



EXECUTIVE SUMMARY FOR TOWN COUNCIL: MARKET DEMAND STUDY & SPORTS OPPORTUNITY ASSESSMENT FOR A NEW OUTDOOR SPORTS FIELDS PARK

Presented to Town Council: October 29, 2020





INTRODUCTION



Project Background - Victus Advisors LLC ("Victus Advisors" or "Victus") was engaged by the Town of Christiansburg (the "Town") via Faulconer Construction Company ("Faulconer") to conduct a Market Analysis, Strategic Plan, and Financial & Economic Analysis for a new outdoor sports fields park, including:

- 1) Determine market demand and market opportunity for a new outdoor sports park, for both local and regional use.
- 2) Analyze the strengths, weaknesses, opportunities, and threats for the Town in the sports tourism/events market.
- 3) Develop a series of operating and marketing recommendations for the Town of Christiansburg.
- 4) Estimate annual usage, revenues, and expenses for the park.
- 5) Estimate visitor impacts generated by the sports fields park.
- 6) Analyze long-term funding options for capital and operations.

Project Site & Building Program - The project site under consideration in this report is located near New River Valley Mall. It is off Peppers Ferry Road NW. The Town and Faulconer envision that the new park will have Phase I amenities and features according to the 80% GMP approved plan: Four (4) lighted, multi-use, artificial turf sports fields; Green spaces for lounging and leisure; Concession space for food service; Three (3) pavilions; Splash pad; Walking trail; All-inclusive destination playground; Bathrooms; Dog park; and Parking spaces.

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

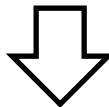
Our report relies on a variety of information and assumptions to develop market, financial, and economic projections. Sources of information and assumptions include, but may not be limited to, information provided by Faulconer, the Town, input and opinions provided by relevant third parties, Victus Advisors'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



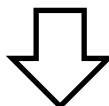
STUDY METHODOLOGY

PHASES:

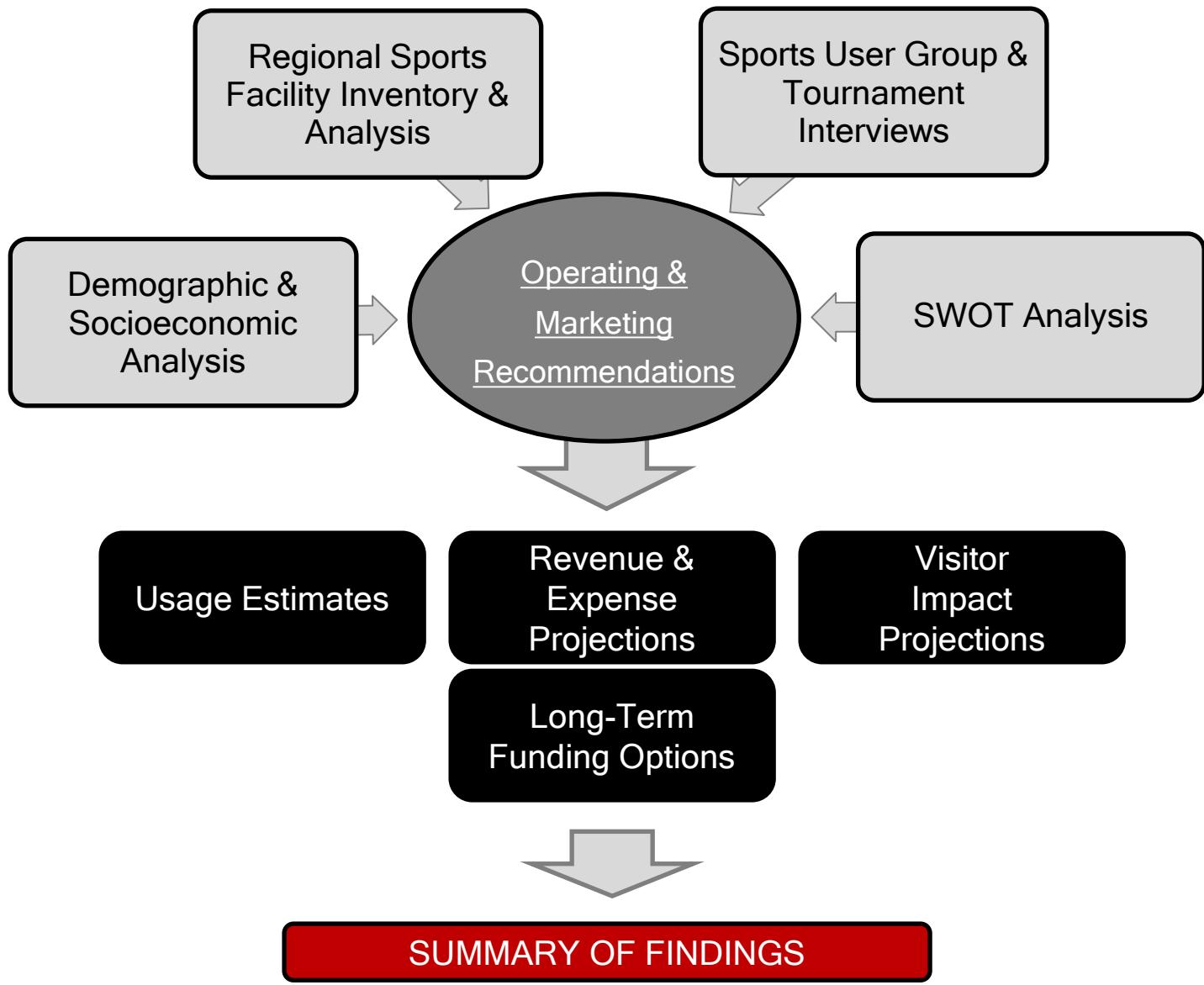
1. MARKET
ANALYSIS &
STRATEGIC PLAN
(SPRING 2020)



2. FINANCIAL &
ECONOMIC
ANALYSIS
(FALL 2020)



3. FINAL
REPORT





PRIMARY (WEEKDAY) MARKET - MSA

Metro.
Statistical
Areas

Blacksbu rg
MSA

- Metropolitan Statistical Areas (MSA) are defined by the U.S. Office of Management & Budget.
- They are defined by adjacent counties with a high degree of social/economic integration and an urban core of 50,000 people or more.

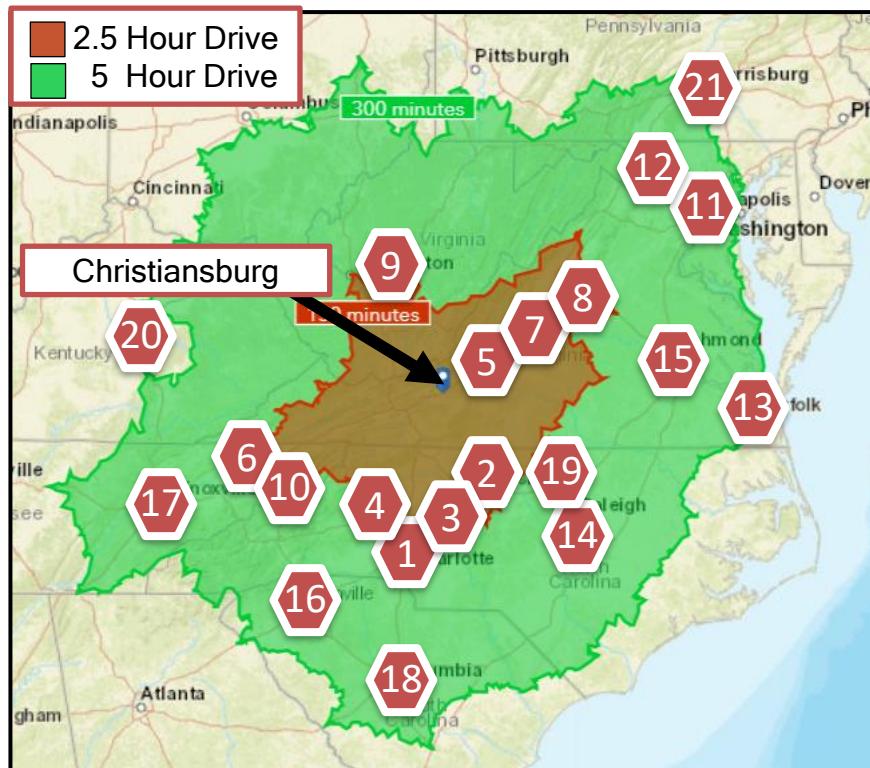
- The Town of Christiansburg is part of the Blacksburg-Christiansburg-Radford MSA (“Blacksburg MSA”).
- The Blacksburg MSA is comprised of four counties (Giles, Montgomery, Pulaski, and Floyd) and the independent city of Radford.
- The MSA, shown below, has a current population of 186,750 people.



Source: Esri



WEEKEND TOURNAMENT DRIVE TIME ZONES



Source: Esri

There are 10 markets with a population of more than 200,000 people each within a 2.5-hour drive of Christiansburg. An additional 11 larger markets (over 500,000 people each) are within a 5-hour drive (overnight trip). Overall, there is a total population within a 5-hour drive of Christiansburg of over 33.3 million people.

MSA's with 200,000+ Population Within a 2.5-hour Drive

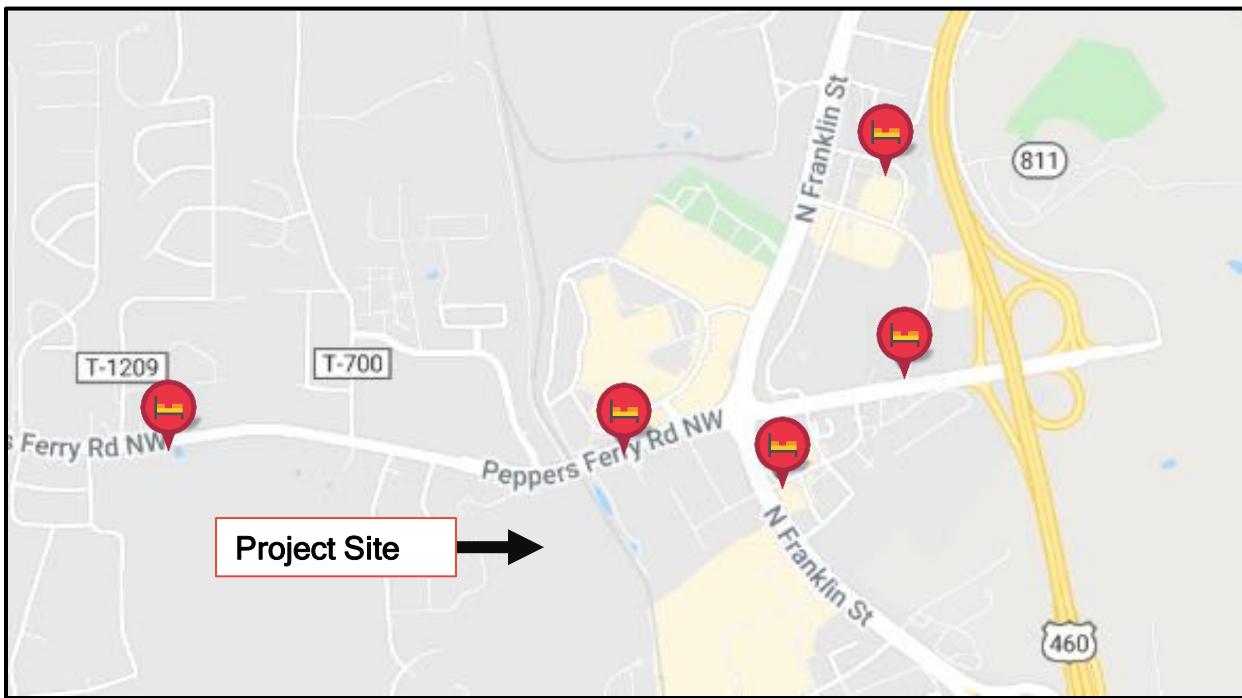
1	Charlotte MSA 2,616,243	11	Washington DC MSA 6,249,043
2	Greensboro MSA 772,515	12	Baltimore MSA 2,844,291
3	Winston-Salem MSA 684,211	13	Virginia Beach MSA 1,771,432
4	Hickory-Lenoir MSA 375,705	14	Raleigh MSA 1,388,381
5	Roanoke MSA 319,688	15	Richmond MSA 1,320,715
6	Kingsport MSA 314,876	16	Greenville MSA 923,689
7	Lynchburg MSA 266,870	17	Knoxville MSA 895,244
8	Charlottesville MSA 240,271	18	Columbia MSA 851,711
9	Charleston MSA 220,534	19	Durham-Chapel Hill MSA 584,696
10	Johnson City MSA 205,191	20	Lexington MSA 522,484

MSA's with 500,000+ Population Within a 5-hour Drive

11	Washington DC MSA 6,249,043
12	Baltimore MSA 2,844,291
13	Virginia Beach MSA 1,771,432
14	Raleigh MSA 1,388,381
15	Richmond MSA 1,320,715
16	Greenville MSA 923,689
17	Knoxville MSA 895,244
18	Columbia MSA 851,711
19	Durham-Chapel Hill MSA 584,696
20	Lexington MSA 522,484
21	Harrisburg MSA 522,484



LOCAL HOTEL INVENTORY



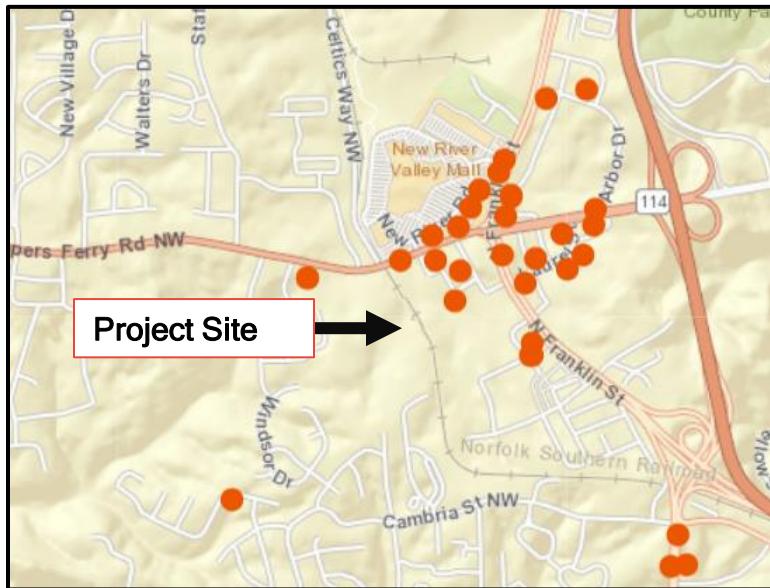
Sources: Hotels.com, Google Maps

Note: Minimum 2-star hotel class

Convenient, affordable, family-friendly lodging (preferably within a 5- to 10-minute drive from an event venue, if not located on-site) is an important component of attracting and hosting multi-day sports tournament activity.

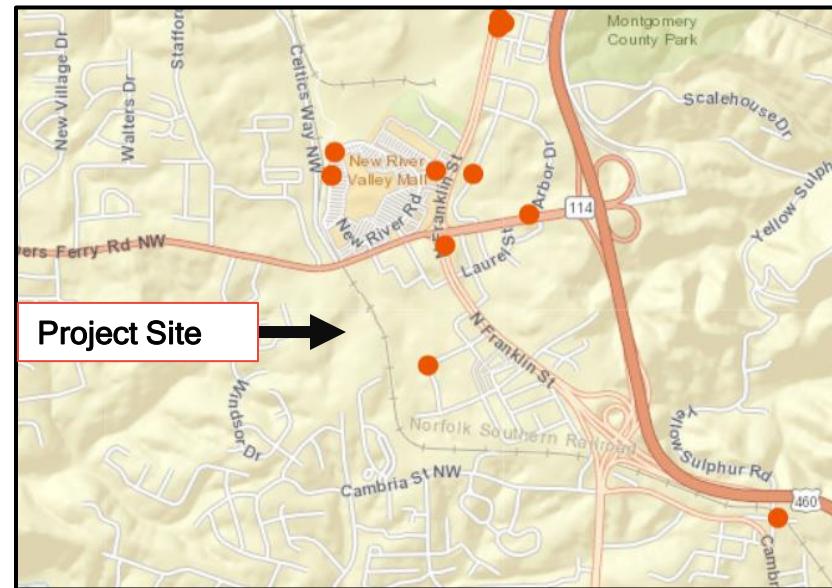
Victus found five (5) lodging options (minimum 2-star hotel class) in the immediate vicinity of the project site off Peppers Ferry Rd NW and N Franklin St: Holiday Inn Christiansburg, Super 8 by Wyndham Christiansburg, Hampton Inn Christiansburg, Microtel Inn & Suites by Wyndham Christiansburg, and Affordable Corporate Suites.

RESTAURANTS



Source: Esri

RETAIL



Source: Esri

RESTAURANTS: Dining within a 5-minute drive-time radius of the project site is highlighted by numerous local and national chains northwest of the site near the New River Valley Mall.

RETAIL: Shopping within a 5-minute drive-time radius of the project site is highlighted by a Walmart Supercenter and New River Valley Mall, in addition to various other retail stores.

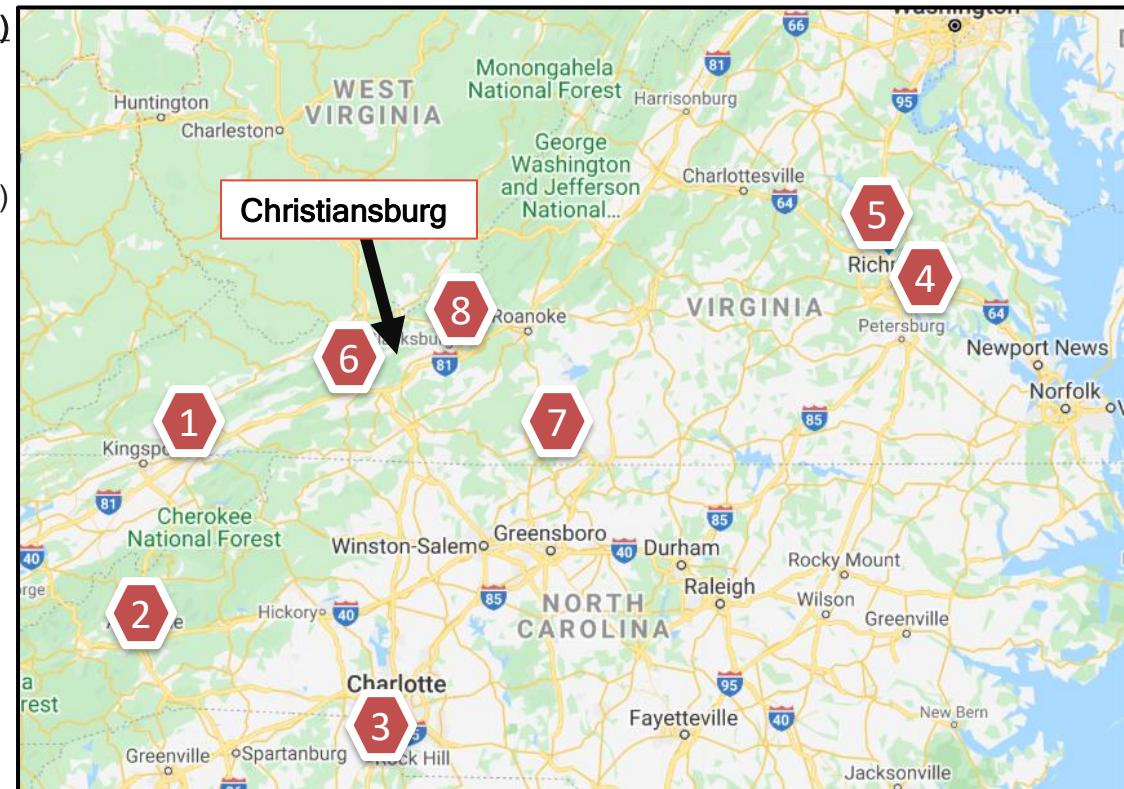


REGIONAL SPORTS FACILITY INVENTORY

Victus Advisors also analyzed outdoor sports facilities that are comparable or potentially competitive to a new sports fields park in Christiansburg. Facilities were identified by stakeholders and local/regional users during interviews conducted by Victus Advisors (described in more detail in the next section) as places they have visited in the past for regional sports tournaments and practices/games.

REGIONAL FACILITIES (ALPHABETICAL ORDER)

- 1 Abingdon Sports Complex (Abingdon, VA)
- 2 Buncombe County Sports Park (Asheville, NC)
- 3 Comporium Athletic Park (Fort Mill, SC)
- 4 Dorey Park (Henrico, VA)
- 5 Glover Park (Glen Allen, VA)
- 6 Radford University Fields (Radford, VA)
- 7 Smith River Sports Complex (Axtion, VA)
- 8 Virginia Tech Fields (Blacksburg, VA)



Source: Google Maps



USER GROUP & EVENT ORGANIZER INTERVIEWS



In January and February of 2020, Victus Advisors held telephone interviews with operators, promoters and influencers of sports events and competitions locally, regionally, and nationally. The topics included ideal amenities, potential events that could be held at the new outdoor sports park, and other feedback related to the new facility in Christiansburg.

Victus Advisors conducted telephone interviews with various representatives from the following 21 groups:

- Blacksburg Rugby Football Club
- Capital Rugby Union
- Charlottesville Ultimate Disc Organization
- Christiansburg Parks & Recreation
- Christiansburg Soccer Association
- Club Champions League
- Mid-Atlantic Conference (Rugby)
- National Small College Rugby Organization
- New River United Soccer Association
- New River Valley Lacrosse
- Roanoke Rugby Football Club
- Roanoke Ultimate
- Rugby Virginia
- Southwest Virginia Rush Soccer Club
- ULAX
- US Quidditch
- USA Rugby
- USA Ultimate
- VA Tech Lacrosse
- VA Tech Rugby Club
- Valley Select Lacrosse



SUMMARY OF POTENTIAL USER GROUPS



User Group	Type of Usage	Days	Times	Projected Number of Annual Events	Seasons
Blacksburg Rugby Football Club	Local & Tournament	All	Evenings	12+	Spring, Summer, Fall
Capital Rugby Union	Tournament	Weekends	All Day	2	Spring, Fall
Charlottesville Ultimate Disc Organization	Tournament	Weekends	All Day	2	Spring, Fall
Christiansburg Parks & Recreation	Local	Weekdays	Evenings	12+	Year Round
Christiansburg Soccer Association	Tournament	Weekends	All Day	2	Fall
Club Champions League	Tournament	Weekends	All Day	2	Summer, Fall
Mid-Atlantic Conference	Tournament	Weekends	All Day	1	Fall
NRUSA - Soccer	Local & Tournament	All	Evenings	12+	Year Round
NRV Lacrosse	Tournament	Weekends	All Day	3	Spring, Summer
Rugby Virginia	Tournament	Weekends	All Day	1	Spring
Southwest Virginia Rush Soccer Club	Tournament	Weekends	All Day	3	Spring, Fall
ULAX	Local & Tournament	All	Evenings	12+	Summer, Fall, Winter
US Quidditch	Tournament	Weekends	All Day	1	Fall
Valley Select	Tournament	Weekends	All Day	6	Spring, Fall

Source: Victus research

Note: Sorted by User Group in alphabetical order

SUMMARY OF POTENTIAL USERS

Several groups that were interviewed expressed interest in using a new sports fields park in Christiansburg. Groups' usage ranged from weekday use for games and practices to weekend tournament usage. Overall, the indicated potential usage from groups illustrates the demand for a multi-field sports park.

It should also be noted that scheduling conflicts may exist between outside groups and Parks and Recreation programming, especially during weekday use, however the overall operating plan should be designed to maximize usage by all groups to the fullest extent possible.



SWOT ANALYSIS

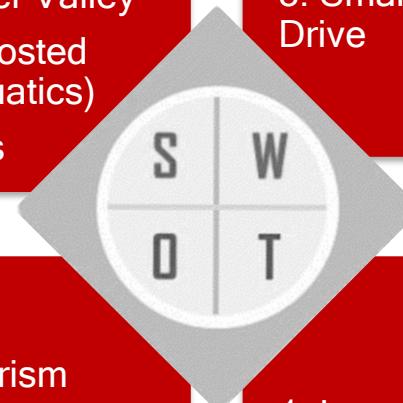


Strengths

1. Location - Southwest Virginia is close to several surrounding states (NC, TN, KY, WV)
2. Outdoor Recreational Amenities - Several outdoor family-friendly activities, trails, etc.
3. Commercial “hub” of the New River Valley
4. Christiansburg has successfully hosted sports events (baseball, softball, aquatics)
5. Affordable, Family-Friendly Hotels

Weaknesses

1. Current Lack of Outdoor Multi-Use Fields Complex with 4 or More Fields
2. Lack of a Major Airport for National Events
3. Small Population Base Within a 30-Minute Drive



Opportunities

1. Leverage Established Sports Tourism Success
2. Draw from 33 million People Within 5-hrs
3. Tap Into Regional Sports Fields Demand
4. First-Mover Advantage / Long-Term Relationships & Reputation

Threats

1. Larger Markets Within a 5-Hour Drive
2. Competition From Future Regional Facilities
3. Economic Downturns
4. Funding for Sports Marketing to Events



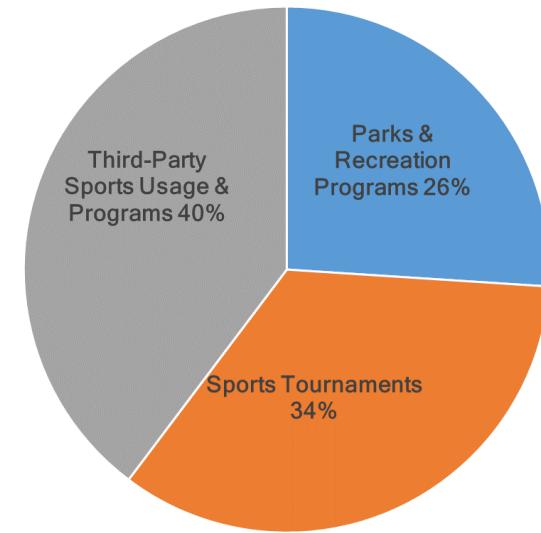
ESTIMATED ANNUAL SPORTS FIELD UTILIZATION



It is estimated that the sports fields park could host approximately 25 annual sports tournaments of varying sizes, primarily weekend events during the spring, summer, and fall, accounting for 34% of the facility's usage. It should be noted that local use (practices/leagues) and Parks and Recreation programs would primarily be local residents (typically Monday through Thursday), while sports tournaments would draw athletes and spectators from outside of the Town (Friday through Sunday).

Event	Field Hours
Parks & Recreation Programs	1,900
Sports Tournaments	2,500
Third-Party Sports Usage & Programs	2,900
TOTAL	7,300

*Notes: (1) Sorted by Facility Hours in descending order
(2) Sports field utilization does not include wedding and picnic pavilion rentals*



Estimated Annual Sports Tournaments/Competitions: 25
Total Estimated Annual Visits: 221,200*

**Notes:*

- (1) Includes estimated athletes, officials, coaches, parents/family, spectators, etc.
- (2) Represents unique daily visits. For example, if an athlete participated in practices on a Tuesday and a Thursday one week, that would count as two (2) unique visits that week.



ESTIMATED ANNUAL FIELD USAGE BY MONTH



Field
Hours:

1,000

750

500

250

0

January February March April May June July August September October November December

Victus Advisors estimates that sports usage at a new sports fields park in Christiansburg would peak during the spring and fall months with a mix of Parks & Recreation programming, third-party programs, and sports tournaments.



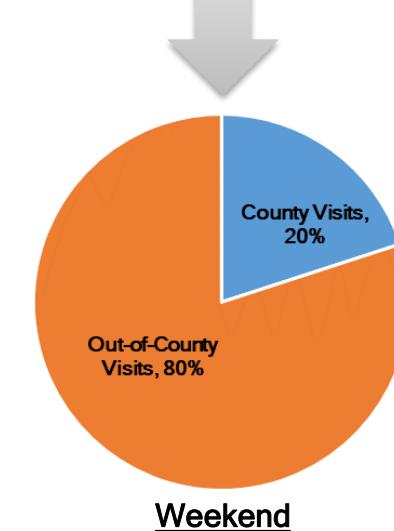
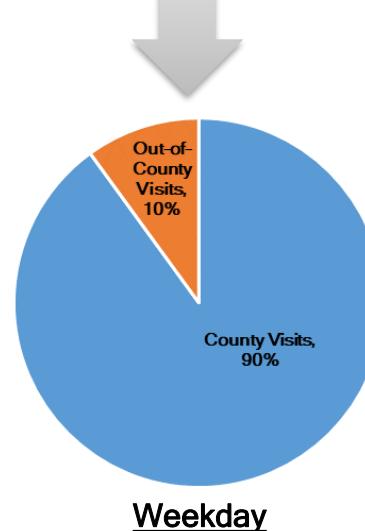
ESTIMATED OUT-OF-COUNTY VISITATION



It is estimated that out-of-county visitors could account for at least 54% of annual attendance at the new sports fields park in Christiansburg. The majority of overall attendance and out-of-town visitation would be driven by weekend events (tournaments and championship events).

It is assumed that weekday usage would primarily be local programming, such as youth practices, youth leagues, and adult sports and recreation programs. Whereas weekend use would primarily be dedicated to youth/amateur sports tournaments.

	<u>Weekday</u>	<u>Weekend</u>	TOTAL
County Visits	86,760	24,960	111,720
Out-of-County Visits	9,640	99,840	109,480
TOTAL VISITORS	96,400	124,800	221,200





OPERATING PRO FORMA

(PRIOR TO DEBT SERVICE & CAPITAL RESERVE)



	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Revenues:					
Field Rental & Usage Agreements	\$181,700	\$242,300	\$302,900	\$312,000	\$321,400
Pavilion Rentals	\$7,300	\$9,700	\$12,100	\$12,500	\$12,900
Program Revenue	\$49,000	\$65,300	\$81,600	\$84,000	\$86,500
Concessions (Net of COGS)	\$38,000	\$50,700	\$63,400	\$65,300	\$67,300
Advertising & Sponsorship	\$27,000	\$36,000	\$45,000	\$46,400	\$47,800
Total Revenues:	\$303,000	\$404,000	\$505,000	\$520,200	\$535,900
Operating Expenses:					
Salaries & Wages	\$332,800	\$374,400	\$416,000	\$428,500	\$441,400
Program Expenses	\$34,300	\$45,700	\$57,100	\$58,800	\$60,600
Utilities	\$30,100	\$40,200	\$50,200	\$51,700	\$53,300
Marketing	\$50,000	\$50,000	\$50,000	\$51,500	\$53,000
Maintenance/Repair	\$30,000	\$40,000	\$50,000	\$51,500	\$53,000
Materials/Supplies	\$17,300	\$23,000	\$28,800	\$29,700	\$30,600
General & Administrative	\$26,500	\$35,300	\$44,100	\$45,400	\$46,800
Total Expenses:	\$521,000	\$608,600	\$696,200	\$717,100	\$738,700
EBIDA	(\$218,000)	(\$204,600)	(\$191,200)	(\$196,900)	(\$202,800)
OPERATING COST RECOVERY	58%	66%	73%	73%	73%

Notes:

(1) Presented in 2020 dollars. Stabilized year of operations typically occurs by Year 3.

(2) EBIDA is defined as Earnings Before Interest, Depreciation, and Amortization.

In a stabilized year of operations (typically occurs by year 3), it is estimated that the new sports fields park could operate at an estimated annual operating cost recovery of 75%, prior to any consideration of debt service requirements or capital reserve funding needs (which is shown on the next page).



LONG-TERM CAPITAL FUNDING NEEDS



In addition to the annual funding needed to subsidize the operations of the proposed outdoor sports fields park, the Town will also need to plan for annual debt service as well as fund a reserve for replacement of the artificial turf fields every 8 to 10 years*.

In the table below, in addition to annual operating subsidy requirements, it is shown that annual capital reserve funding necessary for field replacement could begin at more than \$266,000 annually (plus 3% annual inflation). In addition, we have estimated fixed annual debt service of approximately \$608,500.

Over a 20-year period, it is estimated that a minimum of nearly \$16.2 million (net present value) in capital funding will be required to cover the annual operating deficits, long-term field replacement, and annual debt service related to the new sports fields park.

<i>Operating Year:</i>	1	2	3	4	5	→ 10	→ 15	→ 20
Estimated Annual Facility Operating Deficit	\$218,000	\$204,600	\$191,200	\$196,900	\$202,800	\$234,900	\$272,400	\$315,800
Estimated Annual Reserve Funding for Field Replacement	\$266,890	\$274,897	\$283,144	\$291,638	\$300,387	\$348,231	\$403,695	\$467,993
Estimated Annual Debt Service Payment	\$608,500	\$608,500	\$608,500	\$608,500	\$608,500	\$608,500	\$608,500	\$608,500
Total - Estimated Annual Funding Requirement	\$1,093,390	\$1,087,997	\$1,082,844	\$1,097,038	\$1,111,687	\$1,191,631	\$1,284,595	\$1,392,293
Net Present Value of Annual Funding Requirements	\$16,178,379							

*This analysis is for the sports fields only, not including any artificial turf associated with the dog park. To be conservative, we have assumed replacement of the fields every 8 years.

Other Notes:

- (1) Operating years 1 and 2 are assumed to be a "ramp up" period, with year 3 representing a stabilized year of operations.
- (2) Annual inflation is estimated at 3%.
- (3) Estimated Annual Reserve Funding for Field Replacement is calculated based on the funds required to zero-out the capital reserve fund balance every 8 years.
- (4) Replacement of Turf Fields is an inflation-adjusted replacement cost for four artificial turf fields based on current cost estimates provided by potential suppliers.
- (5) Estimated annual debt service payment is based upon the assumption that the Town could finance about \$9.1 million in project costs at a 3.0% interest rate over 20 years.
- (6) Net Present Value calculation assumes a 4% discount rate.



ESTIMATED ANNUAL IMPACTS (NET DIRECT SPENDING)



It is estimated that the Food & Beverage industry in the Town of Christiansburg would benefit the most from the annual tourism impacts of a new outdoor sports fields park (36% of incremental direct spending), followed by Lodging (29%). Given that meals tax and lodging tax are two of the Town's primary revenue sources, this spending pattern bodes well for positive fiscal impacts, as shown on the following page.

TOTAL NET DIRECT SPENDING IN BUSINESSES WITHIN THE COMMUNITY:

Sports	\$526,000	5%
Lodging	\$3,235,000	29%
Food & Beverage	\$3,994,000	36%
Shopping	\$1,498,000	13%
Entertainment	\$998,000	9%
Transportation	\$998,000	9%
TOTAL:	\$11,249,000	100%

Note: Represents annual impacts. Presented in 2020 dollars.



ESTIMATED ANNUAL FISCAL IMPACTS



It is estimated that a new outdoor sports fields park in Christiansburg could generate \$312,000 annually in incremental meals tax revenue for the Town (including concessions revenue from the facility) and \$262,000 in transient lodging tax. As previously noted, meals tax and lodging tax are uniquely positioned to capitalize on increased visitation associated with a new outdoor sports fields park.

FISCAL IMPACTS OF VISITATION: NET ANNUAL TAX REVENUE

Tax Type	Assessor	Tax Rate	Est. Tax Revenue
Meals Tax	Town	7.50%	\$312,000
Transient Lodging Tax	Town	9.00%	\$262,000
Total Tax Revenue:			\$574,000

Notes:

(1) Sorted by Est. Tax Revenue in descending order (2) Meals Tax projections include concessions revenue from the proposed facility (3) Assumes 90% of overnight visitors would stay in Christiansburg hotels

TOTAL IMPACTS (NET)

Over a 20-year period, a new outdoor sports fields park is estimated to have a cumulative net impact of nearly \$280 million in direct spending, \$6.5 million in transient lodging tax, and \$7.7 million in meals tax.

In today's dollars, the projected lodging tax and meals tax revenues represent a combined Net Present Value (NPV) of more than \$9.2 million.



OVERVIEW OF POTENTIAL FUNDING OPTIONS



In our full report, Victus Advisors provided an overview of the various cash, debt, and revenue sources that may be available to fund construction and development costs for the new outdoor sports fields park in Christiansburg. This analysis was based upon a review of comparable venues across the country, as well as unique funding opportunities and financing vehicles that may be available within the State of Virginia.

The analysis in this section is organized into three primary sections, with potential non-debt capital sources presented first, debt-related financing vehicles presented second, and lastly a summary of various revenue streams that are often used to pay sports and recreation venue debt service:

Potential Non-Debt Sources:

- General Funds
- Sale of Out Parcels

Debt Financing Tools:

- General Obligation Bonds
- Revenue Bonds
- Tax Increment Financing (TIF)
- Development Financing Program
- Bank Financing

Potential Revenue Streams to Pay Debt Service:

- Contractually Obligated Revenue Streams
- Parking Surcharges
- Restaurant Meals Tax
- Transient Lodging Taxes
- Dedicated Revenue Generating Fund
- Real Estate Taxes



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