

**SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN**

February 25, 1997

**7:15 PM
Memorial High School
Auditorium**

Mayor Wieczorek called the meeting to order.

Mayor Wieczorek called for the Pledge of Allegiance, this function being led by Alderman Hirschmann.

A moment of silent prayer was observed.

The Clerk called the roll. There were eleven Aldermen present.

Present: Alderman Wihby, Elise, Reiniger, Sysyn, Clancy, Soucy, Shea, Domaingue, Pariseau, Cashin and Hirschmann

Absent: Alderman Robert

Mayor Wieczorek stated the purpose of the meeting tonight is to hear a presentation by the Finance Officer relative to the status of the proposed CenterPlex project, but I want to at the outset just inform you that this is not a public hearing, it is a public meeting that people can attend, but it is here to be put on for the Board of Mayor and Aldermen, so there won't be any dialogue with the people that are out there. This is going to be strictly with the Aldermen and the presenters that we have here. So, Kevin if you would start please.

Mr. Clougherty stated before we go directly into the presentation, I thought it might be helpful if I could bring you up-to-date on what brings us to this meeting

this evening. During the course of the summer and the fall a number of the Aldermen and the Mayor had asked if it were possible for the City to construct an arena in the Downtown area. Under the current structure of State Statutes, local ordinances and federal tax laws if that arena, once constructed would be such that it would not have a negative impact on the property tax rate and was something that could be accomplished within the local resources and not provide a burden to taxpayers. Once we had received these numbers and requests we thought it was prudent to probably try to do something to get to the Board some information on what the options might be available to them. So, you may recall that in November, I came in and asked for the Board to give us the authorization to move forward to talk to some underwriters. The underwriters represent different firms around the country and are the principle professionals that will come forward with the financing for these structures and we felt that it was important to try and get their input and their experience before the Aldermen so that we could move forward with some proposal, some concrete blueprint that might be something that the Board would like to entertain. The Board, you may recall, authorized me to do an RFP for underwriting services, we did that, we received nine responses from the large investment banking houses on Wall Street and from around the country. We narrowed that list of nine firms down to the four that we thought presented the best opportunities and the most innovative approaches and from that group we sat down and realized that there is really, within the four, a lot of similarity. So, we asked the four short-listed firms to actually give us a list of if you want to build a civic center in Manchester and follow the guidelines with respect to taxes, what's the first thing you would do and how would you proceed along a series of steps to get this thing accomplished. And, to our surprise all of these four companies came back with blueprints on how to do that. Now, there was similarity between the four. There was a lot of information provided with respect to the public financing and the issuance of bonds. But, there was one firm that

provided something that was a different approach and at that point in time, I asked the City Solicitor and I asked the Industrial Development Office and Jay Taylor to come in and take a look at the proposals and see if they were receiving the same type of a feeling as I was about the unique approach that was being offered by this one firm. The similarities between all of the proposals were that they all focused on the public side. They came in and said if you want to issue bonds this is how you do it, this is how you underwrite it and those steps and those procedures are not any different from things we had done with the Airport or with any capital financing that the Board has authorized us to do on Wall Street. One firm came in and said it doesn't matter what you're doing on the public side. If you don't solidify the private dollars you're spinning your wheels. You have to go forward and you have to identify what the likelihood of these private dollars are and try and get some commitments, so that the more you can get of a private interest, then you can start to take a look at what might happen with respect to a public size and the name of the game is to try and get as much private investment as is possible to reduce the public involvement. Once we had reviewed that proposal, we sat down and said here's an underwriter firm that's really looking at the big picture and is willing to come to the table and take a look at (1) not only how the public dollars might be issued in the form of different revenue bonds or whatever the appropriate mechanism is, but also bring to the table somebody that's going to focus on as part of that relationship developing the private dollars. So, what I'd like to do is go to the first slide at this point and move forward through this presentation and give you some idea as to what this proposal looks like. Again, just as a recap on the first slide, we're talking about a project that has been referred to over the last number of years as the CenterPlex project, it's a seating capacity of...depending on the event 8,000 for hockey, up to 10,000 for concerts, it's a multi-event venue that would provide family entertainment, sportings events, concerts, trade shows, art events and community events of a variety of types. We're talking about a facility

that is in the vicinity of \$45 million range which again is the figure that has been presented by the original consultants. So, in terms of the actual project, we're still working from that same set of numbers that we received which we have since been reviewing with different consultants that we feel is still viable. To move forward what we are going to present to you tonight is a phased-in approach in terms of how you can go forward and get this project accomplished if that were within your interest and if you want to do that we're trying to structure it in a way so that you can reach different thresholds and make different decisions before you have to commit to some major dollars to get this thing accomplished. Needless to say, if the Board were to move forward with this there is a role for City officials, the Board of Mayor and Aldermen are going to have approvals at different intervals, so that they are controlling what's happening here. It's very important that the Board control how this project is going to move forward, have a say in the timeliness and have input at different intervals. The Manchester Development Corporation will have a role, the Finance, Economic Development and Solicitor's Offices also have to be involved to bring the expertise for this thing to move forward. On the investment banking side the one company that came forward and offered the innovation to take a look at the private side as well as the public side is William R. Hough & Company and with us tonight is Steve Stern. Steve, I'm just going to talk a little bit about...what his background is so that you have some idea as to the type of people we'll be dealing with. Steve has become nationally recognized as a leader in the sports facility and related financings. He's worked in public finance for over 27 years, he's employed in the fields of banking, asset management, insurance and government. In the last nine years, he has worked as an investment banker and has managed a number of ground-breaking financings. In July 1996, he structured four bond issues totaling \$52.8 million for the Greenville, South Carolina Auditorium District to fund construction of the BI-LO Center in a transaction described by the *Bond Buyer*. The *Bond Buyer* is the trade

magazine of the public finance profession. The *Bond Buyer* said that it was a model of financing for minor league arena facilities. Mr. Stern's managed the Denver, Colorado Rockies baseball stadium that issues \$103 million and was the first tax-exempt bond issue after the changes in the federal tax law. Mr. Stern also served prior to his experience in the private sector, served as the State of Colorado's Capital Investment Director and he has designed and authored Colorado's first five-year capital improvement program. The firm is a Sports Finance and Public Assembly Facility practice, it's done work in Raleigh and it's done work with all different leagues, the NHL, the AHL, the Eastern Coach Hockey League, the American Hockey League. Steve's got a BA in History from Brandeis and he's attended Columbia. Just to give you an idea of the firm's involvement in public finance programs that involve the Centennial Entertainment and Sports Arena in Raleigh, North Carolina which is an NHL expansion, the BI-LO Center in Greenville, South Carolina which is an east coast hockey league expansion team, the Tropicana Field in St. Petersburg, Florida which is where the Tampa Bay Devil Ray's baseball team plays. They've done the Ice Palace in Tampa, Florida which is where the Tampa Bay Lightning hockey team plays, Miami Arena in Miami, Florida where the Panthers, the NHL team plays. They've also done the Homestead Motor Sports Complex in Homestead, Florida which is auto racing which again is something that is of interest to the City because of our proximity to the Loudon sports car racing facility. They've done Coors Field in Denver, Colorado and the Colorado Rockies baseball team and Legends Field in Tampa, Florida which is the New York Yankees baseball team spring training facility. We felt that it was important that although William R. Hough has done a lot of financings and has had a lot of experience in the south and has created an opportunity for the City here that we felt his experience should be balanced with somebody that has been involved in public finance in the State of New Hampshire and has done local financing and is more familiar with the market here to try and

marry up those two types of backgrounds that would be in the best interest of the City. In that regard, the City has also talked with the firm of First Albany Corporation and Mr. David Bernat is here. To give you an idea of David's background he was with Merrill Lynch for a number of years and he's executed over \$4 billions of senior managed and \$8 billion of co-managed financings throughout the United States including in Connecticut, Delaware, Michigan and New Hampshire. He has done financings for the State of New Hampshire. He served as the banker for the State in over about \$275 million of senior managed financings including every college savings bond issue that the State's ever done. He's involved with the \$126 million co-financing effort in that regard too. He's worked directly with the State in connection with a multi-year effort to secure upgrades of the general obligation credit and as you know the State has been upgraded as a result of those efforts. Mr. Bernat currently serves as a banker to the State in connection with their \$63.24 million general obligation issue that is about to close in December. He's done work in a number of communities, he's worked for the City. He was very instrumental as you recall Merrill Lynch was instrumental in working with the City for its fiscal year conversion bond, he's done some refundings, is familiar with the region and we think that David Bernat and First Albany brings a local experience that compliments the firm of William R. Hough & Company. The arrangement with the company from Florida is that not only would they provide investment banking services tot alk about the public financing and the total package, but they would also provide the City with the expertise to secure the necessary franchises that they might need, to bring to the table the private dollars, and to solidify that private side of the operation and in that regard they've presented the City with the opportunity to work with ScheerSports and Carl Scheer and I'll tell you a little bit about Carl Scheer. Carl Scheer spent more than a quarter of a century as a leader on the sports marketing playing field. After spending six years in a successful Greensboro law practice,

Mr. Scheer followed his love for basketball to become the Administrative Assistant to the then National Basketball Association's Commissioner Walter Kennedy and that was in 1968 and then in the early 1970's he was named President and General Manager of the American Basketball Association's Carolina Cougars. He aided that club in establishing over 50 team records and received his first ever *Sporting News* Executive of the Year award in 1973. In 1974, Mr. Scheer converted the 37-47 ABA Denver Rockets into the 65-19 Denver Nuggets, earning his second *Sporting News* Executive of the Year Award. In 1984, Carl Scheer served as the Los Angeles Clippers President and General Manager in the National Basketball Association and left that position in 1986 to become the Commissioner of the Continental Basketball Association which is the equivalent of the triple A farm team for the NBA. Under his leadership the CBA grew and developed a number of policies relating to player personnel that have been regarded as a model for professional sports. On January 1, 1988, he was named the first President and General Manager of the Charlotte Hornets. Following a brief return to the Nuggets as Vice President, he created ScheerSports and started to go into providing consulting services. Notable events include the promotion of the Davis Cup tournaments, TournaMania at the 1995 Atlantic Coast Conference Men's Basketball Tournament, and as part of the merger for the ABA and the NBA it was Carl Scheer that started the All-Star Weekend and the 3-Point Shooting and the Slam Dunk Contest. He's Chairman of the East Coast Hockey League Board of Governors and he's been awarded a franchise over the years to compete in that league. So, Carl Scheer has sat on all sides of the table when it comes to negotiating contracts for players, teams, for the Commission, and brings to the City the ability to have some expertise in negotiating contracts and in negotiating private dollars to make sure that the City's interest are protected along with the public finance...people that we are talking about moving forward with you would have the type of expertise necessary to bring before the Board of

Aldermen a project that you could vote up or down. One of the things that was mentioned throughout the course of information receives from all of the various underwriters was the need to update the feasibility study. The feasibility study you recall was presented to the Board by Hunter Interests back in December of 1994 and there's a need to update some of those numbers. You may recall that Hunter interests was in partnership with Arthur Andersen. Arthur Andersen did a lot of the marketing and number crunching with respect to events and it was Michael O'Sullivan, in particular, who did those studies for the City and what we would be talking about is updating those dollars so that we have a better idea as to what is happening with the market and making sure that those numbers and those trends that were so prominent in those studies are still current. Bond Counsel, of course, if Ropes & Gray, has been the City's Bond Counsel for a number of years, Henry Hall and Rick Manley is as usual will handle those duties. The Financial Advisor is Evensen Dodge - Rich Totoria is here with us tonight. Frank Starr is their arena specialist, he's not able to be with us tonight, but he would be involved obviously in helping to pull together pieces of information to make sure that the City's interest are protected as a project of this nature moves forward. One of the things that is important and one of the things that we have had the Solicitor's Office and Bond Counsel looking at along with the underwriters is the City's ability to carry out a project. We feel that the statutory authority that's in place for the City to do. Financings of a number of different varieties as those opportunities arise. We have statutes for revenue bonds, we have a dedicated revenue stream the Meals & Rooms increment that we have talked about over a number of years. There is the opportunity for the Housing Authority to use redevelopment powers, if there is the interest to move in that direction and take on this project on a different scale and there is the Manchester Development Corporation that is authorized, under State law, to own and oversee the operation of a "CenterPlex" type of facility. We've narrowed this project down to three phases. Phase I is to

assemble the package and that would take about four months. Phase II would be to solidify the project which would then take an additional two to four months and the final Phase II would be to raise the capital which would be two to three months at the end of that. Phase I which we will be talking about this evening, the project team. Virtually all of the underwriting proposals that we received said that the first thing you are going to have to do is come in and hire an architect, a facility manager, and a concessionaire. On the private side you may recall that there is opportunities to secure dollars from people that would be interested in managing something like this. So, on a contingent basis you want to go out and instead of talking about the possibility of a firm coming in and providing management services you actually want to go out and get commitments and go through a bidding process and find out who is interested in coming to the City and getting involved in this project. The purpose of Phase I is to flush out the reasonableness and the interest in this project. If there is not interest in the private sector in doing this project, the Board needs to know that upfront and then the project ends. If there is significant interest, you need to know what that is, what the details of that might be, and the purpose of the selection team in addition to the people who were mentioned earlier, the underwriters, bond counsel, and City staff is to talk to architectural people, facility managers, and concessionaires to try and find out what their interest is and get them to a level of commitment that we can bring back to the Board. Site Selection - one of the problems that we have encountered and I think that that is not uncommon to Manchester and is no uncommon in large projects is where is this thing going to be and I'm sure if I asked each of the Aldermen where they thought it should be, I would get 12 different answers. You may recall that we went through a similar exercise with the Airport. There were six different sites for the Airport and they ranged from Londonderry to Manchester to opposite sides of the Airport. Phase I will come back and say as a result of the efforts what the best site is for a civic center in Manchester. It's

going to take a look at the economics, it's going to take a look at some of the different demographics and take a look at all of the different sites that we have all heard of and certainly if the Board has any ideas or recommendations for sites, let us know that and as part of the process the team would take a look at these different sites and just as we did with the Airport and came back and said Site A has these particular qualities and it's going to cost you this much money because of its location or because of some of the peculiarities associated with that site and we would go through that similar exercise so that as part of Phase I you'd know where this place would be located and not just because of availability of sites, but also the economics. Financing Structure - we'd come back at the end of Phase I and say to you, these are the private dollars. We have community support for this project and there's interest in things like sky boxes and private seat licenses and things of that nature or there isn't. But, let's find out. Move forward, find out what the most reasonable site is in Phase I and find out what the cost of private dollars would be, what the availability of those dollars might be and get that on the table. With respect to the Meals & Rooms Tax we're continuing to monitor that, that is one source of public dollars that would be available that we have talked about in the past, we would lay out any other options that might become available to the City whether that be through federal, state or whatever we could find. One of the things that we had talked about with the State was their standing behind any type of a debt issuance with a guarantee. That is not something that the State of New Hampshire is interested in doing giving their financial situation. There is a way for the City to issue the bonds directly, have the private dollars involved, and have a guarantee provided by an insurance company. In other words, if these dollars in the Meals & Rooms formula were not to produce then there would be an opportunity for the private insurer to step in and cover that shortfall. Now, just as with the State you would have to set up reserve funds and there would be costs associated with that, there would be costs associated with the bond insurance.

There is interest by bond insurers to come in and provide this service, they have contacted us, their interest is real, but it is understandable that they want to know what the private dollars are going to be. What is the deal that the City is going to be looking at in terms of a complete package, not just the public dollars guarantee, what is the whole private side and what's the risk involved with the entire effort. So, we'll be moving forward with that information. Hockey Franchise - there has to be a major tenant. Not one of the underwriters that responded that didn't talk about the idea about having an anchor tenant and didn't feel that a hockey franchise was unreasonable for the City of Manchester and that that would form the logical anchor tenant. What we would do is come back to the Board at the end of Phase I and say here's the site, here's the private dollars, here's the commitments that we have, here's what this project looks like. If the Board felt comfortable at the end of Phase I with what was before them then you can move to Phase II. Phase II would involve a little more time and more money. It would involve the bringing on of a contractor and an owner's representative. You may recall that when we built the Airport we followed the same type of a procedure when we brought in a company to work with the Authority to represent the City as the building was being built. You get into a little more detail with respect to the building design, finalize the construction costs, lease negotiations...these are types of things involved in the concessionaires, teams and things of that nature. You firm up your business documents and you come back to the Board at that point for another decision. You now have your site, you know how much it costs, where the thing will be, what your private dollars are and what it would cost to build a building in current dollars. Phase III is when the Board would be approaching a final decision and you have to take a look at the final feasibility, you would be looking at the total project budget for the construction and operation of the facility, you'd be looking at total financing documents, you'd have contracts for your private revenues finalized, and you would sell your bonds. Phase I which is

what we are considering tonight involves the following expenses: if we are going to go out and select architects and do those types of things we are going to have to do some bidding and certain advertising in trade journals and as you know that is not inexpensive, it's not very difficult to run up a \$2,000 bill in running advertisements to have people respond to an RFP. William R. Hough & Company services would be \$9,500; First Albany \$2,000; and ScheerSports \$11,500. The update of the feasibility study would be by Arthur Andersen for \$27,000. Cost to development preliminary contracts and leases with Ropes & Gray and Evensen Dodge would be \$20,500 and \$23,000 respectively. The bulk of the cost is with the site selection and trying to narrow down where this building would be and what it might look like in terms of size and scale. The total cost for Phase I would be \$180,000. Now, that is a not-to-exceed number. If the Board wanted to move ahead with something of this nature this evening with this proposal the source of funds would be the Manchester Development Corporation. Actions that the Board could take this evening to move the project forward would include authorizing the staff to proceed with Phase I, adopt a reimbursement resolution (and I'll come back to that in a second), and request MDC to expend the \$180,000 for Phase I to move this project to a point where the Board could take a look at some concrete numbers and contracts for consideration to move it forward. The reimbursement resolution is...you may recall when we did the Airport...if this project were to move forward and if the project were to come to fruition then what we have spent in Phase I the \$180,000 could be reimbursed to the Development Corporation out of the bond issue so that that \$180,000 would be restored to the Development Corporation so it could be used for other economic development purposes and that type of a resolution would come before the Board at its next regular meeting after a decision. The consultants that are with us this evening are prepared to move forward under a contractual arrangement that provides that there is no self-interest, they are not here to develop a hockey team for themselves, a franchise for

themselves, they're here strictly to represent the City and bring other players to the table. We want to make sure that everybody knows that it is a level playing field, we're going to go out with bidding for these types of things so that people can come back in and have a chance to compete and it will be the type of thing that I think the Board is accustomed to in terms of going out with these large projects. I think, at this point, we've gone through the presentation and I'd be happy to answer any questions or certainly the consultants would be happy to answer any questions that the Board might have.