

*Michael B. Hancock*  
MAYOR



# *City and County of Denver*

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August 29, 2011

Paul Andrews  
President and CEO  
4655 Humboldt Street  
Denver, CO 80216

Jerry McMorris  
Chairman of the Board  
4655 Humboldt Street  
Denver, CO 80216

Dear Paul and Jerry,

For more than 105 years, the National Western Stock Show ("NWSS") has enjoyed a rich history as a true cultural asset. The NWSS' importance to Denver and the economic benefit it generates to this region cannot be understated. Each year, the NWSS Complex serves the greater Denver Metropolitan area through its attraction of both local and non-local events and thousands of attendees. Importantly, the NWSS continues to represent the premier show of its kind in the entire country.

Discussions about the future of the NWSS are not new. For more than a decade, the NWSS has been in conversations with Denver about the need to either significantly upgrade the current facilities or move to a new location where a new campus could be created (in Denver or to another regional site). The NWSS now asserts that it must move to a new 300-acre site at a cost of at least \$300 million. Additionally, NWSS states that a new complex would generate higher event and attendance levels, and that aging facilities, the inability for site expansion, and other deficiencies prevent its growth and economic success in a rapidly changing environment.

Understanding the importance of this issue, I immediately created the National Western Stock Show Working Group (the "Working Group") to study this issue. The Working Group is comprised of business and community leaders along with elected officials. The primary purpose of the Working Group is to expeditiously collect and evaluate the relevant and available data and information regarding the NWSS in order to make appropriate recommendations in response to NWSS's desire to relocate. As a corollary to this purpose, the Working Group seeks to identify, explore and formulate potential opportunities for NWSS relocation as well as expansion at its current location. Similarly, the Denver City Council has also created a Special Issue Committee to review this matter.

Having reviewed the progress of both the Working Group and Special Issue Committee, coupled with my own understanding of this issue, it is clear that additional information is

necessary and critical in order to move this discussion forward and better understand your position and needs. Many of these issues have been raised by the Working Group and Special Issue Committee. Specifically, I hereby request that the NWSS produce a Business Plan, a Facilities Plan and a Financing Plan (collectively, the “Plans”) by October 1, 2011. The Plans should, among other things, address the following items:

**Business Plan:**

- a. What is your vision for the future of the NWSS? What will the NWSS look like in 5 years? 10 years? 25 years?
- b. What is the regional demand for stock show and rodeo events in Colorado and the West? How large is your market and what share of the overall demand do you need to capture to remain profitable and grow the NWSS? Have you commissioned any third-party consulting studies to measure and quantify market demand and potential NWSS market share?
- c. How will the organization evolve and compete with other stock show/rodeo events in the West, as well as other regional entertainment options? What types of venues and events does the NWSS need in order to remain competitive and relevant in the future?
- d. What strategies and programs will be used to maintain and grow both attendance and revenues in the coming years to demonstrate sustainability?
- e. Does the NWSS require a partner such as Gaylord Entertainment in order to execute these strategies? How would a partnership with Gaylord change your plans? Is your answer the same for another partner? What if Gaylord does not move forward with its plans or with the intended partnership with NWSS – do the NWSS plans still work?
- f. Would the NWSS operation be more effective if it were focused solely on the January stock show and rodeo event, and *not* be responsible for booking the facilities for the other 49 weeks of the year? Why or why not?

**2) Facilities Plan:**

- a. Based on your Business Plan, what type of facilities will be required to support the NWSS operations and events under various scenarios?
  - i. Overall land area
  - ii. Parking and public transportation alternatives
  - iii. Exhibition halls
  - iv. Arenas and other performance venues (indoor and/or outdoor)

- v. Barns, animal pens/stalls and livestock holding areas
  - vi. Shipping and receiving areas
  - vii. Public plaza area
  - viii. Supporting retail (restaurants, shops, temporary retailing stalls, etc.)
  - ix. Back-of-house operations
- b. Will all of these facilities have to be built at once, or can they be built in separate phases? If phased, what will the phasing plan look like?
  - c. How will future growth be accommodated? How much of your proposed land area will be required for current needs, and how much for future growth requirements?
  - d. What kind of public infrastructure will be required to support these new facilities (*e.g.*, roads, water, sewer, etc.)?
  - e. Could these facilities needs be met through an expansion and re-development of your current site? If not, please provide additional detail as to why the current site could not be expanded and utilized.
  - f. Would these facilities needs change if NWSS enters into a partnership and co-locates with the proposed Gaylord Entertainment hotel and conference center? If so, how? What efficiencies and cost savings would be realized by NWSS through a partnership with Gaylord? With another partner?

### **3) Financing Plan:**

- a. How would the proposed land acquisition and construction of facilities described above be financed? Please help me understand your current thinking in terms of:
  - i. Equity sources and approximate amounts
  - ii. Debt sources, security/collateral and approximate amounts
  - iii. General obligation bond financing structure, security and approximate amounts
  - iv. Alternative to general obligation bond financing in the event an election is not held or is held but is not successful
- b. Have you engaged financial consultants to help you analyze and qualify each of these potential funding sources?
- c. Have you engaged legal consultants to help you analyze potential ownership and funding structures, as well as potential public financing options? Do their opinions support the NWSS's proposed financial structure above?
- d. Please provide a preliminary pro forma and cash flow model, showing sources and uses of funds, expenditures during construction period, and cash flow model (including debt service capacity) during stabilized operations

- e. Does the NWSS anticipate asking Denver to help underwrite the costs of the new facilities? If so, what are the NWSS's anticipated needs and requests in this area?
- f. What role would philanthropy and fundraising play in the financing plan? How has the NWSS used philanthropy and fundraising to finance past initiatives?

Thank you in advance for your prompt and courteous attention to these issues. Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael B. Hancock", with a long horizontal flourish extending to the right.

Michael B. Hancock  
Mayor