

PREPARED FOR:

Nassau County Industrial Development Agency

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Economic Development Study

NASSAU COUNTY VETERANS MEMORIAL COLISEUM PHASE 1: COVID-19 IMPACT - STATE OF THE INDUSTRY

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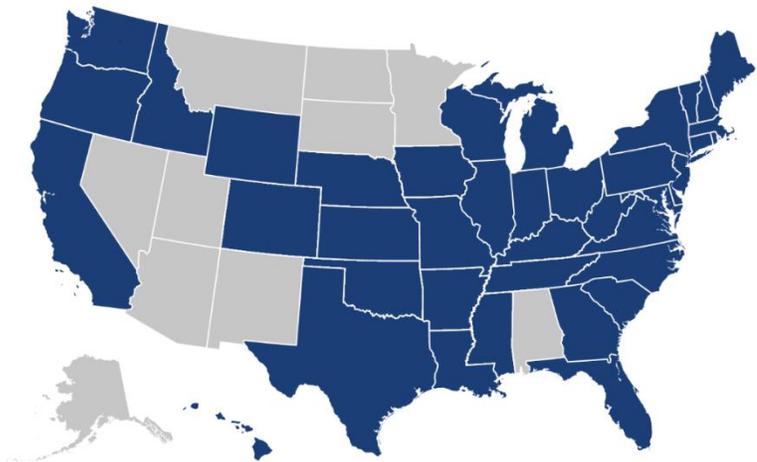
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PROJECT OVERVIEW AND SCOPE OF WORK

The long term lease for the Nassau Veterans Memorial Coliseum (the Coliseum) has recently been transferred to Nassau Live, LLC, which has also taken assignment of certain PILOT and other agreements granted by the Nassau County IDA (NCIDA) in connection with the Coliseum and the surrounding site commonly known as the Nassau Hub.

The Nassau Coliseum is presently closed due to the COVID-19 pandemic. The County is working with Nassau Live and Hub developer RXR to address issues associated with the closure, the prospects for re-opening the venue and a plan for sustained Coliseum operations tied to a vision for the Hub which will realize its full potential as a generator of economic activity for the County.

Although not a party to the present discussions, the NCIDA has engaged Camoin 310, supported by industry expert Robert Gutkowski of RMG SportsVentures (RMG), to provide analyses and insight concerning the Coliseum/Hub to inform potential future NCIDA actions.

The study, authorized to be implemented in phases, begins with this present review of the COVID-19 Impact on the Coliseum and the live entertainment/sports industry. The IDA will monitor developments concerning the pandemic and the Coliseum/Hub project to determine the necessity for further study, which would be determined and approved in advance by NCIDA

EXECUTIVE SUMMARY

Purpose of this Phase

The NCIDA engaged Camoin 310 and RMG to provide current, on the ground intelligence about reopening potential and timeframe for indoor arena venues which serve professional sports teams, music concerts, family entertainment and other touring productions. The report is intended to offer perspective on the prospects for the return of live entertainment to the Nassau Veterans Memorial Coliseum (Coliseum) in Uniondale, which has been closed since March 2020 due to the COVID-19 pandemic under the New York State "Pause" Executive Order.

The Coliseum is an important County asset and, prior to the pandemic, generated approximately \$4M in annual revenue to the County. Prior to its closure in March, the venue hosted a mix of live concerts, and family entertainment, and served as part-time home arena for the New York Islanders and full-time home arena for the Long Island Nets.

This report was developed from a series of phone interviews RMG conducted with executives in the concert promotion, talent management, music management, and sports industries during November, 2020. It addresses the prognosis for live music and hockey at the Coliseum post COVID-19 but not LI Nets basketball or other family entertainment.

Live Music Industry Outlook

At present there still remains considerable uncertainty regarding the timing of the re-opening of live entertainment venues and music industry touring. Vaccine availability, rapid testing, and venue ventilation are critical criteria, for on-site personnel and fans alike. Additionally, touring music concerts require 100% attendance availability or they will not go on tour.

The consensus of the music industry interviewees is that tours are most likely to begin in the fourth quarter of 2021 at the earliest or in early 2022, with some possibility of one-off shows by non-touring headliners such as Bruce Springsteen and Billy Joel, and smaller shows that can succeed at reduced capacity, such as comedy, electric dance, or country.

Not all touring musicians will commence their tours in New York or even the northeast given the national inventory of Top-Tier arena venues. While many touring musicians will "gear up" within two to three months of the lifting of COVID restrictions, not all will. Just as arena/venue re-opening may not be uniform nationally, the industry's recovery may or may not be uniform nationally. Some may be hesitant to "hit the road" initially. Interviewees did not share thoughts specific to performances in New York State compared to other markets.

Pent up demand **may** create a *short term positive*. One industry interviewee thought that live music will "come back with a vengeance."

Here in New York, Madison Square Garden is fully booked for Q4, 2021 with events that were cancelled in 2020. This has the potential to drive some acts to other venues and perhaps benefit the Coliseum, which will have greater availability after the Islanders' departure upon completion of the UBS Arena at Belmont Park, expected late 2021.

As a second tier venue, the Coliseum will face significant competition from area top-tier venues upon reopening and may realize a slower recovery than other area venues. Potential spillover bookings due to the other area arenas being unavailable will **not** likely provide a permanent boost. It is important to note that family entertainment, upon which the Coliseum relies, is expected to lag behind music concerts/touring in the post COVID era for live venues.

Given musical touring productions' requiring two to three months to plan and commence tours, the preference for top-tier and / or new arenas, the expected booking of "spillover" limited to Friday and Saturday nights, and the lag

of family entertainment behind live music, the recovery period for the Coliseum to a new normal (post-COVID, non-NHL arena) would be expected to take about four to six months. This report does not analyze the impact of the UBS Belmont Arena coming on-line in late 2021, creating a major new concert venue in the County.

National Hockey League (NHL) Outlook

The NHL is hoping to commence an abbreviated 2020 – 2021 season in January, 2021, with more focus on games in home arenas. This means that teams are expected to travel as opposed to playing all games in a single location (“the Bubble”) as occurred during the most recent season.

A full season for 2021 – 2022 is planned to commence October 2021, returning the league schedule to normal.

NHL executives are clear that a restart of the suspended season will depend on public health issues such as a vaccine for COVID-19, and state and local policies about maximum attendance at public events. NHL owners are also concerned about playing games with little or no in-person attendance, which reduces revenue without necessarily reducing costs such as player salaries. However, network and local television money will be the most important factor in restarting play, from the league and team perspective. At the same time, further delays in play could diminish hockey attendance and viewership instead of building the brand, so no strong consensus has yet emerged.

It is expected that should the delayed NHL 2020-21 season commence in January of 2021, the New York Islanders would play at the Nassau Coliseum. The team would relocate to the new UBS Arena at Belmont Park in late 2021. Again, it is not clear whether there will be in-person attendance, and at what capacity, for games at either location.

RESPONSES TO NASSAU COUNTY IDA QUESTIONS

The project team was asked to gather intelligence to answer specific questions of NCIDA:

- ◆ When the NHL will return to play the 20/21 season.
 - *NHL hopes to begin on January, 2021 with games largely in home arenas. The season is expected to have fewer games but the Stanley Cup Playoffs are expected to proceed in June or July.*
- ◆ Anticipated attendance at NHL games and potential to increase access as season progresses.
 - *Interviewees were not able to estimate attendance for 20/21.*
- ◆ Estimated date for when the music concert and family entertainment industry expect facilities to reopen so touring can begin.
 - *Fourth quarter of 2021 or early 2022.*
- ◆ What percentage of seats can be filled.
 - *NHL: play expected to be approved at minimum levels (10%, 15%, 20%) with team agreement.*
 - *Music: at least 75% of seats should be filled or the shows will not be profitable.*
- ◆ How reliant the industry is on other openings in the region, nation, and where applicable internationally, for example a critical mass of state re-openings, major market or major venue re-openings, or other indicators of industry-wide thresholds.
 - *NHL leadership, owners, and players continue to discuss this; concerns have been raised about playing without ticket revenue from fan attendance. Adjustments may be considered to reduce player travel but there is no information yet about whether the season would proceed without participation by all teams.*
 - *Music industry executives did not specifically address the "critical mass" question. Interviews suggested that outside of tours (which require more markets to be open) one-off shows by major artists, or small shows, may still proceed.*
- ◆ When executives at Madison Square Garden, Prudential Center, and Barclays Arena expect to reopen facilities, and at what capacity they expect to reopen, including whether a limited reopening is anticipated.
 - *MSG is fully booked for the fourth quarter of 2021. It has not stated at what capacity. Information about the other arenas was not available.*
- ◆ What is the anticipated timeline or "gear up" time for tours and events to be planned and performed once facilities reopen.
 - *Two to three months for tours.*
- ◆ Where the Nassau Coliseum ranks in terms of a tiered class structure: First / Best Tier, Second Tier, etc. Answer will include defining characteristics of the tier in which it is classified.
 - *Characteristics include size, age/quality, and reputation. Nassau Coliseum is below First/Best Tier.*
- ◆ Upon reopening, what are the prospects for the Nassau Coliseum, which seats approximately 13,900 for hockey and 16,800 for music concerts, to be included in touring productions.
 - *The Coliseum's present capacity makes it a second tier location for music concert tours, which would impact its prospects for a quick recovery post-pandemic.*
 - *The NHL does not anticipate another franchise at the Nassau Coliseum.*

LIVE MUSIC INDUSTRY OUTLOOK

Restarting Performances and Tours

Interviewees shared their current perspective, but couched it as **fluid and subject to change**. Interviewee comments were general to the industry, not to operating in New York State specifically.

On the positive side, because of pent up demand, some industry experts are optimistic that “the music concert touring business will come back with a vengeance.” With major media outlets proclaiming for several months that public entertainment is forever changed¹, this is a particularly positive insight.

Timing Considerations

- ◆ Consensus start schedule is for the fourth quarter (Q4) of 2021, although some mentioned major acts could begin during the third quarter (Q3).
 - MSG is now completely booked for Q4 2021 with sports, music, and family shows that were cancelled in 2020. For example, Justin Bieber changed his MSG dates from May to November.
 - MSG’s full schedule could drive shows looking for Friday or Saturday to the Nassau Coliseum, which will not have a hockey schedule to use those dates once the Islanders relocate to the UBS Arena
 - Booking for Q4 is already in its early stages, since most acts are looking at this timeframe.
 - These dates could still roll into 2022 depending on public health conditions and regulations.
- ◆ Two to three months are needed for a touring act to gear up: rehearsals, trucks, crewing needs, lighting, audio, and scenery need to be solidified.
- ◆ “One off” performances by headliners such as Bruce Springsteen and Billy Joel, who don’t need to be tied to a tour, may be possible earlier.
- ◆ Smaller shows that could come back earlier because they need lower fan attendance for profitability include comedy, electric dance, and country.
- ◆ The music industry will watch the NBA and NHL for fan capacity. Allowed capacity of 80% to 100% could result in adjustments to touring plans.

Restarting Performances – Criteria

- ◆ Ticket sales restricted to less than 80% to 85% of physical venue capacity make a show a stretch for profitability. 90% to 95% of venue capacity would be preferred. Smaller acts are expected to accept a lower capacity.
- ◆ Acts as well as fans must be confident that venues will be safe, with good ventilation and rapid testing, or a vaccine “firmly in place.”
- ◆ If a vaccine is not in place² there would have to be strong *rapid* testing procedures in place for talent, touring crew, and venue operations such as security, food and beverage, ticket-takers, and other on-site staff. This is a major reason why industry executives see Q4 as most likely.

Executives in the music industry who were interviewed include Creative Artists Agency (CAA), William Morris/Endeavor (WME), United Talent Agency (UTA), Live Nation, Madison Square Garden (MSG), Denis Arfa, and Ron Delsener.

¹ Note especially Regal Cinemas’ October announcement it would close all theatres in the US and the UK, and subsequent adjustments walking it back and then reinstating, especially in New York State and California, on November 9.

² Conversations took place just as Pfizer announced its preliminary success and before Moderna did. This news is unlikely to be fully reflected in interviewee statements. The timing of general vaccine availability is not fully known.

NATIONAL HOCKEY LEAGUE OUTLOOK

National Hockey League (NHL) participants show less agreement about the viability of the 2020 – 2021 season. There is a shared understanding as of the week of November 9 that everything is “still up in the air” because of the COVID-19 pandemic. Factors that are being monitored are the same for any business: vaccine efficacy and distribution schedule and accepted rapid testing methods.

These findings were obtained through direct interviews with NHL executives. An article published by *Sports Business Daily* on November 13 confirms this information and is attached as Appendix 1.

Positive Factors in the NHL Outlook

- ◆ According to interviewees, the NHL hopes to return to play January 1, 2021, with amendments to the 2020 – 2021 season. Changes currently possible include a shorter season (48 – 60 games instead of 82), more home games in the arenas, a conference realignment so teams do not have to travel as far, and a possible “bubble city” similar to what was used earlier this year to enable rescheduling of games cancelled in certain markets because of COVID-19.
- ◆ The Stanley Cup Playoff structure (four rounds) is currently expected to remain the same, with the hope of crowning a champion in late June or July.
- ◆ The NHL expects to be “on calendar” for the 2021 – 2022 season with an October 2021 start.³

Negative Factors for the reopening of the NHL and the Nassau Coliseum

- ◆ Fans in attendance are not anticipated immediately. The NHL would give its approval to fan attendance if local health officials believe that a minimum percent of fans could safely be allowed to attend (10%, 15%, 20%) and the team agrees.
- ◆ The article in *Sports Business Daily* cited financial concerns on the part of owners about the potential lack of, or serious reduction in, ticket revenue, including how to meet the contractual obligations to players. This is currently being evaluated by all parties. There may be tension between the desire to maintain and grow the league through playing as much as safely possible, and potential financial difficulties from playing with substantially reduced revenue but not necessarily reduced costs.

³ NHL seasons begin in the fall and end in late spring or early summer of the following calendar year.

APPENDIX 1: SPORTS BUSINESS DAILY 11/13/20

Sources: NHL Prefers To Open '21 Season Inside Home Arenas

November 13, 2020



NHL Commissioner Gary Bettman discussed the details of the proposed hybrid bubbles earlier this week

Photo: GETTY IMAGES

The NHL in a BOG teleconference update on Thursday revealed the "growing appetite" for teams to open the '21 season in "each of their home arenas rather than 'hybrid' bubbles," according to sources cited by Frank Seravalli of TSN.ca. Players, who conducted their own NHLPA exec BOD teleconference update on Thursday, have "not been provided a date to report to their respective cities." NHL Commissioner Gary Bettman "discussed the details of the proposed hybrid bubbles earlier this week," and they "remain one avenue for hockey to return." However, citing "significant costs attached to operating the bubbles in addition to potential lost revenue with games staged in neutral sites, the preference is for each team to travel city to city to complete a shortened regular season." Teams "would be permitted to have fans in their arenas in limited capacities as dictated by local and regional health authorities." That would allow teams to "generate marginal gate revenue, with the hope that capacities could expand as the season moves along and a vaccine becomes prevalent, along with recouping in-arena signage and advertising revenue via regional broadcasts." During Thursday's call it was also reiterated that the "target date to start the 2021 season remains Jan. 1." Nonetheless, many governors and owners are "wondering whether a Feb. 1 start date is more realistic." The NHL "would ideally like to award the Stanley Cup by mid-July" (*TSN.ca, 11/12*).

DETAILS OF BOG CALL: THE HOCKEY NEWS' Ken Campbell summarizes the plans Bettman presented to the league's BOG as follows:

- Training camps would begin in "mid-December." Pre-camp skates would "begin Dec. 1, with teams that failed to make the playoffs last season starting earlier."

- The league "would like to see the season end by late June or mid-July at the latest, which would eliminate the possibility of a full 82-game season. The more realistic number is between 48 and 56 games."
- The league "might still start with the short-term bubble concept, or pivot to using that at some point in the season. But the preference is to have each team play out of its own arena."
- The league is "hoping to have fans and is still holding out hope for a format which would see it play the first one-third of the season with no spectators, the second with socially distanced crowds and the final third with larger crowds. But the reality is that it has no control over that."

Campbell asks, "Why don't Bettman and the NHL press ahead and be more proactive with the start of the season?" Because he "doesn't want the league to paint itself into a corner by overpromising and under delivering." And given the success the league had over the summer, it is a "wise course of action" (*SI.com, 11112*).

SITTING OUT NOT SEEN AS VIABLE: In Ottawa, Bruce Garrioch notes it "may make more financial sense for some owners to not play at all." Players "don't get paid for the playoffs and they received their final paycheques when the season was put on pause March 11." This time, owners will be "on the hook for the salaries and the expenses without fans in the stands, at least to start, and that's a huge commitment financially." Owners have "no interest in playing the whole season without fans or without the reassurance that at some point they'll be able to sell some tickets." Bettman and NHL Deputy Commissioner Bill Daly "can't possibly make a promise there will be people in the stands but they have sent out a survey to each team asking about local regulations for gatherings." With the NFL season underway, the NBA planning to return on Dec. 22 and MLB "preparing for the opening of spring training in February, the NHL wants to stay on the sports map." So Bettman and Daly have "sent the message to the owners sitting out the season will hurt the growth of the sport" (*OTTAWA CITIZEN, 11113*).

CBA AGREEMENT LOOMS LARGE: In N.Y., Larry Brooks writes NHLPA Exec Dir Don Fehr is "steadfast that the union would not accept prorating of contracts for a season of fewer than 82 games." Indeed, the NHL and NHLPA agreed to a **six-year CBA extension in July** that "essentially ruled out the practice." As a result, NHL players agreed to defer 10% of their '20-21 salaries with escrow capped at 20%. That "equates to a guarantee" of 72% of face value. Sources said that between three-to-five owners have "claimed they would be unable to survive under these circumstances and would be better off not playing the season." Sources added that the league on Thursday "brought up the possibility of proposing an additional deferral of pay to the players association rather than pressing prorating" (*N.Y. POST, 11113*).

WORK TO BE DONE: In Toronto, Kevin McGran reports the NHLPA's 16-player return-to-play committee has "not yet met with representatives of the league, though the leadership of the NHLPA and the league meet regularly." The league "needs the players' association to ratify any changes, including the length of the season, the length of the playoffs and the sites for games." The NHL is "keen to get going, wanting to award the Stanley Cup by mid-July and return to a regular hockey schedule" for '21-22, when the Kraken begin play and the league "will be the beneficiary of a new national U.S. TV contract" (*TORONTO STAR, 11113*).



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