.7 in 2018 dollars)	City of Lincoln	SMG
Madison, WI						
Kohl Center Arena	17,287	17,287	1998	\$76.4 mil. (\$118.5 in 2018 dollars)	University of Wisconsin - Madison	University of Wisconsin - Madison
Alliant Energy Center	9,455	10,230	1967	N/A	Dane County	Dane County
Omaha, NE						
Baxter Arena	7,800	7,800	2015	\$88.1 mil (\$96.3 in 2018 dollars)	University of Nebraska Omaha	University of Nebraska Omaha
CenturyLink Center Omaha	18,320	18,975	2003	\$291 mil. (\$398.6 in 2018 dollars)	City of Omaha	Metropolitan Entertainment & Conv. Authority
Ralston Arena	4,600	4,356	2012	\$36.8 mil (\$40.4 in 2018 dollars)	City of Ralston	City of Ralston
Rapid City, SD						
Don Barnett Arena	8,500	10,400	1977	N/A	City of Rapid City	City of Rapid City
Rushmore Ice Arena	6,200	7,000	2008	\$24 mil (\$32.8 in 2018 dollars)	City of Rapid City	City of Rapid City
Rochester, MN						
Taylor Arena	5,200	7,200	1984	N/A	City of Rochester	City of Rochester
Shreveport, LA						
CenturyLink Center	12,440	14,000	2003	\$56.5 mil. (\$82.7 in 2018 dollars)	City of Bossier City	SMG
Hirsch Memorial Coliseum	8,500	10,300	1954	N/A	The State Fair of Louisiana	Encompass Sports
Sioux Falls, SD						
Denny Sanford Premier Center	10,600	12,000	2014	\$117 mil. (\$124.6 in 2018 dollars)	City of Sioux Falls	SMG
Sioux Falls Arena	7,200	8,000	1961	\$1.5 mil (\$12.5 in 2018 dollars)	City of Sioux Falls	SMG

Note: Data include only facilities providing 3,500 or more seats.
Source: Facility Data - CSL Research, 2018

COMPETITIVE/COMPARABLE FACILITY ANALYSIS

4.1 Competitive/Comparable Arenas

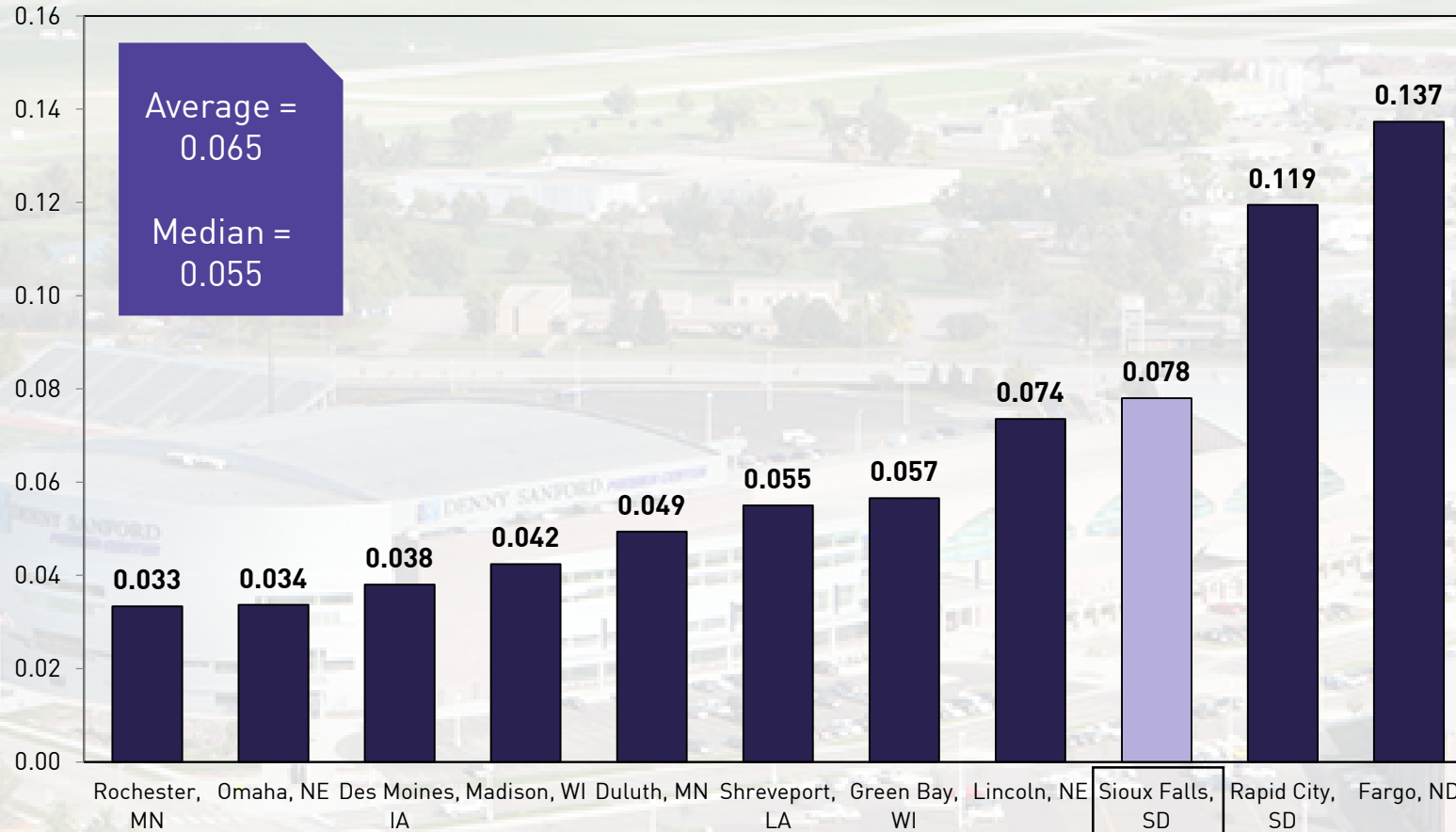
Given the recent development of the DSPC and the continued operation of the Sioux Falls Arena, we have examined the total inventory of arena seats available in each competitive and comparable market. As presented, it is not uncommon for markets similar to Sioux Falls to provide more than one arena facility of at least 4,000 seats. Only Rochester provides a single arena, while Omaha (the largest metropolitan market in the set) provides three indoor, fixed seat arena venues. Among the 11 markets analyzed (including Sioux Falls), the total number of market-wide arena seats ranges from 7,200 (in Rochester) to 32,700 (in Fargo). It is important to note that the largest three facilities (in Fargo, Omaha and Madison) are all home to NCAA Division I athletic programs. On average, there are a total of nearly 22,000 arena seats in each market, or ten percent more than the number of total seats within the Premier Center and Arena.



Note: Only facilities with 4,000+ fixed seats were considered.
Source: Facility Data – CSL Research, 2018

COMPETITIVE/COMPARABLE FACILITY ANALYSIS

4.1 Competitive/Comparable Arenas



Note: Only facilities with 4,000+ fixed seats were considered.
Source: Facility Data – CSL Research, 2018

To further evaluate and compare each market's total inventory of arena seats, we calculated the ratio of the total number of seats in each market to its metropolitan statistical area population. A high ratio indicates a large total seating capacity relative to the market population, while a low ratio indicates a small total seating capacity relative to the market population. Fargo, with 32,700 total seats and a regional population of 238,100, has the highest such ratio; while Rochester, with 7,200 seats and a population of 215,900, has the lowest ratio of seats per person. Sioux Falls ranks high among competitive and comparable arena markets, with a ratio of 0.078 seats per person (approximately 24 percent above the overall average).

If the Sioux Falls Arena were to no longer exist, the market would provide a total of 12,000 seats, dropping the ratio to 0.05, below the average among the 11 markets. These data suggest that the combined Premier Center and Arena capacity may be somewhat oversized for the market, but that eliminating the Arena would result in a slightly below average seat to population ratio.

COMPETITIVE/COMPARABLE FACILITY ANALYSIS

4.1 Competitive/Comparable Arenas

To understand whether there are any opportunities for added event types at the Sioux Falls Arena, we have analyzed the event mix currently being accommodated at the Arena and the DSPC, as well as the types of events currently being held at competitive/comparable arenas.

As shown, the types of events currently being held at the Sioux Falls Arena are generally similar in nature to those held at competitive and comparable arena venues. However, events such as monster trucks, performing arts and rodeo/bull riding events are not currently rotating to the Arena. These flat floor “dirt” events (such as monster trucks and rodeo/bull riding) typically require facilities with a larger flat floor space, as well as larger seating capacity than currently available at the Arena. Additionally, performing arts events tend to utilize smaller, more intimate facilities or ones that offer a curtaining system to provide for a more intimate experience. Within Sioux Falls, the DSPC and numerous performing arts venues are currently accommodating these event segments. Market demand research presented later in this report has been conducted to determine the potential to increase Arena usage in existing event sectors such as concerts, family shows and sporting events.

Listing of Types of Arena Events

<u>Denny Sanford Premier Center</u>	<u>Sioux Falls Arena</u>	<u>Industry</u>
Amateur Sports	Amateur Sports	Amateur Sports
Comedy Shows	Comedy Shows	Collegiate Sports
Concerts	Community Events	Comedy Shows
Consumer Shows	Concerts	Community Events
Conventions/Tradeshows	Consumer Shows	Concerts
Family/Ice Shows	Conventions/Tradeshows	Consumer Shows
Meetings/Banquets	Family/Ice Shows	Conventions/Tradeshows
Monster Trucks	Fundraiser	Family/Ice Shows
Non-Tenant Sports	Graduations	Fundraiser
Religious Events	Meetings/Banquets	Graduations
Rodeo/Bullriding	Religious Events	Meetings/Banquets
Sports Tenants	Sports Tenants	Monster Trucks
		Performing Arts
		Religious Events
		Rodeo/Bullriding
		Sports Tenants

COMPETITIVE/COMPARABLE FACILITY ANALYSIS

4.1 Competitive/Comparable Arenas

Market	Current Tenants
Des Moines, IA	
Wells Fargo Arena	Barnstormers (IFL), Wolves (NBA D-League), Wild (AHL)
Knapp Center	Drake University (NCAA)
Duluth, MN	
AMSOIL Arena	UMD Hockey (NCAA)
DECC Arena	
Fargo, ND	
Fargodome	NDSU (NCAA)
Scheels Arena	Force (USHL)
Green Bay, WI	
Brown County Vet. Memorial Arena	
Resch Center	Phoenix (NCAA), Gamblers (USHL), Blizzard (IFL)
Lincoln, NE	
Bob Devaney Sports Center	University of Nebraska - Omaha (NCAA)
Pinnacle Bank Arena	University of Nebraska - Omaha (NCAA)
Madison, WI	
Kohl Center Arena	UW - Madison (NCAA)
Veterans Memorial Coliseum	Capitols (USHL)
Omaha, NE	
Baxter Arena	University of Nebraska (NCAA)
CenturyLink Center Omaha	Creighton University (NCAA)
Ralston Arena	Lancers (USHL), Beef (CIF), Chargers (NBLA), Heart (LFL)
Rapid City, SD	
Don Barnett Arena	
Rushmore Ice Arena	Rush (ECHL)
Rochester, MN	
Taylor Arena	
Shreveport, LA	
CenturyLink Center	
Hirsch Memorial Coliseum	Mudbugs (NAHL), East Texas Baptist University (NCAA)
Sioux Falls, SD	
Denny Sanford Premier Center	Stampede (USHL), Storm (IFL)
Sioux Falls Arena	Augustana University (NCAA)

The majority of the mid-sized market, fixed-seat arena venues considered in our analysis are home to one or more professional or collegiate sports tenants. With this in mind, we conducted an inventory of the number and type of current tenants occupying dates at each venue. In sum, more than 75 percent of competitive and comparable arena facilities have a primary sporting event tenant, while three facilities regularly host events from three tenants.

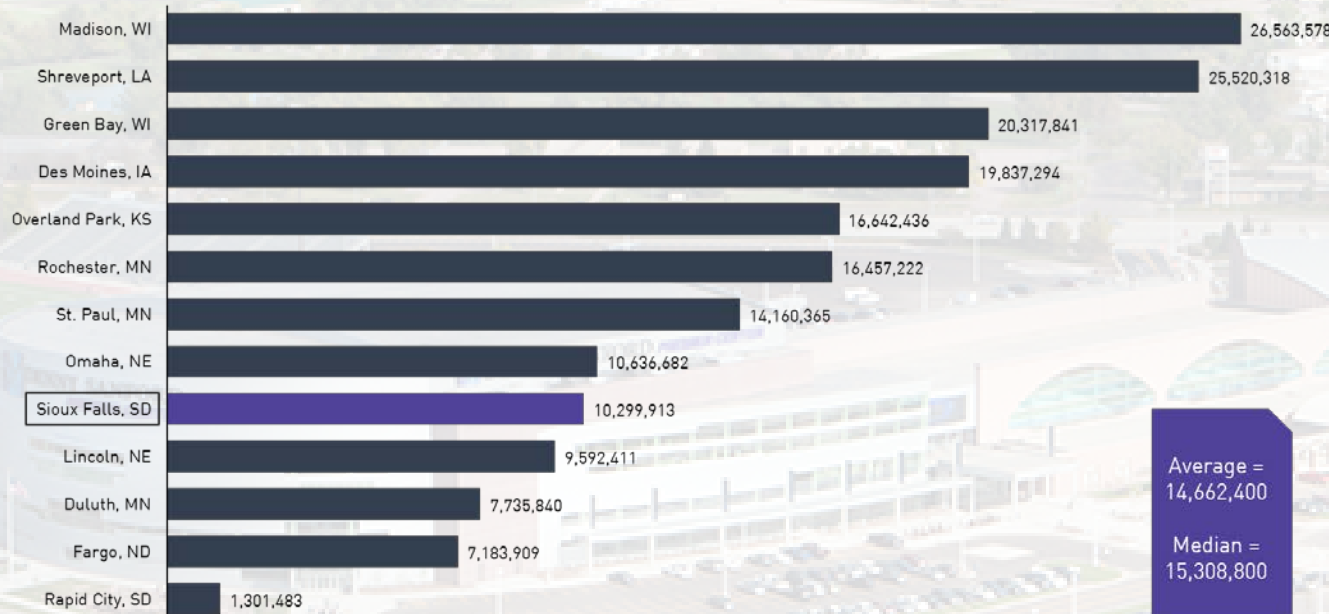
In the case of Sioux Falls, the Denny Sanford Premier Center is home to hockey and indoor football franchises. Augustana University started playing men's and women's home basketball games at the Sioux Falls Arena in late 2014. These events have provided a steady source of activity and revenue at the aging facility and conversations with University leadership indicate an overall satisfaction with the facility.

Note: Only facilities with 5,000+ fixed seats were considered.
 Source: Facility Data - CSL Research, 2018

COMPETITIVE/COMPARABLE FACILITY ANALYSIS

4.1 Competitive/Comparable Arenas

Five-Hour Drive Time Population



Source: Esri, 2017

The population base that an arena or convention center can draw from will impact event and attendance levels. The Premier Center and Arena, as well as the SFCC draw significant attendance from within a relatively large driving distance.

We have prepared a comparison of the five hour drive time population base surrounding Sioux Falls against a variety of comparable and/or competitive markets as summarized in the adjacent exhibit. From an arena perspective, markets such as Omaha (with three arenas) and Lincoln (with two arenas), have five-hour population levels similar to Sioux Falls. Smaller markets of Duluth, Fargo and Rapid City can be considered less competitive in terms of population base.

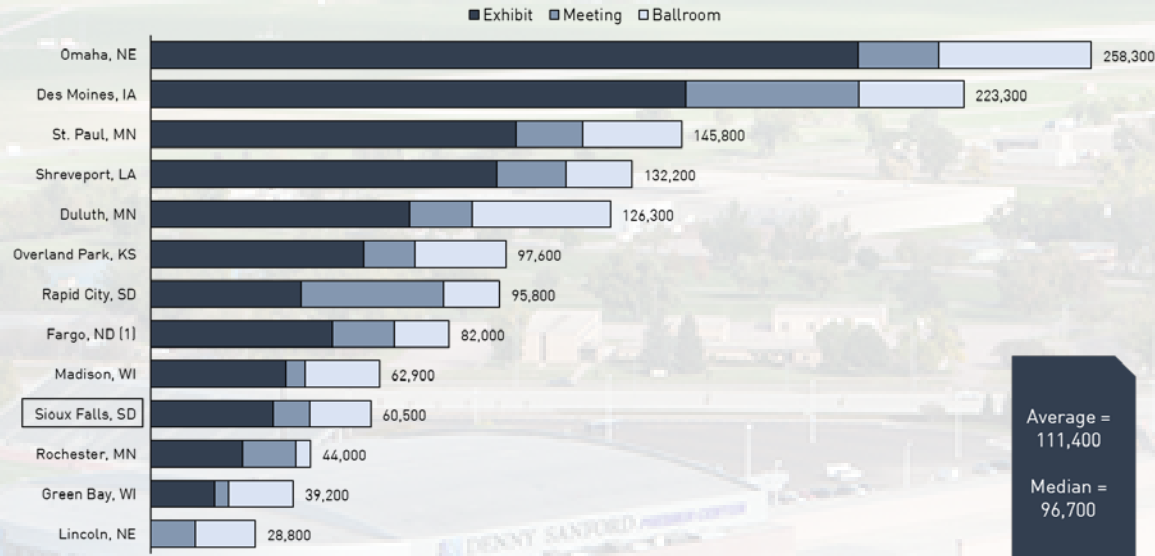
From a convention perspective, a significant portion of current SFCC business is state and regional in nature. As such, comparing the population base captured within a drive-in market is important in understanding the market reach relative to competitive and comparable markets.

Regional conventions have facility options in Des Moines, St. Paul (and Minneapolis), Rochester, Omaha, Duluth, Fargo and Rapid City. Several of these markets offer five-hour population levels significantly larger than Sioux Falls, providing a competitive challenge in attracting increases in non-local events to the SFCC.

COMPETITIVE/COMPARABLE FACILITY ANALYSIS

4.2 Competitive/Comparable Convention Centers

Summary of Total Sellable Convention Space



[1] Figures represent proposed downtown Fargo convention center. Source: Facility Data - CSL Research, 2017

As previously noted, a need for significant increases in SFCC space could help justify future repositioning of the Arena site. As part of this study effort, we have therefore conducted an analysis of various physical characteristics and resources of both competitive and comparable convention facilities and markets. The markets selected for this study include those that the Sioux Falls CVB staff have indicated are direct competitors, as well as other mid-sized markets that may be somewhat isolated from larger metropolitan areas.

These data are used to understand the level of convention space, hotel room inventory, visitor amenities, accessibility and other important factors that are available within competitive and comparable facilities and destinations. We have also considered how some of these comparable facilities are planning to redevelop or expand their convention and visitor industry offerings, and how these factors may contribute to defining future event potential for the SFCC.

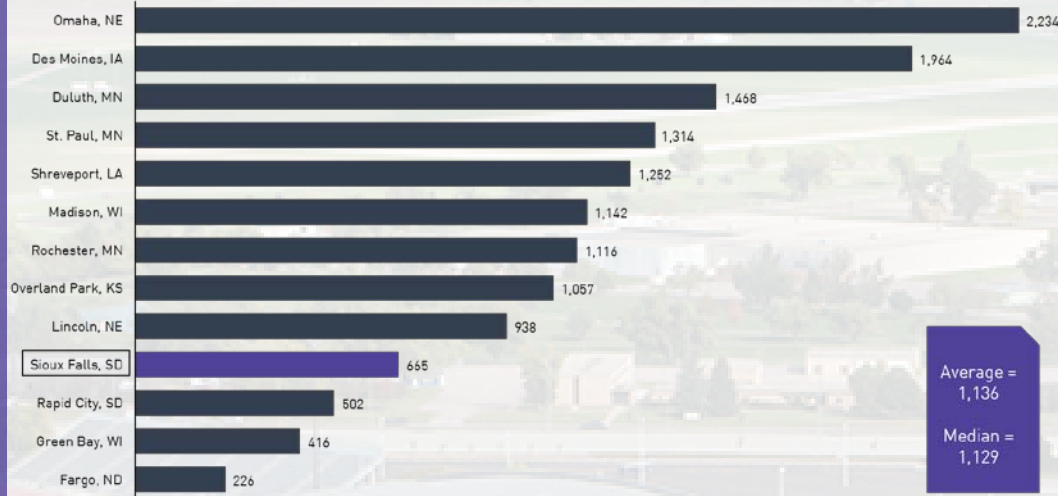
We have identified 12 competitive and comparable convention centers throughout the U.S. that may offer some level of competition or are comparable to the SFCC. The adjacent exhibit highlights the total sellable space offered within each facility, including exhibit, meeting and ballroom space.

On average, there is 111,400 square feet of sellable event space among similar and competing facilities. With approximately 60,500 square feet of sellable space, the SFCC currently ranks 10th out of the 13 venues, and behind smaller markets such as Duluth, Rapid City and the planned new facility in Fargo. Meeting and ballroom space levels at the SFCC are also comparatively low among the convention centers considered in this analysis. A review of these competitive and comparable markets suggests that added space for the SFCC could be considered. However, market demand factors unique to Sioux Falls, discussed later in this study, must also be taken into account when developing market supportable program recommendations.

COMPETITIVE/COMPARABLE FACILITY ANALYSIS

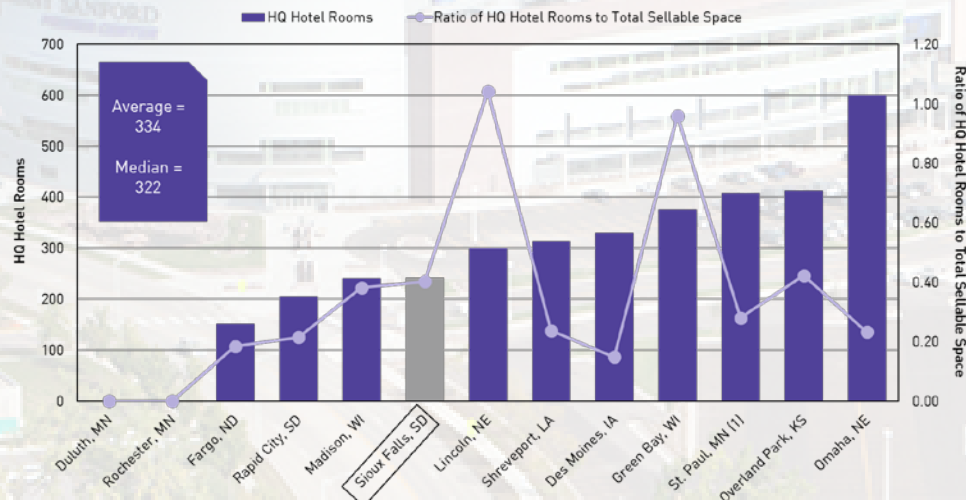
4.2 Competitive/Comparable Convention Centers

Hotels within ½ Mile of the Convention Center



Source: Facility Websites - CSL Research, 2017

HQ Hotel Rooms and Ratio to Total Sellable Space



(1) Headquarter hotel located several blocks from center, connected by enclosed walkway
(2) Calculated by dividing the total number of headquarter hotel rooms by the total sellable convention space, multiplied by 100
Source: Facility Websites - CSL Research, 2017

The supply and location of hotel rooms proximate to a convention center are also important considerations with respect to its ability to attract and accommodate non-local convention market potential and associated economic and fiscal impacts. The convention and tradeshow market in any community cannot grow beyond the ability of its hotel base to accommodate out-of-town visitors. The adjacent exhibits summarize the number of hotel rooms within one-half mile of select convention centers, the number of headquarter hotel rooms available, as well as the ratio of headquarter hotel rooms to the total sellable square footage of convention center space.

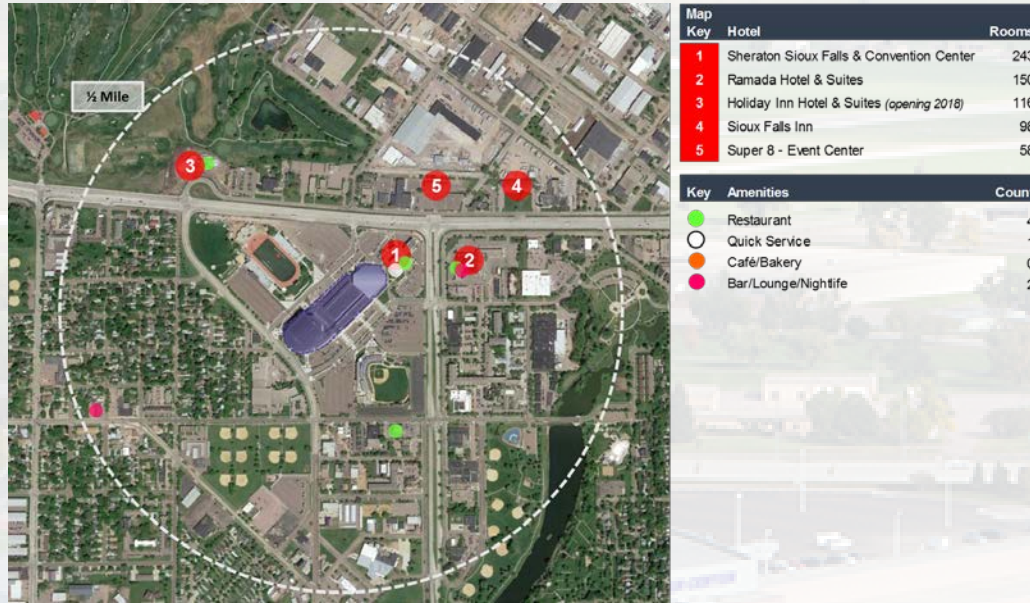
As presented, there are 665 total hotel rooms within one-half mile of the SFCC, ranking 10th among the 13 venues, or just over half of the competitive and comparable market average. This inventory includes the Holiday Inn Hotel and Suites (which will be located approximately three blocks away from the SFCC, across Russell Avenue) and is expected to open in 2018. Additionally, of the 665 hotel rooms within one-half mile of the SFCC, approximately 156 are contained in the Sioux Falls Inn and the Super 8, which are not typically considered convention quality properties.

It is also important to consider the inventory of rooms within what is considered a headquarter hotel property. Headquarter hotels are full-service, national brand properties that are attached or adjacent to a convention center. When considering the number of headquarter hotel rooms in Sioux Falls, the Sheraton Sioux Falls & Convention Center is connected to the SFCC and offers 243 rooms. This ranks below the average and median for the markets considered and is comparable to markets such as Lincoln, NE and Madison, WI. When considered as a ratio to sellable convention center space, Sioux Falls ranks 4th of 13. These data suggest that the existing Sheraton as a headquarter property is adequately sized; however, the inventory of convention quality properties within one-half mile of the SFCC is comparatively low. Any significant increase in SFCC space to accommodate larger convention events will likely require added hotel room inventory near the SFCC.

COMPETITIVE/COMPARABLE FACILITY ANALYSIS

4.2 Competitive/Comparable Convention Centers

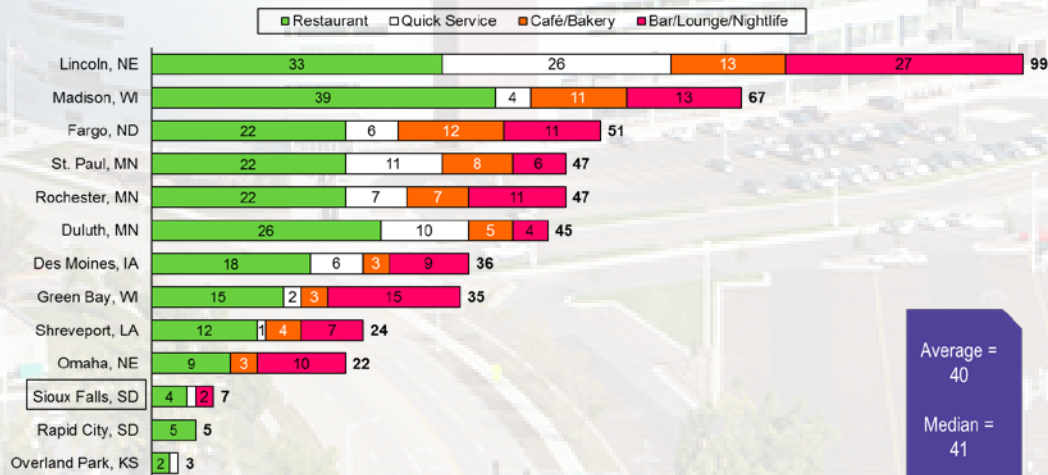
Map of Half-Mile Amenities



As the quality of the convention center and hotel product has improved nationally, event planners have increasingly considered the walkability of convention, hotel, restaurant and entertainment product as an important site selection characteristic. Generally walkable urban areas that provide an attractive, pedestrian friendly environment are increasingly being sought out by event planners. The adjacent exhibit summarizes the current inventory of hotels, restaurants and nightlife options within one-half mile of the SFCC.

There are seven dining and nightlife options within one-half mile of the SFCC. Additionally, a majority of these businesses are located across major roadways, creating a barrier to pedestrians. These limitations are highlighted when considering conditions in competitive and comparable markets.

Competitive/Comparable Half-Mile Amenities



As presented in the second exhibit, there are an average of 40 dining and nightlife options within a half mile of the competitive and comparable convention centers, nearly six times the number available within one-half mile of the SFCC. In general, centers in urban areas tend to rank well in terms of walkability, while markets such as Rapid City (SD) and Overland Park (KS), whose convention centers are also located in less urban sites, rank low. While the available restaurant and dining options surrounding the SFCC has improved and provides some variety for attendees, the data clearly indicate that the current inventory of hospitality and entertainment amenities surrounding the SFCC is lacking.

It is reasonable to suggest that any significant increase in non-local convention and tradeshow activity for the SFCC will be predicated on further development of the walkable restaurant, hotel, retail and entertainment inventory.



5.0 MARKET DEMAND ANALYSIS

MARKET DEMAND ANALYSIS

The analysis of local market conditions, historical venue operations and comparable/competitive facility data help form a basis for future Arena event potential. It is also critical that the opinions of current/past and potential venue users be considered. In this section, we present demand research in four categories:

- Current/past Arena users
- Potential future Arena customers
- Current/past SFCC users
- Potential future SFCC users

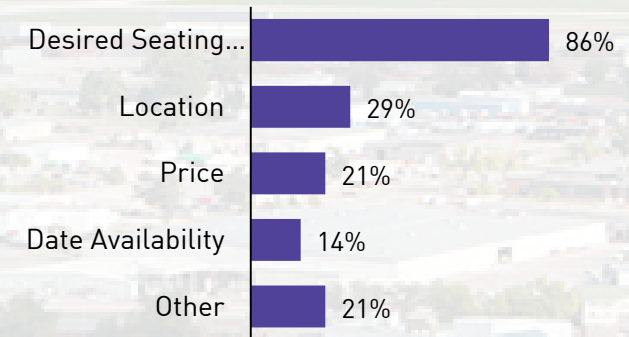
5.1 Current and Past Arena Users

Our market demand analysis commenced with a series of telephone and online interviews with current and past users of the Arena. Given their familiarity with the Arena and the Sioux Falls market, their feedback is an important basis from which to begin estimating future demand. A listing of the 15 participating organizations is presented below.

- ABATE of Sioux Falls, Inc.
- Aerostar International, Inc
- Augustana University
- Catholic Community Foundation
- Cenaiko Productions, Inc.
- Dakota Angler
- First Premier Bank/Premier Bankcard
- Home Builders Association of the Sioux Empire
- Juvenile Diabetes Research Foundation
- KSFY-TV
- Sammons Financial Group
- Sioux Falls Sports Authority
- South Dakota High School Activities Association
- South Dakota Synod, ELCA
- TriTech Software Systems

Survey respondents were first asked an open-ended question designed to solicit feedback as to the strengths of the Arena. Responses are summarized in the exhibit below.

Sioux Falls Arena Strengths



The Arena's seating capacity, location, competitive rental rates, and date availability are all commonly cited strengths associated with hosting events at the facility. A sample of comments collected include the following:

- The Arena is a great low cost alternative to the DSPC.
- Floor space is able to accommodate 2,500 people.
- We host various sporting events and the Sioux Falls Arena worked well, as it has a combination of floor space and seating. It is not the prettiest venue in the city, but it does provide basic function for our events, especially when other venues aren't available.
- The Denny Sanford Premier Center is too large and the Arena is just the right size for our event.

Although the Sioux Falls Arena is more than 50 years old and operates with several physical shortcomings, it is currently the only mid-size arena facility in the market that can accommodate events at much lower rate than other local venues including the DSPC and the Sanford Pentagon. **36**

MARKET DEMAND ANALYSIS

5.1 Current and Past Arena Users (continued)

Current and past users were asked what, if any, improvements to the Sioux Falls Arena and surrounding area they would recommend. Suggestions are categorized by type and include:

General Modernization

- Updating from the dated atmosphere that currently exists. Specifically the concessions area, green rooms, etc. all could use updating. It is just such a sharp contrast from the new Premier Center to this dated venue.
- Without spending a large sum of money, it would be hard to cover all aspects that need improvement. However I feel the building is structurally sound, so minor cosmetic improvements inside and outside would be sufficient to provide an updated look and feel of the nearly 60 year old building.
- Modernize the inside of the facility. The entrance is good, but once you enter - you step back in time.
- That type of venue is fine for its size, it is simply old and needs modernization.
- I believe an updated "facelift" to the facility is the primary need for us, as end users.
- Updated/modern restrooms.
- Improve concession areas.
- Artwork in common areas.
- Stronger Wi-Fi throughout.

Hotel/Hospitality Amenities

- More full-service hotels nearby.
- Provide frequent trips (bus/trolley) from the complex to downtown, bar/restaurant district.
- A more affordable lodging option immediately adjacent to the venue. Price of rooms seems to be the biggest complaint.
- More nearby coffee shops, restaurants, etc.

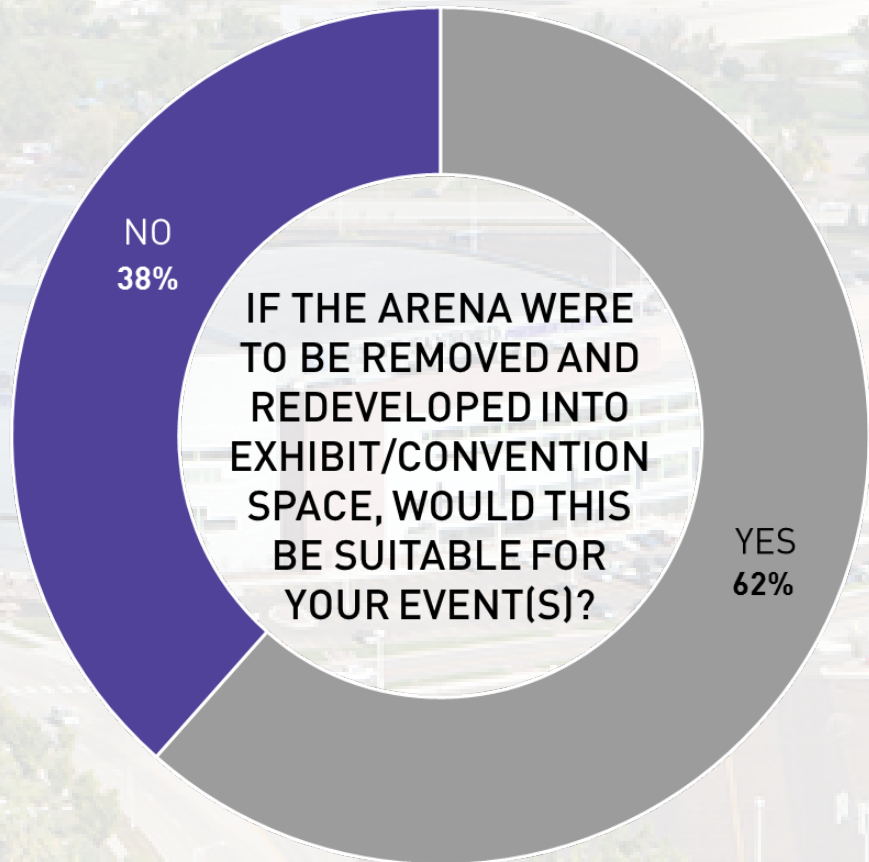
Other Facility Improvements

- Add more truck bays and loading docks, one is simply not enough.
- Parking ramp – the lack of parking is the number one complain I receive from attendees and exhibitors.
- Larger floor space.

MARKET DEMAND ANALYSIS

5.1 Current and Past Arena Users (continued)

When considering the potential redevelopment of the Arena, it is important to understand how that could effect current and past users. To determine what, if any, impact removing the Arena would have on their event, current and past users were asked whether their event could be accommodated within SFCC convention space. The results are presented in the exhibit below.



As presented in the exhibit, approximately **62 percent** of current and past Arena users surveyed indicated that their event **could** be accommodated within traditional, flat floor exhibit/convention space if the Arena were to be removed and redeveloped.

Those users who could be accommodated within exhibit/convention space were asked what type of space, seating, ceiling height and other facility amenities they would need within potential convention space to accommodate their event. Responses include:

- Allow enough space to drive a semi-truck into the space.
- All open space to allow for more sellable floor space.
- Room for 600 people in fixed/portable seating.
- No more than 10-foot ceilings and good HVAC.
- The current convention center space works, but as we grow to 1,000 people we may grow out of the existing space.
- Banquet seating for approximately 5,000-7,000. Space for large stage with projection from the back, area for buffet areas, bar areas, state of the art sound and lighting.
- Space for close to 3,000, 10-foot ceilings, walking path to existing Center, room for all activities in one room.

MARKET DEMAND ANALYSIS

5.1 Current and Past Arena Users (continued)

The **38 percent** of current and past users who indicated that they **could not** be accommodated within exhibit/convention space were asked why not. Responses include the following:

- In some instances, more convention center space would be very beneficial to the events we are hosting or bidding. However, some of the events we host need seating, lighting, sound systems, video boards, etc., something general floor space can't provide.
- We host separate sporting and fine arts events where we would need an elevated seating type venue.
- My organization uses the Arena to test fly mid-size parade balloons and needs the ceiling height.
- We utilized the space as a small concert venue. A convention space would not adequately meet our needs.
- Because the pricing on the Arena was more affordable, we chose this venue over the Premier Center, plus the Premier Center was already booked.

As presented, many current and past Arena users require fixed seating, ceiling heights, and other offerings typically found in arena type venues in order to accommodate their event. Additionally, although it is likely that their event could be accommodated within the Premier Center, the price to rent the facility is not affordable relative to the Arena. Therefore, these types of events could be lost to the market if the Arena were to be replaced with more traditional, flat floor convention center space.

We have also identified a select set of very large events that currently occupy all available exhibit space provided within both the SFCC and the Arena (approximately 69,700 gross square feet).

These full building users were interviewed via telephone to further evaluate their space needs and to collect suggestions for improvements that could benefit the Arena, SFCC and the market in general. Detailed interviews were completed with representatives of the following events:

- Central Plains Dairy Expo
- Sioux Empire Farm Show
- Sioux Empire Sportsmen's Show
- Home Builders Association of the Sioux Empire

These discussions suggest an overall need for more flat floor event space at the SFCC. Additional contiguous exhibit space was most noted among full-building users, the majority of which indicated that an additional 50,000 square feet of exhibit space would meet their needs. Several events are turning away exhibitors which can impact facility revenue and economic impact generating capability. Additional breakout meeting rooms and added ballroom space for hosting meetings and receptions was also noted among full building users.

We also note that an expensive SFCC expansion would have to draw from many other event segments in order to support the added space. It is typically not viable to undertake expansion based solely on the needs of the largest events. The full building users tend to require a presence in Sioux Falls, and it is therefore not highly likely that they would leave the market even without significant flat floor space expansion.

These characteristics are important to consider when sizing any potential facility expansion program and will be included in our analysis of facility occupancy and the associated economic, fiscal and financial operating impacts.

MARKET DEMAND ANALYSIS

5.2 Future Arena Use – Entertainment Events

To further gauge the potential for additional event activity at the Sioux Falls Arena, we have interviewed facility management responsible for booking the venue and contacted the following seven promoters of touring live entertainment.

- Live Nation
- Bad River Music Series
- Huffman Productions
- AEG Live
- Beaver Productions
- Artist Group International
- Professional Bull Riders

Although several of the organizations interviewed expressed no interest in hosting future events at the Sioux Falls Arena and a strong preference for using the Premier Center (given its modern equipment/amenities and much larger seating capacity), opportunities may exist for the Arena to host concerts and other live entertainment events with attendance levels ranging from 1,500 to 4,000. Based on these conversations, there appears to be a segment of the entertainment market that the Sioux Falls Arena can cater to. The Arena's smaller seating capacity, broad availability, and comparatively low costs could provide important advantages to organizers of smaller, cost-sensitive events.



In order to increase concert and entertainment events in this sector, a number of facility related limitations that have negatively impacted the Arena's ability to attract such events in the recent past would have to be addressed. These include, but are not limited to the following:

- lack of a rigging grid suitable for hanging modern lighting and sound equipment for modern concerts and other live entertainment
- lack of a traditional loading dock and the resulting inefficiencies with regard to load in/out
- limited back-of-house amenities and artist services
- inability to create a more intimate setting for smaller shows/events
- seating capacity limitations (some promoters focus on larger events)
- overall quality and feel of the Arena, including concession, restroom, dressing/locker room and other such areas

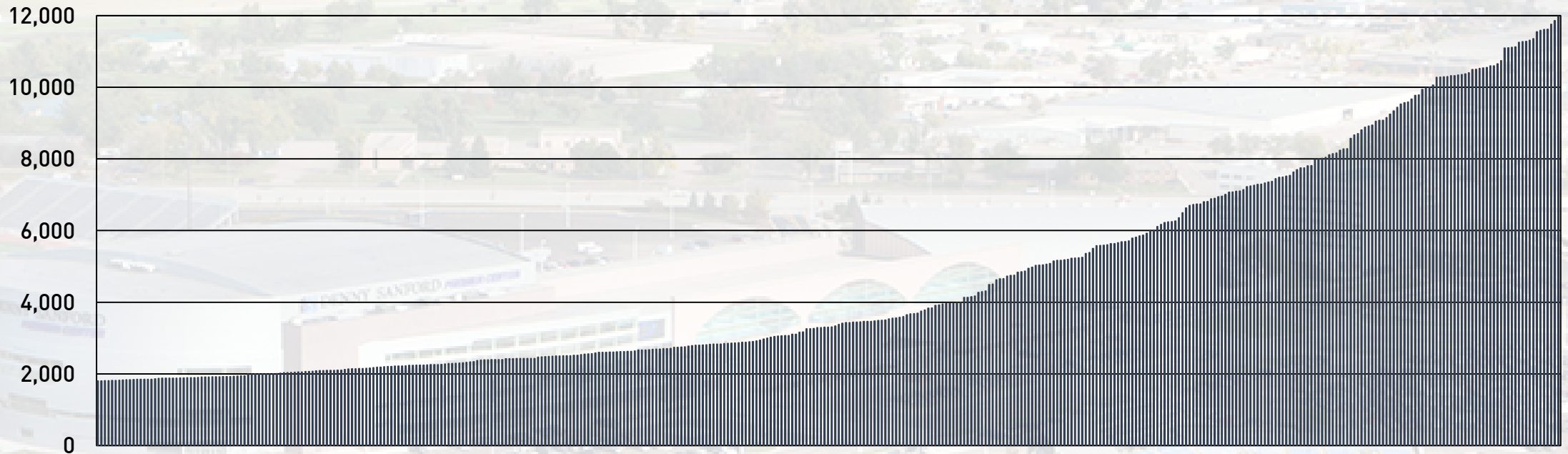
Modest investment in the Sioux Falls Arena focusing on these types of improvements could allow the facility to capture six to eight additional concert/entertainment events each year.

MARKET DEMAND ANALYSIS

5.2 Future Arena Use (continued) – Entertainment Events

To provide a national event perspective on potential future Sioux Falls Arena usage, the following chart summarizes the box office ticket sales for all of the promoted touring events taking place across the United States between October 2017 and January 2018 that sold between 1,800 and 12,000 tickets, according to Pollstar, a trade publication for the concert industry.

Box Office Ticket Sales Between 1,800 and 12,000 in past four months



Source: Pollstar, 2018

As previously noted, there are numerous facilities that can accommodate events with less than 2,000 attendees, and the DSFC will accommodate event capacities as small as 4,000 and as large as 12,000. The current gap in the market, between 2,000 and 4,000 seats, has the potential to be increasingly filled by the Sioux Falls Arena. Of the more than 400 touring promoted events that occurred nationally within the past four months, approximately 48 percent of box office ticket sales were between the capacities of 2,000 and 4,000. As such, there may be significant opportunity to within this seating capacity range for touring promoted acts at the Sioux Falls Arena. Issues such as the age of the facility, the rigging capabilities, load-in/out limitations, and other such shortcomings may impact the Arena's current difficulties with regard to booking these types of events.

MARKET DEMAND ANALYSIS

5.2 Future Arena Use (continued) – Youth and Amateur Sporting Events



Youth and amateur sports representing a growing sector for arena venues. We have therefore conducted extensive telephone interviews with planners of youth and amateur sporting events across a wide spectrum of sports at the regional, state and national level for tournaments and competitions. Event sectors included in the interview process are listed below.

- All American Gymnastics and Fitness
- Dakota Spirit
- NHSCA Wrestling
- On Stage America
- South Dakota High School Activities Association
- USA Gymnastics
- USA Judo
- USA Powerlifting
- USA Sports Production
- USA Wrestling
- Youth Basketball of America

Data collected from these organizations include likelihood of using the Arena (or SFCC/Premier Center) for future events, historical and expected number of participants of each of the tournaments/competitions, average number of family members/spectators per participant, hotel requirements, facility/complex requirements (i.e., complex specifications, amenities, number of courts/amount of square footage, parking, etc.), and other facility/destination preferences.

Survey research is used to define incremental event potential for the Arena, and the types of facility/amenity improvements needed to attract the events. Results from individual sports sectors are discussed on the following pages.

MARKET DEMAND ANALYSIS

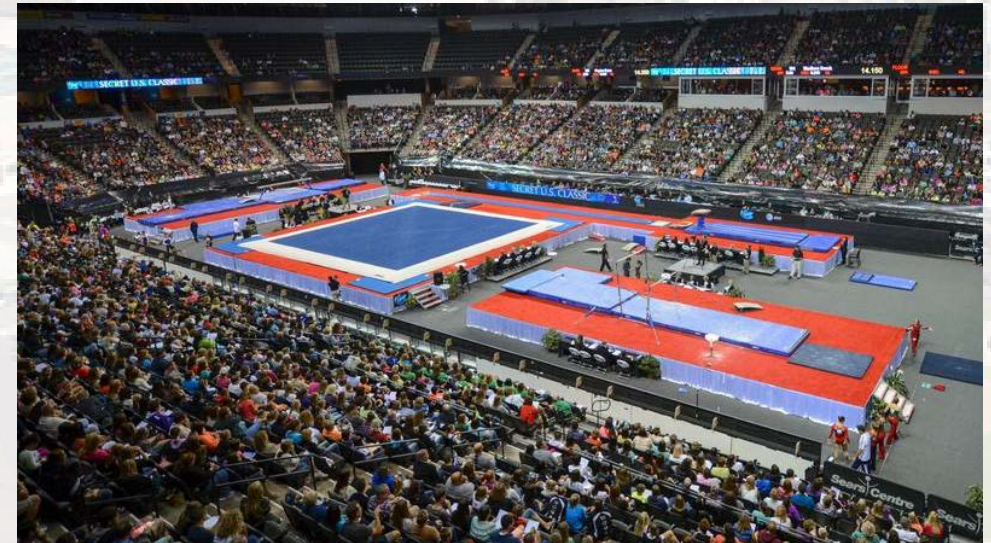
5.2 Future Arena Use (continued) – Youth and Amateur Sporting Events

Gymnastics

Gymnastics organizations that have previously utilized the Arena for their event indicated that the Arena has been effective for accommodating their larger gymnastic meets and competitions. The floor size and seating capacity of the Arena, the parking and connectivity to the Sheraton were noted as strengths of the facility. One organization that currently hosts a regional gymnastics competition at the Arena indicated that if the facility were to be upgraded, there is potential to draw a larger national competition to the Arena. Specific improvements include updates to restrooms, concessions and audio visual capabilities. Additionally, premium seating options similar to those at the DSPC and the Sanford Pentagon that allow for sponsorship and advertising opportunities would make the Arena a more competitive option when bidding for the organization’s national event.

Potential new users from this segment include the South Dakota High School Sports Association, USA Gymnastics and USA Sports Production. In total, these users represent four to five potential annual events for the Arena. These events range from two to four days, 400 to 1,500 athletes, and 1,200 to 3,000 spectators.

Planners noted that the moderately priced Arena can serve as a fitting “starting” venue for an event’s first few years in Sioux Falls, and that future growth could be accommodated by the neighboring SFCC and/or Premier Center. USA Gymnastics is currently evaluating national venue options for combined arena-convention center facilities and planners expressed interest in the Sioux Falls Arena. However, planners did caution that they require facilities with extensive A/V capabilities and “lower bowl” seating, both of which are elements that will need to be improved within the Arena. Planners also stressed the importance of being within close proximity to a higher number of restaurant and entertainment options, and viewed the Arena location as somewhat isolated from more urban/walkable amenities.



MARKET DEMAND ANALYSIS

5.2 Future Arena Use (continued) – Youth and Amateur Sporting Events

Cheerleading

Planners of several cheerleading events note that the existing Arena does not meet the needs of their event. Planners of past regional events held at the Arena have moved their event to the Sanford Pentagon. Specific issues noted include the lack of restrooms or concessions on the second level, requiring spectators to come to the first floor in order to access them. Limitations with lighting and staging capabilities were also mentioned by planners. Additionally, larger regional events drawing more than 2,000 cheerleaders and dancers as well as 3,000 to 4,000 spectators, cannot be accommodated within the flat floor space available at the Arena. This requires planners to rent a portion of the exhibit hall at the SFCC, increasing their overall event expenses.

It should be noted that planners indicated that the main reason for moving their events to the Sanford Pentagon was due to date availability and booking priorities during the Augustana basketball season. There is a potential for a regional cheerleading competition to return to the Arena if investments were made to update the Arena, and if it was financially feasible to rent both the Arena and a portion of the SFCC.

Potential new youth/amateur sporting event users of the Arena include the South Dakota High School Sports Association, On Stage America and USA Sports Production. Planners from these organizations noted that the Arena's 20,000-square foot floor would be sufficient to accommodate a performance space and a curtained backstage/warmup area. These prospective users represent a total of three potential new annual events, ranging from 1,400 to 3,400 total attendees and 250 to 500 peak hotel room nights. Potential new users who were familiar with the facility emphasized the importance of enhancing the Arena's value proposition, given that competitive facilities such as the Corn Palace (Mitchell) or Swiftel Center (Brookings) offer similar prices for space rental but are more modern and have more locker room and office space.



MARKET DEMAND ANALYSIS

5.2 Future Arena Use (continued) – Youth and Amateur Sporting Events

Wrestling

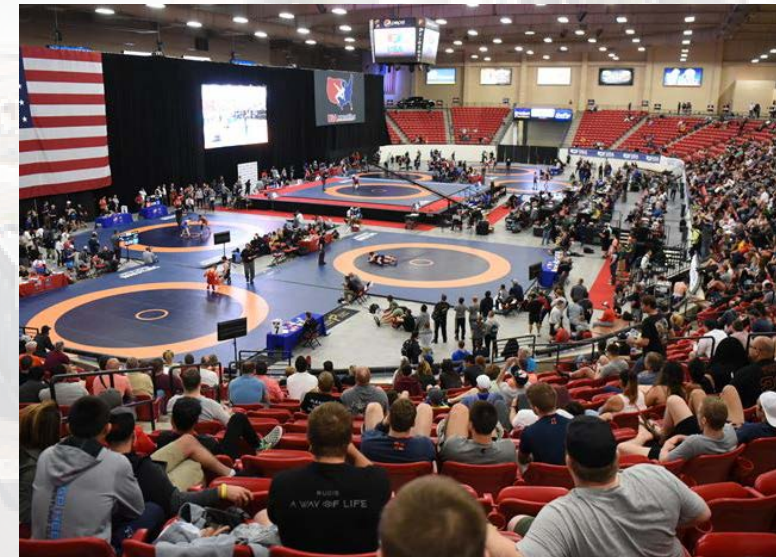
Based on surveys that were conducted with planners of youth and high school wrestling events, wrestling represents a market niche with the potential to increase use at the Sioux Falls Arena. The South Dakota High School Sports Association’s statewide wrestling tournament currently uses the DSPC for a combined single- and double-A event that attracts 1,500 athletes and 7,000 spectators. Planners noted that planned future growth of the event would be better accommodated by splitting the event between the DSPC and the Arena. As the event grows, planners estimate that nearly half of the attendance at the DSPC (approximately 700 athletes and 3,500 spectators) could be redirected to the Arena.

Planners also highlight the challenge of the Arena’s relatively limited seating in its lower bowl, and that wrestling tournaments require up-close, unobstructed views of matches. To best accommodate events in this segment, it would be important to invest in videoboard equipment and lower seating options, including the potential addition of bleachers. Planners also suggested upgrading the facility’s locker rooms, noting that these spaces are dated and offer limited square footage for large wrestling tournaments.

Martial Arts

Martial arts such as taekwondo, karate and judo often use arena facilities with 4,000+ seats to accommodate larger national or regional events. Planners of USA Judo were interviewed to determine sizing, service and destination requirements for their national tournaments. These events typically require 40,000 to 45,000 square feet of flat floor event space to fit six 90’ by 145’ mats and bleacher seating areas for athletes and coaches, but these areas do not have to fit within one building; planners would be open to using the adjacent SFCC to accommodate a portion of the activity, but the Arena would have to be used for the final championship match.

USA Judo and other martial arts often have three to four national events that rotate to the same mix of five to eight facilities. If an event was successfully hosted at the Arena, the facility could likely host one to two 2,000-person events per year from this segment.



MARKET DEMAND ANALYSIS

5.2 Future Arena Use (continued) – Youth and Amateur Sporting Events

Court Sports (Basketball and Volleyball)

Due to its size and identity as a “court sports” facility, the Pentagon limits the Sioux Falls Arena’s potential to capture a significant amount of incremental basketball and volleyball activity. However, tournaments at the high school and collegiate level can likely be retained and grown at the Arena and DSPC if improvements were made to the Arena.

The South Dakota High School Activities Association has recently used both the Premier Center and the Sioux Falls Arena for its combined AA boys and girls state basketball tournament. The Association is generally satisfied with both facilities, but would like to see the Arena’s A/V capabilities, seating and locker room areas updated. Making this investment would improve the likelihood of the SDHSAA increasing its use of the campus and enhance the potential to concurrently host the Class A Boys and Girls tournament.

The SDHSAA made similar recommendations in regards to its Premier Center program. The 24-team State Tournament had used both the Arena and the Premier Center, and would consider doing this again if improvements were made to the former. Planners would also consider developing a new, mid-season 64-team invitational event that would feature each of the clubs from across the state. This event would take place over three days and attract 2,000 to 2,500 total attendees per day. Due to the length of the event and the potential downtimes for participants, SDHSAA would also like to see more restaurant and entertainment options within closer proximity to the campus.



MARKET DEMAND ANALYSIS

5.2 Future Arena Use (continued) – Overall Demand Summary

Based on the research presented herein, we have summarized the incremental market demand for the Sioux Falls Arena, segmented into primary event types. Demand levels for purposes of this analysis are generally characterized as high, moderate and low. High demand reflects an event market with a strong interest in the venue, a significant base of potential attendees and limited local or regional competition. Low demand reflects a market with a smaller attendee base, poor attendee demographics and significant regional competition. Moderate demand would fall between the low and high demand profiles. By combining the results of this step with the analysis results generated in previous steps, we are able to identify the event markets that represent the primary sources of demand for added Arena use, upon which future facility recommendations and associated event and attendance estimates can be made.

Concerts – Interviews indicate moderate demand for additional small to mid-sized concerts assuming a modest investment in the Arena is made. The Arena serves a need in the 2,000 to 4,000 seat range, and with various facility improvements, five to six added events could potentially be attracted.

Tenant Sporting Events – With the exception of Augustana basketball, there is low demand for additional sporting event tenants at the Arena. Sioux Falls is home to basketball, indoor football and hockey franchises—all of which have transitioned from the Arena to newer facilities.

Youth & Amateur Sporting Events – Opportunity exists to moderately increase the number of youth and amateur sporting events at the Arena. To retain existing customers and increase market capture, it will be important to consider updates to the upper seating areas, locker rooms, A/V capabilities, restrooms and concession areas. With these improvements, it is estimated that the Arena could be positioned to attract five to seven youth and amateur sports events per year, with attendance generally ranging from 2,000 to 3,000 per event.

Family Shows – These events consist of family-oriented acts (such as Disney on Ice and Sesame Street Live) that are usually held over a run of consecutive days, averaging six to eight performances. Demand for the Arena is low given the frequent need for rigging capabilities to accommodate elaborate set/production elements. Although the Shrine Circus continues to take place at the Arena, all other family show events have moved to the DSPC.

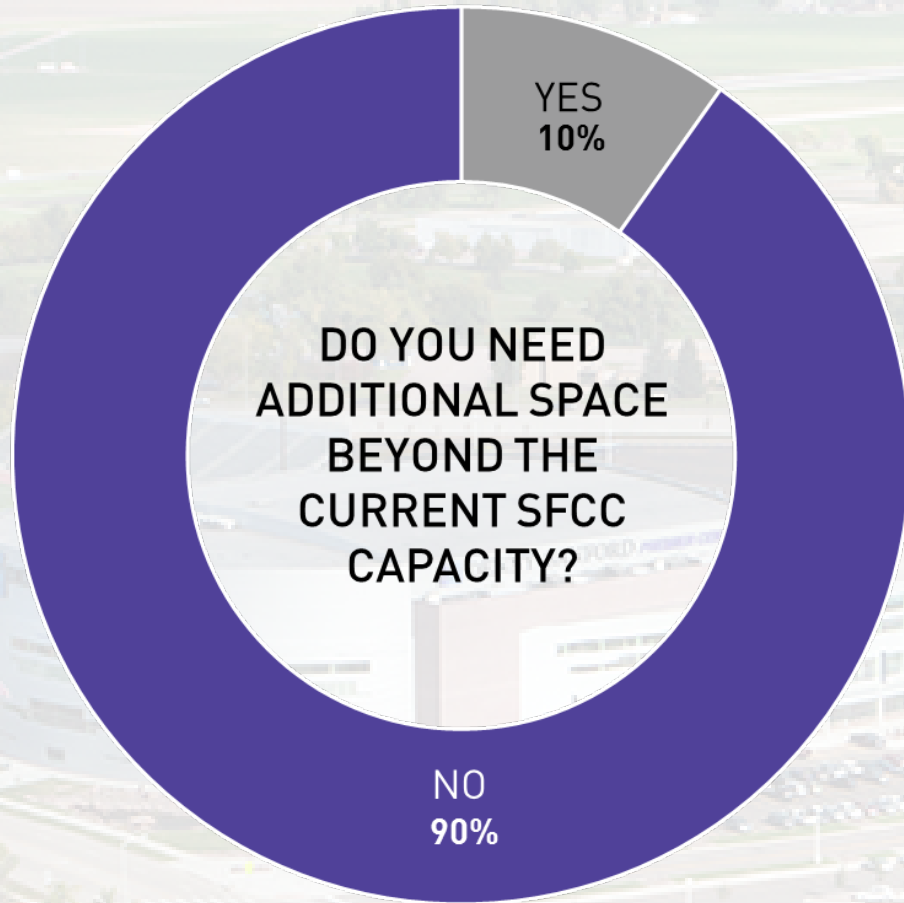
Other Live Entertainment – Live acts such as comedy, speeches/lectures, and other performances could represent one to two additional events at the Arena each year. This overall low demand level is based on the general preference for a more intimate theater-style venue (such as the Washington Pavilion).

Trade and Consumer Shows – A number of large recurring annual events take place at all three facilities (i.e., Sioux Empire Home Show, Central Plains Dairy Expo, etc.) and utilize the Arena floor as spillover space to accommodate exhibits. Demand for additional Arena events in this segment is low; however, if the market is able to attract additional large events such as Pheasants Forever, it may be possible to generate limited additional activity in this segment.

General Sessions / Banquets – The SFCC does not provide traditional, dedicated ballroom space. Upgrades to the Arena (i.e., curtaining and lighting) could create an upscale ambience suitable for some flat floor food and beverage functions, while potentially freeing up exhibit space at the SFCC to accommodate other events. While demand is characterized as low, three to four new events could be expected within this segment.

MARKET DEMAND ANALYSIS

5.3 Existing SFCC User Survey



As discussed earlier, the existing and potential future demand for event space at the SFCC can have implications on the future of the Sioux Falls Arena. Working closely with SMG, CSL distributed online surveys to more than 400 current and past SFCC users to collect feedback on their demand for event space, hotel and other “non facility” needs, and perceptions of and suggestions for the Sioux Falls market. A total of 51 event organizers completed the online survey.

Respondents were first asked whether they required any additional event space beyond the capacity of the existing SFCC. As summarized in the exhibit to the left, approximately 90 percent of current and past SFCC users indicated that they do not require any additional event space beyond the current capacity of the SFCC.

The ten percent of respondents that indicated a need for additional space at the SFCC were asked what specific types and sizes of additional space would allow the Center to better accommodate their events. Comments collected include the following:

- more meeting rooms that are around 3,000 to 4,000 square feet.
- additional smaller breakout rooms ranging between 1,000 to 1,500 square feet.
- additional space to host seminars that can fit more than 500 people.
- additional 20,000 to 40,000 square feet of exhibit space.
- about 15,000 square feet of outdoor space that can host dinner events.

MARKET DEMAND ANALYSIS

5.3 Existing SFCC User Survey (continued)

Respondents requiring additional space beyond the current capacity of the SFCC also indicated concerns with other aspects of the facility. Suggestions for improvement include the following:

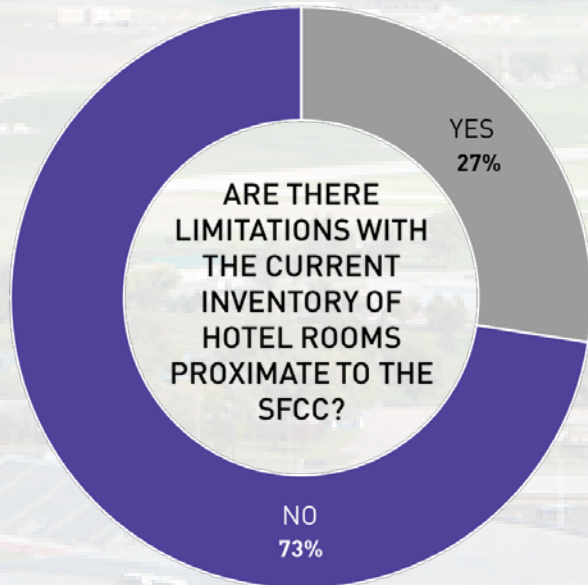
- general facility updates/modernization
- another room like the Grand Ballroom where lighting could be controlled and ambiance was better than the Exhibit hall atmosphere
- larger/additional doors and loading docks
- additional storage space
- updated electricity (events face additional expenses to have the electricity pulled from the ceiling)
- improved connectivity between the Arena and event space at the Center
- additional visual/digital signage for sponsorship ads and event announcements
- updated audio system that can be run throughout the entire complex
- additional parking
- date availability – many clients prefer the SFCC, but finding availability is often a challenge, especially February through April

Although the majority of current SFCC customers do not need additional event space, a number of other concerns were noted with respect to both the facility and the destination. Comments collected include the following:

- lack of inventory and quality of nearby hotels
- lack of restaurants, entertainment and retail proximate to the SFCC
- lack of parking during concurrent events
- high costs of doing business at the facility
- better lighting and better sound in the ballrooms and meeting rooms
- new carpeting in the ballroom
- additional dining/food options within the Center
- complimentary shuttles from the Center to downtown

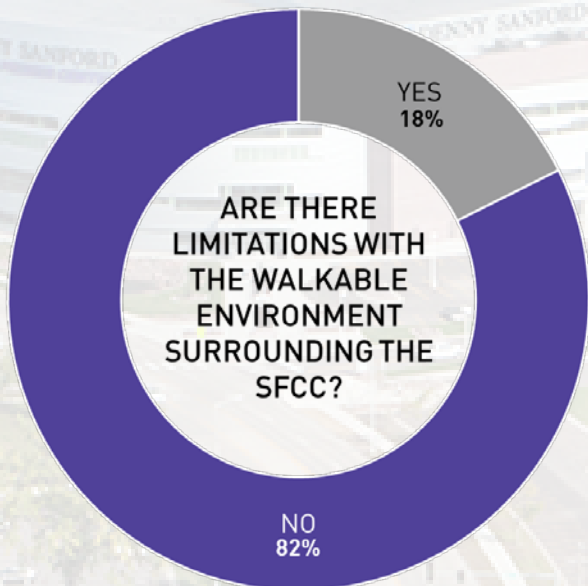
MARKET DEMAND ANALYSIS

5.3 Existing SFCC User Survey (continued)



Current and past SFCC users were also asked whether there were any limitations with the current inventory of hotel rooms proximate to the SFCC. As shown in the exhibit, approximately 73 percent indicated there were no such hotel related limitations near the SFCC. The 27 percent of respondents that noted there were such limitations were asked to expand upon what could be improved. Suggestions included:

- Additional hotel rooms proximate to the SFCC.
- More traditional convention quality/full-service hotel properties within walking distance.
- Discounted state and federal hotel rates among existing properties.
- More pedestrian friendly crosswalks to reach hotel properties across busy streets.



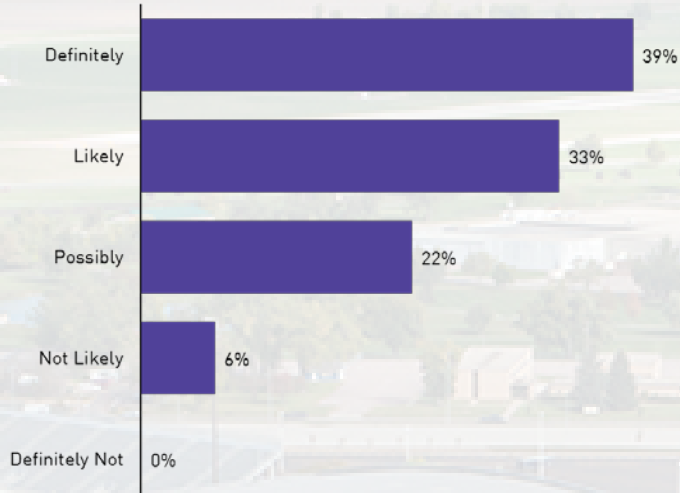
In addition to hotel conditions, respondents were asked if there were any limitations to the overall walkable environment surrounding the SFCC. As shown in the exhibit, 82 percent indicated there were no limitations while 18 percent felt the walkable amenities surrounding the SFCC could be improved. Suggested improvements include:

- There is a need for a variety of restaurants within walking distance of the Sioux Falls Convention Center.
- Food court within the convention complex.
- Additional retail and restaurant options.
- Indoor activities within close proximity to the Center such as an outlet mall, waterpark, or other attractions.
- I typically reserve the Ramada across the street from the Sheraton for overflow reservations. Walking across the street on that busy street poses issues.
- Safety concerns with the environment surrounding the Center.

MARKET DEMAND ANALYSIS

5.3 Existing SFCC User Survey (continued)

Likelihood of Future SFCC Usage

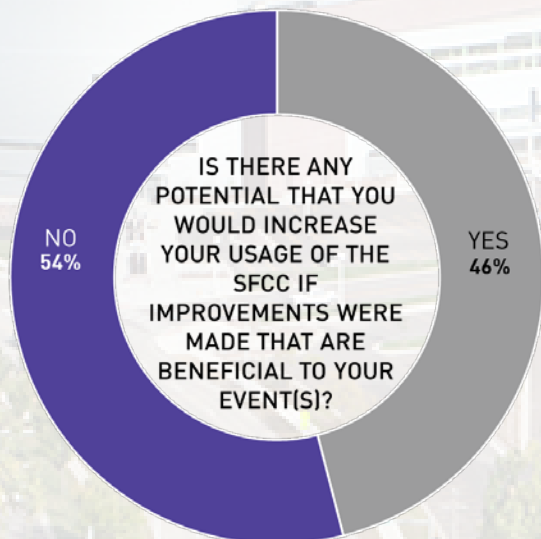


Current and past SFCC users were asked how likely it is that they would book an event at an expanded/improved SFCC, **assuming that all of their hotel and event space needs were met.** The responses are summarized in the exhibit to the left.

Approximately 94 percent of current and past SFCC users indicated a potential to host future events at the facility. An estimated 39 percent indicated that they would definitely book events at the SFCC, 33 percent would likely use it and 22 percent would possibly utilize the SFCC going forward.

A total of six percent of respondents said they would not likely utilize an expanded/improved SFCC. Reasons for not likely booking a future event at the SFCC often focus on the cost of doing business at the Center. These data suggest a base of demand that will continue to support at least moderate SFCC occupancy percentages.

Potential Increased SFCC Usage



Current and past users who expressed a positive interest in the SFCC were asked if there was any potential that they would increase their usage of the SFCC **if improvements were made that were beneficial to their events.** As presented in the adjacent exhibit, approximately 46 percent indicated a potential to increase their usage of the SFCC if their suggested improvements were made.

Those who indicated a potential to increase their SFCC usage were asked how their usage could potentially increase given improvements to the SFCC. Of those who provided responses, approximately **65 percent** stated that they would host additional events at the SFCC aside from those they currently or have in the past held at the Center. The remaining **35 percent** noted that any improvements to the SFCC would allow them to potentially increase the size of their event in terms of the number of attendees/delegates or to grow the size and/or length of their current event at the SFCC.

Desired improvements generally focused on areas such as lighting, sound, ballroom carpeting, parking and other areas we consider as traditionally needed investments for a facility to reaming current with respect to industry standards. Some price sensitive groups also noted rental rates, while some larger events noted add space needs.

MARKET DEMAND ANALYSIS

5.4 Potential SFCC User Survey

In evaluating potential need for additional SFCC event space, it is important to consider market demand from the large population of national and regional conventions and tradeshows. To create an analysis relevant to Sioux Falls, it is also important to focus on the subset of national and regional events that can generally be accommodated within the existing or potentially expanded SFCC, and that can be attracted with the current and expected base of hotel rooms and air access. Given the population base in the Sioux Falls market, as well as the facility, hotel and air access conditions, the most likely national event candidates tend to be smaller to mid-sized events, or those within particular segments that are relevant to the Sioux Falls market (i.e., agriculture, health care, banking, etc.).

As part of our research, a targeted online survey was completed with 18 planners of national and regional convention, conference and tradeshow events that possess size characteristics that could reasonably be expected to fit in Sioux Falls in terms of total attendance, hotel room demand and facility space demand characteristics. Event planner respondents were asked to provide insight into the likelihood of booking events in Sioux Falls, their space needs, hotel needs and the importance of walkability.

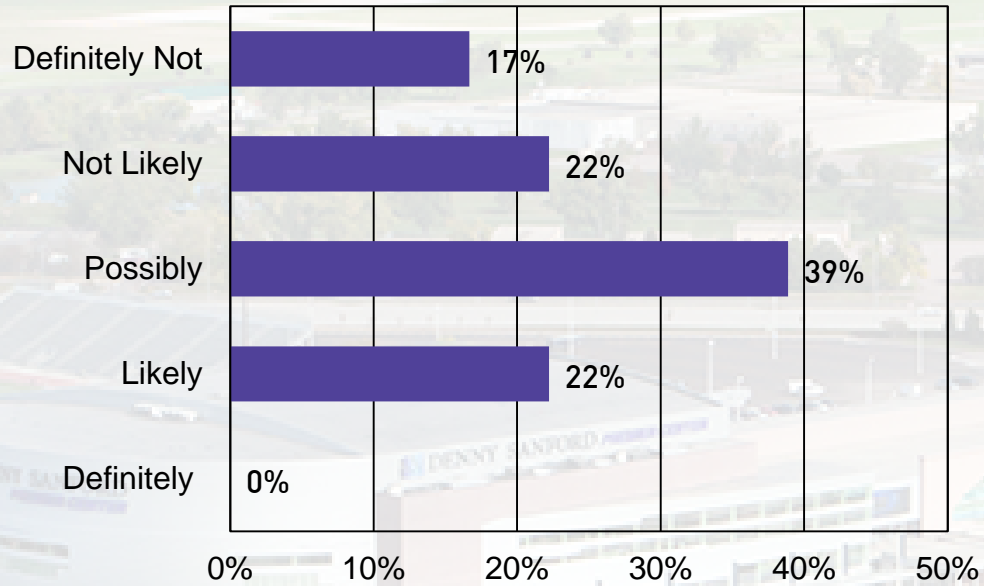
The sample of contacts considered in this analysis was generated through lost business contacts provided by the Sioux Falls Convention & Visitors Bureau, as well as the EmpowerMINT database. This regularly updated database is maintained by Destination Management Association International (DMAI) and widely recognized in the industry as one of the most thorough sources of information pertaining to rotating conventions, conferences, tradeshows and meetings. As listed below, surveyed groups included professional associations, SMERF (social, military, education, religious, fraternal) groups, government groups, corporations, sporting events, nonprofit organizations and other producers of rotating events.

- Academy of Model Aeronautics
- American Holistic Nurses Association
- American Public Works Association
- Independent fundamental churches of America
- It's All About Science Festival
- National Association of Intercollegiate Athletics
- National Business Media
- National Council of Research Administrators - Region IV
- National Newspaper Association
- North Central Working Western Celebration
- Pioneer Network
- Renk Seed
- Sanford PROMISE: Sanford Research
- Sioux Valley Optimist Club
- South Dakota Science Teachers Association
- Stellato Meeting Solutions, LLC
- Transplant Games of America
- USA Swimming

MARKET DEMAND ANALYSIS

5.4 Potential SFCC User Survey (continued)

Likelihood of Using the SFCC in the Future



National and regional organization planners were asked to indicate the likelihood of their organization using the SFCC, assuming that the facility and the area’s hotel inventory fully met the needs of their event(s).

The overall positive interest by respondents in rotating one or more future events to the SFCC if sufficient facility space and hotel inventory existed is 61 percent. Specifically, no organizations indicated that their group would “definitely” hold an event at the SFCC, 22 percent said that they would “likely” host an event at the Center, and 39 percent could envision “possibly” bringing a future event to the venue. The higher level of positive interest responses in the “possibly” category among potential national and regional events reflects a significant uncertainty among planners that have not been to Sioux Falls in the past. This also helps explain the lack of a definite interest in the market.

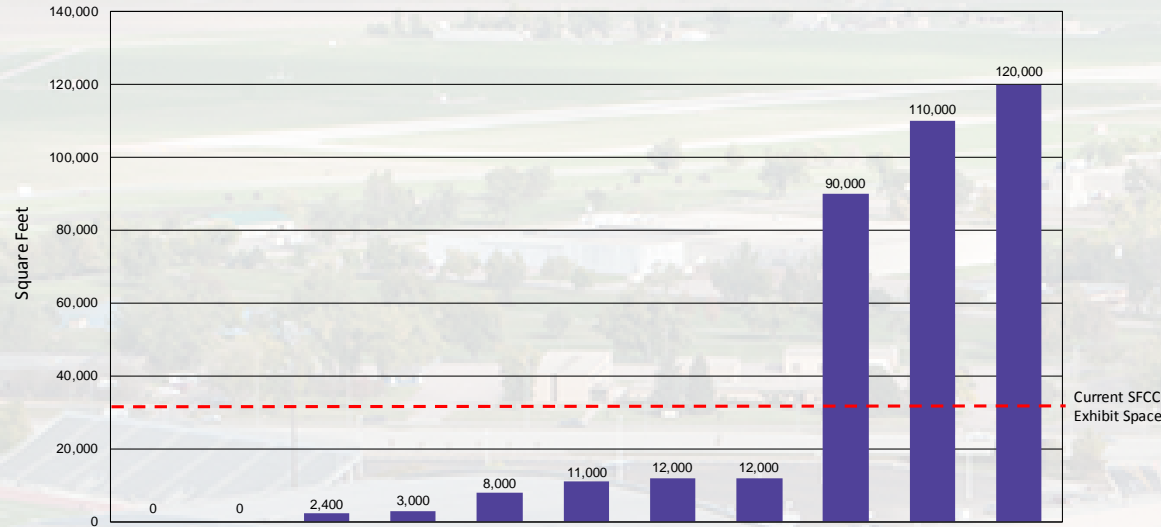
When considering those expressing a lack of future interest in the SFCC, 22 percent are “not likely” to use the Center and 17 percent will “definitely not” host future events at the Center. Many noted a lack of familiarity with the market, its geographic remoteness, the relatively small size of Sioux Falls, and a lack of membership in the area as primary reasons as to why they are not likely to host future events in Sioux Falls.

Overall, these results suggest a modest level of interest from smaller targeted national events. Opportunities to attract these events through various facility and/or policy adjustments are discussed later in this report.

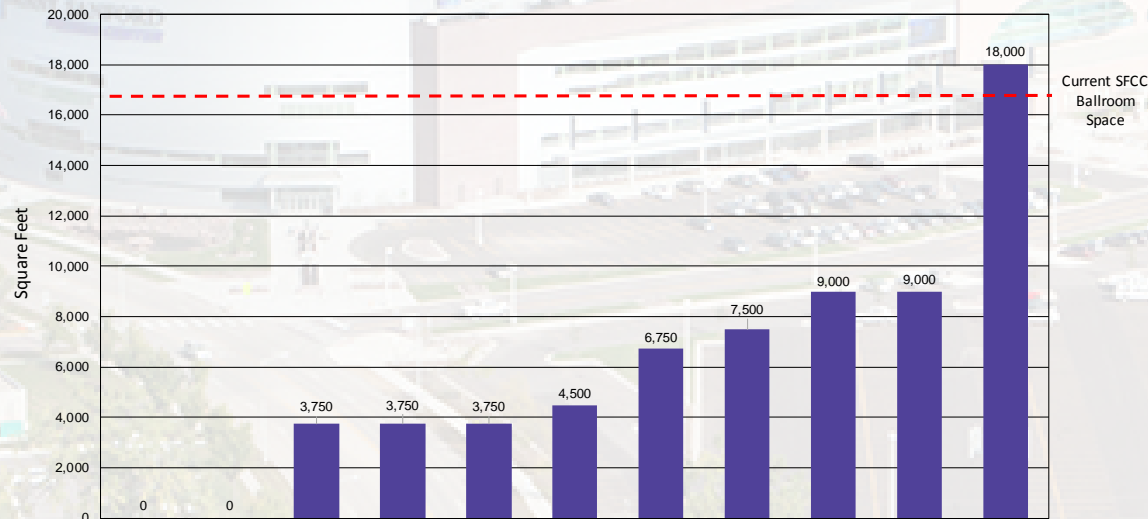
MARKET DEMAND ANALYSIS

5.4 Potential SFCC User Survey (continued)

Square Feet of Exhibit Space Required per Event



Square Feet of Ballroom Space Required per Event



National and regional event planners that expressed a positive interest in the SFCC were asked to provide detail on their organization's approximate need for square footage by type of facility space. These space requirements have been separated into the need for exhibit space and ballroom space, as presented in the adjacent exhibits.

As presented, events with a potential interest in the SFCC require between 2,400 and 120,000 square feet of exhibit space. As depicted with the dotted line, the 33,600 square feet of contiguous exhibit space available at the SFCC is able to accommodate an estimated 73 percent of the demand from organizations that would consider rotating future events to the facility. The three events requiring significantly more than the existing SFCC capacity also require a highly walkable environment and 600 to 700 committable convention quality hotel rooms near the Center.

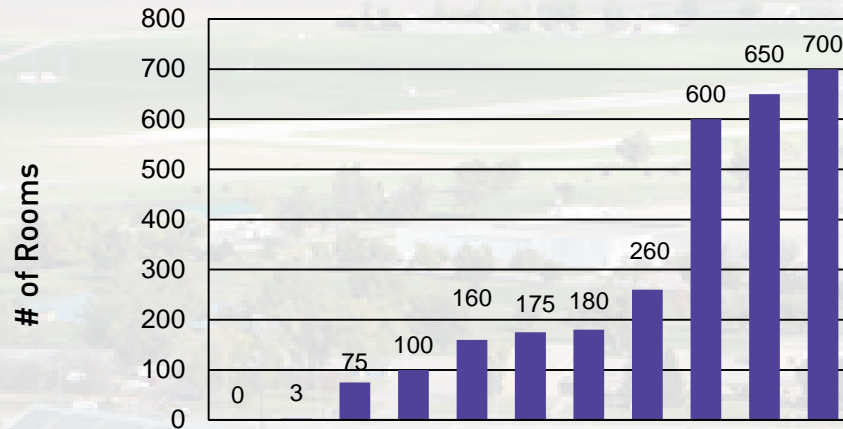
Approximately 82 percent of respondents require ballroom space for their events, with space needs ranging from 3,700 to 18,000 square feet. Among the targeted national and regional events requiring such space, average square footage requirements approximate 7,300 square feet, which amounts to space for groups of slightly less than 500 people. Ballroom A and B, when combined, provides approximately 16,800 square feet of contiguous ballroom space. This level of space is able to satisfy the needs of more than 90 percent of the potential market the SFCC.

Taken together, these findings begin to suggest that existing space offerings within the SFCC, assuming they are available on needed dates, are generally sufficient to accommodate a significant portion of the national and regional event demand unique to the Sioux Falls market.

MARKET DEMAND ANALYSIS

5.4 Potential SFCC User Survey (continued)

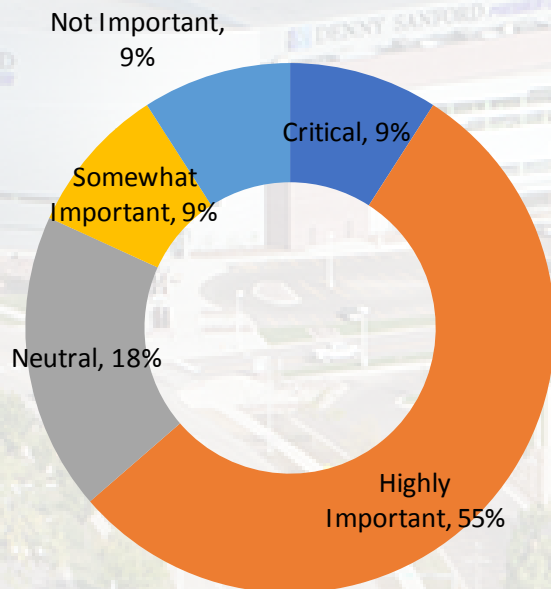
Peak Night Hotel Rooms Required per Event



As discussed earlier, one of the most important aspects in attracting conventions and conferences with significant non-local attendance is the availability of nearby committable, convention-quality hotel rooms. The exhibit to the left presents a summary of peak night hotel room demand associated with the potential national and regional event market for the SFCC.

Potential SFCC users indicated that they are generally willing to utilize a maximum of three hotel properties to achieve their peak hotel room block. When considering the hotel demand among the targeted event market, it appears that the committable hotel room supply offered at the Sheraton could facilitate the needs of slightly more than half of this market. However, as previously noted, the inventory of convention-quality hotel rooms surrounding the SFCC will continue to limit the destination's ability to attract larger events with more significant hotel needs.

Importance of a Highly Walkable Area Surrounding the Venue



For example, the average national and regional organization event with a potential interest in rotating to Sioux Falls requires a room block of 290 peak hotel rooms. To assemble a room block of this size in Sioux Falls, it would require rental cars or shuttling to multiple hotel properties, likely including several that are located downtown (more than two miles from the SFCC).

We also know that event planners view the event site selection process in a very broad way, oftentimes considering not just the center space, but a wide variety of visitor amenities and services. As such, event planners were asked to comment on the importance of a highly walkable area surrounding the convention center. Nearly two-thirds of those with an interest in Sioux Falls indicated that a highly walkable environment offering hotels, restaurants, retail and entertainment is either critical or highly important to the success of their event(s). The limited existing inventory of amenities surrounding the SFCC will likely continue to impact the success of the venue in penetrating these new national and regional event markets.

MARKET DEMAND ANALYSIS

5.4 Potential SFCC User Survey (continued)

The following exhibit summarizes our conclusions with regard to the potential for an expanded/improved Sioux Falls Convention Center to further penetrate the market for rotating national and regional events. We have segmented each of our 18 completed interviews into three primary segments: (1) those that are interested in the SFCC and are able to fit in the existing space (referenced in green below); (2) those that are interested but have space requirements that are larger than what Sioux Falls would be expected to be able to accommodate over the next five to ten years (referenced in yellow below); and (3) those that are not interested in hosting future events at the SFCC (referenced in red below). Important findings related to each of these three segments are summarized below each grouping.

Interviewed Events	Interested and Able to Fit in Existing Space (33,600 GSF)								Interested But Too Large (65,000+ GSF)			Not Interested					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17

- Exhibit space requirements range from zero to 12,000 GSF.
- Half view an active, walkable area as being "highly important"
- Attendance ranges from 200 to 3,000, averaging nearly 800.
- 88% of events require ballroom space, averaging 5,500 GSF.
- Average of 120 hotel rooms are required on the peak night.

- Exhibit space needs range from 90,000 to 120,000 GSF.
- All require 600+ hotel rooms on the peak night.
- All view a walkable area surrounding the venue as being "critical" or "highly important".
- Attendance ranges from 1,500 to 2,200, averaging 1,700 .
- Meal function/general session attendance averages 900.

Reasons for a lack of interest in Sioux Falls:

- Sioux Falls is not a Tier 1 market.
- Lack of membership base in the Sioux Falls area.
- Geographical location and air access.
- Prefer to utilize hotel conference centers.
- Requirement of sport specific facilities.

As presented above, nearly half of the organizations interviewed conveyed a potential (though highly tentative) future interest in the SFCC and have event space *and* hotel room requirements that can be met by the *existing inventories* currently available in Sioux Falls. Less than 20 percent of the potential market is too large (in terms of both event space and hotel rooms) to take place in Sioux Falls unless the existing SFCC were to nearly triple in space. Finally, approximately 40 percent of those surveyed cited various reasons for their lack of interest.

Taken together, these findings begin to indicate that the existing SFCC has the potential to see modest increases in national/regional events, assuming suitable dates are available. The existing SFCC and the attached Sheraton are able to meet the majority of event space and hotel room needs among this segment. However, insufficient demand exists to suggest that expansion of the SFCC is a near term priority that would require the removal of the Arena to accommodate added SFCC space. As previously noted, consideration should be given to modifications to the SFCC booking policy that could open up dates for a modest number of added events with an interest in hosting events in at the SFCC.



6.0 ARENA/SFCC RECOMMENDATIONS

ARENA/SFCC RECOMMENDATIONS

6.1 Overview

The recommendations presented herein first focus on investment in the Arena and/or site that could yield increases in event activity, operating revenue and economic impact. We have also developed several broader recommendations designed to help increase market capture for Sioux Falls in the sports, entertainment, consumer show, convention and other public assembly event sectors. This analysis is framed in the context of potential future investment in the Sioux Falls Arena or repositioning the site for other uses.

These recommendations take into consideration various cost and benefit parameters, as well as market demand characteristics unique to Sioux Falls. As supportable investment in the Arena will be impacted by future SFCC, hotel, entertainment and other needs, we have also developed findings and recommendations in these areas. The following graphic highlights our primary areas of focus.



ARENA/SFCC RECOMMENDATIONS

6.1 Overview (continued)

We have considered various investment scenarios for the Sioux Falls Arena and other facilities/amenities that can impact future use of the Arena/site area. These are discussed below. Note that most of these investments will require planning assistance from a team of architects and engineers. There are numerous factors that impact the future of the Sioux Falls Arena. These include the following:

- The state-of-the-art DSPC opened in 2014 with 12,000 seats and has had significant impacts on event activity at the Arena.
- The transition of Augustana men’s and women’s home basketball games to the Arena, along with a variety of other added events, have resulted in increased occupancy and attendance in recent years. Based on current bookings for 2018, the Arena is expected to host 87 event dates and experience 26 percent overall occupancy—both of which are higher than any point since the opening of the Premier Center.
- There appears to be a gap in the local facility inventory for events generating attendance levels of between 1,800 and 4,000 that the Arena is suited to fill.
- The Arena’s smaller seating capacity, broad availability, and comparatively low costs could provide important advantages to organizers of smaller, cost-sensitive events.
- Conversations with event promoters and facility management indicate that structural deficiencies, load-in/out capabilities, artist amenities, seating configurations and other such factors are limiting the ability of the Arena to successfully accommodate the rigging and other important needs of modern touring concerts and other live entertainment events.
- Our market demand analysis also indicates the potential for the Arena to attract additional events within the live entertainment, youth/amateur sports and general session/banquet markets.
- The comparative square footage of exhibit, meeting and ballrooms space at the SFCC is somewhat low. The existence of larger regional competitive venues suggest that future expansion in Sioux Falls should be considered. This will impact future use of the Arena site.
- The 52 to 53 percent average annual occupancy levels at the SFCC are not at a level that would suggest immediate expansion is necessary. Low demand in May, July, August, November and December are impacting the overall occupancy levels.
- Market demand research suggests that only select existing SFCC events require added flat floor space. At the same time, there are several existing Arena events that require the availability of tiered seating. Our findings carefully consider the broad impacts of replacing the Arena with flat floor space.
- Surveys of potential national and regional convention planners suggest that (1) the existing SFCC square footage is sufficient to accommodate a significant majority of demand, and (2) significantly accommodating more events in this segment would require added adjacent hotel and restaurant inventory.

ARENA/SFCC RECOMMENDATIONS

6.2 Sioux Falls Arena Investment

Given current and expected near-term market demand conditions, it would be advisable to maintain the existing Arena facility, with numerous modest improvements designed to allow for increased functionality and maximum utilization of the venue. Retaining the Arena would also allow for continued use by various events such as Augustana University men's and women's basketball games, the Shrine Circus and the Summit League Basketball Tournament, all of which require tiered seating space.

We also note that given the age of the Arena, at some point it will likely be more cost effective to demolish the structure for a higher and better use, potentially an SFCC expansion. As a result, investing significant funds into the existing venue would not be recommended. Specific areas of improvement that can increase near-term usage without large-scale investment (some of which are included in management's capital improvement plan) are described below.

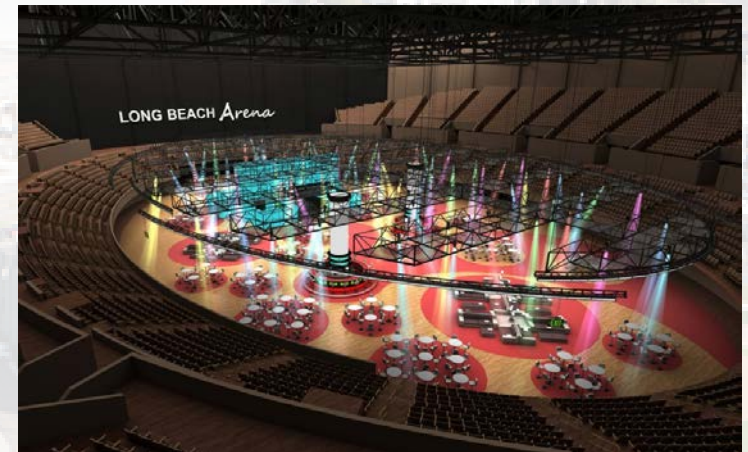
Create a Ceiling Grid to Allow for Enhanced Concert and Entertainment Event Production

The existing Arena is deficient in terms of rigging capacity for modern concert and entertainment events. Management at several older arenas have installed customized structural grids designed to improve these conditions. The adjacent image (top) reflect a new free-standing rigging grid at the 7,600-seat Tony's Pizza Events Center (in Salina, Kansas) that allows for hanging 100,000 pound show loads, where before they had zero capacity. Total costs for this structure including design services approximated \$1.2 million.

In 2013, the Long Beach Arena (bottom image) completed an extensive renovation that included a suspended steel tension grid with LED lighting and a sound system. The grid has the ability to be raised to as high as 75 feet to accommodate concerts and be dropped down as low as 30 feet to create a more intimate event space. The renovation also included a curtaining system that can divide the floor space into sections along the grid.

Consideration should be given to some type of improvement to the existing rigging capabilities for the Arena. Two examples are highlighted above, however engineering experts should evaluate the Arena for potential solutions unique to the venue that add both rigging capacity and the ability to utilize a curtaining system.

Tony's Pizza Events Center – Salina, Kansas
Recently Installed Rigging Structure



ARENA/SFCC RECOMMENDATIONS

6.2 Sioux Falls Arena Investment (continued)

Create Flexible Seating Capacities

Very few existing events utilize all of the existing seating capacity within the Arena. The Washington Pavilion has a capacity of 1,800; however, there is a potential void in the market for a venue capable of hosting events attracting between 2,000 and 4,000 attendees. A modern curtaining system could be installed to create a more intimate environment for smaller entertainment events, with the flexibility to accommodate multiple capacities and configurations. This curtaining system could also be beneficial for other smaller events including sporting events, graduations and banquets.

Replace Seating

Existing retractable seating equipment has aged beyond its useful life. Consideration could be given to replacing and upgrading portions of the retractable seating. Fixed seating within the Arena bowl is largely original to the building, and replacement of these seats should also be considered.

Improve Dock/Loading Areas

The load-in/out dynamics at the Arena are challenging. There is no traditional truck dock and the only access is through a 14' x 14' overhead "elephant" door that leads to a ramped concrete slab to street level. Given this configuration, events are limited to either ramping the freight off of trucks and rolling it into the building or using a forklift (if the freight allows). Only being able to unload a limited amount of trucks at a time hinders the production of larger touring events that are on a very tight, fixed schedule. Given the likely costs to fully redevelop the loading dock areas, it is unlikely that such a solution could be justified from a return on investment standpoint. Management staff should continue to address this challenge through on-going logistics efforts designed to move events in and out in the most effective fashion possible.

Other Facility Improvements

Investment in the aesthetic conditions in areas such as dressing rooms, restrooms and concession areas should be considered to address persistent event planner concerns. Recent Arena events have experienced significant wait times for concessions due to limited points of sale. Retaining architects to evaluate opportunities for adding concession space should also be considered. Lighting and HVAC investment identified by management as need areas should also be funded over the next three to five years.

ARENA/SFCC RECOMMENDATIONS

6.2 Sioux Falls Arena Investment (continued)

We have developed an assessment of the potential incremental annual Arena event activity assuming various facility upgrades are undertaken. The following exhibit summarizes the events, net profit per event and total incremental net Arena revenue that could be generated. Net revenue per event estimates are based on conversations with facility management, event organizers, and our extensive experience in other markets around the country.

Annual Incremental Net Revenue			
	Number of Events	Net Profit per Event	Total Net Revenue
New Concerts/Live Entertainment	6	\$30,000	\$180,000
Youth & Amateur Sporting Events	6	\$15,000	\$90,000
General Sessions / Banquets	4	\$2,500	\$10,000
Total Incremental Annual Revenue			\$280,000

As noted above, 16 potential added events are assumed to generate approximately \$280,000 in net Arena revenue. Given the recent increases in Arena usage, the need for the fixed seats by Augustana and other events, the lack of need for the SFCC to use the Arena site for expansion, and the potential to increase future Arena usage, we suggest that a ten year lifecycle be adopted for considering any future Arena improvements.

Under this timeframe, any investment in improvements would have to be amortized over no more than ten years in order to prevent a net loss of invested funds. Assuming a discount rate (or cost of borrowing rate) of 3.0 percent and an inflation rate of 2.5 percent, the net present value of the increased net Arena revenue (assuming the revenue stream starts in year three to allow for improvements), would approximate \$2.38 million. The Arena improvements suggested by past users, potential future users and operating staff include enhanced rigging capabilities, enhanced loading dock capacity, improved/replaced retractable seating and overall aesthetic improvements (restrooms, dressing rooms, etc.)

The following chart presents a range of general budgets for these types of improvements. It should be noted that these budgets are designed to be generally consistent with the value of potential increased revenue, and not based on detailed architectural and engineering planning. Such planning efforts should be undertaken to verify the order of magnitude estimates presented below.

	Low Budget	High Budget
Develop Rigging Grid	\$1,000,000	\$2,000,000
Replace Retractable Arena Seating	650,000	800,000
Replace Fixed Arena Seating	-	1,500,000
Renovation of Existing Space	761,000	900,000
Total	\$2,411,000	\$5,200,000

The budget range for enhanced rigging capabilities is based on several recent projects around the country as noted earlier in this report. It is very possible that a solution to rigging unique to the Arena could be developed that would be somewhat different from others used in the industry, and this may impact the cost estimate. The low budget range assumes a slightly lower cost alternative for the Arena, while the high budget total reflects the uncertainty as to how this type of improvement could be developed within the existing Arena.

The low budget for a retractable seating improvement project is based on the current capital plan. A modest increase is assumed for the high budget scenario. The low budget scenario assumes no replacement of fixed seating. Aesthetic improvements focus on concession, restroom and locker space. There is a total of approximately 7,611 square feet in these areas, and the budget assumes a \$100 per square foot renovation cost. Again, a modest increase is assumed for the high budget scenario.

The \$2.41 million low budget for Arena improvements presented above is relatively close to the \$2.38 million in net present value associated with added Arena revenue generated as a result of the improvements. This analysis suggests that a ten-year Arena improvement budget in the \$2.4 million range as described above could be supported based on potential increased net revenue. Under the high budget scenario, it may be difficult to create a supportable ten year ROI scenario.

ARENA/SFCC RECOMMENDATIONS

6.3 Future Site/Amenity Needs for the SFCC

Based on general industry average per-square foot construction cost totals, tearing down the existing Arena and doubling the size of the SFCC could cost a minimum of approximately \$50 million assuming:

- roughly 60,500 square feet of new sellable space,
- similar square footage for back of house, lobby and other areas,
- a \$350 construction cost per square foot, and
- a 25 percent soft cost factor.

The results of the market analysis presented herein suggest that this type of significant investment would have a low probability of generating significant return on investment or increases in high-impact event activity, particularly if there are no increases in walkable hotel and restaurant inventory.

This analysis therefore suggests that near or mid-term SFCC space needs will not require use of the existing Sioux Falls Arena site. While significant addition of SFCC space should not be considered a short-term priority, there are several investments that should be considered typical and ordinary improvements to the facility and are needed to remain current relative to industry standards. These improvements do not typically focus on common return on investment calculations, but are instead defined a necessary to remain competitive. In some cases, various investment initiatives have been included in past SFCC capital investment plans. These are summarized below.

- **Improve In-Facility Food Service Options**

It is not uncommon, particularly in centers with limited restaurant options within walking distance, for an in-facility concession and catering area to be developed. This can involve portable food carts with the ability to offer a wide variety of menu options, as well as convenient seating areas. This seating area can also be designed to cater to the emerging trend of Open Space Learning (OSL). OSL represents an emerging trend within the convention and tradeshow industry, requiring significant interior space flexibility. This concept challenges the traditional lecture or seminar-based formats that tend to draw attendees off the main show floor during events and instead provides unique and creative learning environments that can be constructed in lobbies and pre-function areas. Opportunities may also exist to create partnerships for products specific to local restaurants, coffee shops, bakeries or breweries to be sold through the caterer for events. Additionally, partnering with chefs of various well regarded Sioux Falls restaurants to incorporate local flavor into the menu is also an opportunity that could be further explored.



ARENA/SFCC RECOMMENDATIONS

6.3 Future Site/Amenity Needs for the SFCC (continued)

- **Enhanced Audio/Visual Capabilities**

Several current and past SFCC event customers have commented on the condition of audio/visual conditions at the Center. While some equipment was replaced in 2012, consideration should be given to further investing in acoustics and equipment to address current industry standards (i.e., permanently mounted projectors, modern audio equipment, etc.).

- **Updated Drape**

Many SFCC users utilize pipe and drape systems for backdrops, displays, trade show booths. Based on conversations with SFCC management, given the age and condition of the current inventory of the drape material in the pipe and drape equipment, consideration should be given to replacing it.

- **Other Facility Improvements**

Significant investments planned for 2018 include the rehabilitation of the outdated utility boxes in the exhibit hall floor and upgrades to the interior lighting system that will improve its quality and efficiency. These improvements are part of the current Capital Improvement Plan.



ARENA/SFCC RECOMMENDATIONS

6.4 Revised SFCC Booking Guidelines

A common point of discussion within the convention industry relates to booking policies, and when certain types of events can confirm dates and space at a convention center. To address this issue, it is highly common for some form of booking policy or guidelines to be in place to govern the priority of event bookings. For example, low room night generating events may be restricted from securing dates more than 12 months out. This prevents situations whereby a low impact event using ballroom space is booked several years out, precluding the later booking of a large room night generating event.

As previously noted, there may be opportunities with respect to the Sioux Falls Convention Center to create date availability for additional high-impact events. This would require delaying the booking confirmation of locally oriented meetings to within a short-term window. The previously presented analysis of 2016 booking data suggest that there several blocks of at least five days that could be created during the months of May to September by moving low impact conferences, meetings or banquets to other dates on the calendar.

As with any policy, some element of flexibility will come into play. For example, a large local banquet may request dates more than 12 months in advance. A determination may be made to waive the policy and accept the event given that the likelihood of booking a room night generating convention during that date is very low. This flexibility requires close coordination with respect to the SFCC calendar between Center management and the SFCVB.

It is also important to note that the current management contract between the City of Sioux Falls and SMG contains certain incentive payments tied to the financial operations of the Center. To the extent that booking guideline modifications impact financial operations, adjustments to the incentive language may be appropriate.

Based on our review of typical provisions within the industry, a potential booking policy for the Sioux Falls Convention Center is outlined on the following pages.

ARENA/SFCC RECOMMENDATIONS

6.4 Revised SFCC Booking Guidelines (continued)

1.0 STATEMENT OF PURPOSE

The Sioux Falls Convention Center (“SFCC”) is a local, state, national and international event and multi-purpose facility owned by the City of Sioux Falls, and operated by SMG. The SFCC was developed with the primary objective of promoting and facilitating events and activities, serving the community and impacting the overall economic benefit to the Sioux Falls area. In addition, the SFCC serves as a venue which provides exhibition facilities for conventions, conferences, trade shows and other various public events to promote business and enhance the quality of life for our community. In order to achieve the maximum utilization of the facility, economic impact for the community, hotel room night and tax generation, and net operating revenue, the SFCC sales staff will confirm events under this booking guideline with respect to Category I and Category II event categories. The SFCC Director of Sales & Marketing and/or General Manager, working with the Sioux Falls Convention and Visitors Bureau Executive Director, has the authority to make occasional exceptions to the booking guidelines taking into consideration such factors as time of year, frequency of event, and/or overall benefit to the community.

2.0 EVENT CATEGORY DEFINITIONS

For purposes of this Booking Guideline, the following event category definitions are used.

2.1 Category I Events

Conventions, Conferences, Trade shows, Corporate meetings or similar events which are not generally open to the public which are international, national, regional or state in nature and which generate a significant impact on hotel bed tax, are given priority as Category I dates. Category I events may override all other non-contracted events and must meet the following criteria with appropriate supporting documentation:

*Event must be a minimum of 3 consecutive full event days (not including move-in or move-out days) or longer at the SFCC, and
Will generate a minimum of ___ peak room nights or at least ___ total hotel room nights, and
Requires a minimum of 75 percent of gross square of Convention Center event space.*

2.2 Category II Events

Category II for scheduling event space at the SFCC will be available to multiple day national, regional, state and local conventions, consumer shows, trade shows, conferences and meetings. Category II events must meet the following criteria with appropriate supporting documentation:

*Event must be a minimum of 2 consecutive full event days (not including move-in or move-out days) or longer at the SFCC, and
Will generate a minimum of ___ peak room nights or ___ total hotel room nights OR generate at least ___ in net SFCC revenue, and
Requires a minimum of 50 percent of gross square feet of Convention Center event space.*

ARENA/SFCC RECOMMENDATIONS

6.4 Revised SFCC Booking Guidelines (continued)

2.3 Category III Events

All other events.

2.4 Grandfathered Events

A small number of events have been held at the SFCC on a long term basis, and are deemed of important value to the community. These events include the following:

Grandfathered Event 1

Grandfathered Event 2

Repeat as necessary – Limit events to a small number

3.0 BOOKING PRIORITY

Category I events may be booked at any time, with no restrictions.

Category II events may be booked no more than 24 months in advance of requested date(s).

Category III events may be booked no more than 12 months in advance of requested date(s).

Grandfathered events are booked under the following schedule.

_____ - A three-week date window approved 36 months in advance. Specific event dates approved 13 months prior to the event.

_____ - A three-week date window approved 36 months in advance. Specific event dates approved 13 months prior to the event.

Repeat as necessary.



7.0 SIOUX FALLS STADIUM ANALYSIS

SIoux FALLS STADIUM ANALYSIS

7.0 Sioux Falls Stadium Overview



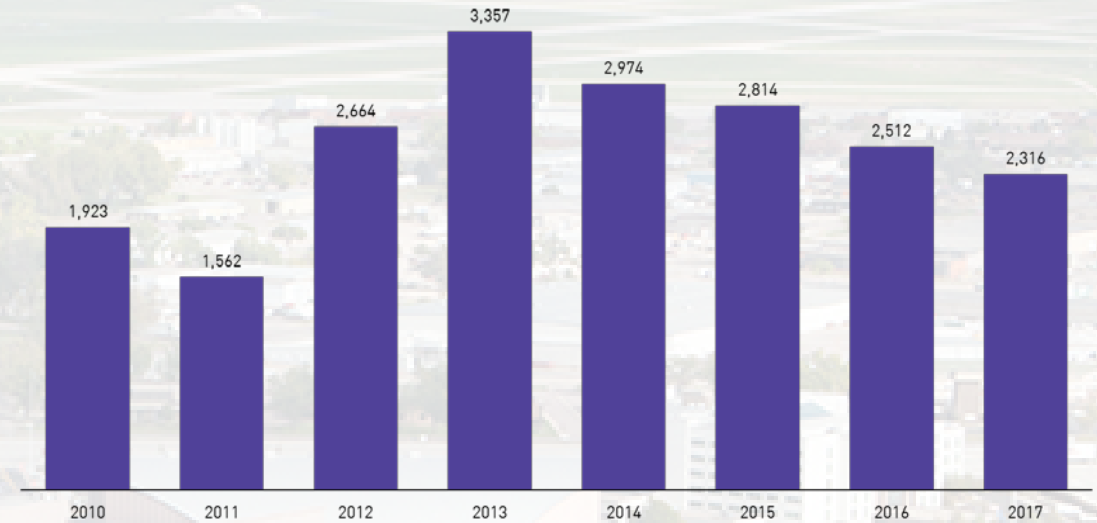
Originally built in 1964, the Sioux Falls Stadium has long served the local community as both the home of the American Association of Independent Professional Baseball's (AAIPB) Sioux Falls Canaries and a multipurpose event venue for tournaments, festivals and other community events.

In the late 1990's the Stadium underwent renovations that included new luxury box suites, an expanded picnic area and a new grass berm along the third base line. Although these investments made substantial improvements to the facility, nearly 20 years have passed since any major improvements have been made.

CSL has conducted an analysis of recent usage of the Stadium, as well as an analysis benchmarking the current facility to other stadiums in the AAIPB.

The adjacent exhibit summarizes the average Sioux Falls Canaries per-game attendance between 2010 and 2017. It should be noted that these figures are reported averages by the AAIPB and do not reflect actual in-stadium or turnstile attendance figures.

Sioux Falls Canaries Historical Average Attendance 2010 – 2017



Source: American Association of Independent Professional Baseball – CSL Research, 2017

As presented, the strongest average attendance occurred in 2013, with approximately 3,357 attendees per game. During this year, the team changed owners and also went back to their original name, the Canaries, which under previous management had been called the Pheasants.

Since 2013, average attendance levels have continued to decline on an annual basis, which may be indicative of the aging facility and resulting game experience.

SIoux FALLS STADIUM ANALYSIS

7.0 Sioux Falls Stadium Overview

Although the Stadium has long served the Sioux Falls community, significant improvements would be needed to maintain future viability. A local architect has recently conducted a structural analysis of the Sioux Falls Stadium. They have outlined the capital improvement projects and associated estimated costs that are needed in order to maintain operations of the Stadium over the next ten to 12 years.

Phases one and two are the most highly prioritized items that should be addressed within the next one to three years at a total cost of approximately \$440,400. These investments include concrete updates and replacements to the home plate backstop, support beams and areas beneath the seating area, as well as masonry work throughout the stadium and updates to the roofing. Other future phased projects to be addressed include plywood replacements to the roof and the development of a new storage building (estimated to cost \$152,000).

In addition to the phase one and two projects, there are other areas of concern that must be addressed in order to continue to provide a safe event attendee experience. These include concrete repairs to the steps and risers, painting, caulking and sealing, door replacements, crack repairs, tuckpointing and other miscellaneous repairs.

Combined, it is estimated that all capital repair projects would cost approximately \$2.5 million and could be funded through the Stadium's capital repair and operating budget over the next 12 years.

As part of our assessment, we consider the existing Stadium in relation to other venues in the AAIPB, and provide comments as to supportable future stadium initiatives.



SIoux FALLS STADIUM ANALYSIS

AMERICAN ASSOC. OF INDEPENDENT PROFESSIONAL BASEBALL SUMMARY

Data on the following page summarizes information pertaining to the stadiums of the other teams within the American Association of Independent Professional Baseball league including the team, market, stadium, the year the stadium opened, associated development costs, total seating capacity, the reported total and average game attendance (provided by the AAIPB), as well as the average attendance as a ratio of each stadium's capacity. The following points can be made about the summary chart:

- The average year of opening among other stadiums within the AAIPB is approximately 1999, with three having opened within the past ten years and Impact Field in Rosemont currently under initial construction. The Sioux Falls Stadium is the second oldest facility in the AAIPB, with the oldest being the Lawrence-Dumont Stadium in Wichita, which opened in 1934. The City of Wichita is currently in the process of approving funding for the development of a new stadium.
- The average construction cost among AAIPB stadiums is approximately \$33.3 million. However, when you consider only those built within the last ten years, including Impact Field, the average construction cost increases to approximately \$43.7 million.
- Seating capacities among other similar AAIBP stadiums range from a high of 7,140 seats (at CHS Field in St. Paul, Minnesota) to a low of 3,800 seats (at Mercy Field at Lewis and Clark Park in Sioux City, Iowa). The average seating capacity among the stadiums reviewed is approximately 5,700 seats, nearly 1,200 more than the 4,462 seats at the Sioux Falls Stadium, which ranks third from the bottom.
- As previously mentioned, the average attendance figures are based on reported attendance from the AAIPB and do not reflect the actual turnstile attendance count. The approximate 2,316 average reported 2017 game attendance at Sioux Falls Canaries games ranks 8th of the 11 teams, or more than 1,000 attendees below the average. It is possible that a new stadium in Sioux Falls could provide a more modern game day entertainment experience, thereby leading to increases in the average attendance, moving closer to AAIPB averages.
- When considering the average reported attendance as a percentage of stadium capacity, Sioux Falls ranks 7th of 11, eight percentage points less than the average of 60 percent among the stadiums reviewed.

SIoux FALLS STADIUM ANALYSIS

AMERICAN ASSOC. OF INDEPENDENT PROFESSIONAL BASEBALL SUMMARY

Team	Location	Ballpark	Year Opened	Const. Cost (in millions)	Ballpark Seating Capacity	2017 Total Reported Attendance	2017 Average Reported Attendance	Average Attendance as % of Capacity
St. Paul Saints	St. Paul, MN	CHS Field	2015	\$64.7	7,140	406,501	8,296	116%
Fargo-Moorhead Redhawks	Fargo, ND	Newman Outdoor Field	1996	\$5.2	4,172	176,086	3,594	86%
Lincoln Saltdogs	Lincoln, NE	Haymarket Park	2001	\$29.5	4,500	172,712	3,387	75%
Kansas City T-Bones	Kansas City, KS	CommunityAmerica Ballpark	2003	\$12.0	6,270	211,599	4,069	65%
Gary Southshore Railcats	Gary, IN	U.S. Steel Yard	2002	\$45.0	6,139	181,612	3,632	59%
Winnipeg Goldeyes	Winnipeg, MB	Shaw Park	1999	-	7,481	219,556	4,391	59%
Sioux Falls Canaries (1)	Sioux Falls, SD	Sioux Falls Stadium	1964	-	4,462	113,506	2,316	52%
Wichita Wingnuts (2)	Wichita, KS	Lawrence-Dumont Stadium	1934	-	6,111	157,995	3,098	51%
Cleburne Railroaders	Cleburne, TX	The Depot at Cleburne Station	2017	\$27.2	5,000	103,264	1,780	36%
Sioux City Explorers	Sioux City, IA	Mercy Field at Lewis & Clark Park	1993	-	3,800	58,407	1,243	33%
Texas Airhogs	Grand Prairie, TX	QuickTrip Park	2008	\$20.0	5,445	65,672	1,173	22%
Chicago Dogs (3)	Rosemont, IL	Impact Field	2018	\$62.9	6,300	-	-	-
Average			1999	\$33.3	5,700	175,300	3,500	60%
Median			2002	\$28.4	6,100	174,400	3,500	60%

(1) Underwent a renovation in 1999.

(2) City is currently in the process of securing funding for the redevelopment of a new stadium.

(3) The Chicago Dogs do not begin playing in the American Association of Independent Professional Baseball until the 2018 regular season.

Source: AAIPB; CSL Research, 2017

SHIOW FALLS STADIUM ANALYSIS

POPULATION TO SEATING CAPACITY ANALYSIS

We have also analyzed the average reported attendance as a percentage of the population base within a 15 and 30 minute drive time of each stadium in the AAIPB. The results are summarized on the following page. This insight is important in understanding the population base captured within a typical drive time of a sports team, and the impacts of population on potential attendance levels. As such, the following points can be made with respect to the population and attendance data.

- Within a 15-minute drive time, the average population among AAIPB stadiums is approximately 265,400. This is more than 100,000 people than the 141,800 population within a 15-minute drive of the Sioux Falls Stadium, ranking Sioux Falls 9th of the 12 markets reviewed. Sioux Falls ranks 10th of 12 when considering the population captured within a 30-minute drive of the Stadium. At approximately 242,500, the total 30 minute drive time population surrounding the Sioux Falls Stadium is nearly five times less than the average 1.1 million people within a 30-minute drive of other AAIPB stadiums.
- In 2017, Canary attendance represented 1.6 percent of the population base within a 15-minute drive, and 1.0 percent of the population within a 30 minute drive. These represent relatively high “penetration” levels, and suggest that for Sioux Falls to achieve current attendance, a larger share of the population base has to turn out for games.

We have also analyzed stadium capacities as a percentage of various drive time population measures, as summarized in the data presented on Page 65. Several notes can be made in reviewing these data.

The capacity at the Sioux Falls Stadium represents 3.1 percent of the population base within a 15-minute drive (ranking fifth highest among the 11 markets), and 1.8 percent of the population within a 30 minute drive (ranking second). These data again suggest that the population base within the Sioux Falls market would not support current attendance or stadium capacity levels unless a higher share of the population base attends games.

Taken together, the analysis presented on the following two pages highlights the need to provide a high-quality game day experience. Given the age of the Sioux Falls Stadium relative to others in the league, it is reasonable to assume that new stadium construction in the near future would be warranted. To create a superior before and after game experience for fans, many markets see stadium development take place in downtown areas that are walkable to restaurants and entertainment. This type of setting for any new stadium development in Sioux Falls should be pursued.

Further market demand research will be needed to establish appropriate seating, suite, club seat and other stadium capacity measures.

SIoux FALLS STADIUM ANALYSIS

AVG REPORTED ATTENDANCE TO POPULATION ANALYSIS

Team	Location	Ballpark	2017 Average Reported Attendance	15-Minute Drive Time Population	Ratio of Avg. Attend. to Population	30-Minute Drive Time Population	Ratio of Avg. Attend. to Population
Fargo-Moorhead Redhawks	Fargo, ND	Newman Outdoor Field	3,594	181,283	2.0%	229,015	1.6%
Lincoln Saltdogs	Lincoln, NE	Haymarket Park	3,387	202,590	1.7%	326,942	1.0%
Sioux Falls Canaries	Sioux Falls, SD	Sioux Falls Stadium	2,316	141,749	1.6%	242,512	1.0%
Sioux City Explorers	Sioux City, IA	Mercy Field at Lewis & Clark Park	1,243	95,949	1.3%	135,015	0.9%
Cleburne Railroaders	Cleburne, TX	The Depot at Cleburne Station	1,780	44,533	4.0%	246,417	0.7%
Winnipeg Goldeyes	Winnipeg, MB	Shaw Park	4,391	419,858	1.0%	782,753	0.6%
Wichita Wingnuts	Wichita, KS	Lawrence-Dumont Stadium	3,098	350,774	0.9%	566,818	0.5%
St. Paul Saints	St. Paul, MN	CHS Field	8,296	560,005	1.5%	2,052,244	0.4%
Gary Southshore Railcats	Gary, IN	U.S. Steel Yard	3,632	166,587	2.2%	934,682	0.4%
Kansas City T-Bones	Kansas City, KS	CommunityAmerica Ballpark	4,069	121,216	3.4%	1,256,845	0.3%
Texas Airhogs	Grand Prairie, TX	QuickTrip Park	1,173	416,284	0.3%	2,783,370	0.0%
Chicago Dogs	Rosemont, IL	Impact Field	-	359,846	-	2,625,610	-
Average			3,581	265,400	1.8%	1,085,400	0.7%
Median			3,491	202,600	1.6%	782,800	0.6%

Source: AAIPB; Esri – CSL Research, 2017

SIoux FALLS STADIUM ANALYSIS

SEATING CAPACITY TO POPULATION ANALYSIS

Team	Location	Ballpark	Ballpark Seating Capacity	15-Minute Drive Time Population	Ratio of Capacity to Population	30-Minute Drive Time Population	Ratio of Capacity to Population
Winnipeg Goldeyes	Winnipeg, MB	Shaw Park	7,481	419,858	1.8%	782,753	1.0%
St. Paul Saints	St. Paul, MN	CHS Field	7,140	560,005	1.3%	2,052,244	0.3%
Chicago Dogs	Rosemont, IL	Impact Field	6,300	359,846	1.8%	2,625,610	0.2%
Kansas City T-Bones	Kansas City, KS	CommunityAmerica Ballpark	6,270	121,216	5.2%	1,256,845	0.5%
Gary Southshore Railcats	Gary, IN	U.S. Steel Yard	6,139	166,587	3.7%	934,682	0.7%
Wichita Wingnuts	Wichita, KS	Lawrence-Dumont Stadium	6,111	350,774	1.7%	566,818	1.1%
Texas Airhogs	Grand Prairie, TX	QuickTrip Park	5,445	416,284	1.3%	2,783,370	0.2%
Cleburne Railroaders	Cleburne, TX	The Depot at Cleburne Station	5,000	44,533	11.2%	246,417	2.0%
Lincoln Saltdogs	Lincoln, NE	Haymarket Park	4,500	202,590	2.2%	326,942	1.4%
Sioux Falls Canaries	Sioux Falls, SD	Sioux Falls Stadium	4,462	141,749	3.1%	242,512	1.8%
Fargo-Moorhead Redhawks	Fargo, ND	Newman Outdoor Field	4,172	181,283	2.3%	229,015	1.8%
Sioux City Explorers	Sioux City, IA	Mercy Field at Lewis & Clark Park	3,800	95,949	4.0%	135,015	2.8%
Average			5,700	265,400	3.3%	1,085,400	1.1%
Median			6,100	202,600	2.2%	782,800	1.0%

Source: Esri – CSL Research, 2017

SIoux FALLS STADIUM ANALYSIS

Minor League Baseball Stadium Event Data

We have also reviewed the event data for the Sioux Falls Stadium. In 2017, the Stadium hosted approximately 50 Sioux Falls Canaries home games, as well as approximately 13 other non-tenant events including University of Sioux Falls baseball games, high school and amateur sports tournaments, and community festivals and events, among others. To consider this in the context of other ballparks, we have analyzed the event activity among select minor league baseball stadiums throughout the country, summarized below.

- Monongalia County Ballpark (Granville, WV) – Hosts 36 West Virginia Black Bears (Class A Short Season) games and 29 West Virginia Mountaineers (NCAA) games. Non-tenant events typically include two ticketed events including a beer festival and a concert or community event and ten to 20 private events including corporate meetings per year.
- MCU Park (Brooklyn, NY) – Hosts approximately 100 games a year including 35 Brooklyn Cyclones (Class A Short Season) games, 26 NYU baseball (NCAA) games and 16 New York Cosmos (NASL) games. Non-tenant events include other sporting events, concerts and community events.
- Joseph L. Bruno Stadium (Troy, NY) – Approximately 60 total events were held at the ballpark in 2016, including 35 Tri-City ValleyCats (Class A Short Season) games and 17 Hudson Valley Community College home games. Other events held at the ballpark include charity walks and community events.
- Richmond County Bank Ballpark (Staten Island, NY) – On an annual basis, the ballpark hosts approximately 80 total events, including 38 State Island Yankees (Class A Short Season) games. Other annual events hosted at the ballpark include 15 Wagner College Seahawks (NCAA) baseball games, two concerts, 15 high school baseball games, two combative events, and community events.
- Hammons Field (Springfield, MO) – Hosts 67 Springfield Cardinals (Class AA) games, 25 Missouri State University (NCAA) games. The ballpark hosts approximately 10 non-tenant events on an annual basis, including high school baseball games, 5K run/walks and religious services.
- San Jose Municipal Stadium (San Jose, CA) – The ballpark annually hosts approximately 140 events including 69 San Jose Giants (Class A Advanced) regular season and playoff home games, 28 San Jose State University (NCAA) baseball games, the San Jose Giant Race, high school tournaments, youth baseball camps, weddings, and company picnics.
- ONEOK Field (Tulsa, OK) – Hosts 68 Tulsa Drillers (Class AA) games, 15 Tulsa Roughnecks (USL) matches and approximately 15 other events annually, including high school and college baseball games.
- Louisville Slugger Field (Louisville, KY) – Hosts 71 Louisville Bats (Class AAA) games and 15 Louisville City FC (USL) games. Louisville Slugger typically holds one to two other events per year including concerts, sporting events, or community events.

The data above suggest that non-primary tenant events at the Sioux Falls Stadium are generally consistent with other venues reviewed. Opportunity may exist for one to two added concert, festival other community events.



8.0 SIOUX FALLS ORPHEUM THEATER ANALYSIS

SIoux FALLS ORPHEUM THEATER ANALYSIS

Overview



The Sioux Falls Orpheum Theater originally opened in 1913 in downtown Sioux Falls and has showcased Vaudeville, repertory theater, movies and other entertainment. The 686-seat historic theater has undergone numerous renovations over the years, most recently in 2007. In addition to the main theater, the Orpheum Theater Center also includes the Anne Zable Studio Theater that can accommodate up to 450, as well as classroom space. The Orpheum Theater is owned by the City of Sioux Falls and operated by SMG, and serves the Sioux Falls community by hosting plays, concerts, dances, banquets, weddings among other types of events.

According facility management, primary tenants and event producers at the Theater include the Sioux Empire Community Theatre (SECT), Sioux Falls Jazz & Blues Society, the Comfort Theatre Company, Balleraena, Main Stage Ballet, Dance Gallery, Dynamic Cheer & Dance, Triple S Dance, Children's Care Hospital & School, Jade Presents, The Collective Efforts Union, Pepper Entertainment and many other community and professional organizations. Events held at the Theater Center include weddings, banquets, receptions, meetings and other community functions.

SECT, who previously managed the Theater until SMG was contracted, is the largest user group of the Theater. In 2016, the SECT held seven productions, utilizing the Theater for 68 production days and an additional 192 days for rehearsal and production.

The purpose of this chapter is to evaluate the financial and event implications of the existing operating structure, and to make recommendations as to any supportable modifications.

SIoux FALLS ORPHEUM THEATER ANALYSIS

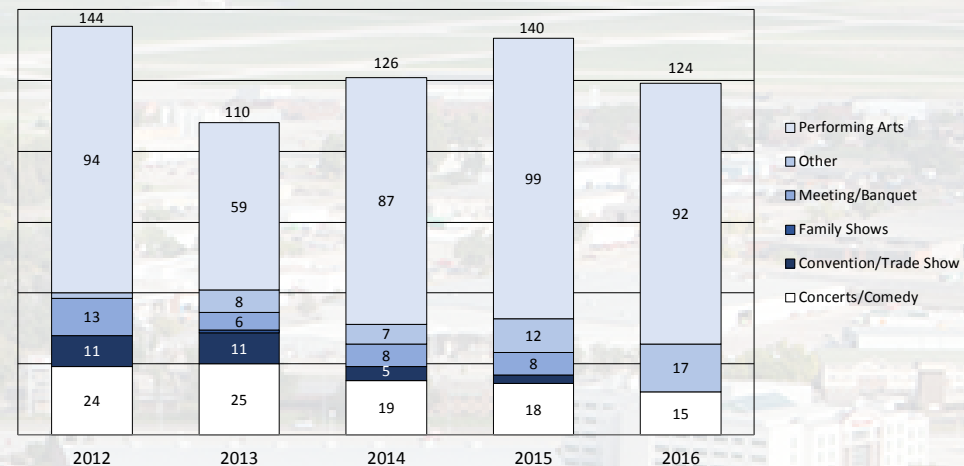
Orpheum Utilization By Event Type (2012 – 2016)

The Orpheum Theater has generated between 110 and 144 event days annually over the past five years. Performing arts, particularly SECT, generates by far the largest share of usage. Concerts and comedy events have dropped annually over the past five years. Meetings/banquets, family shows and convention/trade events also generate modest event day usage.

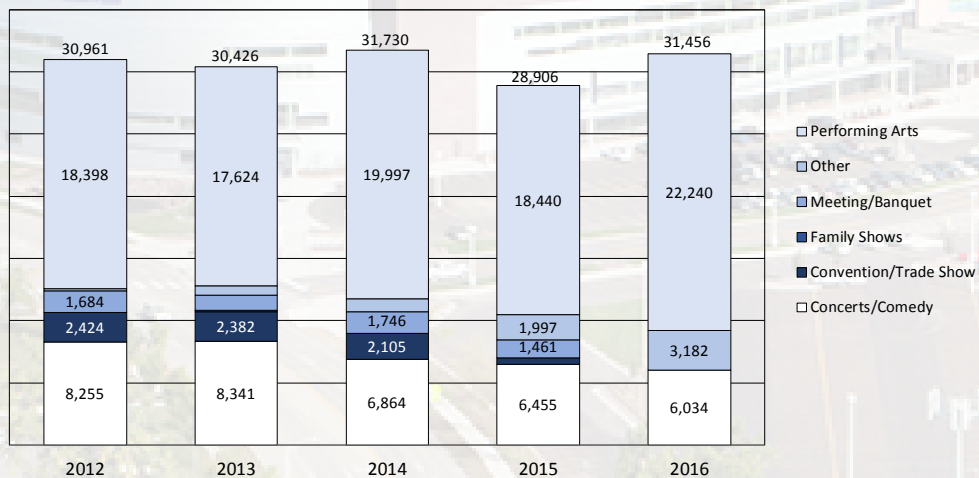
Utilization days include all event, move in and move out days, and peaked in 2014 at 447. There are numerous occasions during which multiple events are housed at the Theater over the same day, and again, performing arts (particularly the SECT with their move in and rehearsal days) generates the significant majority of overall usage.

Averaging more than 30,000, annual attendance has remained fairly constant over the past five years, with performing arts and concert/comedy events generating a majority of this usage.

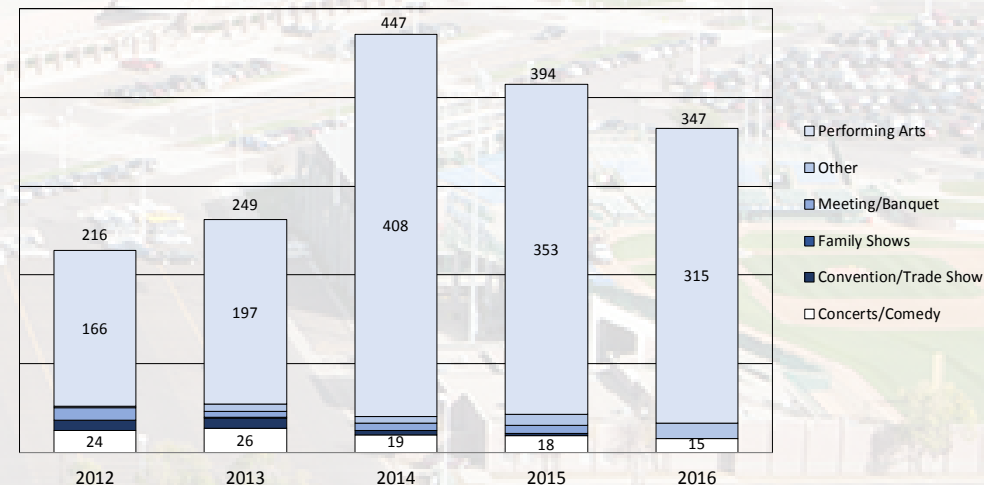
Event Day Data



Attendance Data



Utilization Day Data



SIoux FALLS ORPHEUM THEATER ANALYSIS

Potential Financial Operating Impacts

We have reviewed the financial operating performance for the Orpheum Theater between the years of 2014 and 2016. Data include various operating revenues such as rental, concessions, labor chargebacks and other sources. Expenses include salaries and benefits, utilities, insurance, maintenance and other such sources.

Revenues for the three year period ranged between \$118,000 and \$133,000, with a three year average of \$124,000. Expenses ranged between \$441,000 and \$616,000, averaging \$528,000. The net financial results for the Theater showed a loss of between \$307,000 and \$495,000, averaging \$404,000. The net positive financial operating revenue generated by the DSPC, operated by SMG in conjunction with the Theater, Arena and Sioux Falls Convention Center, allows for the Theater losses to be covered. Average revenue, expense and net financial performance data are summarized in the adjacent exhibit.

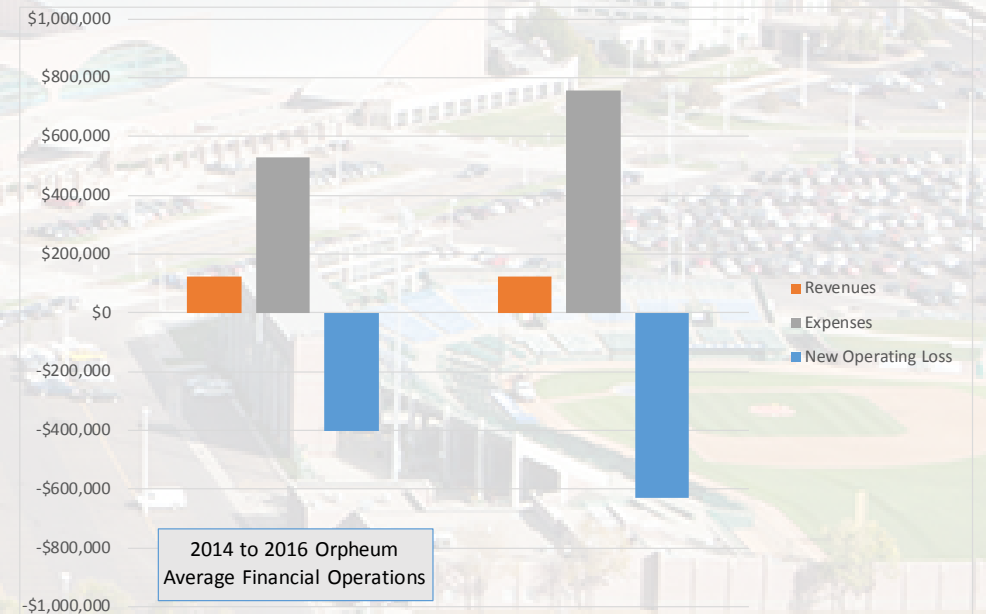
Under a scenario whereby a separate, third party management entity takes operational control of the Theater, there would be expected changes to the financial operating performance. These include added labor costs to reflect the need for additional operations, event management, janitorial, sales and general manager positions. Today, there are significant shared labor conditions that exist with the DSPC, SFCC and Arena. These conditions would cease to exist under separate third party management.

We would also expect that various expenses related to the annual audit and snow removal would increase due to lack of shared expense opportunities. At the same time, cost reductions could be realized with the elimination of the current management fee.

In 2016, the Sioux Empire Theater Company used the Theater for approximately 260 days annually, of which 68 were performance days. If efforts were increased to book concert, comedy and other such events during theater production non performance days, added revenue could potentially be generated. It is not clear if such an effort would be undertaken under the alternative management scenario, and this potential added revenue is not reflected in our assessment.

Based on the analysis conducted, the historical and potential financial operating performance for the Theater under separate third party management is presented below.

Summary of Orpheum Theater Financial Operating Performance
(average for the years 2014 to 2016, and assuming separate 3rd party management)



SIoux FALLS ORPHEUM THEATER ANALYSIS

Potential Financial Operating Impacts

As noted in the previous exhibit, the expenses under a new third party management scenario are assumed to increase by approximately \$226,000, increasing the estimated annual deficit to approximately \$630,000. It will be important for a source of funds to be identified that can accommodate these deficits, while also allowing for occasional major capital repair and replacement needs.

For example, if an endowment were to be established to pay for net operating losses, assuming a 4 percent rate of interest, the endowment would have to be established at approximately \$16 million.

There are several opportunities to improve the financial operating performance of the Theater, as described below.

- Volunteer staff – To the extent a new non-profit volunteer entity could absorb portions of the event coordination, janitorial, operations and/or general management within its volunteer organization, expected staff costs could be reduced. It is critical to note that qualified public assembly building professionals will be needed in these types of positions.
- Added event activity – There are an extensive number of dark dates during which theater production sets are in place. If efforts are made to book concert, comedy or other acts that can be produced with the stage set curtained off, added revenue could be generated.

We suggest that these measures would not likely eliminate a Sioux Falls Theater net loss, and newly identified revenue streams and/or endowment funds will be needed under a separate third party management structure.