



June 19, 2012

Ms. Brit Crum-Cano
Economic Development Coordinator
City of Lawrence
P.O. Box 708
Lawrence, KS 66044

Dear Ms. Crum-Cano:

This letter sets forth our understanding of the terms and objectives of our engagement to provide professional consulting services related to the economic impact generated by a potential Sports Village in Lawrence, Kansas. This letter also provides the nature and limitations of the service we will provide and related fee arrangements.

SCOPE OF SERVICES

It is our understanding that the City of Lawrence is contemplating a public-private partnership to develop a youth sports complex with potential partners including the City, the University of Kansas, the Assist Foundation (Bill and Cindy Self) and others.

It is envisioned that that youth sports complex could include both indoor and outdoor recreation components to include multiple basketball courts, a large arena, indoor elevated track, indoor turf area, health and wellness center, fitness facility and outdoor athletic fields, among other amenities. With respect to this development, we understand that you are seeking a qualified consulting firm to provide an economic impact study for the proposed development.

To this end, the following scope of services has been developed to assist you with regards to an economic impact analysis related to the development of a potential athletic facility and recreation center in Lawrence, Kansas.

Our scope of services consists of the following tasks:

- Task I. Preliminary Market Due Diligence
- Task II. Assemble Assumptions & Data
- Task III. Analyze Direct Spending
- Task IV. Determine the Multiplier for Total Output
- Task V. Analyze Indirect & Induced Spending
- Task VI. Estimate Public Sector Revenues
- Task VII. Summarize Potential Non-Quantifiable Benefits

Task I. Preliminary Market Due Diligence

In this task, we will perform preliminary market due diligence, in conjunction with project stakeholders, in order to provide a baseline from which to assess the potential economic impact of a potential athletic facility and recreation center in Lawrence, Kansas. Specifically we will:

- Meet with project representatives in an initial planning meeting to finalize the scope of the engagement;
- Analyze all documents and past studies related to the potential facility;
- Survey a limited number of potential facility users in order to quantify the likelihood of particular event segments using the facility, and the specific amenities they may require; and,
- Assess sports/recreation industry trends and determine how these trends could impact the short- and long-term market potential for sports/recreation facilities in Lawrence.

We will also identify the geographical area in which the economic impact of the potential youth sports complex will be analyzed. The identification of the primary area of influence will assist with the calculation of the total impacts associated with the potential youth sports complex.

Task II. Assemble Assumptions & Data

In this task, we will work with project stakeholders to assemble all pertinent assumptions, identifying any data that may be necessary to complete the analysis and refine the assumptions with project stakeholders. Information to be collected will primarily consist of data and information related to the proposed youth sports complex, including past area economic impact studies conducted, potential complex site, proposed building program, list of potential users, anticipated market focus, and other such information.

Members of our firm have years of experience in the sports industry, and more specifically in the youth sports complex development segment of the industry, enabling our team to provide unique knowledge and insight with regard to youth sports complex markets, and the nuances typically encountered in a project of this nature.

In addition, we will identify the various taxing entities that should be considered when quantifying the fiscal impact to the metro area that could be generated by the proposed youth sports complex. It is assumed that all key operating assumptions used in this analysis will be provided by and/or agreed to by project stakeholders.

Task III. Analyze Direct Spending

The economic impact of the operations of the facility will be generated by estimated direct spending of fans attending events at the youth sports complex as well as spending outside the complex before and after events and visitor spending. In addition, a one-time construction impact will be calculated based on the estimated expenditures associated with the construction of the complex. When analyzing direct spending, three major components will be measured, as described below:

Facility Revenues

This type of spending takes place within or as part of the facility, and includes purchases made by attendees, including purchases for admission, concessions, novelties and parking, as well as revenues associated with the daily operations of the facility such as advertising/sponsorship, naming rights, and other miscellaneous revenues.

Out-of-facility

This type of spending takes place by event attendees in other local businesses in conjunction with facility activity. This type of spending generally includes transactions at area restaurants, hotels and other service businesses.

Visitors

The spending related to visitors include lodging costs for attendees and their families, coaches and other personnel, officials, and other individuals who attend events and visit the local area in connection with other activities. These amounts usually take the form of hotel, restaurant and other similar expenditures.

In order to evaluate the direct spending impacts, we will develop a financial model that will generate estimates of the primary direct spending resulting facility operations based

upon the assumptions developed in Task II. The development of a financial model will enable us to perform extensive sensitivity analyses which will determine the impacts associated with changes in key variables, including events, attendance, spending per capita, and other similar data.

Task IV. Determine the Multiplier for Total Output

In order to estimate the re-spending effects of direct revenues, a multiplier is utilized. The multiplier is the ratio of total spending to direct, or initial, spending. The appropriate multipliers to be used are dependent upon certain regional characteristics and also the nature of the expenditure. A distinction is often made between the gross multiplier and the net multiplier. The gross multiplier is the ratio of the total economic impact to the initial spending (direct plus indirect), while the net multiplier is the ratio of incremental spending to the initial spending. We will utilize gross economic impact measurements for purposes of this analysis.

The use of multipliers allows us to calculate the full economic and fiscal impacts by industry throughout the economy. In the input-output model, multipliers are mathematically derived which describe the total output for each industry as a result of the direct spending taking place.

Task V. Analyze Indirect & Induced Spending

The progression from direct to both indirect and induced spending is achieved through a process which involves applying re-spending multipliers (described in Task IV). Indirect effects consist of materials, services, and labor purchased by companies that supply the companies producing the direct effects. This process will occur through several layers of re-spending, until these funds are eventually used for "leakage" purposes such as savings or taxes. Likewise, induced spending consists of increased purchases of goods and services by households as a result of direct and indirect activities. Each of the measures of economic impact which will be generated in this analysis is further defined below:

Total Output - Total output represents the total of the direct, indirect and induced effects of estimated direct spending.

Personal Earnings - Personal earnings represent the wages and salaries earned as a result of the estimated total spending.

Employment - Employment represents the number of jobs generated as a result of the estimated total spending. Jobs may be full or part-time.

Task VI. Estimate Public Sector Revenues

In this task, the fiscal or tax impacts associated with the operation of the facility will be quantified. Fiscal impacts generated from the construction period will be based on the direct, indirect and induced rounds of spending associated with material supplies. Tax revenue will be generated by attendee spending at events, out-of-facility spending, and the calculated indirect spending. We will utilize the information collected in Task II as a basis for the estimate. Measurements typically include sales and use taxes, admission taxes, parking taxes, personal income taxes, entertainment and consumption taxes, gasoline taxes, permits, and license fees. We will determine which measurements are appropriate in measuring the economic impact of the facility.

Task VII. Summarize Potential Non-Quantifiable Benefits

Finally, we will summarize the potential non-quantifiable benefits the development of a new complex could have on the local area as a whole based on conversations with project and community representatives and the impacts experienced by other communities that have built similar facilities in the past.

PROFESSIONAL FEES AND EXPENSES

Total professional fees are based on the estimated hours required to complete the scope of services outlined in this letter and the skill levels of personnel assigned to this engagement. Based on the scope of services outlined herein, the professional fees will total \$25,000.

In addition to professional fees, we would require reimbursement of out-of-pocket expenses incurred in the performance of these services. Out-of-pocket expenses could include, but are not limited to, transportation, lodging and meals associated with travel related to the project, long distance telephone charges, supplies and other costs incurred on behalf of the project. Based on our past project experience, reimbursable expenses are typically less than 10 percent of professional fees. We will extend our best efforts to minimize the reimbursable expenses incurred on behalf of the project and will bill you for the direct cost incurred with no markups.

Should the level of service you desire be different from that contained in this proposal, we would be pleased to modify our scope of service and associated professional fees, as necessary, to meet your information needs and/or budget.

TIMELINE

We are prepared to commence this engagement immediately upon receipt of notice to proceed. Our project schedule is dependent on the final scope of the engagement, availability of key personnel for interviews and discussions, and the timely receipt of requested materials. Baring any unforeseen difficulties, we will deliver a draft report of the project within six weeks of the execution of this agreement.

We anticipate completing this project in full and performing all work as set forth in this proposal. In the event that a decision not to proceed occurs within the time frame of this engagement, we will cease our work and bill you for time incurred on the project at that point in time.

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Should you have any questions concerning this proposal or if you desire any additional information, please call Jay Lenhardt at (972) 491-6901.

Sincerely,

A handwritten signature in black ink that reads "CSL International". The script is fluid and cursive, with the "C" and "S" being particularly large and stylized.

CSL International