



Market, Operational, Financial and Alternative-Uses Review and Analysis for the Monroe Multi-Sports Complex

Submitted to:

Edward Sell
Interim City Manager
City of Monroe
120 E. First Street
Monroe, Michigan 48161

May 31, 2016



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Interim City Manager
City of Monroe
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Monroe, Michigan 48161

Dear Mr. Sell,

City of Monroe engaged Hunden Strategic Partners (HSP) to conduct a market and future opportunity assessment study regarding the use of the Monroe Multi-Sports Complex (MMSC) to determine the optimal use or redevelopment of the current facilities for similar or varied recreational and sports uses, mixed-use, which would combine a recreational use with another non-recreational use or a complete restructured use employing sale or lease of MMSC for possible non-municipal uses (referred to hereafter as the "Project"). The attached is our report.

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

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

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

Sincerely yours,

Hunden Strategic Partners

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INTRODUCTION

City of Monroe (the City or the Client) engaged Hunden Strategic Partners (HSP), with assistance from Sink Combs Dethlefs (SCD), together referred to as the Consulting Team or HSP Team, to perform a market and opportunity assessment study regarding the future use of the Monroe Multi-Sports Complex (MMSC). The study's purpose is to determine the facility's optimal future use by taking into account the current physical condition, operations and financial performance, potential revenue and re-use opportunities.

The concern from the public sector stems from the challenging performance of the facility due to lower hockey usage than when originally opened. The facility, originally with two sheets of ice, has converted one sheet to a non-ice multi-purpose space. The economy in the area was hit hard during the last recession and it – and potentially other factors – led to a decline in hockey participation and overall usage of the center. Financial performance of the facility is lower than the community would prefer, with somewhat annual operating losses of approximately \$200,000 in addition to the ongoing debt service of approximately \$430,000 until 2024.

HSP's goal was to determine how the situation evolved and what the best options are for the MMSC going forward, including the potential value of uses other than as a sports and recreation facility. HSP investigated many options, including retail, warehouse/industrial, office, exposition/convention/meeting, as a welcome center for the River Raisin National Battlefield Park and as a potential reuse for recreation by others.

The results of the analysis suggest several key facts:

- Any change in use is going to cost additional funds of more than \$2 million, to as much as \$6 million. This includes taking care of deferred maintenance/capital items that need to be dealt with regardless of use (approximately \$1.2 million).
- No alternative use the HSP Team analyzed will result in positive net operating cash flow, except potentially as a retail showroom/warehouse. However, given the costs necessary to convert to these uses, the city would need to essentially give away the building in order to make the numbers work for the private sector.
- Mothballing the facility would potentially save the city the annual operating loss of approximately \$200,000, however debt service would still need to be paid. The impact to the ice community (hockey, figure skating, public skate, lessons) would be devastating locally, as the nearest options are outside of Monroe. The community and economic benefits of having such a facility locally are both intrinsic and measurable in terms of quality of life, travel time to/from other facilities outside of Monroe and spending by those who come from outside of Monroe to use the facility.
- HSP observed during its study of the situation that the City's expectations for the facility have been generally unrealistic. Most hockey and other recreation/sports facilities do not break even operationally. Perhaps when Monroe made the decision to invest in such a facility, it was led to believe that it would generate enough revenue to pay expenses, capital items and even some of the debt service. Regardless of what the going in assumptions were, the reality of most of these building types is that without robust demand 16+ hours per day most of the year, the buildings will not generate an operating profit.
- In addition to operating expenses, all buildings require a reserve for capital repairs. For example, if the useful life of a building is 30 years, then the capital reserve fund should ideally be funded

with one to three percent of the building's cost per year, so that by the 30th year, all of the main components and systems of the building should be assumed to be replaced in that period. This can start small, but increase over time. For example, if a building cost \$10 million to build, a wise owner puts away \$100,000 - \$300,000 per year for capital repairs for new roof, new HVAC, windows, bathroom fixtures, etc. Given that the facility is nearly 20 years old, it is not surprising that it requires more than \$1.2 million in capital repairs in addition to the repairs that have been completed during its lifetime. The City should accept these costs and not include them in the operating income/expense statement. These are *not* operating expenses and should not be held against the building or the existing management in terms of responsibility. These are predictable funding needs for all buildings.

- The debt service of the building should also not be held as a responsibility of the operating costs of the MMSC. Like any parks or recreation building, these buildings will not pay for themselves (as noted above) and therefore, should not be an annual budgetary conversation. The debt service for the building, like any park, road or public building, should be a community quality of life investment that is the community's responsibility at the time of funding and thereafter. Obviously, making sure the facility is as busy as possible and operated as efficiently as possible is a given, but the debt service and capital reserve should not be part of the annual discussion.
- HSP's review of the current management suggests that the operators know how to run such facilities and have been generally given a tough assignment. If they and the building are given the tools to succeed and the funding to make ongoing repairs and improvements, the net operating loss can be kept to a minimum, likely under \$200,000 per year. As the economy improves in the region, it is likely that usage will increase, as it has been since 2011. However, the City will need to make investments, regardless of the future use, in order to keep it energy efficient and functional (lowering utility expenses, eliminating leaks, etc.). There are other recommendations from HSP to improve revenues (increasing advertising and sponsorship, converting some front-of-house space to rentable rooms, etc.).
- The one alternative to continuing to manage the facility on its own is to allow an outside entity, like the YMCA, to lease part of the facility. There may be organizations interested in this option and believe they can take on the expenses of the building, as well as build it out to its needs, without public support. This option, if proved viable by those interested, would still likely require the City to spend the capital reserve dollars needed to improve the facility's roof and other systems. However, it could result in both programming as well as the operating deficit being eliminated. The City may even be able to charge a primary tenant a modest rent payment to offset the capital expenditure dollars and/or the debt service. The benefits to the community would be the addition of more recreation space, but the potential costs would be the loss of programs.

The next portion of this executive summary includes key elements and conclusions from the report.

SUMMARY OF CONCLUSIONS FROM CHAPTERS

Located east of downtown Monroe across River Raisin, the 70,400-square foot MMSC opened in February 1998 and is divided into two arenas, an ice arena and a turf arena. The first floor, which features both arenas, encompasses approximately 61,089 square feet, while the second floor of the building totals approximately

9,354 square feet. In addition to the two arenas, the facility features a main lobby, a pro shop and skate rentals, concessions, party room, public restrooms, locker rooms, meeting rooms and administrative offices. Rink Management, based in Virginia, is the current private management company in charge of the facility's operations, though the contract expires at the end of the 2015 calendar year. Rink Management took over facility management after the conclusion of the Canlan Ice Sports contract at the end of 2010.

The following figure shows the entrance of the MMSC.

Figure 1



MMSC is home to multiple local hockey associations, including Monroe Youth Hockey Association, Monroe High School Hockey, and St. Mary Catholic Central High School Hockey. MMSC also offers facilities for figure skating, Learn to Skate programs, flag football, lacrosse, and soccer for all ages. The facility also hosts birthday parties, special events, and inflatable bounce activities.

The decline in participation levels has had a negative impact on the facility throughout the last ten years, resulting in a \$150,000 - \$200,000 operating deficit that has been increasing. This debt service expires in 2024. HSP examined the condition of the facility, its historic performance, the current market conditions in Monroe and regionally, as well as a variety of re-use options to determine the best short- and long-term strategies for the MMSC to break-even financially or even become profitable.

Current Condition

The HSP Team reviewed the physical aspects of the MMSC, taking into account the size, quality, condition and layout of the building. The building opened in 1998 and is showing signs of its age. There are numerous deferred maintenance issues that should be addressed to keep the facility operational for the next 15 to 20 years. Additionally, there are underutilized spaces throughout the facility that could be improved through renovation and/or repurposing.

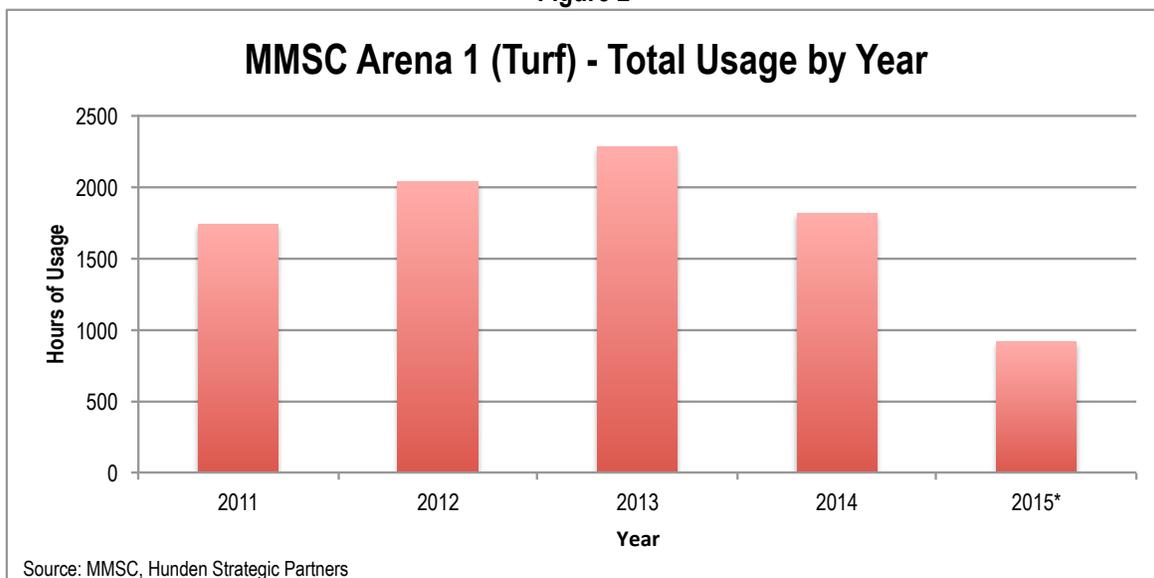
- **Space Utilization.** MMSC's general layout is efficient and appropriate for its current use. The building has some limiting attributes that should be noted when alternate uses are being considered and spaces that could be renovated to achieve better space utilization.
- **Exterior Design & Site Assessment.** MMSC is a very utilitarian building. While the exterior is comprised of durable and easy to maintain materials, the building has little architectural interest or curb appeal. Lighting, landscaping, and exterior signage upgrades could assist in transforming the facility into a more welcoming venue.
- **Access & Parking.** The building is served by a 250-stall asphalt parking lot. The lot is in need of general maintenance and surface repairs and is maintained by the City outside of the building's capital improvements budget. The parking lot capacity is adequate for the building's current use, but alternate uses with increased occupancy will require additional parking.
- **Exterior Signage & Lighting.** While the building has an existing marquee sign at the Dixie Highway entrance, it is a static board that requires manual updates. A programmable LED reader board should be considered for advertisement of upcoming events, programs, rental opportunities and additional advertising revenue.
- **Interior Design Assessment.** The interior finishes of the MMSC are generally in poor condition and out of date by today's standards. The facility is generally constructed of durable materials but, despite maintenance efforts, is showing signs wear.
- **Structural Assessment.** A cursory visual review of the building structure was performed and no structural issues were observed. Additionally, the existing roof joists and roof deck appears to be in fair condition. The existing concrete slabs do not have any visible signs of structural issues.

Usage

In order to best understand the long-term future options for the MMSC, it's important to analyze historic usage and demand of the facility. Historic performance will reveal usage trends throughout the past five years, as well as display areas in which the facility can improve to maximize all opportunities and revenue streams.

The following figure displays Arena 1 usage by year from 2011 through June of 2015.

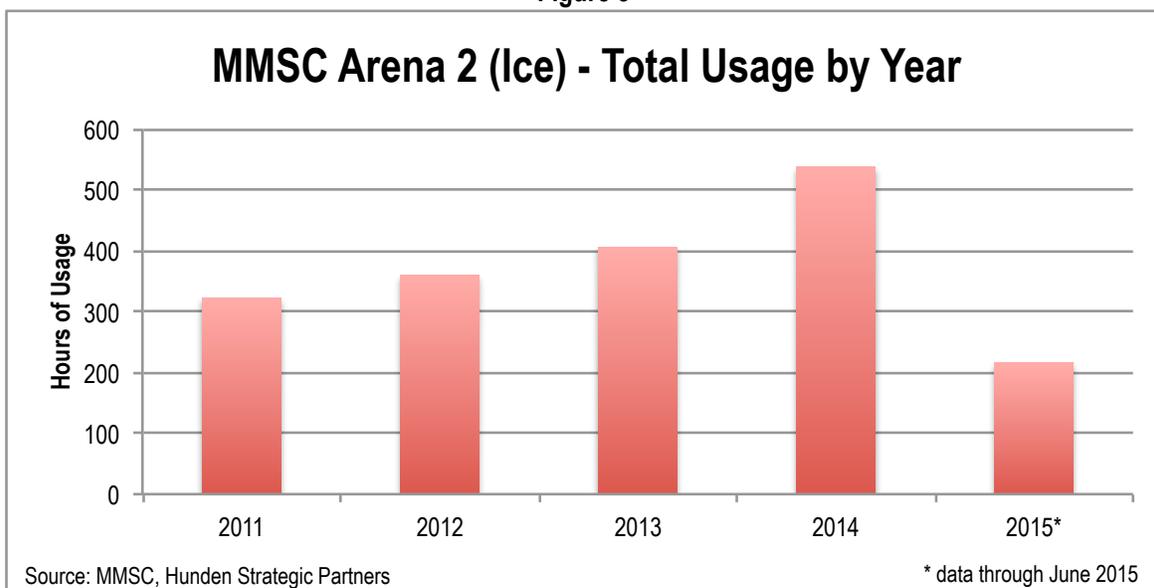
Figure 2



As the figure shows, overall use increased until 2013, before decreasing in 2014. Usage in 2015 is expected to exceed 2014. Demand has been primarily generated by soccer, inflatable bounce house, and baseball/softball.

The following figure displays Arena 2 usage by year from 2011 through June of 2015.

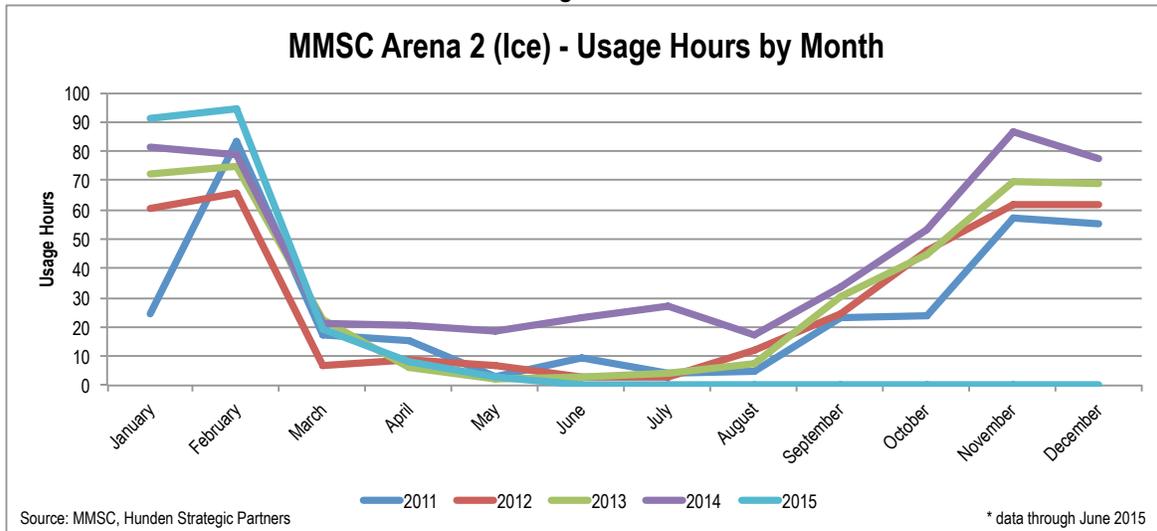
Figure 3



As the figure shows, overall use has increased each year through 2014. This increase has primarily been driven by the Monroe Hockey Association and Saint Mary Catholic Central. The growth of club teams is also a major factor in increased usage.

The following figure shows the ice arena's usage hours by month from 2011 through June of 2015.

Figure 4



The primary usage of the ice facility occurs in September through February. Usage of the ice arena is almost non-existent throughout the summer months. This chart, along with the similar trends seen in the summer month's usage of Arena 1, indicate an opportunity for a significant increase in programming during the summer months.

The following table shows the MMSC operating budget from 2012 through 2014.

Table 1

MMSC Operating Revenues and Expenses				
	2012	2013	2014	2015
Income				
Ice Arena				
Net Public Skating Admissions	\$18,750	\$19,748	\$22,094	\$17,218
Net Adult Hockey Revenue	\$99,542	\$63,722	\$50,119	\$29,687
Net Youth Hockey Revenue	\$1,430	\$135	\$(140)	\$0
Net Learn to Skate	\$14,135	\$13,522	\$10,761	\$10,488
Learn to Play Hockey	\$4,457	\$3,373	\$605	\$865
Contract Ice Revenue	\$159,347	\$134,932	\$145,039	\$149,159
Drop in Hockey	\$13,313	\$13,314	\$12,779	\$12,412
Figure Skating Revenue	\$9,493	\$9,684	\$7,506	\$8,165
Skate Rental	\$5,332	\$5,406	\$6,633	\$6,123
Total Ice Arena	\$325,800	\$263,837	\$255,396	\$234,117
Turf Facility				
Floor Rental Revenue	\$11,082	\$17,165	\$13,595	\$17,342
Bounce Admission	\$31,821	\$28,690	\$22,643	\$15,582
Soccer Revenue	\$31,721	\$23,035	\$26,404	\$950
Tournament Revenue	\$0	\$0	\$2,323	\$1,650
Dodgeball Revenue	\$0	\$4,443	\$0	\$100
Flag Football Revenue	\$0	\$0	\$0	\$4,352
Recreation Camp Revenue	\$3,834	\$7,375	\$2,382	\$0
Karate Rental Revenue	\$9,350	\$10,200	\$3,424	\$1,150
Ultimate Frisbee	\$0	\$0	\$2,180	\$0
Net Gymnastics/Cheerleading Revenue	\$(404)	\$0	\$0	\$0
Lacrosse Revenue	\$0	\$0	\$979	\$(538)
Total Turf Facility	\$87,405	\$90,908	\$73,930	\$40,587
Activity Revenue				
Birthday Party Revenue	\$52,505	\$46,438	\$25,591	\$22,223
Shows & Admissions Revenue	\$985	\$0	\$0	\$0
Group Admission	\$2,486	\$5,091	\$3,247	\$4,227
Total Activity Revenue	\$55,976	\$51,529	\$28,838	\$26,450
Other Revenue				
Token Revenue	\$3,140	\$3,452	\$3,507	\$2,885
Vending Revenue	\$5,779	\$5,544	\$3,992	\$3,294
Sponsorship Revenue	\$0	\$250	\$810	\$7,583
Concession Revenue	\$11,333	\$12,701	\$14,124	\$7,830
Pro Shop Revenue	\$2,592	\$1,074	\$1,099	\$609
Pro Shop Skate Sharpening	\$5,820	\$4,465	\$3,917	\$3,071
Locker Revenue	\$150	\$270	\$95	\$0
Total Other Revenue	\$28,814	\$27,755	\$27,544	\$25,272
Total Income	\$497,995	\$434,029	\$385,708	\$326,426
Expense				
Payroll	\$280,946	\$243,568	\$229,742	\$218,753
Bank Service Charges	\$4,644	\$5,148	\$4,182	\$4,053
Equipment Rental	\$1,703	\$2,178	\$2,621	\$2,926
Insurance	\$32,948	\$40,475	\$24,105	\$23,568
Advertising	\$13,387	\$8,773	\$8,016	\$10,071
Professional Fees	\$35,127	\$34,800	\$34,800	\$35,600
Repairs	\$26,220	\$23,728	\$29,928	\$45,110
Telephone & Computer Costs	\$8,775	\$8,733	\$9,632	\$10,049
Scheduling Software and expense	\$2,905	\$4,980	\$5,137	\$5,409
Web Hosting and Internet Fees	\$2,537	\$913	\$1,364	\$1,613
Utilities	\$166,990	\$185,618	\$198,186	\$167,501
Waste Removal	\$3,670	\$2,991	\$0	\$0
Payroll Expenses	\$6,684	\$5,946	\$6,658	\$5,083
Supplies	\$21,399	\$13,267	\$20,742	\$34,877
Miscellaneous	\$6,843	\$6,850	\$6,157	\$7,692
Total Expense	\$614,777	\$587,969	\$581,272	\$572,304
Net Income	\$(116,782)	\$(153,939)	\$(195,564)	\$(245,878)
Source: City of Monroe				

The struggles of the MMSC can be viewed as a result of a variety of factors, including the recent economic downturn, decreased participation levels, underutilized spaces within the facility, non-revenue generating programming of existing spaces, and the physical deterioration of the facility. By improving the interior finishes and repurposing unused space, these spaces could be generating additional revenue for the MMSC. Additionally, improvements to the exterior lighting, landscaping, and signage, including the marquee at the highway entrance, will improve the visibility and attractiveness of the building. Usage history shows consistent patterns throughout the past five years, and Arena 2 has experienced increased usage. Identifying more hours during the weekday that the ice arena can be utilized will offer additional revenue opportunities. The financial history shows that several revenue sources are not being maximized, such as sponsorship, concessions, and merchandise sales. Overall, the MMSC has a variety of deficiencies that must be improved if the facility has any chance of reducing the operating subsidy currently required.

Local Demographics and Economy

While the region and Monroe specifically have been hard hit by the negative changes taking place in the manufacturing economy and base of employment in Michigan generally, the County has managed to increase in population. However, the city’s population has declined recently. And while jobs and employment are coming back to the region, they are often at lower pay levels than enjoyed prior to the last two recessions. Certainly, the height of economic strength of the region is in the past, at least for the foreseeable future, despite the improving economy. The evolution of the Michigan and Rust Belt economy has caused significant shifts in employment, income, location decisions for home and businesses and other factors. Ultimately, the ability to support an expensive sport like hockey for families raising kids has been impacted.

The table below shows population changes in the United States, the State of Michigan, the Monroe MSA and Monroe County and the City of Monroe.

Table 2

	Population and Growth Rates				
	Population			2014 Estimate	Percent Change 2000 - 2010
	1990	2000	2010		
United States	248,709,873	281,421,906	308,745,538	318,857,056	9.7%
State of Michigan	9,295,297	9,938,444	9,884,133	9,909,877	-0.5%
Monroe County	133,600	145,945	152,021	149,824	4.2%
City of Monroe	22,902	22,076	20,733	20,198	-6.1%
City Pop. As % of MSA	17.1%	15.1%	13.6%	13.5%	--

Source: U.S. Census Bureau

Monroe and Monroe County have experienced the decline and rebound of the Michigan economy generally, which has been borne out in their population, employment, unemployment rate and other measures of activity. Growth going forward will likely be slow to occur, but opportunities are present, due to the variety of transportation types, combined with a solid and historically middle class residential base, community and four-year colleges, sports, recreation and cultural offerings. Overall, the local and regional economy appears to be consistent, not growing or shrinking rapidly. This means that specialty real estate uses cannot count on new growth to power their results, but must make due with the existing level of employment, income and spending. This puts the MMSC in a static market situation from which the city must find the best way forward.

Local Sports Facility Supply and Demand Analysis

HSP evaluated the local sports facilities to determine both the supply of local facilities for sports as well as the existing demand to determine if MMSC is needed for local use and how the existing facilities accommodate the market. There are limited indoor athletic facilities in the Monroe market, both in terms of quantity and quality. The existing sports facilities supply in Monroe is mostly recreational in nature with only one venue, Total Sports Complex, which is a true competitor in the market. This lack of local supply, including a complete lack of ice venues, suggests that MMSC is currently filling a gap in the market.

The following figure shows the local sports facilities in relation to the MMSC.

Figure 5



As the map shows, there is a limited supply of athletic facilities within Monroe. The MMSC is located nearest to Interstate 75, which offers an access advantage over the other properties.

Local Demand Analysis

HSP interviewed user groups and stakeholders in the Monroe community that represent competitive and recreational sports organizations, county governmental agencies, event organizers and other local demand generators to better understand their organizations' needs, as well as their opinions on the state of the MMSC. In addition, this section includes information gathered about the current issues, challenges and suggestions for how MMSC can be better utilized in the future.

Arena 2 (Ice Arena)

The following table lists the primary user groups of Arena 2, which houses the active sheet of ice currently.

Table 3

MMSC Arena 2 User Groups	
Group	Use
St. Mary Catholic Central High School	Hockey
Monroe Hockey Association	Hockey
Monroe High School	Hockey
Journey Figure Skating Club	Figure Skating

Source: MMSC, Hunden Strategic Partners

Conversation with various ice arena user groups and MMSC programming records indicated the following:

- Saint Mary Catholic Central High School (SMCC):** has an enrollment of approximately 380 to 400 students. SMCC is the third smallest school in the state of Michigan that offers hockey. The boys' hockey team has 15 to 18 players, and the team constructed its own locker room in the north corner of Arena 2 at the MMSC. The school typically hosts 17 to 20 games at the MMSC per year, in addition to practices.

St. Mary Catholic Central High School has increased its demand from more than 100 hours in 2011 to more than 140 hours in 2014. SMCC uses the MMSC ice routinely each day of the week except Sundays and Thursdays. However, in 2014, rental hours on Thursdays increased.

- Monroe Hockey Association (MHA):** There are currently 97 youth athletes in the association, and that number is growing, according to association representatives. MHA is comprised of six teams, and a seventh will be added in the near future. If growth continues, the additional demand for ice time will have to move to another facility. The organization also has an adult league comprised of six to eight teams annually. MHA is the primary user group of Arena 2, occupying more hours than any other group. MHA typically utilizes the facility in the early evening for youth practices and games.

The Monroe Hockey Association demand has increased from more than 118 hours to more than 266 hours in 2015. MHA use occurred most on weekends as well as Mondays and Thursdays. In 2014, weekday rental hours increased every day except for Fridays. As of 2013, MHA rents the most ice time at MMSC. In 2014, MHA used nearly double the amount of ice time than the next organization.

- **Monroe High School (MHS)** has an enrollment of approximately 1,900 students, including 600 athletes for 18 sports. MHS utilizes the turf field for baseball and softball in the winter, in addition to the ice facility for the hockey team. Monroe High School typically utilizes the facility in the evening hours, hosting games at 7:30 PM in most instances.

Monroe High School demand increased from 96 hours in 2011 to more than 123 hours in 2014. MHS demand primarily occurs on Sundays, Tuesdays and Thursdays. MHS will occasionally rental ice time on Saturdays as well.

- **Journey Figure Skating Club:** The primary figure skating club at MMSC, Journey Figure Skating Club, has 35 members and is trying to expand its membership. The group has plans for more programming, including tournaments, training, and freestyle skating. Minimizing travel time is an important factor, which is difficult considering the single sheet of ice in Monroe as hockey use takes precedence. The primary struggle of the Skating Club is financial limitations due to the cost of hiring instructors when participation is low. This challenge makes expansion of the club difficult without providing additional programming at a local facility so participants don't have to travel far distances to other venues.

Arena 1 (Indoor turf)

Overall, sports use for Arena 1 has declined mostly due to the major soccer group, Monroe Area Soccer Association, and the flag football groups leaving to use Total Sports Complex Monroe. Other sports such as indoor baseball and softball training provides additional usage during the winter months and inclement weather. Lacrosse, flag football and Ultimate are also present, but these uses are not as consistent or robust. Out of the non-athletic uses, bounce occupies the most hours of the year of any use. These events are sponsored by MMSC and attendees are charged an admission fee. Based on the number of hours these events are active each year, the amount of revenue is low, which seems to be a function of below market admission prices. Floor rentals are another use that typically means a third party is renting the space for a general meeting or other event that is not specifically sports related. These events include the following.

- Circus Pages hosts a circus each summer that generates \$2,000 per day for a flat rental fee of the arena. Circus Pages also shares ten percent of the concessions revenue. Circus Pages does receive 100 percent of the ticket sales and is also responsible for providing their own bleacher seating for the event.
- Four roller derbies are held each year. Event organizers provide their own seating. The synthetic turf is rolled up and stored on the side during the events. MMSC receives \$1,000 in rental fees for each derby, \$2 per ticket sold, which is approximately 300 tickets per event, ten percent of all vendor sales and all of the concession income of about \$700 is retained by MMSC.
- Comic Con used the space in October of 2015. Estimated attendance is 6,000 people, which will all be part of a fundraiser. Any necessary overflow parking will use nearby businesses and open fields. Tickets for the event are \$75 per person, which includes a buffet style meal donated by local restaurants.
- Job fairs are held in MMSC four times per year, as well. These events are held by Michigan Works. Vendors for the event, which are employers seeking new talent, are charged a fee to have a booth at the job fair. An average of 20 to 25 vendors attend the events. Equipment for the events is also rented, creating additional income for MMSC.

There is currently a lack of high quality supply in the Monroe market for indoor athletic use and especially ice rinks. The Planet Fitness and YMCA facilities are not true competitors with MMSC, and the Total Sports Complex, while competitive, does not offer any ice related facilities to the market. User groups stated that drive time and convenience are two of the primary factors in choosing a venue, and currently, MMSC offers a well-managed facility that is within reasonable proximity to the primary user groups. Ice arena users indicated frustrations with aspects of the facility, including quality of amenities, lack of pro shop, and ice availability, but they also stated that their organizations are growing and they are looking for a second sheet of ice, which may force them to another facility. Turf arena users also indicated similar frustrations, but overall, there is demand for this facility. User groups understand the financial issues the MMSC is currently having, but they hope it remains a community amenity in the long-term.

Regional Sports Facilities Analysis

HSP evaluated state and regional facilities to determine the level of supply in Michigan and surrounding region to understand the facility components that would position Monroe as a potential site for events in the state and potentially the region as well as offer amenities to the community otherwise unavailable. The athletic complexes throughout eastern Michigan and the surrounding region that compete with the MMSC vary in size, amenities and in quantity depending on the sport. The most relevant facilities that would compete are complexes with at least a single sheet of ice and more so if it also has indoor turf. Because of Monroe's proximity to the Indiana and Ohio borders, there may be some facilities that would draw participants for local and regional use. The cross-border use is limited by rules regulating the number of out-of-state players on team rosters.

The following table provides an overview of the competitive and comparable sports facilities in Michigan and Ohio.

Table 4

Regional Indoor Athletic Facility Supply								
Facility	Location	Distance from MMSC (miles)	Ice Sheet	Indoor Turf	Basketball	Volleyball	Meeting Room	Other
Brownstown Sports Center (formerly Ice Box)	Brownstown Charter Township, MI	20.2	1	--	--	--	--	--
Kennedy Ice Arena	Trenton, MI	21.0	3	--	--	--	1	--
Taylor Sportsplex	Taylor, MI	22.8	1	--	--	--	7	--
Southgate Arena	Southgate, MI	23.2	2	2	--	--	--	--
Ottawa Park Ice Rink	Toledo, OH	24.3	1	--	--	--	--	--
Yack Arena	Wyandotte, MI	24.8	1	--	--	--	--	--
John F. Savage Arena	Toledo, OH	25.5	--	--	1	1	--	--
Coliseum Racquet Club	Taylor, MI	26.3	--	--	3	--	--	12 racquetball courts
Lincoln Park Civic Arena	Lincoln Park, MI	26.5	1	--	--	--	--	Pool
Pacesetter Soccer Club - Key Bank Field	Toledo, OH	27.8	--	1	--	--	--	--
Frank J Lada Civic Arena	Allen Park, MI	28.7	1	--	--	--	--	--
Sylvania Tam-O-Shanter	Sylvania, OH	29.3	3	1	1	1	--	36,000-sf Exhibition Center
Central Arena Skating Center	Toledo, OH	30.1	1	--	--	--	--	--
Melvindale Civic Arena	Melvindale, MI	30.7	1	--	--	--	--	--
High Velocity Sports	Canton, MI	31.7	--	2	3	3	--	--
Soccer Centre	Maumee, OH	33.8	--	2	--	--	--	--
Wide World Sports Center	Ann Arbor, MI	37.9	--	2	--	--	--	--
Arrington Ice Arena	Adrian, MI	39.0	1	--	--	--	--	--
Average	--	28.0	1.4	1.7	2.0	1.7	4.0	--
Total	--	--	17	10	8	5	8	--

Source: Various facilities, Hunden Strategic Partners

Regional facilities mostly offer more of the same that the MMSC has to contribute to Monroe. These other facilities typically only offer one type of playing surface and very few total fields or courts, which implies that they are intended mostly for local use and small tournaments. While competition is relatively low between Monroe and these larger surrounding markets, locals are drawn away from Monroe by availability of facilities. However, what separates these facilities from MMSC is that they are very successful at programming their spaces and venues to keep their schedules full through the days, weeks and months by creating recreational leagues for sports, allowing non-athletic events to rent space and hosting other events that attract attention and activity from the local market.

The lack of supply in Monroe and the immediate surrounding area is inducing locals to drive their children to participate in athletic events in the region. These commutes are costly and time consuming especially when these trips are made weekly and even multiple times per week. The MMSC has the opportunity to be a compelling and necessary community amenity that will recapture much of the impact other communities are seeing from Monroe citizens. Drawing further impact from surrounding markets is less likely, but improving the conditions at the MMSC increases the opportunity for those circumstances. Considering the minimal difference between the MMSC's operating deficit with the space available to the public and with the doors closed, the benefit to the community can be significant if proper action is taken to reinvigorate the building and its programming.

Alternative Use Analysis

HSP considered various real estate uses as a means to repurpose MMSC into a useful and profitable community amenity or business opportunity. These uses included residential, retail, office, industrial, hotel, sports, event/expo and entertainment. The following table is a matrix of key factors that generally affect each real estate use's success. A green arrow indicates a factor is important to that type of development, a yellow dash means it has an uncertain or indirect impact, a red arrow means a low impact and the black line means the factor is not pertinent.

Table 5

Key Factors	MMSC Real Estate Repurpose Key Factors							
	Residential	Retail	Office	Industrial	Hotel	Sports	Event / Expo	Entertainment
Households	--	▲	▼	—	▼	▲	—	▲
Employment	▲	▲	▲	▲	—	—	▼	—
Tourism	--	▲	--	--	▲	—	▲	▲
Schools	▲	--	--	--	▼	▲	--	--
Commute time	▲	--	▲	▼	--	--	--	--
Demographics	▲	▲	—	—	—	▲	▲	▲
Infrastructure	—	—	—	▲	▲	—	▲	▲
Access	—	▲	▲	—	▲	▲	▲	▲
Parking	—	▲	▲	—	▲	▲	▲	▲
Traffic count	--	▲	--	--	—	▼	—	▲
Competitive Developments	▲	▲	▲	▲	▲	▲	▲	▲
Anchor tenants	--	▲	▲	▼	--	▼	▼	--
Proximity to suppliers/buyers	--	▼	--	▲	--	--	--	--
Labor Market	▼	▼	▲	▲	▼	--	--	--
Lease or purchase options	—	▲	▼	▲	--	▼	▼	▼
Proximity to demand generators	▼	—	--	--	▲	--	▲	▲
Location	—	▲	▼	▲	▲	▲	▲	—
Market size	--	—	—	▼	▲	▲	—	▲
Building structure	▲	▲	▲	▲	▲	▲	▲	▲

Source: Hunden Strategic Partners

Each of these 19 key factors was applied to the eight real estate uses considered for the repurposing of the MMSC. While each real estate use has key factors that are not pertinent for its success, many of these factors are universal in their application. Employment, demographics, infrastructure, access, parking, location and building structure apply to each of the uses with the latter being a deciding factor in many cases. The more green arrows for a development type means the more key factors are needed or will positively impact the viability of that particular development type. For example, for an entertainment development, there are 11 key factors that will play an important role in the viability of an entertainment project. Utilizing this matrix, HSP looked at the real estate market for properties that were for sale and lease to understand prices and activity.

The above matrix was then combined with the current state of the market to produce the following matrix, which determines the viability of each of the eight real estate uses. The following table displays which factors, based on current market conditions, are favorable when considering redevelopment of MMSC for other real estate uses. Similar to the first matrix, a green checkmark means the factor is favorable in the Monroe market for that use, a yellow exclamation point indicates uncertainty, a red "X" means the factor is prohibitive and a black line denotes the factor is not pertinent to the analysis of that use.

Table 6

Key Factors	MMSC Real Estate Repurpose Favorability							
	Residential	Retail	Office	Industrial	Hotel	Sports	Event / Expo	Entertainment
Households	--	✗	!	!	!	!	!	!
Employment	✓	✓	✓	✓	✓	✓	✓	✓
Tourism	--	!	--	--	!	!	!	!
Schools	✓	--	--	--	✓	✓	✓	--
Commute time	✓	--	✓	✓	--	--	--	--
Demographics	✓	✓	✓	✓	✓	✓	✓	✓
Infrastructure	✓	✓	✓	!	✗	✓	!	!
Access	✓	✓	✓	!	✓	✓	✓	✓
Parking	✓	✓	✓	!	✓	!	!	!
Traffic count	--	!	--	--	!	!	!	!
Competitive Developments	✓	✓	✓	!	✓	✓	!	!
Anchor tenants	--	✗	✗	✗	--	✗	✗	--
Proximity to suppliers/buyers	--	✗	--	!	--	--	--	--
Labor Market	!	!	!	!	!	--	--	--
Lease or purchase options	!	!	!	!	--	!	!	!
Proximity to demand generators	✗	✗	--	--	✗	--	✗	✗
Location	✗	✗	!	✓	✗	✓	!	!
Market size	--	!	!	✓	!	!	✗	!
Building structure	✗	✗	✗	✓	✗	!	!	!
Overall Viability	✗	!	✗	✓	✗	✓	!	!

Source: Hunden Strategic Partners

Each factor has a varying degree of relevancy and impact on each type of reuse, which will influence the overall viability of a development. Based on the influence each factor has on the different real estate types as well as the analysis of each real estate market in this chapter, there are two favorable development types, three neutral and three unfavorable. When considering market factors surrounding the MMSC site, residential and hotel developments appear to be an opportunity however, when the current structure of the building is considered, the costs to retrofit residential or short-term lodging units into the MMSC do not make economical sense. It is for this very reason that HSP determined these uses not viable options for consideration as part of MMSC’s future short- and long-term strategy. Office and retail also have seemingly positive profiles for this market. Office has a similar issue with the cost to renovate the MMSC into a viable and usable space. Some spaces already exist within the building that may be used as offices, however the structural nature of the MMSC would make conversion into office costly and would likely require rental rates that could not be justified to achieve an expected return on investments. Retail in a traditional sense does not fit well into the MMSC as it is removed from residential areas and does not have any nearby demand generators. A more viable type of retail is the showroom format, which is more of a wholesale or factory direct retail (e.g. furniture, flooring). The issues for traditional retail still apply generally though.

While office properties tend to offer the highest income per square foot, the likelihood of significant demand for office space in a renovated MMSC is low. Many retail properties are available for sale and lease, though performance is suffering from low incomes and nearby major markets drawing shoppers away from Monroe. Local brokers believe opportunities exist for the industrial market and to potentially utilize the MMSC as a trucking center or for light industrial, however, it is unlikely that a trucking company will be willing to pay a market rate for the building and land. MMSC currently contributes to the meetings and event market, but is not an ideal space to use for these events in its current condition. However, the lack of valuable local supply

beyond the MBT Expo Center is limiting the size and types of events that can be accommodated in Monroe. Dedicating the MMSC to meetings and events is a viable option, though heavy renovation would be necessary to maximize its functionality for user groups in that market. Tourism and entertainment are mostly missing from Monroe, but with the River Raisin National Battlefield Park's expansion plan, visitation is very likely to increase in the near future. Utilizing the MMSC, as a visitors' center is not an optimal situation based on the structure of the building, and a newer purposefully built structure would create the atmosphere a visitors' center or museum needs.

Recommendations

The primary goal of the MMSC operation is to reverse the increasing subsidy and improve financial performance near break-even levels. HSP analyzed the performance of MMSC and performed a market analyses for a variety of potential uses to determine scenarios that would make sense for the repurposing of MMSC, and will result in the best financial outcome.

The following table summarizes the five scenarios.

Table 7

Monroe Multi-Sports Center Budget Summary							
Item	Scenario 1*	Scenario 2	Scenario 3a	Scenario 3b	Scenario 4a	Scenario 4b	Scenario 5
Scenario Components	Address Deferred Maintenance and Capital Improvements	Renovate MMSC	P3 - Repurpose Arena 1	Repurpose Arena 1 into Visitor Center	Repurpose entire building into Exposition Center	Repurpose entire building into Commercial/Flex Space	Repurpose entire building into Entertainment Facility
General Improvements	\$267,200	\$247,200	\$288,200	\$286,600	\$1,562,000	\$712,000	\$787,000
Roof Replacement	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000
Main Level	\$0	\$647,960	\$3,708,580	\$2,378,440	\$7,267,780	\$6,626,515	\$7,865,750
Mezzanine Level	\$0	\$409,065	\$675,545	\$335,145	\$685,985	\$685,985	\$685,985
Construction Costs	\$817,200	\$1,854,225	\$5,222,325	\$3,550,185	\$10,065,765	\$8,574,500	\$9,888,735
Contingency & Other Costs	\$436,020	\$798,979	\$1,977,814	\$1,392,565	\$3,773,018	\$3,251,075	\$5,461,057
Total Project Costs	\$1,253,220	\$2,653,204	\$7,200,139	\$4,942,750	\$13,838,783	\$11,825,575	\$15,349,792

*If roof replacement is deferred, project costs are estimated at \$510,720
Source: Sink Combs Dethlefs

Recommended Scenario

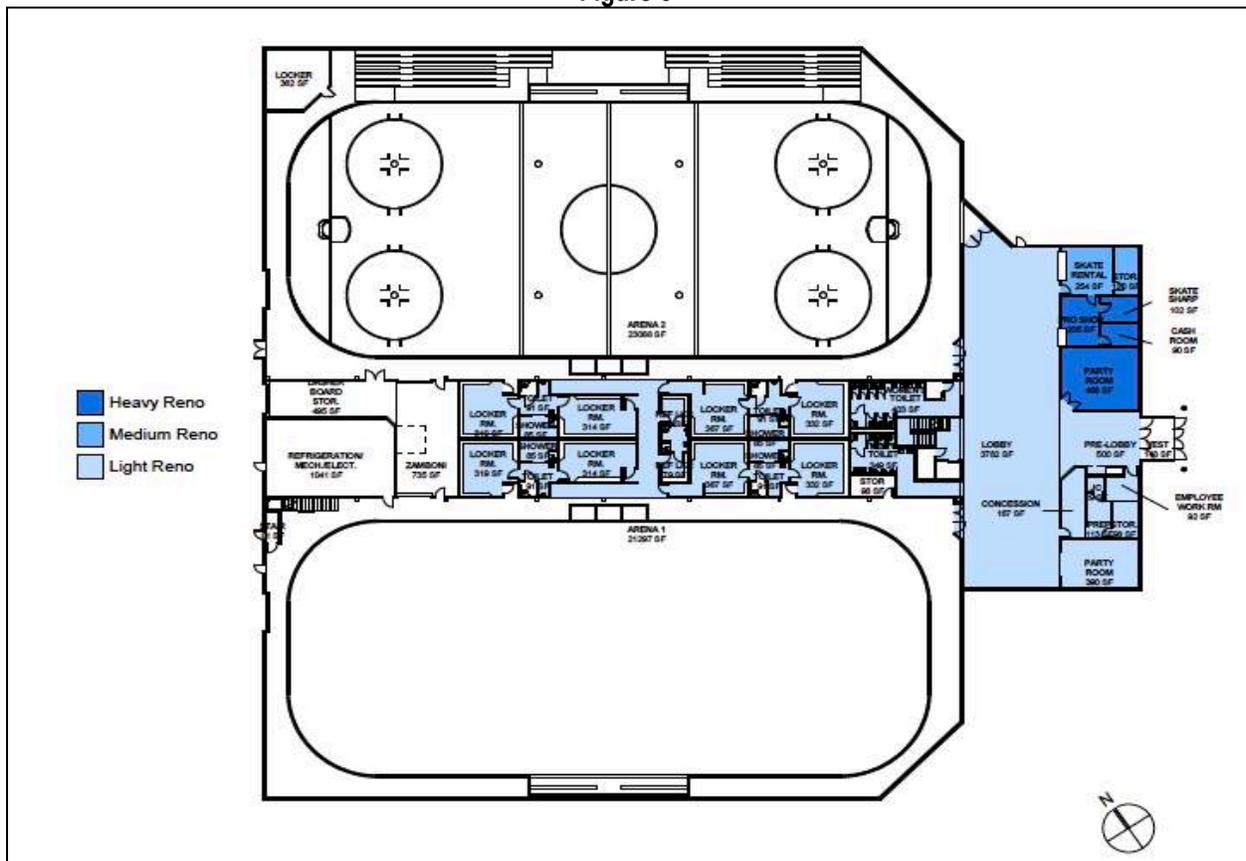
After review and discussion of the five proposed scenarios the HSP Team identified Scenario 2 as the most viable option that can progress the continued utilization of MMSC, while providing opportunities to establish partners that can contribute to the revenues and expenses of the facility. Although the other scenarios would achieve the needs and demands of the community, the financial investments required for these options would position the city to assume higher than suitable financial risk. The investment necessary to fund the recommended option is lower than the all the scenarios, except for Scenario 1 that would just address deferred maintenance and capital improvements. In addition, converting the MMSC will not necessarily make the building more competitive or attractive for each particular use, and calls for the city to pledge existing sources.

Ultimately, Scenario 1 has been acknowledged as the baseline improvements necessary to address the deferred repairs and maintenance that are impacting the performance of the facility. However, to keep the MMSC from cycling down further, it is recommended to improve the facility back to a competitive level.

Scenario 2 is recommended in the effort to keep the MMSC operational and competitive. This keeps the athletic uses in tact and should provide incentive for management to maximize revenue sources and expand programming with new and improved spaces. Overall, Scenario 2 limits the financial resources need to enhance the facility and gives management to pursue new opportunities to accommodate demand and increase revenues.

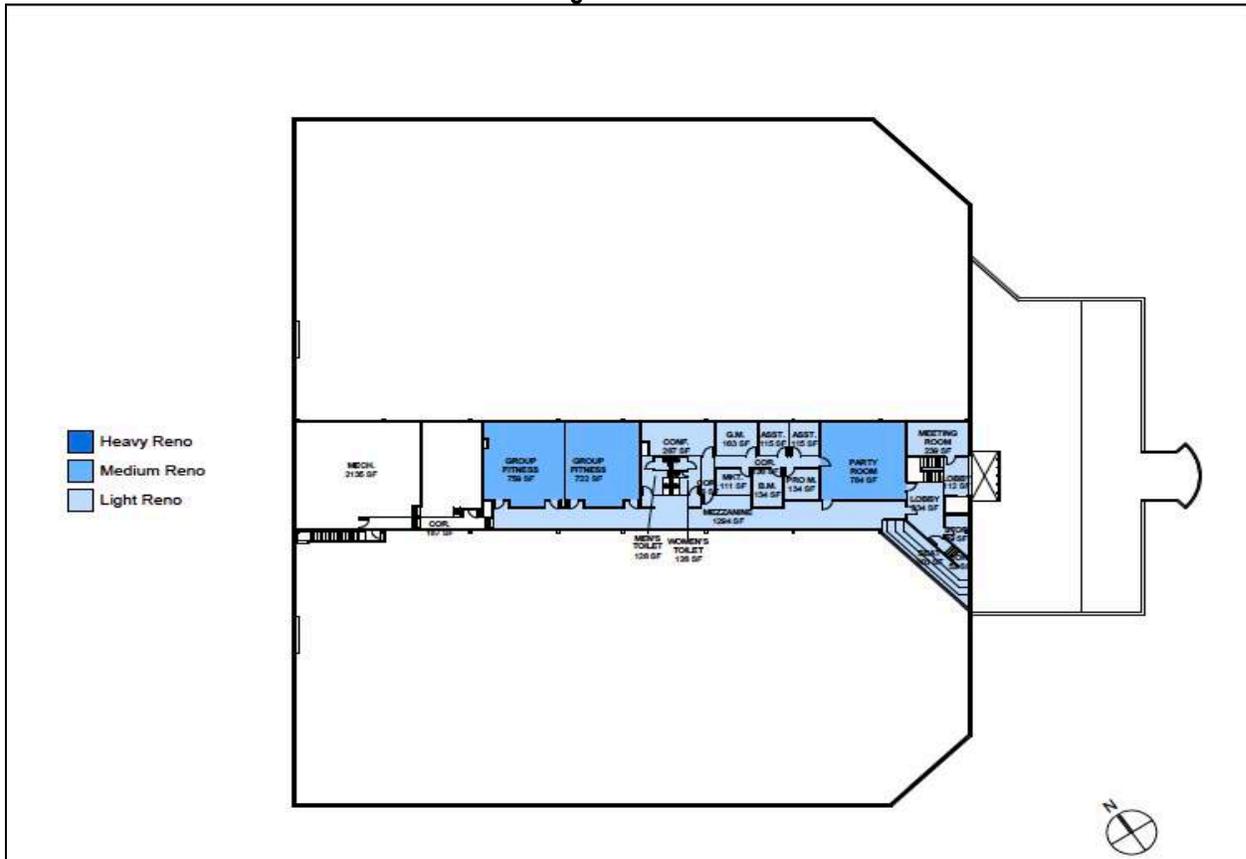
The following figure shows the renovations to the first floor outlined in Scenario 2.

Figure 6



The following figure shows the renovations to the second floor outlined in Scenario 2.

Figure 7



The following table lists the areas and the renovation type each will undergo.

Table 8

Monroe Multi Sports Complex - Scenario 2		
Name	Area (SF)	Renovation Type
Arena 2	23,088	--
Arena 1	21,297	--
Mechanical	2,135	--
Refrigeration/Mech/Elect	1,041	--
Zamboni	735	--
Dasher Board Storage	495	--
Locker	362	--
Cor.	187	--
Vest	148	--
Storage	98	--
Stairs	81	--
Elevator Equip. Room	60	--
JC	30	--
Total	49,757	--
Lobby	3,782	Light
Mezzanine	1,294	Light
Locker Room	735	Light
Locker Room	664	Light
Locker Room	637	Light
Locker Room	628	Light
Corridor	591	Light
Pre-Lobby	500	Light
Women's Toilet	403	Light
Party Room	390	Light
Toilet	362	Light
Men's Toilet	349	Light
Shower	341	Light
Lobby	334	Light
Seat	303	Light
	268	Light
Conf	267	Light
	252	Light
Meeting Room	239	Light
Asst.	230	Light
Concession	167	Light
G.M.	163	Light
Ref Locker	159	Light
Corridor	136	Light
Prep	113	Light
Lobby	112	Light
Mkt	111	Light
Storage	98	Light
Employee Work Room	92	Light
Storage	89	Light
Room	72	Light
Cor	56	Light
Cor	52	Light
JC	29	Light
Total	14,018	--
Party Room	784	Medium
Group Fitness	759	Medium
Group Fitness	722	Medium
Skate Rental	254	Medium
Storage	120	Medium
Total	2,639	--
Party Room	488	Heavy
Prop Shop	205	Heavy
Skate Sharp	102	Heavy
Cash Room	90	Heavy
Total	885	--
Level 1 GSF:	61,089	
Mezzanine GSF:	9,354	
Total GSF:	70,443	

Source: Sink Comb Dethlefs

The following table shows the Scenario 2 estimated budget.

Table 9

Monroe Multi-Sports Center Scenario 2 Estimated Budget					
Item	Renovations			Allowances	Total
	Light	Medium	Heavy		
General Improvements	--	--	--	--	\$247,200
Roof Replacement	--	--	--	--	\$550,000
Main Level	\$381,225	\$43,010	\$163,725	\$60,000	\$647,960
Mezzanine Level	\$148,590	\$260,475	\$0	--	\$409,065
Construction Costs	\$529,815	\$303,485	\$163,725	\$60,000	\$1,854,225
Contingency & Other Costs	--	--	--	--	\$798,979
Total Project Costs					\$2,653,204

Source: Sink Combs Dethlefs

The total renovation budget for Scenario 2 is estimated at \$2.63 million. Of that, \$1.85 million would address general improvements, roof replacement, main level and mezzanine level renovations. This scenario adds an additional \$1.4 million of renovations and other costs to the first scenario. Visitors would not see any significant changes to the overall layout of the facility. However, the aesthetics and amenity spaces are expected to be enhanced to a level that resembles more modern facilities. The hockey arena and turf arena would not undergo any notable renovations.

The facility, built nearly 20 years ago, has numerous deferred maintenance issues that should be addressed in order to keep the venue operational, as well as renovation and improvement opportunities that will improve functionality and aesthetics, making MMSC more attractive to potential user groups. These underutilized spaces include the meeting rooms, pro shop, and lobby. By improving the interior finishes and repurposing unused space, these spaces could be generating additional revenue for the MMSC. Additionally, improvements to the exterior lighting, landscaping, and signage, including the marquee at the highway entrance, will improve the visibility and attractiveness of the building.

Importance of Capital Reserve Fund

An important tool for maintaining the value of a community asset, like the MMSC, is a capital reserve fund. A capital reserve fund is an investment vehicle, typically funded monthly, to build the funds necessary to pay for the periodic replacement of building components that wear out more rapidly than the building itself and therefore must be replaced during the building's economic life. Funding this account, on a regular basis, should prevent the need for special assessments, borrowing money, or being unable to do needed projects on a timely basis.

Common components typically include the replacement of the roof, heating, ventilation, and air conditioning (HVAC) systems, parking lot resurfacing, etc. Replacement reserves do not include minor repairs and maintenance such as broken doorknobs or light bulbs. These minor expenses are considered routine operating expenses, not irregular capital expenditures.

Capital expenditures are necessary for maintaining a competitive and fully functional facility. Without proper maintenance, accelerated deterioration can be expected. Underfunding of major maintenance and capital renewal and replacement inevitably results in backlogs of deferred maintenance. An unsafe facility and unreliable infrastructure create hazardous conditions. Failing HVAC, electrical, and plumbing systems jeopardize the usability of spaces necessary for revenue-generating programming. Additionally, unattractive building interiors deter repeat visitors as well as the willingness of groups to host events at the facility. All of these factors add up to liabilities not shown on the MMSC's balance sheet.

Viewing community facilities as liabilities rather than assets should change financial perspectives and encourage strategic plans for new construction, maintenance, and repairs budgeting and surveys of existing conditions to develop deferred maintenance reduction programs. Recognition that MMSC components and spaces are in unsatisfactory condition should spur action.

Governance and Management

One of the most important decisions for a community that has an event facility is the structure of ownership and management of the facilities. The manner in which a municipality structures the type of management of the facilities is central to the short- and long-term success. The community needs to establish the best ownership and management structure under which the facility would operate to best suit the needs of the community and to foster the success of the facility and programs that rely on the facility to grow participation and generate impact for the community.

Pros and Cons of Management Structures

Facilities can be effectively run within any structure if the right, qualified management personnel are in place and the incentives and expectations are appropriate for such management. Also, it is critical that the owner (whether a City, Authority, etc.) is represented by a board that understands the sports and entertainment industry. An uneducated owner coupled with any management team provides an opportunity for economic and mission failure. Within any structure, safeguards and expectations must be in place to ensure everyone is operating from the same playbook.

Private Management

The following are implications of choosing a private management company:

- Management companies generally know how to maximize revenue and minimize expenses without hurting service. They also know how to staff the building with the minimum amount of human resources (which is the largest portion of expenses for a facility). Because staff is generally non-union, they can be terminated if they are not performing and are not artificially protected from the consequences of their actions. And if labor is unionized, these private companies are in a better position to negotiate than government staff who may have political concerns. This leads to lower costs.
- Because private management companies manage other facilities, they typically train managers over time through junior roles and advance them to manage facilities only when adept at the job.

They also have a network of resources to assist if the local building should need additional resources.

- Private management companies also tend to have networks of contacts for bringing in new events and also should have purchasing power for supplies and other items due to the many facilities within their structure. Any private company should prove that they are using their size and network to the community's advantage.
- Private managers should be well versed in negotiating food and beverage contracts, advertising and sponsorship deals, and related deals for the building. In many cases, the company offers their own catering company or has experience negotiating food and beverage agreements and this should be reviewed carefully to ensure each entity stands on its own merits.
- If an owner (city or authority) is unhappy with the job of management, they have several options to remedy the situation, including requesting the removal of the manager through the management company. The management company can then provide options to the owner for replacing the manager in question.
- Private management companies have relationships with national and regional event promoters, planners and other facility users and this provides several benefits:
 - Private management should be able to fill space within their booking window due to their relationships with such event promoters.
 - Such companies can develop custom shows and events with these promoters specifically for the market if a gap exists in the market.
 - Multi-venue deals can decrease costs for the facility.
- Because of performance-based compensation, operating results should be stronger.
- Generally speaking, private management companies have a more efficient and quick procurement process for goods and services than a public process. However, under a non-governmental management model that communities have established, procurement can also be quick and efficient).
- There can be a concern of lack of control by the community leadership over a private management company, but those checks and balances are recommended by HSP and can be properly calibrated with the right agreement.
- General managers could potentially turn over at a higher rate as new opportunities present themselves within the company's other facilities. However, this can also occur amongst public managers.

Public Management

The following are discussion items related to public management:

- Managers working directly for the public sector owner can be successful and effective in terms of operations if they have been trained in the industry and have excelled in other markets. However, it is key that their contract has the same stipulations that a private management company's would, in terms of management, marketing, revenue generation, expense control,

customer service, etc. Also, it is imperative that the owner's board or primary contact either be competent in facility management and marketing and/or they should retain an owner's rep/asset manager who can review and interpret performance of management for the owner. Managers, whether public or private, control the data and message related to that data for the facility and it is therefore very important that someone who knows the industry ask the right questions and review compliance with performance objectives. This can also be mitigated somewhat through the management contract.

- If the manager and staff are extensions of the public sector, they can be influenced by political and other public sector personalities and decisions. One mayor may not want to retain a past mayor's manager and could demand the change, despite good performance by the manager. Or the opposite could occur, where a Mayor, due to personal relationships, keeps the non-performing manager in place to the detriment of the building's performance.
- When facilities are extensions of government departments and are not stand-alone enterprises, their revenues and expenses (and subsidies) can get mixed in with other department funds and be hard to determine. This occurs in certain cities and can cause great financial strain. Setting up the building as an enterprise keeps the responsibility for its performance within the building. This can be achieved by setting up an authority structure, where a public authority outside of the municipality (and city budget) owns the building. Appointments are made to that board on a staggered basis so as not to have major turnover due to any political election. Keeping the facility as a stand-alone enterprise makes it responsible for its operation and should keep the city from putting excess/dead weight staff into "do-little" positions at the facility.

Authority Directed Management

A third, popular way to govern public event facilities is with an authority model. This occurs when an independent authority (often appointed by elected officials) hires an independent manager or a management company to run the facility. The authority receives funding from dedicated tax revenues most often.

Members of the independent authority board are appointed and then acts more independently than a city department would. They are often civic leaders and others who have management and financial experience and can ask the tough questions of facility management. They also have the ability to hire and fire either an independent manager or they can hire a private management company, such as at the MMSC today, as many do across the U.S. This then provides both the benefits of independence while still tying the governance to some form of elected government.

Each of the structures discussed is considered to have benefits as well as challenges. Each city has different funding mechanisms, regulations and political environments that impact the relationships between leadership, operators and user groups. It is important to foster relationships and provide for the ability of all relevant stakeholders to work collaboratively and universally in concert with each other to achieve citywide benefits. The ideal governance structure should align roles and responsibilities to ensure accountability and expectations are focused to achieve citywide success. Despite there being similar governance structures, there is no perfect structure for all cities. It is certain that the most effective relationships are those that consider efficient internal communication, clearly defined roles and responsibilities, quality customer service, proper allocation of resources and a framework that supports collaborative decision making to drive the destination's goals.

These types of facilities are significant businesses and must be responsive to the needs of the market. When well run, they can generate minimize operating deficits and potential operate near breakeven for the owner. If treated as a public amenity, they can cause significant financial deficits, which would be covered by the owner, which is typically the local municipality. The community has endured both negative and positive experiences with private management at MMSC. Given the existing positive experience the community has had with Rink Management, this privately-managed model appears to have merit in Monroe. As such, if the decision for the MMSC's future is to be owned and operated by the municipality, then a separate enterprise entity should be created to operate the MMSC. The goal for the MMSC is to both generate economic and fiscal impacts as well as maximize revenue and minimize expenses.

Projections

HSP presents demand and financial projections for two scenarios. The first scenario assumes the current situation where the MMSC is managed by a third-party management firm that is charged to maximize revenues, minimize expenses and to minimize the facility's operating deficit or break even financially. The second scenario assumes the MMSC's Arena 2 continues ice programming, while Arena 1 and associated space is operated by a tenant group/organization.

Scenario 1: Renovated MMSC

HSP modeled the projections based on the MMSC operating under private management and the rental demand by existing hockey clubs and turf user groups. Lesser factors, yet important, are the ability of the facility to induce demand for public skate, floor rental and multipurpose rooms. HSP assumes that an improved MMSC continue to accommodate these clubs, leagues and participants, as well as provide additional multipurpose rooms for birthdays, meetings and other events. However, at this point the ice hockey population in the area is not large, so it is possible that the clubs and leagues do not expand. The figures have then been inflated at two percent annually. The assumptions and this proforma only include direct onsite personnel and do not include allocations for administration. Private management would use industry expertise to attract local participants and achieve strong market penetration.

Table 10

MMSC Operating Revenues and Expenses Projections											
	Annual growth first four years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Income											
Ice Arena											
Public Skating Admissions	4%	\$24,484	\$25,463	\$26,481	\$27,541	\$28,092	\$28,653	\$29,226	\$29,811	\$30,407	\$31,015
Adult Hockey Revenue	3%	\$22,356	\$23,027	\$23,718	\$24,429	\$24,918	\$25,416	\$25,924	\$26,443	\$26,972	\$27,511
Youth Hockey Revenue	1%	\$(1,106)	\$(1,117)	\$(1,128)	\$(1,140)	\$(1,162)	\$(1,186)	\$(1,209)	\$(1,234)	\$(1,258)	\$(1,283)
Learn to Skate	2%	\$9,620	\$9,813	\$10,009	\$10,209	\$10,414	\$10,622	\$10,834	\$11,051	\$11,272	\$11,497
Learn to Play Hockey	3%	\$2,896	\$2,983	\$3,072	\$3,165	\$3,228	\$3,293	\$3,358	\$3,426	\$3,494	\$3,564
Contract Ice Revenue	3%	\$150,832	\$155,357	\$160,018	\$164,819	\$168,115	\$171,477	\$174,907	\$178,405	\$181,973	\$185,613
Drop in Hockey	2%	\$12,853	\$13,110	\$13,373	\$13,640	\$13,913	\$14,191	\$14,475	\$14,764	\$15,060	\$15,361
Figure Skating Revenue	2%	\$7,045	\$7,186	\$7,330	\$7,476	\$7,626	\$7,778	\$7,934	\$8,093	\$8,254	\$8,419
Skate Rental	3%	\$7,304	\$7,523	\$7,749	\$7,981	\$8,141	\$8,304	\$8,470	\$8,639	\$8,812	\$8,988
Total Ice Arena	--	\$236,285	\$243,346	\$250,622	\$258,121	\$263,283	\$268,549	\$273,920	\$279,398	\$284,986	\$290,686
Turf Facility											
Floor Rental Revenue	3%	\$16,954	\$17,463	\$17,987	\$18,526	\$18,897	\$19,275	\$19,660	\$20,053	\$20,454	\$20,863
Bounce Admission	3%	\$19,096	\$19,669	\$20,259	\$20,867	\$21,284	\$21,710	\$22,144	\$22,587	\$23,039	\$23,500
Soccer Revenue	2%	\$22,171	\$22,614	\$23,067	\$23,528	\$23,999	\$24,479	\$24,968	\$25,468	\$25,977	\$26,496
Tournament Revenue	5%	\$3,252	\$3,415	\$3,586	\$3,765	\$3,840	\$3,917	\$3,995	\$4,075	\$4,157	\$4,240
Dodgeball Revenue	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Flag Football Revenue	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Recreation Camp Revenue	3%	\$3,171	\$3,266	\$3,364	\$3,465	\$3,534	\$3,605	\$3,677	\$3,750	\$3,825	\$3,902
Karate Rental Revenue	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ultimate Frisbee	3%	\$2,994	\$3,084	\$3,176	\$3,271	\$3,337	\$3,404	\$3,472	\$3,541	\$3,612	\$3,684
Gymnastics/Cheerleading Revenue	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lacrosse Revenue	20%	\$1,566	\$1,879	\$2,255	\$2,706	\$2,760	\$2,815	\$2,871	\$2,929	\$2,987	\$3,047
Total Turf Facility	--	\$69,204	\$71,389	\$73,693	\$76,128	\$77,650	\$79,203	\$80,787	\$82,403	\$84,051	\$85,732
Activity Revenue											
Birthday Party Revenue	15%	\$47,128	\$54,197	\$62,327	\$71,676	\$73,109	\$74,572	\$76,063	\$77,584	\$79,136	\$80,719
Shows & Admissions Revenue	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Group Admission	3%	\$4,500	\$4,635	\$4,774	\$4,917	\$5,016	\$5,116	\$5,218	\$5,323	\$5,429	\$5,538
Total Activity Revenue	--	\$51,628	\$58,832	\$67,101	\$76,593	\$78,125	\$79,687	\$81,281	\$82,907	\$84,565	\$86,256
Other Revenue											
Token Revenue	3%	\$3,846	\$3,961	\$4,080	\$4,202	\$4,286	\$4,372	\$4,460	\$4,549	\$4,640	\$4,733
Vending Revenue	3%	\$3,417	\$3,519	\$3,625	\$3,734	\$3,808	\$3,885	\$3,962	\$4,041	\$4,122	\$4,205
Sponsorship Revenue	30%	\$19,500	\$25,350	\$32,955	\$42,842	\$43,698	\$44,572	\$45,464	\$46,373	\$47,300	\$48,246
Concession Revenue	10%	\$17,061	\$18,767	\$20,644	\$22,709	\$23,163	\$23,626	\$24,098	\$24,580	\$25,072	\$25,573
Pro Shop Revenue	5%	\$1,752	\$1,840	\$1,932	\$2,028	\$2,069	\$2,110	\$2,152	\$2,195	\$2,239	\$2,284
Pro Shop Skate Sharpening	3%	\$2,916	\$3,004	\$3,094	\$3,187	\$3,250	\$3,315	\$3,382	\$3,449	\$3,518	\$3,589
Locker Revenue	3%	\$120	\$123	\$127	\$131	\$134	\$136	\$139	\$142	\$145	\$147
Total Other Revenue	--	\$48,612	\$56,564	\$66,456	\$78,832	\$80,408	\$82,016	\$83,657	\$85,330	\$87,037	\$88,777
Total Income		\$405,729	\$430,132	\$457,872	\$489,673	\$499,467	\$509,456	\$519,645	\$530,038	\$540,639	\$551,451
Expense											
Payroll	4%	\$208,223	\$216,552	\$225,214	\$234,222	\$238,907	\$243,685	\$248,559	\$253,530	\$258,600	\$263,772
Bank Service Charges	3%	\$4,323	\$4,452	\$4,586	\$4,723	\$4,818	\$4,914	\$5,012	\$5,113	\$5,215	\$5,319
Equipment Rental	3%	\$3,178	\$3,274	\$3,372	\$3,473	\$3,542	\$3,613	\$3,686	\$3,759	\$3,834	\$3,911
Insurance	3%	\$24,377	\$25,108	\$25,861	\$26,637	\$27,170	\$27,713	\$28,268	\$28,833	\$29,410	\$29,998
Advertising	20%	\$12,070	\$14,485	\$17,382	\$20,858	\$21,275	\$21,700	\$22,134	\$22,577	\$23,029	\$23,489
Professional Fees	3%	\$35,620	\$36,688	\$37,789	\$38,923	\$39,701	\$40,495	\$41,305	\$42,131	\$42,974	\$43,833
Repairs	3%	\$31,244	\$32,181	\$33,147	\$34,141	\$34,824	\$35,521	\$36,231	\$36,956	\$37,695	\$38,449
Telephone & Computer Costs	3%	\$10,201	\$10,507	\$10,822	\$11,147	\$11,370	\$11,597	\$11,829	\$12,066	\$12,307	\$12,553
Scheduling Software and expense	3%	\$6,770	\$6,973	\$7,182	\$7,397	\$7,545	\$7,696	\$7,850	\$8,007	\$8,167	\$8,331
Web Hosting and Internet Fees	10%	\$1,872	\$2,059	\$2,265	\$2,491	\$2,541	\$2,592	\$2,644	\$2,696	\$2,750	\$2,805
Utilities	5%	\$225,534	\$236,811	\$248,651	\$261,084	\$266,306	\$271,632	\$277,064	\$282,606	\$288,258	\$294,023
Waste Removal	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payroll Expenses	4%	\$6,659	\$6,926	\$7,203	\$7,491	\$7,641	\$7,794	\$7,949	\$8,108	\$8,271	\$8,436
Supplies	3%	\$18,347	\$18,897	\$19,464	\$20,048	\$20,449	\$20,858	\$21,275	\$21,701	\$22,135	\$22,577
Miscellaneous	3%	\$6,109	\$6,292	\$6,481	\$6,676	\$6,809	\$6,945	\$7,084	\$7,226	\$7,370	\$7,518
Total Expense	--	\$594,526	\$621,205	\$649,418	\$679,312	\$692,898	\$706,756	\$720,891	\$735,309	\$750,015	\$765,015
Net Income	--	\$(188,798)	\$(191,073)	\$(191,547)	\$(189,638)	\$(193,431)	\$(197,300)	\$(201,246)	\$(205,271)	\$(209,376)	\$(213,564)

Source: Hunden Strategic Partners

The majority of revenue and expense line items are expected to have moderate growth. The MMSC is expected to see an increase in performance during the first four years after improvements and enhancements. After the fourth year, the revenue and expense line items are expected to increase with inflation. Inflation was assumed to be two percent for the projections.

The following assumptions were made for the revenue and expense line items impacted the most by improvements to the MMSC.

- Hockey activities ranged between two and four percent growth. Although hockey use is expected to increase, the peak periods of use have high occupancy and so any additional use will likely occur in non-peak periods such as pre- and post-season as well as weekday days.
- Turf revenues are assumed to have moderate growth between two and five percent. The loss of a large soccer group will impact the short-term use of the turf facilities. However, the available time previously occupied for the former soccer group will now be available for groups and uses that are growing and need more time. Lacrosse programming is one example of use at the MMSC that is increasing. Lacrosse related used was assumed to increase 20 percent each of the first four years.
- Birthday revenue is assumed to increase by 15 percent each of the first four years as a result of additional multipurpose and party rooms being programmed. The MMSC is expected to accommodate more birthday groups as well as groups simultaneously.
- Other revenues will be mostly impacted by improvements to the MMSC as well as renewed focused on ancillary revenue sources. Sponsorship revenue is assumed to increase annually by 30 percent before stabilizing. Concession revenue is assumed to increase ten percent before stabilizing.
- The expenses assume advertising expense will increase due to additional marketing and advertising of the facility and its renovations. The projections assume more proactive advertising efforts to attract visitors and secure events. The advertising budget is assumed to increase ten percent the first four years before stabilizing.
- MMSC utility expenses are assumed to increase as a result of an increase in use. The improvements to the facility to address deferred maintenance, repairs and inefficient equipment are expected to help reduce utility costs.

Although investments to improve the functionality and attractiveness of the facility are expected to improve revenue-generating potential, the MMSC is still expected to operate with an annual deficit.

Scenario 2: Third-Party Lease

In Scenario 2, a third-party leases Arena 1 of the facility. The City is assumed to cover the costs of capital improvement items of \$1.2 million. The tenant organization would negotiate a lease term and annual amount with the City for use of the facility. Given that these items are to be negotiated, HSP will not present a model for this scenario. However, the key factor in favor of the third-party organization lease is the ability to potentially reduce or eliminate the annual operating cost of the facility. The organization would need to spend its own resources to fully build out the facility to its needs, however the City would be expected to complete the deferred maintenance. In HSP's opinion, if the third-party organization were willing to lease a portion of

the facility at any annual lease payment, it would be a financial improvement over the current situation. The City may be able to negotiate a lease amount that would cover the cost of the ongoing capital maintenance, although the figures are fairly high and we do not believe that any new tenant, YMCA or other, would be willing to spend \$10,000 per month (or \$120,000 per year @ ten years is \$1.2 million) to cover these costs, although some lesser amount could be negotiable.

The following assumptions were made to calculate the projections for the third-party lease agreement scenario.

- MMSC revenues include all facility revenue sources. Turf related revenues are eliminated and from the MMSC total revenues and replaced by the lease revenue.
- Gross leasable area equals 30,120 square feet.
- City is assumed to provide necessary improvements to Arena 1 and associated spaces for tenant occupancy.
- Lease rate per square foot assumes \$3 per square foot, totaling \$90,360 in year one.
- Inflation is assumed to be two percent annually.

The following table outlines the projections for a third-party lease scenario.

Table 11

MMSC Operating Revenues and Expenses Projections - P3 Scenario										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Income										
MMSC Revenues	\$336,492	\$358,675	\$384,075	\$413,404	\$421,672	\$430,105	\$438,708	\$447,482	\$456,431	\$465,560
P3 Est. Lease Revenue	\$90,360	\$92,167	\$94,011	\$95,891	\$97,809	\$99,765	\$101,760	\$103,795	\$105,871	\$107,989
Total Income	\$426,852	\$450,842	\$478,086	\$509,295	\$519,481	\$529,870	\$540,468	\$551,277	\$562,302	\$573,549
MMSC Expenses	\$594,526	\$621,205	\$649,418	\$679,312	\$692,898	\$706,756	\$720,891	\$735,309	\$750,015	\$765,015
Net Income	\$(167,674)	\$(170,363)	\$(171,332)	\$(170,017)	\$(173,417)	\$(176,886)	\$(180,423)	\$(184,032)	\$(187,712)	\$(191,467)

Source: Hunden Strategic Partners

Assuming a third-party lease agreement is secured for Arena 1, the MMSC is estimated to generate income from ice activities in Arena 2 and a third-party lease agreement that generate a near breakeven operation. The third-party is assumed to lease approximately 30,120 gross square feet, which includes Arena 1, mezzanine level, and a portion of the lobby space that would be converted for a separate reception/entrance area. The City will be required to make necessary tenant improvements to ensure the leasable space is ready for occupancy. The FF&E and complete space enhancements are assumed to be the responsibility of the tenant. Based on the market lease rates for industrial, large format buildings, the lease rate is assumed to be \$3 per square foot, totaling an annual rental lease of \$90,360 in the first year. Based on these assumptions, the MMSC is projected to still operate with a deficit of more than \$170,000 annually. Again, it is assumed the City would make the \$1.2 million of deferred maintenance and repairs to bring the MMSC to optimal functionality and efficiencies in its current state.

Report Layout

- Executive Summary
- Chapter 1 Project Profiles
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- Chapter 3 Local Sports Supply and Demand Analysis
- Chapter 4 State and Regional Sports Facilities Analysis
- Chapter 5 Community Needs Assessment; Alternative Use Analysis.
- Chapter 6 Recommendations; Conceptual Drawings and Budget
- Chapter 7 Demand and Financial Projections

About Hunden Strategic Partners

Hunden Strategic Partners is a full service real estate development advisory practice specializing in destination assets. With professionals in Chicago and Indiana, Hunden Strategic Partners provides a variety of services for all stages of destination development in the following primary areas:

- Real estate market and financial feasibility and financial consulting
- Owner's representation and operating consulting
- Strategy and master planning
- Public incentive analysis
- Economic, fiscal and employment impact analysis (cost/benefit)
- Economic and tourism policy/legislation consulting
- Organizational development
- Research and statistical analysis
- Developer solicitation and selection; Private management company solicitation and selection

Hunden Strategic Partners professionals have provided all of the above services for hundreds of client projects worldwide for the public, non-profit and private sectors. In addition, our professionals have prior professional career experience in municipal and state government, economic and real estate development, real estate law, hotel operations and non-profit management. Over 80 percent of our clients are public entities, such as municipalities, counties, states, convention bureaus, authorities and other quasi-government entities empowered to conduct real estate, economic development and tourism activities.

Limiting Conditions

HSP relied on primary and secondary sources of information for the assumptions made in this report and assumes these sources to be accurate. Assumptions created for the analysis were based on the data available to HSP during the study period as well as professional judgment.

The Project is assumed to be owned and operated in a first-class manner by the parties who have operated similar facilities.

No responsibility is taken for unforeseen events occurring after the date of the analysis, including war and terror attacks, natural disasters and major economic recessions.

This report is intended to be used as a tool for decision-making by the contracting parties related to this Project and for no other purpose.

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PROJECT PROFILE

Overview

The City of Monroe (the City or the Client) engaged Hunden Strategic Partners (HSP), with assistance from Sink Combs Dethlefs (SCD), to perform a market and opportunity assessment study regarding the future use of the Monroe Multi-Sports Complex (MMSC). The study's purpose is to determine the facility's optimal future use by taking into account the current physical condition, operations and financial performance, potential revenue and re-use opportunities. The concern from the public sector stems from the decline in performance of the facility due to lower hockey usage. The economy in the area was hit hard during the last recession and it – and potentially other factors – led to a decline in hockey participation and overall usage of the complex. HSP's goal is to determine how the situation evolved and what the best options are for the MMSC going forward.

Before performing market analysis on a variety of re-use options, HSP first analyzed the existing facility's location, condition and performance.

The first image shows an aerial and site map of the MMSC and the surrounding uses. The uses are key to understanding the potential future uses of the building, as the location, access, visibility, surroundings and other real estate uses need to be compatible with any future use.

Figure 1-1



Just north of the River Raisin, the MMSC is surrounded by varied real estate uses. Many industrial and other commercial buildings are located just north of the MMSC on Dixie Highway, which will be discussed in more detail later in this report. Many of these buildings are used for mechanical businesses related to the trucking industry. West of the MMSC are residential neighborhoods, though these single-family homes are removed by nearly a half of a mile. Immediately surrounding the MMSC is mostly vacant land, which is part of the River Raisin National Battlefield Park. The area including the MMSC and east is all part of the River Raisin Heritage Corridor. Extensive fieldwork and master planning has been completed to develop a master plan for the River Raisin Corridor, which may include the MMSC.

The following is a close up aerial image of the MMSC.

Figure 1-2



As shown, the facility is location on North Dixie Highway, very near the River Raisin.

The following figure shows the entrance of the MMSC.

Figure 1-3



Located east of downtown Monroe across River Raisin, the 70,400-square foot MMSC opened in February 1998 and is divided into two arenas, an ice arena and a turf arena. The first floor, which features both arenas, encompasses approximately 61,089 square feet, while the second floor of the building totals approximately 9,354 square feet. In addition to the two arenas, the facility features a main lobby, a pro shop and skate rentals, concessions, party room, public restrooms, locker rooms, meeting rooms and administrative offices. Rink Management, based in Virginia, is the current private management company in charge of the facility's operations, though the contract expires at the end of the 2015 calendar year. Rink Management took over facility management after the conclusion of the Canlan Ice Sports contract at the end of 2010.

MMSC is home to multiple local hockey associations, including Monroe Youth Hockey Association, Monroe High School Hockey, and St. Mary Catholic Central High School Hockey. MMSC also offers facilities for figure skating, Learn to Skate programs, flag football, lacrosse, and soccer for all ages. The facility also hosts birthday parties, special events, and inflatable bounce activities.

The following figure shows Arena 1, which houses the synthetic turf.

Figure 1-4



Arena 1 initially operated as a convertible space housing a sheet of ice or flat floor space until 2009. Arena 1 was permanently converted to an artificial turf facility due to the decline in hockey participation and demand. Since 2009, Arena 1 has accommodated activities that include indoor soccer, flat floor events and community activities like inflatable bounce use.

The following figure shows the ice arena, Arena 2.

Figure 1-5



The MMSC opened during the peak of the hockey era in the 1990's, following a strong push from municipalities to get a rink built in Monroe. The facility generated higher revenues throughout the first few years of operations, but once the "halo-effect" diminished, revenues began to decline.

The decline in participation levels has had a negative impact on the facility throughout the last ten years, resulting in a \$150,000 to \$200,000 operating deficit that has been increasing. This debt service expires in 2024. HSP examined the condition of the facility, its historic performance, the current market conditions in Monroe and regionally, as well as a variety of re-use options to determine the best short- and long-term strategies for the MMSC to break-even financially or even become profitable.

Current Condition

The HSP Team reviewed the physical aspects of the MMSC, taking into account the size, quality, condition and layout of the building. The building opened in 1998 and is showing signs of its age. There are numerous deferred maintenance issues that should be addressed to keep the facility operational for the next 15 to 20 years. Additionally, there are underutilized spaces throughout the facility that could be improved through renovation and/or repurposing in order to generate more revenue.

Building Program

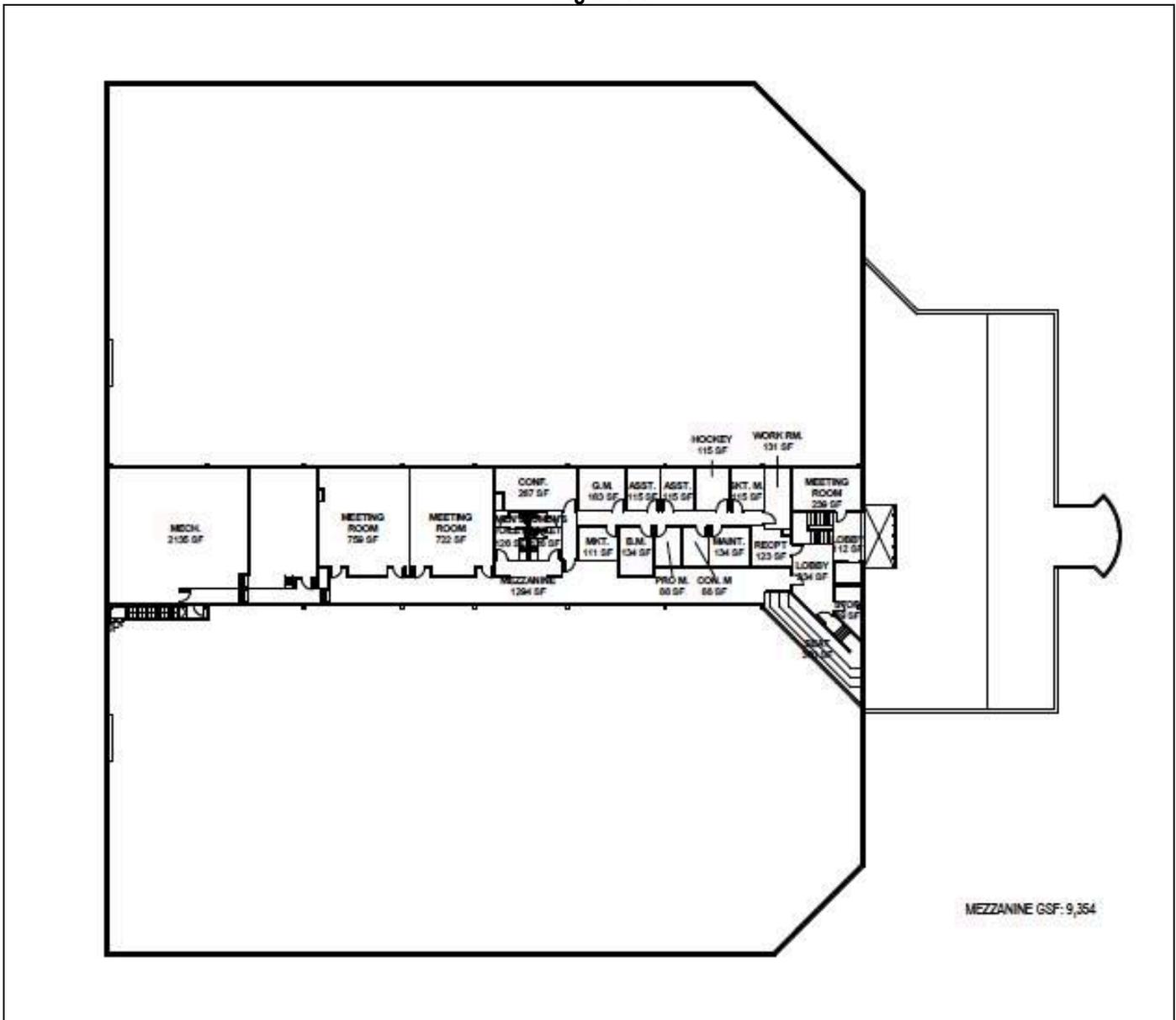
The building is a single story structure with a central mezzanine designed to accommodate sports and recreation events. The general configuration of the building, its clear span structural design and overhead clearances make it suitable for select recreational uses and a contender for some non-recreational uses as well. Its primary program spaces include:

- Two Event Arenas: Arena 1 (Turf) & Arena 2 (Ice)

Each building is organized with one primary entry lobby which houses patron amenities such as a small concession, pro shop, skate rental and party room. The central spine located between the arenas houses the public restrooms, eight locker rooms and back-of-house service areas for loading/staging, the ice resurfacing equipment, and ice chiller room.

The following figure shows the mezzanine level of the facility.

Figure 1-7



The mezzanine level is accessible via an elevator or two access stairs. This level features an open seating area serving Arena 1, administrative offices, meeting and conference space, and elevated mechanical rooms.

Space Utilization

MMSC's general layout is efficient and appropriate for its current use. The building has some limiting attributes that should be noted when alternate uses are being considered and spaces that could be renovated to achieve better space utilization.

- **Rink Slabs:** The Arena 1 slab which houses the current turf features a concrete slab to allow for flexibility of event configurations on the building's south side. Arena 2 however was designed to support ice year round and therefore features a sand bed which makes programming the ice arena for alternate uses or events challenging. If alternate uses for the north rink are considered then a slab on grade infill at the existing ice rink should be considered. It is also of note that while both Arenas are designed with ice making capabilities, Arena 1's ice equipment and header system is in need of extensive repairs in order to be operational.
- **Overhead Clearances:** The existing overhead clearance at the Arena from the event floor varies from approximately 20'-21' clear above finish floor. While these dimensions are suitable for most indoor recreation programs, they are below the recommended limits for some competitive uses such as *basketball* and *volleyball*. The National Federation for High School Basketball recommends 25' clear minimum, USA Volleyball requires 23' overhead clearance for sanctioned events. Recreation or youth programs can be accommodated within the existing volume, but the building is not conducive to host competitive sanctioned events.
- **Administrative Offices:** It should be noted that the existing Administrative Offices are underutilized. The existing mezzanine level houses ten offices, a work-room, reception area, and conference room. Rink Management recommends that one office, four open area cubicles and a small administrative work-room is sufficient.
- **Pro Shop:** The Pro Shop is oversized and underutilized space. The existing space is approximately 680 square feet. The HSP Team estimates that approximately two-thirds of this space could be repurposed for highest and best use such as additional party room or additional food service space.
- **Meeting Rooms:** The mezzanine level meeting rooms are currently underutilized due to their interior finishes and poor condition. Renovation to these spaces to make them more multi-purpose and appropriate for recreation use should be considered.

Exterior Design & Site Assessment

MMSC is a very utilitarian building. While the exterior is comprised of durable and easy to maintain materials, the building has little architectural interest or curb appeal. The result is an unwelcoming exterior that does little to convey the dynamic activity occurring within the facility. Lighting, landscaping, and exterior signage upgrades could assist in transforming the facility into a more welcoming venue.

The following figure shows a photo of the main entry of the building.

Figure 1-8



Access & Parking

The building is served by a 250-stall asphalt parking lot comprised of 8' wide x 20' deep stalls. There is a 10' wide drop off lane at the main entry and ADA parking is located adjacent to the entry for patron convenience. The primary entry is easy to find and covered with an exterior canopy. The lot is in need of general maintenance and surface repairs and is maintained by the City outside of the building's capital improvements budget. The parking lot capacity is adequate for the building's current use. Alternative uses, such as exposition and convention use will require additional parking to support the increased occupancy of the facility.

Loading/Staging

A 20' wide service drive provides access to the building's northwest corner and then transitions to gravel at the loading and staging area. An extension of the service access road to the building's dumpster locations, transformer pad, and overhead doors is recommended to provide for more efficient service and loading for the building.

Landscaping

Landscaping around the facility is minimal with perimeter plantings along the east entry façade. The building does not have an irrigation system, which has limited the success of past plantings. Container plants with seasonal plantings and benches at the main entry may be a cost effective method to create additional curb appeal for the facility.

Exterior Signage & Lighting

Exterior building lighting has been retrofitted in 2015 to LED fixtures for code required egress lighting and parking lot light levels are generally viewed as adequate. While the building has an existing marquee sign at the Dixie Highway entrance, it is a static board that requires manual updates. A programmable LED reader board should be considered for advertisement of upcoming events, programs, rental opportunities and additional advertising revenue.

The exterior envelope of the building is comprised of the following systems.

- Exterior Walls: 12" Precast Concrete (unpainted) at Arena and 12" Fluted CMU and White Accent CMU at Lobby
- Roof: Mechanically fastened single-ply black EPDM on 3" rigid insulation.
- Windows/Skylight & Doors: Aluminum Storefront Entry and Window Systems with tempered glazing. Custom skylight at Lobby. Hollow metal man doors and steel manual overhead service doors.

All exterior envelope-building systems are original to the building. The precast wall panels are generally in fair condition but replacement of the sealant joints between panels should be considered over the next 15 to 20 years of the building's life span. The 12" precast panels are assumed to include 7" of structural concrete, 2-1/2" of rigid insulation, and a 2-1/2" face panel which would be standard insulated precast panel construction and provide the required R-value for exterior mass walls. It is noted that the original construction documents indicate that the CMU lobby wall construction is un-insulated which is not in accordance with today's best practices. As future renovations or rehabilitation strategies are considered, additional wall insulation at the exterior CMU walls should be considered.

The EDPM roof has been patched and repaired over time. The average anticipated life span of an EPDM roof is 20 years. Given the current age of the roof, a full tear off and replacement is recommended over the next five years. It should be noted that the existing insulation depth of 3" provides approximate R-value of R=17 for the roof. The existing parapet heights would allow for additional insulation to be added to the roof assembly to achieve enhanced performance. Since the roof is by far the greatest contributor to heat loss/gain, enhanced insulation to achieve an R-value of R=32 is recommended.

The following figures depict the existing EDPM roof looking east to the parking lot and the lobby skylight.

Figure 1-9



Figure 1-10



The aluminum storefront entry and window systems are in fair to poor condition throughout the building. General replacement is recommended to address broken window seals and thermal issues. The skylight over the lobby has been an ongoing maintenance problem with unresolved leaks. Replacement of the skylight is also recommended.

The overhead service doors in the facility are manual and nearing the end of their useful life. Replacement with motorized steel insulated service doors is recommended for the building's next 15-20 year life span.

Interior Design Assessment

The interior finishes of the MMSC are generally in poor condition and out of date by today's standards. The facility is generally constructed of durable materials but, despite maintenance efforts, is showing signs wear.

The interior construction of the building is comprised of the following systems:

- Interior Walls: Painted CMU at general interior walls and painted metal wall construction at offices, conference and meeting rooms.
- Ceilings: Exposed ceilings throughout lobby, arenas, and public areas. Drop acoustical ceiling tile in concessions, offices, and meeting rooms.
- Flooring: Flooring varies throughout the facility with rubber sports flooring in the lobby, circulation hallways, locker rooms. Linoleum in the concession and carpet in areas such as offices, and meeting rooms. The turf in Arena 1 is approximately two years old and in good condition.
- Doors & Hardware: The doors throughout the building are a combination of hollow metal and wood veneer.

The following figure depicts the lobby looking south.

Figure 1-11



The following figure depicts the underutilized pro shop.

Figure 1-12



The following figure depicts the mezzanine level meeting rooms.

Figure 1-13



The following figure depicts a typical locker room.

Figure 1-14



In order to address the tired aesthetics of the facility, MMSC is in need of a general update of interior finishes, including replacement of finish flooring, general repainting of the interior with a fresh color palette, replacement of damaged ceiling tiles, and repair/replacement of doors and door hardware.

Life Safety and Code Assessment

There were no noted life safety or code issues noted with the existing facility and use. It should be noted that in the event of a change of use or occupancy, the following life safety and code issues should be studied in detail.

- Sprinkler Coverage: Arena 1 is sprinklered to accommodate expo and trade-show events on the arena floor. Arena 2 should be sprinklered in the event that the occupancy changes from recreational sports only to alternate events, which could introduce a fire fuel load to the Arena 2 event floor.
- Egress: If alternate non-recreational uses are considered for the arenas such as expo or meeting space, updated egress calculations shall be performed to determine the quantity and required locations of additional points of egress from the facility.
- Plumbing Fixtures: If alternate non-recreational uses are considered for the arenas such as expo or meeting space, updated plumbing fixtures calculations shall be performed to determine the additional required plumbing fixtures for each gender.

Structural Assessment

A cursory visual review of the building structure was performed and no structural issues were observed. As previously mentioned the structural wall elements such as precast panels and load-bearing CMU walls appear to be in fair condition. Additionally, the existing roof joists and roof deck appears to be in fair condition. The existing concrete slabs do not have any visible signs of structural issues. There are no known structural repairs recommended at this time, however should a change of use or occupancy be considered, a licensed structural engineer should be engaged to evaluate any additional imposed structural loads to the building (i.e., additional roof top mechanical equipment, hanging rigging loads, etc).

Mechanical/Plumbing Assessment

As part of this study the HSP Team reviewed a list of recommended HVAC improvements as provided by Artic Air Inc. memorandum dated August 15, 2015. The following list reflects the status of each recommendation:

- Rink Dehumidifier Repairs: Repaired in 2014
- Rink Condensing Unit Repairs: On Hold
- Upstairs Office, RTU-4 Repairs: On Hold
- Pro Shop RTU Replacement: On Hold
- Main Area Rooftop RTU Repair: Repaired
- Concessions Area RTU Repair: On Hold
- Domestic Hot Water Boiler Repair: Repaired in 2015
- Locker Room AHU-2 Repair: On Hold
- Rink AHU-1 Repair: On Hold
- Hot Water Heating Boiler Replacement: Replaced in 2015

With the exception of the Concession Area Rooftop Unit, which was replaced around 2007-2008, all other MMSC's air handling units and rooftop units are original to the building. The average life expectancy of this equipment ranges between 15-20 years. While interim repairs may be necessary, the HSP Team recommends budgeting for full replacement of the units within the next five years to provide adequate systems for the building's next 15-20 year life span. Additionally, it should be noted that the facility is not air-conditioned. If alternate uses are considered, air conditioning of the facility will be imperative.

In addition to the rink condensing unit repairs noted above, there are other undiagnosed failures with the ice rink in the south arena. The ice sheet in Arena 1 has been out of operation since approximately 2000 and the system manufacturer (Cimco) has estimated that there may be diagnostic and repair costs ranging between \$35,000-\$100,000 to repair the system to allow for the second sheet of ice in the facility. The HSP team does not recommend this investment

Electrical Assessment

The existing electrical capacity of the facility is adequate for its current recreational uses. The facility uses a portable generator to provide supplemental power for the Circus. In the event that alternate building uses are considered such as exposition or convention use, permanent supplemental power should be considered.

The building lighting has undergone recent improvements including the addition of occupancy sensors in the offices and equipment rooms. In 2015, the arena lights were retrofitted to replace metal halide fixtures with fluorescents. The HSP Team recommends a small allowance for additional wiring modifications and upgrades, such as, providing occupancy sensors on the locker room light fixtures in order to increase energy efficiency.

Information Technology Assessment

The building currently has a six-year-old server, which supports the administrative network and provides wireless coverage to some of the facility. It is recommended that the building's server be updated and commercial grade wireless coverage extended throughout the facility. If MMSC aspires to serve convention and exposition programs full, reliable coverage throughout the facility will be imperative.

Audio Visual Assessment

The building sound system and scoreboard packages are in need of upgrades to replace aging equipment. It is recommended that the scoreboards and sound systems be replaced in their entirety within the next five years. For alternate uses, such as expo and convention space, supplemental audio-visual equipment should be considered to support additional meeting room spaces.

Food Service Assessment

The food service equipment in the building is also reaching the end of its useful life. The average life span of commercial food service equipment is ten years. As the building matures in its next 15-20 year span a full replacement of the food service equipment should be budgeted.

Elevator Assessment

The building's elevator is in fair condition. While a typical life span for a low-rise elevator is 30 years, due to the infrequent use of MMSC's elevator a prolonged life span can be anticipated. The elevator's controls system may need moderate repairs over the next 15-20 years.

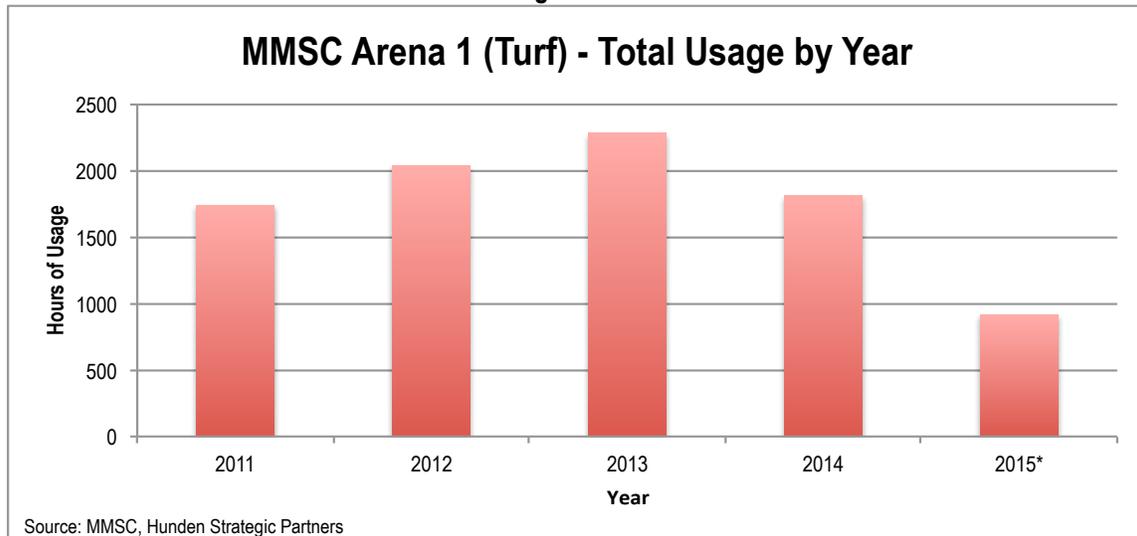
Usage

In order to best understand the long-term future options for the MMSC, it's important to analyze historic usage and demand of the facility. Historic performance reveals usage trends throughout the past five years, as well as identifies areas in which the facility can improve to maximize all opportunities and revenue streams. According to Rink Management, the MMSC's usage declined dramatically once the affects of the economic

recession started impacted families' discretionary spending. Much of the usage data from before 2011 was lost when a database containing that information became corrupted.

The following figure displays Arena 1 usage by year from 2011 through June of 2015.

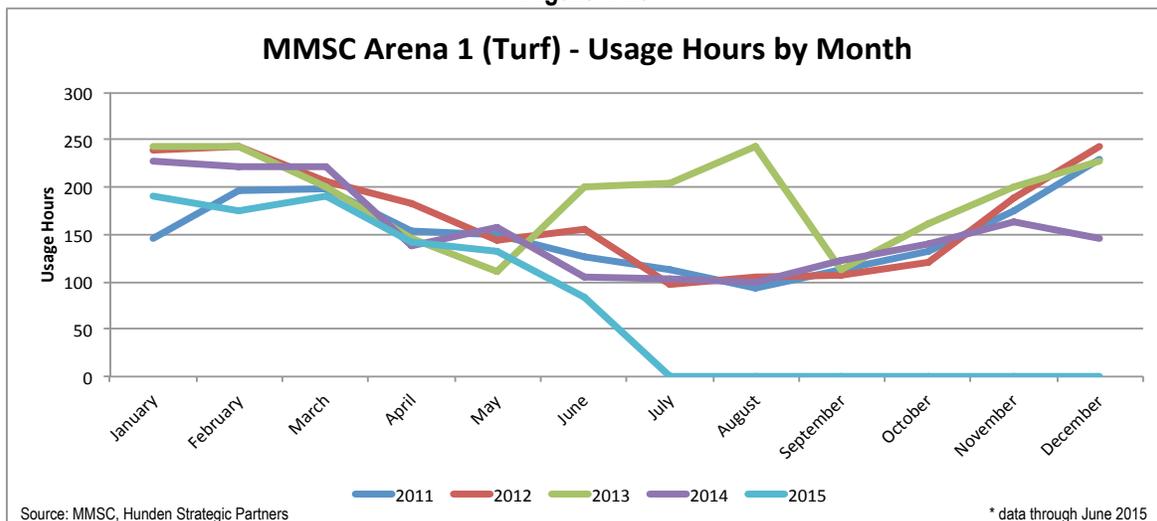
Figure 1-15



As the figure shows, overall use increased until 2013, before dropping in 2014. Usage in 2015 is expected to exceed 2014. Demand has been primarily generated by soccer, inflatable bounce house, and baseball/softball. A large user group has recently relocated use to Total Sports Complex Monroe, which is already impacting the MMSC's performance.

The following figure shows the turf arena's usage hours by month from 2011 through June of 2015.

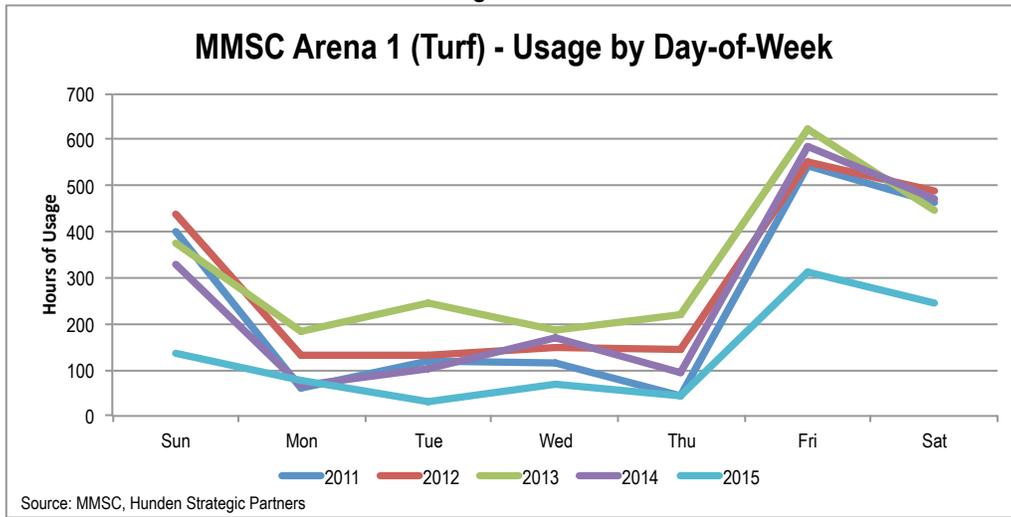
Figure 1-16



The highest level of use for Arena 1 is November through May. The usage hits its lowest point in the summer months of July and August, which is to be expected as most sports are played outside during this period. As the chart shows, 2015 usage is trending lower than previous years.

The following figure shows the turf arena's usage by day of week from 2011 through June of 2015.

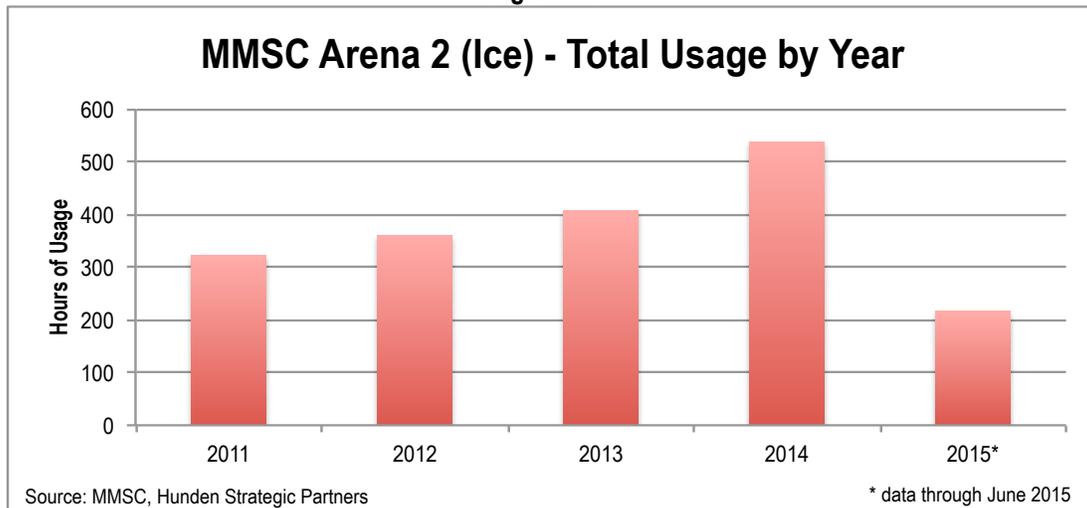
Figure 1-17



As the chart shows, weekends drive the majority of the use in Arena 1. Usage is fairly consistent Monday through Thursday, before peaking on Friday. This chart shows that there is opportunity for additional weekday use, though it is difficult during the school year. Similar to the previous chart, weekday use is trending down in 2015, but the full assessment for the year cannot be made at this time.

The following figure displays Arena 2 usage by year from 2011 through June of 2015.

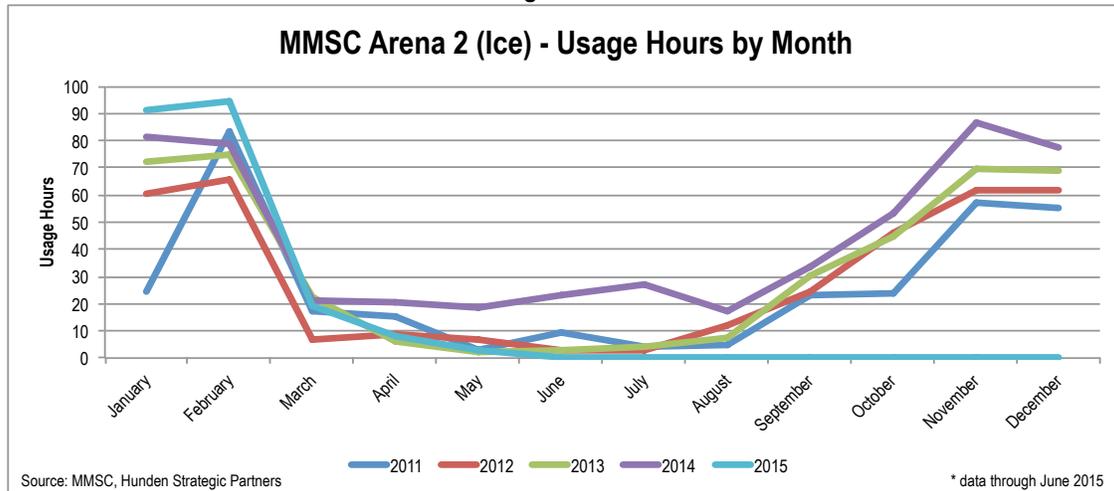
Figure 1-18



As the figure shows, overall use has increased each year through 2014. This increase has primarily been driven by the Monroe Hockey Association and Saint Mary Catholic Central. The growth of club teams is also a major factor in increased usage.

The following figure shows the ice arena's usage hours by month from 2011 through June of 2015.

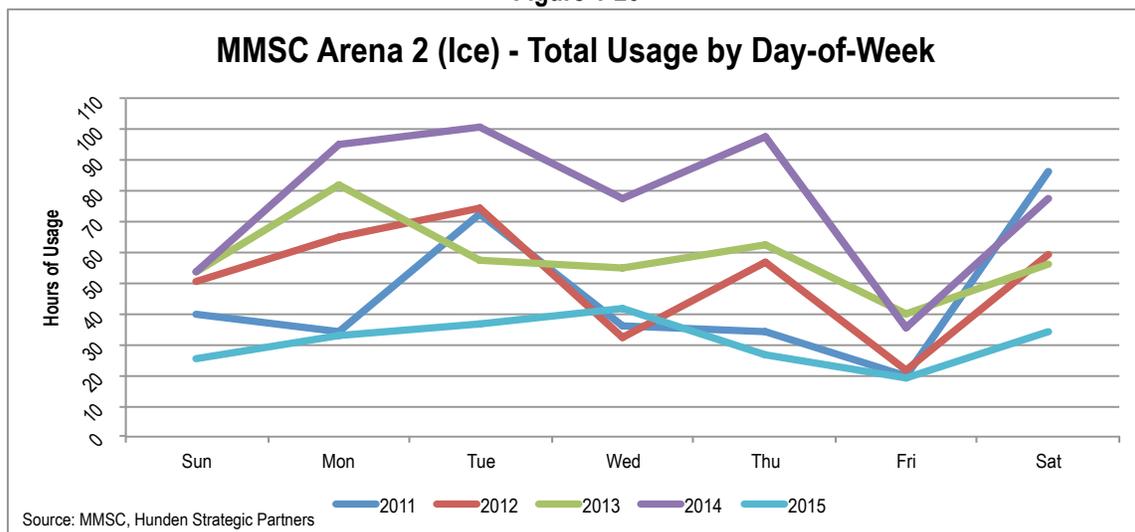
Figure 1-19



The primary usage of the ice facility occurs from September through February. Usage of the ice arena is almost non-existent throughout the summer months. This chart, along with the similar trends seen in the summer month's usage of Arena 1, indicate an opportunity for a significant increase in programming during the summer months.

The following figure shows the ice arena's usage by day of week from 2011 through June of 2015.

Figure 1-20



As the chart shows, usage by day of week is fairly consistent throughout the week before declining on Friday. This weekday use is primarily driven by local high schools. Lack of prime-time ice availability is a primary complaint by user groups, though there is opportunity for additional weekday and weekend use.

Overall, the Turf Arena is programmed with a range of activities, including soccer, lacrosse, baseball, softball, bounce and flag football. Both arenas experience decreased usage throughout the summer months, which can be expected from an indoor facility, but indicates an opportunity. MMSC could increase total usage in Arena 2 by adding morning sessions before school (5 AM to 9 AM). The usage history of the complex indicates that the MMSC fills a gap in the market by accommodating numerous user groups in a market with limited supply, but there is opportunity for increased usage.

Performance

HSP analyzed MMSC historic financial performance to identify areas for improvement for both revenues and operating expenses. The following table shows the MMSC operating performance from 2012 through 2014.

Table 1-1

MMSC Operating Revenues and Expenses				
	2012	2013	2014	2015
Income				
Ice Arena				
Net Public Skating Admissions	\$18,750	\$19,748	\$22,094	\$17,218
Net Adult Hockey Revenue	\$99,542	\$63,722	\$50,119	\$29,687
Net Youth Hockey Revenue	\$1,430	\$135	\$(140)	\$0
Net Learn to Skate	\$14,135	\$13,522	\$10,761	\$10,488
Learn to Play Hockey	\$4,457	\$3,373	\$605	\$865
Contract Ice Revenue	\$159,347	\$134,932	\$145,039	\$149,159
Drop in Hockey	\$13,313	\$13,314	\$12,779	\$12,412
Figure Skating Revenue	\$9,493	\$9,684	\$7,506	\$8,165
Skate Rental	\$5,332	\$5,406	\$6,633	\$6,123
Total Ice Arena	\$325,800	\$263,837	\$255,396	\$234,117
Turf Facility				
Floor Rental Revenue	\$11,082	\$17,165	\$13,595	\$17,342
Bounce Admission	\$31,821	\$28,690	\$22,643	\$15,582
Soccer Revenue	\$31,721	\$23,035	\$26,404	\$950
Tournament Revenue	\$0	\$0	\$2,323	\$1,650
Dodgeball Revenue	\$0	\$4,443	\$0	\$100
Flag Football Revenue	\$0	\$0	\$0	\$4,352
Recreation Camp Revenue	\$3,834	\$7,375	\$2,382	\$0
Karate Rental Revenue	\$9,350	\$10,200	\$3,424	\$1,150
Ultimate Frisbee	\$0	\$0	\$2,180	\$0
Net Gymnastics/Cheerleading Revenue	\$(404)	\$0	\$0	\$0
Lacrosse Revenue	\$0	\$0	\$979	\$(538)
Total Turf Facility	\$87,405	\$90,908	\$73,930	\$40,587
Activity Revenue				
Birthday Party Revenue	\$52,505	\$46,438	\$25,591	\$22,223
Shows & Admissions Revenue	\$985	\$0	\$0	\$0
Group Admission	\$2,486	\$5,091	\$3,247	\$4,227
Total Activity Revenue	\$55,976	\$51,529	\$28,838	\$26,450
Other Revenue				
Token Revenue	\$3,140	\$3,452	\$3,507	\$2,885
Vending Revenue	\$5,779	\$5,544	\$3,992	\$3,294
Sponsorship Revenue	\$0	\$250	\$810	\$7,583
Concession Revenue	\$11,333	\$12,701	\$14,124	\$7,830
Pro Shop Revenue	\$2,592	\$1,074	\$1,099	\$609
Pro Shop Skate Sharpening	\$5,820	\$4,465	\$3,917	\$3,071
Locker Revenue	\$150	\$270	\$95	\$0
Total Other Revenue	\$28,814	\$27,755	\$27,544	\$25,272
Total Income	\$497,995	\$434,029	\$385,708	\$326,426
Expense				
Payroll	\$280,946	\$243,568	\$229,742	\$218,753
Bank Service Charges	\$4,644	\$5,148	\$4,182	\$4,053
Equipment Rental	\$1,703	\$2,178	\$2,621	\$2,926
Insurance	\$32,948	\$40,475	\$24,105	\$23,568
Advertising	\$13,387	\$8,773	\$8,016	\$10,071
Professional Fees	\$35,127	\$34,800	\$34,800	\$35,600
Repairs	\$26,220	\$23,728	\$29,928	\$45,110
Telephone & Computer Costs	\$8,775	\$8,733	\$9,632	\$10,049
Scheduling Software and expense	\$2,905	\$4,980	\$5,137	\$5,409
Web Hosting and Internet Fees	\$2,537	\$913	\$1,364	\$1,613
Utilities	\$166,990	\$185,618	\$198,186	\$167,501
Waste Removal	\$3,670	\$2,991	\$0	\$0
Payroll Expenses	\$6,684	\$5,946	\$6,658	\$5,083
Supplies	\$21,399	\$13,267	\$20,742	\$34,877
Miscellaneous	\$6,843	\$6,850	\$6,157	\$7,692
Total Expense	\$614,777	\$587,969	\$581,272	\$572,304
Net Income	\$(116,782)	\$(153,939)	\$(195,564)	\$(245,878)

Source: City of Monroe

As the table shows, ice related revenue accounts for approximately 66 percent of total revenue, while the turf arena accounts for 18 percent of total revenue. The financials also show that there is opportunity to maximize other revenue sources, including sponsorship, concessions, and merchandise sales. The negative revenues represent activities or programs that cost more to organize than what revenue is generated. The current trend with these indoor facilities is to minimize cost instead of proactively generating revenue. The uncertain future of the facility may be hindering those revenue-generating opportunities. In addition, other spaces in the facility, such as the meeting rooms and activity rooms, can be programmed more often to generate more revenue. The financial performance shows that there is room for improvement, which could potentially decrease operating losses to near breakeven.

Conclusion

The struggles of the MMSC can be viewed as a result of a variety of factors, including the recent economic downturn, decreased participation levels, underutilized spaces within the facility, non-revenue generating programming of existing spaces, and the physical deterioration of the facility. The facility, built nearly 20 years ago, has numerous deferred maintenance issues that should be addressed in order to keep the venue operational, as well as renovation and improvement opportunities that will improve functionality and aesthetics, making MMSC more attractive to potential user groups. These underutilized spaces include the meeting rooms, pro shop, and lobby.

By improving the interior finishes and repurposing unused space, these spaces could be generating additional revenue for the MMSC. Additionally, improvements to the exterior lighting, landscaping, and signage, including the marquee at the highway entrance, will improve the visibility and attractiveness of the building. Usage history shows consistent patterns throughout the past five years, and Arena 2 has experienced increased usage. Identifying more hours during the weekday that the ice arena can be utilized will offer additional revenue opportunities. The financial history shows that several revenue sources are not being maximized, such as sponsorship, concessions, and merchandise sales. Overall, the MMSC has a variety of deficiencies that must be improved if the facility has any chance of reducing the operating subsidy currently required.

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ECONOMIC & DEMOGRAPHIC ANALYSIS

Local market area characteristics such as population, demographics, a diversified economy, access, quality of downtown and tourist attractions influence the potential demand for a sports venue such as Monroe Multi-Sports Complex. This chapter profiles Monroe, Michigan, including an overview of the economic characteristics of the market and the area, as well as a description of downtown.

Overview

Monroe is a city in Michigan and is the county seat of Monroe County, located near the southeast corner of Michigan, approximately 14 miles north of Toledo, Ohio, and 25 miles south of Detroit. Monroe is the core city of the Monroe metropolitan area. While the region and Monroe specifically have been hard hit by the negative changes taking place in the manufacturing economy and base of employment in Michigan generally, the County has managed to increase in population. However, the city's population has declined recently. And while jobs and employment are coming back to the region, they are often at lower pay levels than enjoyed prior to the last two recessions. Certainly, the height of economic strength of the region is in the past, at least for the foreseeable future, despite the improving economy. The evolution of the Michigan and Rust Belt economy has caused significant shifts in employment, income, location decisions for home and businesses and other factors. Ultimately, the ability to support an expensive sport like hockey for families raising kids has been impacted.

La-Z-Boy Furniture was founded in Monroe in 1927 and the world headquarters are still located there. The city has numerous historic buildings, museums and landmarks. Overall, the city is approximately ten square miles, which includes one square mile of water in Lake Erie. The Port of Monroe is the only Michigan port on Lake Erie.

The following figure shows a map of the regional area beyond the immediate metropolitan area.

Figure 2-2



Because of Monroe's position at the western end of Lake Erie, it is both a shipping port and a city that is necessary to drive through in order to reach other Lake Erie destinations such as the Detroit metro, Toledo, Sandusky and the Cleveland-Akron metropolitan region.

Regional Access

Two interstate highways, one U.S. Highway, and two state highways serve the City of Monroe. I-75 runs through Monroe connecting it to Toledo and Detroit. Interstate 275 is just north of Monroe and is a western bypass around Detroit. Michigan Highway 50 terminates in Monroe and is a direct route to Dundee, Jackson and beyond. Michigan Highway 125 runs directly through downtown and merges with US 24 north of Monroe. US 24 passes through Monroe and provides access to Toledo and Detroit. US 24 also connects to I-275 north of Monroe.

The Lake Erie Public Transit public bus system serves the City of Monroe. It operates buses on eight routes and serves several outlying neighborhoods if a ride is requested.

Airport Access

There is a small and seldom-used airport in Monroe called Custer Airport, which has no commercial or passenger flights. Air services are primarily through the Detroit Metropolitan Wayne County Airport (DTW). DTW is located 25 miles to the north of Monroe in in Romulus, Michigan, which is a suburb of Detroit. It is Michigan's busiest airport and one of the largest air transportation hubs in the country. DTW is Delta Air Lines' second busiest hub. The airport is a major gateway for tourism in metropolitan Detroit. The airport includes six major runways, two terminals, 145 gates and an on-site Westin Hotel and conference center. McNamara Terminal's Concourse A is the world's second longest terminal at one mile in length. Currently, the airport has no train system or direct shuttle to the city, however, bus shuttle service is scheduled to begin in the spring of 2016, which will transport passengers from Metro Airport to the transportation hub in downtown Detroit. The long term plans for the airport include an airport rail system, a new runway and terminal expansions. The rail system would connect McNamara Terminal and the new North Terminal together via tram with a consolidated rental car facility and a regional rail system.

Population

In general, the size of a local population base can help determine the potential demand for many types of developments, including sports, meeting and event facilities.

The table below shows population changes in the United States, the State of Michigan, the Monroe MSA and Monroe County and the City of Monroe.

Table 2-1

	Population and Growth Rates				Percent Change 2000 - 2010
	1990	Population 2000	2010	2014 Estimate	
United States	248,709,873	281,421,906	308,745,538	318,857,056	9.7%
State of Michigan	9,295,297	9,938,444	9,884,133	9,909,877	-0.5%
Monroe County	133,600	145,945	152,021	149,824	4.2%
City of Monroe	22,902	22,076	20,733	20,198	-6.1%
City Pop. As % of MSA	17.1%	15.1%	13.6%	13.5%	--

Source: U.S. Census Bureau

The U.S. population grew by 9.7 percent from 2000 to 2010, while Monroe MSA, which is identical to Monroe County, experienced a population increase of 4.2 percent. During the same period, Michigan's population decreased by 0.5 percent. The City of Monroe experienced a population decrease of 6.1 percent from 2000-2010. The population, as a percent of the MSA, decreased by 1.5 percent. In the past several years, the estimated population has been decreasing in the city and county, which is a concern for any real estate developments or activities. In general, a decreasing market population suggests a stagnant or declining demand and pricing for real estate of most types. As this is a specialty use facility, there is more to the equation than population growth, but it is a key factor to consider.

Diversified Economy

A healthy and diversified economy provides not only employment and disposable income for a market's residents, but it also helps to insulate an area from economic downturns. Markets that have historically relied on one sector have often had difficulty recovering from market shifts to other sectors, which leads to an overall loss of local income and employment. This situation will often lead to declining population trends, as has been the case in many industrial cities, as residents move to other areas with better opportunities. Markets with diversified employment can often withstand economic downturns better than those reliant on one industry.

The following table shows the 2013 employment by sector for Monroe County.

Table 2-2

Monroe County Employment by Industry - 2013		
Description	Employees	Percentage of Total
Total employment	57,805	100%
By industry		
Farm employment	1,701	2.9%
Nonfarm employment	56,104	97.1%
Private nonfarm employment	50,204	86.9%
Retail trade	7,632	13.2%
Construction	7,042	12.2%
Health care and social assistance	6,014	10.4%
Manufacturing	5,873	10.2%
Accommodation and food services	4,210	7.3%
Other services, except public administration	3,399	5.9%
Administrative and waste management services	2,966	5.1%
Wholesale trade	2,037	3.5%
Real estate and rental and leasing	2,009	3.5%
Finance and insurance	1,931	3.3%
Arts, entertainment, and recreation	1,384	2.4%
Educational services	819	1.4%
Information	384	0.7%
Professional, scientific, and technical services	(D)	N/A
Transportation and warehousing	(D)	N/A
Management of companies and enterprises	(D)	N/A
Mining	(D)	N/A
Forestry, fishing, and related activities	(D)	N/A
Utilities	(D)	N/A
Government and government enterprises	5,900	10.2%
State and local	5,421	9.4%
Local government	4,768	8.2%
State government	653	1.1%
Federal, civilian	221	0.4%
Military	258	0.4%

(D) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals
Source: Bureau of Economic Analysis, Hunden Strategic Partners

Retail trade, construction, health care and social assistance, and manufacturing are the top four private industries by employment percentage, accounting for nearly 46 percent of total employment. Retail trade is the largest employment sectors in Monroe County, at 13.2 percent. Government jobs account for another ten percent of employment. Generally, government employment is more stable than private sector employment, however can decline if the population base declines, which has been the case recently.

The area is not dominated by one particular industry or sector. Jobs are split rather evenly between retail, construction health care and manufacturing. Even hospitality is very close to the once-dominant manufacturing category in terms of employment. In the 1970s and 80s, the area's automobile-centered manufacturing base eroded due to a shift to automation in factories, moving factory jobs to other locations

around the world, and the loss of market share to foreign automobiles in America. Because of this major shift, the Monroe region is now at a more balanced and diversified stage and the area is no longer as susceptible to major manufacturing downturns the way it once was.

Income and Housing

The number of employed people and their income levels create a market for real estate developments, including sports and recreation facilities, as well as all manner of commercial developments. Indicators of a market's overall wealth and growth can include trends in its income and employment.

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

Table 2-3

Income, Spending and Other Demographic Data				
Category	United States	Michigan	Monroe County	City of Monroe
Homeownership rate, 2009-2013	64.9%	72.1%	79.2%	60.5%
Median value of owner-occupied housing units, 2009-2013	\$176,700	\$121,700	\$139,100	\$107,900
Persons per household, 2009-2013	2.63	2.53	2.55	2.4
Median household income, 2009-2013	\$53,046	\$48,411	\$53,972	\$42,911
Persons below poverty level, percent, 2009-2013	15.4%	16.8%	12.3%	19.5%
Private nonfarm employment, 2013	118,266,253	3,535,685	35,969	--
Private nonfarm employment, percent change, 2012-2013	2.0%	1.9%	4.2%	--
Retail sales per capita, 2007	\$12,990	\$10,855	\$9,555	\$12,565

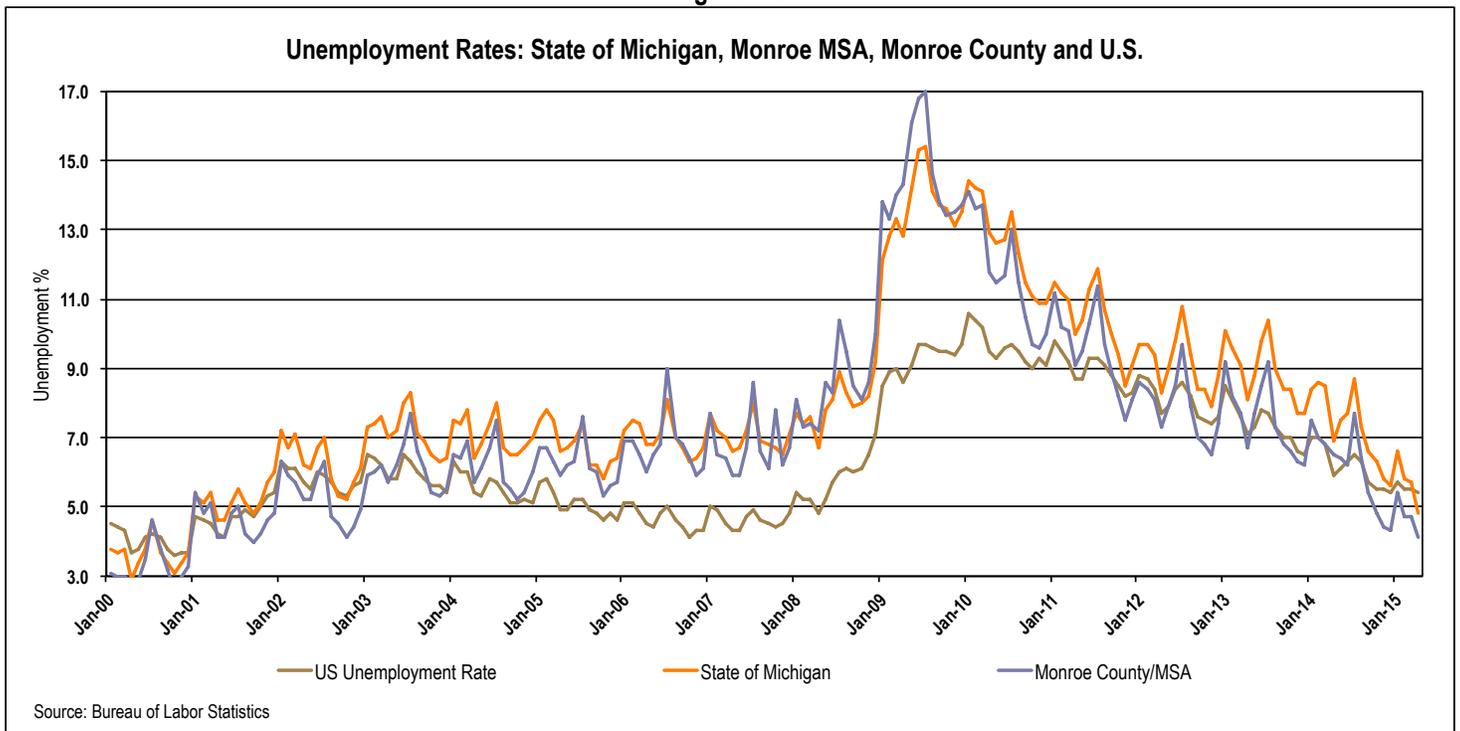
Source: US Census Bureau

The home ownership rate is higher in Monroe County than in the state and the rest of the U.S. as a whole. However, the homeownership rate in the City of Monroe is lower than the nation, the state and the county. The median value of owner-occupied homes is nearly \$38,000 lower in Monroe County and nearly \$69,000 in the City of Monroe than the value of the national average. Michigan's values are lower than the national and county average but higher than the City. Real estate values are determined by a combination of factors, including density, demand, income levels and school district strength. The income per household is also approximately 20 percent lower than the national average, while retail sales per capita are similar. All of these indicate an audience that will be price conscious and focus on value for money when it comes to participating in programs and offerings at the facility.

Unemployment

The level of employment, as well as unemployment, offers additional insight into the strength of the local economy. The following figure shows the unemployment rate in Monroe County, the MSA, Michigan and the U.S. for 2000 through April 2015.

Figure 2-3



Monroe MSA's unemployment rate was higher than the national rate for a span of seven years. The unemployment rate topped out at approximately 17 percent in 2009. The state of Michigan's unemployment rate remained higher than the national rate for period of 13 years topping out at just over 15 percent. Both the MSA and the state unemployment rates have declined to approximately four percent over the past five years, which is approximately even with the national average. This is a positive sign for economic growth.

Corporate Presence

In general, a market's corporations provide stability to a market and generally consistent employment. The presence of strong and active businesses in the community can be an important factor in the success of a sports complex, because local businesses can attract residents to an area, provide disposable income, and support facilities through donations, advertising, and needs for event space. While the area's economy is not dependent on one or two major industries, several individual organizations support a large percentage of the MSA's workforce.

The following table shows the largest employers in the county, by number of full-time employees.

Table 2-4

Monroe County Major Employers		
Company Name	Location	# of Employees
ProMedica Monroe Regional Hospital	Monroe	1,738
DTE Energy	Monroe Newport	1,251
Johnson Controls	Monroe/Frenchtown	815
Monroe Public Schools	Monroe	800
Bedford Public Schools	Bedford	625
Chrysler Engine Plant	Dundee	590
Gerdeau Specialty Steel	Monroe	510
La-Z-Boy, Inc	Monroe	491
Meijer Warehouse	Newport	475
Tenneco, Inc	Monroe	456
Monroe Bank and Trust	Monroe	450
Monroe County ISD	Monroe	433
Guardian Industries Corp	Carleton	430
Monroe County	Monroe	427
Cabela's	Dundee	350
Four Star Greenhouse	Carleton	320
Walmart	Monroe	300
Monroe County Community College	Monroe	295

Source: Monroe County Business Development Corp

ProMedica Monroe Regional Hospital is the largest employer in the county, employing 1,738 people. DTE Energy, which is a utility provider that employs 1,251 people, follows it as the only two employers with over one thousand workers each. The next four employers are in the education and automotive industries. Educational facilities employ a total of 2,153 employees. Monroe County’s economy had been powered by the auto industry in the past, but recently more diverse industries are supporting employment.

Higher Education

The presence of colleges, universities and educational institutions can play a large role in supporting youth and amateur sports facilities as well as serve as a major demand base for events.

The following table shows colleges and universities in the Monroe County area.

Table 2-5

Monroe County Area Colleges and Universities				
Institution	Location	Distance from Site	Highest Degree Offered	Enrollment
Monroe County Community College	Monroe, MI	0.0 miles	Associates	3,777
Davis College	Toledo, OH	16.7 miles	Associates	218
Mercy College of Ohio	Toledo, OH	17.6 miles	Bachelor's	1,195
University of Toledo	Toledo, OH	17.7 miles	Doctorate	20,743
Lourdes University	Sylvania, OH	18.5 miles	Masters	2,187
Ross College-Sylvania	Sylvania, OH	18.5 miles	Associates	423
Herzing University-Toledo	Toledo, OH	20.5 miles	Bachelor's	205
Eastern Michigan University	Ypsilanti, MI	23.7 miles	Doctorate	23,447
ITT Technical Institute-Maumee	Maumee, OH	24.9 miles	Associates	219
Professional Skills Institute	Maumee, OH	24.9 miles	Associates	311
Stautzenberger College-Maumee	Maumee, OH	24.9 miles	Associates	790
Grand Total				53,515

Source: National Center for Education Statistics

There are 11 higher education institutions in the Monroe County area. There are more than 53,000 students in the area, although most are out of state. The largest institution being Eastern Michigan University with 23,447 students enrolled. The closest four-year college is Mercy College of Ohio, which is 17.6 miles away. Monroe County has a two-year college, Monroe County Community College, which has an enrollment of 3,777 students. Just beyond Ypsilanti and Eastern Michigan University, and just outside the 25-mile range of the previous table, lies the University of Michigan at Ann Arbor with nearly 44,000 students.

Educational Attainment

The education level of a community's residents is indicative of employment, income levels and long-term economic growth. Highly educated people have more choices in their decision to locate themselves and their families. The higher the education level, the stronger the labor market and the more disposable income that is available for spending.

The following table compares the educational attainment of adults in the United States, Michigan, Monroe County and the City of Monroe.

Table 2-6

Population Age 25+	Highest Education Level Attained			
	United States	Michigan	County	Monroe
Did Not Complete High School	7.6%	7.7%	8.0%	8.0%
Completed High School	27.8%	30.4%	36.1%	36.1%
Some College	21.1%	24.0%	25.4%	24.4%
Completed Associate Degree	8.1%	8.6%	9.8%	10.6%
Completed Bachelor Degree	18.4%	15.9%	11.5%	9.7%
Completed Graduate Degree	11.2%	10.0%	6.5%	7.8%

Source: U.S. Census Bureau

Monroe County and the City of Monroe both have a higher percentage of residents with high school diplomas than the United States and the state of Michigan. The county and the city also have a lower percentage of residents with Bachelors and advanced degrees. The percentage of residents that have completed their Associates degree is slightly higher than the national and state level. Overall, the level of education is lower in the city and county than the state and nation. This can limit the potential economic and income growth in the area, as employers will be hard pressed to find educated employees.

Monroe Attractions

Monroe has its own tourist attractions, however the populace relies on Detroit and Toledo-area cultural and sports venues for metropolitan-style entertainment options. Several of the most popular attractions in Monroe County, Michigan are listed and discussed below. The top venues that are often used by Monroe residents in Detroit and Toledo are discussed following Monroe’s attractions.

Sterling State Park – This is a lakefront-based park and is Michigan’s only state park on Lake Erie. Sterling State Park’s 1,300 acres offers newly developed recreational opportunities including over one mile of beach, boating, shoreline fishing on Lake Erie and the fishing lagoons, paved lakefront camping, wildlife viewing and six miles of flat, easy-terrain trails for bicycling, in-line skating, running or strolling.

River Raisin Centre for the Arts – The 1938 art-deco styled Monroe Theater is the home of the RRCA in downtown Monroe, which presents and produces entertainment as well as educates Monroe County’s youth in the performing arts. Resident companies include the River Raisin Repertory Company and the River Raisin Ballet Company. Annual facility use has increased from 60 days per year to over 350 days annually with national tours, local presentations, performing arts classes and workshops. Education groups include the Dance Academy, School of Music, Orchestra, and Creative Dramatics.

River Raisin National Battlefield Park – The National Park Service established this park in 2009, although the site has been a Michigan historic site since 1956 and on the National Register of Historic Places since 1982. It is the only National Battlefield Park that commemorates the War of 1812 and the costly Battle of Frenchtown.

DownDay Boat Charters – DownDay Charters LLC is a recently established charter service running out of Bolles Harbor in Monroe, Michigan. They specialize in small group fishing charters on Lake Erie’s western basin and have risen as a top activity for tourists in Monroe County according to Yelp.com.

River Raisin Territorial Park – This County-owned park is home to a collection of small historic buildings exploring the history of Michigan from the 1790s to 1830s. The park includes the Navarre-Anderson Trading Post, built in the 1780s, one of the oldest known buildings in the state, and the nearby Navarre-Morris Kitchen dates from the 1810s. There is also a functioning bake oven and replica barn built in the style of the area's French-Canadian settlers.

Monroe County Historical Museum – The museum, built in a large 1910 Georgian Post Office, houses a large collection of 18th and 19th century artifacts from Southeast Michigan. The collection is large enough that not all of it can be displayed at one time, and is the largest historical museum focusing on Southeast Michigan.

Toledo Attractions

Valentine Theatre in Toledo, Ohio – The Valentine Theatre is more than 109 years old and has been the cultural center for northwest Ohio and southeast Michigan since it was reopened in 1999. It has attracted more than 40,000 visitors since its \$28 million renovation and reopening in 1999. It is an intimate venue with 901 seats that hosts everything from classical concerts to world-renowned ballets.

Fifth-Third Field - is a 10,300-seat baseball stadium built in 2003, home to the AAA Toledo Mud Hens. The stadium is a fan favorite and has received numerous recognitions for its urban design.

Huntington Center – is Toledo's indoor sports arena, seating approximately 8,000 people, and is connected to the SeaGate Convention Center.

The Glass Bowl - is the home of the University of Toledo Rockets. It was built in 1936 as a Works Progress Administration project and through various expansions, can seat 26,248 people.

Detroit Attractions

Fox Theatre in Detroit, Michigan – opened in 1928 as a flagship theater of the Fox movie theatre chain with 5,048 seats (5,174 with movable chairs in the orchestra area), making it the largest of the surviving movie palaces in the U.S., and the largest of the original Fox Theater chain of five locations (the others were in Brooklyn, Atlanta, St. Louis, and San Francisco). It was restored in 1988 and hosts large and popular traveling national music and family entertainment shows.

Music Hall Center – (formerly Wilson Theater) is Detroit's only performing arts stage built expressly for live performances, although in its 87-year history it has served the city's orchestra and as a Cinerama film theater. Today its calendar is full, featuring mostly musical local and national touring acts, performing dance, music (jazz in particular), magic and family shows. The theater seats 1,731 arts patrons.

Orchestra Hall – Built in 1919-1920, this 2,014-seat hall was built as an elaborate concert hall for the Detroit Symphony Orchestra. They left in 1939 due to financial struggles during the Great Depression, and the new owners reopened it as The Paradise Theater, a Big Band and Jazz venue, featuring the finest the era offered. It closed a decade later and sat empty until a major renovation and rebuilding effort put the Orchestra back in their home in 1989. In 2003, more renovations added lobbies and receptions areas, dressing rooms, storage, and a 450-seat intimate theater.

Comerica Park – Opened in 2000 and replacing the oldest baseball park in Major League Baseball, the 1912 Tiger Stadium, the new Comerica Park seats 41,574 fans for Detroit Tigers baseball games. The stadium sits adjacent to Ford Field.

Ford Field – Also opened in 2000 is the indoor home of the NFL Detroit Lions. It seats approximately 65,000 but can be expanded to 70,000 for special games and 80,000 for basketball games. The Hudson's Department Store warehouse serves as one side of the stadium's seating configuration, housing the majority of the stadium's suites in a five-floor wall above the lower deck of seating.

Joe Louis Arena – is an indoor NHL hockey arena built from 1977 to 1979 on the Detroit River, and is often used for large rock and country concerts as well. It is the last single-deck arena in the NHL, and is due to be replaced despite being a beloved arena amongst Red Wing fans. The Palace of Auburn Hills 25 miles north of the city is the state's largest indoor basketball/hockey arena, and they often host more concerts than Joe Louis Arena. The plan for a new multi-deck Red Wings arena would be built about three blocks from Comerica Park and Ford Field across the expressway from the Fox Theater, creating a centralized entertainment zone on the north end of downtown Detroit.

Implications

Monroe and Monroe County have experienced the decline and rebound of the Michigan economy generally, which has been borne out in their population, employment, unemployment rate and other measures of activity. As a part of the Detroit-Toledo industrial and commercial travel corridor, the number of people and goods that pass through Monroe daily and weekly is a strong resource from which to capture revenue, trade, and notoriety as a central place in this corridor to do business, live, play and/or work. Growth going forward will likely be slow to occur, but opportunities are present, due to the variety of transportation types, combined with a solid and historically middle class residential base, community and four-year colleges, sports, recreation and cultural offerings.

Overall, the local and regional economy appears to be consistent, not growing or shrinking rapidly. This means that specialty real estate uses cannot count on new growth to power their results, but must make due with the existing level of employment, income and spending. This puts the MMSC in a static market situation from which the city must find the best way forward. HSP makes recommendations for such a way forward by the conclusion of this report.

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LOCAL SPORTS SUPPLY AND DEMAND ANALYSIS

HSP evaluated the local sports facilities to determine both the supply of local facilities for sports as well as the existing demand to determine MMSC’s competitiveness and how the existing facilities accommodate the market. HSP used the Monroe area as the focus of the local market. The facilities were determined by their proximity to the current site, their facility components, and discussions with local and regional sports organizations. HSP reviewed the critical characteristics of the facilities to determine how competitive the MMSC fits into the current market.

There are limited indoor athletic facilities in the Monroe market, both in terms of quantity and quality. The existing sports facilities supply in Monroe is mostly recreational in nature with only one venue, Total Sports Complex, which is a direct competitor in the market. This lack of local supply, including a complete lack of ice venues, suggests that MMSC is currently filling a gap in the market.

The following table shows the athletic facilities within Monroe, by distance from the MMSC.

Table 3-1

Local Athletic Facility Supply		
Facility	Address	Distance from MMSC (miles)
Monroe Family YMCA	1111 W Elm Avenue	1.9
Total Sports Complex	987 Stewart Road	2.6
Planet Fitness	2121 N Monroe St.	3.0
Anytime Fitness*	2355 N Telegraph Road	4.4
Monroe Community College	1555 S Raisingville Road	6.0

*permanently closed
 Source: Various facilities, Hunden Strategic Partners

The following figure shows the athletic facilities in Monroe.

Figure 3-1



As the map shows, there is a limited supply of athletic facilities within Monroe. The MMSC and YMCA are located in close proximity to downtown, while the other facilities are located outside city limits. The Anytime Fitness, located in Telegraph Plaza, recently closed. The MMSC is located nearest to Interstate 75, which offers better accessibility than the other properties.

Monroe Athletic Facilities

Planet Fitness

Located three miles north of MMSC, Planet Fitness is a tenant of the Mall of Monroe. Opened in 2014, the 24,000-square foot facility was converted from a former Office Max property. The facility features one hundred

pieces of cardio equipment, upper and lower body strength machines, multi-level spa with tanning, massage beds and massage chairs. Membership to the club starts at \$10 per month.

The figure below shows the strength equipment at Planet Fitness.

Figure 3-2



A prototypical fitness center, Planet Fitness, does not compete with MMSC. Planet Fitness markets to individuals who are looking to improve their individual health, fitness, and strength, while MMSC focuses on specific team and sports activities.

Monroe Family YMCA

Incorporated in 1954, the Monroe Family YMCA has had four previous locations. In February of 1971, the YMCA moved to its current location at 1111 West Elm Street. In 1977, there was an addition built onto the YMCA building. This addition included four tennis courts, two racquetball courts, two health areas and locker rooms. When the River Raisin flooded the YMCA in 1982, the Wellness Center was added in addition to the necessary repairs. Located 1.9 miles away from MMSC, Monroe Family YMCA features:

- An indoor six lane pool
- Regulation gym
- Utility gym
- Complete wellness center with cardio equipment
- Family and youth locker rooms
- Adult locker rooms with whirlpools and dry saunas

- Women's only fitness room
- Free weight program with strength training equipment
- Four indoor tennis courts
- Racquetball court
- Cycling studio
- Hydro massage bed
- Personal training
- Family lounge

The YMCA offers a variety of programs for youth and adults. The youth programs include "Child Watch" (daycare), before and after school care, youth sports, swim lessons, day camp, youth lounge, teen leaders club, tennis lessons and youth fitness classes. The youth sports programs focus on participation, fun, fitness, skills, teamwork, fair play, family involvement and volunteers. The YMCA also offers a variety of arts and humanities classes.

The following figure is an image of the Monroe Family YMCA

Figure 3-3



Conversations with the YMCA indicated that their current membership is approximately 5,200 and the member capacity is 6,000. Management stated that there is additional need for courts and aquatics, and that the facility would rather partner with an existing facility than expand. The facility has a sizeable endowment, and would consider acquiring or leasing the MMSC for additional opportunities to host basketball and volleyball events, while not continuing operation of the sheet(s) of ice. This scenario is discussed later in this report.

Total Sports Complex

Located 2.6 miles from MMSC, Total Sports Monroe opened in 2014. The facility features various surfaces to accommodate multiple athletic uses. Included at Total Sports Monroe is a 190' x 120' Pro Grass multi-sport surface, three indoor volleyball courts, five batting/pitching tunnels and a 100' x 50' Pro Grass training surface.

Total Sports Complex has more than 400,000 square feet and multiple locations across the Detroit metro area. It offers soccer, baseball, lacrosse, softball, roller hockey, volleyball, football and adult kickball facilities. In addition, performance training for athletes, adult workouts and personal or team training is available. The facility also offers summer camps, parties, field trips, fundraisers, outings and lecture spaces.

The following figure is an image of Total Sports Complex Monroe.

Figure 3-4



The Total Sports Complex in Wixom, located more than an hour north of Monroe, features five soccer fields, three batting cages, eleven training tunnels, two outdoor fields, and a training and fitness center. Annual membership is \$15 per player and \$30 per family.

The following table profiles additional Total Sports Complex facilities.

Table 3-2

Total Sports Complex Facilities		
Location	Distance from MMSC (miles)	Facilities
Novi (soccer)	45.5	3 boarded turf fields
Novi (roller hockey)	45.5	Full size hockey rink, mini sports court, 3 volleyball courts
Farmington	46	2 turf fields, baseball training area, 2 pitching tunnels

Source: Total Sports Complex, Hunden Strategic Partners

The Total Sports Complex Monroe is the primary competitor to the MMSC in the local area. While it does not offer a sheet of ice, the facility features a large indoor turf area that can be utilized for training and practices. The facility has already attracted users away from the MMSC, including its largest soccer user group, the Monroe Area Soccer Association.

Monroe County Community College

Monroe County Community College is located six miles away from MMSC. The campus of the college features the La-Z-Boy Center, including Meyer Theater, built in 2006. It hosts major community events and conferences where people can experience educational and cultural enrichment.

Monroe County Community College was established in 1964 and opened to students in October 1967. It is centrally located within Monroe County with a number of major roadways providing easy access for students. The main campus is 210 acres.

The campus also features the Gerald Welch Health Education Building, built in 1996, and is located on the north end of the campus. The building houses the Nursing, Respiratory Therapy and Physical Education programs. Included in the building are an aerobics room, large gymnasium, locker rooms, daycare center and a fitness center.

The following figure shows the Gerald Welch Health Education Building.

Figure 3-5



The athletic facilities at Monroe County Community College do not compete directly with the MMSC. The focus of the college is on student and college-related events, activities and programs.

Implications

The local athletic supply consists mostly of membership-based fitness centers that are focused on the health and wellness of club members through the use of fitness equipment and training. These types of facilities, other than the Monroe Family YMCA, do not offer sports facilities for team and recreational sports. Monroe County Community College offers facilities that are exclusively for student use, so it does not impact the

MMSC. MMSC is the only facility in the market that offers a sheet of ice, and it is the only facility accommodating hockey and skating demand in the market. Total Sports Complex Monroe has created competition for MMSC with its high quality indoor turf facilities, but this creates the possibility of returning to an all ice facility for the MMSC in order to accommodate growth in demand.

Local Demand Analysis

HSP spoke with various user groups and stakeholders in the Monroe community that represent competitive and recreational sports organizations, county governmental agencies, event organizers and other local demand generators to better understand their organizations' needs, as well as their opinions on the state of the MMSC. In addition, this section includes information gathered about the current issues, challenges and suggestions for how MMSC can be better utilized in the future.

Arena 2 (Ice Arena)

The following table lists the primary user groups of Arena 2, which houses the active sheet of ice.

Table 3-3

MMSC Arena 2 User Groups	
Group	Use
St. Mary Catholic Central High School	Hockey
Monroe Hockey Association	Hockey
Monroe High School	Hockey
Journey Figure Skating Club	Figure Skating

Source: MMSC, Hunden Strategic Partners

The primary user groups of the ice arena include:

- **Saint Mary Catholic Central High School (SMCC):** has an enrollment of approximately 380 to 400 students. SMCC is the third smallest school in the state of Michigan that offers hockey. The boys' hockey team has 15 to 18 players, and the team constructed its own locker room in the north corner of Arena 2 at the MMSC. The school typically hosts 17 to 20 games at the MMSC per year, in addition to practices.
- **Monroe Hockey Association (MHA):** There are currently 97 youth athletes in the association, and that number is growing, according to association representatives. MHA is comprised of six teams, and a seventh will be added in the near future. If growth continues, the additional demand for ice time will have to move to another facility. The organization also has an adult league comprised of six to eight teams annually. MHA is the primary user group of Arena 2, occupying more hours than any other group. MHA typically utilizes the facility in the early evening for youth practices and games.
- **Monroe High School (MHS)** has an enrollment of approximately 1,900 students, including 600 athletes for 18 sports. MHS utilizes the turf field for baseball and softball in the winter, in addition to the ice facility for the hockey team. Monroe High School typically utilizes the facility in the evening hours, hosting games at 7:30 PM in most instances.

- **Journey Figure Skating Club:** The primary figure skating club at MMSC, Journey Figure Skating Club, has 35 members and is trying to expand its membership. The group has plans for more programming, including tournaments, training, and freestyle skating. Minimizing travel time is an important factor, which is difficult considering the single sheet of ice in Monroe as hockey use takes precedence. The primary struggle of the Skating Club is financial limitations due to the cost of hiring instructors when participation is low. This challenge makes expansion of the club difficult without providing additional programming at a local facility so participants don't have to travel far distances to other venues.

Conversation with various ice arena user groups and MMSC programming records indicated the following:

- The Monroe Hockey Association demand has increased from more than 118 hours to more than 266 hours in 2015. MHA use occurred most on weekends as well as Mondays and Thursdays. In 2014, weekday rental hours increased every day except for Fridays. As of 2013, MHA rents the most ice time at MMSC. In 2014, MHA used nearly double the amount of ice time than the next organization.
- Monroe High School demand increased from 96 hours in 2011 to more than 123 hours in 2014. MHS demand primarily occurs on Sundays, Tuesdays and Thursdays. MHS will occasionally rental ice time on Saturdays as well.
- St. Mary Catholic Central High School has increased its demand from more than 100 hours in 2011 to more than 140 hours in 2014. SMCC uses the MMSC ice routinely each day of the week except Sundays and Thursdays. However, in 2014, rental hours on Thursdays increased.
- There is a strong desire for a second sheet of ice in the market, primarily for the months of September through March.
- There is frustration with ice-time availability, specifically during prime hours. Demand has reached more than 50 percent in shoulder months and more than 90 percent based on available hours and reported use.
- MMSC management has improved and is easy to work with since management has changed.
- Scheduling process is easy, when times are available.
- There is frustration with the quality of the facility and amenities. The financial burden is understood, but the facility is outdated.
- The pro shop should be improved. There needs to be an area to sharpen skates or the current service needs to improve.
- Sponsorship and advertising of the facility could be improved.
- Adding a bar in the facility would be preferred for adult hockey players and could generate revenue.
- There is not much demand for public skating.
- Journey Figure Skating Club historically uses the ice rink on Fridays.
- High school participation is down, but youth participation is increasing.
- The facility needs to focus on the spring and summer months in order to improve performance.

Arena 1 (Indoor turf)

Many groups use this space each year for various athletic and non-athletic events. These athletic groups include local soccer club teams, soccer leagues, local baseball and softball teams, lacrosse organizations, flag football organizations, and Ultimate Frisbee. Other uses involve inflatable bounce houses, which is programmed by MMSC and admission is charged for attendees, and floor rentals, which may take the form of different events and meetings.

Overall, sports use for Arena 1 has declined mostly due to the major soccer group, Monroe Area Soccer Association, and the flag football groups leaving to use Total Sports Complex Monroe. Other sports such as indoor baseball and softball training provides additional usage during the winter months and inclement weather. Lacrosse, flag football and Ultimate are also present, but these uses are not as consistent or robust. Out of the non-athletic uses, bounce occupies the most hours of the year of any use. These events are sponsored by MMSC and attendees are charged an admission fee. Based on the number of hours these events are active each year, the amount of revenue is low, which seems to be a function of below market admission prices. Floor rentals are another use that typically means a third party is renting the space for a general meeting or other event that is not specifically sports related. These events include the following.

- Circus Pages hosts a circus each summer that generates \$2,000 per day for a flat rental fee of the arena. Circus Pages also shares ten percent of the concessions revenue. Circus Pages does receive 100 percent of the ticket sales and is also responsible for providing their own bleacher seating for the event.
- Four roller derbies are held each year. Event organizers provide their own seating. The synthetic turf is rolled up and stored on the side during the events. MMSC receives \$1,000 in rental fees for each derby, \$2 per ticket sold, which is approximately 300 tickets per event, ten percent of all vendor sales and all of the concession income of about \$700 is retained by MMSC.
- Comic Con used the space in October of 2015. Estimated attendance is 6,000 people, which will all be part of a fundraiser. Any necessary overflow parking will use nearby businesses and open fields. Tickets for the event are \$75 per person, which includes a buffet style meal donated by local restaurants.
- Job fairs are held in MMSC four times per year, as well. These events are held by Michigan Works. Vendors for the event, which are employers seeking new talent, are charged a fee to have a booth at the job fair. An average of 20 to 25 vendors attend the events. Equipment for the events is also rented, creating additional income for MMSC.

MMSC management also expressed that the Monroe locals disagree with having to pay to use the facility at all, and out-of-town visitors are disgruntled by the tiered pricing structure that charges them more than local users.

The turf user groups reiterated many of the same opinions as the ice users regarding the facility. Additional comments included:

- There is unaccommodated indoor training demand for softball and baseball. Groups would like to have ability to use equipment for pitching, batting and fielding practice.
- Lack of indoor space for golf. Partnering with a local golf club/course to offer a golf simulator would generate interest and demand.

- The turf at MMSC is not as high quality as Total Sports Complex. Groups prefer the turf with infill than synthetic field-turf. Existing turf is not as giving, which can lead to more injuries.
- Users commented that field turf installed isn't positioned correctly at times, creating large wrinkles and gaps near the boards.
- The online registration system for indoor soccer leagues has been difficult to use.
- Groups would like to have space for weight and fitness equipment. This would allow for more comprehensive training at the MMSC.
- Spectator seating on the turf side is not ideal.
- Would like to see the cleanliness of the facility improve.

Implications

There is currently a lack of high quality supply in the Monroe market for indoor athletic use and especially ice rinks. The Planet Fitness and YMCA facilities are not true competitors with MMSC, and the Total Sports Complex, while competitive, does not offer any ice related facilities to the market. User groups stated that drive time and convenience are two of the primary factors in choosing a venue, and currently, MMSC offers a well-managed facility that is within reasonable proximity to the primary user groups. Ice arena users indicated frustrations with aspects of the facility, including quality of amenities, lack of pro shop, and ice availability, but they also stated that their organizations are growing and they are looking for a second sheet of ice, which may force them to another facility. Turf arena users also indicated similar frustrations, but overall, there is demand for this facility. User groups understand the financial issues the MMSC is currently having, but they hope it remains a community amenity in the long-term.

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STATE AND REGIONAL SPORTS FACILITIES ANALYSIS

HSP evaluated state and regional facilities to determine the level of supply in Michigan and surrounding region to understand the facility components that would position Monroe as a potential site for events in the state and potentially the region as well as offer amenities to the community otherwise unavailable. The various sports complexes located in Michigan mostly appeal to local and regional users as a destination for practices, leagues, neutral game sites and tournaments. These facilities, depending on location, compete with the MMSC on a local level and potentially state and regional levels, too.

The athletic complexes throughout eastern Michigan and the surrounding region that compete with the MMSC vary in size, amenities and in quantity depending on the sport. The most relevant facilities that would compete are complexes with at least a single sheet of ice and more so if it also has indoor turf. Because of Monroe's proximity to the Indiana and Ohio borders, there may be some facilities that would draw participants for local and regional use. The cross-border use is limited by rules regulating the number of out-of-state players on team rosters.

The following table provides an overview of the competitive and comparable sports facilities in eastern Michigan and surrounding states, namely Ohio.

Table 4-1

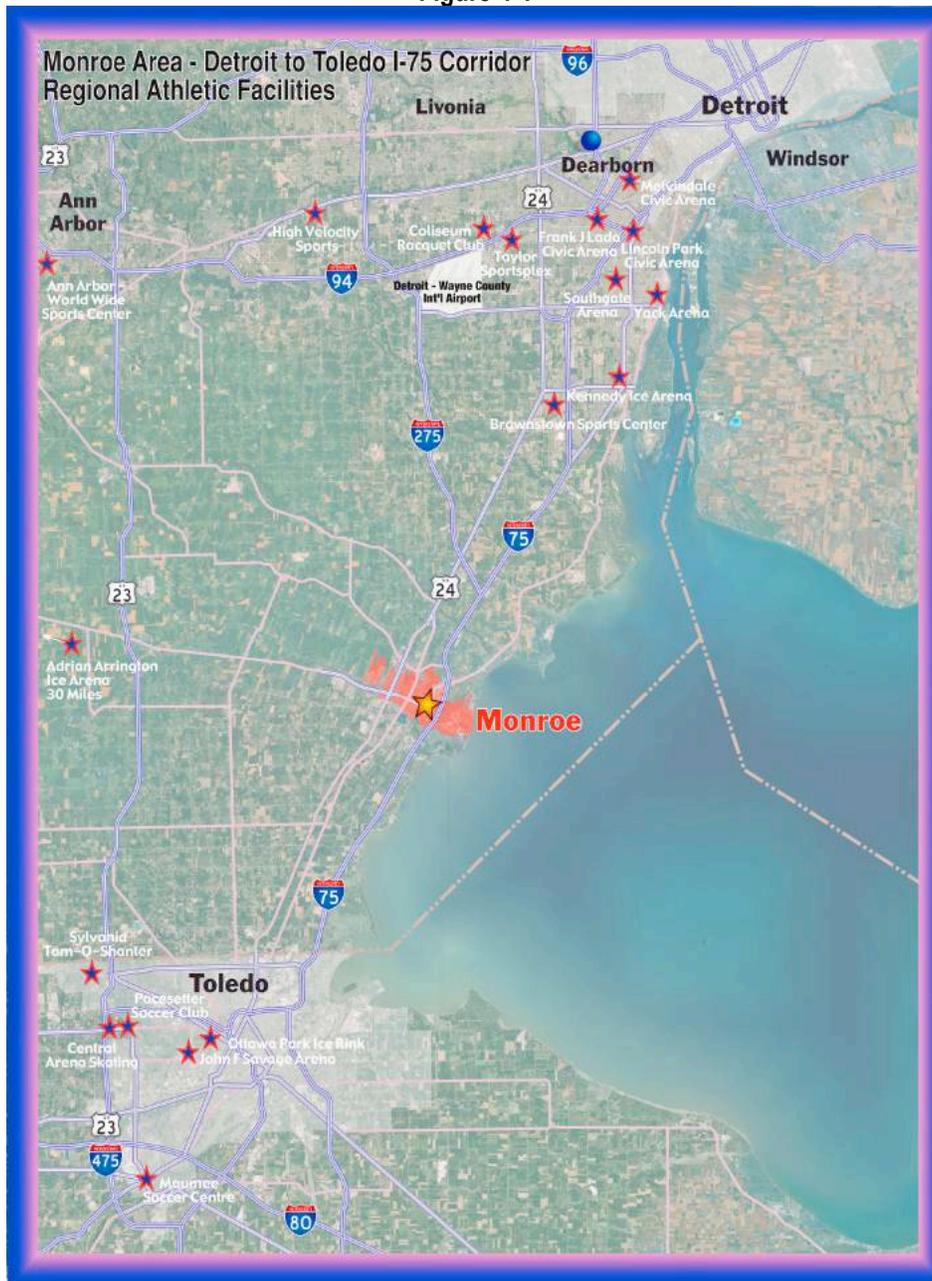
Regional Indoor Athletic Facility Supply								
Facility	Location	Distance from MMSC (miles)	Ice Sheet	Indoor Turf	Basketball	Volleyball	Meeting Room	Other
Brownstown Sports Center (formerly Ice Box)	Brownstown Charter Township, MI	20.2	1	--	--	--	--	--
Kennedy Ice Arena	Trenton, MI	21.0	3	--	--	--	1	--
Taylor Sportsplex	Taylor, MI	22.8	1	--	--	--	7	--
Southgate Arena	Southgate, MI	23.2	2	2	--	--	--	--
Ottawa Park Ice Rink	Toledo, OH	24.3	1	--	--	--	--	--
Yack Arena	Wyandotte, MI	24.8	1	--	--	--	--	--
John F. Savage Arena	Toledo, OH	25.5	--	--	1	1	--	--
Coliseum Racquet Club	Taylor, MI	26.3	--	--	3	--	--	12 racquetball courts
Lincoln Park Civic Arena	Lincoln Park, MI	26.5	1	--	--	--	--	Pool
Pacesetter Soccer Club - Key Bank Field	Toledo, OH	27.8	--	1	--	--	--	--
Frank J Lada Civic Arena	Allen Park, MI	28.7	1	--	--	--	--	--
Sylvania Tam-O-Shanter	Sylvania, OH	29.3	3	1	1	1	--	36,000-sf Exhibition Center
Central Arena Skating Center	Toledo, OH	30.1	1	--	--	--	--	--
Melvindale Civic Arena	Melvindale, MI	30.7	1	--	--	--	--	--
High Velocity Sports	Canton, MI	31.7	--	2	3	3	--	--
Soccer Centre	Maumee, OH	33.8	--	2	--	--	--	--
Wide World Sports Center	Ann Arbor, MI	37.9	--	2	--	--	--	--
Arrington Ice Arena	Adrian, MI	39.0	1	--	--	--	--	--
Average	--	28.0	1.4	1.7	2.0	1.7	4.0	--
Total	--	--	17	10	8	5	8	--

Source: Various facilities, Hunden Strategic Partners

Of the facilities listed, 15 of the 18 are single-faceted facilities with only one type of playing surface available. Most typically, the single surface is ice, which accounts for 55 percent of the facilities in the region. Three of the facilities solely offer indoor turf, while two offer only hard courts for basketball and volleyball. This leaves only three facilities that offer two or three different playing surfaces within 40 miles of Monroe.

The following figure shows the competitive regional facilities in relation to Monroe.

Figure 4-1



As the figure shows, there are many competitive facilities throughout the region capable of hosting events, but there is a lack of supply immediately surrounding Monroe. Most regional facilities are located closer to Detroit along I-94 or near I-10 in Toledo. The nearest regional facility is more than 20 miles from Monroe. However, access for locals in Monroe is relatively easy to the other markets using I-75 to reach these distant facilities. In fact, many parents are currently making this 40-plus-mile round trip commute on a weekly basis to give their children access to ice facilities for practice, games and tournaments.

The following discussion profiles the regional facilities.

Regional Indoor Athletic Facilities

Kennedy Ice Arena – Trenton, Michigan

Kennedy Park in Trenton, Michigan, 20 miles north of Monroe on the Detroit River, is the home of the city-owned Kennedy Ice Arena and adjacent Kennedy Aquatic Center. It contains 150,000 square feet including three NHL-sized indoor rinks, skate rental, meeting room, large team locker rooms, a sizable lobby and full sized concession area. The facility started in 1961 as an outdoor uncovered rink but today features the indoor McInerney's Arena, Teifer Arena and Practice Arena, and it received a recent \$8.4 million renovation. The following photos show the facility.

Figure 4-2



The facility is quite active as it is home to four high school hockey teams, MIHL Prep Hockey Showcase, Trenton and Grosse Ile Youth Hockey Associations, MSE Adult Hockey, and Trenton Figure Skating. In addition, the rink hosts public skating times, USFS skating lessons, Parent-Tot skating, freestyle practice, THA (Timbit and Beginner) programs for ages four through 14, Spring and Summer Hockey Academies including the Downriver Hickey Academy, Laura Stamm Skating, Victory Hockey Camp, and Andy Greene Hockey School. The City of Trenton has partnered with Michigan Sports Enterprises (MSE) to organize and run adult leagues, schools and tournaments, involving several Detroit-area ice rinks. It is one of the nation's largest adult hockey organizations with nearly 400 teams and 3,000 individuals each fall and winter.

The rink also hosts special events, the most prominent being the MIHL Prep Hockey Showcase in February each winter, and features 42 top high school teams from Michigan, Ohio, Wisconsin and Indiana. Other events include Jamboree on Ice in April with 150 skaters and thousands of spectators, a Halloween event called Halloween Scary Skate, Thanksgiving Turkey Skate, and a Skating Exhibition & Skate With Santa day in December.

Having three rinks is an advantage for scheduling and the rink's calendar shows clearly that during the cold-weather months of October through March, the demand for rink time is high. All three rinks are often being used for practices and hockey games. The center is well managed and coordinated to take advantage of local demand, and has become the center of the city's sports culture.

This first-class facility demonstrates how ice facilities benefit from and need many sources of activity with as many partners and tenants as possible. While MMSC does have high school teams using it as a base of operations, other recreational leagues and clubs would help fill out the schedule to the point of justifying the reintroduction of the second sheet of ice. Parents are currently driving their children to Kenney Ice Arena for use when time is unavailable at MMSC, so improving programming at the MMSC could recapture that local revenue.

Southgate Arena – Southgate, Michigan

Southgate is a city of 30,000 people about 25 miles north of Monroe off Interstate 75. The two-rink Southgate Arena is a publically owned facility that lies about four miles due north of the Kennedy Ice Arena in Trenton. The facility was built in 1992 and is open year round. Renovations have occurred in pieces over the past 23 years, including an additional ice rink in 2007. That renovation included a new concession stand and an elevator. The following figures show the arena facilities.

Figure 4-3



Figure 4-4



Southgate Arena hosts various ages of hockey games, practices and figure skating events. Open skate times include drop-in hockey and recreational afternoon and evening public skating. The \$2 skate rental and \$3 (afternoon) and \$5 (evening) entrance fee is inexpensive compared to many other rinks. The facility also operates beginner skating lessons, including Tot Skate and Basic Skills. The arena also features a pro shop, two concession stands, a vending machine room, and team locker rooms. There are two banquet rooms. The Banquet Hall has a capacity of 175 people while the second level Loft can hold up to 70 people. The larger banquet room is divisible into two smaller rooms, and one end features a bar and a stage. The halls are used frequently for dinners, banquets, recitals, dance rehearsals, middle school dances, business meetings and holiday and graduation parties.

Southgate Heritage Days is a Memorial Day weekend event that uses the arena grounds to stage its events and parade. Bands play throughout the weekend and a figure skating competition is held for girls ages five to 18.

The support for the arena is strong within the community. However, it is not used as frequently as Trenton's Kennedy Arena. Monroe locals are also travelling to use this facility in lieu of using the MMSC. Southgate Arena demonstrates that creative programming of various spaces is necessary to create a vibrant atmosphere that includes the facility in the community's activities. Even as a secondary facility to the Kennedy Ice Arena, Southgate Arena has found success in remaining relevant for more than two decades, which included renovations and an expansion of the facility. MMSC has the ability to do the same.

Sylvania Tam-O-Shanter Inc. – Sylvania, Ohio

Sylvania is a suburb of Toledo with approximately 19,000 people about 32 miles southwest of Monroe. The city limit's northern edge is also the Michigan state line. The Sylvania Tam-O-Shanter Rink One was built in 1971 by seven local businessmen, but was unable to turn a profit, and once taken over by a local savings bank, they persuaded the city of Sylvania to assume ownership and operations. A second rink was added in 1993, and in 2001 the 40,000-square foot Fieldhouse sports recreation center was added for basketball, volleyball and turf sports. The entire complex is now called the Sylvania Sports and Exhibition Center, and it features the Tam-O-Shanter Sports building with two NHL-sized ice rinks, a large pro-shop with jersey silk-screening abilities, The Loft restaurant overlooking Rink One, eight public locker rooms, two team locker rooms and changing areas for officials. Rink One can hold 1,400 spectators plus 110 people in the mezzanine at each end of the rink, while Rink Two can seat 900. A smaller studio ice rink is also used for practices. Each rink is sponsored. Rink One is sponsored by Subway and TAS Electronics sponsors Rink Two. They pay an undisclosed naming rights fee. Advertising is available on the Zamboni, a 20' x 12' advertising panel behind each team bench, and on dasher boards.

The adjacent Fieldhouse contains 40,000 square feet and uses the hardwood basketball court that was used for the 1994 NBA All Star Game at Minneapolis's Target Center. It also features a 110' x 200' turf field for indoor soccer, lacrosse, adult indoor flag football, cardio fitness, and martial arts classes. The single basketball court at the Fieldhouse offers leagues for boys and girls from grades one through eight, boys' junior varsity and boys' varsity. Nearby Lourdes University calls this hardwood court home for their basketball and volleyball teams.

The following figures show the complex.

Figure 4-5



Figure 4-6



Figure 4-7



The facility's programs include drop-in hockey, public open skating, skating lessons, leagues, tournaments, and learn-to-skate programs. Additionally, the rink is home to 12 Northwest Ohio Conference high school hockey teams, an unusually high number of high school teams for one facility.

The following is a list of the tournaments hosted by Sylvania Tam-O-Shanter.

- Hall of Fame H.S. Tournament in December: \$1,000 entry fee per team
- Sylvania North Stars 6U/Mini-mite ADM Tournament in late February: \$450 team fee for 6-8 teams
- Ohio Valley Championship AAA Tournament in early March: \$1,200 team fee
- Alumni Tournament in April: \$650 team fee

- North Stars Midget Tournament in September
- North Stars AAA Shootout in October

Beyond athletics, the field house plays host to Children's Wonderland, Sylvania's Business Expo, Shipshewana on the Road, Old Toyland Toy Show, and GTOC Dog Shows.

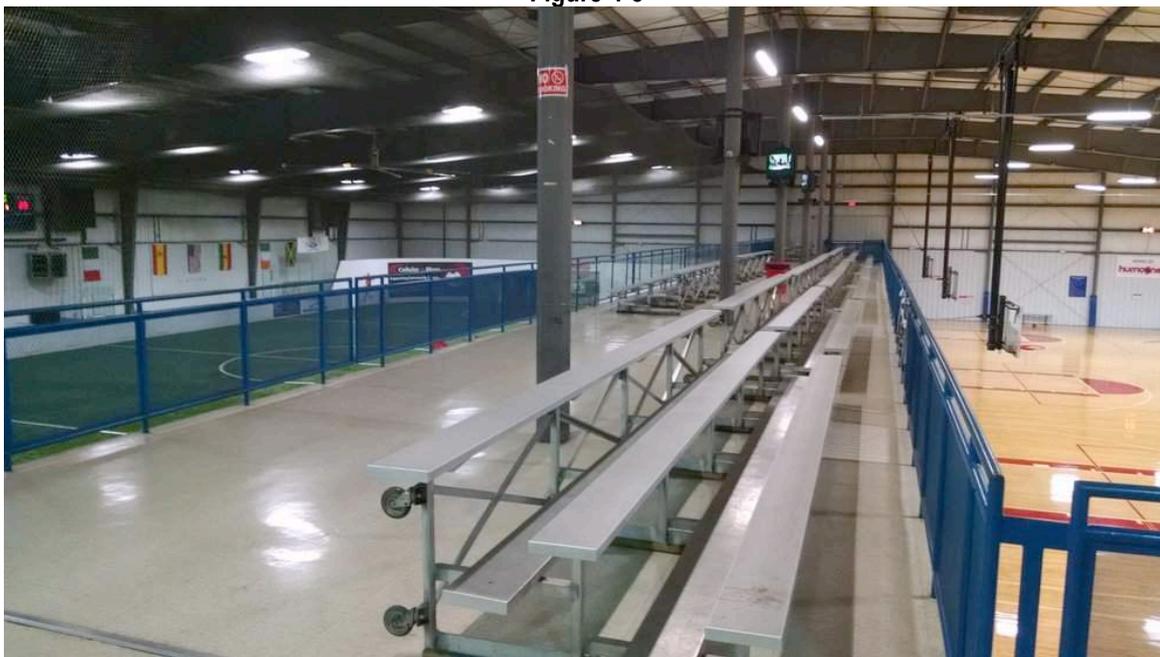
Additional programming and expansion is the story to success for the Tam-O-Shanter facility, even after a difficult beginning. Under the city of Sylvania's management, the facility has thrived and attracted many teams as tenants. It has even managed to attract parents and players from Monroe like other facilities mentioned in this report. The case can also be made that with many youth athletes playing multiple sports, having varied playing surfaces within one facility can create a synergistic advantage for programming and operation.

High Velocity Sports – Canton, Michigan

Set in suburban Canton, Michigan, on US Highway 12, High Velocity Sports is an indoor 110,000-square foot facility that features three boarded indoor turf fields (one at 185' x 85' and two at 85' x 45') and four basketball courts covering 17,000 square feet that can also be used for volleyball. Additionally, in 2014, High Velocity opened a dome covering a full 70,000-square foot 11v11 full-sized soccer field. The 2001-built facility is 32 miles north of Monroe.

The following figure shows the main building interior with the second level mezzanine for viewing activities. Locker rooms, storage, rest rooms, and a snack counter are underneath the center mezzanine.

Figure 4-8



Among the users of High Velocity's new dome are teams of the Michigan Indoor Soccer League, plus other traveling soccer teams, baseball, softball, lacrosse, golf simulator leagues, and possibly cricket. Lil' Kickers is a popular league for kids 18 months to nine years old. The space is also used for special events such as corporate outings, trade shows, and extra space for the facility's highly regarded field trip program and nationally accredited summer camp program. The spaces are occasionally used for a variety of other events including parties for children with inflatable bounce play sets, church lock-ins and mitzvahs, family reunions, birthday events and team parties.

The programs run by the facility include soccer, flag football, basketball, volleyball leagues, and instructional clinics for soccer, basketball, volleyball and lacrosse. High Velocity also rents out its facility to field hockey and baseball teams that choose to run indoor practices through the winter months.

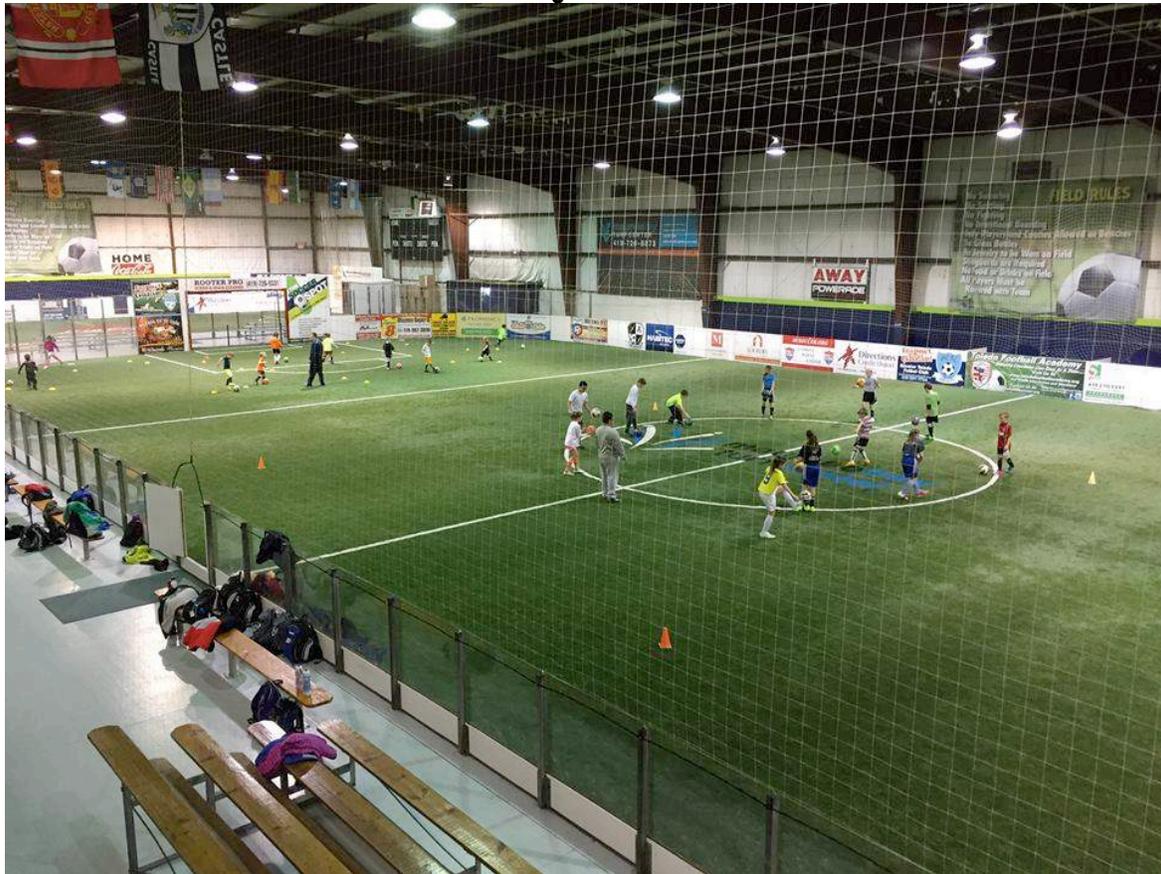
The greater scale of High Velocity Sports demands attention in this analysis. This multi-surface facility has strong programming for many sports and hosts non-athletic events as well as its own programs. The field trip program is a creative way to get local youth excited about coming to the facility in a non-athletic setting, which could lead to further use in the future. This facility's performance reiterates the need for creative programming and aggressive marketing to the local market as well as hosting larger tournaments and events if capacity allows.

Soccer Centre - Maumee, Ohio

Maumee, Ohio is the home of Soccer Centre, a popular two-field indoor facility approximately 34 miles south of Monroe on the southwestern edge of Toledo just off the Ohio Turnpike. The facility is privately owned and operated

The following figure shows one of the two large indoor fields.

Figure 4-9



Indoor soccer leagues cover everyone from small children, boys and girls up to age 16, to coed adult leagues over age 25, plus travel leagues and clinics. Future Stars is a training clinic operated by Soccer Centre.

The two fields are the Coca-Cola Field and MBTC Field and leagues are in play year round. Soccer is by far the most popular sport for both youth and adults. Adult dodgeball leagues are also offered. Adult soccer leagues generate enough demand that games are played every night of the week up until midnight.

Wide World Sports Center – Ann Arbor, Michigan

The three-field indoor facility is on the west side of Ann Arbor in a newly-emerging suburban area. The facility is popular with soccer players and lacrosse leagues because the field is higher quality than most and the entire facility is friendly and kept clean. Management has secured naming rights for each field: Dominos.com Field, Big George's Field, and South Field. Six outdoor fields also accompany the indoor facility. The entire site is privately owned and operated.

The following figure shows the indoor fields.

Figure 4-10



A variety of organized leagues are offered in addition to the tournaments held at the facility. There are women's leagues (18+, 25+, and over 30), men's leagues (18+, 30+ and over 40) and co-ed leagues. The games are scheduled into the night until 11:30 PM every night of the week. For the youth, beginning at age 18 months (Little Bears program), the facility offers developmental programs, skills clinics, practices and games. The 4x4 Rec League is popular with younger players. Wide World Sports organizes its own leagues and prohibits "travel" level players or teams to enter into the league, of which all are co-ed. Unlike the other facilities profiled, sand volleyball is available, along with flag football. A popular event is the Thanksgiving 3x3 soccer tournament, which the facility has put on for a decade. In November-December and again later in winter are 6v6 recreational leagues available for co-ed youth ages 8-9, 10-11, 12-13, and high school. WWSC's staff serves as the coaches for all leagues and teams that play at the facility. The emphasis is on fun rather than on high-level competitiveness.

Wide World Sports also offers full-day camps for youth (7:30 AM to 6 PM costs \$35) during summers. Camps for kids are available during each season. Since 1996, more than 10,000 kids have participated in these camp days, which are available each day that Ann Arbor public schools are off.

Wide World Sports is too far from Monroe to impact its business or attendance, however, having a sports-oriented day care is one of the more profitable ventures that community centers can sponsor. A full day is \$45 and a half-day is \$35. Organizing in-house leagues is another way to keep consistent programming in the facility. As with several of the previous examples, space flexibility is a useful way to keep the building's doors open with activity through out the varied hours and days of the week. Everything from dance camps to

exhibitions, sports tournaments and corporate meetings can generate income, which in-turn, brings more business to concessions and pro-shop sales.

Implications

Regional facilities mostly offer more of the same that the MMSC has to contribute to Monroe. These other facilities typically only offer one type of playing surface and very few total fields or courts, which implies that they are intended mostly for local use and small tournaments. While competition is relatively low between Monroe and these larger surrounding markets, locals are drawn away from Monroe by availability of facilities. However, what separates these facilities from MMSC is that they are very successful at programming their spaces and venues to keep their schedules full through the days, weeks and months by creating recreational leagues for sports, allowing non-athletic events to rent space and hosting other events that attract attention and activity from the local market.

The lack of supply in Monroe and the immediate surrounding area is inducing locals to drive their children to participate in athletic events in other markets of the region. These commutes are costly and time consuming especially when these trips are made weekly and even multiple times per week. The MMSC has the opportunity to be a compelling and necessary community amenity that will recapture much of the impact other communities are seeing from Monroe citizens. Drawing further impact from surrounding markets is less likely, but improving the conditions at the MMSC increases the opportunity for those circumstances. Considering the minimal difference between the MMSC's operating deficit with the space available to the public and with the doors closed, the benefit to the community can be significant if proper action is taken to reinvigorate the building and its programming.

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COMMUNITY NEEDS ASSESSMENT AND ALTERNATIVE USE ANALYSIS

HSP considered various real estate uses as a means to repurpose MMSC into a useful and profitable community amenity or business opportunity. These uses included residential, retail, office, industrial, hotel, sports, event/expo and entertainment.

The following table is a matrix of key factors that generally affect each real estate use's success. A green arrow indicates a factor is important to that type of development, a yellow dash means it has an uncertain or indirect impact, a red arrow means a low impact and the black line means the factor is not pertinent.

Table 5-1

Key Factors	MMSC Real Estate Repurpose Key Factors							
	Residential	Retail	Office	Industrial	Hotel	Sports	Event / Expo	Entertainment
Households	--	▲	▼	—	▼	▲	—	▲
Employment	▲	▲	▲	▲	—	—	▼	—
Tourism	--	▲	--	--	▲	—	▲	▲
Schools	▲	--	--	--	▼	▲	--	--
Commute time	▲	--	▲	▼	--	--	--	--
Demographics	▲	▲	—	—	—	▲	▲	▲
Infrastructure	—	—	—	▲	▲	—	▲	▲
Access	—	▲	▲	—	▲	▲	▲	▲
Parking	—	▲	▲	—	▲	▲	▲	▲
Traffic count	--	▲	--	--	—	▼	—	▲
Competitive Developments	▲	▲	▲	▲	▲	▲	▲	▲
Anchor tenants	--	▲	▲	▼	--	▼	▼	--
Proximity to suppliers/buyers	--	▼	--	▲	--	--	--	--
Labor Market	▼	▼	▲	▲	▼	--	--	--
Lease or purchase options	—	▲	▼	▲	--	▼	▼	▼
Proximity to demand generators	▼	—	--	--	▲	--	▲	▲
Location	—	▲	▼	▼	▲	—	▲	—
Market size	--	—	—	▼	▲	▲	—	▲
Building structure	▲	▲	▲	▲	▲	▲	▲	▲

Source: Hunden Strategic Partners

Each of these 19 key factors was applied to the eight real estate uses considered for the repurposing of the MMSC. While each real estate use has key factors that are not pertinent for its success, many of these factors are universal in their application. Employment, demographics, infrastructure, access, parking, location and building structure apply to each of the uses with the latter being a deciding factor in many cases. The more green arrows for a development type means the more key factors are needed or will positively impact the viability of that particular development type. For example, for an entertainment development, there are 11 key factors that will play an important role in the viability of an entertainment project. Utilizing this matrix, HSP looked at the real estate market for properties that were for sale and lease to understand prices and activity.

The above matrix was then combined with the current state of the market to produce the following matrix, which determines the viability of each of the eight real estate uses. The following table displays which factors, based on current market conditions, are favorable when considering redevelopment of MMSC for other real estate uses. Similar to the first matrix, a green checkmark means the factor is favorable in the Monroe market

for that use, a yellow exclamation point indicates uncertainty, a red “X” means the factor is prohibitive and a black line denotes the factor is not pertinent to the analysis of that use.

Table 5-2

Key Factors	MMSC Real Estate Repurpose Favorability							
	Residential	Retail	Office	Industrial	Hotel	Sports	Event / Expo	Entertainment
Households	--	✗	!	!	!	!	!	!
Employment	✓	✓	✓	✓	✓	✓	✓	✓
Tourism	--	!	--	--	!	!	!	!
Schools	✓	--	--	--	✓	✓	✓	--
Commute time	✓	--	✓	✓	--	--	--	--
Demographics	✓	✓	✓	✓	✓	✓	✓	✓
Infrastructure	✓	✓	✓	!	✗	✓	!	!
Access	✓	✓	✓	!	✓	✓	✓	✓
Parking	✓	✓	✓	!	✓	!	!	!
Traffic count	--	!	--	--	!	!	!	!
Competitive Developments	✓	✓	✓	!	✓	✓	!	!
Anchor tenants	--	✗	✗	✗	--	✗	✗	--
Proximity to suppliers/buyers	--	✗	--	!	--	--	--	--
Labor Market	!	!	!	!	!	--	--	--
Lease or purchase options	!	!	!	!	--	!	!	!
Proximity to demand generators	✗	✗	--	--	✗	--	✗	✗
Location	✗	✗	!	✓	✗	✓	!	!
Market size	--	!	!	✓	!	!	✗	!
Building structure	✗	✗	✗	✓	✗	!	!	!
Overall Viability	✗	!	✗	✓	✗	✓	!	!

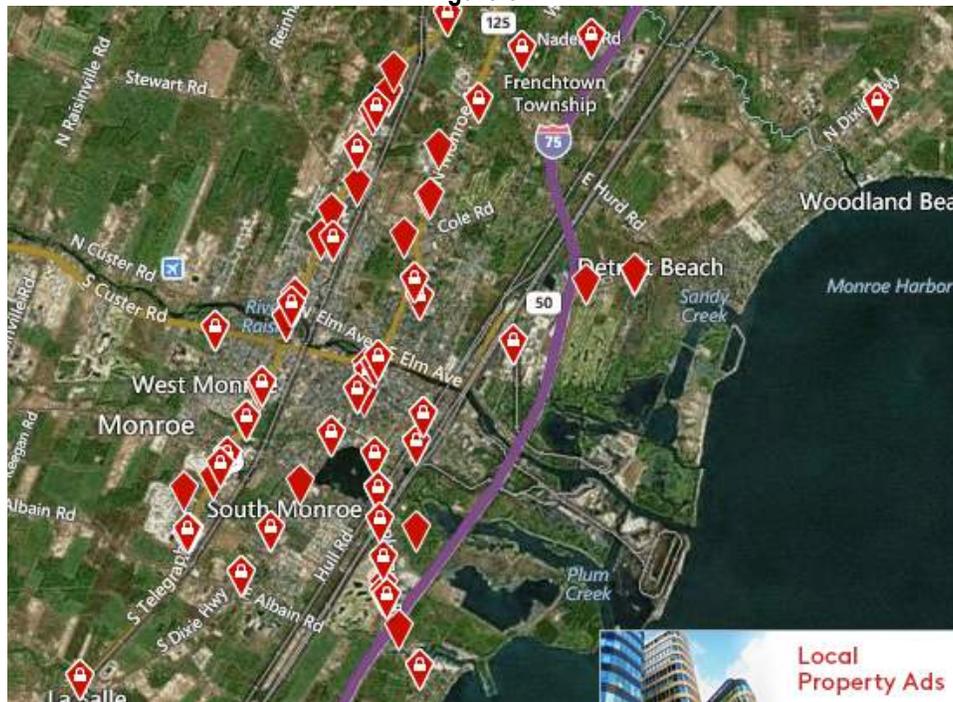
Source: Hunden Strategic Partners

While all factors were considered individually for each real estate use, some of the factors have the same impact on all uses, which is a result of its universal importance, or lack of, when assessing the viability of each use. A critical point to understand is the disparity between the number of green checkmarks and the true viability of repurposing MMSC into each use type. Each factor has a varying degree of relevancy and impact on each type of reuse, which will influence the overall viability of a development. Based on the influence each factor has on the different real estate types as well as the analysis of each real estate market in this chapter, there are two favorable development types, three neutral and three unfavorable. When considering market factors surrounding the MMSC site, residential and hotel developments appear to be an opportunity however, when the current structure of the building is considered, the costs to retrofit residential or short-term lodging units into the MMSC do not make economical sense. It is for this very reason that HSP determined these uses not viable options for consideration as part of MMSC’s future short- and long-term strategy. Office and retail also have seemingly positive profiles for this market. Office has a similar issue with the cost to renovate the MMSC into a viable and usable space. Some spaces already exist within the building that may be used as offices, however the structural nature of the MMSC would make conversion into office costly and would likely require rental rates that could not be justified to achieve an expected return on investments. Retail in a traditional sense does not fit well into the MMSC as it is removed from residential areas and does not have any nearby demand generators. A more viable type of retail is the showroom format, which is more of a wholesale or factory direct retail (e.g. furniture, flooring). The issues for traditional retail still apply generally though.

Office, retail and industrial, as well as vacant land have more listings for sale by private entities in Monroe and require additional analysis. The other uses: sports, event/expo and entertainment are specialty uses that are more rare in this market.

The following image is a map of Monroe with an overlay of properties available for sale in all four of the property types. The majority of available properties are along Telegraph Road and Dixie Highway.

Figure 5-1



The following table shows averages for sales price per square foot and other metrics by property type.

Table 5-3

Properties For Sale Average Summary					
Property Type	Price / Sq Ft	Building Size		Lot Size	
		(Sq Ft)	Sale Price	(acres)	Price / Acre
Office	\$134.65	10,597	\$770,000	0.90	\$855,556
Retail	\$87.35	24,132	\$864,057	5.54	\$155,873
Industrial	\$40.25	15,904	\$900,560	3.81	\$236,523
Land	--	--	\$611,414	21.96	\$27,842

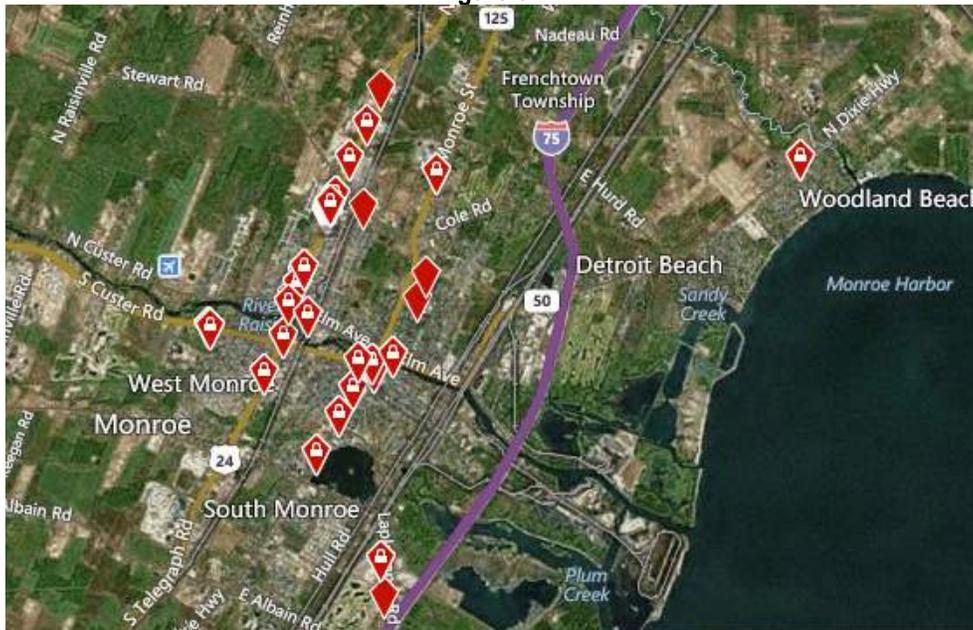
Source: Loopnet, Local brokers, Hunden Strategic Partners

Land is included in the table solely to provide a baseline of value. Improved properties, which are lots of land with structures of any kind, should offer more value and, therefore, represent a higher market value than

vacant land. Office properties in Monroe have the highest valuations per square foot and per acre, on average. They are also typically the smallest developments. Each of these property types in this market, on average, have a much smaller footprint than what is available at the MMSC. Based on these statistics, industrial would be the most economical use to demand 70,900 square feet.

The following figure is a map of Monroe with properties that are available for lease across retail, office, industrial and land. Again, most properties are along Dixie Highway and Telegraph Road.

Figure 5-2



The following table provides averages of rent per square foot, available space and total annual rent for properties available for lease in Monroe.

Table 5-4

Properties For Lease Average Summary			
Property Type	Annual Rent / SF	Rentable Space (SF)	Total Annual Rent
Office	\$12.74	4,749	\$67,793
Retail	\$11.50	18,613	\$267,981
Industrial	\$3.63	79,250	\$293,621

Source: Loopnet, Local brokers, Hunden Strategic Partners

Similar to the properties for sale, office has the highest per square foot value in Monroe. Office spaces in Monroe, however, average less than 5,000 square feet, which is seven percent of the total square feet

available in the MMSC. Retail lease rates are slightly lower than office at \$11.50 per square foot, annually. All but one property in the retail category are 12,000 square feet or less, while the Monroe Shopping Center has more than 132,000 square feet, which drastically increases the average. Based on the size of the MMSC and the average size for retail and office, there would need to be multiple tenants renting the space in order to maximize the revenue potential. Additionally, the expected tenant improvement expense for multiple tenants in addition to converting the space from athletics to office or retail will impact the yield made from leasing those spaces. Leasing the MMSC space as an industrial facility makes the most economical sense as well as limits the number of suitors to occupy all the space.

HSP conducted more in depth research into each of the real estate uses that could be viable options based on market factors as well as the structural nature of the MMSC to understand if there is any potential market demand in addition to being economically feasible.

Retail Market Analysis

The retail market in Monroe has more available properties for sale and lease than each of the other proposed uses. This may be due to the fact that Monroe retail space is underperforming and the market for retail has not recovered since the recession. Monroe's proximity to the Toledo and Detroit markets draws shoppers away from Monroe centers for their retail needs. The large supply and low transaction velocity creates a stagnant market, which could lead many developers and property owners to seek redevelopment opportunities.

A strong trend in the United States recently has been the conversion of large portions of strip centers being used for fitness facilities such as Anytime Fitness and Planet Fitness. Planet Fitness currently resides at the Mall of Monroe and Anytime Fitness recently closed its doors at its location in the Telegraph Plaza.

The following table displays the retail and restaurant properties for sale in Monroe.

Table 5-5

Retail Properties For Sale						
Property	Property Sub-type	Price / Sq Ft	Building Size		Lot Size (acres)	Price / Acre
			(Sq Ft)	Sale Price		
Dena's Family Restaurant	Restaurant	\$286.80	2,772	\$795,000	0.3	\$2,650,000
Retail Redevelopment Opportunity	Other	\$198.11	3,281	\$650,000	2.0	\$329,949
Frenchtown Cheers Party Store	Free standing	\$170.88	4,032	\$689,000	2.0	\$344,500
14394 laplainsance road	Service/Gas station	\$129.31	11,600	\$1,500,000	5.5	\$272,727
Solomon Property	Free standing	\$126.44	8,700	\$1,100,000	3.0	\$366,667
McGeady's	Restaurant	\$99.29	7,000	\$695,000	--	--
314 Telegraph	Free standing	\$65.31	7,654	\$499,900	0.6	\$781,094
Monroe Town Plaza	Strip Center	\$37.50	20,000	\$750,000	2.5	\$300,000
South Monroe Plaza	Strip Center	\$36.17	107,835	\$3,900,000	23.0	\$169,565
Investment Property	Investment	\$22.77	10,056	\$229,000	0.4	\$587,179
B-2 Investments	Free standing	\$22.43	18,950	\$425,000	5.0	\$85,000
Downtown Business District	Vacant/Owner-User	\$14.94	9,363	\$139,900	--	--
Beer & Wine Store	Retail Pad	\$7.25	4,000	\$29,000	0.3	\$90,625
14500-14760 Laplainsance	Strip center	\$5.67	122,606	\$695,000	21.9	\$31,735
Average		\$87.35	24,132	\$864,057	5.5	\$155,873

Source: Loopnet, Local brokers, Hunden Strategic Partners

Retail properties for sale in Monroe have a wide range of prices and sizes. Dena's Family Restaurant is a 2,700-square foot restaurant that is asking \$286 per square foot, while the largest property for sale, a strip center at 14500 Laplainsance, is asking for less than \$6 per square foot. As with all real estate, retail has certain market elements that drive its success, which are mentioned in the first table of this chapter. Dena's Family Restaurant is located near multiple businesses and a motel, and the 14500 Laplainsance Road property is directly off of Interstate 75.

The following table represents the retail properties available for lease in Monroe.

Table 5-6

Retail Properties For Lease				
Property	Property Sub-type	Annual Rent / Sq Ft	Rentable Space (Sq Ft)	Total Annual Rent
Hampton Plaza	Strip Center	\$15.00	800	\$12,000
Hampton Plaza	Strip Center	\$15.00	1,600	\$24,000
Monroe Shopping Center	Strip Center	\$14.00	132,940	\$1,861,692
14515 Laplainsance Rd	Other	\$13.00	3,504	\$45,538
600 N Telegraph Rd	Strip Center	\$12.00	4,500	\$54,000
1429 Telegraph Rd	Neighborhood Center	\$11.50	3,200	\$36,787
314 N Telegraph Rd	Other	\$6.50	7,654	\$49,782
Food Town Center	Strip Center	\$5.00	12,000	\$60,048
Hampton Plaza	Strip Center	Negotiable	1,320	--
Average		\$11.50	18,613	\$267,981

Source: Loopnet, Local brokers, Hunden Strategic Partners

The properties for lease range in price from \$5 up to \$15 per square foot. The majority of properties for lease are located within strip centers. The Hampton Plaza is a property with multiple vacancies. Most of the retail in Monroe is clustered downtown or within strip or neighborhood centers. If the 70,400-square foot MMSC were converted to retail and leased at the average annual rent from the above table (\$11.50), the total annual rent equals \$809,000. The MMSC’s location does not make an ideal location for retail due to its location along a relatively industrial corridor. Additionally, it is removed from other retail clusters that would help drive additional foot traffic to any development.

Overall, the retail market as a whole in Monroe has been greatly impacted by the consequences of the recent recession. The declining population, limited employment and tourism in the immediate area to drive spending are all factors that make supporting additional retail developments in Monroe difficult. Ultimately, the current building does not suit retail use in the traditional sense and only limited, if any, success is expected from a showroom.

Office Market Analysis

The office market in Monroe is surprisingly healthy judging by the prices and transactions taking place. The volatility of the unemployment rate in Monroe County is concerning, but currently the rate was below both the nation and state at 4.1 percent in August 2015. HSP collected information about the office market from online listing services and local brokers.

The following table represents the office properties for sale in Monroe.

Table 5-7

Office Properties For Sale						
Property	Property Sub-type	Price / Sq Ft	Building Size (Sq Ft)	Sale Price	Lot Size (acres)	Price / Acre
309 Stewart Road	Medical Office	\$283.33	1,500	\$425,000	--	--
1062 - 1066 N Monroe St	Vacant/Owner-User	\$158.24	3,760	\$595,000	--	--
Benesh Building	--	\$59.83	30,000	\$1,795,000	--	--
8 West First	--	\$37.18	7,127	\$265,000	0.9	\$294,444
Average		\$134.65	10,597	\$770,000	0.9	\$855,556

Source: Loopnet, Local brokers, Hunden Strategic Partners

These four properties vary in price, size and property type. The sales prices range between \$265,000 up to \$1.8 million. The largest building for sale is much smaller than the MMSC and is selling for nearly \$60 per square foot. Considering the necessary renovations to equip and make the MMSC function in order to accommodate office use will likely require significant investment. The potential income for a property purposed for office is much higher than that of a retail or industrial use, which will be discussed later in this chapter.

The following table shows the office properties for lease in Monroe.

Table 5-8

Office Properties For Lease				
Property	Property Sub-type	Annual Rent / Sq Ft	Rentable Space (Sq Ft)	Total Annual Rent
Medical Office	Medical Office	\$22.00	9,846	\$216,573
Gupta Building	Medical Office	\$15.00	1,340	\$20,100
Ravenwyck Development Company	--	\$14.95	8,343	\$124,745
Gateway Building	--	\$12.00	2,800	\$33,600
3749 N Dixie Hwy	Medical Office	\$10.00	3,400	\$33,986
Parkwest Plaza 1	--	\$10.00	3,000	\$29,988
Parkwest Plaza 2	--	\$9.00	2,100	\$18,900
Office Space	--	\$9.00	7,161	\$64,449
Average		\$12.74	4,749	\$67,793

Source: Loopnet, Local brokers, Hunden Strategic Partners

Medical offices, on average, are of higher value in Monroe. The two most expensive properties for lease are medical offices. The most expensive property is also the largest available space. The difference in pricing for the leases available are not as drastic as what is present in the retail market. If the 70,400-square foot MMSC was converted to office space and leased at the average rate from the above table at \$12.74 per square foot, the total annual rent equals nearly \$897,000.

Office uses in Monroe have a mixed profile of positive and negative key factors. Unemployment is low, while the declining work force is a concern for office demand. Rents in many major markets are increasing, while the office footprint nationwide is shrinking due to employees working from home and telecommuting. The current structure of MMSC is not conducive to an office space and a complete second floor would likely be constructed to maximize the space provided for tenants. Energy efficiency is also a growing concern for office spaces, and renovations to current systems would be costly and necessary.

Industrial Market Analysis

The industrial market in Monroe is an attractive real estate segment. Generally, good access to highways and the relatively low cost of labor are positive factors for companies wishing to locate their business in this area.

The following table shows a list of industrial properties for sale in the Monroe market.

Table 5-9

Industrial Properties For Sale							
Property	Address	Property Sub-type	Price / Sq Ft	Building Size (Sq Ft)	Sale Price	Lot Size (acres)	Price / Acre
Secure Self Storage	15420 S. Telegraph Rd	Self-storage	\$92.11	38,000	\$3,500,000	3.0	\$1,166,667
15199 S Telegraph	15199 S Telegraph	Business park	\$40.91	2,320	\$94,900	1.7	\$56,488
Miller Property	4658 S. Custer	Flex Space	\$24.90	20,000	\$498,000	5.0	\$99,600
1118 Huber Dr	1118 Huber Dr	Warehouse	\$22.92	7,200	\$165,000	--	--
15196 S Telegraph Rd	15196 S Telegraph Rd	Warehouse	\$20.41	12,000	\$244,900	5.6	\$44,126
Average			\$40.25	15,904	\$900,560	3.8	\$236,523

Source: Loopnet, Local brokers, Hunden Strategic Partners

The real estate market in Monroe indicates industrial properties are the least expensive per square foot and may offer the most viable option if repurposing the MMSC. Flex space and warehouses count for three of the five properties listed for sale. The prices range within \$4.50 of each other per square foot. Considering the information provided in the table, if the MMSC were sold as an industrial building at the average rate of the flex and warehouse properties (\$22.74), the estimated sale price would be approximately \$1.6 million. This is less than the outstanding debt service remaining on the MMSC.

The following table displays the leasing properties for industrial uses.

Table 5-10

Industrial Properties For Lease				
Property	Property Sub-type	Annual Rent / Sq Ft	Rentable Space (Sq Ft)	Total Annual Rent
West Elm Property	Flex Space	\$3.75	129,500	\$485,625
8710 N Custer Rd	Warehouse	\$2.75	29,000	\$79,750
Average		\$3.25	79,250	\$282,688

Source: Loopnet, Local brokers, Hunden Strategic Partners

The properties that are available for lease are relatively close in terms of price. The average between them is \$3.25 per square foot, per year. This is the lowest average rental rate for any of the uses profiled in this chapter. Another factor to consider when observing the difference in price is that the 8710 N Custer Road property is offering a triple net lease, which means that all expenses such as maintenance, taxes, insurance and utilities are included, while the West Elm property is a modified gross lease, which passes the expenses related directly to the leased space onto the tenant. Modified gross leases make the tenant pay utilities and maintenance for their space, which means that the triple-net lease will typically be a lower rental rate, since the owner of the building is responsible for fewer expenses. If the MMSC were leased as an industrial space at the rate of \$3.25 per square foot, the total annual rent equals \$228,800.

The shrinking labor force is a concern for an industrial development. By converting the MMSC to industrial space would add another property to the existing industrial cluster along Dixie Highway north of MMSC. Depending on the type of industrial use will determine the degree of tenant improvement necessary for a potential user of the space. This uncertainty can influence the revenue potential from the sale or lease of the building.

Meeting & Event Center Market Analysis

Conventions, exhibitions and trade shows are conducted for the purposes of exchanging information, conducting business transactions and for educational, cultural and social enrichment. Often, a single event will use many different types of spaces, including exhibit halls, banquet facilities and breakout meeting rooms. Well-designed multi-purpose facilities offer the proportions of different types of spaces appropriate for the market. In addition, it offers the flexibility to host multiple events at one time. Different types of conventions and meetings have differing needs.

The following table summarizes the key attributes of various types of meetings, including facility requirements.

Table 5-11

Facility Types & Requirements for Various Event Types										
Event Type	Conventions with Exhibits	Conventions	Tradeshows	Consumer Shows	Assemblies	Sports Events	Conferences	Meetings	Trainings	Banquets
Attendance Range	150 - 50,000	150 - 15,000	250 - 50,000	8,000 - 1,000,000	5,000 - 50,000	500 - 100,000	50 - 2,000	10 - 300	10 - 300	50 - 2,000
Primary Purpose	Info Exchange & Sales	Info Exchange	Sales	Advertising & Sales	Info Exchange	Sports	Info Exchange	Info Exchange	Training	Social, Business & Charity
Facility Requirements	Exhibit Halls, Ballroom, Meeting Rooms, Hotel Block	Ballroom, Meeting Rooms, Hotel Block	Exhibit Halls, Hotel Block	Exhibit Halls	Arena or Exhibit Halls, Hotel Block	Arena, Stadium or Exhibit Halls, Hotel Block	Ballroom, Meeting Rooms, Hotel Block	Meeting Rooms, Hotel Block	Meeting Rooms, Hotel Block	Ballroom
Typical Facility Used	Convention Center & Large Hotels	Convention Center & Large Hotels	Expo Facilities & Convention Centers	Expo Facilities & Convention Centers	Arenas or Convention Centers	Arena, Stadiums, Convention Centers	Convention/Conference Centers and Hotels			

Source: HSP

The various types of convention and conference center events are described as follows:

Conventions and Trade Shows – Associations, professional groups and other membership organizations hold conventions and trade shows, with attendance ranging from 150 to 50,000 attendees. The larger of these meetings take place in convention centers with large exhibit halls, but as a Center for Exhibition Industry Research (CEIR) survey indicates, the majority of events require less than 50,000 square feet. Conventions and trade shows may feature a single meeting, but usually offer a number of concurrent meetings and exhibitions. Facility needs include assembly space for general sessions and displays, banquet facilities and numerous breakout-meeting rooms. Two-thirds of conventions and trade shows use exhibit space as a means to communicate ideas and to display products.

Conventions are high-impact events economically because a large percentage of attendees originate from outside the local area, typically stay several nights in the host city and spend money on accommodations, food, transportation, retail goods, and entertainment. Spouses, family, or companions typically accompany a significant number of attendees.

Like conventions, **trade shows** offer a forum for exchanging industry ideas. They vary slightly from conventions in that they are more product- and sales-oriented. Trade shows are exhibit-intensive, and exhibitors prefer column-free, open-space facilities in which temporary custom booths for product display are constructed. Trade shows typically attract a large number of attendees, who originate from outside the host city, but tend to have a shorter average stay than convention attendees.

Consumer Shows – Consumer shows are public, ticketed events featuring exhibitions of merchandise for sale or display. Consumer shows provide a means of product distribution and advertising. Some, such as auto and boat shows, have a recreational and entertainment function as well. Consumer shows range in size from small local and specialized shows with a few hundred attendees to large shows with thousands of attendees. The larger consumer shows may occur in convention centers, shopping malls, fairgrounds and other public-assembly facilities with large exhibition areas. The majority of attendees are local, but exhibitors often come

from out of town. Site selection considerations for consumer shows include the size and income of the local population, availability of facilities and the number of competitive shows in the market.

Assemblies – Assembly events are social, military, educational, religious, and fraternal (SMERF) events. They attract large numbers of people and require seating arrangements to support all the visitors. Larger assemblies are held in arenas or stadiums while smaller assemblies are held in venues such as school auditoriums, churches and community centers. Similar to conventions, attendees originate from outside the host city, but, unlike conventions, these events do not usually require large amounts of exhibit and meeting room space.

Sports – Sporting events are any youth, amateur, professional, or senior event of any variety of sports that can be played indoors. Typically, such events are held in arenas or stadiums; however, many events, from boxing to wrestling, to basketball, can be held in exhibit facilities with temporary seating/stands. A growing trend in this sector is cheerleading competitions. As such, a multipurpose facility can be marketed for a variety of event types.

Conferences – Conferences are meetings typically held by associations, professional groups, and other membership organizations. Educational institutions also host conferences. These events do not usually require exhibit space, but otherwise the facility demands are similar to those of conventions—such as meeting space for general sessions, food service facilities and breakout rooms. Hotels and conference centers typically serve as venues for conferences.

Corporate, Training and Other Meetings – Corporate meetings include training seminars, professional and technical conferences, business/job fairs, incentive trips and management meetings. Corporate meeting planners and attendees demand high-quality facilities. High quality and flexible technology capabilities are an essential element corporate and business users are requiring when selecting meeting facilities.

Banquets – Banquets are typically locally generated events, from social and wedding events to the annual Chamber of Commerce event, which can be the largest of its kind in a given city. A mainstay of hotels and convention centers, banquets provide significant catering income and provide the community with its largest dining room, in most cases.

The following table summarizes the ownership structure of U.S.-based convention centers.

Table 5-12

Convention Centers Ownership				
	Total Convention Centers	Large	Medium	Small
Ownership				
City	48%	27%	52%	57%
Authority	27%	55%	22%	14%
State	8%	18%	4%	7%
County / Council	10%	---	7%	21%
Private	2%	---	4%	---
Non-Profit	2%	---	4%	---
Other	4%	---	7%	---
Is part of a complex	33%	27%	41%	21%

Source: International Association of Venue Managers, Inc.

As shown, most convention facilities are owned by the public sector. This public ownership however can take multiple forms as shown, such as directly through the city, by means of a created authority or even through the state or county / council. State or county / council ownership however is less common within the public sector. And while many convention facilities are privately managed, very few are privately owned.

The following table shows the various convention center management types based on the exhibit space size.

Table 5-13

North American Convention Center - Management Type				
Exhibit Space Size	Private Company	Quasi-Public Authority	Local Government	Other
Less than 100,000 square feet	30%	18%	40%	13%
100,000 to 500,000 square feet	44%	24%	22%	9%
More than 500,000 square feet	17%	50%	33%	0%

Source: PricewaterhouseCoopers

The three chief types of management are private, a quasi-public authority or public, through the local government. Of the three classifications of convention centers, based on the size of the associated exhibit space, convention centers with 100,000 to 500,000 square feet of exhibit space are largely privately managed, by companies such as Spectra (formerly Global Spectrum) or SMG, or 44 percent. This trend toward private management has increased as governments and citizens are demanding more professional management and accounting related to the results at these major public investments.

Meeting Demand

Meeting planners have the strongest influence on conventions and meetings held nationwide. This section includes some of the preferences of U.S. meeting planners based on Meetings Media’s Market Trends Survey as well as data from other sources.

The following table shows the size of convention center events, measured by the total gross square feet of space used for the event.

Table 5-14

Event Size (Gross Function Space)		
Function Space (SF)	Percent of Total	Cumulative Total
6,000 - 14,999	19%	19%
15,000 - 24,999	13%	32%
25,000 - 34,999	15%	47%
35,000 - 49,999	13%	60%
50,000 - 99,999	19%	79%
100,000 - 199,999	14%	93%
200,000+	7%	100%

Source: Center for Exhibition Industry Research

Distribution is fairly equal for the size of exhibitions, although more than half of all events can fit in spaces smaller than 50,000 square feet. Nearly 20 percent of exhibitions occur in less than 15,000 square feet of function space, and an additional 13 percent take place in 15,000 to 25,000 square feet of space. Facilities with less than 25,000 square feet of gross exhibit space can host just one third of conventions.

The following table shows the types of facilities used for all conventions and meetings (respondents could give more than one answer).

Table 5-15

Types of Facilities - U.S. Meetings and Conventions	
Facility Type	Percent of Total
Downtown Hotels	68%
Suburban Hotels	48%
Resort Hotels (excluding golf resorts)	42%
Airport Hotels	26%
Convention Centers	19%
Golf Resorts	16%
Suites Hotels	16%
Gaming Facilities	9%
Residential Conference Centers	9%
Nonresidential Conference Centers	6%
Cruise Ships	1%

Source: Meetings Market Report

For all meetings and conventions, hotels are the primary host venue, while convention centers host one out of five meetings or conventions. This again underscores the value of having a high quality downtown meetings hotel. The term residential conference center refers to a conference center with hotel rooms. For the larger convention events, typically only convention centers and large hotels host these types of events.

The next set of tables presents the trend of important industry metrics such as exhibit hall demand, occupancy, attendance, room nights and critical financial information from surveyed participants by PricewaterhouseCoopers. This data represents approximately 35 percent of 2013 convention center participants and 45 percent of 2013 destination marketing organization participants.

The following table shows the average event count and attendance for survey respondents by facility size.

Table 5-16

North American Convention Centers - All Event Characteristics		
Exhibit Space Size	Average Event Count	Average Total Attendance
Less than 100,000 square feet	291	205,400
100,000 to 500,000 square feet	276	486,800
More than 500,000 square feet	199	1,277,400

Source: PricewaterhouseCoopers

The following table lists average annual exhibit event attendance for 2013 for facilities of varying size.

Table 5-17

North American Convention Center - Annual Exhibit Event Attendance			
Exhibit Space Size	Convention / Trade Shows	Consumer Shows	Subtotal
Less than 100,000 square feet	42,100	66,800	108,900
100,000 to 500,000 square feet	146,500	146,800	293,300
More than 500,000 square feet	567,600	447,100	1,014,700

Source: PricewaterhouseCoopers

As shown, the 2013 annual attendance of consumer shows is greater at smaller convention centers with less than 100,000 square feet of exhibit space than that of convention or trade shows. The number of annual exhibit event attendance is nearly split evenly between the two types of events for mid-sized convention centers. Larger convention centers, with more than 500,000 square feet of exhibit space, are opposite of their smaller counterparts, with convention and trade show attendance accounting for the largest portion of the annual exhibit event attendance.

The following table displays the number of convention/trade show and consumer show events hosted by survey respondents.

Table 5-18

Surveyed National Exhibit Halls - Average Number of Events			
Exhibit Space Size	Conventions / Trade Shows	Consumer Shows	Total
Less than 100,000 square feet	27	19	46
100,000 to 500,000 square feet	36	18	54
More than 500,000 square feet	50	20	70

Source: PricewaterhouseCoopers

The following table presents average attendance for convention/trade shows and consumer shows.

Table 5-19

North American Convention Center - Average Attendance		
Exhibit Space Size	Conventions / Trade Shows	Consumer Shows
Less than 100,000 square feet	1,600	4,100
100,000 to 500,000 square feet	4,300	10,500
More than 500,000 square feet	11,000	32,800

Source: PricewaterhouseCoopers

The following table shows the average number of room nights generated annually by respondents to the convention center survey. In general, convention centers should generate from .25 to .75 room nights per square foot of exhibit space. The average for larger convention centers is about .50 to .60 room nights per square foot of exhibit space.

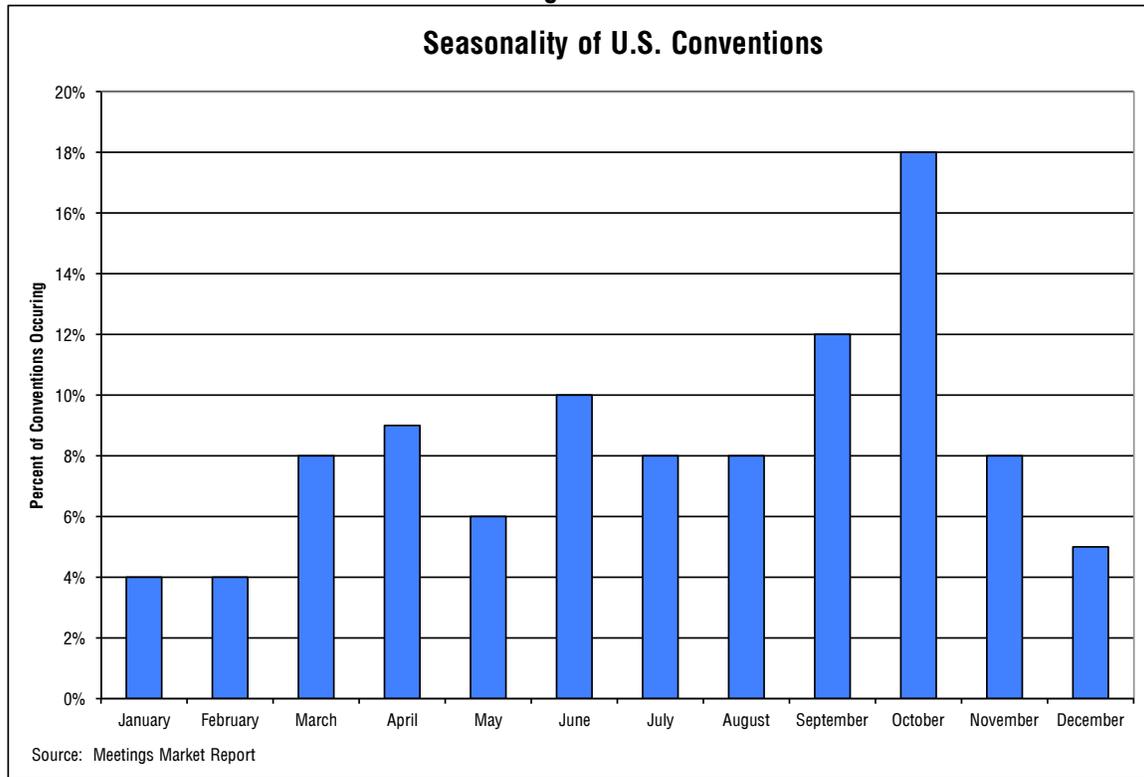
Table 5-20

North American Convention Centers - Hotel Room Nights	
Exhibit Space Size	Average Number of Room Nights
Less than 100,000 square feet	27,500
100,000 to 500,000 square feet	141,400
More than 500,000 square feet	807,600

Source: PricewaterhouseCoopers

The following figure shows the seasonality of the convention calendar across the United States.

Figure 5-3



The fall is the most popular time of year for conventions and events, followed by the spring and summer.

The following table shows the important factors considered when choosing a meeting destination/city.

Table 5-21

Event Site-Selection Trends - Factors for Host City Selection			
Factor	1 = Very Important	2 = Moderately Important	3 = Not Important
Hotel room prices and quality	80%	13%	7%
Hotel room availability and capacity	80%	12%	8%
Convention center and exhibition hall size and quality	76%	15%	9%
Facilities "under one roof" (i.e. meeting rooms , exhibit halls, hotels in one facility complex or connected)	61%	27%	12%
Labor costs and service issues	58%	36%	7%
Proximity of HQ hotel(s) to the convention center	54%	28%	19%
Destination appeal to attendees	48%	41%	11%
Concentration of our members, clients or industry professionals in the city and region	48%	41%	11%
Airport capacity and airfares	48%	37%	15%
Total population, demographics	27%	38%	35%
Road and highway access	26%	49%	24%
Climate / weather	17%	54%	29%
Cultural and entertainment amenities	13%	57%	30%

Source: R7M Research & Consulting

Given Monroe’s hotel situation, the lack of downtown hotels and meeting facilities generate concerns. The top factors selected as very important are hotel room prices and quality, hotel room availability and capacity, and convention center and exhibition hall size and quality. The lowest-rated elements considered when choosing a meeting destination were the total population or demographics, climate/weather, and the cultural and entertainment amenities. While cultural and entertainment amenities ranked lower on the list of factors, the appeal of the evaluated city to the attendees was still important.

The following table lists the key factors considered when assessing a potential venue for an event.

Table 5-22

Event Site-Selection Trends - Factors for Venues			
Factor	1 = Very Important	2 = Moderately Important	3 = Not Important
Cost (to you, the event management group)	91%	9%	0%
Costs (to exhibitors and attendees)	88%	10%	2%
Exhibit halls(s) size and quality	82%	16%	4%
Exhibit space layout (single floor, contiguous)	80%	17%	3%
Meeting room capacity and quality	78%	16%	6%
Quality and proximity of hotels	71%	20%	9%
Labor costs and service issues	65%	31%	4%
Food and beverage quality and costs	62%	36%	2%
Ballroom capacity	54%	32%	14%
Technology services and capabilities	45%	45%	10%
Airport access to venue and hotels	41%	42%	17%
Attached, headquarters hotel	41%	37%	22%
Regional population / demographics	34%	39%	27%
Parking availability	33%	46%	21%
Proximity to entertainment and restaurants	31%	52%	17%
Highway and mass transportation access	20%	57%	23%
Environmental sustainability	7%	65%	28%
Proximity to tourism and cultural amenities	7%	52%	41%
Proximity to recreational activities	5%	51%	45%

Source: R7M Research & Consulting

While the walkability, entertainment and amenities of a potential host city are critical to the selection process, the factors coupled with the venue are just as significant. As seen from the previous tables, cost is a key element considered in all areas associated with a meeting or event. This is true of the venue itself. The cost to the event management group, exhibitors and attendees ranks the highest of all the considered components. The next vital areas of consideration for a venue are the size and quality of function space available.

Once a destination is selected, planners must then choose a hotel. The following table shows the important factors for selecting hotels within the destination.

Table 5-23

Important Factors when Selecting a U.S. Meeting Destination			
	Convention	Association Meeting	Corporate Meeting
Number, Size and Quality of Meeting Rooms	93%	69%	81%
Negotiable Food, Beverage and Room Rates	87%	80%	79%
Cost of Hotel or Meeting Facility	82%	80%	80%
Number, Size and Quality of Sleeping Rooms	79%	54%	72%
Quality of Food Service	70%	63%	70%

Source: Meetings Market Report

As shown, this reinforces the importance of the availability of the right spaces and the fees for those spaces as primary factors.

While many of the smaller meetings venues may be privately owned, most large conference and convention centers are either publicly owned and operated or part of a public-private partnership. The reasoning behind the public sector’s participation is that these facilities are very costly to operate and have difficulty producing an operating profit. Large meetings and event facilities are also economic impact drivers, which public entities may justify through their impact to the community at large by inducing tourism and visitor spending.

The following figure is a map of Monroe’s meeting facilities.

Figure 5-4



None of the meeting facilities are actually within Monroe city limits. Monroe County Fairgrounds, Monroe Community College and Harwood Outlet Center are all south and west of Monroe, while the Quality Inn & Suites, Monroe Golf & Country Club and St. George Cultural Center are all north of Monroe.

The following table lists the local meetings and events facilities and their function space breakdown.

Table 5-24

Local Meeting and Event Facilities						
Property	Distance from MMSC (miles)	Total Function Space	Exhibit	Ballroom	Meeting	Seats
Monroe County Fairgrounds	4.8	46,200	46,200	--	--	--
MBT Expo Center	--	27,000	27,000	--	--	--
Glenn Stock Arena	--	--	--	--	--	2,000
South Exhibit Building	--	7,200	7,200	--	--	--
Rabbit & Poultry Building	--	7,200	7,200	--	--	--
Far West Building	--	4,800	4,800	--	--	--
Grandstand	--	--	--	--	--	8,000
Monroe Community College*	6.0	73,646	--	--	73,646	550
Harwood Outlet Center	3.4	20,000	--	--	20,000	--
Quality Inn & Suites	1.1	5,359	--	2,254	3,105	--
Monroe Golf & Country Club	2.4	3,408	--	2,208	1,200	--
St. George Cultural Center	3.0	--	--	--	--	--
LaRoy's Hall	8.1	--	--	--	--	--
Average	4.1	21,646	18,480	2,231	24,488	3,517

*spaces not available during college activities
Source: Various facilities, Hunden Strategic Partners

The local meetings market supply is not very robust and is mostly comprised of spaces that are more amenities than true meeting facilities. The most notable facilities are on the Monroe County Fairgrounds. Most of the facilities there are utilized during fair and related activities, but the Monroe Bank & Trust Expo Center is used for multiple events throughout the year. The 27,000-square foot exhibit space, the only of its type in Monroe, hosts ten to 12 consumer show events each year. MBT Expo Center is open to host any event that is willing to pay the \$3,000 per day fee, which sometimes includes garage sales and other local events. The fact that management at the MBT Expo Center is planning to extend the building another 50 feet in length in its ten-year plan shows that the consumer and public show business is strong in the area, or at least that demand is currently outpacing supply.

The facility with the most total space available is Monroe Community College, which hosts many different meetings, wedding receptions and other events in nearly every space available on its campus. MCC's La-Z-Boy Conference Center includes the Meyer Theater, which can seat 550 spectators. MCC does not house any traditional ballrooms or exhibit space. The meeting facilities on campus are available only after classes are over and not during any other college activities, which blocks much of the calendar. The planning and event department expressed that a lack of meeting space in the community is obvious by the amount of requests they receive. Due to their facilities being full often, they direct requests to the Quality Inn for overflow business.

The following map shows the regional supply of large meeting facilities.

Figure 5-5



Two of the regional facilities are in Toledo and two others are north of Monroe in the Detroit metro area.

The following table displays the function spaces at each of the regional meeting facilities.

Table 5-25

Regional Meeting and Event Facility Supply						
Property	Location	Distance from MMSC (miles)	Total Function Space	Exhibit	Ballroom	Meeting
Cobo Center	Detroit	37.2	907,300	723,000	45,300	139,000
SeaGate Convention Centre	Toledo	21.7	95,000	75,000	--	20,000
Royal Dearborn Hotel & Convention Center	Dearborn	34.4	62,000	17,700	28,900	15,400
Grand Plaza Hotel & Convention Center	Toledo	21.4	28,800	--	10,800	18,000
Average		28.7	273,275	271,900	28,333	48,100

Source: Hunden Strategic Partners

The largest of these facilities is the Cobo Center in Detroit, which is ranked 17th in the United States in terms of exhibition space. The Cobo Center’s 907,300 square feet of function space dwarfs the total for all of the regional meeting facilities. Besides Detroit, the three other modest convention facilities are attracting the meetings and events that are better fits in secondary and tertiary markets. Toledo has two facilities that offer 95,000 square feet and 28,800 square feet of function space. The SeaGate Convention Centre lacks ballroom space, while the Grand Plaza Hotel and Convention Center does not offer any exhibition space.

Currently, the MMSC is used sparingly for local meetings. However, Arena 1 is occasionally used for tradeshow, public shows, job fairs and other flat floor events. Monroe faces the challenge that there isn’t an ideal meetings and hotel package to accommodate meetings and events, so groups are utilizing the spaces that are fit their needs, whether it is a hotel property, MMSC or the MBT Center. The MBT Expo Center is performing very well due to its recent construction and purpose built amenities for events needing clear span space. MBT Expo Center management currently has plans to expand, which will continue to capture more of the local demand. MMSC’s location and access are adequate if transitioned to a meeting facility, but parking would need to be expanded to accommodate the higher volume of attendees. All things considered, converting the MMSC to a meeting facility would likely result in two additional flex-spaces in the market with meeting rooms to support the larger spaces. This would not elevate Monroe to a competitive position with the regional facilities, but would likely recapture some new events and some that have been displaced by a lack of facilities in Monroe.

Tourism & Entertainment Market Analysis

Entertainment and tourism are lacking in Monroe. Few entertainment venues exist in the market. Tourism has a positive trend currently with the visitation for the River Raisin National Battlefield Park. The increase expected from the master plan expansion of the park and related facilities will surely benefit the community by having some degree of economic impact and offering locals use of new public amenities. Entertainment venues need to be expanded, but the MMSC may be a challenging site to expand the current market offerings.

Without any formal arena or convention center and only two theater stages at the Meyer Theater and the River Raisin Centre for the Arts, Monroe citizens have few options for entertainment. The likelihood of these facilities drawing attendance from outside the city and county is low.

The MMSC does successfully offer some entertainment events currently. The circus held in Arena 1 is a popular event, though the logistics are difficult for the circus. The circus brings its own seating due to the lack of permanent seats in the MMSC. The inability to accommodate event needs through seating, Wi-Fi, audio/visual exemplifies a few of the challenges that deter events from booking the MMSC. It is possible that if the MBT Expo Center expands as planned that the circus could host its event in that space instead. Hosting concerts and other events with audio components is difficult with the existing acoustics in the building. The lack of an elevated loading area creates logistical challenges for easy loading/unloading, which impacts the attractiveness of the MMSC for other events. Access is adequate for events, though the location is removed from supportive amenities such as restaurants and retail and the parking would need to be expanded to accommodate increased attendance.

The community has put much effort into developing a master plan for the River Raisin Heritage Corridor. The location of the MMSC is within the corridor and may provide an opportunity to enhance the overall long-term strategy of the River Raisin National Battlefield Park. The MMSC could offer space for a potential museum or visitor’s center to enhance the overall Park’s visitor experience. The following section discusses the River Raisin National Battlefield Park and how it compares to other parks across the country.

The River Raisin Battlefield Park is the only major tourist attraction in Monroe. Tourism visitation has increased since the park opened in 2011.

The following table shows the historical visitation of River Raisin National Battlefield Park.

Table 5-26

River Raisin National Battlefield Park Visitation														
Year	January	February	March	April	May	June	July	August	September	October	November	December	Total	% Change
2011	--	--	--	--	2,608	5,636	7,195	5,944	4,202	5,094	2,732	2,795	36,206	--
2012	1,434	2,711	4,022	4,333	5,600	5,870	6,112	6,417	4,907	3,441	2,892	2,928	50,667	39.9%
2013	4,060	2,244	3,277	5,933	6,154	5,356	6,830	6,702	7,497	3,210	3,414	2,787	57,464	13.4%
2014	1,856	2,139	3,747	4,466	6,147	6,167	7,467	6,867	6,084	4,104	2,942	3,295	55,281	-3.8%
2015	3,606	2,762	3,670	4,654	7,268	6,536	7,241	23,460	17,286	--	--	--	76,483	38.4%
Average	2,739	2,464	3,679	4,847	5,555	5,913	6,969	9,878	7,995	3,962	2,995	2,951	55,220	--

Source: National Park Service

Visitation has been mostly consistent for the years since the park opened, as well as for visitation trends throughout each year. The winter months are understandably slow with the cold weather, while May through August are consistently the busiest months of the year. On an annual basis, visitation has remained between 50,000 and 60,000. As of September 2015, more than 76,000 visitors have visited the Park, the highest figure in its short history. River Raisin National Battlefield Park is currently a no-fee park. As a result, the Park will receive the majority of its operating revenues through gifts, grants, and other contributions. The Park will be a community asset that is intended to drive economic impacts associated to leverage historical and ecological projects and provide job creation associated with new business seeking to enter the local market.

The following table and figures display the trend of National Park visitation by type of park.

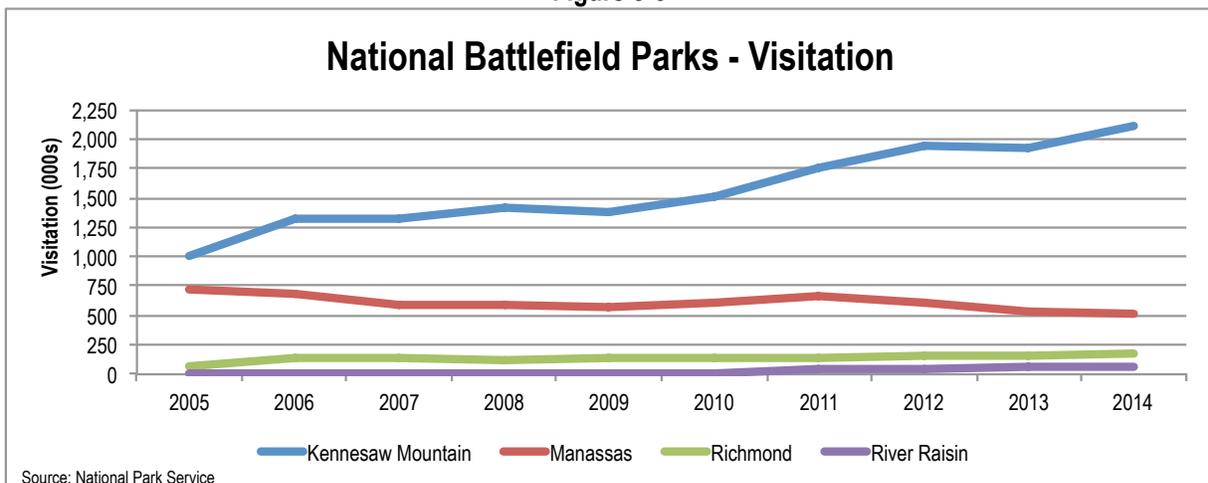
Table 5-27

National Park Service - Visitation												
Park	Location	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Average
National Battlefield Parks												
Kennesaw Mountain	Georgia	1,005,510	1,316,129	1,329,441	1,415,917	1,372,228	1,512,191	1,748,436	1,935,909	1,924,076	2,119,013	1,490,205
Manassas	Virginia	715,622	674,851	584,926	594,992	578,383	612,490	659,740	600,354	538,888	514,140	656,687
Richmond	Virginia	68,438	141,151	132,578	120,823	134,634	130,415	139,376	156,952	151,240	179,552	122,741
River Raisin	Michigan	--	--	--	--	--	--	36,206	50,667	57,464	55,281	49,905
Average		596,523	710,710	682,315	710,577	695,082	751,699	645,940	685,971	667,917	716,997	700,607
National Military Parks												
Gettysburg	Pennsylvania	1,705,601	1,666,365	1,647,745	1,455,951	1,013,002	1,031,554	1,124,659	1,126,577	1,213,349	1,020,702	1,444,481
Chickamauga & Chattanooga	Georgia / Tennessee	901,384	919,892	991,645	993,535	992,448	991,901	1,036,699	1,032,844	905,984	996,694	938,027
Fredericksburg & Spotsylvania	Virginia	534,636	499,324	469,920	473,841	906,175	899,936	908,836	982,324	880,251	873,328	649,019
Vicksburg	Mississippi / Louisiana	703,484	676,605	699,314	555,109	584,105	581,459	796,035	573,262	573,838	550,874	740,248
Shiloh	Tennessee	315,296	335,657	368,742	357,340	404,134	317,046	387,816	587,620	536,206	409,086	380,721
Kings Mountain	South Carolina	268,394	259,287	262,283	254,997	277,576	275,555	272,325	265,713	247,632	251,093	264,363
Guilford Courthouse	North Carolina	497,193	486,162	445,752	354,077	290,368	285,444	346,617	313,374	541,581	173,261	465,704
Pea Ridge	Arkansas	65,557	66,177	68,840	68,464	68,746	115,128	114,234	131,907	95,251	104,686	84,467
Horseshoe Bend	Alabama	58,564	70,067	73,669	50,719	72,232	67,776	65,892	58,668	55,965	64,359	76,585
Average		561,123	553,282	558,657	507,115	512,087	507,311	561,457	563,588	561,117	493,787	560,402
National Battlefields												
Antietam	Maryland	295,309	282,676	337,569	352,548	378,966	393,957	384,987	510,921	370,832	337,079	337,075
Stones River	Tennessee	206,425	201,016	196,061	198,918	189,952	187,559	187,208	260,537	258,242	272,499	208,858
Fort Donelson	Tennessee / Kentucky	208,687	213,521	233,205	208,631	203,456	202,210	257,389	284,762	247,734	262,317	230,504
Fort Necessity	Pennsylvania	102,004	223,111	353,296	127,672	197,271	264,450	193,479	187,893	165,159	219,546	167,195
Petersburg	Virginia	143,455	152,889	154,619	154,003	162,722	175,553	213,261	188,426	190,086	205,572	170,797
Cowpens	South Carolina	208,936	143,664	197,255	235,176	224,394	226,868	223,923	231,973	216,239	200,836	212,766
Wilson's Creek	Missouri	207,199	141,677	121,878	120,670	156,230	185,200	192,865	167,205	157,309	161,058	173,171
Moore's Creek	North Carolina	48,406	44,378	55,039	44,820	68,864	51,326	58,118	79,345	72,330	87,774	66,888
Monocacy	Maryland	17,985	18,579	22,125	31,276	34,553	33,313	36,674	47,249	37,647	56,187	28,012
Big Hole	Montana	54,934	55,049	55,415	54,818	49,822	44,771	36,290	35,207	38,092	36,987	49,059
Average		149,334	147,656	172,646	152,853	166,623	176,521	178,419	199,352	175,367	183,986	164,433
Total Average		393,378	402,621	411,704	385,479	393,695	404,366	423,645	439,922	422,731	410,475	415,462

Source: National Park Services

The following chart shows the historical visitation for the four national battlefield parks, including River Raisin.

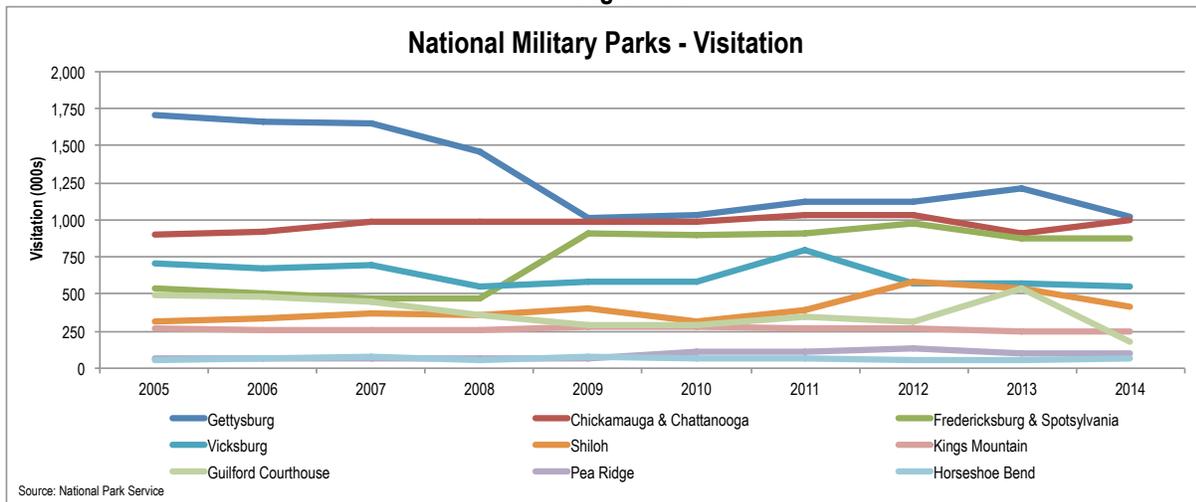
Figure 5-6



Total visitation for these four parks has gone up as Kennesaw Mountain has had steady growth since 2005, yet Manassas declined in attendance slightly and Richmond has remained nearly flat.

The following figure shows the national military parks' visitation.

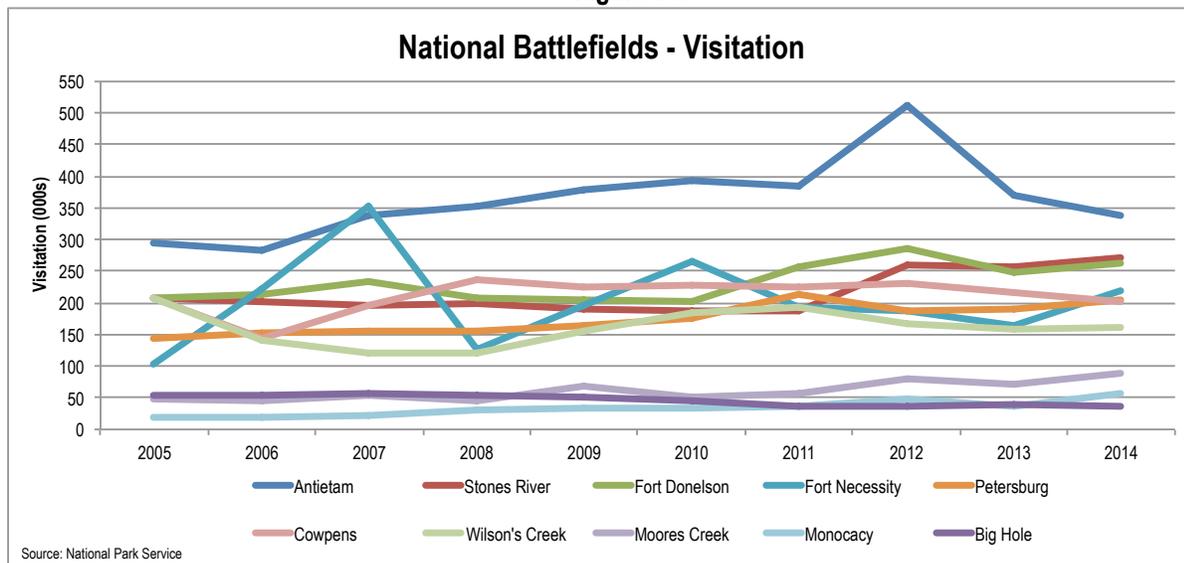
Figure 5-7



The national military parks visitation actually decreased in 2014 from 2013 levels by 12 percent. Total visitation has remained mainly consistent between 5,000,000 and 4,500,000. A positive note is that the decrease in Gettysburg's visitation was made up through increases in other parks.

The following chart shows the visitation to the nation's national battlefields.

Figure 5-8



National battlefields on average have had visitation between 140,000 and 200,000 annually. However, these averages represent a range from 17,000 to more than 500,000 depending on the park and the year.

Tourism will likely increase in the coming years for the River Raisin Battlefield Park, especially, if the master plan for the corridor is implemented. The proposed use of the MMSC as the visitors' center and museum is viable, though the structure is not optimal for that use. The tall ceilings and industrial construction does not lend well to a proper tourism attraction. Recent increases in national park visitation can partially be attributed to the 150th anniversary of the historical events upon which they are based. Another factor to consider is that 75 percent of the visitation to River Raisin Battlefield Park is from within Michigan, generating minimal net new impact from out-of-state visitors. Overall, the MMSC does not lend an ideal structure for a visitor's center as well as the front door for a tourism asset. Significant investment will be required to convert the MMSC into a venue that can provide a welcoming venue to communicate the River Raisin National Battlefield Park's story to visitors.

Broker Conversations

HSP conducted interviews with local real estate brokers to receive feedback on the varied uses and markets explained in this chapter. These conversations were important due to the lack of macro data for Monroe, as it is a smaller community. Feedback from professionals HSP interviewed is summarized below.

Overall, the real estate market is mediocre considering the low velocity, or frequency, of transactions and the relatively low rental rates and sales prices paid in the market. However, opportunities are still present for the reuse of the MMSC, but may be limited.

Light industrial use is one of the more reasonable and viable options due to existing demand. Light industrial or technological uses are seen as a solid fit for the current structure. Many other nearby properties are used for light industrial, which may create operational efficiencies depending on the tenant. Proximity of suppliers and/or business-to-business clients encourages tenants to occupy such space, which will also inform the City on potential higher rental rates for that tenant. Local brokers also stated that currently there is a lack of available space for light industrial uses and interested parties are present in the market. Warehousing and flex space are other industrial uses local brokers mentioned as potential opportunities.

Converting the space to either a warehouse facility or flex space, which could utilize existing spaces as offices, is another viable option that would require less renovation. Further, there are trucking companies in the area that are looking for warehousing facilities, which may create an opportunity for the City to sell the MMSC. While eliminating the MMSC and its operating deficit from the City's finances is an attractive proposition, the trucking companies are not likely to pay market value for the property. The sale of the property would eliminate the annual operating subsidy, but may not cover all outstanding debt service on the MMSC. City leadership would need to make the decision of selling the MMSC with the understanding that debt service may still be outstanding, albeit less than currently exists now. While industrial uses do make sense for the current state of the MMSC, the market rate for industrial spaces are the lowest amongst real estate types.

Compared to industrial uses, a retail showroom or family entertainment center uses, such would likely create considerably higher income through leasing activity. Destination entertainment in particular could potentially be successful due to a lack of this type of development in the Monroe market. A certain degree of creativity or

incentives for the private sector to get involved could be necessary to create a prosperous business of this type.

Lastly, retail uses are likely to fail in this location and market. With such a lack of residential developments nearby and no other mentionable demand generators, traffic to any stores or retail outlets at the site of the MMSC would suffer greatly. Brokers consistently stated that there are better properties in more attractive locations that are underperforming expected occupancy levels. Retail endeavors are likely to be one of the riskiest uses for the MMSC site based on current and expected market conditions.

Implications

The difficult conditions facing the US economy since 2008 have made investors across industries increasingly risk averse. And while the stock market fluctuates and treasuries and cash holdings provide minimal returns, commercial real estate can be an attractive long-term strategy for those looking for an investment with significant growth potential. Returns on commercial real estate investment are more straightforward and transparent than money markets, and the “bricks-and-mortar” aspect of commercial real estate makes the investment itself feel more tangible and secure.

While progress has been slow, commercial real estate market recovery was notable in 2013. This has led to an increased consumer confidence that is critical to any sustainable recovery. Labor markets have continued to demonstrate solid progress, which has fueled growth in GDP. However, this job growth is not consistent across cities and so cities like Monroe can only participate in the real estate recovery based on local conditions. Yet the low interest rates are helping even those cities with anemic job growth.

While office properties tend to offer the highest income per square foot, the likelihood of significant demand for office space in a renovated MMSC is low. Many retail properties are available for sale and lease, though performance is suffering from low incomes and nearby major markets drawing shoppers away from Monroe. Local brokers believe opportunities exist for the industrial market and to potentially utilize the MMSC as a trucking center or for light industrial, however, it is unlikely that a trucking company will be willing to pay a market rate for the building and land. MMSC currently contributes to the meetings and event market, but is not an ideal space to use for these events in its current condition. However, the lack of valuable local supply beyond the MBT Expo Center is limiting the size and types of events that can be accommodated in Monroe. Dedicating the MMSC to meetings and events is a viable option, though heavy renovation would be necessary to maximize its functionality for user groups in that market. Tourism and entertainment are mostly missing from Monroe, but with the River Raisin National Battlefield Park's expansion plan, visitation is very likely to increase in the near future. Utilizing the MMSC, as a visitors' center is not an optimal situation based on the structure of the building, and a newer purposefully built structure would create the atmosphere a visitors' center or museum needs.

HSP has reviewed each real estate use, reviewed market metrics, has experience with and reviewed a number of similar developments, understands downtown and destination development and ultimately expect that industrial and a tourism or entertainment use have the best opportunity for success, although not without some encouragement.

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RECOMMENDATIONS, CONCEPTUAL DRAWINGS AND BUDGET

This chapter presents HSP's analysis of the repurposed and recommended options for the Monroe Multi-Sports Complex. The study's purpose is to determine the facility's optimal future use by taking into account the current physical condition, operations and financial performance, potential revenue and re-use opportunities.

The concern from the public sector stems from the challenging performance of the facility due to lower hockey usage than when originally opened. The facility, originally with two sheets of ice, has converted one sheet to a non-ice multi-purpose space. The economy in the area was hit hard during the last recession and it – and potentially other factors – led to a decline in hockey participation and overall usage of the center. Financial performance of the facility is lower than the community would prefer, with somewhat annual operating losses of approximately \$200,000 in addition to the ongoing debt service of approximately \$430,000 until 2024.

HSP's goal was to determine how the situation evolved and what the best options are for the MMSC going forward, including the potential value of uses other than as a sports and recreation facility. HSP investigated many options, including retail, warehouse/industrial, office, exposition/convention/meeting, and a welcome center for the River Raisin National Battlefield Park and as a potential reuse for recreation by others.

The results of the analysis suggest several key facts:

- Any change in use is going to cost additional funds of more than \$2 million, to as much as \$6 million. This includes taking care of deferred maintenance/capital items that need to be dealt with regardless of use (approximately \$1.2 million).
- No alternative use the HSP Team analyzed will result in positive net operating cash flow, except potentially as a retail showroom/warehouse. However, given the costs necessary to convert to these uses, the city would need to essentially give away the building in order to make the numbers work for the private sector.
- Mothballing the facility would potentially save the city the annual operating loss of approximately \$200,000, however debt service would still need to be paid. The impact to the ice community (hockey, figure skating, public skate, lessons) would be devastating locally, as the nearest options are outside of Monroe. The community and economic benefits of having such a facility locally are both intrinsic and measurable in terms of quality of life, travel time to/from other facilities outside of Monroe and spending by those who come from outside of Monroe to use the facility.
- HSP observed during its study of the situation that the City's expectations for the facility have been generally unrealistic. Most hockey and other recreation/sports facilities do not break even operationally. Perhaps when Monroe made the decision to invest in such a facility, it was led to believe that it would generate enough revenue to pay expenses, capital items and even some of the debt service. Regardless of what the going in assumptions were, the reality of most of these building types is that without robust demand 16+ hours per day most of the year, the buildings will not generate an operating profit.
- In addition to operating expenses, all buildings require a reserve for capital repairs. For example, if the useful life of a building is 30 years, then the capital reserve fund should ideally be funded with one to three percent of the building's cost per year, so that by the 30th year, all of the main

components and systems of the building should be assumed to be replaced in that period. This can start small, but increase over time. For example, if a building cost \$10 million to build, a wise owner puts away \$100,000 - \$300,000 per year for capital repairs for new roof, new HVAC, windows, bathroom fixtures, etc. Given that the facility is nearly 20 years old, it is not surprising that it requires more than \$1.2 million in capital repairs in addition to the repairs that have been completed during its lifetime. The City should accept these costs and not include them in the operating income/expense statement. These are *not* operating expenses and should not be held against the building or the existing management in terms of responsibility. These are predictable funding needs for all buildings.

- The debt service of the building should also not be held as a responsibility of the operating costs of the MMSC. Like any parks or recreation building, these buildings will not pay for themselves (as noted above) and therefore, should not be an annual budgetary conversation. The debt service for the building, like any park, road or public building, should be a community quality of life investment that is the community's responsibility at the time of funding and thereafter. Obviously, making sure the facility is as busy as possible and operated as efficiently as possible is a given, but the debt service and capital reserve should not be part of the annual discussion.
- HSP's review of the current management suggests that the operators know how to run such facilities and have been generally given a tough assignment. If they and the building are given the tools to succeed and the funding to make ongoing repairs and improvements, the net operating loss can be kept to a minimum, likely under \$200,000 per year. As the economy improves in the region, it is likely that usage will increase, as it has been since 2011. However, the City will need to make investments, regardless of the future use, in order to keep it energy efficient and functional (lowering utility expenses, eliminating leaks, etc.). There are other recommendations from HSP to improve revenues (increasing advertising and sponsorship, converting some front-of-house space to rentable rooms, etc.).
- The one alternative to continuing to manage the facility on its own is to allow an outside entity, like the YMCA, to lease part of the facility. There may be organizations interested in this option and believe they can take on the expenses of the building, as well as build it out to its needs, without public support. This option, if proved viable by those interested, would still likely require the City to spend the capital reserve dollars needed to improve the facility's roof and other systems. However, it could result in both programming as well as the operating deficit being eliminated. The City may even be able to charge a primary tenant a modest rent payment to offset the capital expenditure dollars and/or the debt service. The benefits to the community would be the addition of more recreation space, but the potential costs would be the loss of programs.

A SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis was conducted leading up to these recommendations. A SWOT analysis identifies critical factors that will impact the MMSC's overall performance. Strengths and weaknesses are current factors impacting the MMSC as well as items inherent in the market, while opportunities and threats are potential and external factors impacting the success of the MMSC.

This section provides recommendations on the renovations and potential uses of the MMSC based on HSP's review of the market, the MMSC, and other factors. In addition, HSP's experience with similar projects and how they have performed played a role in our recommendations and projections.

SWOT Analysis

Strengths

Committed Leadership. The City of Monroe has demonstrated a commitment to determining the best potential uses for the MMSC and is committed to utilizing the facility to best serve the community.

- **Existing Users.** Existing users want to continue using the MMSC, regardless of the current physical condition. These users are committed to the facility and have demonstrated consistent use throughout the years. Especially with many of the groups growing and their needs for available programming is a positive trend the MMSC can capitalize.
- **Existing Good Reputation.** The management and staff of the MMSC are viewed positively. The facility has developed relationships with Monroe schools, athletic organizations, and clubs for more than a decade, which have improved since current management became responsible for the MMSC's operation.
- **Lack of Competitive Ice Facilities.** The only ice facilities competitive with the MMSC are located more than 20 miles away. The cost of constructing and operating ice facilities is relatively high compared to other sports facilities, so the barrier to entry for private facilities is low to moderate.

Weaknesses

- **Physical Condition.** Prior management and a poor governance structure have allowed the condition of the MMSC to deteriorate by neglecting preventative maintenance and capital reserve pooling. Deferred maintenance is now a heavy burden that must be rectified regardless of the future use of the MMSC.
- **Building Efficiency and Limitations:**
 - **Rink Slabs:** The Arena 1 slab which houses the current turf features a concrete slab to allow for flexibility of event configurations on the building's south side. Arena 2 however was designed to support ice year round and therefore features a sand bed which makes programming the ice arena for alternate uses or events challenging. If alternate uses for the north rink are considered then a slab on grade infill at the existing ice rink should be considered. It is also of note that while both Arenas are designed with ice making capabilities, Arena 1's ice equipment and header system is in need of extensive repairs in order to be operational.
 - **Overhead Clearances:** The existing overhead clearance at the Arena from the event floor varies from approximately 20'-21' clear above finish floor. While these dimensions are suitable for most indoor recreation programs, they are below the recommended limits for some competitive uses such as *basketball* and *volleyball*. The National Federation for High School Basketball recommends 25' clear minimum, USA Volleyball requires 23' overhead clearance for sanctioned events. Recreation or youth programs can be accommodated within the existing volume, but the building is not conducive to host competitive sanctioned events.

- **Local Attitudes.** Stakeholders stated that local culture wishes to receive public amenities for free. Attendance and usage of the MMSC and other public services should be charged on a per use basis, since it is funded by public monies.
- **Loss of User Groups.** Only one competitive athletic facility exists in the market, Total Sports Complex Monroe, which has already poached demand of the MMSC's Arena 1 indoor turf users. With the ability to feature two sheets of ice, the MMSC can recapture the demand from local hockey players and skaters that are currently driving 20-plus miles to use other facilities.
- **Current Marketing.** Inconsistent messages to the public about the future of the MMSC and the very name of the facility cause confusion. The City of Monroe repeatedly tells the community that the MMSC will shut its doors, though despite these messages it continues to operate. MMSC's presence is not prominent in the community and many locals may remain under the impression that the MMSC is no longer available for use, which decreases the public's likelihood to support it. Naming rights and sponsorships have been nearly non-existent though available sources of revenue. Lastly, renaming the facility to better reflect its purpose and the features it offers could also improve demand. There were locals that stated they lived in Monroe multiple years before even learning of MMSC and remaining uncertain of what it was until visiting firsthand.

Opportunities

- **Additional Programming.** Recently MMSC management has implemented a cost minimizing strategy that has limited the facility's ability to serve users to the highest degree. Capturing more use and more revenue through aggressive and targeted marketing and expanded programming can drastically reduce or eliminate the operating deficit.
- **Improved Physical Condition.** Deferred maintenance and additional capital improvement could create enthusiasm about the facility and become a space that locals wish to use more and more frequently.
- **Educating Public of Costs to Operate.** One viable technique in getting the public to understand and accept the prices of using a facility such as the MMSC is to educate them the kind of effort and resources it takes to operate and maintain its condition. Those that do use the space or travel to use other similar facilities may respond positively to renovations of the facility and be willing to pay higher admission and rental fees for an enhanced experience.
- **Interested Parties.** Local entities have expressed interest in owning the MMSC as a satellite fitness and aquatics facility. Local brokers also stated that there is demand in the area for light industrial space and trucking companies are interested in buying warehouse space. These options would allow the City to relieve itself of ownership and the operating deficit associated with the MMSC.
- **Building Functionality and Use:**
 - **Administrative Offices:** It should be noted that the existing Administrative Offices are underutilized. The existing mezzanine level houses ten offices, a work-room, reception area, and conference room. Rink Management recommends that one office, four open area cubicles and a small administrative work-room are sufficient.

- **Pro Shop:** The Pro Shop is oversized and underutilized space. The existing space is approximately 680 square feet. The HSP team estimates that approximately two-thirds of this space could be repurposed for highest and best use such as additional party room or additional food service space.
- **Meeting Rooms:** The Mezzanine Level Meeting rooms are currently underutilized due to their interior finishes and poor condition. Renovation to these spaces to make them more multi-purpose and appropriate for recreation use should be considered.

Threats

- **Delayed or Extended Decision Process.** The Project may experience a decline in use should another athletic facility be developed in Monroe or nearby communities before or immediately after the repurposing/renovation. Advancing a project sooner rather than later could keep the market relatively clear of immediate competition.
- **Cost.** The cost of the project is high and that could threaten the possibility of development. As such, various development options and scenarios are recommended.
- **Declining market.** Higher than average poverty levels, low incomes, population decline and two large markets surrounding Monroe suggest a difficult road to recovery for the City and Monroe County. A lack of public amenities and strong attractions for the area also create a need for a catalyst to reinvigorate the local market from a demographic and real estate perspective.
- **Expanding MBT Expo Center.** Management at the MBT Expo Center expressed a ten-year plan that includes the likely expansion of the expo building by another 50 feet in length, adding more than 6,000 square feet of exhibition space. This facility is very competitive in the meetings and event market and may draw some events looking for higher quality space from the MMSC.
- **River Raisin Battlefield Park Master Plan.** If it is determined that the MMSC is not to be repurposed as an additional facility for the River Raisin Battlefield Park, such as a museum or visitors' center, then funds that could be used to renovate the MMSC may be diverted to focus on the development of amenities related to the master plan of the park.

Implications and Recommendations

The primary goal of the MMSC operation is to reverse the increasing subsidy and improve financial performance near break-even levels. HSP analyzed the performance of MMSC and performed a market analyses for a variety of potential uses to determine scenarios that would make sense for the repurposing of MMSC, and will result in the best financial outcome.

The following table summarizes the five scenarios.

Table 6-1

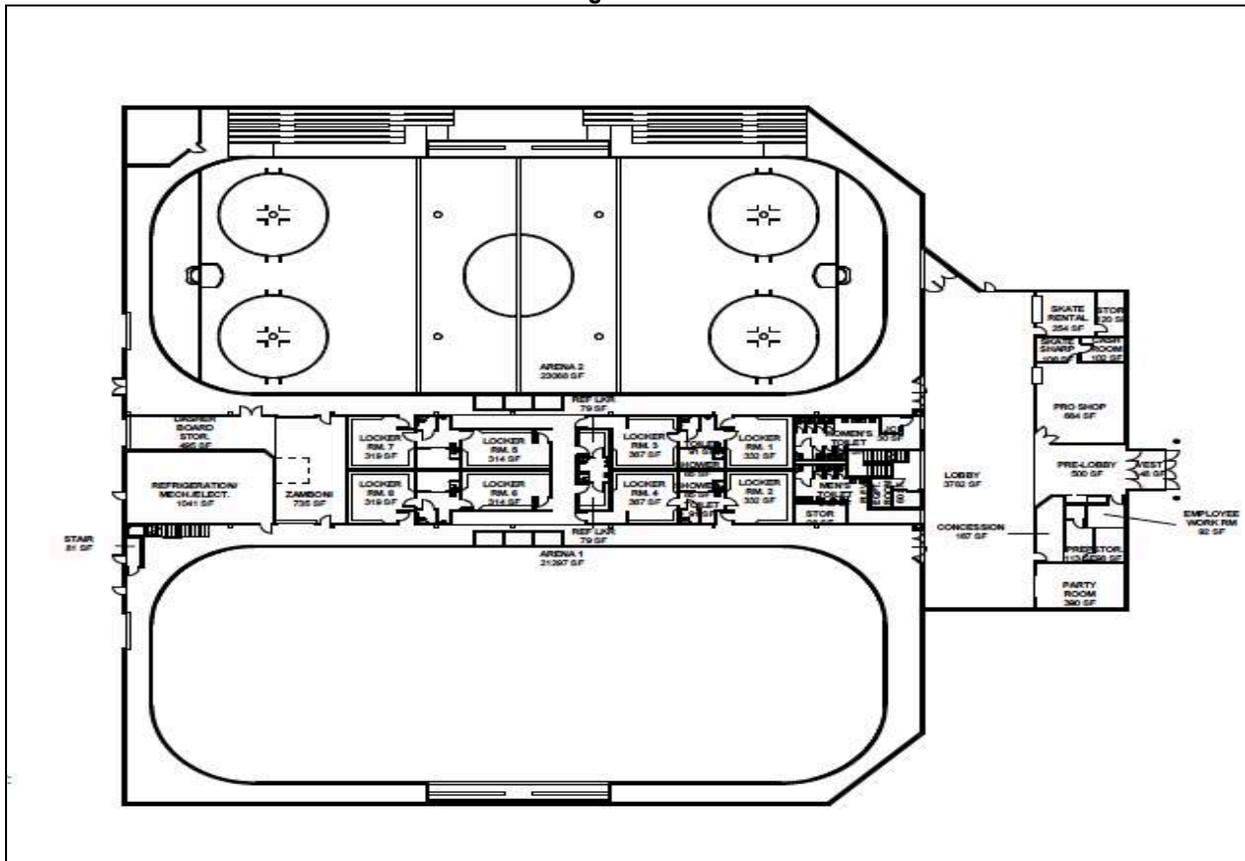
Monroe Multi-Sports Center Budget Summary							
Item	Scenario 1*	Scenario 2	Scenario 3a	Scenario 3b	Scenario 4a	Scenario 4b	Scenario 5
Scenario Components	Address Deferred Maintenance and Capital Improvements	Renovate MMSC	P3 - Repurpose Arena 1	Repurpose Arena 1 into Visitor Center	Repurpose entire building into Exposition Center	Repurpose entire building into Commercial/Flex Space	Repurpose entire building into Entertainment Facility
General Improvements	\$267,200	\$247,200	\$288,200	\$286,600	\$1,562,000	\$712,000	\$787,000
Roof Replacement	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000
Main Level	\$0	\$647,960	\$3,708,580	\$2,378,440	\$7,267,780	\$6,626,515	\$7,865,750
Mezzanine Level	\$0	\$409,065	\$675,545	\$335,145	\$685,985	\$685,985	\$685,985
Construction Costs	\$817,200	\$1,854,225	\$5,222,325	\$3,550,185	\$10,065,765	\$8,574,500	\$9,888,735
Contingency & Other Costs	\$436,020	\$798,979	\$1,977,814	\$1,392,565	\$3,773,018	\$3,251,075	\$5,461,057
Total Project Costs	\$1,253,220	\$2,653,204	\$7,200,139	\$4,942,750	\$13,838,783	\$11,825,575	\$15,349,792

*If roof replacement is deferred, project costs are estimated at \$510,720
Source: Sink Combs Dethlefs

Scenario 1: Address Deferred Maintenance and Capital Improvements

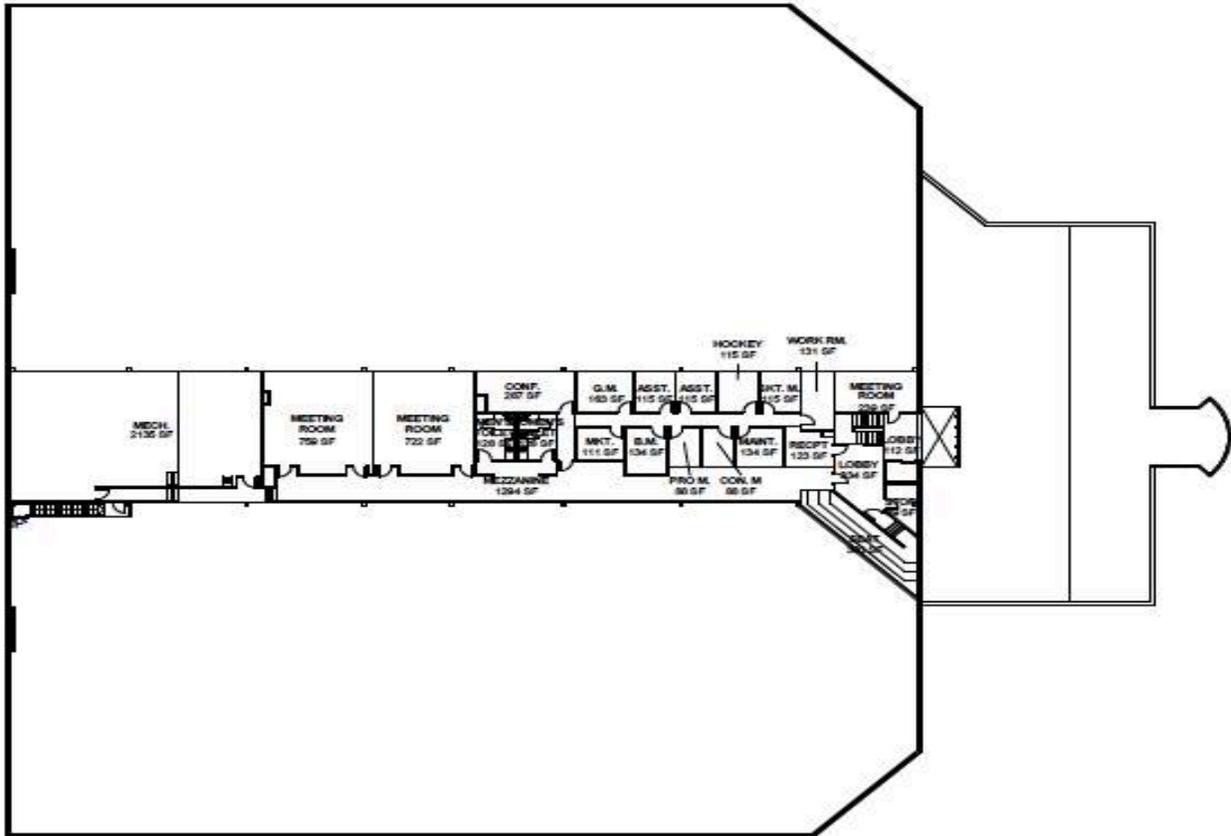
The first scenario keeps the MMSC and its spaces as they currently are. The investment in the MMSC would address the deferred maintenance that has hindered the facility from operating efficiently over the years. The following figure shows the current first floor of the facility.

Figure 6-1



The following figure shows the current layout of the MMSC's second floor.

Figure 6-2



The following table shows the room areas in the MMSC.

Table 6-2

Monroe Multi Sports Complex - Scenario 1		
Name	Area (SF)	Renovation
Arena 2	23,088	--
Arena 1	21,297	--
Lobby	3,782	--
Mechanical	2,135	--
Mezzanine	1,294	--
Refrigeration/Mech/Elect	1,041	--
Meeting Room	759	--
Zamboni	735	--
	735	--
Meeting Room	722	--
Prop Shop	684	--
	664	--
	637	--
	628	--
Pre-Lobby	500	--
Dasher Board Storage	495	--
	460	--
Women's Toilet	403	--
Party Room	390	--
Locker	362	--
	362	--
Men's Toilet	349	--
Shower	341	--
Lobby	334	--
Seat	303	--
	268	--
Conf	267	--
Skate Rental	254	--
	252	--
Meeting Room	239	--
Cor.	216	--
	196	--
Cor.	187	--
	176	--
Concession	167	--
G.M.	163	--
Ref Locker	159	--
Vest	148	--
Work Room	131	--
Reception	123	--
Storage	120	--
Prep	113	--
Lobby	112	--
Mkt	111	--
Skate Sharp	106	--
Cash Room	102	--
Employee Work Room	92	--
Storage	89	--
Stairs	81	--
Room	72	--
Elevator Equip. Room	60	--
Cor	56	--
Cor	52	--
JC	30	--
JC	29	--
Total	66,671	--
Level 1 GSF:	61,089	
Mezzanine GSF:	9,354	
Total GSF:	70,443	

Source: Sink Comb Dethlefs

The following table shows the Scenario 1 estimated budget.

Table 6-3

MMSC Scenario 1 Estimated Budget		
Item	With Roof Replacement	Without Roof Replacement
General Improvements		
Exterior/Site Design	\$20,000	\$20,000
Life Safety	--	--
Architectural	\$115,000	\$115,000
Structural	--	--
Mechanical	\$50,000	\$50,000
Electrical	\$3,200	\$3,200
Information Technology	\$4,000	\$4,000
Audio Visual	\$45,000	\$45,000
Food Service	\$25,000	\$25,000
Elevator	\$5,000	\$5,000
Roof Replacement	\$550,000	--
Main Level	--	--
Mezzanine Level	--	--
Construction Costs	\$817,200	\$267,200
Contingency & Other Costs	\$436,020	\$243,520
Design Contingency	\$40,860	\$13,360
General Conditions & Fee	\$81,720	\$26,720
FF&E Equipment Allowance	\$150,000	\$150,000
Escalation (2 years)	\$57,204	\$18,704
Owner Contingency	\$40,860	\$13,360
Professional Fees & Services	\$65,376	\$21,376
Total Project Costs	\$1,253,220	\$510,720

Source: Sink Combs Dethlefs

The total costs to address deferred maintenance and needed capital improvements are estimated to be between \$510,720 and \$1.25 million. If the decision is to defer roof replacement another five to ten years, then the construction costs are expected to be approximately \$267,200, with total project costs of \$510,720. A strategic plan to fund a capital replacement reserve is strongly suggested to address any continued deferred maintenance, particularly the roof replacement.

The outlined costs are improvements that will be required regardless of the use and are considered to be the baseline improvements to the facility. As shown, as much as \$817,200 in construction costs, including roof replacement, are needed to address structural, mechanical other general improvements to the facility. The largest expense is expected to be the roof replacement that is estimated at approximately \$550,000.

Based on the assessment of the roof and given the current age of the roof, a full tear off and replacement is recommended over the next five years. The existing parapet heights would allow for additional insulation to be added to the roof assembly to achieve enhanced performance since the roof is by far the greatest contributor to heat loss/gain. For the remaining scenarios, it was assumed the roof would be replaced in order to enhance the operating performance of the facility.

The following table lists the areas and the renovation type each will undergo.

Table 6-4

Monroe Multi Sports Complex - Scenario 2		
Name	Area (SF)	Renovation Type
Arena 2	23,088	--
Arena 1	21,297	--
Mechanical	2,135	--
Refrigeration/Mech/Elect	1,041	--
Zamboni	735	--
Dasher Board Storage	495	--
Locker	362	--
Cor.	187	--
Vest	148	--
Storage	98	--
Stairs	81	--
Elevator Equip. Room	60	--
JC	30	--
Total	49,757	--
Lobby	3,782	Light
Mezzanine	1,294	Light
Locker Room	735	Light
Locker Room	664	Light
Locker Room	637	Light
Locker Room	628	Light
Corridor	591	Light
Pre-Lobby	500	Light
Women's Toilet	403	Light
Party Room	390	Light
Toilet	362	Light
Men's Toilet	349	Light
Shower	341	Light
Lobby	334	Light
Seat	303	Light
	268	Light
Conf	267	Light
	252	Light
Meeting Room	239	Light
Asst.	230	Light
Concession	167	Light
G.M.	163	Light
Ref Locker	159	Light
Corridor	136	Light
Prep	113	Light
Lobby	112	Light
Mkt	111	Light
Storage	98	Light
Employee Work Room	92	Light
Storage	89	Light
Room	72	Light
Cor	56	Light
Cor	52	Light
JC	29	Light
Total	14,018	--
Party Room	784	Medium
Group Fitness	759	Medium
Group Fitness	722	Medium
Skate Rental	254	Medium
Storage	120	Medium
Total	2,639	--
Party Room	488	Heavy
Prop Shop	205	Heavy
Skate Sharp	102	Heavy
Cash Room	90	Heavy
Total	885	--
Level 1 GSF:	61,089	
Mezzanine GSF:	9,354	
Total GSF:	70,443	

Source: Sink Comb Dethlefs

The following table shows the Scenario 2 estimated budget.

Table 6-5

Monroe Multi-Sports Center Scenario 2 Estimated Budget					
Item	Renovations			Allowances	Total
	Light	Medium	Heavy		
General Improvements	--	--	--	--	\$247,200
Roof Replacement	--	--	--	--	\$550,000
Main Level	\$381,225	\$43,010	\$163,725	\$60,000	\$647,960
Mezzanine Level	\$148,590	\$260,475	\$0	--	\$409,065
Construction Costs	\$529,815	\$303,485	\$163,725	\$60,000	\$1,854,225
Contingency & Other Costs	--	--	--	--	\$798,979
Total Project Costs					\$2,653,204

Source: Sink Combs Dethlefs

The total renovation budget for Scenario 2 is estimated at \$2.63 million. Of that, \$1.85 million would address general improvements, roof replacement, main level and mezzanine level renovations. This scenario adds an additional \$1.4 million of renovations and other costs to the first scenario. Visitors would not see any significant changes to the overall layout of the facility. However, the aesthetics and amenity spaces are expected to be enhanced to a level that resembles more modern facilities. The hockey arena and turf arena would not undergo any notable renovations.

The recommended changes and renovations to the first floor include converting most of the existing pro shop into another party room and shifting the pro shop into an adjacent smaller space, and renovate the lobby, exiting party area and concession stand. In addition, renovations of the locker rooms would modernize the fixtures and space to meet current standards and expectations. The hockey service areas would also be renovated to improve the space and address any repairs and maintenance.

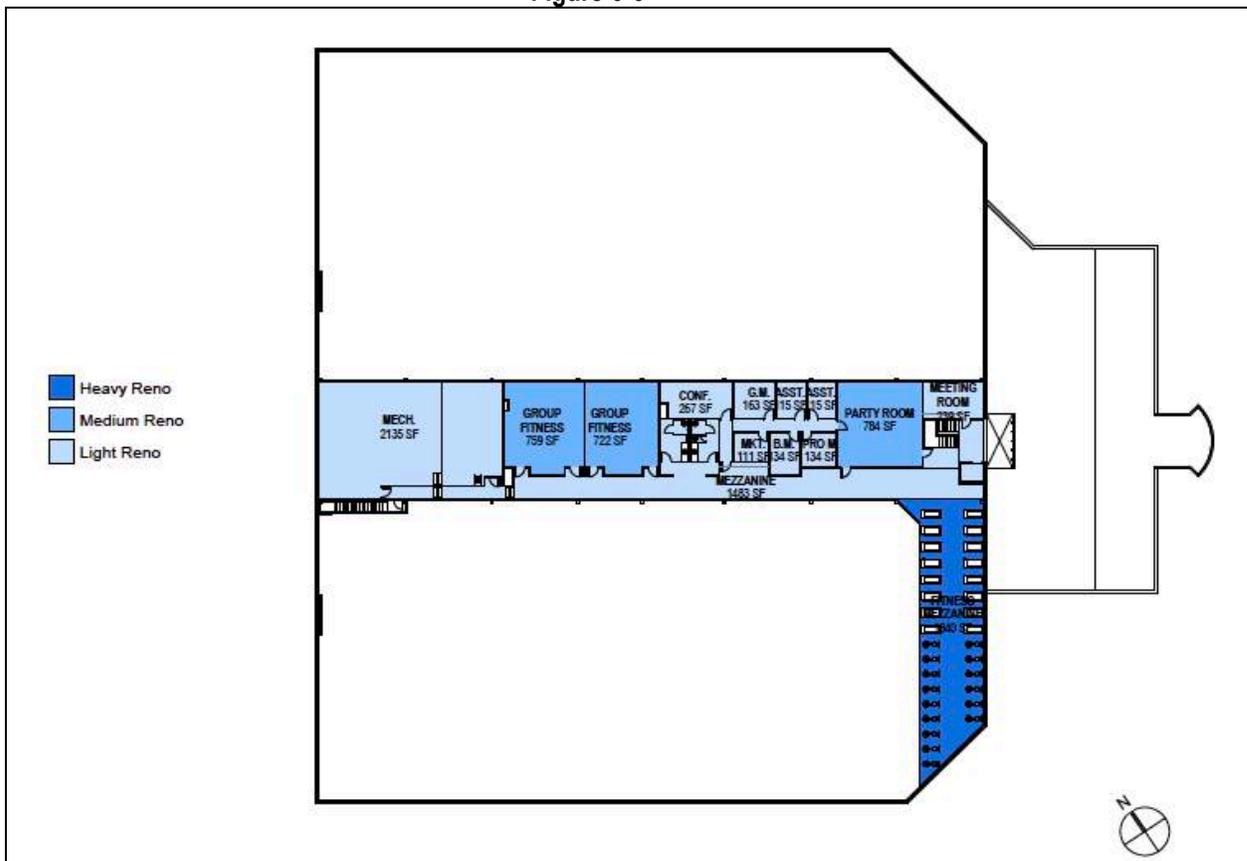
The second floor multipurpose rooms would be renovated to offer more flexibility in uses. The amount of office space on the second floor would be decreased and an additional party room would be programmed to offer more flexible, revenue-generating space for the facility.

Scenario 3: Repurpose Arena 1

The third scenario focuses on repurposing Arena 1, turf side, of the MMSC, while keeping the ice sheet operation in Arena 2. This scenario assumes a third-party organization or business would lease or purchase the space. The objective is to incorporate programming that would provide a consistent source of revenue for the MMSC and minimize operating expenditures. Scenario 3 incorporates the renovations outlined in Scenario 2 and includes the repurposing of Arena 1 in order to accommodate a new use. Larger amounts of medium and heavy renovations will be required to reprogram Arena 1.

The following figure shows the renovations to the second floor in Scenario 3.

Figure 6-6



HSP considered two options under Scenario 3. The first option considers Arena 1 repurposed as an athletic and recreational facility, while the second option considers Arena 1 as a museum or visitors' center for the River Raisin National Battlefield Park. The two options will require different levels of renovation and investment to complete the conversion of Arena 1 and total of approximately 70,000 square feet.

The following table lists the areas and the renovation type each will undergo in Scenario 3a.

Table 6-6

Monroe Multi Sports Complex - Scenario 3		
Name	Area (SF)	Renovation Type
Arena 2	23,088	--
Refrigeration/Mech/Elect	1,041	--
Zamboni	735	--
Dasher Board Storage	495	--
Locker	362	--
Vest	148	--
Storage	98	--
Elevator Equip. Room	60	--
Stairs	39	--
JC	30	--
Total	26,096	--
Lobby	2,879	Light
Mechanical	2,135	Light
Mezzanine	1,483	Light
Pre-Lobby	500	Light
Corridor	438	Light
Women's Toilet	403	Light
Locker Room	367	Light
Men's Toilet	349	Light
Locker Room	332	Light
Locker Room	319	Light
Locker Room	314	Light
	268	Light
Conf	267	Light
	252	Light
Meeting Room	239	Light
Asst.	230	Light
Lobby	190	Light
Cor.	187	Light
Toilet	181	Light
Shower	170	Light
G.M.	163	Light
Ref Locker	159	Light
Cor.	136	Light
Prep	113	Light
Lobby	112	Light
Mkt	111	Light
Storage	98	Light
Employee Work Room	92	Light
Room	72	Light
Cor	56	Light
Cor	44	Light
JC	29	Light
Total	12,688	--
Arena 1	20,147	Medium
Reception	1,036	Medium
Locker Room Wet	885	Medium
Party Room	784	Medium
Group Fitness	759	Medium
Group Fitness	722	Medium
Locker Room	564	Medium
Locker Room	485	Medium
Skate Rental	254	Medium
Office	251	Medium
Concession	167	Medium
Storage	120	Medium
Total	26,174	--
Fitness Mezzanine	1,840	Heavy
Party Room	1,092	Heavy
Party Room	488	Heavy
Prop Shop	205	Heavy
Skate Sharp	102	Heavy
Cash Room	90	Heavy
Total	3,817	--
Level 1 GSF:	61,089	
Mezzanine GSF:	10,823	
Total GSF:	71,912	

Source: Sink Comb Dethlefs

The following table shows the Scenario 3a estimated budget, converting Arena 1 into an athletic and recreational facility operated by a third party.

Table 6-7

Monroe Multi-Sports Center Scenario 3a Estimated Budget					
Item	Renovations			Allowances	Total
	Light	Medium	Heavy		
General Improvements	--	--	--	--	\$288,200
Roof Replacement	--	--	--	--	\$550,000
Main Level	\$458,185	\$2,749,650	\$365,745	\$135,000	\$3,708,580
Mezzanine Level	\$244,985	\$90,160	\$340,400	--	\$675,545
Construction Costs	\$703,170	\$2,839,810	\$706,145	\$135,000	\$5,222,325
Contingency & Other Costs	--	--	--	--	\$1,977,814
Total Project Costs					\$7,200,139

Source: Sink Combs Dethlefs

The total project costs to update MMSC front-of-house areas, creating a separate reception area, as well as renovating Arena 1 are estimated to be \$7.2 million. The main level of MMSC and Arena 1 requires approximately \$3.7 million in renovations. The primary alterations include converting the flooring to hardwood surface for courts sports and programming exclusive locker rooms that would have finishes similar to membership-based fitness facilities. Spaces such as additional multipurpose rooms and offices are included to support the third-party operation.

The following table shows the Scenario 3b estimated budget, converting Arena 1 into a museum or visitors' center for the River Raisin National Battlefield Park.

Table 6-8

Monroe Multi-Sports Center Scenario 3b Estimated Budget					
Item	Renovations			Allowances	Total
	Light	Medium	Heavy		
General Improvements	--	--	--	--	\$286,600
Roof Replacement	--	--	--	--	\$550,000
Main Level	\$1,964,495	\$210,220	\$163,725	\$40,000	\$2,378,440
Mezzanine Level	\$244,985	\$90,160	--	--	\$335,145
Construction Costs	\$2,209,480	\$300,380	\$163,725	\$40,000	\$3,550,185
Contingency & Other Costs	--	--	--	--	\$1,392,565
Total Project Costs					\$4,942,750

Source: Sink Combs Dethlefs

Repurposing Arena 1 to accommodate a museum or visitor's center is expected to cost \$4.9 million. This option is not expected to require the level of finishes or upgrades expected for the athletic and recreational

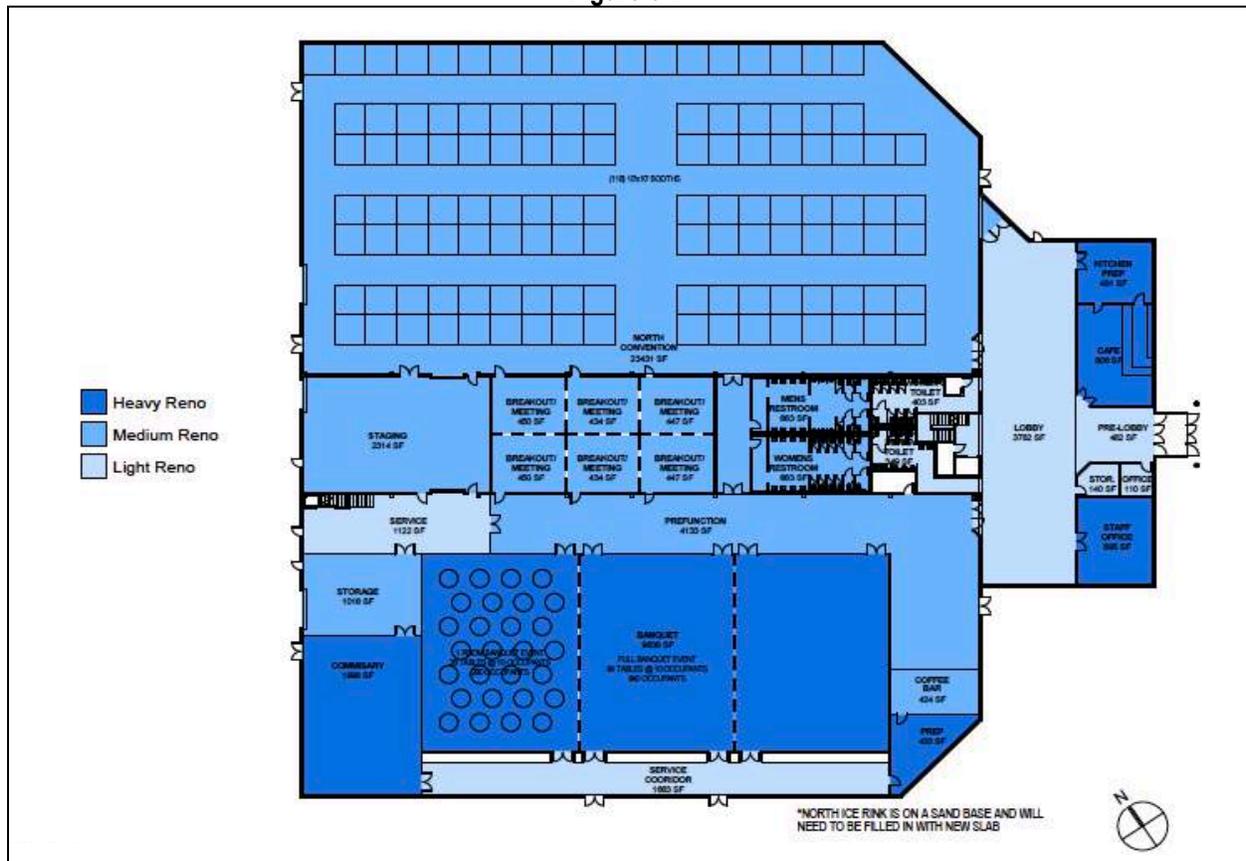
option. Renovations would be primarily lighter in nature, including sealing the concrete floor, painting the space and install upgraded lighting. A new dedicated entrance and reception area in the MMSC lobby would be programmed for Arena 1 separate operations from the hockey side of the building.

The large, open structural format of the building provides some similarities to large open event and industrial warehouse spaces. The fourth scenario outlines two options that convert the entire MMSC into an exposition/banquet center or a commercial flex space that would allow for various uses. These options would essentially eliminate sports use from the MMSC.

Scenario 4a: Repurpose Entire Building – Exposition/Banquet Center

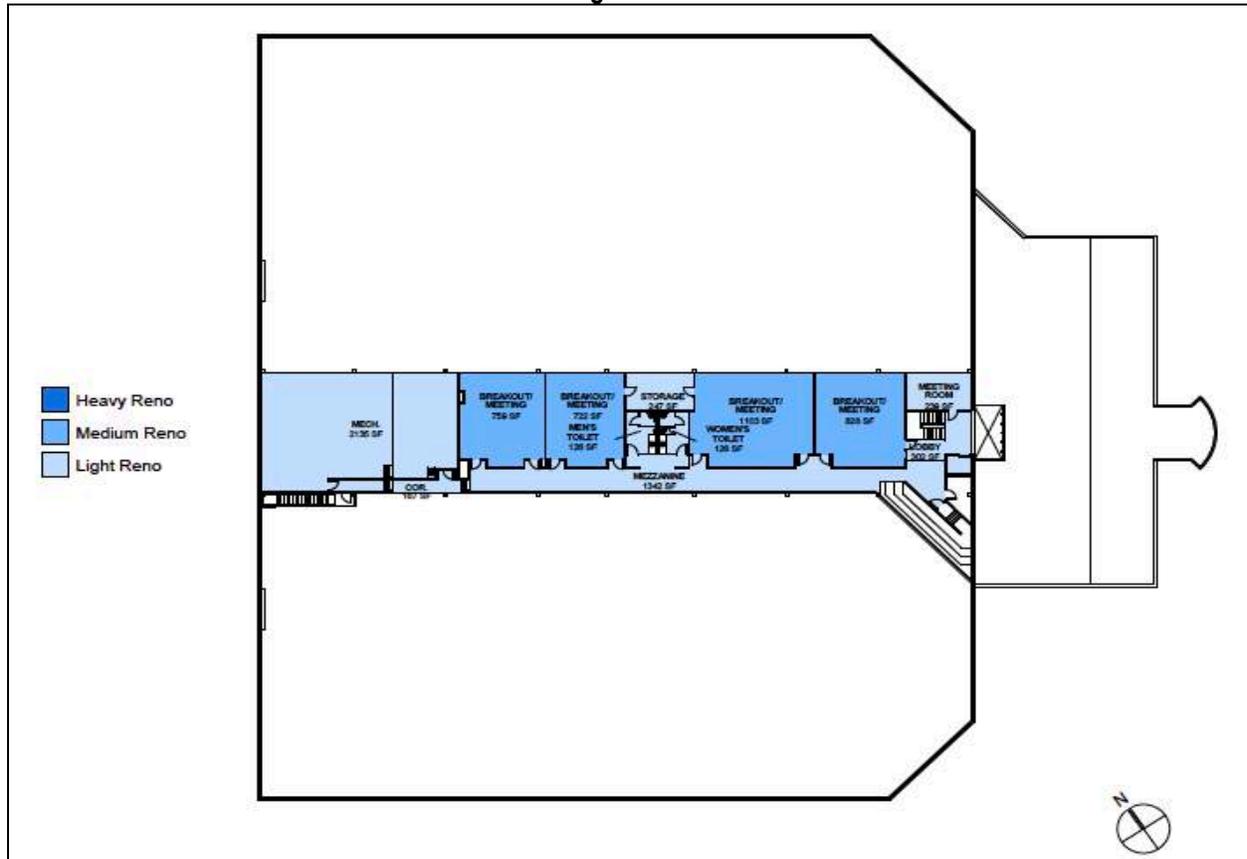
The following figure shows the renovations to the first floor in Scenario 4a.

Figure 6-7



The following figure shows the renovations to the second floor in Scenario 4a.

Figure 6-8



The following table lists the areas and the renovation type each will undergo.

Table 6-9

Monroe Multi Sports Complex - Scenario 4a		
Name	Area (SF)	Renovation Type
Cor	355	--
Vest	148	--
Storage	98	--
Storage	89	--
Elevator Equip. Room	60	--
Stairs	39	--
JC	30	--
Total	819	--
Lobby	3,782	Light
Mechanical	2,135	Light
Service Corridor	1,663	Light
Mezzanine	1,342	Light
Service	1,122	Light
Pre-Lobby	482	Light
Women's Toilet	403	Light
Men's Toilet	349	Light
Lobby	302	Light
	252	Light
Storage	247	Light
Meeting Room	239	Light
Cor.	187	Light
Storage	140	Light
Office	110	Light
Cor	44	Light
Total	12,799	--
North Convention	23,431	Medium
Prefunction	4,133	Medium
Staging	2,314	Medium
	1,325	Medium
Breakout/Meeting	1,103	Medium
Storage	1,016	Medium
Breakout/Meeting	899	Medium
Breakout/Meeting	893	Medium
Breakout/Meeting	868	Medium
Breakout/Meeting	828	Medium
Breakout/Meeting	759	Medium
Breakout/Meeting	722	Medium
Coffee Bar	424	Medium
Breakout/Meeting	416	Medium
Total	39,131	--
Banquet	9,838	Heavy
Commisary	1,998	Heavy
Café	806	Heavy
Staff Office	695	Heavy
Kitchen Prep	481	Heavy
Prep	433	Heavy
Total	14,251	--
Level 1 GSF:	61,089	
Mezzanine GSF:	9,354	
Total GSF:	70,443	

Source: Sink Comb Dethlefs

The following table shows the Scenario 4a estimated budget.

Table 6-10

Monroe Multi-Sports Center Scenario 4a Estimated Budget				
Item	Renovations			Total
	Light	Medium	Heavy	
General Improvements	--	--	--	\$1,562,000
Roof Replacement	--	--	--	\$550,000
Main Level	\$523,315	\$4,108,030	\$2,636,435	\$7,267,780
Mezzanine Level	\$293,605	\$392,380	\$0	\$685,985
Construction Costs	\$816,920	\$4,500,410	\$2,636,435	\$10,065,765
Contingency & Other Costs	--	--	--	\$3,773,018
Total Project Costs				\$13,838,783

Source: Sink Combs Dethlefs

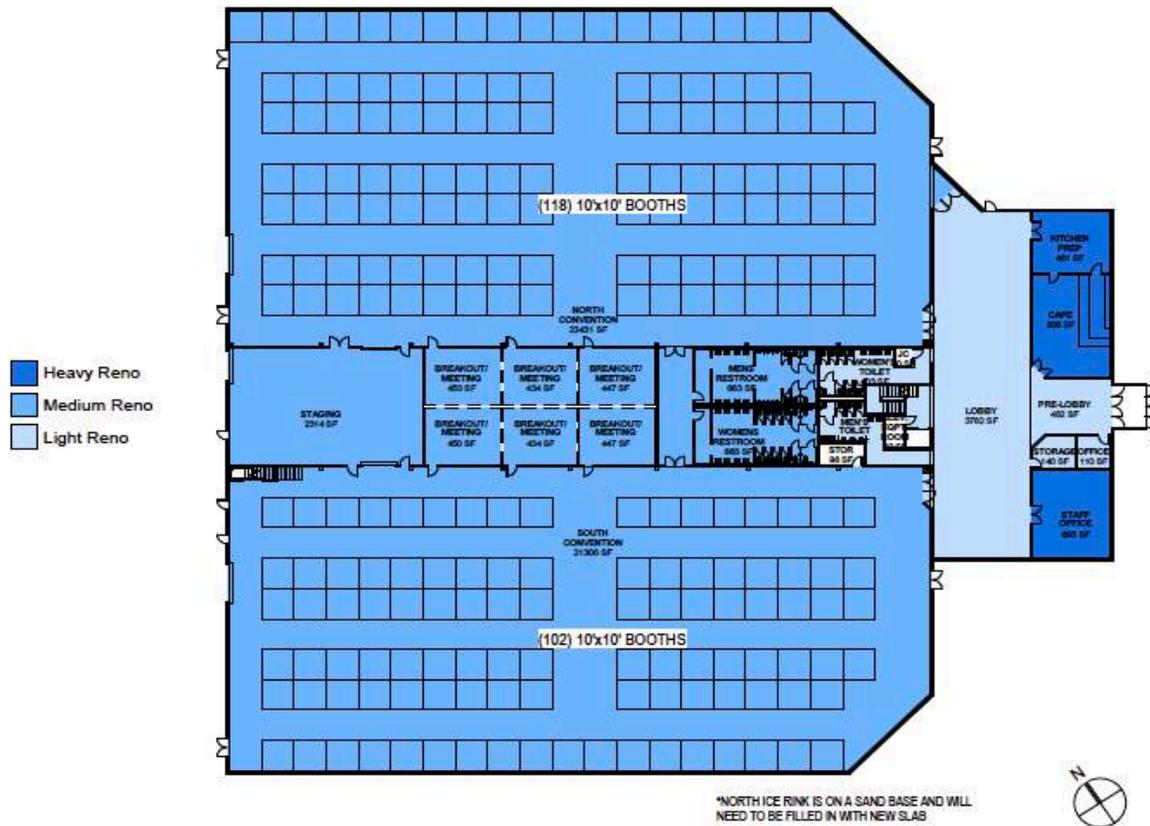
Scenario 4a suggests the MMSC be entirely repurposed as an exposition or banquet center. Arena 1 is converted to a banquet facility with pre-function space, divisible banquet rooms, commissary and back-of-house areas. The existing locker rooms would be transformed into breakout meeting rooms to accommodate breakout meeting sessions or any scheduled meeting at the facility. The existing offices and multipurpose rooms on the mezzanine level would transform into additional meeting rooms. Arena 2 is converted to an open, flat-floor event space that can accommodate tradeshow, small consumer shows and general sessions for small meetings and events. Visitors would enter the renovated lobby of the MMSC, which would house a café, office space and pre-function space.

Scenario 4b: Repurpose Entire Building – Commercial Flex Space

The commercial flex space option for the entire MMSC building would compare to the MBT Expo Center in functionality. The MMSC would have the option of becoming a flat floor event space or repurposed into a warehouse type facility that can house factory warehouse or showrooms. An example would be furniture showrooms that have converted warehouses or former department/anchors stores.

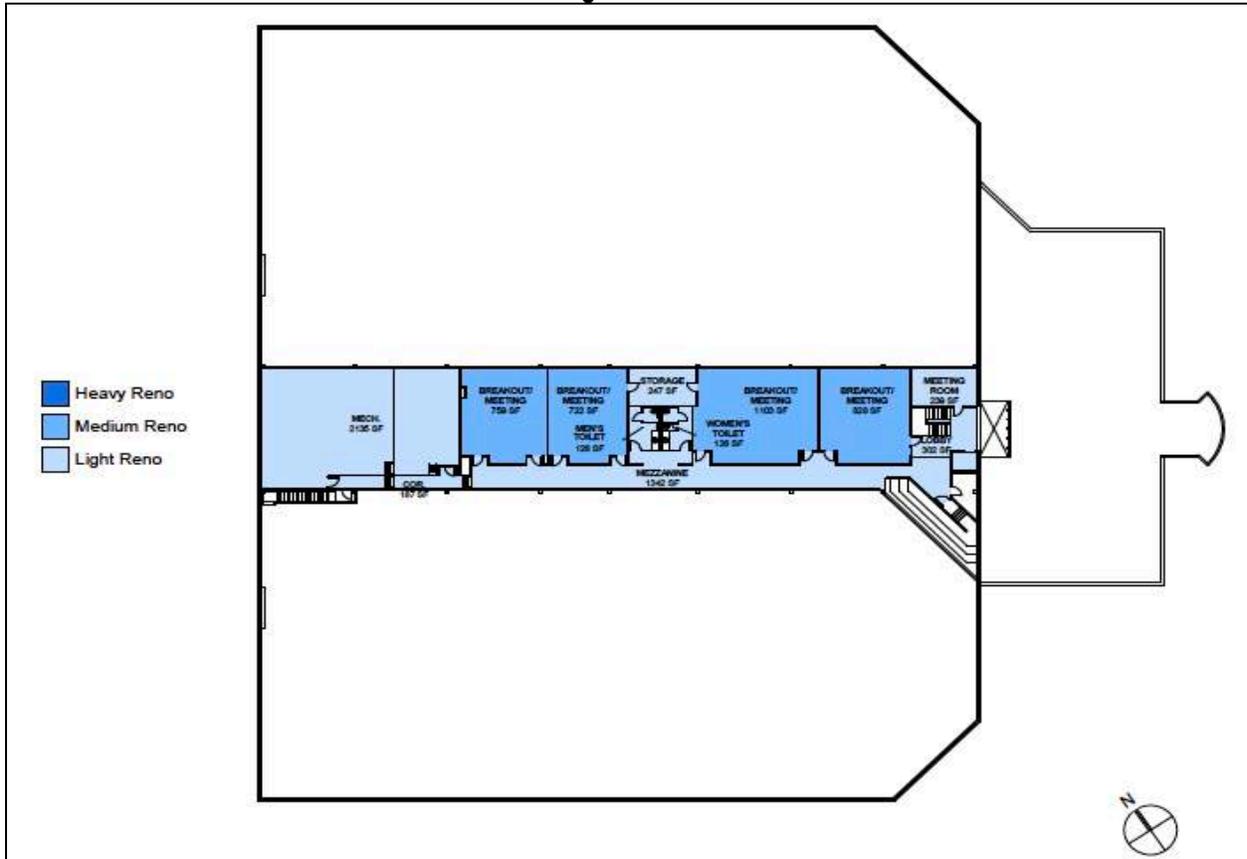
The following figure shows the renovations to the first floor in Scenario 4b.

Figure 6-9



The following figure shows the renovations to the second floor in Scenario 4b.

Figure 6-10



The following table lists the areas and the renovation type each will undergo.

Table 6-11

Monroe Multi Sports Complex - Scenario 4b		
Name	Area (SF)	Renovation Type
Cor	355	--
Vest	148	--
Storage	98	--
Storage	89	--
Elevator Equip. Room	60	--
Stairs	39	--
JC	30	--
Total	819	--
Lobby	3,782	Light
Mechanical	2,135	Light
Service Corridor	1,663	Light
Mezzanine	1,342	Light
Service	1,122	Light
Pre-Lobby	482	Light
Women's Toilet	403	Light
Men's Toilet	349	Light
Lobby	302	Light
	252	Light
Storage	247	Light
Meeting Room	239	Light
Cor.	187	Light
Storage	140	Light
Office	110	Light
Cor	44	Light
Total	12,799	--
North Convention	23,431	Medium
Prefunction	4,133	Medium
Staging	2,314	Medium
	1,325	Medium
Breakout/Meeting	1,103	Medium
Storage	1,016	Medium
Breakout/Meeting	899	Medium
Breakout/Meeting	893	Medium
Breakout/Meeting	868	Medium
Breakout/Meeting	828	Medium
Breakout/Meeting	759	Medium
Breakout/Meeting	722	Medium
Coffee Bar	424	Medium
Breakout/Meeting	416	Medium
Total	39,131	--
Banquet	9,838	Heavy
Commisary	1,998	Heavy
Café	806	Heavy
Staff Office	695	Heavy
Kitchen Prep	481	Heavy
Prep	433	Heavy
Total	14,251	--
Level 1 GSF:	61,089	
Mezzanine GSF:	9,354	
Total GSF:	70,443	

Source: Sink Comb Dethlefs

The following table shows the Scenario 4b estimated budget.

Table 6-12

Monroe Multi-Sports Center Scenario 4b Estimated Budget				
Item	Renovations			Total
	Light	Medium	Heavy	
General Improvements	--	--	--	\$712,000
Roof Replacement	--	--	--	\$550,000
Main Level	\$342,290	\$5,917,555	\$366,670	\$6,626,515
Mezzanine Level	\$293,605	\$392,380	\$0	\$685,985
Construction Costs	\$635,895	\$6,309,935	\$366,670	\$8,574,500
Contingency & Other Costs	--	--	--	\$3,251,075
Total Project Costs				\$11,825,575

Source: Sink Combs Dethlefs

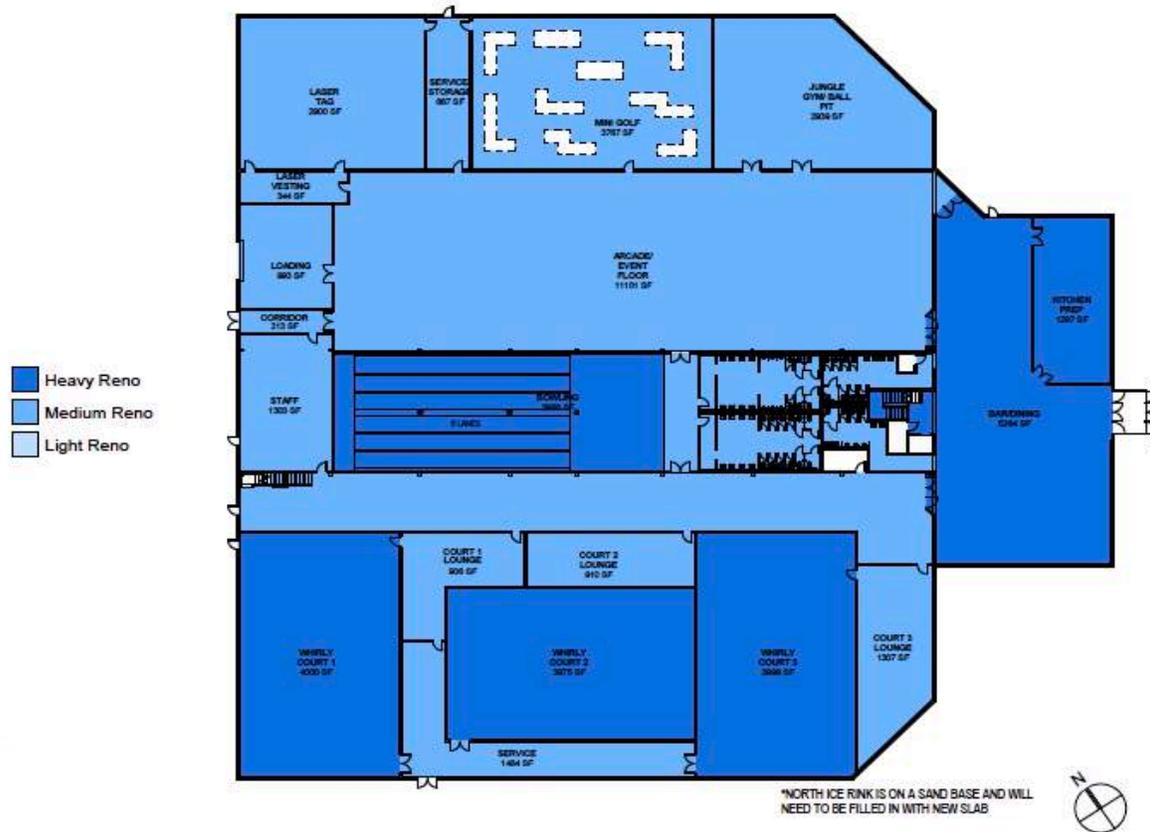
Scenario 4b is estimated to cost \$11.8 million to convert the MMSC to a flexible commercial space. Both arenas are shown as flat-floor spaces that could be programmed with multiple uses. The existing locker rooms and mezzanine level would be converted to multipurpose rooms that could be used for meetings or support spaces. Similar to Scenario 4a, visitors would enter the lobby where offices and customer amenities would be located. Overall, the MMSC would require mostly medium renovations to convert the arenas and support spaces, while the light and heavy renovations would be concentrated in the lobby area. This option also eliminates sports use moving forward.

Scenario 5: Repurpose Entire Building – Entertainment Center

Communities around the country are home to large indoor family entertainment centers that include a wide spectrum of attractions and activities. Many of these family entertainment centers have used warehouses, strip malls, industrial buildings and other large format buildings to house indoor activities. Activities and areas commonly found in these venues include laser tag, inflatable bounce houses, mini golf, jungle gyms, arcades, and other child friendly activities. This scenario shows a general layout of a family entertainment center by repurposing the entire MMSC. Similar to Scenarios 4a and 4b, sports use would very likely be displaced from the MMSC.

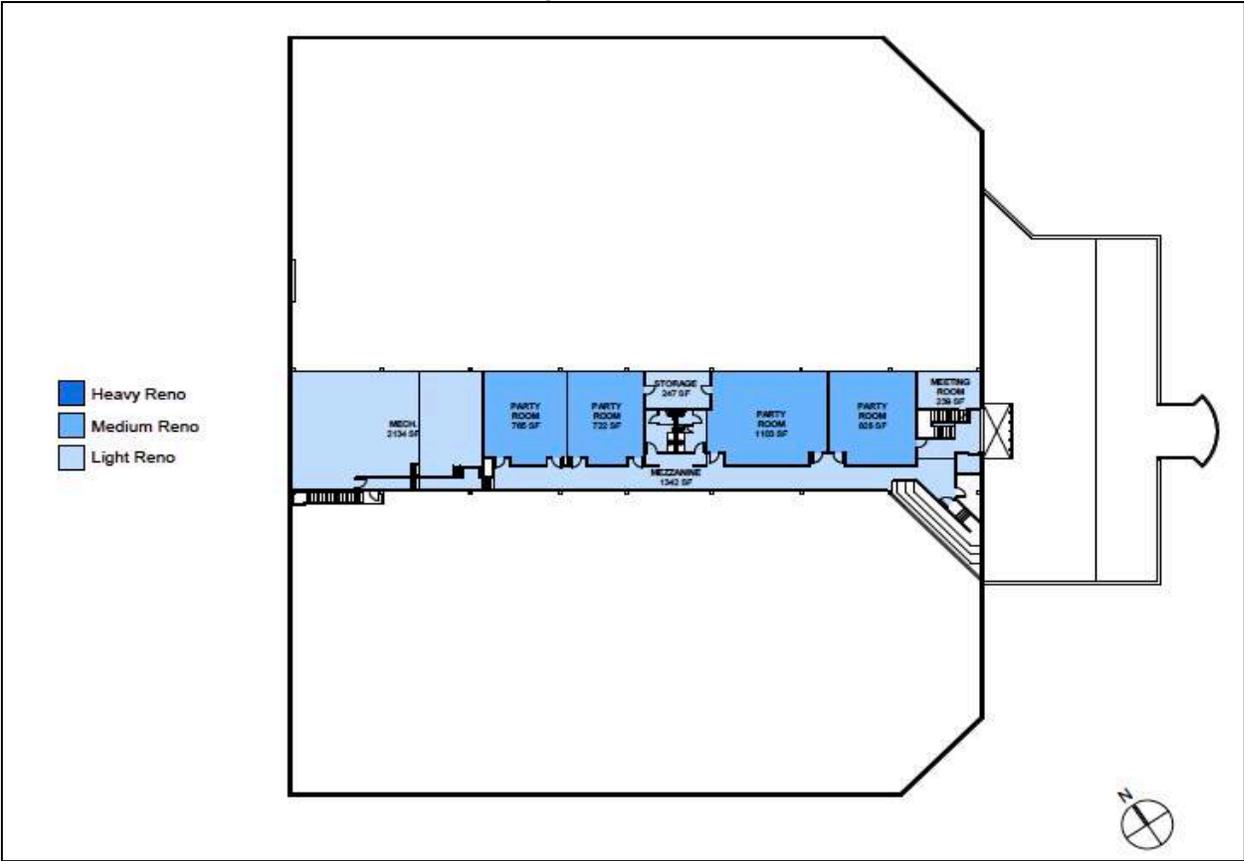
The following figure shows the renovations to the first floor in Scenario 5.

Figure 6-11



The following figure shows the renovations to the second floor in Scenario 5.

Figure 6-12



The following table lists the areas and the renovation type each will undergo.

Table 6-13

Monroe Multi Sports Complex - Scenario 5		
Name	Area (SF)	Renovation Type
Cor	355	--
Vest	148	--
Storage	98	--
Storage	89	--
Elevator Equip. Room	60	--
Stairs	39	--
JC	30	--
Total	819	--
Mechanical	2,134	Light
Mezzanine	1,342	Light
Lobby	302	Light
	252	Light
Storage	247	Light
Meeting Room	239	Light
Cor.	173	Light
Cor.	44	Light
Total	4,733	--
Arcade/Event Floor	11,101	Medium
South Convention	4,365	Medium
Mini Golf	3,767	Medium
Jungle Gym Ball Pit	2,939	Medium
Laser Tag	2,900	Medium
Service	1,484	Medium
	1,325	Medium
Court 3 Lounge	1,307	Medium
Staff	1,303	Medium
Party Room	1,103	Medium
Loading	993	Medium
Court 2 Lounge	910	Medium
Court 1 Lounge	906	Medium
Party Room	828	Medium
Party Room	765	Medium
Party Room	722	Medium
Service/Storage	667	Medium
Breakout/Meeting	406	Medium
Women's Toilet	403	Medium
Men's Toilet	349	Medium
Laser Vesting	344	Medium
Corridor	213	Medium
Total	39,100	--
Bar/Dining	5,264	Heavy
Whirly Court 1	4,000	Heavy
Whirly Court 3	3,999	Heavy
Bowling	3,988	Heavy
Whirly Court 2	3,875	Heavy
Kitchen Prep	1,297	Heavy
Total	22,423	--
Level 1 GSF:	61,089	
Mezzanine GSF:	9,354	
Total GSF:	70,443	

Source: Sink Comb Dethlefs

The following table shows the Scenario 5 estimated budget.

Table 6-14

Monroe Multi-Sports Center Scenario 5 Estimated Budget				
Item	Renovations			Total
	Light	Medium	Heavy	
General Improvements	--	--	--	\$787,000
Roof Replacement	--	--	--	\$550,000
Main Level	\$48,880	\$3,668,615	\$4,148,255	\$7,865,750
Mezzanine Level	\$293,605	\$392,380	\$0	\$685,985
Construction Costs	\$342,485	\$4,060,995	\$4,148,255	\$9,888,735
Contingency & Other Costs	--	--	--	\$5,461,057
Total Project Costs				\$15,349,792

Source: Sink Combs Dethlefs

This scenario offers the most robust renovations to reprogram the MMSC spaces, resulting in an estimated cost of \$15.3 million. The conversion to a family entertainment center would require significant medium and heavy renovations to the facility, primarily throughout the arenas and lobby area. The mezzanine level would undergo renovations to convert all the spaces to party and multipurpose rooms.

Recommended Scenario

After review and discussion of the five proposed scenarios, the HSP Team identified Scenarios 2, 3a and 3b as the most achievable options that can progress the continued utilization of MMSC, while providing opportunities to establish partners that can contribute to the revenues and expenses of the facility. Although the other scenarios would achieve the needs and demands of the community, the financial investments required for these options would position the city to assume higher than suitable financial risk. The investment necessary to fund these options is lower than Scenarios 4a, 4b and 5 and would eliminate athletic uses at MMSC. In addition, converting the MMSC will not necessarily make the building more competitive or attractive for each particular use, and calls for the city to pledge existing sources.

Ultimately, Scenario 1 has been acknowledged as the baseline improvements necessary to address the deferred repairs and maintenance that are impacting the performance of the facility. However, to keep the MMSC from cycling down further, it is recommended to improve the facility back to a competitive level. Scenario 2 is recommended in the effort to keep the MMSC operational and competitive. This keeps the athletic uses in tact and should provide incentive for management to maximize revenue sources and expand programming with new and improved spaces. Overall, Scenario 2 limits the financial resources need to enhance the facility and gives management to pursue new opportunities to accommodate demand and increase revenues.

The following items outline the proposed Scenario 2 for the MMSC.

- Improve exterior and sign design by installing an LED reader board at entrance of facility.
- Complete a full replacement of the roof and replace necessary window and other facility fixtures.

- Renovate concession stand and upgrade refrigeration commercial equipment.
- Install new audio/visual equipment in facility and expand Wi-Fi capabilities.
- Renovate lobby.
- Renovate and reconfigure pro shop, skate rental and office spaces. Convert existing pro shop into an additional party room.
- Renovate locker rooms and restrooms to include modern fixtures.
- Renovate storage and service areas.
- Renovate mezzanine level by consolidating office space and programming multipurpose rooms

In this scenario, the total construction costs are estimated to be \$2.65 million, which includes the \$1.2 million of deferred maintenance and repairs that are required to keep the MMSC function and approximately and the Project will total approximately \$800,000 of contingency and professional service costs.

The facility, built nearly 20 years ago, has numerous deferred maintenance issues that should be addressed in order to keep the venue operational, as well as renovation and improvement opportunities that will improve functionality and aesthetics, making MMSC more attractive to potential user groups. These underutilized spaces include the meeting rooms, pro shop, and lobby. By improving the interior finishes and repurposing unused space, these spaces could be generating additional revenue for the MMSC. Additionally, improvements to the exterior lighting, landscaping, and signage, including the marquee at the highway entrance, will improve the visibility and attractiveness of the building.

Importance of Capital Reserve Fund

An important tool for maintaining the value of a community asset, like the MMSC, is a capital reserve fund. A capital reserve fund is an investment vehicle, typically funded monthly, to build the funds necessary to pay for the periodic replacement of building components that wear out more rapidly than the building itself and therefore must be replaced during the building's economic life. Funding this account, on a regular basis, should prevent the need for special assessments, borrowing money, or being unable to do needed projects on a timely basis.

Common components typically include the replacement of the roof, heating, ventilation, and air conditioning (HVAC) systems, parking lot resurfacing, etc. Replacement reserves do not include minor repairs and maintenance such as broken doorknobs or light bulbs. These minor expenses are considered routine operating expenses, not irregular capital expenditures.

Capital expenditures are necessary for maintaining a competitive and fully functional facility. Without proper maintenance, accelerated deterioration can be expected. Underfunding of major maintenance and capital renewal and replacement inevitably results in backlogs of deferred maintenance. An unsafe facility and unreliable infrastructure create hazardous conditions. Failing HVAC, electrical, and plumbing systems jeopardize the usability of spaces necessary for revenue-generating programming. Additionally, unattractive building interiors deter repeat visitors as well as the willingness of groups to host events at the facility. All of these factors add up to liabilities not shown on the MMSC's balance sheet.

Viewing community facilities as liabilities rather than assets should change financial perspectives and encourage strategic plans for new construction, maintenance, and repairs budgeting and surveys of existing conditions to develop deferred maintenance reduction programs. Recognition that MMSC components and spaces are in unsatisfactory condition should spur action.

Governance

One of the most important decisions for a community that has an event facility is the structure of ownership and management of the facilities. The manner in which a municipality structures the type of management of the facilities is central to the short- and long-term success. The community needs to establish the best ownership and management structure under which the facility would operate to best suit the needs of the community and to foster the success of the facility and programs that rely on the facility to grow participation and generate impact for the community.

Pros and Cons of Management Structures

Facilities can be effectively run within any structure if the right, qualified management personnel are in place and the incentives and expectations are appropriate for such management. Also, it is critical that the owner (whether a City, Authority, etc.) is represented by a board that understands the sports and entertainment industry. An uneducated owner coupled with any management team provides an opportunity for economic and mission failure. Within any structure, safeguards and expectations must be in place to ensure everyone is operating from the same playbook.

Private Management

The following are implications of choosing a private management company:

- Competition drives improvements. There are several management companies for public facilities such as indoor/outdoor sports facilities, arenas and meeting facilities. By making them compete initially for a contract, the owner has a choice of vendors who will commit to excellence. Then, by reviewing and potentially re-bidding the contract every five years, the threat of continued review and competition will keep the existing manager on point and allow the other bidders to offer something better.
- Management companies generally know how to maximize revenue and minimize expenses without hurting service. They also know how to staff the building with the minimum amount of human resources (which is the largest portion of expenses for a facility). Because staff is generally non-union, they can be terminated if they are not performing and are not artificially protected from the consequences of their actions. And if labor is unionized, these private companies are in a better position to negotiate than government staff who may have political concerns. This leads to lower costs.
- Because private management companies manage other facilities, they typically train managers over time through junior roles and advance them to manage facilities only when adept at the job. They also have a network of resources to assist if the local building should need additional resources.

- Private management companies also tend to have networks of contacts for bringing in new events and also should have purchasing power for supplies and other items due to the many facilities within their structure. Any private company should prove that they are using their size and network to the community's advantage.
- Private managers should be well versed in negotiating food and beverage contracts, advertising and sponsorship deals, and related deals for the building. In many cases, the company offers their own catering company or has experience negotiating food and beverage agreements and this should be reviewed carefully to ensure each entity stands on its own merits.
- If an owner (city or authority) is unhappy with the job of management, they have several options to remedy the situation, including requesting the removal of the manager through the management company. The management company can then provide options to the owner for replacing the manager in question.
- Private management companies have relationships with national and regional event promoters, planners and other facility users and this provides several benefits:
 - Private management should be able to fill space within their booking window due to their relationships with such event promoters.
 - Such companies can develop custom shows and events with these promoters specifically for the market if a gap exists in the market.
 - Multi-venue deals can decrease costs for the facility.
- Because of performance-based compensation, operating results should be stronger.
- Generally speaking, private management companies have a more efficient and quick procurement process for goods and services than a public process. However, under a non-governmental management model that communities have established, procurement can also be quick and efficient).
- Private management companies do charge fees above and beyond the cost of their general manager. The management fee is typically a flat amount with a bonus that can be achieved by meeting certain goals annually. These deal points are critical to the building's success and should be reviewed carefully. Ultimately, the efficiency, customer service, and financial results produced via the management company should more than make up for their fee. Deal negotiation is critical.
- There can be a concern of lack of control by the community leadership over a private management company, but those checks and balances are recommended by HSP and can be properly calibrated with the right agreement.
- General managers could potentially turn over at a higher rate as new opportunities present themselves within the company's other facilities. However, this can also occur amongst public managers.

Public Management

The following are discussion items related to public management:

- Managers working directly for the public sector owner can be successful and effective in terms of operations if they have been trained in the industry and have excelled in other markets. However, it is key that their contract has the same stipulations that a private management company's would, in terms of management, marketing, revenue generation, expense control, customer service, etc. Also, it is imperative that the owner's board or primary contact either be competent in facility management and marketing and/or they should retain an owner's rep/asset manager who can review and interpret performance of management for the owner. Managers, whether public or private, control the data and message related to that data for the facility and it is therefore very important that someone who knows the industry ask the right questions and review compliance with performance objectives. This can also be mitigated somewhat through the management contract.
- If the manager and staff are extensions of the public sector, they can be influenced by political and other public sector personalities and decisions. One mayor may not want to retain a past mayor's manager and could demand the change, despite good performance by the manager. Or the opposite could occur, where a Mayor, due to personal relationships, keeps the non-performing manager in place to the detriment of the building's performance.
- When facilities are extensions of government departments and are not stand-alone enterprises, their revenues and expenses (and subsidies) can get mixed in with other department funds and be hard to determine. This occurs in certain cities and can cause great financial strain. Setting up the building as an enterprise keeps the responsibility for its performance within the building. This can be achieved by setting up an authority structure, where a public authority outside of the municipality (and city budget) owns the building. Appointments are made to that board on a staggered basis so as not to have major turnover due to any political election. Keeping the facility as a stand-alone enterprise makes it responsible for its operation and should keep the city from putting excess/dead weight staff into "do-little" positions at the facility.

Authority Directed Management

A third, popular way to govern public event facilities is with an authority model. This occurs when an independent authority (often appointed by elected officials) hires an independent manager or a management company to run the facility. The authority receives funding from dedicated tax revenues most often.

Members of the independent authority board are appointed and then acts more independently than a city department would. They are often civic leaders and others who have management and financial experience and can ask the tough questions of facility management. They also have the ability to hire and fire either an independent manager or they can hire a private management company, such as at the MMSC today, as many do across the U.S. This then provides both the benefits of independence while still tying the governance to some form of elected government.

Implications

Each of the structures discussed is considered to have benefits as well as challenges. Each city has different funding mechanisms, regulations and political environments that impact the relationships between leadership, operators and user groups. It is important to foster relationships and provide for the ability of all relevant stakeholders to work collaboratively and universally in concert with each other to achieve citywide benefits. The ideal governance structure should align roles and responsibilities to ensure accountability and expectations are focused to achieve citywide success. Despite there being similar governance structures, there is no perfect structure for all cities. It is certain that the most effective relationships are those that consider efficient internal communication, clearly defined roles and responsibilities, quality customer service, proper allocation of resources and a framework that supports collaborative decision making to drive the destination's goals.

These types of facilities are significant businesses and must be responsive to the needs of the market. When well run, they can generate minimize operating deficits and potential operate near breakeven for the owner. If treated as a public amenity, they can cause significant financial deficits, which would be covered by the owner, which is typically the local municipality. The community has endured both negative and positive experiences with private management at MMSC. Given the existing positive experience the community has had with Rink Management, this privately-managed model appears to have merit in Monroe. As such, if the decision for the MMSC's future is to be owned and operated by the municipality, then a separate enterprise entity should be created to operate the MMSC. The goal for the MMSC is to both generate economic and fiscal impacts as well as maximize revenue and minimize expenses.

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DEMAND AND FINANCIAL PROJECTIONS

This chapter synthesizes all of the information gathered from the previous analysis and presents financial forecasts. The projections are based on conversations with MMSC management, City leadership, user groups in the market as well as research on comparable and competitive facilities. HSP presents demand and financial projections for two scenarios. The first scenario assumes the current situation where the MMSC is managed by a third-party management firm that is charged to maximize revenues, minimize expenses and to minimize the facility's operating deficit or break even financially. The second scenario assumes the MMSC's Arena 2 continues ice programming, while Arena 1 and associated space is operated by a tenant group/organization.

The two scenarios are outlined as follows.

Scenario 1: Financial Projections

HSP modeled the projections based on the MMSC operating under private management and the rental demand by existing hockey clubs and turf user groups. Lesser factors, yet important, are the ability of the facility to induce demand for public skate, floor rental and multipurpose rooms.

It is anticipated that if the facility is focused on generating revenue and renting the facility as much as possible, the revenue and net operating income will be optimized. Hockey revenue represents a majority of the anticipated total revenue of the facility, and a large part of rental revenue from the contracted hockey groups, leagues and public skating. Although there are a few current hockey groups using the MMSC, they are filling majority of the peak ice times. There are several turf user groups using Arena 1, but the demand is less consistent and robust as hockey.

HSP assumes that an improved MMSC continue to accommodate these clubs, leagues and participants, as well as provide additional multipurpose rooms for birthdays, meetings and other events. However, at this point the ice hockey population in the area is not large, so it is possible that the clubs and leagues do not expand. The figures have then been inflated at two percent annually. The assumptions and this proforma only include direct onsite personnel and do not include allocations for administration.

The table on the next page provides the forecast of income and expense of the MMSC with private management and a focus on aggressive marketing and cost recovery. Private management would use industry expertise to attract local participants and achieve strong market penetration.

Table 7-1

MMSC Operating Revenues and Expenses Projections											
	Annual growth first four years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Income											
Ice Arena											
Public Skating Admissions	4%	\$24,484	\$25,463	\$26,481	\$27,541	\$28,092	\$28,653	\$29,226	\$29,811	\$30,407	\$31,015
Adult Hockey Revenue	3%	\$22,356	\$23,027	\$23,718	\$24,429	\$24,918	\$25,416	\$25,924	\$26,443	\$26,972	\$27,511
Youth Hockey Revenue	1%	\$(1,106)	\$(1,117)	\$(1,128)	\$(1,140)	\$(1,162)	\$(1,186)	\$(1,209)	\$(1,234)	\$(1,258)	\$(1,283)
Learn to Skate	2%	\$9,620	\$9,813	\$10,009	\$10,209	\$10,414	\$10,622	\$10,834	\$11,051	\$11,272	\$11,497
Learn to Play Hockey	3%	\$2,896	\$2,983	\$3,072	\$3,165	\$3,228	\$3,293	\$3,358	\$3,426	\$3,494	\$3,564
Contract Ice Revenue	3%	\$150,832	\$155,357	\$160,018	\$164,819	\$168,115	\$171,477	\$174,907	\$178,405	\$181,973	\$185,613
Drop in Hockey	2%	\$12,853	\$13,110	\$13,373	\$13,640	\$13,913	\$14,191	\$14,475	\$14,764	\$15,060	\$15,361
Figure Skating Revenue	2%	\$7,045	\$7,186	\$7,330	\$7,476	\$7,626	\$7,778	\$7,934	\$8,093	\$8,254	\$8,419
Skate Rental	3%	\$7,304	\$7,523	\$7,749	\$7,981	\$8,141	\$8,304	\$8,470	\$8,639	\$8,812	\$8,988
Total Ice Arena	--	\$236,285	\$243,346	\$250,622	\$258,121	\$263,283	\$268,549	\$273,920	\$279,398	\$284,986	\$290,686
Turf Facility											
Floor Rental Revenue	3%	\$16,954	\$17,463	\$17,987	\$18,526	\$18,897	\$19,275	\$19,660	\$20,053	\$20,454	\$20,863
Bounce Admission	3%	\$19,096	\$19,669	\$20,259	\$20,867	\$21,284	\$21,710	\$22,144	\$22,587	\$23,039	\$23,500
Soccer Revenue	2%	\$22,171	\$22,614	\$23,067	\$23,528	\$23,999	\$24,479	\$24,968	\$25,468	\$25,977	\$26,496
Tournament Revenue	5%	\$3,252	\$3,415	\$3,586	\$3,765	\$3,840	\$3,917	\$3,995	\$4,075	\$4,157	\$4,240
Dodgeball Revenue	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Flag Football Revenue	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Recreation Camp Revenue	3%	\$3,171	\$3,266	\$3,364	\$3,465	\$3,534	\$3,605	\$3,677	\$3,750	\$3,825	\$3,902
Karate Rental Revenue	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ultimate Frisbee	3%	\$2,994	\$3,084	\$3,176	\$3,271	\$3,337	\$3,404	\$3,472	\$3,541	\$3,612	\$3,684
Gymnastics/Cheerleading Revenue	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lacrosse Revenue	20%	\$1,566	\$1,879	\$2,255	\$2,706	\$2,760	\$2,815	\$2,871	\$2,929	\$2,987	\$3,047
Total Turf Facility	--	\$69,204	\$71,389	\$73,693	\$76,128	\$77,650	\$79,203	\$80,787	\$82,403	\$84,051	\$85,732
Activity Revenue											
Birthday Party Revenue	15%	\$47,128	\$54,197	\$62,327	\$71,676	\$73,109	\$74,572	\$76,063	\$77,584	\$79,136	\$80,719
Shows & Admissions Revenue	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Group Admission	3%	\$4,500	\$4,635	\$4,774	\$4,917	\$5,016	\$5,116	\$5,218	\$5,323	\$5,429	\$5,538
Total Activity Revenue	--	\$51,628	\$58,832	\$67,101	\$76,593	\$78,125	\$79,687	\$81,281	\$82,907	\$84,565	\$86,256
Other Revenue											
Token Revenue	3%	\$3,846	\$3,961	\$4,080	\$4,202	\$4,286	\$4,372	\$4,460	\$4,549	\$4,640	\$4,733
Vending Revenue	3%	\$3,417	\$3,519	\$3,625	\$3,734	\$3,808	\$3,885	\$3,962	\$4,041	\$4,122	\$4,205
Sponsorship Revenue	30%	\$19,500	\$25,350	\$32,955	\$42,842	\$43,698	\$44,572	\$45,464	\$46,373	\$47,300	\$48,246
Concession Revenue	10%	\$17,061	\$18,767	\$20,644	\$22,709	\$23,163	\$23,626	\$24,098	\$24,580	\$25,072	\$25,573
Pro Shop Revenue	5%	\$1,752	\$1,840	\$1,932	\$2,028	\$2,069	\$2,110	\$2,152	\$2,195	\$2,239	\$2,284
Pro Shop Skate Sharpening	3%	\$2,916	\$3,004	\$3,094	\$3,187	\$3,250	\$3,315	\$3,382	\$3,449	\$3,518	\$3,589
Locker Revenue	3%	\$120	\$123	\$127	\$131	\$134	\$136	\$139	\$142	\$145	\$147
Total Other Revenue	--	\$48,612	\$56,564	\$66,456	\$78,832	\$80,408	\$82,016	\$83,657	\$85,330	\$87,037	\$88,777
Total Income		\$405,729	\$430,132	\$457,872	\$489,673	\$499,467	\$509,456	\$519,645	\$530,038	\$540,639	\$551,451
Expense											
Payroll	4%	\$208,223	\$216,552	\$225,214	\$234,222	\$238,907	\$243,685	\$248,559	\$253,530	\$258,600	\$263,772
Bank Service Charges	3%	\$4,323	\$4,452	\$4,586	\$4,723	\$4,818	\$4,914	\$5,012	\$5,113	\$5,215	\$5,319
Equipment Rental	3%	\$3,178	\$3,274	\$3,372	\$3,473	\$3,542	\$3,613	\$3,686	\$3,759	\$3,834	\$3,911
Insurance	3%	\$24,377	\$25,108	\$25,861	\$26,637	\$27,170	\$27,713	\$28,268	\$28,833	\$29,410	\$29,998
Advertising	20%	\$12,070	\$14,485	\$17,382	\$20,858	\$21,275	\$21,700	\$22,134	\$22,577	\$23,029	\$23,489
Professional Fees	3%	\$35,620	\$36,688	\$37,789	\$38,923	\$39,701	\$40,495	\$41,305	\$42,131	\$42,974	\$43,833
Repairs	3%	\$31,244	\$32,181	\$33,147	\$34,141	\$34,824	\$35,521	\$36,231	\$36,956	\$37,695	\$38,449
Telephone & Computer Costs	3%	\$10,201	\$10,507	\$10,822	\$11,147	\$11,370	\$11,597	\$11,829	\$12,066	\$12,307	\$12,553
Scheduling Software and expense	3%	\$6,770	\$6,973	\$7,182	\$7,397	\$7,545	\$7,696	\$7,850	\$8,007	\$8,167	\$8,331
Web Hosting and Internet Fees	10%	\$1,872	\$2,059	\$2,265	\$2,491	\$2,541	\$2,592	\$2,644	\$2,696	\$2,750	\$2,805
Utilities	5%	\$225,534	\$236,811	\$248,651	\$261,084	\$266,306	\$271,632	\$277,064	\$282,606	\$288,258	\$294,023
Waste Removal	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payroll Expenses	4%	\$6,659	\$6,926	\$7,203	\$7,491	\$7,641	\$7,794	\$7,949	\$8,108	\$8,271	\$8,436
Supplies	3%	\$18,347	\$18,897	\$19,464	\$20,048	\$20,449	\$20,858	\$21,275	\$21,701	\$22,135	\$22,577
Miscellaneous	3%	\$6,109	\$6,292	\$6,481	\$6,676	\$6,809	\$6,945	\$7,084	\$7,226	\$7,370	\$7,518
Total Expense	--	\$594,526	\$621,205	\$649,418	\$679,312	\$692,898	\$706,756	\$720,891	\$735,309	\$750,015	\$765,015
Net Income	--	\$(188,798)	\$(191,073)	\$(191,547)	\$(189,638)	\$(193,431)	\$(197,300)	\$(201,246)	\$(205,271)	\$(209,376)	\$(213,564)

Source: Hunden Strategic Partners

The total revenues generated, assuming underperforming revenue sources are maximized, is expected to increase from \$405,000 to more than \$550,000 over the ten year period. Expenses are also expected to increase from nearly \$595,000 to more than \$765,000. As a result of increased use, an emphasis on maximizing underperforming revenue sources, and an increase in associated expenses, the operating deficit is expected to increase from \$189,000 to more than \$213,000 by the end of the period.

The majority of revenue and expense line items are expected to have moderate growth. The MMSC is expected to see an increase in performance during the first four years after improvements and enhancements. After the fourth year, the revenue and expense line items are expected to increase with inflation. Inflation was assumed to be two percent for the projections.

The following assumptions were made for the revenue and expense line items impacted the most by improvements to the MMSC.

- Hockey activities ranged between two and four percent growth. Although hockey use is expected to increase, the peak periods of use have high occupancy and so any additional use will likely occur in non-peak periods such as pre- and post-season as well as weekday days.
- Turf revenues are assumed to have moderate growth between two and five percent. The loss of a large soccer group will impact the short-term use of the turf facilities. However, the available time previously occupied for the former soccer group will now be available for groups and uses that are growing and need more time. Lacrosse programming is one example of use at the MMSC that is increasing. Lacrosse related used was assumed to increase 20 percent each of the first four years.
- Birthday revenue is assumed to increase by 15 percent each of the first four years as a result of additional multipurpose and party rooms being programmed. The MMSC is expected to accommodate more birthday groups as well as groups simultaneously.
- Other revenues will be mostly impacted by improvements to the MMSC as well as renewed focused on ancillary revenue sources. Sponsorship revenue is assumed to increase annually by 30 percent before stabilizing. Concession revenue is assumed to increase ten percent before stabilizing.
- The expenses assume advertising expense will increase due to additional marketing and advertising of the facility and its renovations. The projections assume more proactive advertising efforts to attract visitors and secure events. The advertising budget is assumed to increase ten percent the first four years before stabilizing.
- MMSC utility expenses are assumed to increase as a result of an increase in use. The improvements to the facility to address deferred maintenance, repairs and inefficient equipment are expected to help reduce utility costs.

Although investments to improve the functionality and attractiveness of the facility are expected to improve revenue-generating potential, the MMSC is still expected to operate with an annual deficit.

Scenario 2: Third-Party Lease

In Scenario 2, a third-party leases Arena 1 of the facility. The City is assumed to cover the costs of capital improvement items of \$1.2 million. The tenant organization would negotiate a lease term and annual amount with the City for use of the facility. Given that these items are to be negotiated, HSP will not present a model for this scenario. However, the key factor in favor of the third-party organization lease is the ability to potentially reduce or eliminate the annual operating cost of the facility. The organization would need to spend its own resources to fully build out the facility to its needs, however the City would be expected to complete the deferred maintenance.

In HSP's opinion, if the third-party organization is willing to lease a portion of the facility at any annual lease payment, it would be a financial improvement over the current situation. The City may be able to negotiate a lease amount that would cover the cost of the ongoing capital maintenance, although the figures are fairly high and we do not believe that any new tenant, YMCA or other, would be willing to spend \$10,000 per month (or \$120,000 per year @ ten years is \$1.2 million) to cover these costs, although some lesser amount could be negotiable.

The following assumptions were made to calculation the projections for the third-party lease agreement scenario.

- MMSC revenues include all facility revenue sources. Turf related revenues are eliminated and from the MMSC total revenues and replaced by the lease revenue.
- Gross leasable area equals approximately 30,120 square feet.
- City is assumed to provide necessary improvements to Arena 1 and associated spaces for tenant occupancy.
- Lease rate per square foot assumes \$3 per square foot, totaling \$90,360 in year one.
- Inflation is assumed to be two percent annually.

The following table outlines the projections for a third-party lease scenario.

Table 7-2

	MMSC Operating Revenues and Expenses Projections - P3 Scenario									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Income										
MMSC Revenues	\$336,492	\$358,675	\$384,075	\$413,404	\$421,672	\$430,105	\$438,708	\$447,482	\$456,431	\$465,560
P3 Est. Lease Revenue	\$90,360	\$92,167	\$94,011	\$95,891	\$97,809	\$99,765	\$101,760	\$103,795	\$105,871	\$107,989
Total Income	\$426,852	\$450,842	\$478,086	\$509,295	\$519,481	\$529,870	\$540,468	\$551,277	\$562,302	\$573,549
MMSC Expenses	\$594,526	\$621,205	\$649,418	\$679,312	\$692,898	\$706,756	\$720,891	\$735,309	\$750,015	\$765,015
Net Income	\$(167,674)	\$(170,363)	\$(171,332)	\$(170,017)	\$(173,417)	\$(176,886)	\$(180,423)	\$(184,032)	\$(187,712)	\$(191,467)

Source: Hunden Strategic Partners

Assuming a third-party lease agreement is secured for Arena 1, the MMSC is estimated to generate income from ice activities in Arena 2 and a third-party lease agreement that generate a near breakeven operation. The third-party is assumed to lease approximately 30,120 gross square feet, which includes Arena 1, mezzanine level, and a portion of the lobby space that would be converted for a separate reception/entrance



area. The City will be required to make necessary tenant improvements to ensure the leasable space is ready for occupancy. The FF&E and complete space enhancements are assumed to be the responsibility of the tenant. Based on the market lease rates for industrial, large format buildings, the lease rate is assumed to be \$3 per square foot, totaling an annual rental lease of \$90,360 in the first year. Based on these assumptions, the MMSC is projected to still operate with a deficit of more than \$170,000 annually. Again, it is assumed the City would make the \$1.2 million of deferred maintenance and repairs to bring the MMSC to optimal functionality and efficiencies in its current state.