

EXECUTIVE SUMMARY:

Estimated Economic and Fiscal Impacts

associated with

American Airlines Center

Presented to:



Presented by:



July 22, 2011



July 22, 2011

Mr. Brad Mayne
President and Chief Executive Officer
Center Operating Company
2500 Victory Avenue
Dallas, TX 75219

Dear Mr. Mayne:

Conventions, Sports & Leisure International (“CSL”) is pleased to present this Executive Summary regarding the economic and fiscal impacts estimated to be generated by the development and operation of the American Airlines Center. The attached report summarizes our research, analyses, and findings.

The information contained in this report is based on historical American Airlines Center, Dallas Mavericks and Dallas Stars operations, results of patron intercept surveys, and other information developed from research of the market, knowledge of the industry, and other factors, including certain information provided by you. All information provided to us by others was not audited or verified, and was assumed to be correct. Furthermore, there will be differences between projected and actual results. This is because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We sincerely appreciate the opportunity to assist you with this project, and would be pleased to be of further assistance in the interpretation and application of the study’s findings.

Very truly yours,

CSL International

Executive Summary

Conventions, Sports & Leisure International (“CSL”) was retained by the Center Operating Company (“COC”) to provide updated estimates of the economic and fiscal impacts related to the operation of the American Airlines Center (“the Center”). The analysis represents an update of a previous economic impact study completed by CSL in 2006. In addition to work performed by CSL, the Sports and Entertainment Management program at the University of Dallas played a significant role in collecting the primary data on which components of the original study were based.

The study is designed to assist in identifying the quantifiable economic impacts of the Center. This Executive Summary outlines the key highlights of the analyses conducted.

Typically, and for the purposes of this report, quantifiable effects are characterized in terms of *economic impacts* and *fiscal impacts*. *Economic impacts* are conveyed through measures of direct spending, total output, personal earnings, and employment. *Fiscal impacts* denote changes in tax revenues that result due to the operation of the Center.

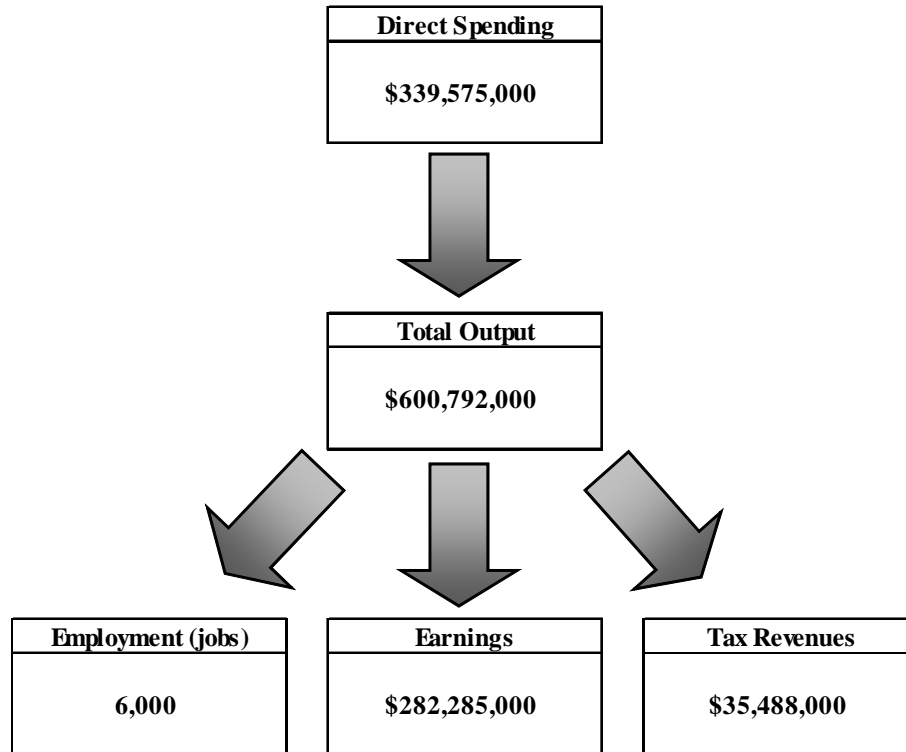
The assumptions underlying the *historical* economic and fiscal impacts presented herein are based on a combination of sources including historical operations, fan intercept surveys, discussions with project representatives and CSL's industry knowledge, among other sources. *Projected* economic and fiscal impacts were made by CSL based on the aforementioned sources.

Key Highlights

- The impacts and success associated with the development of the American Airlines Center have exceeded the expectations of most entities involved in the project. The Center is an important component of the City of Dallas’ economic vitality and will serve as an important catalyst for the foreseeable future.
- In 2011, the direct spending attributable to American Airlines Center operations is estimated to total approximately \$340 million, which in turn will generate approximately \$601 million of total output and \$282 million in personal earnings, while supporting 6,000 jobs. Additionally, this economic activity is estimated to generate approximately \$35 million in local and state tax revenues in 2011.

Executive Summary

American Airlines Center Annually Recurring Economic and Fiscal Impacts



- Over the 30-year period from 2002 to 2032, it is estimated that American Airlines Center will generate \$13.1 billion in direct spending, \$23.2 billion in total output, \$10.9 billion in wage earnings, and \$1.4 billion in tax revenues.
- The present value of the total tax revenue generated for the City of Dallas by Center operations between 2002 and 2032 will approach \$104 million. In addition, the City receives annual rent payments from the arena of \$3.4 million which equates to approximately \$47 million on a net present value basis. In comparison, the City's original investment for the American Airlines Center was approximately \$137.5 million.
- In its first 10 years of operations (2002 through 2011), it is estimated that American Airlines Center operations have generated approximately \$3.1 billion in direct spending, \$5.4 billion in total output, \$2.6 billion in personal earnings and \$333 million in tax revenue. The net present values associated with future arena operations over the next 20 years, from 2012 to 2032, are projected to be \$3.0 billion in direct spending, \$5.2 billion in total output, \$2.4 billion in personal earnings and \$316 million in tax revenues.

Executive Summary

- The estimates of the economic activity are based on an input-output model developed by the Minnesota IMPLAN Group, Inc. The IMPLAN model measures how a given change in output at a firm supports economic activity across many firms and households within a study area. The direct impacts represent operations at the given firm. Indirect effects generally measure the secondary economic activity that is created when the firm purchases goods and services from their suppliers. Induced impacts are a result of the firm paying salaries and wages to its employees, who then spend a portion of their earnings in the local economy for goods and services. When added together, the direct, indirect, and induced impacts create a “multiplier” effect such that the total impacts are greater than the initial value of output of the firm. The IMPLAN model is widely used in academic and professional studies and is judged to offer reasonable, conservative estimates of the impacts of firm activities.
- The estimates of spending and related impacts are based on the historical operations of American Airlines Center, the Mavericks and the Stars since the facility opened in 2001.
- Since American Airlines Center opened in July 2001, it has evolved into the preeminent sports and entertainment complex in the Southwest. The Center annually hosts over 180 events with average annual attendance of approximately 2.6 million visitors.
- The presence of American Airlines Center, the Dallas Mavericks and the Dallas Stars has benefited many community groups and non-profit organizations throughout the Dallas area. The financial and personal contributions by the Center, players, coaches and staff have positively impacted many local non-profit organizations and charities. Most notably, the Dallas Mavericks Foundation and the Dallas Stars Foundations provide assistance to a wide range of groups. In total, the charitable contributions made by the American Airlines Center and its vendors and employees, the Mavericks and the Stars have exceeded \$15 million since the arena project was approved and opened in 2001.
- The development of Victory Park, the 75-acre mixed use development surrounding American Airlines Center, has and will continue to create a number of benefits to the community as well. Some of these benefits include: the creation of greenspace in downtown Dallas; the donation of land for the extension of the City’s Katy trail; the below market-value sale of land to the City to be used for the site of the planned Museum of Nature and Science (formerly the Dallas Museum of Natural History); as well as the extensive Brownfield reclamation that occurred at the Victory Park site, allowing the development to replace a 100 year-old dump, a railroad maintenance facility, a power plant and several abandoned silos in downtown Dallas.