

Proposed Catalyst Hotel & Indoor Waterpark and Arena

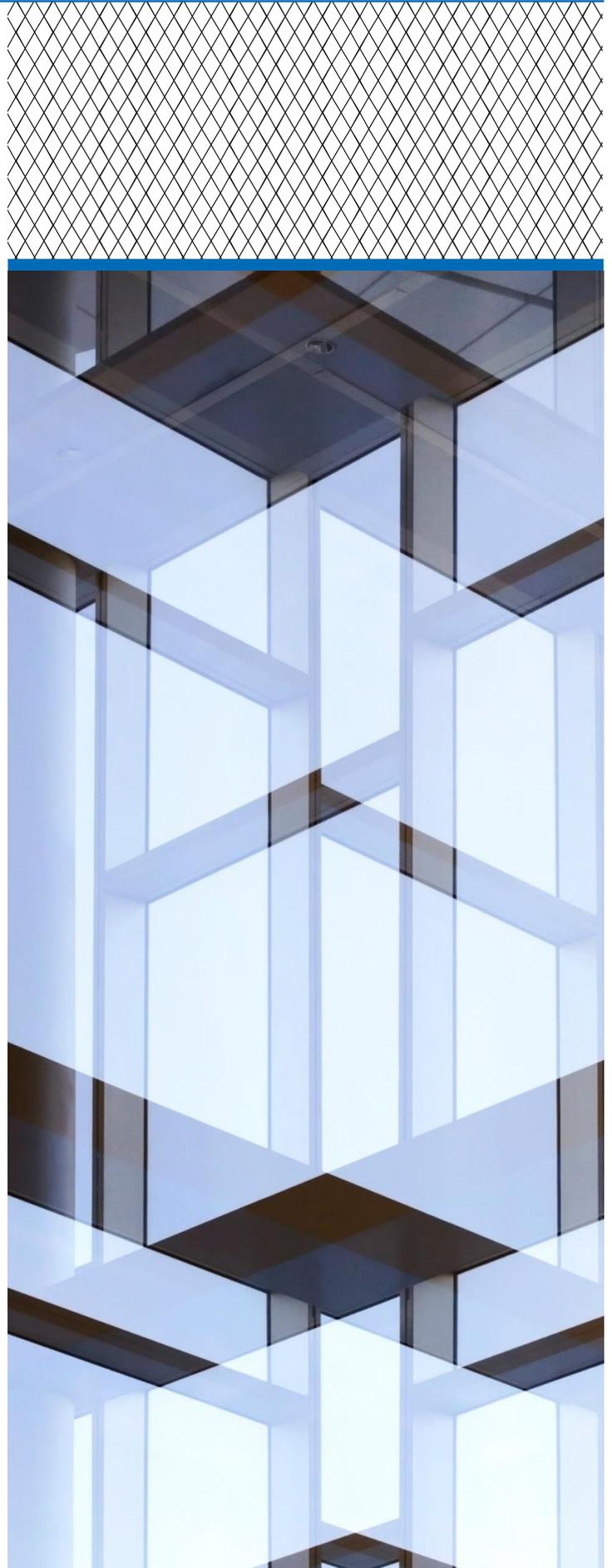
Northwest Quadrant at Highway 34 & 131st Street
Greeley, Weld County, Colorado Zip
Newmark Job ID: 25-0242646

Feasibility Study and Economic Impact Review Summary Letter Prepared For:

We Are Greeley Executive Committee
We Are Greeley 501(C) (4)

Prepared By:

Newmark Valuation & Advisory
Hospitality, Gaming & Leisure Group
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1800 Larimer Street, #1700
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January 12, 2026

We Are Greeley Executive Committee
We Are Greeley 501(C)(4)

RE: Feasibility Study and Economic Impact Review of the Proposed Catalyst Hotel & Indoor Waterpark and Arena in the Northwest Quadrant at Highway 34 & 131st Street, Greeley, Weld County, Colorado, prepared by Newmark Valuation & Advisory, LLC (herein “Firm” or “Newmark”)

Newmark Job No.: 25-0242646

Dear We Are Greeley Executive Committee:

At your request, Newmark Valuation & Advisory, LLC (herein “Firm” or “Newmark”) has completed a review of multiple feasibility studies and economic impact analyses prepared by RBC, CBRE, and Hotel & Leisure Advisors (H&LA) for the proposed property referenced above and the results are presented in this Summary Letter.

It is understood that feasibility studies and economic impact analyses rely on data available in the market at the time of the study, and the conclusions drawn from such studies can be inherently subjective. The review that was conducted focused on identifying inconsistencies in the proposed development budget (costs and financing) and other publicly available information as of January 10, 2026; unsupported demand and attendance projections, operating forecasts, and general assumptions; as well as misleading data conclusions and narrative statements that require additional context for clarity and a full understanding of their implications. This review does not constitute a guarantee of future performance and should be considered within the limitations of available data and assumptions.

Based on a thorough review of the RBC financial models and CBRE and HLA narrative studies provided, as well as our own ancillary research and analysis, it is concluded that portions of the analyses and forecasts prepared by RBC, CBRE, and H&LA are unsupported and/or misleading without full context or latest available development details.

Summary of Observations

The major findings based on our research and industry experience are summarized below and discussed in more detail later in this report:

Arena and Icehouse Feasibility Analysis

The latest RBC model uses OVG’s arena and icehouse proforma, which is very aggressive compared to the actual performance of the Blue Arena and other comparable arenas in the region.

H&LA's proposed arena feasibility analysis is not comprehensive compared to its indoor waterpark resort market analysis. The H&LA revenue and expense forecasts also rely heavily on Oak View Group's (OVG) budgeted revenue and expense forecasts, which are not well supported by existing comparable venues nor market data. As such, the H&LA feasibility study likely overstates the arena's net operating income.

The CBRE feasibility study's arena and ice rinks revenue and expense projections are generally supported and considered to be the most reasonable forecasts of those prepared. The net operating income forecasted by the CBRE study is between \$2.0 million and \$3.0 million less than the H&LA and OVG forecasts.

Hotel and Waterpark Feasibility Analysis

The latest RBC modeling (June 6, 2025) relied on hotel and waterpark operating forecasts prepared by American Resort Management (ARM), an experienced operator of indoor waterpark resorts. The revenue and expense forecasts are aggressive when compared to indoor waterpark resort benchmarks (e.g., actual operating statements of existing indoor waterparks including Great Wolf Lodges and IAAPA's 2025 Water Park Benchmark Report) and the studies completed by CBRE and Hotel & Leisure Advisors.

Generally, operating revenues (occupancy, average daily rate, revenue per available room) and expenses presented in the CBRE feasibility study from late 2024 and the latest draft version of Hotel & Leisure Advisor's feasibility study with two scenarios (report date of November 3, 2025) are supported. An exception is the reserve for replacement fixed-expense deduction (to be discussed separately).

Reserve for Replacement Assumptions

All three firms' analyses incorporate reserve for replacement assumptions that fail to adequately account for future capital expenditures at the arena, hotel, and waterpark. Underfunding these reserves can create significant financial strain for a publicly financed development, potentially requiring alternative funding sources to cover these costs.

The H&LA study deducts 3.0% of total revenue for capex reserves and CBRE deducts 5.0% of total revenue for capex reserves, while a 2023 ISHC Capex Study suggests 9.0% of total revenue is needed to adequately fund future capital expenditures.

Development Cost Discrepancy and Debt Service Impact

The H&LA feasibility study understates the negative cash flow available for debt service by using a development cost of \$665 million rather than the latest RBC model figure of \$805 million in bond issuance. The combined net operating income from the arena, hotel, and waterpark will not be sufficient to cover debt service obligations.

According to the H&LA feasibility study dated December 19, 2025, "the midpoint of the resort and arena developments along with the additional costs associated with the larger overall development yields a total of \$889,200,000." This compares to a total development budget of \$874,000,000 (reduced total column, not preferred total column) shown in the January 2026 Council Update of the West Greeley Project Update presentation. The preferred total column shows the development budget totaling \$900,700,000. Costs included in both reduced and preferred totals include development of the arena, hotel, and waterpark; infrastructure and off-site work; and traffic interchange improvements.

Economic Impact Study Limitations

While H&LA's economic impact study employs standard methodologies, it significantly overstates actual economic benefits by presenting gross impact figures without adjustments for mitigating factors. Research from academic and non-governmental organizations consistently shows such studies tend to overstate benefits. Additionally, the analysis assumes all retail spending will occur within the City of Greeley, despite the likelihood of leakage to destination retail along Interstate 25 in Loveland, Johnstown, and Fort Collins.

Cost Versus Anticipated Value

The estimated cost to develop the proposed arena, hotel, and waterpark substantially exceeds the potential value the development is expected to generate.

Public Financing and Incentives

The level of public financing and incentives offered far surpasses the typical gap between development cost and value creation. Historically, municipal incentives and financing range from 10% to 50% of total development costs; in this case, incentives represent 100% of the costs.

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest in with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusion in this review or from its use.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the relevant U.S. State(s).
9. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. In addition, as of the date of this report, John Kelley, CHIA completed the continuing education program for Candidates of the Appraisal Institute.
12. By prior agreement with the client, none of the signatories made a personal inspection of the property that is the subject of this report.
13. No one provided significant real property appraisal assistance (general market research, editorial assistance, etc.) to the persons signing this certification.
14. The firm operates as an independent economic entity. Although employees of other Newmark divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times in regard to this assignment without conflict of interest.
15. Within this report, "Newmark", "Newmark Valuation & Advisory", "Newmark, Inc.", and similar forms of reference refer only to the appraiser(s) who have signed this certification and any persons noted above as having provided significant real property appraisal assistance to the persons signing this report.

16. We have not provided any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

John Kelley

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Introduction

INTENDED USE AND USER

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non-intended users does not extend reliance to any other party and Newmark will not be responsible for unauthorized use of the report, its conclusions or contents used partially or in its entirety.

Client:	We Are Greeley 501(C) (4)
Intended Use:	The intended use of the feasibility study review letter is solely for internal business decisions.
Intended User:	The intended user of the feasibility study letter is We Are Greeley 501(C) (4).

PURPOSE OF THE FEASIBILITY STUDY AND ECONOMIC IMPACT STUDY REVIEW

The purpose of the feasibility study and economic analyses review is to develop an opinion as to the quality of the original work under review. This includes evaluating the scope, methods, completeness, accuracy, adequacy, relevance, and reasonableness of the studies.

SCOPE OF WORK

Extent to Which the Property is Identified

Beyond checking for a general level of completeness and consistency, the review process included the following:

- Formed an opinion as to the apparent adequacy and relevance of the data.
- Formed an opinion as to the appropriateness of the feasibility and economic impact analyses methods and techniques.
- Concluded with an opinion of general or limited concurrence or of non-concurrence.
- Prepared a brief outline report of findings.
- This review utilized no extraordinary assumptions or hypothetical conditions.

Extent to Which the Property is Inspected

By prior agreement with the client, none of the signatories made a personal inspection of the property that is the subject of this report.

Summary of Observations

The following items were noted during review:

ARENA AND ICEHOUSE FEASIBILITY ANALYSIS

Overall, the H&LA study’s arena and icehouse market analysis did not include sufficient research on local and regional venues nor did it provide sufficient actual operating comparables to reasonably benchmark revenue and expense. The CBRE study, while shorter in length, presented more market data and superior actual operating statements for benchmarking, which likely explains how the CBRE study forecasted net operating income well below that presented in OVG’s proforma. For reference, the following table summarizes arenas that should have given significant weight as it relates to the forecasted performance of the proposed arena and icehouse.

Arena Name	City / State	Seating Capacity	Reporting Period	Revenue (Actual)	Expenses (Actual)	Net Operating Income	Financial Scope / Notes	Event Volume & Types (Annual)	Naming Rights	Sports Team Leases	Development & Financing
Blue Arena	Loveland, CO	6,800	FY 2024	\$5,104,953	\$4,003,082	\$1,101,871	Arena-level operating results per 2024 Annual Report	153 events; AHL hockey, concerts, comedy, family shows, rodeo	Budweiser Events Center (2003–2023); Blue Arena (2023–present)	Colorado Eagles (AHL, 2003–present)	Opened 2003; ~\$28M; county-owned; sales-tax supported
Ball Arena	Denver, CO	~18,100 hockey / ~19,500 basketball	Not publicly reported	Not publicly disclosed	Not publicly disclosed	Not publicly disclosed	Privately owned; no public operating statements	~250+ events; NBA, NHL, NLL, concerts	Peppi Center (1999–2019); Ball Arena (2020–present)	Nuggets, Avalanche, Mammoth	Opened 1999; ~\$165–180M; privately financed
1stBank Center (Closed)	Broomfield, CO	~6,500	FY2018–FY2023 (range)	Not publicly disclosed	Not publicly disclosed	Loss ranged –\$1.2M to –\$250K	Recurrent operating deficits; arena-only P&L not published	<20 events/year prior to closure	1stBank (2010–2023)	Rocky Mountain Rage; Colorado 14ers	Opened 2006; ~\$45M; BURA bonds; closed 2023
Broadmoor World Arena	Colorado Springs, CO	~7,343 fixed	Not publicly reported	Not publicly disclosed	Not publicly disclosed	Not publicly disclosed	Nonprofit operator; no published arena-only financials	~90–120 events; concerts, skating, hockey tournaments	Broadmoor World Arena (2014–present)	Colorado College Hockey (1998–2021)	Opened 1998; ~\$55–58M; privately funded
Maverik Center	West Valley City, UT	~12,000 hockey	FY 2024–2025	\$7,719,000	\$8,219,000	(\$500,000)	Arena operating results	~50–100 events; ECHL hockey, G-League, concerts	Maverik Center (2010–present)	Utah Grizzlies; Salt Lake City Stars	Opened 1997; ~\$54M; city-owned

Background and Context Missing from Feasibility Studies

The proposed arena in Greeley, Colorado exhibits many of the structural characteristics common to 6,000–12,000 seat arenas, a category that historically requires public financial participation due to inherent limitations on revenue generation and operating leverage. As such, the project should be evaluated within the established performance envelope for similar-sized facilities rather than against major-league or privately financed arena benchmarks.

Structural Financial Challenges

- From a market and operational standpoint, the proposed Greeley arena faces the same core constraints that affect peer facilities nationwide:
- Revenue ceilings imposed by seating capacity, limiting ticket sales, per-event gross, and ancillary spending potential.
- Fixed operating costs (staffing, utilities, ice operations, security, insurance, and management) that do not scale down in proportion to capacity.

- Competition for touring acts with larger Front Range venues, particularly in Denver and surrounding municipalities, which reduces the achievable number of high-margin concerts.
- Dependence on minor-league or non-major tenants, which inherently generate lower per-game and per-season revenues than major professional franchises.
- These factors suggest that, absent public participation, the arena would be unlikely to achieve consistent, risk-adjusted profitability sufficient to justify private-sector development or financing.

Expected Profitability Range

- Based on operating results from comparable arenas in Colorado and the Intermountain West, the proposed Greeley arena’s stabilized net operating income would reasonably be expected to fall within one of the following ranges:
- Operating deficit of approximately (\$250,000) to (\$1.2 million) annually during early or underperforming years; or
- Break-even to modest operating surplus, generally \$0 to \$1.0–\$1.2 million annually, under favorable conditions.
- Importantly, even results at the upper end of this range typically exclude debt service, capital replacement reserves, or opportunity cost of public capital, meaning that apparent “profitability” often reflects accounting treatment rather than true economic return.
- Accordingly, any projections materially exceeding these ranges should be viewed as optimistic and highly sensitive to assumptions regarding event counts, attendance, premium seating capture, and sponsorship absorption.

Mitigating Factors Specific to the Greeley Proposal

- While the structural challenges above remain, the proposed Greeley arena does benefit from several mitigating factors that improve financial viability relative to a generic peer facility:
- Secured or Anticipated Lease with the Colorado Eagles (AHL)
- A long-term lease with an established AHL franchise materially improves baseline utilization. The Colorado Eagles provide:
- Approximately 36–40 home dates annually, creating predictable event volume.
- Consistent attendance relative to other minor-league tenants.
- Incremental revenue from parking, concessions, and merchandise.
- While AHL teams do not typically generate operating surpluses on their own, their presence significantly reduces downside volatility and improves the arena’s ability to approach break-even operations.
- Inclusion of Box and Club Seating
- The proposed inclusion of box seats and club-level premium seating is a positive design element. Premium inventory is essential for:

- Capturing higher-margin revenue streams.
- Enhancing sponsorship and corporate partnership offerings.
- Partially subsidizing general seating operations.
- That said, the effectiveness of premium seating in Greeley will remain constrained by local corporate depth and price tolerance, which is meaningfully lower than in major metropolitan markets. As a result, while box seating improves the revenue mix, it is unlikely to fundamentally alter the arena's overall profitability profile.

Public Ownership and Operating Structure

- If publicly owned and operated through an enterprise fund or third-party manager, the arena can be structured to:
 - Absorb modest operating deficits as part of broader economic development objectives.
 - Avoid private sector return thresholds that would otherwise render the project infeasible.
 - Emphasize cost containment and fiscal sustainability rather than profit maximization.
 - This structure is consistent with peer facilities that have achieved relative financial stability despite limited standalone returns.

Overall Assessment

- In summary, the proposed Greeley arena aligns closely with the historical performance profile of 6,000–12,000 seat arenas, which generally do not function as self-sustaining, profit-driven real estate assets. Public incentives and support should therefore be viewed not as a project flaw, but as a necessary condition for delivery.
- The presence of the Colorado Eagles and the inclusion of premium seating meaningfully improve the project's operating outlook and reduce downside risk. However, these factors do not eliminate the structural revenue constraints inherent to the asset class. Expectations for sustained profitability should remain conservative and grounded in peer performance rather than aspirational economic impact projections.
- From an appraisal or feasibility standpoint, the proposed arena is best evaluated as public infrastructure with secondary economic benefits, not as a market-driven income property capable of independently supporting its full capital and operating costs.

HOTEL AND WATERPARK FEASIBILITY ANALYSIS

The latest RBC modeling, completed on June 6, 2025, is grounded in operating forecasts for the hotel and waterpark prepared by American Resort Management (ARM), a recognized operator with extensive experience managing indoor waterpark resorts. While ARM's involvement lends credibility to the operational assumptions, the revenue and expense projections appear notably aggressive when benchmarked against industry norms and the feasibility analyses conducted by CBRE and Hotel & Leisure Advisors (H&LA). Specifically, ARM's forecasts suggest higher-than-typical performance metrics, including occupancy, average daily rate (ADR), and revenue per available room (RevPAR), as well as optimistic expense structures. In contrast, the operating

assumptions presented in CBRE's late-2024 feasibility study and H&LA's November 3, 2025, draft report, which includes two scenarios, are generally consistent with market expectations and supported by comparable properties. The primary exception relates to the reserve for replacement deduction, a fixed expense item that warrants separate discussion due to its potential impact on net operating income and long-term financial sustainability.

Background and Context Missing from Feasibility Studies

Indoor waterpark resorts present unique operational and financial risks due to their high fixed costs, seasonality, and reliance on consistent guest volumes to maintain profitability. These properties require significant investment in specialized infrastructure and ongoing maintenance, which can strain cash flow during off-peak periods. Smaller resorts (in terms of room count and indoor waterpark area), in particular, face heightened vulnerability because they lack the scale to spread costs across a larger revenue base. Limited room inventory and smaller waterpark footprints often result in lower occupancy and average daily rates, making it difficult to achieve the economies of scale necessary for strong margins. Conversely, larger properties tend to perform significantly better, as they benefit from higher guest capacity, broader amenity offerings, and stronger brand positioning, which drive higher occupancy, ADR, and ancillary revenue streams. This scale advantage also allows larger resorts to absorb fluctuations in demand more effectively and maintain competitive operating efficiencies.

The operating forecasts presented by CBRE and Hotel & Leisure Advisors (H&LA) are supported by real-world performance data from comparable properties. Notably, the Great Wolf Lodge in Colorado Springs demonstrates the revenue potential and operating dynamics of a successful large-scale indoor waterpark resort. Additionally, our analysis of select resort properties in Colorado and neighboring states reinforces the reasonableness of CBRE and H&LA assumptions for occupancy, ADR, and expense ratios. These benchmarks provide confidence that the projections in both studies align with market realities and reflect achievable performance levels for a property of similar scale and positioning.

Financing Risk

Aggressive operating assumptions introduce significant financing risk, particularly for projects with high capital costs and complex operating structures like indoor waterpark resorts. Overly optimistic projections for occupancy, ADR, and ancillary revenues can lead to inflated expectations for cash flow and debt service coverage ratios, which lenders rely on when underwriting loans. If actual performance falls short of these assumptions, the property may struggle to meet debt obligations, triggering covenant breaches or requiring additional equity infusions. This risk is amplified in the early years of operation when ramp-up periods and market penetration challenges often result in lower-than-projected revenues. Consequently, conservative underwriting and sensitivity analyses are critical to ensure that financing structures remain viable under more moderate performance scenarios.

Municipal Incentives

It is not uncommon for indoor waterpark resorts to receive municipal incentives as part of broader economic development strategies. These projects often generate significant tourism, create jobs, and increase local tax revenues, making them attractive for public support. Incentives can include tax abatements, infrastructure

improvements, low-interest financing, or direct grants to offset construction costs. For example, Great Wolf Lodge properties in several markets have benefited from municipal participation, including tax increment financing and infrastructure contributions. Similarly, Kalahari Resorts and other large-scale waterpark developments have secured local incentives to facilitate project feasibility. These partnerships underscore the importance of aligning resort development with community objectives and leveraging public-private collaboration to mitigate upfront capital risk. The H&LA study describes indoor waterpark developments that have received such incentives.

RESERVE FOR REPLACEMENT ASSUMPTIONS

All the feasibility studies incorporated an explicit reserve for replacement; however, the assumed funding levels varied. Specifically, the H&LA study applied a 3.0% (of total revenue) reserve for replacement, while the CBRE study assumes a higher 5.0% (of total revenue) reserve for replacement upon stabilization. The variation in reserve assumptions has a direct and material effect on projected net operating results and long-term capital sustainability. The reserve for replacement must be carefully considered when comparing projected financial performance across the feasibility studies – a lower reserve percentage inflates net operating income while a higher reserve percentage deflates net operating income.

Background and Context Missing from Feasibility Studies

The reserve for replacement is a critical financial safeguard, ensuring funds are set aside annually to cover major capital expenditures - items like HVAC systems, roofing, guestroom case goods, and, in the case of indoor waterpark resorts, specialized mechanical and aquatic systems or new water rides. Unlike routine maintenance, these costs are large, cyclical, and unavoidable. Without adequate reserves, owners face disruptive capital calls, emergency financing needs, or deferred maintenance that erode guest experience and asset value.

International Society of Hospitality Consultants Capex Study

The ISHC CapEx 2023 study underscores the inadequacy of traditional reserve assumptions. Historically, full-service hotels have spent 9.2% of operating revenue on capital projects—well above the long-standing 4% industry guideline. Lifecycle analysis shows that while early years may require less, spending spikes dramatically by years 9–10 for full renovations and remains elevated thereafter. A six-year rolling average exceeds 4% by the end of the first decade, stabilizes near 8% through Year 29, and climbs toward 12% in later years. Older properties illustrate the trend even more starkly: pre-1990 hotels average 11.7% of revenue for CapEx, while even post-2000 builds spend around 4.5% early on before rising sharply.

For indoor waterpark resorts, these pressures are magnified. High-humidity, chlorinated environments accelerate wear on pumps, filtration systems, boilers, and climate-control equipment. Slides, water features, and corrosion-resistant finishes require frequent refurbishment. These assets carry higher replacement costs and shorter lifecycles than standard hotel components, making capital intensity far greater than a typical full-service property.

Given these realities, a 5% reserve for replacement is insufficient. Even diligent funding at 4–5% covers only the first seven years of operation, leaving no cushion for the major outlays that begin in Year 9 and persist throughout the asset's life. ISHC data confirm that most hotels require 6–8% of revenue annually after the first

decade, with late-life spending approaching 10–12%. For a complex, high-cost resort, reserves must be calculated to actual lifecycle needs—not the bare minimum implied by a flat 5% assumption. Failure to do so jeopardizes asset integrity, guest satisfaction, and lender confidence.

Underfunding Capital Reserves

Publicly financed entertainment and hospitality venues often carry significant financial risk because initial capital budgets frequently underestimate long-term maintenance and renovation costs. These facilities—such as convention centers, stadiums, and large-scale resorts—require substantial ongoing investment to maintain competitiveness, comply with safety standards, and meet evolving guest expectations. When reserve funding or private contributions fall short, municipalities are left to bridge the gap, resulting in unplanned tax burdens on local residents. This dynamic is particularly problematic for venues with specialized infrastructure, where lifecycle costs escalate sharply after the first decade of operation.

Examples include:

- **Rocket Mortgage FieldHouse (Cleveland):** Originally renovated with public support, the arena required hundreds of millions in additional funding for upgrades beyond initial projections, with local taxpayers absorbing much of the cost through extended public financing agreements.
- **Progressive Field (Cleveland Guardians baseball stadium):** Significant capital improvements, including premium seating and infrastructure upgrades, exceeded early estimates, resulting in supplemental public funding commitments.
- **Convention Centers and Stadiums Nationwide:** Similar patterns have occurred in cities such as Las Vegas and Miami, where expansions and renovations of publicly financed venues required new tax-backed bonds to address escalating costs.
- **Waterpark Resorts and Entertainment Complexes:** Projects such as the publicly supported Kalahari Resort in Round Rock, Texas, and Great Wolf Lodge developments have relied on municipal incentives upfront and, in some cases, additional infrastructure or tax support later to cover unforeseen capital needs.

These cases highlight the importance of conservative budgeting, robust reserve policies, and clear public-private agreements to prevent taxpayers from bearing the burden of escalating capital needs.

Additional Analysis Recommended

Future capital expenditure (CapEx) funding must be carefully analyzed and incorporated into long-term financial planning to ensure asset sustainability and protect stakeholder interests. Hospitality and entertainment venues, particularly complex properties like indoor waterpark resorts, face significant lifecycle costs for major systems, guest amenities, and infrastructure upgrades. These expenses often escalate after the first decade of operation and can far exceed initial reserve assumptions. Proactive planning should include detailed lifecycle modeling, sensitivity analysis, and alignment of reserve contributions with anticipated replacement cycles. By integrating future CapEx needs into capital outlay strategies today, owners and municipalities can avoid disruptive funding gaps, emergency financing, and taxpayer exposure to cost overruns.

DEVELOPMENT COST DISCREPANCY AND DEBT SERVICE IMPACT

The amortization schedule presented in the H&LA feasibility study (page A-22) understates actual debt service obligations compared to RBC's latest modeling. H&LA assumes constant debt service over the payment period based on a \$665 million development budget, which excludes \$115 million in pre-development costs slated for refinancing. In contrast, RBC's Version 10 model reflects a significantly larger capital structure, including \$805 million in bond issuance and \$42.1 million in interest savings, for total sources of \$847.1 million—closely aligned with public estimates of approximately \$830 million for total Catalyst costs. This discrepancy means the debt service shown in H&LA's schedule does not capture the higher repayment obligations tied to the expanded financing package, which materially impacts projected net income-to-equity ratios and long-term feasibility.

Reconstructed Amortization Schedule

Below is a comparison of H&LA's net income-to-equity forecast and what it is using RBC's latest bond repayment model. The bond debt payments are sourced from RBC's bond analysis, which can be found in their latest Excel model workbook on the tab titled *501c3 BondModel*.

Excluded from this comparison are potential sources of city revenue related to new taxes, including sales tax, lodging (bed) tax, and other municipal contributions, which may offset some of the debt burden but do not change the underlying risk of higher debt service requirements.

NEWMARK VALUATION & ADVISORY

Year	H&LA Hotel & Waterpark NOI	+	H&LA Arena NOI	=	H&LA Combined NOI	-	H&LA Debt Service	=	H&LA NOI to Equity	RBC Debt Service Based on V10 Model	Revised NOI to Equity
2029	\$20,533,800	+	\$5,110,000	=	\$25,643,800	-	\$41,487,963	=	-\$15,844,163	\$31,698,056	-\$6,054,256
2030	\$21,861,500	+	\$4,997,000	=	\$26,858,500	-	\$41,487,963	=	-\$14,629,463	\$42,264,075	-\$15,405,575
2031	\$22,618,000	+	\$4,847,000	=	\$27,465,000	-	\$41,487,963	=	-\$14,022,963	\$42,264,075	-\$14,799,075
2032	\$23,297,000	+	\$4,989,000	=	\$28,286,000	-	\$41,487,963	=	-\$13,201,963	\$42,264,075	-\$13,978,075
2033	\$23,993,000	+	\$5,139,000	=	\$29,132,000	-	\$41,487,963	=	-\$12,355,963	\$42,264,075	-\$13,132,075
2034	\$24,715,670	+	\$5,294,000	=	\$30,009,670	-	\$41,487,963	=	-\$11,478,293	\$42,264,075	-\$12,254,405
2035	\$25,454,280	+	\$5,452,000	=	\$30,906,280	-	\$41,487,963	=	-\$10,581,683	\$42,264,075	-\$11,357,795
2036	\$26,221,249	+	\$5,617,000	=	\$31,838,249	-	\$41,487,963	=	-\$9,649,715	\$42,644,075	-\$10,805,826
2037	\$27,004,006	+	\$5,784,000	=	\$32,788,006	-	\$41,487,963	=	-\$8,699,957	\$43,754,125	-\$10,966,119
2038	\$27,813,996	+	\$5,956,000	=	\$33,769,996	-	\$41,487,963	=	-\$7,717,967	\$44,929,850	-\$11,159,854
2039	\$28,650,676	+	\$6,136,000	=	\$34,786,676	-	\$41,487,963	=	-\$6,701,287	\$45,759,689	-\$10,973,013
2040	\$29,508,516	+	\$6,323,000	=	\$35,831,516	-	\$41,487,963	=	-\$5,656,447	\$46,658,338	-\$10,844,822
2041	\$30,393,772	+	\$6,510,000	=	\$36,903,772	-	\$41,487,963	=	-\$4,584,191	\$47,534,500	-\$10,630,728
2042	\$31,305,585	+	\$6,706,000	=	\$38,011,585	-	\$41,487,963	=	-\$3,476,378	\$48,451,338	-\$10,439,753
2043	\$32,244,752	+	\$6,906,000	=	\$39,150,752	-	\$41,487,963	=	-\$2,337,211	\$49,368,600	-\$10,217,848
2044	\$33,212,095	+	\$7,114,000	=	\$40,326,095	-	\$41,487,963	=	-\$1,161,868	\$50,372,875	-\$10,046,780
2045	\$34,208,458	+	\$7,326,000	=	\$41,534,458	-	\$41,487,963	=	\$46,495	\$51,306,025	-\$9,771,567
2046	\$35,234,712	+	\$7,547,000	=	\$42,781,712	-	\$41,487,963	=	\$1,293,748	\$52,277,788	-\$9,496,076
2047	\$36,291,753	+	\$7,773,000	=	\$44,048,753	-	\$41,487,963	=	\$2,576,790	\$53,302,125	-\$9,253,372
2048	\$37,380,506	+	\$8,008,000	=	\$45,388,506	-	\$41,487,963	=	\$3,900,542	\$54,371,950	-\$8,983,444
2049	\$38,501,921	+	\$8,247,000	=	\$46,748,921	-	\$41,487,963	=	\$5,260,958	\$55,365,175	-\$8,616,254
2050	\$39,656,978	+	\$8,493,000	=	\$48,149,978	-	\$41,487,963	=	\$6,662,015	\$56,450,750	-\$8,300,772
2051	\$40,846,688	+	\$8,752,000	=	\$49,598,688	-	\$41,487,963	=	\$8,110,725	\$57,543,700	-\$7,945,012
2052	\$42,072,088	+	\$9,012,000	=	\$51,084,088	-	\$41,487,963	=	\$9,596,125	\$58,682,988	-\$7,598,900
2053	\$43,334,251	+	\$9,281,000	=	\$52,615,251	-	\$41,487,963	=	\$11,127,288	\$59,790,213	-\$7,174,962
2054	\$44,634,279	+	\$9,562,000	=	\$54,196,279	-	\$41,487,963	=	\$12,708,315	\$60,950,650	-\$6,754,371
2055	\$45,973,307	+	\$9,846,000	=	\$55,819,307	-	\$41,487,963	=	\$14,331,344	\$62,114,850	-\$6,295,543
2056	\$47,352,506	+	\$10,143,000	=	\$57,495,506	-	\$41,487,963	=	\$16,007,543	\$63,380,463	-\$5,884,957
2057	\$48,773,081	+	\$10,449,000	=	\$59,222,081	-	\$41,487,963	=	\$17,734,118	\$64,664,625	-\$5,342,544
2058	\$50,236,274	+	\$10,762,000	=	\$60,998,274	-	\$41,487,963	=	\$19,510,311	\$65,798,400	-\$4,800,126
2059	\$51,743,362	+	\$11,083,000	=	\$62,826,362	-	\$41,487,963	=	\$21,338,399	\$67,090,763	-\$4,264,401
2060	\$53,295,663	+	\$11,416,000	=	\$64,711,663	-	\$41,487,963	=	\$23,223,700	\$68,444,638	-\$3,732,975
2061	\$54,894,533	+	\$11,759,000	=	\$66,653,533	-	\$41,487,963	=	\$25,165,569	\$71,322,163	-\$4,668,630
2062	\$56,541,369	+	\$12,111,000	=	\$68,652,369	-	\$41,487,963	=	\$27,164,405	\$72,643,038	-\$3,990,669
2063	\$58,237,610	+	\$12,475,000	=	\$70,712,610	-	\$41,487,963	=	\$29,224,647	\$73,973,938	-\$3,261,328
2064	\$59,984,738	+	\$12,848,000	=	\$72,832,738	-	\$41,487,963	=	\$31,344,775	\$75,317,788	-\$2,485,050
2065	\$61,784,280	+	\$13,234,000	=	\$75,018,280	-	\$41,487,963	=	\$33,530,317	\$76,716,725	-\$1,698,445
Total	\$1,409,806,254	+	\$303,007,000	=	\$1,712,779,254	-	\$1,535,054,631	=	\$177,758,617	\$2,026,164,651	-\$313,385,397

Sensitivity Analysis Example

A sensitivity analysis was conducted to illustrate the impact of reducing arena net operating income (NOI) by \$2 million annually compared to the forecasts provided by OVG and H&LA. While this adjustment may appear modest, the analysis demonstrates the compounding effect that even a relatively small shortfall in NOI can have on overall debt service coverage and equity returns over time. As previously discussed, H&LA's arena revenue and expense forecasts are not well supported, particularly when compared to CBRE's feasibility analysis, which forecasted more conservative and realistic performance. Based on comparable venues we reviewed, H&LA's projected arena NOI is likely overstated by \$2.0 to \$3.0 million per year. This discrepancy materially affects the NOI-to-equity analysis and highlights the importance of stress-testing assumptions. The table below shows the financial impact of reducing arena NOI by \$2 million annually.

NEWMARK VALUATION & ADVISORY

Year	H&LA Hotel & Waterpark NOI	+	Adjusted Arena NOI	=	H&LA Combined NOI	-	H&LA Debt Service	=	H&LA NOI to Equity	RBC Debt Service Based on V10 Model	Revised NOI to Equity
2029	\$20,533,800	+	\$3,110,000	=	\$23,643,800	-	\$41,487,963	=	-\$15,844,163	\$31,698,056	-\$8,054,256
2030	\$21,861,500	+	\$2,997,000	=	\$24,858,500	-	\$41,487,963	=	-\$14,629,463	\$42,264,075	-\$17,405,575
2031	\$22,618,000	+	\$2,847,000	=	\$25,465,000	-	\$41,487,963	=	-\$14,022,963	\$42,264,075	-\$16,799,075
2032	\$23,297,000	+	\$2,989,000	=	\$26,286,000	-	\$41,487,963	=	-\$13,201,963	\$42,264,075	-\$15,978,075
2033	\$23,993,000	+	\$3,139,000	=	\$27,132,000	-	\$41,487,963	=	-\$12,355,963	\$42,264,075	-\$15,132,075
2034	\$24,715,670	+	\$3,294,000	=	\$28,009,670	-	\$41,487,963	=	-\$11,478,293	\$42,264,075	-\$14,254,405
2035	\$25,454,280	+	\$3,452,000	=	\$28,906,280	-	\$41,487,963	=	-\$10,581,683	\$42,264,075	-\$13,357,795
2036	\$26,221,249	+	\$3,617,000	=	\$29,838,249	-	\$41,487,963	=	-\$9,649,715	\$42,644,075	-\$12,805,826
2037	\$27,004,006	+	\$3,784,000	=	\$30,788,006	-	\$41,487,963	=	-\$8,699,957	\$43,754,125	-\$12,966,119
2038	\$27,813,996	+	\$3,956,000	=	\$31,769,996	-	\$41,487,963	=	-\$7,717,967	\$44,929,850	-\$13,159,854
2039	\$28,650,676	+	\$4,136,000	=	\$32,786,676	-	\$41,487,963	=	-\$6,701,287	\$45,759,689	-\$12,973,013
2040	\$29,508,516	+	\$4,323,000	=	\$33,831,516	-	\$41,487,963	=	-\$5,656,447	\$46,658,338	-\$12,826,822
2041	\$30,393,772	+	\$4,510,000	=	\$34,903,772	-	\$41,487,963	=	-\$4,584,191	\$47,534,500	-\$12,630,728
2042	\$31,305,585	+	\$4,706,000	=	\$36,011,585	-	\$41,487,963	=	-\$3,476,378	\$48,451,338	-\$12,439,753
2043	\$32,244,752	+	\$4,906,000	=	\$37,150,752	-	\$41,487,963	=	-\$2,337,211	\$49,368,600	-\$12,217,848
2044	\$33,212,095	+	\$5,114,000	=	\$38,326,095	-	\$41,487,963	=	-\$1,161,868	\$50,372,875	-\$12,046,780
2045	\$34,208,458	+	\$5,326,000	=	\$39,534,458	-	\$41,487,963	=	\$46,495	\$51,306,025	-\$11,771,567
2046	\$35,234,712	+	\$5,547,000	=	\$40,781,712	-	\$41,487,963	=	\$1,293,748	\$52,277,788	-\$11,496,076
2047	\$36,291,753	+	\$5,773,000	=	\$42,064,753	-	\$41,487,963	=	\$2,576,790	\$53,302,125	-\$11,237,372
2048	\$37,380,506	+	\$6,008,000	=	\$43,388,506	-	\$41,487,963	=	\$3,900,542	\$54,371,950	-\$10,983,444
2049	\$38,501,921	+	\$6,247,000	=	\$44,748,921	-	\$41,487,963	=	\$5,260,958	\$55,365,175	-\$10,616,254
2050	\$39,656,978	+	\$6,493,000	=	\$46,149,978	-	\$41,487,963	=	\$6,662,015	\$56,450,750	-\$10,300,772
2051	\$40,846,688	+	\$6,752,000	=	\$47,598,688	-	\$41,487,963	=	\$8,110,725	\$57,543,700	-\$9,945,012
2052	\$42,072,088	+	\$7,012,000	=	\$49,084,088	-	\$41,487,963	=	\$9,596,125	\$58,682,988	-\$9,598,900
2053	\$43,334,251	+	\$7,281,000	=	\$50,615,251	-	\$41,487,963	=	\$11,127,288	\$59,790,213	-\$9,174,962
2054	\$44,634,279	+	\$7,562,000	=	\$52,196,279	-	\$41,487,963	=	\$12,708,315	\$60,950,650	-\$8,754,371
2055	\$45,973,307	+	\$7,846,000	=	\$53,819,307	-	\$41,487,963	=	\$14,331,344	\$62,114,850	-\$8,295,543
2056	\$47,352,506	+	\$8,143,000	=	\$55,495,506	-	\$41,487,963	=	\$16,007,543	\$63,380,463	-\$7,884,957
2057	\$48,773,081	+	\$8,449,000	=	\$57,222,081	-	\$41,487,963	=	\$17,734,118	\$64,564,625	-\$7,342,544
2058	\$50,236,274	+	\$8,762,000	=	\$58,998,274	-	\$41,487,963	=	\$19,510,311	\$65,798,400	-\$6,800,126
2059	\$51,743,362	+	\$9,083,000	=	\$60,826,362	-	\$41,487,963	=	\$21,338,399	\$67,090,763	-\$6,264,401
2060	\$53,295,663	+	\$9,416,000	=	\$62,711,663	-	\$41,487,963	=	\$23,223,700	\$68,444,638	-\$5,732,975
2061	\$54,894,533	+	\$9,759,000	=	\$64,653,533	-	\$41,487,963	=	\$25,165,569	\$71,322,163	-\$6,668,630
2062	\$56,541,369	+	\$10,111,000	=	\$66,652,369	-	\$41,487,963	=	\$27,164,405	\$72,643,038	-\$5,990,669
2063	\$58,237,610	+	\$10,475,000	=	\$68,712,610	-	\$41,487,963	=	\$29,224,647	\$73,973,938	-\$5,261,328
2064	\$59,984,738	+	\$10,848,000	=	\$70,832,738	-	\$41,487,963	=	\$31,344,775	\$75,317,788	-\$4,485,050
2065	\$61,784,280	+	\$11,234,000	=	\$73,018,280	-	\$41,487,963	=	\$33,530,317	\$76,716,725	-\$3,698,445
Total	\$1,409,806,254	+	\$229,007,000	=	\$1,638,813,254	-	\$1,535,054,631	=	\$177,758,617	\$2,026,164,651	-\$387,351,397

H&LA Amortization Schedule:

- Debt service is shown as a constant annual payment of approximately \$41.5 million, based on a development budget of \$665 million.
- Under this assumption, the project begins generating positive NOI-to-equity in the mid-2040s, with cumulative equity turning positive by the end of the term.
- This schedule suggests a manageable debt load relative to projected NOI, creating the impression that the project can eventually cover debt service and deliver returns.

RBC Amortization Schedule (V10 Model):

- Debt service is significantly higher, starting at \$51 million and escalating to \$76 million annually, reflecting a much larger financing package of \$805 million in bonds plus interest savings, totaling \$847 million in sources.
- When applied to the same NOI assumptions, the project remains deeply negative for decades, with cumulative NOI-to-equity showing a deficit of over \$313 million by the end of the term.
- This schedule underscores the compounding effect of higher debt service: even modest shortfalls in NOI or delays in ramp-up would exacerbate financial strain, leaving little margin for error.

Key Implication:

The contrast between these schedules demonstrates that the feasibility of the development is highly sensitive to financing assumptions. The RBC model reflects a more realistic capital structure aligned with public estimates of total project cost, but it also reveals that, without additional revenue sources (e.g., municipal taxes, incentives, or ancillary income), the overall project cannot sustain debt service under current operating forecasts. This reinforces the need for conservative underwriting, robust sensitivity analysis, and identification of supplemental funding streams to mitigate risk.

ECONOMIC IMPACT STUDY LIMITATIONS

Economic impact studies for large, publicly financed entertainment projects – such as sports stadiums or mixed-use districts – often report eye-catching “gross” economic impact numbers that significantly overstate true benefits. The core issue is that gross impact tallies all spending associated with a project, whereas net impact isolates the additional economic activity that actually occurs because of the project (after accounting for what would have happened otherwise). Failing to distinguish gross from net leads to inflated projections.

In practice, much of the reported impact isn’t new money at all – it’s spending simply diverted from other local businesses or future activity (the substitution effect), or it leaks out of the local economy entirely, benefiting distant stakeholders. At the same time, public funds and land used for these projects carry high opportunity costs: money spent on a stadium is money not spent on schools, infrastructure, or other investments that might yield greater economic returns. Academic research and independent analyses consistently find that, after accounting for these factors, the net economic gains from such developments are negligible – and often far below what gross-impact studies claim.

Decades of academic research, including work by Baade & Dye (1990), Crompton (1995), Noll & Zimbalist (1997), Coates & Humphreys (2008), and Brookings Institution reports, consistently show that such developments have minimal or even negative net effects on local income, employment, and tax revenues. These findings suggest that public subsidies for entertainment districts and stadiums are rarely justified on economic grounds and should be critically scrutinized.

Gross vs. Net Economic Impact: The Key Distinction

Economic impact analyses typically measure gross economic activity – including all direct, indirect, and induced spending related to a project – but this is not the same as net benefit. Gross figures sound impressive but do not account for what the same people or resources would be doing otherwise. For example, if a new

stadium is said to generate \$500 million in annual economic impact (gross output), that figure includes every dollar spent at games, in nearby bars, on team employees' salaries, etc. However, much of that \$500 million isn't "new" money flooding the economy. Perhaps local fans have simply shifted their Friday entertainment budget from movies or restaurants to ballgame tickets and stadium beers – so other businesses lose roughly what the stadium gains. In that case, the net new spending could be much smaller than \$500M. As one analysis explains, "a project with substantial economic impact may provide minimal economic benefit if it simply redistributes existing activity or crowds out more productive investments."

Overstated Retail Sales Tax Benefit

The economic impact study conducted by H&LA likely overstates the amount of sales tax revenue the City of Greeley will receive from the proposed mixed-use entertainment development due to its proximity to major retail destinations in neighboring cities such as Loveland and Johnstown along the Interstate 25 corridor. These established commercial hubs already attract significant consumer spending, and their closer location to the proposed site means that a substantial portion of potential retail activity may be diverted away from Greeley. As a result, the study may not adequately account for the substitution effect—where spending at the new development replaces, rather than adds to, existing regional spending—and could misrepresent the net new sales tax revenue that Greeley would actually capture. This geographic context is critical for accurately estimating fiscal benefits and avoiding inflated projections.

In the first year of projected operations, the H&LA economic impact study estimates that the City of Greeley will capture approximately \$8 million in sales tax revenue from the proposed mixed-use entertainment development. However, this figure likely overstates the actual fiscal benefit to Greeley. When excluding spending that occurs directly at the development site, a significant portion of retail activity—potentially up to 80%—is expected to take place outside Greeley's city limits. This is due to the proximity of well-established retail centers in neighboring municipalities such as Loveland and Johnstown along the Interstate 25 corridor, which are more accessible and already draw substantial consumer traffic. As a result, much of the regional spending may continue to flow to these adjacent cities, thereby limiting Greeley's ability to capture the broader retail sales tax revenue anticipated in the study. This geographic and competitive context should be carefully considered when evaluating the projected fiscal returns of the development.

Local Destination Retail Supply

The following table summarizes the retail supply in the general region, which illustrates the lack of destination retail within city of Greeley limits.

Regional and Destination Retail Inventory – Northern Colorado

Retail Center	City	County	Center Type	Development Status	Approx. Retail GLA	Anchor / Notable Tenants	Leasing / Occupancy Overview
Promenade Shops at Centerra	Loveland	Larimer	Open-air lifestyle/ regional center	Existing; repositioning underway	~493,000 SF	Former department stores; dining and entertainment	Historically under-leased; vacancy estimated at ~ 20%+; new ownership pursuing re-tenanting and re-merchandising arising
Loveland Yards (formerly Outlets at Loveland)	Loveland	Larimer	Outlet – mixed-use retail/office	Existing; active redevelopment	~269,000 SF	Gold's Gym, School of Rock, Trek Bikes	Approximately 70% - leased on redeveloped north parcel; absorption improving
Marketplace at Centerra	Loveland	Larimer	Power center / open-air	Existing	~500,000 SF	Target, Sportsman's Warehouse, PetSmart, Old Navy	High occupancy; limited vacancy; stable national tenant mix
Johnstown Plaza at 2534	Johnstown	Weld	Regional open-air / mixed-use retail	Existing	500,000+ SF (planned)	Scheels, Burlington, Hobby Lobby, Home Depot	Core phases effectively fully leased; strong anchor-driven demand
Johnstown Plaza at 2534	Larimer	Weld	Large-scale power / lifestyle retail	Under construction (phased)	1,000,000+ SF (planned)	Murdoch's, Wood's Market; Von Maur (planned)	Early-phase leasing; anchors open or committed; substantial remaining pad availability
Johnstown Plaza at 2534	Loveland	Weld	Regional open-air / mixed-use retail	Proposed / early development	~567,000 SF retail (planned)	Cinemark; Dick's Sporting Goods	Pre-leasing stage; no retail occupancy to date
The Brands at The Ranch	Loveland	Larimer	Enclosed regional mall	Existing; redevelopment planned	~600,000 SF	Bass Pro Shops (confirmed); hotels adjacent	Sub-80% occupancy; multiple anchor vacancies redevelopment pending
Foothills Mall	Fort Collins	Weld	Enclosed regional mall	Existing; redeveloping	~930,000 SF (retail & office)	Cinemark, Dick's Sporting Goods, Home Depot	Sub-80% occupancy; multiple anchors vacant redevelopment pending
Front Range Village	Fort Collins	Weld	Enclosed regional power center	Existing; redevelopment	~600,000 SF	Fort Collins; Shoset & Sporting Goods	Strong occupancy; majority of anchors vacant pending
Greeley Mall <small>Frosted Herbs core</small>	Greeley	Weld	Enclosed regional power hybrid	Existing; planned redevelopment	150,000+ SF (retail at anchor retail)	Fort Collins, Dick's Sporting Goods	Very-low occupancy; majority of anchor space vacant pending

Major national retailers, most notably Costco, have historically declined to locate new stores in Greeley due primarily to demographic constraints, including lower median household incomes, weaker discretionary spending profiles, and trade-area characteristics that do not meet internal site-selection thresholds for high-volume operators. These retailers instead concentrate along the Interstate 25 corridor in markets such as Loveland, Johnstown, and Fort Collins, where income levels, population growth, and regional draw are materially stronger. This pattern has direct implications for the proposed development: in the absence of a comparable concentration of destination retail within Greeley, visitors are significantly more likely to leave the city to satisfy higher-order retail needs. As a result, a substantial share of retail spending associated with the project would be expected to leak to adjacent markets with superior retail offerings, reinforcing the likelihood that Greeley functions as an origin of trips rather than a primary retail destination for discretionary purchases.

COST VERSUS ANTICIPATED VALUE

Understanding the distinction between cost and value is fundamental to any credible real estate feasibility analysis, particularly for large-scale public or quasi-public developments such as arenas. While development cost is a measurable and often well-documented figure, it does not, by itself, establish market value or financial feasibility. Cost reflects what it takes to build a project; value reflects what the market is willing to pay for the income, utility, and risk profile the project produces. When these two measures diverge materially, especially when cost exceeds value, the project cannot be considered financially feasible on a market-supported basis.

In income-producing real estate, value is derived primarily from the property's ability to generate sustainable net operating income, adjusted for risk and capitalized at market-supported rates. Development cost, by contrast, is driven by construction pricing, design decisions, financing structure, and public policy objectives, none of which guarantee corresponding income performance. As a result, a project may be delivered exactly on budget and on schedule, yet still be overbuilt relative to its revenue potential. This condition is particularly common for specialized assets such as arenas, where revenue is capped by seating capacity, event mix, and market depth, while costs escalate due to specialized construction, technology requirements, and long-term maintenance obligations.

Financial feasibility requires that a project's stabilized value at completion equals or exceeds its total development cost, inclusive of soft costs, financing costs, and appropriate developer return. When projected stabilized value falls materially short of total cost, the market is effectively signaling that the project is not supported by its own economics. In such cases, the gap between cost and value must be bridged through non-market mechanisms, such as public subsidies, grants, tax abatements, or ongoing operating support. While these mechanisms may allow the project to proceed for policy or community reasons, they do not convert an economically infeasible project into a market-feasible one.

Failing to distinguish between cost and value can lead to misleading conclusions about project viability. Stakeholders may incorrectly assume that because a project costs a certain amount to build, it must therefore be "worth" that amount. This assumption is inconsistent with valuation principles and ignores the fundamental role of investor expectations, risk-adjusted returns, and alternative investment options. In practice, investors and lenders do not underwrite to cost; they underwrite to cash flow, risk, and exit value. If those elements do not support the invested capital, the project cannot attract private capital without credit enhancement or subsidy.

This issue is especially critical in the context of public-sector decision-making. When cost materially exceeds likely value creation, the resulting project may impose long-term financial burdens, including operating deficits, deferred maintenance, or future recapitalization needs. These outcomes are often masked in early projections but become evident once the facility reaches stabilization. Understanding that cost does not equal value allows decision-makers to clearly identify whether a project's justification rests on economic return or on public-policy objectives, and to evaluate the scale of public participation required to sustain it.

In summary, cost is an input; value is an outcome. When development cost substantially exceeds the value that the project can reasonably support based on its income-generating capacity and market risk, the project is not financially feasible in a market sense. Recognizing this distinction is essential for credible feasibility analysis, transparent public discourse, and responsible allocation of both private and public capital.

Background and Context Missing from Feasibility Studies

The feasibility studies prepared by RBC, CBRE, and H&LA provide detailed discussions of projected operations, event programming, and financing structures for the proposed development; however, all three analyses share a material analytical omission. None of the studies include an explicit comparison between the anticipated market value created by the proposed arena at stabilization and the current or updated total development cost. As a result, the studies do not directly address whether the project is economically supportable on a market-value basis, independent of its proposed financing structure or public participation.

Estimating the value of a proposed development, or a reasonable range of value, is not unusual in feasibility analysis. To the contrary, it is a common and well-established practice, particularly for capital-intensive projects with specialized use characteristics. A value indication—often developed through an income capitalization approach, a discounted cash flow analysis, or reference to market-supported yield requirements—serves as a critical checkpoint that tests whether projected operations can support the invested capital. This step allows decision-makers to determine whether a project “makes sense” economically before layering in debt service assumptions, bond structuring, or public subsidies.

By omitting a value comparison, the RBC, CBRE, and H&LA studies implicitly shift the analytical focus from economic feasibility to financing feasibility. While debt service coverage and funding mechanisms are important considerations, they do not substitute for an assessment of whether the completed project is likely to be worth an amount reasonably commensurate with its cost. Without a value benchmark, it is not possible to determine whether projected operating performance reflects a market-supported return on investment or merely the minimum cash flow necessary to service proposed debt under optimistic assumptions.

The absence of a value analysis is particularly significant given that construction costs and total project budgets have escalated materially in recent years. As development costs increase, the gap between cost and value can widen, even if operating projections remain unchanged. A feasibility study that does not test projected performance against an estimated value therefore lacks a critical sensitivity check and may overstate the project’s financial rationale.

In summary, the lack of an explicit cost-versus-value comparison in the RBC, CBRE, and H&LA feasibility studies represents a meaningful analytical limitation. Incorporating an estimated value or value range is a standard component of comprehensive feasibility analysis and provides essential context for evaluating whether a project is economically justified before assessing how it might be financed. Without this step, conclusions regarding project viability remain incomplete and may underrepresent the underlying financial risk.

PUBLIC FINANCING AND INCENTIVES

Public incentives used to facilitate new development are typically structured to address a clearly defined feasibility gap between total development cost and the value the completed project can reasonably support based on market fundamentals. In practice, this gap often equates to approximately 10% to 50% of total development costs, depending on the asset type, market conditions, and risk profile of the project. The purpose of public participation is not to replace private capital, but to bridge the portion of the capital stack that the market cannot support on its own.

From a valuation and feasibility perspective, total development cost establishes the amount of capital required to deliver a project, while market value reflects the present worth of anticipated future benefits, most often measured by stabilized net operating income and market-derived yield requirements. When projected value falls short of cost, private investors and lenders are unwilling to fund the entire project without additional support, as doing so would imply accepting below-market returns or uncompensated risk. Public incentives are introduced specifically to fill this gap and bring the project’s risk-adjusted returns in line with market expectations.

The 10% to 50% range commonly observed in public incentives reflects the wide variability in feasibility gaps across projects. At the lower end of the range, projects in strong markets with diversified revenue streams and manageable construction costs may require only modest public participation—often in the form of infrastructure contributions, tax abatements, or limited grants—equal to roughly 10% to 20% of total cost. These incentives are typically sufficient to offset marginal shortfalls caused by site constraints, public design requirements, or above-market construction standards.

At the higher end of the range, projects involving specialized uses, constrained revenue potential, or elevated construction costs—such as arenas, convention centers, performing arts venues, and other civic-oriented facilities—often exhibit feasibility gaps of 30% to 50% or more of total development cost. In these cases, the value supported by operating income is materially below replacement cost, and public incentives must account for a substantial portion of the capital stack for the project to proceed. This support may include direct capital contributions, tax-backed bond financing, ongoing operating subsidies, or long-term lease concessions.

Importantly, the magnitude of public incentives is frequently calculated to the cost-versus-value differential, rather than to an arbitrary percentage of project cost. In other words, public participation tends to equal the amount of capital that cannot be justified by projected market value. When costs escalate or projected revenues are constrained, the required public contribution increases proportionally. Conversely, if value creation improves, through stronger operating performance, premium revenue streams, or improved market conditions, the required incentive level may decline.

This framework underscores why public incentives are most prevalent in projects that generate significant secondary or indirect benefits that are not fully captured in private cash flows. These benefits may include job creation, tourism spending, downtown revitalization, community amenities, or broader tax base expansion. While these impacts can justify public investment from a policy standpoint, they do not directly increase the project's market value as measured by income capitalization. Public incentives therefore serve as a mechanism to monetize these broader benefits in support of development that would otherwise be infeasible.

In summary, public incentives, commonly ranging from 10% to 50% of total development costs, reflect a rational response to the gap between market-supported value and total project cost. This approach aligns public investment with demonstrated financial need, rather than substituting for private capital, and provides a transparent framework for evaluating whether the scale of public participation is proportionate to the project's economic realities and anticipated public benefits.

Background and Context Missing from Feasibility Studies

While the H&LA feasibility study references several indoor waterpark resort projects that have received public incentives, this discussion does not fully address the financing structure of the proposed development, nor does it establish an appropriate precedent for the level of public participation being contemplated. Importantly, neither the H&LA study nor the feasibility analyses prepared by CBRE and RBC Capital Markets provide examples of arenas or indoor waterpark resorts that have been entirely financed by municipalities without meaningful private capital participation.

The indoor waterpark projects cited in the H&LA study typically reflect public-private partnership (P3) structures, in which public incentives were used to bridge a defined feasibility gap rather than to fund the

entirety of development costs. In most cases, municipal participation took the form of land contributions, infrastructure improvements, tax abatements, tourism-related tax rebates, or limited capital grants, while most of the vertical construction and operating risk remained with private developers and operators. These projects are therefore not comparable to a scenario in which a municipality assumes full development, ownership, and financial risk.

Similarly, the arena industry provides numerous examples of publicly supported facilities, but nearly all involve some combination of private capital, team contributions, lease payments, or long-term operating agreements that offset public exposure. Even in cases where public ownership is predominant, municipalities rarely finance 100% of arena development costs without a private anchor tenant providing upfront capital, guaranteed lease payments, or contractual operating support. The absence of such examples in the cited studies is notable, as it suggests that full municipal financing is not standard practice for facilities of this scale and risk profile.

By referencing incentive-supported indoor waterpark resorts without clearly distinguishing between partial public participation and full municipal financing, the H&LA study risks conflating fundamentally different financial models. Public incentives used to close a cost-versus-value gap are materially different from a structure in which the municipality assumes all construction, operating, and market risk. The former reflects a targeted policy intervention; the latter represents a comprehensive public assumption of private-sector risk.

The lack of documented precedents in the H&LA, CBRE, and RBC studies also limits the ability to benchmark the proposed financing approach against comparable projects. Feasibility analysis is most credible when it demonstrates that proposed structures align with observed market practice. In this case, the studies stop short of identifying comparable arena or indoor waterpark developments where municipalities have fully financed and borne the financial responsibility for both construction and long-term operations.

In summary, while the H&LA study appropriately acknowledges that public incentives are common in indoor waterpark development, neither it nor the CBRE or RBC studies provide evidence that complete municipal financing of arenas or indoor waterpark resorts is typical or market supported. This omission is material, as it leaves unanswered whether the proposed financing approach aligns with industry norms or exposes the municipality to a level of financial risk that exceeds established precedent.

Assumptions & Limiting Conditions

The Appraisal Review contained in this Report (herein "Report") is subject to the following assumptions and limiting conditions:

1. Newmark Valuation & Advisory, LLC (Newmark) assumes the title to the property which is the subject of the appraisal review (herein "Property") is good and marketable and free and clear of all liens and encumbrances and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. Newmark Valuation & Advisory, LLC has not investigated and assumes no responsibility for the legal description, zoning, condition of title or any matters which are legal in nature in the appraisal report under review and we assume that the legal title for the reviewed property is good and marketable.
2. Unless otherwise stated in this appraisal review report, Newmark assumes that the improvements on the reviewed property are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements. Newmark Valuation & Advisory, LLC also assumes that the Property and improvements conform to all applicable local, state, and federal laws, codes, ordinances and regulations including environmental laws and regulations. Newmark assumes no responsibility for soil or subsoil conditions or engineering or structural matters that affect the subject property under review.
3. Newmark assumes for this appraisal review that there is no existence of asbestos, PCB transformers or other toxic, hazardous, or contaminated substances or underground storage tanks, or for that there is any cost for encapsulation, removal or remediation thereof. Unless otherwise stated in this report, the review appraisal opinion is predicated on the assumption that there is no such material or substances affecting the reviewed property. No independent investigation has been made, nor is the review appraiser qualified to make any conclusions regarding any environmental conditions that may affect the property under review.
4. The review appraiser has relied upon the accuracy of information and data provided by sources upon which members of the appraisal profession typically rely and that are deemed to be reliable by such members. Such information and data obtained from third party sources are assumed to be reliable and correct. No warranty is made as to the accuracy of any of such information and data. The review appraiser reserves the right to amend conclusions reported if made aware of any data or information that is not accurate.
5. If any, the review opinion of value stated in this report is only as of the date of value stated in the appraisal report under review. No representation is made in this appraisal review as to the effect of subsequent events. This appraisal review report speaks only as of the date the original appraisal under review was completed.
6. Unless otherwise stated, the review appraiser has not made a personal inspection of the interior or exterior of the subject property. Also unless otherwise stated, we have relied on information provided in the appraisal report under review and we assume that data is accurate as to the condition of the interior and exterior of the reviewed property.
7. This review has been completed within our understanding of the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) and the requirements of the Appraisal Institute.
8. Nether all nor any part of the content of the appraisal review report shall be used for any purpose by anyone but the client specified in the appraisal review report or their successors without the prior written consent of Newmark Valuation & Advisory, LLC. Should the client provide this review report to any other third party, Newmark will not be liable for any unintended use of the appraisal review report and the Client agrees to indemnify, defend and hold harmless Newmark Valuation & Advisory, LLC from any unintended third party use of this appraisal review.

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9. This review must be used in whole and not in part. Newmark accepts no responsibility if any part of the review is used and not the entire review is considered.
10. No changes to any part of this appraisal review report can be made by anyone other than Newmark Valuation & Advisory, LLC. Newmark accepts no responsibility for any changes made to this appraisal review report without express written permission of Newmark.
11. Neither all nor any part of the contents of this appraisal review report (especially any conclusions as to value, the identity of the appraiser, or any reference to the Appraisal Institute) shall be disseminated through any means of communication without the prior written consent of Newmark Valuation & Advisory, LLC.
12. Unless otherwise stated in the agreement to prepare this appraisal review report, the appraiser shall not be required to participate in or prepare for or attend any judicial, arbitration, mediation or administrative proceedings. A separate agreement must be made between the review appraiser and client for any attendance in any judicial, arbitration, mediation or in any administrative proceedings.
13. Acceptance and/or use of this appraisal review report constitutes full acceptance of these Assumptions and Limiting Conditions and any others assumptions or limiting conditions contained in this appraisal review report.

Addenda

QUALIFICATIONS OF HOSPITALITY, GAMING & LEISURE SPECIALTY PRACTICE

QUALIFICATIONS OF THE CONSULTANT

Qualifications of the Hospitality, Gaming and Leisure Specialty Practice



Hospitality, Gaming & Leisure

Our Hospitality, Gaming & Leisure practice is focused exclusively on providing superior valuation and consulting services for a broad range of hotels, casinos and leisure properties. Our team takes a holistic, consultative approach that goes far beyond the physical asset, analyzing every aspect of a property's business and real estate operations to identify all areas of value for owners and investors.

Our Hospitality, Gaming & Leisure platform has experience in valuation assignments and market analysis for properties including:

Hotels and Resorts
Gaming Facilities
Arenas, Stadiums and Sports Facilities

Conference, Expo and Convention Centers
Golf Courses
Marinas

Ski and Village Resorts
Water Parks, Amusement Parks and Attractions

Our core disciplines and expert subject areas include:

Economic Impact

We empower owners and operators to maximize economic incentives and advise government entities on the impact of incentives on a community or development.

Feasibility

We take feasibility studies to the next level, combining market knowledge with expert economic impact analysis and acumen in cash-on-cash, ROI and other metrics.

Financial Reporting

Our seamless approach to fulfilling clients' financial reporting requirements means no outside assistance is needed.

Litigation

Our experts bring a strategic perspective and hands-on approach, exceeding the depth and scope of typical litigation services every time.

Portfolio Analytics

We bring industry averages and trends to bear on traditional analytics, ensuring comprehensive due diligence.

Property Tax

We understand every aspect of a property's operations, allowing us to craft advanced tax strategies.

ABOUT NEWMARK

We transform untapped potential into limitless opportunity.

At Newmark, we don't just adapt to what our partners need—we adapt to what the future demands. Our integrated platform delivers seamlessly connected services tailored to every type of client, from owners to occupiers, investors to founders, and growing startups to leading companies. We think outside of boxes, buildings and business lines, delivering a global perspective and a nimble approach. From reimagining spaces to engineering solutions, we have the vision to see what's next and the tenacity to get there first.

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Qualificaitons of the Consultant