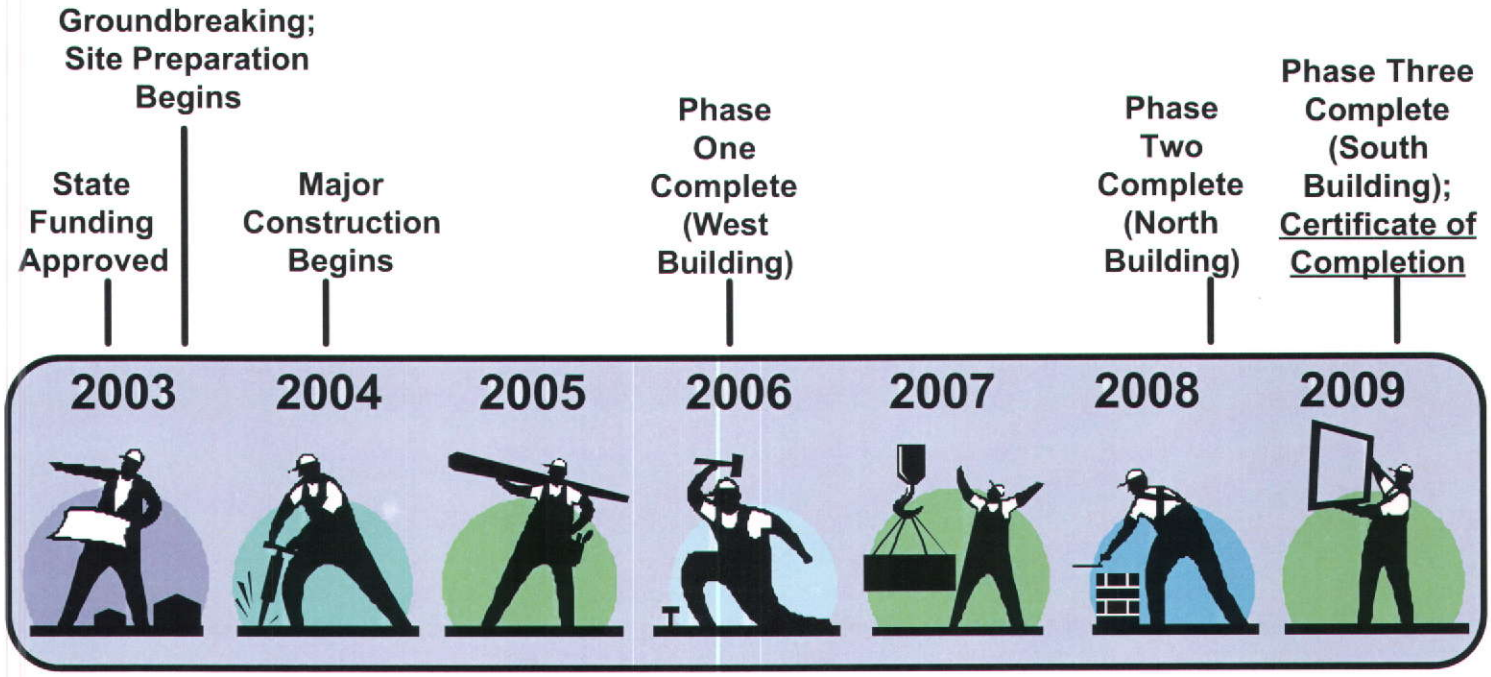
RMDSENATE 10/16/2006

City of Phoenix

Phoenix Convention Center
Project Timeline



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RMDSENATE 10/16/2006

CONSTRUCTION UPDATE
February 2005

While site preparation work and utility relocation have been underway on the Phoenix Convention Center Project since late 2003, major construction began in early 2004 and is proceeding on schedule. Following the start of major demolition in June, the concrete deck area between Symphony Hall and the Herberger Theater, formerly known as the Symphony Terrace, was transformed into a major excavation site.

In June, construction crews demolished the Symphony Terrace, and demolished the pedestrian bridge over Third Street in early July. Crews next focused on excavating the 2.5-acre site where the new West Building will rise.

The excavation, ranging from 45 to 65 feet deep, clears the way for the West Building's 65,000-square-foot underground exhibition hall. The building will feature meeting rooms at street level, more meeting rooms on a second level, and a flexible multi-purpose room on the top level. All told, the new convention center building will offer 160,000 square feet of meeting and exhibition space when it opens in 2006.

The west half of the site was fully excavated first, allowing placement of the first concrete footings, the lowest, most load-bearing portions of the building's foundation, in late October. At the same time, reinforcing bar – rebar – began arriving along the east side of Second Street, where a crane down on the floor of the site began lifting and placing the rebar that will reinforce the building's concrete walls. Following completion of the demolition and excavation efforts, and the placement of concrete footings and foundations, crews will begin erecting steel in early February 2005.

For the West Building's excavation, crews have dug and hauled away approximately 270,000 cubic yards of dirt, sand and rocks, filling about 20,000 truck loads. Once removed, the dirt and sand was sifted from the rocks, and the rocks will be recycled in a processing plant and used to make concrete for other construction projects across Arizona.

The city's expansion team is working closely with the construction team, the Downtown Phoenix Partnership, and neighbors to schedule work in a way that minimizes disruption, while allowing work to continue on schedule. The Civic Plaza will continue to host major conventions throughout the construction period.

Construction for the expansion is being phased to retain convention business already on the books. The West Building will open in May 2006, followed by the opening of the new North Building in late 2008 and interior renovation of the existing South building in 2009. Each phase of construction adds more space than the previous phase – so there will never be less space than exists today.

Anticipated Certification of Completion: 2009

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West Building Excavation Site – *October 6, 2004*

West Building Excavation Site - *October 25, 2004*

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West Building Excavation Site – *from inside site, looking Southwest*
October 15, 2004

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Phase One Construction Site - *January 14, 2005*

Phase One Structure *– January 14, 2005*

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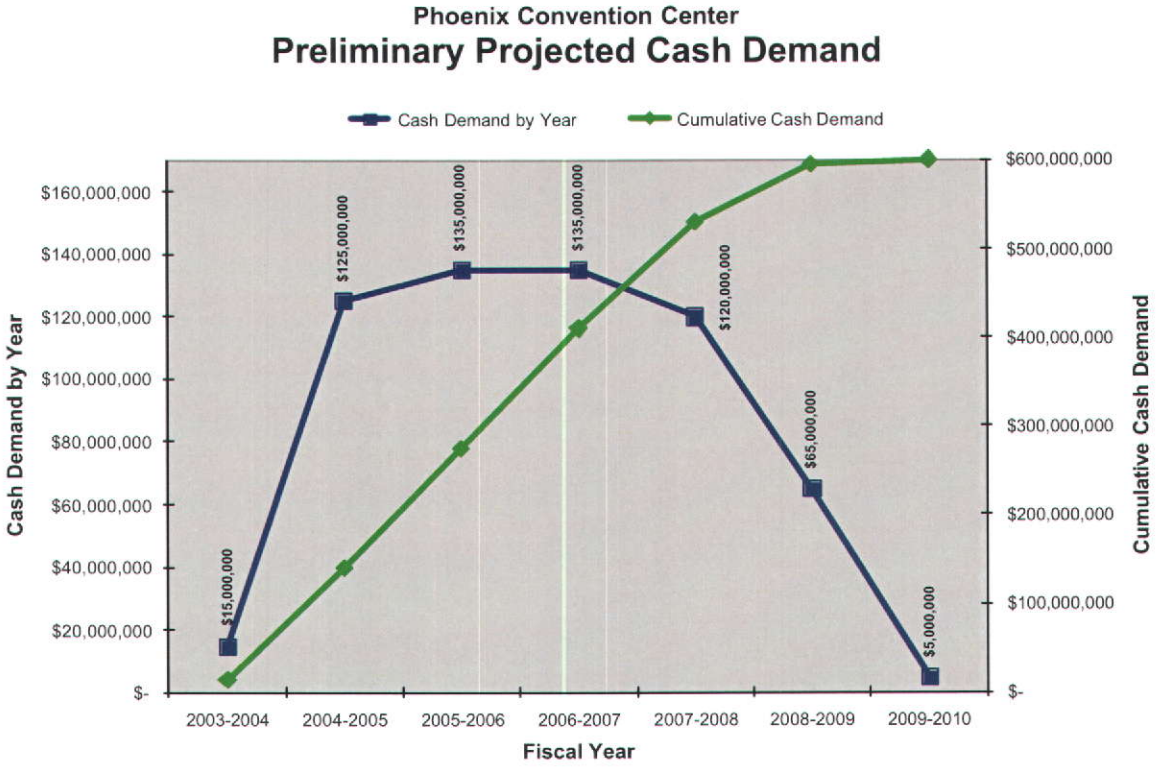
FINANCE UPDATE
February 2005

In December 2003, the Phoenix City Council authorized the issuance of up to $600 million in obligations to finance the convention center expansion project, comprised of up to $300 million from City funding sources and up to $300 million from state funding sources.

The City of Phoenix Finance and Civic Plaza Departments have been working on a cash demand projection for the entire $600 million project. Construction began in fiscal year 2003-04. Cash flow requirements reach their highest levels in fiscal years 2004-05 through 2007-08, and wind down from there. The chart below summarizes the preliminary cash demand projection.



Based upon the preliminary projected cash demand requirements, a series of borrowings will be undertaken through the course of the construction period. The first bond issue is tentatively scheduled for the first quarter of calendar year 2005 and will be on the order of $150-$200 million. Future bond sales beyond this point will be timed and sized based on updated cash demand projections.

The following graph illustrates a hypothetical borrowing schedule based on the *preliminary projected cash demand* requirements. The actual borrowing amounts and schedule will reflect actual cash demands as construction proceeds.

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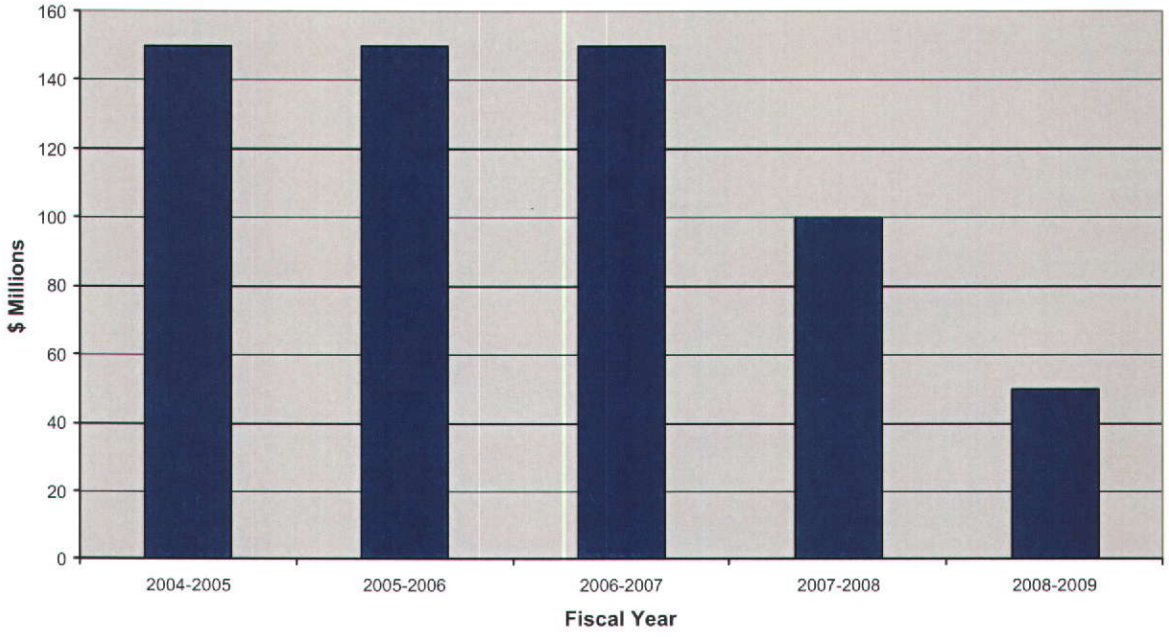
Phoenix Convention Center

Hypothetical Borrowing Schedule

(Based on Preliminary Projected Cash Demand)



Based on the expected credit quality of the borrowings and an example 30 year level amortization schedule, the hypothetical borrowing schedule would result in annual repayment amounts of approximately $11 million following the initial borrowing. The annual repayment amounts would increase to approximately $44 million when all the borrowings have been completed. It is critical to recognize that

1) the actual borrowing amounts and schedule will reflect the actual cash demands as construction proceeds;
2) the interest rates on the borrowings will reflect market conditions and rates at the time of each borrowing; and
3) the structure of each borrowing will likely not be the simple, 30 year amortization obligations illustrated here, but rather will be a more complex structure determined at the time of each borrowing based on market conditions and structured to maximize efficiency, minimize costs, and optimize financing considerations.

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CONVENTION HOTEL FINANCE UPDATE
February 2005

Consistent with the City's plan to add hotel rooms to the downtown area, a nonprofit corporation (the Downtown Phoenix Hotel Corporation) has been established to oversee the financing and development of a new 1,000-room hotel. The hotel is expected to satisfy the additional demand generated by the convention center expansion as well as accommodate the demand associated with the rapid growth in business, academic, and leisure uses planned for the area.

The preliminary cost estimate for the new hotel has design and construction totaling $220 million. The development budget will be financed through a 2005 bond issue not to exceed $350 million, and $10 million through a contribution from the hotel operator and existing City debt reserve. In addition to the $220 million development budget, the bond issuance would provide for capitalized interest during construction, debt service and operating reserves, bond insurance, pre-opening expenses, and other related costs. The bonds will be secured by both the net revenues of the hotel project, and non-General Fund excise taxes. Design efforts for the hotel are underway and construction is expected to begin in early 2006. The hotel is expected to open in Fall 2008.

The publicly financed hotel model has been implemented in a number of recently developed hotel properties across the nation. The following table presents the development costs of four comparable, publicly owned, group-oriented hotels along with estimates of the Phoenix hotel project. The costs presented include expenses relative to design, construction, land acquisition, Furniture Fixtures and Equipment (FF&E), Operational Supplies and Equipment (OS&E), and pre-opening services provided by the hotel operator. The cost figures do not include debt service reserve funds, capitalized interest, operating reserves, or other financing expenses.

Although the cost per key amounts vary somewhat from property to property, the major differences can be explained, in general terms, by factors and costs that differ among the projects. For example, the Denver Hyatt and Houston Hilton incurred land acquisition costs between twenty and thirty million dollars, versus less than four million for the Phoenix site. With 1,100 guest rooms, the Denver property was also built on a smaller parcel , requiring more building height and consequently higher structural costs than are anticipated on the Phoenix hotel.

Lower cost per key figures for the Chicago Hyatt are the result of rising construction material costs. Since the Chicago property's opening in 1998 construction materials have seen a dramatic increase in price due to enormous demand on an international scale. Both structural steel and concrete have undergone 25-30% cost increases over the past two years.

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Downtown Phoenix Hotel Comparison with other Publicly Financed Hotels

	Phoenix*	Denver	Houston	St. Louis	Chicago
Operator	Sheraton	Hyatt	Hilton	Marriott	Hyatt
Opening Date	Fall-08	Dec-05	Dec-03	Apr-03	Jun-98
Construction	$179,100,000	$186,952,807	$201,200,000	$176,657,000	$108,000,000
Land	$3,600,000	$23,280,000	$30,200,000	$4,855,000	$7,000,000
FF&E and OS&E	$29,600,000	$34,000,000	$43,600,000	$36,730,000	$27,500,000
Preopening	$7,700,000	$7,700,000	$7,300,000	$7,100,000	$4,626,400
Total**	$220,000,000	$251,932,807	$282,300,000	$225,342,000	$147,126,400
Rooms	1,000	1,100	1,200	1,018	800
Cost/Room	$220,000	$229,030	$235,250	$221,358	$183,908

* Based on preliminary budget

**Excludes debt service reserve funds, capitalized interest, operating reserves, and costs of debt issuance

RMDSENATE 10/16/2006

PHOENIX
CONVENTION CENTER

Phoenix Convention Center
EXPANSION

What: The $600 million expansion of the Phoenix Convention Center is a cooperative effort between the City of Phoenix and State of Arizona that will triple the size of the current facility and position Phoenix as a top destination for 80 percent of all conventions. The expanded facility will feature approximately 900,000 square feet of rentable space, moving it from the 67th-largest convention center in the United States into the top 25. The Arizona Legislature and Governor Napolitano approved $300 million in funding for the expansion in June of 2003, matching the $300 million allocation approved by Phoenix voters in 2001.

So that the Civic Plaza can remain open for convention business without losing any rentable space throughout the expansion, the project is being completed in three major phases. As a result:

- existing facilities are not removed until replacement space has been built and opened;
- each phase *adds* more rentable space and
- construction does not occur within a building clients are occupying.

Project Cost: $600 million

Size: Adding approximately 600,000 square feet of meeting and exhibition space, Phoenix Convention Center is tripling in size to provide approximately 900,000 square feet of high-tech and client-friendly rentable space. When completed, Phoenix Convention Center will total more than 2 million square feet, including rentable space plus additional space for restrooms, kitchen areas, service corridors, hallways and truck docks.

	Existing	**Expanded**
Meeting & Exhibit Space (rentable)	302,000 sq. feet	approx. 900,000 sq. feet
Total Space	580,000 sq. feet	approx. 2 million sq. feet

Economic Impact: Phoenix Convention Center expansion will have short- and long-term positive effects on Arizona's economy:

1,500	Jobs created for the duration of the 5-year construction period
$60 million	Wages generated every year during 5-year construction period
$25.5 million	State construction tax revenues expected during construction period
375,000	Number of delegates anticipated annually after expansion

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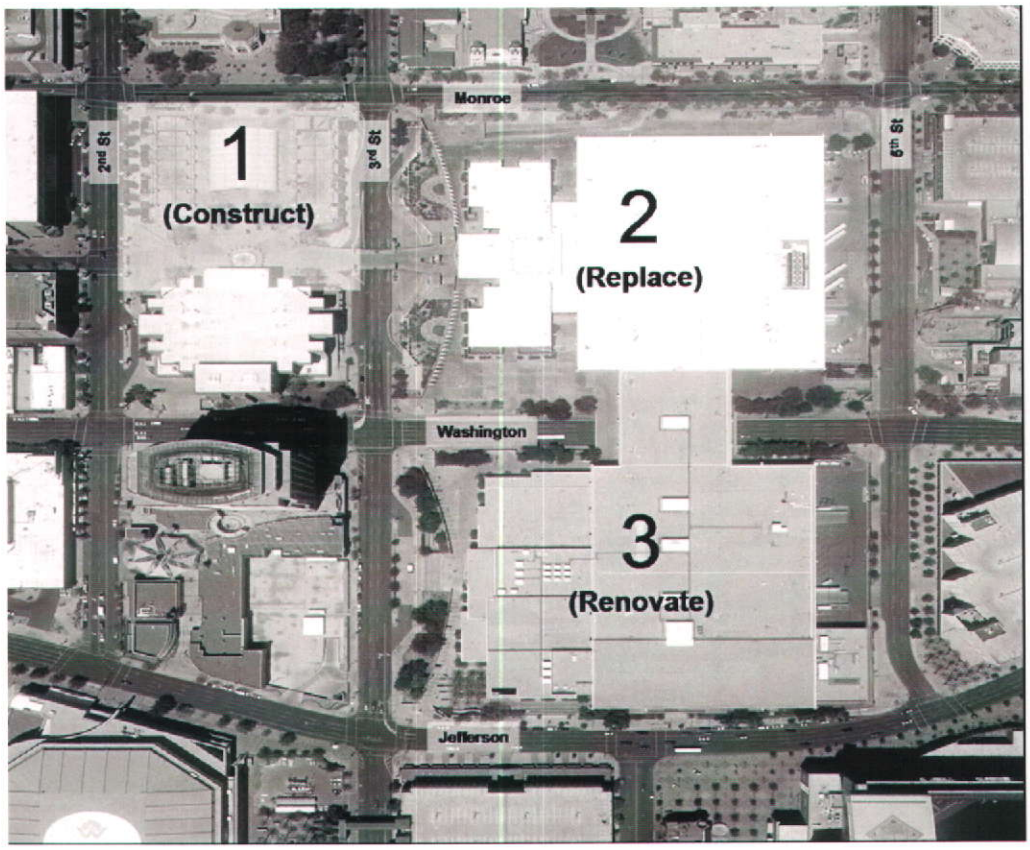
Phasing: Phoenix Convention Center expansion will take place in three phases.

Phase 1: Build a new, four-level meeting facility on Symphony Terrace Site
Construction: 2004 – 2006

Phase 2: Replace existing North Building with new, four-level facility
Construction: 2006 – 2008

Phase 3: Renovate interior of existing South Building
Construction: 2008 – 2009



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