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St. Joseph Convention Center,
Hotel and Civic Arena Strategy Study

Hunden Strategic Partners
November, 2007

November 30, 2007

DRAFT

Clint Thompson
City of St. Joseph
100 Frederick Avenue
Room 102
St. Joseph, MO 54501

Dear Mr. Thompson:

Pursuant to our contract with The City of St. Joseph, Hunden Strategic Partners (HSP) has conducted a strategy study for the St. Joseph Civic Arena and feasibility of a convention center and convention hotel. The attached **draft report** explains the methods used to in our analysis and discusses the results.

HSP has no responsibility to update this report for events and circumstances that occur after the date of this report. The findings presented herein reflect analysis of primary and secondary sources of information. HSP utilized sources deemed to be reliable but cannot guarantee their accuracy. Estimates and analysis presented in this study are based on trends and assumptions, which usually result in differences between the projected results and actual results. As events and circumstances often do not occur as expected, those differences may be material.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely yours,

DRAFT

HUNDEN STRATEGIC PARTNERS

Attachment

ASSUMPTIONS AND LIMITING CONDITIONS

This report has been prepared under the following general assumptions and limiting conditions:

The findings presented herein reflect analysis of primary and secondary sources of information. HSP utilized sources deemed to be reliable but cannot guarantee their accuracy.

No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions which occur after the date of this report.

Responsible ownership, competent property management, and professional marketing are assumed.

Terrorist activity or other major calamity affecting travel, the economy and tourism is assumed not to occur.

This report has been made only for the purposes stated and shall not be used for any other purpose.

INTRODUCTION, REPORT LAYOUT AND EXECUTIVE SUMMARY

Subject of the Study

Hunden Strategic Partners has been retained by PGAV as part of the Missouri DREAM initiative to assist with analysis for downtown facilities in St. Joseph, Missouri. The St. Joseph Civic Arena is an aging arena that city stakeholders believe may be in need of improvement and could potentially be expanded to include convention space. If not warranted as an expansion, the report is tasked with identifying the convention product that is best suited to downtown St. Joseph, Missouri. In addition, a convention hotel analysis is desired to understand the proper facilities to optimize performance at the convention center.

The current Civic Arena facility includes 19,000 square feet of exhibit space via the arena floor, seating for up to 4,200, no dedicated ballroom, and approximately 4,000 square feet of meeting rooms (four divisions). The facility provides a center for entertainment, sporting events, and other activities that promote civic life in St. Joseph.

Hunden Strategic Partners answers the following questions within this study:

What is the current condition of the Civic Arena and what improvements should be made?

Does market demand exist for a convention center and additional hotels downtown?

- Are there existing users who have requested more space than is available?
- Are there potential users who cannot be accommodated by the existing facility or the booking calendar?

What type of space should be developed and what should be the physical layout

How should the space be organized on the site to maximize efficiency?

What will the expansion likely cost?

How will the facility perform if expanded?

What are the financial projections for the expanded facility?

What do meeting planners expect in a convention hotel in St. Joseph?

What is the optimal hotel size, suite of amenities, and function space?

How will the hotel likely perform in terms of occupancy and rate?

What will be the financial performance of the hotel, rate of return and cost?

What is the economic, fiscal and employment impact of the expansion and/or expanded facility, including recommended hotel?

Report Layout

The report is organized as follows:

Chapter 1 – Outlines the study concept, provides the report layout and discusses a summary of conclusions.

Chapter 2 – Reviews the economic and demographic forces in St. Joseph and the region.

Chapter 3 – Reviews the existing St. Joseph Civic Arena, analyzes past business, lost demand, and makes recommendations for improvements.

Chapter 4 – Analyzes the meetings industry in depth and provides results of a survey HSP conducted of meeting planners in the State of Missouri.

Chapter 5 – Discusses the facilities that serve the meetings and event market in Missouri (and nearby Kansas and Nebraska) and compare them with those offered as part of the regional competitive set of meeting facilities. The chapter also provides analysis of comparable facilities nationwide.

Chapter 6 – Provides recommendations for the convention center and provide a conceptual layout of the facility, discusses site issues, and provides cost estimates.

Chapter 7 – Analyzes the local hotel market as well as offers an overview of the US lodging industry performance and trends.

Chapter 8 – Provides HSP's recommended hotel products, site location(s), and timing.

Chapter 9 – Provides the demand projection of the proposed convention facility by market segment/type of event. Projects the financial performance of the proposed convention center.

Chapter 10 – Projects the demand and performance characteristics of the recommended hotel product. Projects the financial performance of the recommended hotel product.

Chapter 11 – Provides the development cost of the recommended hotel, the return on investment, and the HSP financing analysis.

Chapter 12 – Analyzes the various convention hotels developed in the US in the last several years as well as discusses those under construction or in development. Those focused on share many characteristics with St. Joseph.

Chapter 13 – Provides the economic, fiscal and employment impact analyses.

SUMMARY OF ANALYSIS

Market Area

St. Joseph's economic and demographic characteristics are not robust, but the downtown has a number of assets from which convention-based tourism could build. The historic character of downtown combined with several bars and restaurants, the improved Holiday Inn, Civic Arena, and Missouri Theater provide the beginnings of a downtown that could compete to host small local, state and regional events.

Review of Existing Arena Facility, Demand and Lost Business

The St. Joseph Civic Arena (SJCA) was built in 1980 and covers an entire city block in downtown St. Joseph. It is bounded by 3rd and 4th Streets, as well as Felix and Francis Streets. The facility is generally a basic building with few of the amenities found in new arenas, such as suites, club seats, dedicated meeting facilities, upscale food and beverage options, multiple concession points of sale, and adequate bathrooms. The facility is owned by the City of St. Joseph and managed by the Parks and Recreation Department. The SJCA has no major sports franchise based in the arena.

As the focus of this report pertains to the ability to host meetings, conventions and other group events, event space is viewed on its ability to host such events. The St. Joseph Civic Arena currently consists of an arena floor and four meeting rooms. The table below shows the detail of the function space.

Table 1-1

Current St. Joseph Civic Arena	
Exhibit Space	
Arena Floor	19,000 SF
Total	19,000 SF
Meeting Space	
Meeting Room 1	1,000 SF
Meeting Room 2	1,000
Meeting Room 3	1,000
Meeting Room 4	1,000
Total	4,000 SF
Total Function Space	23,000 SF
Source: St. Joseph Civic Arena	

The arena floor is 19,000 square feet and is surrounded by 2,290 permanent seats. There are also four meeting rooms, each 1,000 square feet. The facility has an additional 1,512 portable seats that may be set up on the arena floor for a variety of configurations and capacities:

Concerts: 5,000 (includes floor seating)

Basketball: 3,742

Boxing: 4,274

Circus: 3,000

Soccer: 3,100

There is no capability to produce ice in the building for hockey or other family ice show events.

When the total arena floor is used for a convention, the arena can accommodate 95 booths (10 feet by 10 feet each, plus circulation of 100 square feet per booth, for a total of 200 square feet). However, given the lack of meeting and ballroom space, in addition to the lack of hotels in the downtown, the building is not appropriate for most conventions. Alternately, trade shows can be held successfully in the building, as they require little ancillary function space.

HSP analyzed recent arena activity to understand the character of demand for the facility. The results are shown in the table below.

Table 1-2

2006 St. Joseph Civic Arena Events by Type					
	Event Days	% of Total	Attendees	% Total	Avg. Atten.
Trade	10	11%	13,416	13%	1,342
Association	5	6%	8,108	8%	1,622
Sporting Event	19	21%	31,457	31%	1,656
Corporate	15	17%	2,832	3%	189
Local	12	13%	17,356	17%	1,446
Government	10	11%	3,675	4%	368
SMERF	18	20%	26,018	25%	1,445
Total	89	100%	102,862	100%	1,156

Source: HSP, St. Joseph Civic Arena

In 2006 there were 89 event days, resulting in 102,862 attendees at the facility. The average attendance per event day was just over 1,156. The category with the most event days was SMERF events, with 18 event days and average attendance of 1,445. The largest events, as would be expected, are sports events, which average 1,656 attendees each. In 2006 there were a total of 19 sporting event days. There were only five association events, however, the average attendance was 1,622 per event. There were ten trade and public show days, resulting in 13,400 attendees.

Lost Business

Based on the reporting on lost business, it does appear that there are a number of groups inquiring about renting the space that cannot be accommodated, either because of size limitations or because the location is unattractive. A larger facility would solve the size limitation problem, as it would allow both larger events and more simultaneous events.

The table below shows an estimate by HSP and the St. Joseph CVB of “lost business” sorted by reason during the period 2000 through 2006.

Table 1-3

Lost Business Estimates 2000 to 2006		
Reason	Estimated Total Attendance	Number of Room Nights
Location Undesirable	24,437	29,643
Inadequate Meeting/Banquet Space	14,925	10,411
Desires Upscale Corporate Hotel w/Conference Center	8,370	7,600
Lack of Local Group Support/Interest	7,281	4,865
Insufficient Number of Rooms in One Hotel	5,300	7,910
Rates & Dates Conflicts	4,970	6,576
Too Soon to Return	3,950	3,300
Other	3,800	2,739
Event Cancelled	2,539	2,134
Lack of Airport Transportation	800	592
Total	75,572	75,178

Source: HSP, St. Joseph CVB

The reason given for not coming to the Civic Arena by groups representing 24,000 attendees and nearly 30,000 room nights was the undesirable location. This does not just reflect on the arena’s location downtown, but St. Joseph in general. Given its size, location, and lack of attractions and activities compared to places like St. Louis and Kansas City, it is simply difficult for St. Joseph to compete for many events. However, over 50,000 attendees did not choose St. Joseph for reasons unrelated to its location. Many of these reasons are “treatable causes,” which can be addressed with new and improved facilities. For example, a total of 33,000 attendees may have been booked if new and improved facilities existed, as these would have addressed many of the meeting/banquet space issues, hotel issues, conference center issues, and rate and date conflicts. These lost business reports provide confidence that with sufficient facilities, many groups and events will choose St. Joseph.

St. Joseph Arena Improvement Recommendations

Representatives from the Consulting Team conducted an investigation of the Civic Arena and made the following comments and recommendations.

Strengths

Location: The civic arena is located on the western edge of downtown St. Joseph. This location provides easy access for both local users as well as out of town visitors. The easy access to Interstate 229 / Highway 59, allows visitors easy entrance to the arena site as well as quick and easy exit.

Delivery access: Access to the delivery and staging areas are conveniently located off of north 4th Street. The access from the street is at the arena floor level, providing the ultimate service access for this facility type.

Open concourse: On the western edge of the arena, a large and open concourse at two levels provide good pre-function space for spectators. Within this area, vending kiosks and novelty stands are used to enhance the experience. These zones are important when large crowds attend an event.

Event Floor: The event floor, with easy access to loading areas, is approximately 175' x 100'. The floor is equipped with power on a 30' grid for exhibit and trade show use. Some access points also have water and natural gas utilities, according to information provided.

Meeting Rooms: The meeting room space of approximately 4,500 square feet is easily accessible from the street or arena floor, as well as the ticket /entry lobby. The ceiling height for the meeting rooms may be considered too low, however, for some types of events and presentations. With approximately 9'-5" ceiling heights, this may not allow adequate space to erect a large projection screen or stage in these rooms.

Cleanliness of the facility: Upon our tour of the facility, we noted the cleanliness of the Civic Arena. Many facilities that lack cleanliness see a decline in the permanent structures within the facility. We observed that the seats, restrooms, concourses and offices are in good condition, due to the attention in maintenance.

Minimum Recommended Improvements/Weaknesses

The first improvements discussed would bring the facility up to the minimum standards seen in the industry. These improvements include both spectator comfort and amenities as well as minimum required accessibility standards.

Restrooms: Currently, the event floor has few and small public restrooms for men and women to serve the meeting room spaces. HSP suggests that the Civic Arena should have men's restrooms with 26 total fixtures. Sixteen of these fixtures may be urinals. This would mean an expansion of 12 fixtures to the men's restrooms would be required to meet the current minimum code requirements for new facilities. The women's restrooms should be provided with 49 total fixtures. This would mean an expansion of 39 fixtures to the women's restrooms would be required to meet the current minimum code requirements for new facilities.

Note: These ratios are based on a maximum seating capacity of 4,222. This was found to be the maximum seating during an event where the arena floor was being used.

Disabled spectator accessibility: The recommended minimum seating for disabled spectators using wheelchairs is one percent of the seating capacity plus one additional wheelchair seating space. One companion seat must accompany each wheelchair seating location. HSP recommends that wheelchair and companion seating locations as well as semi-ambulatory seats be provided at each distinct seating section and throughout all different seat price categories. These may include upper bowl seating, lower bowl seating and arena floor or other areas based upon the arena ticketing policy. This will allow for distributed seating throughout the facility. An assistive listening system that broadcasts a signal to headset receivers must be provided if none currently exists. Signage notifying spectators that assisted listening receivers are available must be posted and receivers should be provided equal to four percent of the seating capacity.

Accessible Paths into the Arena: The only accessible entrance into the arena is through a door on the northeast side of the site. This door leads to elevators and an internal ramp. Once inside the arena door, the paths become accessible, but the path to the door from the street drop-off zone is not acceptable as an access route. The maximum slope the site can contain, without the use of ramps, is five percent in the direction of travel with a two percent cross slope, and it appears that the slope of the entrance exceeds the minimum requirement. We recommend measurements and spot elevations be taken to prove or disprove our field observation. To comply with current building code and recommendations of the ADA, a renovation to the arena would require that an accessible route be provided to the building from accessible parking locations, public transit stops and drop off zones. The number and location of accessible parking spaces should also be evaluated as part of any major building renovation.

Concession Stands: Currently, the civic arena contains six points of sale (POS) for the concession operations. The industry standard for concession ratios is one point of sale per 250 spectators. Based on a maximum seating capacity of 3,382 permanent seats and an additional 840 on the floor during concert events, it is recommended the facility contain a minimum of 14 points of sales and an additional three to four vending kiosks during a concert event. Additional concession stands containing eight points of sale should be added.

Kitchen: The food service kitchen as currently configured provides minimal food preparation capabilities, serving as a basic catering or warming pantry. This kitchen cannot currently supply upscale menu items to the concession stands or meeting rooms, which could generate additional revenue with higher price points. Additional kitchen equipment and required exhaust hoods would be necessary to provide deep fried or grilled foods, brick oven pizza, etc., which many guests have come to expect in an entertainment venue.

Additional Recommended Improvements to the St. Joseph Civic Arena

New entrance plaza: Redesigning the entrance plaza could have a major impact on both the image of the arena as well as its incorporation into the surrounding area. Currently, the northeast and southeast entrance plazas serve as the main pedestrian entrance into the arena. The plaza is very steep and contains minimal site amenities found in similar size arenas. We recommend improvements to both the hardscape and the softscape. This could be done in various ways: through different types of pavement patterns; addition of steps on the southeast plaza to help with grades; addition of planting materials to help soften the space, provide shade and keep the heat of the pavement to a minimum; addition of banners to add color and life to the plaza; possible graphics and canopies added to the curtain wall system to add color and life to the building facade.

Life Safety Systems and General Handicapped Accessibility: This report addresses general issues regarding accessible spectator seating, accessible route and restroom facilities. However, it is recommended that prior to establishing budgets or plans for renovation, a full assessment of the existing building be performed to evaluate all aspects of accessibility on the property as they relate to building code requirements and recommendations of the Americans with Disabilities Act. In addition, an assessment of existing Life Safety systems should be conducted to understand the extent of building systems (including such items as fire alarm, fire protection systems, smoke evacuation,

gress systems, etc.) that may require modification in order to meet building code requirements for renovation of the arena.

In conclusion, there are many nice features contained in the design and layout of the Civic Arena. The facility location is very accessible for visitors, the arena services are accessible to the event floor and the arena is maintained very well. Improvements to the restrooms, concession stands and handicap accessibility are basic requirements to have a well functioning, comfortable environment for spectators, while matching the industry standards of competing markets. The importance of spectator comfort cannot be underestimated.

Operations. Our review of the facility provided two primary observations regarding operations:

Meeting space/Offices. Space now used for staff offices could be rented for meetings and events and could service as premium suites during events. Offices could be moved to other locations within the building.

Management. Parks and Recreation Departments rarely manage arena facilities. Typically, private management companies or an authority-appointed management team run such a facility in order to break even or produce a profit at the facility. Missing from the current management is a strong out-bound sales operation, which seeks to bring in new business. Instead, most bookings occur via an inbound call. With private management or one with a profit motive, activity in the facility should increase and the net loss would likely decrease. If a convention facility is developed adjacent to the Civic Arena, we suggest putting the management of both facilities (as well as the Missouri Theater) out for a single management contract. The expertise of private management to generate top and bottom line sales revenue and minimize expenses has been documented in a variety of instances. Placing all three facilities within a single management contract would allow such a company to create economies of scale resulting in minimized expenses. In addition, the professional sales staff would more likely generate the type of sales activity that would better support the financial needs of the facilities.

Survey of Meeting Planners

HSP conducted a survey of Missouri meeting planners to assess their thoughts and needs related to a convention center in St. Joseph. While these should not be taken as scientific results, they do provide anecdotal and real-world insight into these high-impact users. The full survey is shown in Chapter 4.

The event planners organized events throughout the state of Missouri and intended to use facilities in the state in the future. The respondents to the survey indicated that the convention hotels required room blocks for the events. Nearly 90 percent of respondents required a room block agreement with a range of 60 to 750 rooms. The average number of rooms required is 295. The peak number of rooms needed ranges from 40 to 500, with an average of 240.

The average length for the conventions is two and half days. This shows that these events are high-impact for the community: attendees will have to stay in a hotel room and purchase meals throughout their stay. All of the surveyed groups also hold other offsite meetings. The number of meetings ranged from one to 100 and averaged 25. The average attendance at these other meetings ranges from 10 to 250 and averages 169.

The meeting planners were asked if they would be interested in hosting a meeting in St. Joseph. Although 38 percent of respondents said they would not consider hosting their meeting in St. Joseph, over 40 percent responded in the affirmative. Many respondents who said they would not consider St. Joseph noted the western location. As the state's population is heavily weighted to the east and west borders, this is to be expected.

The meeting planners were surveyed on the destination attributes most important in the decision to host a meeting or conference. The survey showed that dining is most often the most important destination attribute to meeting planners and attendants. Of the survey respondents, 81 percent said dining and bars were an important factor in selecting the location of a meeting. Retail is also an important factor with 56 percent of respondents mentioning it as a factor. Other important attributes include arts and culture, walking distance options to meetings and other activities, late-night and off-season options, sports facilities, and family activities for spouses and partners.

The survey also asked the potential impact of the location of St. Joseph on attendance at the meeting. While only six percent of meeting planners felt that hosting a meeting in St. Joseph would increase their attendance, none felt that it would decrease their attendance.

Implications

The convention industry may not be growing as rapidly today as it did from 1970-2000, however, it is still growing and the industry delivers millions of dollars in spending to the cities and counties that attract events. The key is delivering a facility that is optimized for the market. For this market, it would be unwise to build too large a facility. Yet a full-service property that includes ballroom, a small exhibit space and meeting space (as well as the existing arena) will serve planners well. Absolutely critical to success is the inclusion of a convention hotel nearby. While the hotel will not be able to house every attendee, it should serve the room block needs of most of the users. According the meeting planner survey, there is an appetite for an appropriately-sized facility in St. Joseph.

COMPETITIVE FACILITY ANALYSIS

While there are a variety of competitive facilities in the region, from the large Kansas City and St. Louis convention centers to the smaller Overland Park and St. Charles facilities, there are relatively few comparable convention facilities. In fact, when looking across Missouri and eastern Kansas, there are a limited number of true, smaller full-service facilities. St. Charles is likely the most direct comparable.

RECOMMENDATIONS

This study was originally undertaken as an expansion study for the Civic Arena in the thought that it might also serve as a conference or convention center. The concept was to expand the facility and determine what hotel package would be necessary to optimize the performance of the facility.

In reviewing the physical layout of downtown, the Civic Arena, critical streets/arterials and areas available for development, it was concluded that while a convention center and hotel study was warranted, the expansion of the Civic Arena to accommodate a convention facility was not feasible. The arena takes up an entire city block and unless primary streets are to be vacated or bridged/tunneled under/over, expansion is not feasible. Even if the Civic Arena were to be connected to a convention facility located on a parcel to the west (the most likely option), the westward-facing side of the Civic Arena currently is used for loading. If the connection were to occur over the loading zone, it would enter the building along the upper concourse and not the preferred lobby or lower concourse area. In addition, due to elevation changes, the connection from the arena to the convention center would enter the facility at a height two stories above the lobby level. With these issues in mind, the focus became a stand-alone downtown convention facility and related hotels.

In the long-term, it is suggested that the Civic Arena will likely need to be razed and replaced with one that meets the building codes and needs of future generations. As discussed previously in this report, there are a number of obsolescence issues that should be addressed to keep the facility relevant for the next ten years.

With the expansion option not feasible at this time, the focus of this chapter is the convention building believed to be supported by the meetings market and appropriate for downtown St. Joseph for the next ten years. This includes the ability to locate the facility on lots that may be attainable downtown. The hotel analysis occurs after the conclusion of the recommended convention facility in order to optimize the package of facilities.

Convention Center Components

In reviewing the strengths and weaknesses of St. Joseph as it relates to a meeting facility, we note the following:

Strengths/Opportunities

- Proximity to Kansas City
- Accessible by interstate and relatively close to airport at KCI
- Some available land downtown
- Existing Holiday Inn downtown provides some quality accommodations
- Existing, stable business community and population
- Lack of quality small meeting facilities in region

Weaknesses

- Few corporate headquarters and high-wage jobs
- Existence of colleges and universities is limited
- Static/slow employment, population growth
- Few natural or man-made attractions; limited tourism
- Downtown fairly inactive, except for a few bars and restaurants

Based on these and other characteristics, we believe the market could support a small, quality convention facility. We are recommending among the smallest of facilities based on the market situation and the limited space available to develop such a facility.

Given our review of the total facility and its ability to optimize impact for the community as well as internal performance, we are recommending the following:

Exhibit Hall. The recommended exhibit hall is 22,000 square feet. For events with exhibits, this will accommodate 110 booths. Ceiling height should be 30 feet at minimum and utility boxes should be placed at 30-foot intervals.

Ballroom. The recommended ballroom is 9,500 square feet with a minimum 24-foot ceiling height. This will provide seating at banquets for 594, assuming an average of 16 square feet per person. For theater-style, it would accommodate approximately 950 people. If space permits, it is suggested that the ballroom and exhibit hall be programmed adjacent to each other in order to open up one large 30,000-square foot space. However, based on a review of the available land downtown, it does not appear likely that such contiguous space is likely.

Meeting Rooms. We recommend a total of 4,000 square feet of usable meeting rooms. These should be divisible into sections as small as 800 square feet and should include one dedicated boardroom that is recommended at 500 square feet.

Pre-function space. This space, used for registration and pre-function receptions, is recommended at approximately 7,000 square feet in front of the exhibit hall and 4,500 square feet in front of the ballroom and meeting rooms. The depth of the pre-function space in front of the exhibit hall should be at least 20 feet.

Parking. For a facility of this size, the maximum number of people attending an event would be 950, and this level of attendance will be rare at best. More likely, the building will “max out” at 500 attendees at any given time. Assuming 1.8 people per car attending events (1.8 load factor), a total of 280 spaces will be needed to support the center. The benefit of being located downtown is the abundance of parking adjacent/east of the Civic Arena. Parking also will be available under the convention center and ballroom in the suggested plan.

Hotel. An attached hotel is now requisite for any full-service convention facility hoping to attract the optimal level of usage. Competition from convention centers with one or more hotels attached has defined this situation and meeting planners settle for little else. This will be discussed more in the hotel recommendation chapter.

The table below shows the current St. Joseph Civic Arena function space as well as the recommended new convention center.

Table 1-4

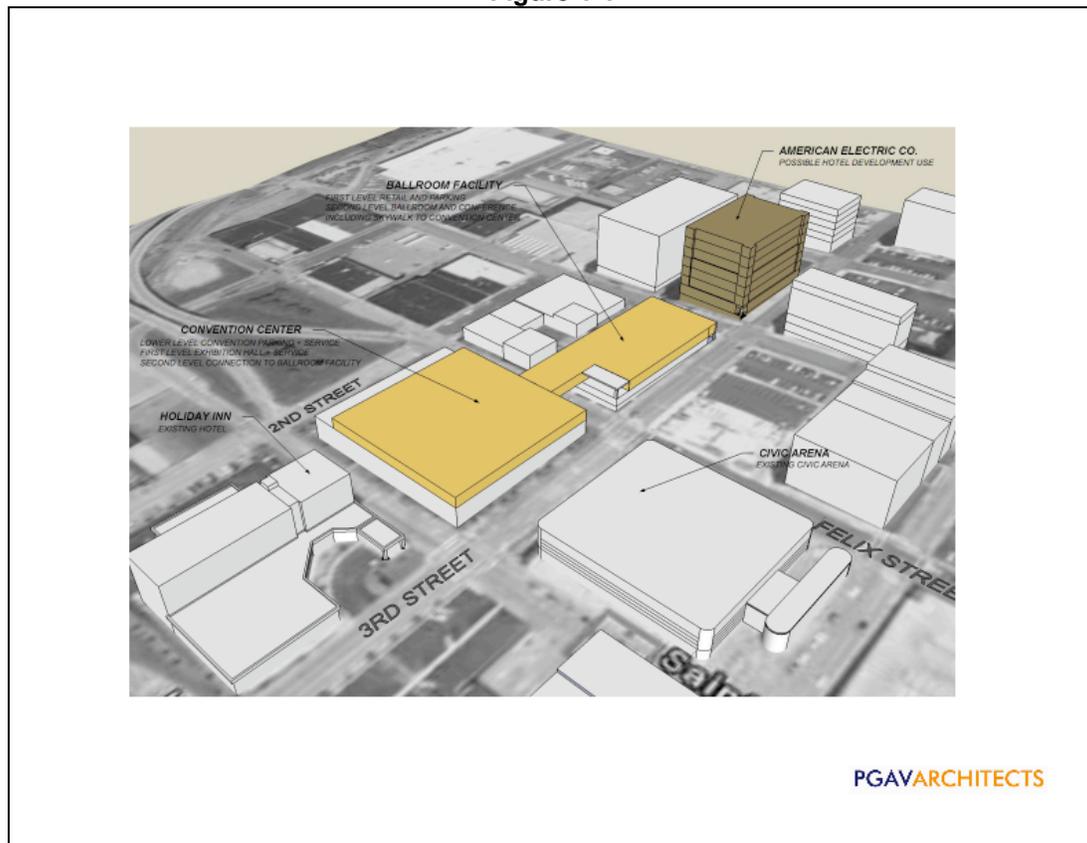
Recommended Convention Facility (SF)		
	Current Civic Arena	Proposed Convention Center
Exhibit Space		
Division 1	19,000	11,000
Division 2	n/a	11,000
Total	19,000	22,000
Ballroom Space		
Grand Ballroom		
Division 1		3,000
Division 2		2,000
Division 3		2,000
Division 4		2,500
Total	--	9,500
Meeting Rooms		
Meeting Room 1	1,000	1,000
Meeting Room 2	1,000	800
Meeting Room 3	1,000	800
Meeting Room 4	1,000	800
Meeting Room 5	0	600
Total	4,000	4,000
Net Function Space	23,000	35,500
Total Function Space	23,000	35,500

Source: HSP

As shown, the recommended facility will have 35,500 square feet of net function space. The exhibit hall could be divisible into either two or three sections. The grand ballroom could be divisible into three or four sections.

The figure below shows how this space could be laid out downtown.

Figure 1-1



As shown, there is a parking lot to the west of the Civic Arena and north of the Holiday Inn that would make an optimal site of a convention facility. It is currently owned by the Holiday Inn and used for parking. It is thought that due to grade changes, the facility could be built above a level of parking and could connect to the ballroom and meeting room portion of the facility, located east of Felix Street. It is not feasible to stack the ballroom on the exhibit hall, so it is recommended to build the facility horizontally rather than vertically.

Governance Structure Recommendation

As is the case in most industries, there are as many ways to operate a convention center as there are convention centers. Typically, the structure adopted flows directly from the financing strategy used to develop the venue, and in reflection of the anticipated strategy for sustaining long-term operations.

HSP suggests the creation of a publicly-directed not-for-profit corporation. Under this model, elected officials would appoint Board members, in connection with the hospitality industry, to oversee the operation of the facility. The nature of this structure and its existence outside the daily sphere of municipal operations insures the greatest possibility flexibility in operations while also providing municipal oversight that would provide public standards and resources for the project. In addition, this structure would also allow for the addition of other products or joint management of assets that are consistent with the operating mandate of the not-for-

profit corporation. In many locations across the United States such entities operate performing arts centers, hotels, and arenas, which are distinct products but share the mission and purpose of a convention center. The not-for-profit can either operate the facility or hire a private management firm.

Preliminary Cost Estimate

HSP has reviewed a variety of convention center projects and determined that a rough figure of \$420 per square foot is a preliminary starting point for budgeting for a building to be initiated by 2010.

There are many factors that have not been determined. However, the estimated calculation suggests a cost of approximately \$32.1 million for the convention center development. This does not include:

- Structured and other parking (this “stacking” will add cost to the project)
- Hotel costs, to be discussed later in this report
- Civic Arena Improvements, to be estimated by PGAV separately
- Ongoing operating losses, to be discussed later in this report
- Additional budget for the CVB to market the facility to a wider audience

DEMAND PROJECTION

The demand projection shows the operations at the proposed St. Joseph Convention Center (SJCC) assuming the recommended hotels are constructed and expanded. It also assumes the CVB markets the facility at levels comparable to other convention centers of this size.

The table below shows the events by type projected for the SJCC. We have assumed the facility opens in January 2010, simultaneous with the hotels.

Table 1-5

Event Type	Projected Events at the St. Joseph Convention Center									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Conventions, Conferences and Trade Shows	8	12	15	17	19	19	19	19	19	19
Consumer Shows	0	1	1	2	3	3	3	3	3	3
Corporate Events	19	24	28	33	36	36	36	36	36	36
Banquets	63	76	91	109	131	131	131	131	131	131
Meetings Room Events	85	93	101	110	120	120	120	120	120	120
Total	175	205	236	271	309	309	309	309	309	309

Source: HSP

It is projected that the number of events will increase from 175 in 2010 to 309 by stabilization in 2014. The number of events will be dominated by ballroom and meeting room events, however we project a number of large, high-impact events, including 19 conferences,

conventions and tradeshow, three consumer shows, and 36 large corporate events using the exhibit hall annually.

The following table displays the number of show days as well as move in/move out days for the SJCC.

Table 1-6

Show, Move In/Out and Total Use Days - St. Joseph Convention Center										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Show Days	247	297	336	386	439	439	439	439	439	439
Move In/Out Days	53	63	72	84	96	96	96	96	96	96
Use Days	300	361	408	469	535	535	535	535	535	535

Source: HSP

The number of show days is projected to increase from 247 in 2010 to 439 by stabilization. The total number of use days is projected to increase from 300 in 2010 to 535 by stabilization.

The next table shows the number of attendees projected in the first ten years.

Table 1-7

Projected Attendance at the St. Joseph Convention Center											
Event Type	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Conventions, Conferences and Trade Shows	3,100	5,000	5,700	6,300	7,500	7,500	7,500	7,500	7,500	7,500	
Consumer Shows	0	2,200	2,200	4,400	6,600	6,600	6,600	6,600	6,600	6,600	
Corporate Events	4,400	5,500	6,500	7,600	8,400	8,400	8,400	8,400	8,400	8,400	
Banquets	12,700	15,700	18,700	22,200	26,800	26,800	26,800	26,800	26,800	26,800	
Meetings Room Events	7,900	8,500	9,300	10,200	11,000	11,000	11,000	11,000	11,000	11,000	
Total	28,100	36,900	42,400	50,700	60,300	60,300	60,300	60,300	60,300	60,300	

Source: HSP

A total of 28,100 attendees is projected in the first year, ramping up to approximately 60,000 by 2014. This will consist largely of attendees to the ballroom events, however, nearly 23,000 are attributable to the exhibit hall by 2014. It is those attending exhibit hall events that create economic impact via overnight hotel stays and spending in restaurants.

The table below shows the average number of attendees projected by event type. Changes over the period are due to rounding in the model.

Table 1-8

Projected Average Attendance by Event Type at the St. Joseph Convention Center											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Conventions, Conferences and Trade Shows	390	420	380	370	390	390	390	390	390	390	
Consumer Shows	0	0	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	
Corporate Events	230	230	230	230	230	230	230	230	230	230	
Banquets	200	210	210	200	210	210	210	210	210	210	
Meetings Room Events	90	90	90	90	90	90	90	90	90	90	
Average	160	180	180	190	200	200	200	200	200	200	

Source: HSP

The largest events are projected to be consumer shows, which is normal for convention facilities. The average size of conventions, conferences and trade shows is projected to be nearly 400, although many will be smaller, while some will be much larger. Ballroom events are projected at approximately 200 attendees per event and meeting room events are projected at 90 on average. The size range for meeting room events will be largest, with as few as ten people and as many as 300 people.

The next table shows the projected number of room nights generated by the facility.

Table 1-9

Attendee & Exhibitor Room Nights Generated from the St. Joseph Convention Center

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Conventions, Conferences and Trade Shows	2,470	4,430	4,160	4,600	6,130	6,130	6,130	6,130	6,130	6,130
Consumer Shows	0	0	330	670	1,000	1,000	1,000	1,000	1,000	1,000
Corporate Events	850	1,060	1,260	1,460	1,630	1,630	1,630	1,630	1,630	1,630
Banquets	800	980	1,170	1,390	1,680	1,680	1,680	1,680	1,680	1,680
Meetings Room Events	200	210	230	260	280	280	280	280	280	280
Total	4,320	6,680	7,150	8,380	10,720	10,720	10,720	10,720	10,720	10,720

Source: HSP

Hotel room nights are generated primarily by out-of-town visitors in St. Joseph for larger events, such as conventions, large corporate gatherings, and the exhibitors serving all events. The number of hotel room nights generated by the expanded SJCC is projected to be 4,300 in the first year and should increase to nearly 11,000 by 2014. These are the primary drivers of economic impact to the community.

CONVENTION CENTER OPERATING PROJECTION

The table below presents the projected operating statement for the facility's first ten years of operation. The projection uses inflated dollars and accrual-based accounting, wherein revenues are recognized when they are earned and expenses are recognized when they are incurred. Revenues include all revenues of the facility that can be used for operations. All revenues and expenses are inflated at a three percent annual rate.

Table 1-10

St. Joseph Convention Center - Pro Forma Operating Statement of Revenue and Expenses (\$000's, Inflated)										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue										
Event Revenue										
Space Rental	\$97	\$141	\$213	\$256	\$304	\$311	\$319	\$327	\$335	\$344
Equipment Rental	23	33	50	60	71	73	74	76	78	80
Gross Food & Beverage	688	878	1,039	1,241	1,486	1,523	1,561	1,600	1,640	1,681
Event Services Income	37	53	62	73	90	92	94	97	99	102
Parking	26	35	40	48	57	57	57	57	57	57
Other Revenue	3	4	6	7	9	9	9	9	9	10
Total Operating Revenue	\$874	\$1,145	\$1,409	\$1,686	\$2,015	\$2,064	\$2,114	\$2,166	\$2,218	\$2,272
Expenses										
Food and Beverage	\$447	\$571	\$676	\$807	\$966	\$990	\$1,015	\$1,040	\$1,066	\$1,093
Salaries and Wages	\$489	\$504	\$519	\$534	\$550	\$567	\$584	\$601	\$619	\$638
Employee Benefits	122	126	130	134	138	142	146	150	155	160
Passthrough Labor	10	16	19	23	29	30	31	31	32	33
Maintenance & Repairs	5	11	19	23	28	29	29	30	31	32
Cleaning	9	12	14	17	21	22	23	23	24	25
Utilities	76	83	86	91	98	99	100	101	102	103
Sales and Marketing	50	52	42	44	45	46	48	49	51	52
General and Administrative	71	73	75	78	80	82	85	87	90	93
Insurance	33	34	35	36	37	38	39	41	42	43
Other Operating Expenses	27	28	29	30	32	33	34	34	35	36
Management Fee	34	43	56	67	80	82	84	86	88	91
Reserve For Replacement	19	25	31	38	45	46	47	48	49	51
Total Expenses	\$1,393	\$1,578	\$1,732	\$1,921	\$2,148	\$2,205	\$2,263	\$2,324	\$2,385	\$2,449
Net Operating Income	(\$519)	(\$433)	(\$322)	(\$236)	(\$133)	(\$141)	(\$149)	(\$158)	(\$167)	(\$176)

Source: HSP

It is projected that in the first year of operation, the convention center is projected to generate revenues of \$874,000 and incur approximately \$1.4 million in operating expenses, leaving a deficit of \$519,000. Once the building stabilizes after marketing and long-term bookings occur, we expect 2014 revenue of \$2.015 million and \$2.15 million in expense, leading to a deficit of less than \$141,000.

HOTEL RECOMMENDATIONS

In contemplating the appropriate hotel package for downtown, including the proposed convention center and improved Civic Arena, a number of items must be considered. These include:

- Ability to maximize business to the market and convention center without providing more supply than can be sustained in the market,
- Existing hotels in the proximate area,
- Walking distance to demand generators, such as a convention center,
- Available land; ownership of land,

Available buildings for re-use, and
Market strength.

There is currently a renovated 169-room Holiday Inn adjacent to the proposed site for the convention center. Our recommendation regarding hotels is either one hotel of 275 - 300 rooms, or two hotels totaling 200+ and 100+ rooms. If the Holiday Inn is the smaller of the two, then a new 200-room property with 15,000 square feet of net function space is recommended. If such a property is not realistic (or there is no room), then the Holiday Inn should be expanded to 200 rooms and another hotel developed of 100+ rooms.

If possible, would it be better for the hotel and the market if there were simply one property to accommodate all downtown and convention demand? This probably is not the best course of action, because it assigns too much risk to one property. While meeting planners would appreciate the single large room block, they also appreciate the option of not limiting their attendees' options to one property.

Is the hotel room count between two hotels recommended to be the same as one hotel? No. Generally, it is possible and recommended to have more rooms in two hotels than to have the same number of rooms in one large hotel. This provides both properties flexibility in booking various types of business yet provides a suitable room block for each.

There are some very real constraints given what is attempting to be created: a convention, arena and hotel package. Having an adjacent hotel or hotels is absolutely critical, so available land surrounding the proposed convention center is a must. In St. Joseph, this land is limited unless existing buildings are razed. The proposed convention center will take up the 1.5 blocks of surface parking available. After reviewing the options, there are no viable sites for a new full-service hotel of 200 rooms. This leaves several options:

Expand the Holiday Inn to 300 rooms.

Expand the Holiday Inn to 200+ rooms and develop a second hotel with 100+ rooms.

Again, given the available land, it is not likely the Holiday Inn could expand to 300 rooms, nor would we suggest it as the best option for the owners of the Holiday Inn or the market. However, there is some room on the site to add rooms and function space, although it is likely that structured parking could then be required. Adding a wing with 30-50 rooms is feasible, and additional function space could be added.

HSP and city officials, along with PGAV, have investigated the options for a new hotel and have determined that the redevelopment of the American Electric Building may be the best alternative for the second hotel. The building could be redesigned to accommodate as many as 130 rooms, which is a comfortable number of rooms for most branded hotels.

The figure below shows the American Electric Building.

Figure 1-2



The building is located north across the street from the proposed ballroom site of the convention center.

PGAV has undertaken a more detailed review of the building's properties to understand how a hotel might fit within it. The historic structure is very sound and has many rehabilitation opportunities. The assumed room count in the renovated structure is 130.

Sizing and Amenities

As discussed above, for a convention headquarters hotel to be effective it requires it having a block of rooms large enough to induce demand from groups that would be suitably sized for the convention center, along with the other convention hotels. We believe that within the two-hotel solution, the 210-room size is an achievable and appropriate development size for the expanded Holiday Inn and the 130-room hotel is appropriate for the American Electric Building. Anything larger would be a longer-term absorption burden to the proposed hotel and to the market. Anything smaller will not have the desired long-term group inducement effects and not help St. Joseph compete as well against peer convention markets from a room block perspective or single large hotel perspective.

Function Space

The function space at the hotels must support the hotel's room count but also should provide synergy with the space offered at the convention center and assist in inducing group demand.

Breakout meeting space has become more important over the years, as training sessions and other education elements related to corporate and association events have grown. St. Joseph could help to distinguish itself by offering more than its competitors in terms of breakout space. The hotels could also partner with the convention center and offer meeting rooms in the event that the convention center cannot provide enough. This could be a source of synergy for both. The suggested function space program and amenities for the properties are shown in the table below.

Table 1-11

Recommended Project Components				
Item	Expanded Holiday Inn		American Electric Hotel	
	Count	Unit	Count	Unit
Guest Rooms (Total)	210	Rooms	130	Rooms
Grand Ballroom	6,500	Square Feet	4,000	Square Feet
Meeting Rooms	3,000		1,600	
Board Room	500		500	
Parking	189	Spaces	117	Spaces
Three-meal Restaurant	50	Seats	35	Seats
Lobby Lounge/Bar	20		12	
Indoor Pool	Yes		Yes	
Fitness Center	Yes		Yes	
Concierge Desk	Yes		Yes	
Business Center	Yes		Yes	
Gift Shop	Yes		Yes	

Source: HSP

The amenities suggested are designed to help attract all segments of demand at a higher price point, and due to the fact that the collection of amenities does not exist elsewhere in the market. For example, room service is not always offered beyond 10PM at most hotels (if at all in St. Joseph), so having extended hours will help the hotels and St. Joseph compete for business.

PROJECTION OF OCCUPANCY AND AVERAGE DAILY RATE

The table below summarizes the projected performance of the American Electric Building hotel.

Table 1-12

Summary of Performance				
Year	Subject Occupancy	Average Daily Rate	Revenue per Available Room	Annual Increase
2010	59%	\$79	\$46	--
2011	66%	\$82	\$54	16%
2012	68%	\$84	\$57	7%
2013	70%	\$86	\$60	5%
2014	70%	\$89	\$62	3%

Source: HSP

The hotel set is projected to achieve a \$79 average rate in its first year with occupancy of 59 percent. We expect a four-year ramp-up to stabilization by which time the average rate and occupancy are expected to be \$89 and 70 percent respectively. Revenue per available room is projected to be \$46 in 2010 and increase to \$62 by 2014.

Forecast of Income and Expense

Understanding how the hotel will perform internally is as important to the feasibility as the external occupancy and rate projections. The financial projections are presented in the table below. PAR stands for 'per available room' and POR stands for 'per occupied room night.'

Table 1-13

Statement of Projected Operations: 130-Room St. Joseph Hotel - (in \$000, inflated)													
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10			
Room Count	130	130	130	130	130	130	130	130	130	130			
Available Room Nights	47,450	47,450	47,450	47,450	47,450	47,450	47,450	47,450	47,450	47,450			
Occupancy Rates	59%	66%	68%	70%	70%	70%	70%	70%	70%	70%			
Occupied Room Nights	27,834	31,397	32,474	33,095	33,198	33,198	33,198	33,198	33,198	33,198			
Average Daily Rate	\$79.19	\$81.53	\$83.97	\$86.39	\$88.95	\$91.62	\$94.36	\$97.19	\$100.11	\$103.11			
RevPAR	\$46.45	\$53.94	\$57.47	\$60.26	\$62.23	\$64.10	\$66.02	\$68.00	\$70.04	\$72.14			
Percent of Change from Prior Year	--	16.1%	6.5%	4.8%	3.3%	3.0%	3.0%	3.0%	3.0%	3.0%			
Revenue													
Rooms	\$2,204	65.3%	\$ 16,955	\$ 79.19	\$2,560	\$2,727	\$2,859	\$2,953	\$3,041	\$3,133	\$3,227	\$3,323	\$3,423
Hotel Food and Beverage	874	25.9%	\$ 6,721	\$ 31.39	1,025	1,104	1,179	1,217	1,254	1,291	1,330	1,370	1,411
Telephone	33	1.0%	\$ 255	\$ 1.19	39	41	44	45	46	48	49	51	52
Other Operated Departments	132	3.9%	\$ 1,018	\$ 4.76	154	165	175	180	186	191	197	203	209
Parking & Transportation	68	2.0%	\$ 526	\$ 2.46	79	84	90	92	95	100	102	104	112
Rentals and Other Income	66	2.0%	\$ 509	\$ 2.38	77	82	109	113	116	120	123	127	131
Hotel Revenue	\$3,378	100.0%	\$ 25,984	\$ 121.36	\$3,934	\$4,203	\$4,455	\$4,601	\$4,738	\$4,882	\$5,028	\$5,178	\$5,338
Expenses													
Rooms	\$606	27.5%	\$ 4,663	\$ 21.78	\$678	\$709	\$743	\$768	\$791	\$815	\$839	\$864	\$890
Hotel Food and Beverage	673	77.0%	\$ 5,175	\$ 24.17	779	839	884	913	940	969	998	1,027	1,058
Telephone	33	100.0%	\$ 255	\$ 1.19	39	41	44	45	46	48	49	51	52
Other Operated Departments	7	5.0%	\$ 51	\$ 0.24	8	8	9	9	9	10	10	10	10
Parking & Transportation	16	24.0%	\$ 126	\$ 0.59	19	20	22	18	19	20	20	21	22
Rent and Other Income	3	5.0%	\$ 25	\$ 0.12	4	4	5	6	6	6	6	6	7
Hotel Expenses	\$1,338	39.6%	\$ 10,295	\$ 48.08	\$1,527	\$1,622	\$1,707	\$1,759	\$1,812	\$1,866	\$1,922	\$1,980	\$2,040
Departmental Operating Income	\$2,040	60.4%	\$ 15,689	\$ 73.28	\$2,407	\$2,581	\$2,748	\$2,842	\$2,927	\$3,016	\$3,106	\$3,199	\$3,298
Undistributed Operating Expenses													
Administrative and General	\$280	8.3%	\$ 2,157	\$ 10.07	\$307	\$319	\$334	\$345	\$355	\$366	\$377	\$388	\$400
Marketing	\$206	6.1%	\$ 1,585	\$ 7.40	\$224	\$235	\$245	\$253	\$261	\$269	\$277	\$285	\$294
Chain Services (% GRR)	\$98	2.9%	\$ 754	\$ 3.52	\$114	\$122	\$129	\$133	\$137	\$142	\$146	\$150	\$155
Utility Costs	\$162	4.8%	\$ 1,247	\$ 5.83	\$181	\$189	\$200	\$207	\$213	\$220	\$226	\$233	\$240
Property Operations and Maintenance	\$176	5.2%	\$ 1,351	\$ 6.31	\$205	\$219	\$232	\$239	\$246	\$254	\$261	\$269	\$278
Total	\$922	27.3%	\$ 7,094	\$ 33.13	\$1,031	\$1,084	\$1,141	\$1,178	\$1,213	\$1,250	\$1,287	\$1,326	\$1,367
Gross Operating Profit	\$1,117	33.1%	\$ 8,595	\$ 40.14	\$1,377	\$1,497	\$1,608	\$1,664	\$1,714	\$1,766	\$1,819	\$1,873	\$1,932
Selected Fixed Charges													
Property Taxes	\$128	3.8%	\$ 987	\$ 4.61	\$149	\$160	\$169	\$175	\$180	\$186	\$191	\$197	\$203
Insurance	47	1.4%	\$ 364	\$ 1.70	51	50	53	55	57	59	60	62	64
Total	\$176	5.2%	\$ 1,351	\$ 6.31	\$201	\$210	\$223	\$230	\$237	\$244	\$251	\$259	\$267
Income Before Management Fees	\$942	27.9%	\$ 7,244	\$ 33.83	\$1,176	\$1,287	\$1,385	\$1,434	\$1,477	\$1,522	\$1,567	\$1,614	\$1,665
Management Fee	101	3.0%	\$ 780	\$ 3.64	118	126	134	138	142	146	151	155	160
Income after Management Fees	840	24.9%	\$ 6,465	\$ 30.19	1,058	1,161	1,251	1,296	1,335	1,376	1,417	1,459	1,505
Reserve for Replacement	\$68	2.0%	\$ 520	\$ 2.43	\$118	\$147	\$178	\$184	\$190	\$195	\$201	\$207	\$214
Project Net Operating Income	\$773	22.9%	\$ 5,945	\$ 27.77	\$940	\$1,014	\$1,073	\$1,112	\$1,145	\$1,180	\$1,215	\$1,252	\$1,291

Source: HSP

The property is projected to generate a total of \$3.38 million in gross revenue in 2010, consisting of \$2.2 million in room revenue and \$874,000 in food and beverage revenue. After direct and indirect expenses are accounted for, net operating income available to repay debt and equity requirements is projected to be \$773,000. As the hotel gains occupancy, the net operating income is projected to increase to \$1.07 million in 2014.

HOTEL CAPITAL BUDGET ANALYSIS

In order to accurately assess how the proposed Hotel might be funded, it is important to understand the capital requirements for the project. As discussed earlier in this report and in the following chapter, the reason the public sector has been active in assisting the financing and development of downtown and convention hotels is due to their high relative cost. This is caused by:

the outsized amount of ballroom, meeting and function space compared to most full-service hotels, including loading and elevation to accommodate said spaces,

significant food and beverage space and equipment,

the urban location requiring vertical, rather than horizontal construction, including multiple and higher elevators and escalators,

compact, efficient, and structured parking, and

group loading/unloading zones, separate check-in/out, and larger lobby.

In this case, the historic structure will add one-time and ongoing costs associated with the building, which would not be found in a prototypical new-build situation. With that in mind, this section will discuss current hotel construction data.

Based on information presented here and tempering for the historic re-use, the estimated development cost is shown in the table below.

Table 1-14

Estimated Development Cost for American Electric Hotel		
	Amount	Per Room
Land/ Buildings	\$725,000	\$5,577
Building & Site Improvements	\$9,880,000	\$76,000
Soft Costs	\$1,690,000	\$13,000
FF&E	\$2,080,000	\$16,000
Pre-Opening & Working Capital	\$455,000	\$3,500
Total	\$14,830,000	\$114,077
Interest Carrying Costs	\$1,483,000	\$11,408
Grand Total	\$16,313,000	\$125,485

Source: HSP

Based on an appraisal of the building, it is assumed that the acquisition cost for the building is \$725,000. The total estimated development cost for the project is \$16.3 million, or \$125,500 per room. This could increase or decrease based upon the modifications needed in the building. It is possible that build-out costs could be reduced significantly as the condition of the structure appears to be sound.

RETURN ON INVESTMENT AND FINANCING ANALYSIS

This section focuses on how the total development can be financed by a private developer and the resulting gap after solving for debt and equity requirements.

HSP has experience in numerous hotel financings and our analysis of hotel finance is based directly on how the private sector is developing such deals and how the “gap” or public participation is determined.

Financing Assumptions

In order to assess the potential financing scenarios for the Hotel, an analysis was conducted of the income available to pay debt service and repay equity investments. Based on the financing and return requirement needs of banks and investors, the following assumptions were made:

Borrower has excellent credit and the ability to back a loan of \$10 million.

Debt coverage ratio of 140 percent or 1.4 times debt service in all years via net operating income.

Minimum three-year, per-year average return on equity of ten percent, and a ten-year return averaging more than 15 percent,

Loan: Construction/Mini-perm loan of 2 years plus 3 years, amortized over 25 years. Interest rate of 150 basis points over LIBOR, or 6.8 percent. Converts to a conventional loan with interest rate of 6.3 percent in fourth year of operation.

Project costs as shown.

When the amounts to support equity and debt requirements are not enough to cover the cost of the project, then other sources must be found to fund the gap. In this case, funds from a TIF district may be available. This analysis looks at need for such funds.

The table below shows the financing assumptions related to the 130-room hotel.

Table 1-15

Financing Assumptions - 130-Room St. Joseph American Electric Hotel

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Net Operating Income	\$0	\$0	\$773	\$940	\$1,014	\$1,073	\$1,112	\$1,145	\$1,180	\$1,215	\$1,252	\$1,291	\$10,995
Interest and Debt Reserve W/D	\$322	\$482	\$350	\$175	\$100	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,429
	\$322	\$482	\$1,123	\$1,115	\$1,114	\$1,073	\$1,112	\$1,145	\$1,180	\$1,215	\$1,252	\$1,291	\$12,424
Debt Service Payment	(\$322)	(\$482)	(\$798)	(\$798)	(\$798)	(\$722)	(\$722)	(\$722)	(\$722)	(\$722)	(\$722)	(\$722)	(\$8,255)
Net Income to Repay Equity	\$0	\$0	\$324	\$316	\$315	\$351	\$390	\$423	\$458	\$493	\$529	\$569	\$4,170
Princ. Amount***	\$4,750	\$7,125	\$9,500	\$9,345	\$9,179	\$9,000	\$8,842	\$8,674	\$8,496	\$8,306	\$8,105	\$7,891	\$87,339
Interest	\$322	\$482	\$643	\$633	\$621	\$564	\$554	\$544	\$533	\$521	\$508	\$495	\$5,616
Less Payment	(\$322)	(\$482)	(\$798)	(\$798)	(\$798)	(\$722)	(\$722)	(\$722)	(\$722)	(\$722)	(\$722)	(\$722)	(\$7,451)
Loan Balance	\$4,750	\$7,125	\$9,345	\$9,179	\$9,002	\$8,842	\$8,674	\$8,496	\$8,306	\$8,105	\$7,891	\$7,664	\$85,504
Assumptions													Refi
Loan Amount (\$000's)	\$9,500												\$9,000
Amortization Period (Years)	25												25
Loan Interest Rate	6.8%												6.3%
Annual Debt Service Payment (\$000's)	(\$798)												(\$722)
Equity:													
Developer's Equity (\$000's)	\$2,750												17%
Private Debt	\$9,500												58%
Total Private Financing	\$12,250												75%
Public Contribution	\$4,063												25%
Project Amount (\$000's)	\$16,313												100%
Debt (Private) Coverage Ratio			1.41	1.40	1.39	1.49	1.54	1.59	1.63	1.68	1.73	1.79	
Return on Private Equity*			11.8%	11.5%	11.5%	12.8%	14.2%	15.4%	16.7%	17.9%	19.3%	20.7%	
Return on Assets**			4.7%	5.8%	6.2%	6.6%	6.8%	7.0%	7.2%	7.5%	7.7%	7.9%	

*On developer's equity only.
 **On project cost.
 ***Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2

Source: HSP

In this scenario, with a total development cost of \$16.3 million, it is projected that the hotel would support \$9.5 million in private debt, or 58 percent of cost, at a 1.4+ times coverage ratio. We have assumed that a \$1.4 million debt service and interest reserve fund is included in the total funding, as previously discussed. The remaining amount supports a \$2.75 million equity investment, which will repay an average of 11.6 percent during the first three years (not including developer's fee), and 15 percent over the first ten years of the project.

The amount remaining to be funded by other sources is \$4.1 million.

ECONOMIC AND FISCAL IMPACTS

HSP conducted an economic, employment and fiscal analysis of the proposed convention center and hotel development to understand the "net new" spending and impacts on the local economy from the project. Redistributed economy activity was not considered, only the new dollars flowing to the community.

The following table shows the assumptions of event length and visitor origin, adjusted to reflect the St. Joseph market. The table also shows the assumptions used for estimating the number of room nights generated from the Center events. It is estimated that most room night demand will come from the out-of-City visitors who would stay overnight in the area and require lodging accommodations.

Table 1-16

Projected Number of Room Nights Generated from Convention Center in Stabilized Year							
Type of Event	# of Attendees	% of Attendees from Out of City	Average Event Length	Average Length of Stay	Total Person Days	Total Out of City Person Days	Total Room Nights
Conventions, Conferences and Trade Shows	7,543	68%	3.1	1.8	30,624	20,824	6,130
Consumer Shows	6,600	8%	3.0	0.3	24,750	1,980	1,000
Corporate Events	8,400	33%	1.3	0.8	12,600	4,158	1,630
Banquets	26,838	25%	1.1	1.0	37,189	9,297	1,680
Meetings Room Events	11,040	25%	1.6	1.4	18,977	4,744	280
Total	60,420				124,141	41,004	10,720

Source: HSP

The number of attendees, in combination with length of stay in the local market, represents the two primary indicators of event impacts. Accordingly, HSP, drawing on prior experience in similar markets, developed estimates of local and non-local person-days.

The number of person-days by type is determined by the number of projected attendees, the average length of stay, and their origin. The following table shows these estimates, as well as the number of room nights generated

Table 1-17

St. Joseph Convention Center Estimate of Person-Days and Room Nights in Stabilized Year						
	# of Attendee & Spouse Days	# of Exhibitor Days	Total Visitor Days	Local	Outside City	# of Room Nights
Conventions and Trade Shows	18,399	3,340	21,739	6,956	14,782	6,130
Consumer Events	2,475	990	3,465	3,188	277	1,000
Corporate Events	8,400	900	9,300	6,231	3,069	1,630
Ballroom Events	26,800	0	26,800	20,100	6,700	1,680
Meeting Room Events	17,936	0	17,936	13,452	4,484	280
Total	74,009	5,230	79,239	49,927	29,312	10,720

Source: HSP

As shown in the table, events at the facility are estimated to generate approximately 50,000 local person-days and 29,000 person-days from out-of-City visitors. In the stabilized year, these visitors are estimated to generate 10,720 room nights. The total number of room nights used at the new hotel are not included as it is assumed these are not all attributable to the convention center.

Economic Impact Analysis

The next table shows the estimated economic impact of the Convention Center. HSP utilized the IMPLAN input-output model to estimate indirect and induced impacts. IMPLAN is a nationally recognized model commonly used to estimate economic impacts. An input-output model analyzes the commodities and income that normally flow through the various sectors

of the economy. The indirect and induced spending and employment effects represent the estimated changes in the flow of income and goods caused by the direct spending associated with the enhanced facilities.

Table 1-18

Summary of Annual Spending (\$000s, 2014)	
	Total New Direct Spending in city
Spending Inside Convention Center	\$2,015
Spending from Overnight Visitors*	\$2,729
Spending from Day Visitors*	\$534
Total Direct Spending New to City	\$5,278
Indirect Spending	\$1,062
Induced Spending	\$1,493
Total Economic Activity Due to Convention Center	\$7,833
Personal Income	\$1,978
Employment (in FTE)	72
* Only includes visitors from outside St. Joseph; does not include transfer spending	
Source: HSP	

As shown in the table, HSP projects that in the stabilized year of operation, the Convention Center is estimated to generate approximately \$5.3 million in total new direct, indirect, and induced spending to the City. Personal income in the City is projected to increase by \$2 million and full-time-equivalent City employment is projected to increase by 72 due to the activity and spending associated with it.

Fiscal Impact Analysis

Fiscal impacts are tax revenues that result from the spending and income related to the activities at the Convention Center. This analysis estimates fiscal impacts for the governmental units that levy taxes in the jurisdiction. Like the annual spending estimates on which they are based, fiscal impacts are based on spending generated in the stabilized year of operation, and only apply to local taxes.

The fiscal impacts are the public sector’s return on investment. Fiscal impacts provide a partial offset to the capital and operating expenditures required to support the development of the facility. Although the incremental tax revenues cannot be expected to pay for a publicly-funded project in full, fiscal impacts are important because they improve the ability of the public sector to pay for the project. The overall economic impacts, including the fiscal impacts, provide a rationale for public participation in a project.

The table below summarizes the *annual* fiscal impact estimates from City taxes only from the net new spending (not total spending). Total spending fiscal impacts are discussed in the financing analysis.

Table 1-19

Annual Fiscal Impacts from Net New Spending (2014)		
	Rate	Tax Generated
General City Sales Tax	1.500%	\$48,949
Mass Transit Sales Tax	0.150%	\$4,895
County Sales Tax	0.500%	\$16,316
County Tourism Sales Tax	0.100%	\$3,263
State Sales Tax	4.225%	\$137,872
Hotel Motel Tax	11.000%	\$104,949
Source: HSP		

As the table shows, there are a variety of taxes that will be impacted by the net new economic activity from the Convention Center, although many are non-City taxes. The General City Sales Tax is projected to increase by nearly \$50,000 annually from the net new spending associated with the Convention Center. It is not expected that property taxes will increase due to the Convention Center, however, new property taxes are projected to be generated from the recommended hotel and expanded Holiday Inn hotel. As these would lessen the tax burden on the rest of the City parcels and not justify an increase or decrease in total tax burden, the result for the City is projected to be net zero.

The City is likely to incur expenses related to providing services to the improved facilities that are not estimated in this analysis. These expenses include police, fire protection, emergency medical services, traffic control, street maintenance, sanitation, and other ongoing operating expenses required to maintain the environment around the facility. While many of these costs are charged back to facility users, inevitably these costs would, to some extent, decrease the overall fiscal benefit to the public sector.

Construction Impact

In addition to the ongoing impacts from the operation of the facilities, the Convention Center and new hotel would create a one-time influx of spending. The construction spending also results in employment in many sectors of the local economy.

The table below shows the estimated cost of the Convention Center and the new hotel.

Table 1-20

Development Cost Estimate	
Hotel	\$16,313,000
Convention Center	<u>\$32,100,000</u>
Total Development Cost	\$48,413,000
Materials	\$19,365,200
Labor	<u>\$29,047,800</u>
Total Development Cost	\$48,413,000
Source: HSP	

It is estimated that the hotel will cost \$16.3 million to develop and the Convention Center will cost approximately \$32.1 million, for a total of \$48.4 million. Materials are projected to account for \$19.4 million and labor is projected to account for \$29.0 million. The expansion of the Holiday Inn is not assumed in this analysis.

Based on a \$48.4 million development cost, the table below shows the total direct spending and the estimated indirect and induced impacts that the project would generate to the local economy.

Table 13-21

Development Impact	
Direct Spending in St. Joseph	\$33,889,100
Indirect Spending in St. Joseph	\$6,817,526
Induced Spending in St. Joseph	<u>\$9,589,007</u>
Total Spending in City	\$50,295,633
Increased Income in St. Joseph	\$12,701,960
Job-Years Created	289
Source: HSP	

As shown on the table, construction activity is projected to account for total direct, indirect, and induced spending of \$50.3 million, increased City earnings of \$12.7 million, and 289 job-years. Because construction is a one-time event rather than an ongoing operation, these jobs are counted in “job-years” each representing one-year of work for one person.

FINANCING ANALYSIS

Based on discussions with City representatives, tax specialists, state economic development officials, and research conducted with PGAV, HSP has identified five possible financing opportunities potentially available for the Projects.

The five financing tools to be analyzed include:

- Community Improvement District (CID);
- Missouri Downtown Economic Stimulus Act (MoDESA);
- Missouri Downtown Economic Stimulus Act Light (MoDESA Light);
- Tax Increment Financing (TIF);
- Hotel Occupancy Tax.

The solution with the largest financial impact for the project appears to be a combination of MoDESA financing (via either full MoDESA or MoDESA Light), application of a one percent CID sales tax, application of the “second half” of the City’s sales tax, and an increase of the hotel tax by five percent.

The table below shows how all of these would generate more than \$25 million over 25 years from only the hotel and convention center’s financial activity.

Table 1-22

Calculation of All Revenue Sources Available from Convention Center & Hotel									
Source	Effective Rate	Amount Committable	2010	2015	2020	2025	2030	2034	Total
State Income Tax	5.069%	2.534%	\$43,695	\$58,911	\$68,330	\$79,214	\$91,830	\$103,356	\$1,841,540
Sales Tax									
State	4.225%	2.113%	\$87,824	\$140,498	\$161,928	\$187,719	\$217,618	\$244,931	\$4,327,465
County Tourism	0.100%	0.050%	\$2,079	\$3,325	\$3,833	\$4,443	\$5,151	\$5,797	\$102,425
Capital Improvements*	0.250%	0.125%	\$5,197	\$0	\$0	\$0	\$0	\$0	\$18,264
Law Enforcement**	0.250%	0.125%	\$5,197	\$0	\$0	\$0	\$0	\$0	\$6,748
County (Buchanan)	0.500%	0.250%	\$10,393	\$16,627	\$19,163	\$22,215	\$25,754	\$28,986	\$512,126
Mass Transit	0.150%	0.075%	\$3,118	\$4,988	\$5,749	\$6,665	\$7,726	\$8,696	\$153,638
City (St. Joseph)	1.500%	0.750%	\$31,180	\$49,881	\$57,489	\$66,646	\$77,261	\$86,958	\$1,536,378
St. Joseph Second Half Sales Tax	1.500%	0.750%	\$31,180	\$49,881	\$57,489	\$66,646	\$77,261	\$86,958	\$1,536,378
Property Tax (Hotel Only)	8.0899%	8.0899%	\$194,229	\$272,444	\$316,171	\$366,529	\$424,908	\$478,237	\$8,510,278
Hotel Tax	5.0000%	5.0000%	\$110,206	\$152,073	\$176,294	\$204,373	\$236,925	\$266,661	\$4,751,386
CID Sales Tax Assessment***	1.000%	1.0000%	\$41,573	\$66,508	\$76,652	\$88,861	\$103,014	\$115,944	\$2,048,504
Total			\$565,870	\$815,137	\$943,100	\$1,093,311	\$1,267,447	\$1,426,523	\$25,345,132

* Expires end of 2012
 ** Expires 3/31/11
 *** Assumes 1.0%
 Source: HSP

The amounts generated from the funding sources are projected to begin at \$566,000 in 2010 and increase to \$1.4 million in 2034. These amounts could buy down the cost of the convention center, assist with the financing of the hotel, and/or cover the operating deficit at the building. While the total amount generated will not provide for all three items, the taxing options can cover much of the project’s cost.

ST. JOSEPH DESTINATION, ECONOMIC & DEMOGRAPHIC ANALYSIS

Local market area characteristics influence the demand potential for sports, convention and meeting facilities. This section profiles the metropolitan area and characteristics of the area that affect the meeting, sport, convention, and hotel industries. The chapter also provides a brief overview of the economic characteristics of the market.

Overview

St. Joseph, Missouri lies approximately 35 miles north-northwest of Kansas City. It is part of the four-county St. Joseph Metropolitan Statistical Area (MSA), which includes Andrew, Buchanan, DeKalb and Doniphan Counties. The 2006 estimated population the City of St. Joseph was approximately 73,000 people, with an Metropolitan Statistical Area (MSA) estimate of 122,000.

The figure below shows St. Joseph in relation to its region.

Figure 2-1



Regional Access

St. Joseph is located on the western edge of Missouri along the Missouri River, which separates Missouri and Kansas. St. Joseph is easily accessible by plane from Kansas City International Airport, located approximately 35 miles to the south. The most direct route connecting St. Joseph to Kansas City is Interstate 29. Interstate 29 runs along the east side

of St. Joseph, while I-229 runs along the city to the west. Route 36 runs through St. Joseph east to Springfield, Illinois and west through Kansas.

Airport Access

The primary airport serving St. Joseph is the Kansas City International Airport, which served ten million passengers in 2006, a 2.1 percent increase from the previous year. There are 30 airlines serving the airport. The Rosecrans Memorial Airport is home to Missouri's Air National Guard, the 139th Airlift Wing and is used for private aircraft. It has not been used for commercial travel since 1959.

Economic and Demographic Overview

The following text and tables summarize important characteristics of the local market, as defined by various geographical regions, including the City of St. Joseph and the St. Joseph MSA. These characteristics will help to define the strength of the market and will support the demand projections developed later in this report.

Population

A strong population base is important to the success and demand of a civic center/convention center because a share of its users will be local residents and those who visit these residents. Table 2-1 shows the population characteristics of the city, state and region in 1990 and 2000 through 2006.

Table 2-1

St. Joseph, MO State and Regional Population Characteristics				
	Population			Percent Change
	1990	2000	2006	1990-2006
US	248,709,873	281,421,906	299,398,484	16.9%
Regional (MO, KS, NE)	9,173,032	9,994,892	10,375,119	11.6%
Missouri	5,117,073	5,595,211	5,842,713	12.4%
Kansas	2,477,574	2,688,418	2,764,075	10.4%
Nebraska	1,578,385	1,711,263	1,768,331	10.7%
St. Joseph MSA	116,008	123,968	121,811	4.8%
St. Joseph (City)	71,852	73,990	72,661	1.1%

Source: HSP, US Census Bureau

Missouri's population has increased by 12.4 percent from 1990 to 2006, outpacing the region by nearly one percent. The St. Joseph MSA has increased 4.8 percent over the past 16 years. However, the City of St. Joseph has shown slower growth at 1.1 percent. During the 1990s St. Joseph saw an increase in population but from 2000 to 2006 the population in St. Joseph has declined by 1.2 percent.

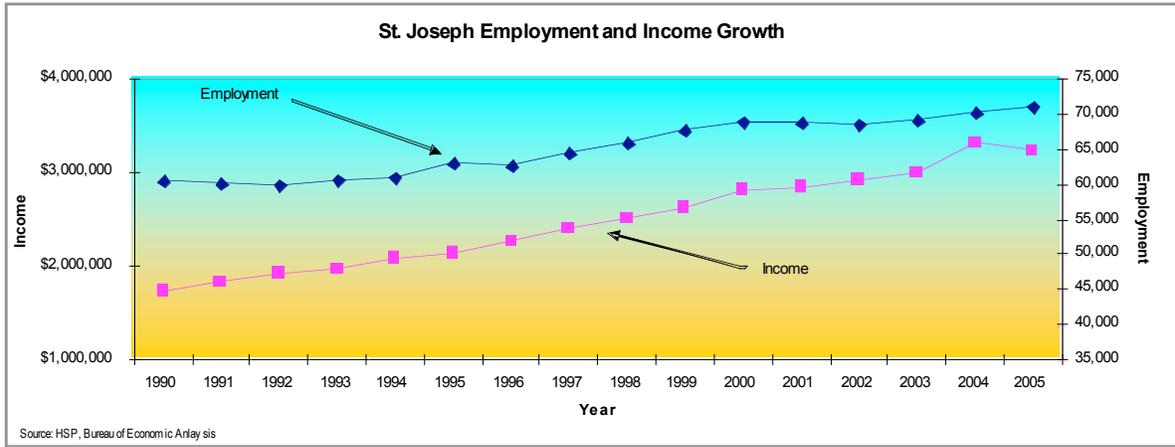
Income and Employment

Markets with higher income demographics are more attractive regionally and nationally for civic center and convention center services. The likelihood of quality facilities is directly tied to the capacity of the public sector to provide amenities to support quality of life locally and economic growth regionally. Less wealthy markets will have less disposable income available to spend on special events and would be expected to provide a lower level of local demand for such a facility. Indicators of a market's overall wealth and growth can include trends in its income and employment.

A healthy and diversified economy provides employment and disposable income for a market's residents and tends to insulate an area from economic downturns. Markets that historically have relied on one sector, such as manufacturing, often have had difficulty recovering from market shifts to other sectors that lead to an overall loss of local income and employment.

Figure 2-2 summarizes the historical growth in income and employment in the St. Joseph area from 1990 through 2005, based on the latest data provided by the Bureau of Economic Analysis.

Figure 2-2



Each year from 1990 to 2000, income increased at an average rate of 4.7 percent and employment increased at an average rate of 1.3 percent. Since 2000, the rate of growth of both income (an average rate of 2.6 percent) and employment (an average rate of 0.6 percent) has slowed but has continued to increase.

Table 2- below shows the 2005 levels of employment by sector for the St. Joseph MSA.

Table 2-2

Employment by Category (2005)	
Sector	Percent St. Joseph MSA
Government	17.1%
Other Services	14.1%
Retail Services	13.7%
Manufacturing	11.7%
Education & Health Services	11.2%
Leisure & Hospitality	8.9%
Construction	7.2%
Trade, Information, Transportation & Utilities	7.1%
Financial Industry	5.3%
Real Estate and Renting Services	3.2%
Professional and Management Services	0.6%
Average	100%

Source: Bureau of Economic Analysis

Government is the largest source of jobs in the St. Joseph MSA, with one of six jobs related to government. Other services and retail services together make up nearly 28 percent of employment, while manufacturing jobs only account for 11.7 percent. Job categories with the highest incomes are represented the least in the MSA, such as professional and management services, with us 0.6 percent of jobs in this category.

Unemployment

Table 2-3 below shows the unemployment rate for the MSA in comparison to the national rate for 1990, 2000 and 2006. Although the St. Joseph MSA unemployment rate in 1990 was higher than the U.S. rate, the MSA rate in 2000 fell below the national rate, and in 2006 the MSA and national rates were the same. A shift from manufacturing to warehouse distribution centers and a growing life science industry have contributed to the lower unemployment rate. Metropolitan areas such as St. Joseph, with relatively balanced economies, tend to weather economic downturns better and have unemployment rates that generally mimic or are better than the U.S. level.

Table 2-3

Unemployment Rates		
Year	St. Joe MSA Rate	US Rate
1990	6.5%	5.6%
2000	3.4%	4.0%
2006	4.6%	4.6%

Source: Bureau of Labor Statistics

The MSA rate for 2006 would be considered a low rate of unemployment and signify what economists consider to be “full employment.”

Income

Residents’ effective buying income also helps to demonstrate the amount of disposable income that is available locally, and this data is shown in Table 2-4.

Table 2-4

Effective Buying Income (EBI) 2005				
	St. Joseph, MO-KS MSA	City of St. Joseph	State of Missouri	United States
Total EBI (000)	\$1,504,878	\$1,116,260	\$104,194,101	\$5,692,909,567
Median Household EBI	\$33,457	\$31,795	\$35,800	\$39,324
% of Households by EBI Group				
Under \$20,000	26.0%	28.0%	23.4%	21.5%
\$20,000-\$34,999	26.8%	27.7%	25.4%	22.5%
\$35,000-\$49,999	20.5%	19.2%	19.6%	19.3%
\$50,000+	26.7%	25.1%	31.6%	36.7%

Source: Sales and Marketing Management

As is shown in the table, the total effective buying income (EBI) for the St. Joseph, MO-KS MSA is \$1.5 billion, and the EBI for the City of St. Joseph alone is \$1.1 Billion. The median household EBI in the City of St. Joseph is nearly \$32,000, behind the median of the MSA, which is approximately \$33,500. The average EBI for both the City and MSA lag the state and the nation.

Corporate Presence

In general, a market's corporations will provide event demand for a civic centers and convention centers, as they continually hold off-site meetings, training sessions, banquets, and other events. Table 2-5 shows the largest employers in the city, by number of full-time employees.

Table 2-5

St. Joseph Largest Employers		
Company	Employees	Industry
Triumph Foods LLC	2,450	Food Processing
Heartland Health	2,259	Health Care
School District of St. Joseph	1,546	Education
Altec Industries	825	Manufacturing
American Family Insurance	775	Financial
Western Reception Diagnostic	642	Government
City of St. Joseph	621	Government
Sara Lee Foods	609	Food Processing
Boehringer Ingelheim Vetmedica	607	Pharmaceuticals
Systems and Services Technologies	560	Financial
Johnson Controls	554	Automotive
Missouri Western State University	550	Education
Wire Rope Corporation of America	535	Manufacturing
Wal-Mart	509	Retail

Source: HSP, St. Joseph EDC

Triumph Foods is the largest employer in St. Joseph with 2,450 employees, followed by Heartland Health, with nearly 2,300 employees. The largest employers are diversified across a variety of industries.

Higher Education

The presence of colleges, universities, and educational institutions can serve not only as a demand base for meeting facilities, but also a source of event demand. Table 2-6 shows the academic institutions in St. Joseph.

Table 2-6

Colleges and Universities	
Institution	Enrollment
Missouri Western State University	5,089
Vatterott College	622
Total Enrollment	5,711

Source: HSP, uscollegesearch.org

Missouri Western State University is the largest four-year university in the area, with nearly 5,100 students.

St. Joseph Meeting Facilities

Meeting facilities are important as they draw groups to the local areas that often use one or more hotels. They also provide competition yet also support space to a potential convention facility. The table below shows the available meeting space in St. Joseph.

Table 2-2

	St. Joseph Meeting Space				Number of Meeting Rooms	Largest Meeting Room (SF)	Total Meeting Room Space (SF)	Total Function Space (SF)
	Largest Exhibit Hall (SF)	Total Exhibit Hall Space (SF)	Largest Ballroom (SF)	Total Ballroom Space (SF)				
St. Joseph Civic Arena	19,000	19,000	--	--	4	1,000	4,000	23,000
Holiday Inn Riverfront	--	--	4,050	4,050	7	1,350	6,514	10,564
Ramada Inn	--	--	6,400	6,400	4	644	1,694	8,094
Stoney Creek Inn	--	--	5,636	5,636	7	1,058	3,678	9,314
Drury Hotel	--	--	--	--	4	756	2,097	2,097

Source: Mpoint.com

The largest facility in St. Joseph is the St. Joseph Civic Arena that has a 19,000-square foot arena floor and four meeting rooms, each of 1,000 square feet. The Holiday Inn, across the street from the Civic Arena, is the largest hotel with meeting space in St. Joseph, with 10,564 square feet of total function space. The Stoney Creek Inn also has just over 9,000 square feet of meeting space. The Ramada Inn is the third largest hotel with meeting space of 8,094 square feet and competes with the Holiday Inn.

Other locations that have meeting space include Terrible’s St. Jo Frontier Casino, with a 2,400-square foot ballroom; Albrecht-Kemper Museum of Art, with a large meeting room that accommodates 144 people and smaller rooms with a maximum capacity of 280; the Missouri Theater, with seating capacity of 1,217; and Missouri Western State University, with a variety of meeting space amongst its facilities, including the arena that seats 2,500-5,000.

Local Attractions and Events

Tourism is a driver of overnight demand for many cities and St. Joseph is no exception. St. Joseph has many attractions and events that generate demand. Some of the area’s primary attractions are as follows:

Albrecht-Kemper Museum of Art – houses art collections from the 18th, 19th, and 20th centuries. The museum also offers art classes to children and adults.

Glore Psychiatric Museum – provides exhibits concerning mental illness and the treatment of the disease throughout history.

Jesse James Home Museum – The house where Jesse James was shot and killed. The museum also contains artifacts from Jesse’s grave after he was exhumed in 1995.

Missouri Theater – is a 1,200-seat theater decorated in a Hollywood-Oriental style. Built in 1927 as a movie palace, the Missouri Theater is now a center for performing arts.

National Military Heritage Museum – Serves as a tribute to all armed forces from 1800 to the present.

Pony Express National Museum – celebrates the famous overland horseback mail service that began in St. Joseph on April 3, 1860. The exhibits illustrate the need, creation, operation and termination of the Pony Express.

Terrible St. Jo Frontier Casino – This Las Vegas-style casino features Blackjack, Craps, Three Card Poker, Pairs Plus, Video Poker, Roulette & Slot Machines. It located along the Missouri River west of downtown.

Sally Rand Museum/Bernard House 1877 - is dedicated to the Missouri native who had a career in the performing arts spanning 50 years. She appeared in silent films and was the inventor of the fan dance. The museum's home is located inside the historic Barnard House 1877.

Hotels

The presence of hotels in the market is necessary to accommodate overnight travelers. The following table lists such facilities.

Table 2-8

St. Joseph Hotels	
Hotel	Rooms
Holiday Inn	169
Ramada Inn	161
Drury Inn	143
Stoney Creek Inn	129
Motel 6	117
Days Inn	100
Comfort Suites	65
Hampton Inn	60
Super 8	54
Best Western Classic Inn	52
Farris truck Stop Motel	24
Total	1,074

Source: St. Joseph CVB

The largest hotel in St. Joseph is the Holiday Inn, located downtown, with 169 rooms. St. Joseph lacks a large headquarters hotel that would serve a convention center, or multiple full-service hotels within walking distance of any location that would service a convention center.

Projects and Development

Current development in the St. Joseph metropolitan area include a \$10 million expansion of Riverside Road, continued retail development of the Shoppes of North Village and Tuscany Village, new offices constructed for American Family Insurance, and new residential construction in the northeast section of the city.

Market Area Conclusion

St. Joseph's economic and demographic characteristics are not robust, however, the downtown has a number of assets from which convention-based tourism could build. The historic character of downtown combined with several bars and restaurants, the improved Holiday Inn, Civic Arena, and Missouri Theater provide the beginnings of a downtown that could compete to host small local, state and regional events. The balance of this report speaks to the improvements suggested for the arena, and the recommendations for a convention center and hotel package to spur additional downtown visitation.

REVIEW OF EXISTING ARENA FACILITY, DEMAND AND LOST BUSINESS

The St. Joseph Civic Arena (SJCA) was built in 1980 and covers an entire city block in downtown St. Joseph. It is bounded by 3rd and 4th Streets, as well as Felix and Francis Streets. The facility is generally a basic building, with few of the amenities found in new arenas, such as suites, club seats, dedicated meeting facilities, upscale food and beverage options, multiple concession points of sale, and adequate bathrooms. The facility is owned by the City of St. Joseph and managed by the Parks and Recreation Department. There are no anchor sports franchises that call the SJCA home.

As the focus of this report pertains to the ability to host meetings, conventions and other group events, event space is viewed on its ability to host such events. The St. Joseph Civic Arena currently consists of an arena floor and four meeting rooms. The table below shows the detail of the function space.

Table 3-1

Current St. Joseph Civic Arena	
Exhibit Space	
Arena Floor	19,000 SF
Total	19,000 SF
Meeting Space	
Meeting Room 1	1,000 SF
Meeting Room 2	1,000
Meeting Room 3	1,000
Meeting Room 4	1,000
Total	4,000 SF
Total Function Space	23,000 SF
Source: St. Joseph Civic Arena	

The arena floor is 19,000 square feet and is surrounded by 2,290 permanent seats. There are also four meeting rooms, each 1,000 square feet. The facility has an additional 1,512 portable seats that may be set up on the arena floor for a variety of configurations and capacities:

- Concerts: 5,000 (includes floor seating)
- Basketball: 3,742
- Boxing: 4,274
- Circus: 3,000
- Soccer: 3,100

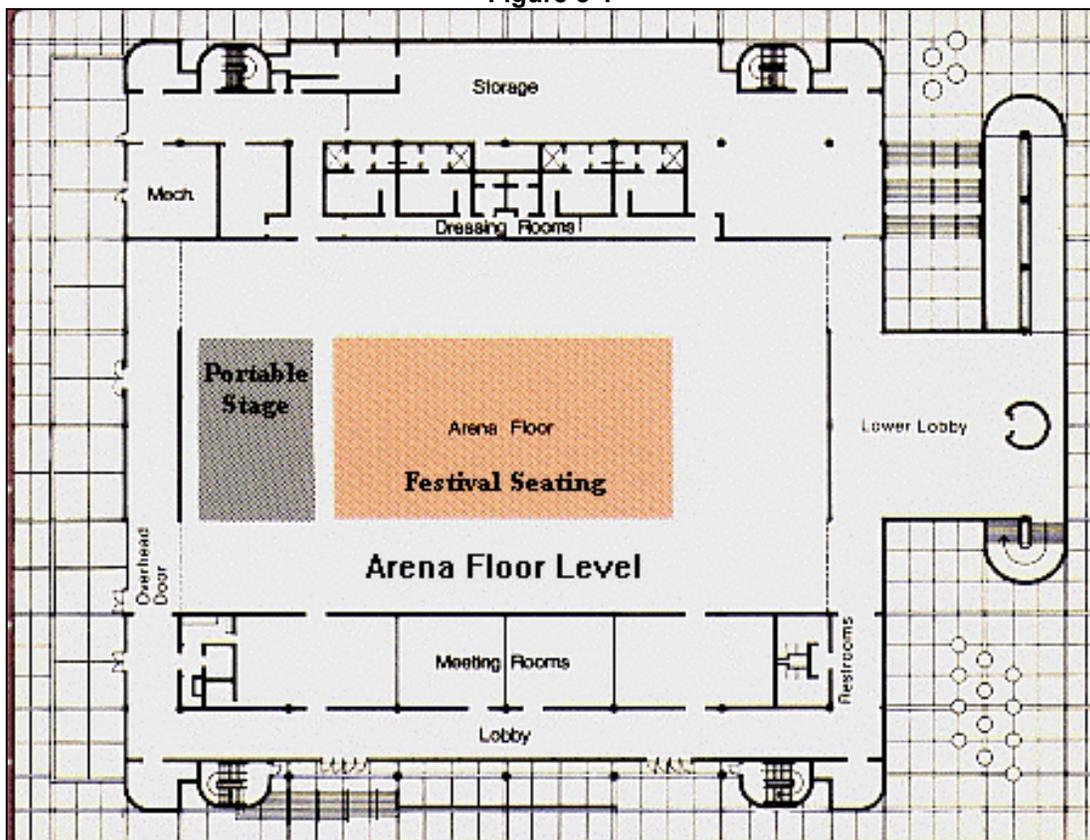
There is no capability to produce ice in the building for hockey or other family ice show events. There is an unlimited floor load and a 36' x 48' portable stage. Freight doors are 14'

x 12' and face west (toward the potential convention center site). The ceiling height in the building is 37 feet.

In terms of capacity, if the total arena floor were used for a convention, it would be able to accommodate 95 booths (10 feet by 10 feet each, plus circulation of 100 square feet per booth, for a total of 200 square feet). However, given the lack of meeting and ballroom space, in addition to the lack of hotels in the downtown, the building is not appropriate for most conventions. Alternately, trade shows can be held successfully in the building, as they require little ancillary function space.

The figure below shows the layout of the facility.

Figure 3-1



HSP reviewed the operational history of the St. Joseph Civic Arena in an effort to understand any implications for improvement, expansion, or a new facility dedicated to meetings.

The table below shows the attendance at the facility from 2004 through April 2007.

Table 3-2

St. Joseph Civic Arena Attendance*	
Year	Attendance
2004	113,581
2005	96,849
2006	102,862
2007*	73,130
Average 2004-2006	104,431

* 2007 Attendance is through April
Source: HSP, St. Joseph Civic Arena

Attendance has fluctuated within approximately 10,000 of the average of 104,431 from 2004 to 2006. For 2007, the facility is on track to surpass the average.

Some of the larger events held at the facility since it opened are shown in the table below.

Table 3-3

Sample Events Held at the St. Joseph Civic Arena since 1980		
Sports	Family Shows	Public Shows
NFPB Bull Riding Championships	Moila Shrine Circus	Car Shows
Harlem Globetrotters	Royal Lipizzaner Stallions	Tire Shows
Kansas City Kings Basketball	Winnie the Pooh	Craft Festivals
St. Joseph Express Basketball	Sesame Street Live	Sport Shows
St. Joseph Explorers Indoor Football	Ninja Turtles	Home Shows
Missouri State High School Basketball Playoffs	Spirit of the Dance	Farm Shows
Olympic Weightlifting Trials	Ice Capades	Dog Shows
Womens NCAA Division II Elite 8 Championships	Outlaw Monster Truck Show	Food Shows
Kart Racing	Elk Sales	Antique Shows
Tractor Pulls	High School Basketball Jamboree	
Mud Wrestling		
Wrestling events including WWF, WCW		

St. Joseph Civic Arena

HSP analyzed recent arena activity to understand the character of demand for the facility. The results are shown in the table below.

Table 3-4

2006 St. Joseph Civic Arena Events by Type					
	Event Days	% of Total	Attendees	% Total	Avg. Atten.
Trade	10	11%	13,416	13%	1,342
Association	5	6%	8,108	8%	1,622
Sporting Event	19	21%	31,457	31%	1,656
Corporate	15	17%	2,832	3%	189
Local	12	13%	17,356	17%	1,446
Government	10	11%	3,675	4%	368
SMERF	18	20%	26,018	25%	1,445
Total	89	100%	102,862	100%	1,156

Source: HSP, St. Joseph Civic Arena

In 2006 there were 89 event days, resulting in 102,862 attendees at the facility. The average attendance per event day was just over 1,156. The category with the most event days was SMERF events, with 18 event days and average attendance of 1,445. The largest events, as would be expected, are sports events, which average 1,656 attendees each. In 2006 there were a total of 19 sporting event days. There were only five association events, however, the average attendance was 1,622 per event. There were ten trade and public show days, resulting in 13,400 attendees.

HSP then analyzed the financial activity at the St. Joseph Civic Arena. The table below shows the results.

Table 3-5

St. Joseph Civic Arena Fiscal 2006 Operating Income & Expense	
Revenue	Civic Arena
Events	\$115,923
Meeting Room Rental	\$2,200
Ticket Sales (net of cost)	\$1,040
Sponsorship	\$2,075
Equipment Rental	\$34,452
Special Civic Arena Promotions	\$41,690
Concessions	\$118,039
Other	\$2,905
Total Operating Revenue	\$318,325
Expenses	
Event Expenses	
Personnel	\$265,912
Food & Beverage	\$61,344
Equipment Rental	\$7,392
Supplies	\$19,054
Total Event Expenses	\$353,702
General Operating Expense	\$397,791
Total Expenses	\$751,494
Net Operating Income	(\$433,169)
Source: HSP, City of St. Joseph	

Total revenue in FY 2006 was \$318,325, made up primarily by event rental revenue (\$115,923) and concession revenue (\$118,039). Equipment rental and special civic arena promotions generated \$34,000 and \$42,000, respectively.

Total expenses were over \$750,000, leading to a net operating loss of \$433,000 in FY 2006. General operating expenses alone were nearly \$400,000, or \$80,000 more than total revenue. The second largest expense item was personnel, at \$266,000.

Lost Business

Based on the reporting on lost business, it does appear that there are a number of groups inquiring about renting the space that cannot be accommodated, either because of size limitations or because the location is unattractive. A larger facility would solve the size limitation problem, as it would allow both larger events and more simultaneous events.

The table below shows an estimate by HSP and the St. Joseph CVB of "lost business" sorted by reason during the period 2000 through 2006.

Table 3-6

Lost Business Estimates 2000 to 2006		
Reason	Estimated Total Attendance	Number of Room Nights
Location Undesirable	24,437	29,643
Inadequate Meeting/Banquet Space	14,925	10,411
Desires Upscale Corporate Hotel w/Conference Center	8,370	7,600
Lack of Local Group Support/Interest	7,281	4,865
Insufficient Number of Rooms in One Hotel	5,300	7,910
Rates & Dates Conflicts	4,970	6,576
Too Soon to Return	3,950	3,300
Other	3,800	2,739
Event Cancelled	2,539	2,134
Lack of Airport Transportation	800	592
Total	75,572	75,178

Source: HSP, St. Joseph CVB

The reason given for not coming to the Civic Arena by groups representing 24,000 attendees and nearly 30,000 room nights was the undesirable location. This does not just reflect on the arena’s location downtown, but St. Joseph in general. Given its size, location, and lack of attractions and activities compared to places like St. Louis and Kansas City, it is simply difficult for St. Joseph to compete for many events. However, there were groups representing over 50,000 attendees that did not choose St. Joseph for reasons unrelated to its location. Many of these reasons are “treatable causes,” which can be addressed with new and improved facilities. For example, a total of 33,000 attendees may have been booked if new and improved facilities existed, as these would have addressed many of the meeting/banquet space issues, hotel issues, conference center issues, and rate and date conflicts. These lost business reports provide confidence that with sufficient facilities, many groups and events will choose St. Joseph.

St. Joseph Arena Improvement Recommendations

Representatives from the Consulting Team conducted an investigation of the Civic Arena and made the following comments and recommendations.

Strengths

Location: The civic arena is located on the western edge of downtown St. Joseph. This location provides easy access for both local users as well as out of town visitors. The easy access to Interstate 229 / Highway 59, allows visitors easy entrance to the arena site as well as quick and easy exit.

Delivery access: Access to the delivery and staging areas are conveniently located off of north 4th Street. The access from the street is at the arena floor level, providing the ultimate service access for this facility type

Open concourse: On the western edge of the arena, a large and open concourse at two levels provide good pre-function space for spectators. Within this area, vending kiosks and novelty stands are used to enhance the experience. These zones are important when large crowds attend an event.

Event Floor: The event floor, with easy access to loading areas, is approximately 175' x 100'. The floor is equipped with power on a 30' grid for exhibit and trade show use. Some access points also have water and natural gas utilities, according to information provided.

Meeting Rooms: The meeting room space of approximately 4,500 square feet is easily accessible from the street or arena floor, as well as the ticket /entry lobby. The ceiling height for the meeting rooms may be considered too low, however, for some types of events and presentations. With approximately 9'-5" ceiling heights, this may not allow adequate space to erect a large projection screen or stage in these rooms.

Cleanliness of the facility: Upon our tour of the facility, we noted the cleanliness of the Civic Arena. Although this at times may be taken for granted, many facilities that lack cleanliness see a decline in the permanent structures within the facility. We observed the seats, restrooms, concourses and offices to be in very good shape, due to the attention in maintenance.

Minimum Recommended Improvements/Weaknesses

The first improvements discussed are those which will bring the facility up to the minimum standards seen in the industry. These improvements include both spectator comfort and amenities as well as minimum required accessibility standards.

Restrooms: Currently, the event floor has few and small public restrooms for men and women to serve the meeting room spaces. For exhibit or trade show use, the dressing room toilet facilities are often used to supplement the other restrooms, which is necessary due to the increased attendance, but this is not ideal. The concourse located behind the seating area provides access to restrooms for both men and women, with pairs on both the north and south sides. The men's restrooms contain a total of seven water closets and seven urinals. The women's restrooms contain a total of ten water closets.

Industry standards of recent years would recommend toilet fixture counts in the following ratios:

MEN'S RESTROOMS

Water Closets	1:400
Urinals	1:100
Lavatories	1:150

WOMEN'S RESTROOMS

Water Closets	1:75
Lavatories	1:150

Based upon recent industry standards, the Civic Arena should have men's restrooms with 5 water closets and 21 urinals. This would mean an expansion of 12 fixtures to the men's restrooms. The women's restrooms should be provided with 28 total fixtures. This would mean an expansion of 18 fixtures to the women's restrooms.

Code required fixture counts for **new** facilities being built today are:

MEN'S RESTROOMS:

Water Closets	1:75 for the first 1,500 spectators and 1:120 thereafter (urinals may be substituted for 2/3 of water closets)
Lavatories	1:200

WOMEN'S RESTROOMS:

Water Closets	1:40 for the first 1,500 spectators and 1:60 thereafter
Lavatories	1:150

Based on the requirements for NEW FACILITIES, the Civic Arena should have men's restrooms with 26 total fixtures. Sixteen of these fixtures may be urinals. This would mean an expansion of 12 fixtures to the men's restrooms would be required to meet the current minimum code requirements for new facilities. The women's restrooms should be provided with 49 total fixtures. This would mean an expansion of 39 fixtures to the women's restrooms would be required to meet the current minimum code requirements for new facilities.

Note: These ratios are based on a maximum seating capacity of 4,222. This was found to be the maximum seating during an event where the arena floor was being used.

Based upon requirements in the International Existing Buildings Code, the code that is generally used to set requirements for renovation projects, additional plumbing fixtures would only be required to be added to a floor of a building when the occupant load of that floor is increased by 20%. However, it is recommended that, at a minimum, the existing toilet facilities be supplemented to meet the plumbing fixture ratios equal to recent industry standards. In addition, all bathrooms should be made to be accessible to persons with disabilities. This would include a portion of the additional fixtures be added as unisex, family toilet facilities with one water closet and one lavatory per toilet room.

Disabled spectator accessibility: The recommended minimum seating for disabled spectators using wheelchairs is one percent of the seating capacity plus one additional wheelchair seating space. One companion seat must accompany each wheelchair seating location. In addition, seating for semi-ambulatory spectators is required at aisle seat locations using seats without armrests or retractable armrests. These seats, in addition to the wheelchair and companion seating locations, must be provided in a quantity equal to 1 percent of the total seating capacity. It is the goal of the Americans with Disabilities Act to distribute disabled seating throughout the arena. Therefore, it is recommended that wheelchair and companion seating locations as well as semi-ambulatory seats be provided at each distinct seating section and throughout all different seat price categories. These may include upper bowl seating, lower bowl seating and arena floor or other areas based upon the arena ticketing policy. This will allow for distributed seating throughout the facility. Based on recent ADA case law, sightline studies should be performed to ensure that all disabled

spectators have full visibility of the action, even when spectators in front of them are standing. In addition, the Americans with Disabilities Act will require assisted listening devices be provided for those spectators who are hard of hearing. An assistive listening system that broadcasts a signal to headset receivers must be provided if none currently exists. Signage notifying spectators that assisted listening receivers are available must be posted and receivers should be provided equal to four percent of the seating capacity.

Accessible Paths into the Arena: Through site observations, we noticed the only accessible entrance into the arena is through a door on the northeast side of the site. This door leads to elevators and an internal ramp. Once inside the arena door, the paths become accessible. Unfortunately, the path to the door from the street drop-off zone is not an acceptable accessible route. The maximum slope the site can contain, without the use of ramps, is five percent in the direction of travel with a two percent cross slope. After careful observation, we feel the slope exceeds the minimum requirement. We recommend measurements and spot elevations be taken to prove or disprove our field observation. To comply with current building code and recommendations of the ADA, a renovation to the arena would require that an accessible route be provided to the building from accessible parking locations, public transit stops and drop off zones. The number and location of accessible parking spaces should also be evaluated as part of any major building renovation.

Concession Stands: Currently, the civic arena contains six points of sale (POS) for the concession operations. The industry standard for concession ratios is one point of sale per 250 spectators. Based on a maximum seating capacity of 3,382 permanent seats and an additional 840 on the floor during concert events, it is recommended the facility contain a minimum of 14 points of sales and an additional three to four vending kiosks during a concert event. This means additional concession stands containing eight points of sale should be added.

Kitchen: The food service kitchen as currently configured provides minimal food preparation capabilities, serving as a basic catering or warming pantry. This kitchen cannot currently supply upscale menu items to the concession stands or meeting rooms, which could generate additional revenue with higher price points. Additional kitchen equipment and required exhaust hoods would be necessary to provide deep fried or grilled foods, brick oven pizza, etc., which many guests have come to expect in an entertainment venue.

Additional Recommended Improvements to the St. Joseph Civic Arena:

New entrance plaza: After careful observation of both the Civic Arena and the surrounding context, we feel a possible enhancement to the arena that could have a major impact on both the image of the arena as well as its incorporation into the surrounding context, would be to enhance the design of the entrance plaza. Currently, the northeast and southeast entrance plazas serve as the main pedestrian entrance into the arena. The plaza is very steep and contains minimal site amenities found in similar size arenas. We recommend improvements to both the hardscape and the softscape. This could be done in various ways: through different types of pavement patterns; addition of steps on the southeast plaza to help with grades; addition of planting materials to help soften the space, provide shade and keep the heat of the pavement to a minimum; addition of banners to add color and life to the plaza; possible graphics and canopies added to the curtain wall system to add color and life to the building facade.

Life Safety Systems and General Handicapped Accessibility: This report addresses general issues regarding accessible spectator seating, accessible route and restroom facilities. However, it is recommended that prior to establishing budgets or plans for renovation, a full assessment of the existing building be performed to evaluate all aspects of accessibility on the property as they relate to building code requirements and recommendations of the Americans with Disabilities Act. In addition, an assessment of existing Life Safety systems should be conducted to understand the extent of building systems (including such items as fire alarm, fire protection systems, smoke evacuation, egress systems, etc.) that may require modification in order to meet building code requirements for renovation of the arena.

In conclusion, there are many nice features contained in the design and layout of the Civic Arena. The facility location is very accessible for visitors, the arena services are accessible to the event floor and the arena is maintained very well. Improvements to the restrooms, concession stands and handicap accessibility are basic requirements to have a well functioning, comfortable environment for spectators, while matching the industry standards of competing markets. Spectator comfort cannot be underestimated in its importance.

Operations. Our review of the facility provided two primary observations regarding operations:

Meeting space/Offices. Currently, there is space being utilized for staff offices that could be rented for meetings and events and could service as premium suites during events. Offices could be moved to other locations within the building.

Management. It was noted that Parks and Recreation Departments rarely manage arena facilities. Typically, private management companies or an authority-appointed management team runs such a facility in order to produce a profit at the facility (or break even). Missing from the current management is a strong out-bound sales operation, which seeks to bring in new business. Instead, most bookings occur via an inbound call. With private management or one with a profit motive, there would likely be more activity in the facility and the net loss would likely decrease. If a convention facility is developed adjacent to the Civic Arena, we suggest putting the management of both facilities (as well as the Missouri Theater) out for a single management contract. The expertise of private management to generate top and bottom line sales revenue and minimize expenses has been documented in a variety of instances. Placing all three facilities within a single management contract would allow such a company to create economies of scale resulting in minimized expenses. In addition, the professional sales staff would more likely generate the type of sales activity that would better support the financial needs of the facilities.

Implications

The St. Joseph Civic Arena is an aging facility with a variety of obsolescence issues. While physically it is limited in its expansion capability for meeting space, it is a community asset that if properly improved and managed, can generate economic activity for St. Joseph for years to come.

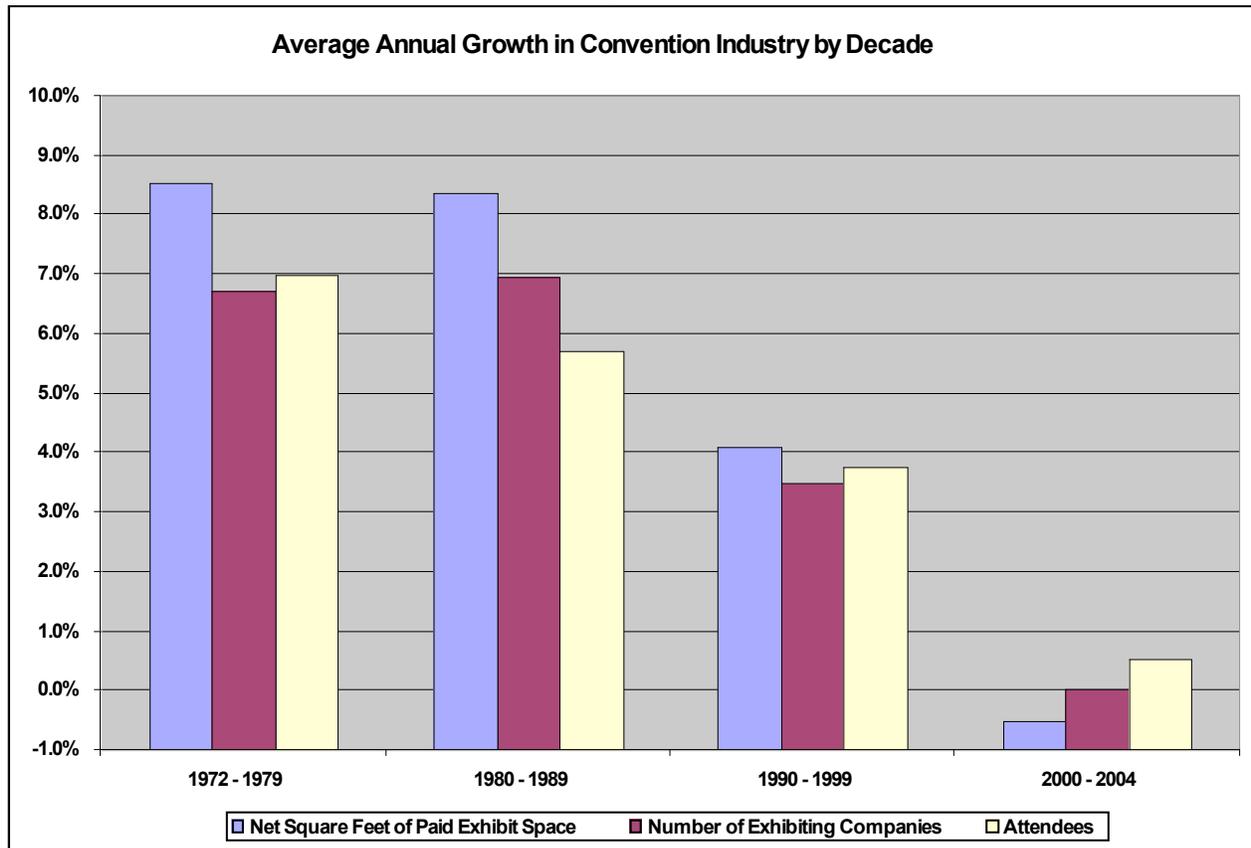
CONVENTION AND MEETINGS INDUSTRY OVERVIEW

In order to provide an understanding of market growth and the factors that are shaping the future of the meeting and event industries, this section provides a current overview of trends and developments that are impacting meeting and convention facilities.

Conventions, exhibitions, and trade shows are conducted for the purposes of exchanging information, conducting business transactions, and for educational, cultural, and social enrichment. The increasing need to carry out these purposes is driving the growth of the meetings industry. As developments occur in the larger economy, simultaneous developments occur in the meetings market.

Figure 4-1 shows the growth in the number of events, net square feet used, exhibiting companies, and attendees by decade, from 1972 through 2004.

Figure 4-1

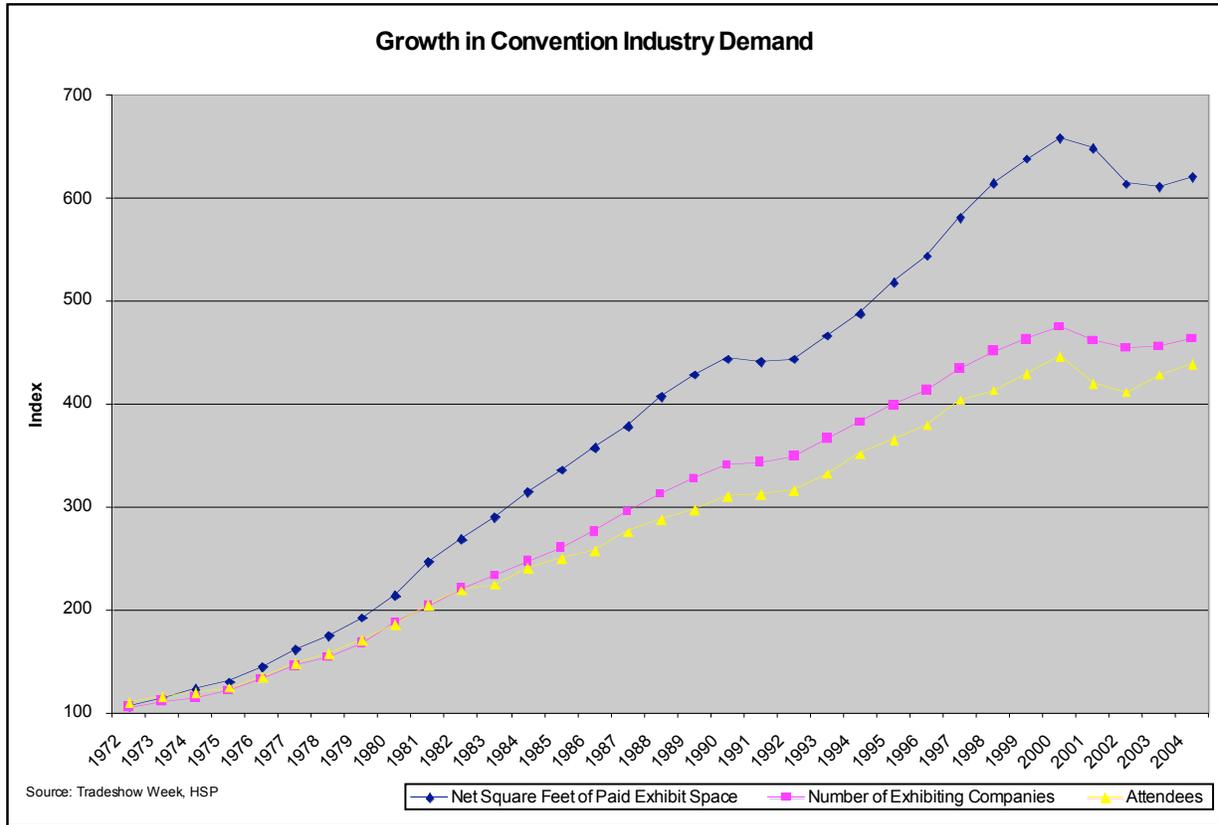


As the figure shows, annual average demand increased at significant levels through the 1970s and 1980s. The first Gulf War and short recession tempered growth at the beginning of the 1990s, but the decade still showed strong year-over-year growth of nearly four percent

in every category. With the triple-hit of the dot-com bust, economic recession in the U.S. and abroad, and the travel depression following September 11, the industry showed its first serious negative change in demand.

As Figure 4-2 shows, while the impact on demand was real, there appears to be a return to growth, with a noticeable rebound in attendee traffic.

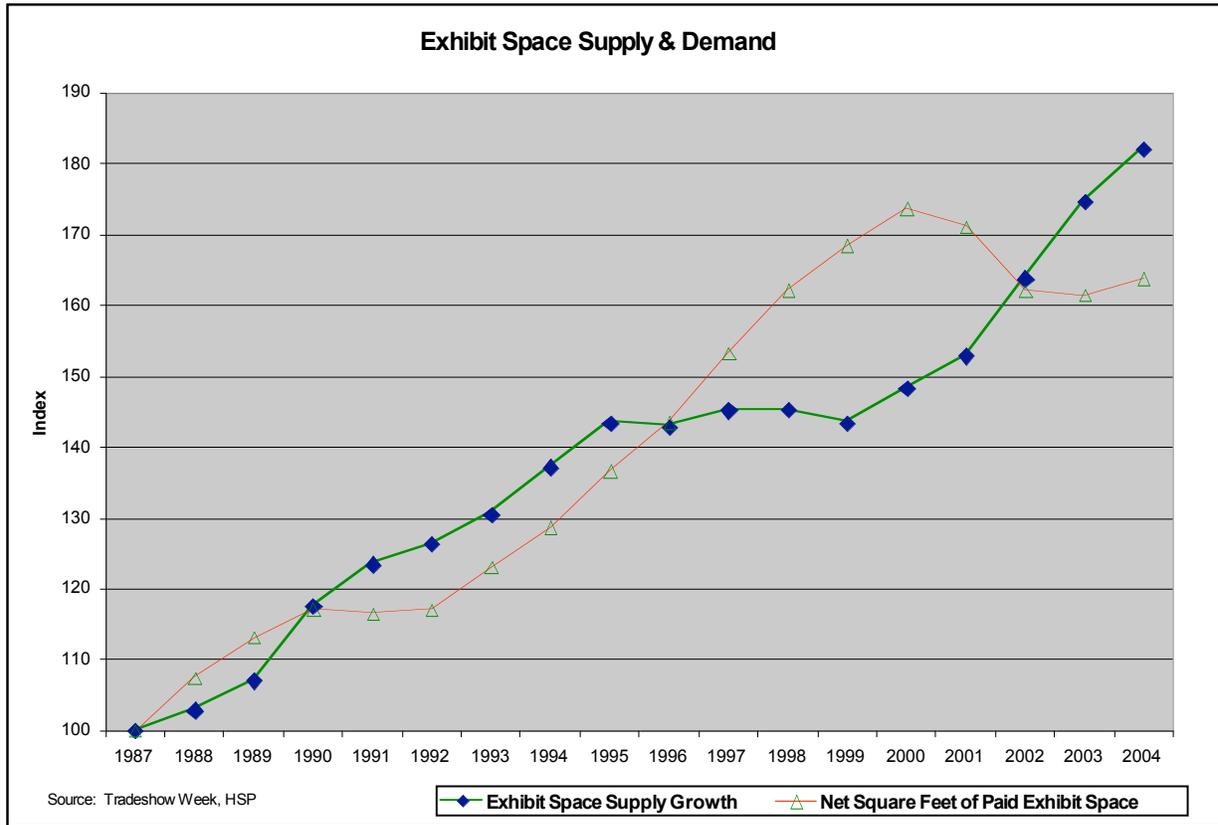
Figure 4-2



As shown, long-term demand trends show a greater need for space with fewer companies and attendees. This has been a trend since the 1970's as companies continue to merge (limiting growth in the number of companies in any given industry) and there is continuing pressure on doing more with fewer employees. Where an entire sales force might have been dispatched to several conventions in decades past, now it is expected that a handful of people will represent a company at a convention or tradeshow. Yet these trends have not stopped growth in attendance.

Figure 4-3 shows the comparison of supply and demand growth by a three-year period, beginning in 1987.

Figure 4-3



The figure shows a very compelling and rational picture of supply growth in response to demand growth. From 1987 to 1989, demand outpaced supply. By the time supply caught up, a recession was on and it took until 1996 for demand growth to catch up to supply. What is stunning is the rate of growth in demand from 1993 through 2000, with an average increase of 5.1 percent. Supply stagnated during much of this period. By the mid-1990s, cities released the economic impact potential that was not being adequately captured. New facilities and expansions began opening with force in 2000 – just as a recession was about to begin. With the time horizon for developing facilities long, the increase in supply continued unabated through 2004, as long-held plans were finally brought to fruition.

Demand for meeting and exhibition space allowed many communities in the U.S. to develop successful convention and trade show facilities during the 1970s and 1980s. Public sector involvement in these developments was motivated primarily by the desire to capture the economic benefits of the events they accommodate in their communities.

Table 4-1 summarizes the ownership and management structure of U.S.-based exhibit halls.

Table 4-1

Ownership and Management of US Exhibit Halls		
Type of Entity	Ownership	Management
Private	36%	58%
City	34%	22%
County	10%	5%
State	8%	5%
Combination Government	5%	2%
Non-Profit Organization	0%	0%
Other	5%	8%

Source: Tradeshow Week - Major Exhibit Hall Directory

As the table shows, approximately one-third of US exhibition halls are privately owned, but almost 60 percent are operated by a private-management company. Public ownership of exhibit hall facilities often occurs because they usually do not generate profits to an owner, but the public sector will take ownership as a service in order to capture the related economic benefits within its jurisdiction. Private management is common because, unlike governments, these companies have professional expertise in managing and operating facilities, and often have longstanding relationships with vendors, suppliers, and other industry organizations. In addition, a private-management company's experience and efficiency can help insulate a facility's operations from political issues and can help to reduce annual deficits as much as possible.

PricewaterhouseCoopers (PwC) has conducted an annual survey for the past 20 years of event characteristics at convention centers throughout the U.S. The survey may not be representative of the entire industry as an indeterminate number of convention centers responded to the survey. However, results of the survey are presented by size of facility and are useful in outlining differences in trends between small, mid-sized, and large convention facilities. In terms of PwC survey responses, small convention centers are defined as having less than 100,000 square feet of exhibit space, mid-sized 100,000 to 500,000 square feet of exhibit space, and large as having greater than 500,000 square feet of exhibit space.

Table 4-2 presents the percentage of survey respondents by type of management utilized by their convention facility.

Table 4-2

Size	Convention Center Management Type				Total
	Private Company	Quasi-Public Conv. Center Auth.	Dept. of Municipal Government	Other	
Less than 100,000 square feet	24%	28%	36%	12%	100%
100,000 to 500,000 square feet	38%	11%	35%	16%	100%
More than 500,000 square feet	29%	36%	36%	0%	100%

Source: PricewaterhouseCoopers

In terms of survey respondents, small convention centers are more likely to be managed as a department of a municipal government (36 percent). Quasi-public authorities and private

companies manage 28 percent and 24 percent, respectively. Mid-sized convention center respondents were primarily managed by private companies at 38 percent, with management through a department of municipal government representing 35 percent. Large convention facility respondents were equally divided at 36 percent each between a department of a municipal government and a quasi-public authority, with the remaining, at 29 percent, being managed by private companies.

Exhibit hall occupancy can be difficult to measure as it is impossible to have 100 percent occupancy due to days required for set-up and tear-down. As defined by PwC, a maximum occupancy rate for an exhibit hall would be approximately 70 percent; however, 50 percent to 60 percent occupancy is considered to be practical maximum occupancy. Rates below 50 percent would indicate the potential for increased marketing of the facility, with occupancy of over 60 percent possibly indicating an increased number of lost business due to insufficient available dates.

Table 4-3 presents the occupancy rates, by exhibit hall size for respondents to the PwC survey.

Table 4-3

Exhibit Hall and Ballroom Occupancy Rates				
Size	Conventions / Trade Shows	Consumer Shows	Total Ex. Hall Occupancy	Ballroom
Less than 100,000 square feet	19.0%	16.7%	35.7%	40.3%
100,000 to 500,000 square feet	22.0%	14.9%	36.9%	45.5%
More than 500,000 square feet	44.5%	8.5%	53.0%	52.1%

Source: PricewaterhouseCoopers

Based on the PwC benchmarks, large size convention center respondents are within the range determined to be close to maximum occupancy. Small to mid-sized convention centers fared better in terms of occupancy rates for consumer shows at approximately 15 percent versus nine percent for large convention centers. More economic impact occurs with non-consumer shows, but consumer shows pay more rent and gate. Interestingly, ballroom occupancy rates for small and mid-sized convention centers were considerably higher, approximately five to ten percent than that of their exhibit halls. Ballroom occupancy for large convention centers is fairly close to total exhibit hall occupancy at 52 percent versus 53 percent.

Table 4-4 presents total attendance for convention/trade shows and consumer shows.

Table 4-4

Exhibit Hall Attendance			
Size	Conventions / Trade Shows	Consumer Shows	Total
Less than 100,000 square feet	53,000	82,000	135,000
100,000 to 500,000 square feet	173,000	286,000	459,000
More than 500,000 square feet	645,000	383,000	1,028,000

Source: PricewaterhouseCoopers

As shown by the table, small and mid-size convention centers generate a higher portion of their total attendance from consumer shows versus convention and trade shows. Conversely, the majority of attendance for large convention centers is generated from conventions and trade shows. In terms of attendance, small and mid-sized convention centers have been more successful and generated higher demand from their consumer show events.

Table 4-5 displays the number of convention/trade show and consumer show events hosted by survey respondents.

Table 4-5

Exhibit Hall Number of Events			
Size	Conventions / Trade Shows	Consumer Shows	Total
Less than 100,000 square feet	33	23	56
100,000 to 500,000 square feet	43	26	69
More than 500,000 square feet	49	21	70

Source: PricewaterhouseCoopers

All three convention center size respondents receive the majority of their demand from conventions and trade shows. Large convention centers have a higher percentage of convention and trade shows as a percent of their total exhibit hall business at approximately 70 percent versus approximately 62 percent and 60 percent for mid-size and small convention centers, respectively. When compared with Table 4-4, small and mid-size convention centers draw larger crowds for consumer shows even with a fewer number of events than conventions and trade shows. This relationship is further shown in Table 4-6.

Table 4-6

Exhibit Hall Events - Average Attendance		
Size	Conventions / Trade Shows	Consumer Shows
Less than 100,000 square feet	1,606	3,565
100,000 to 500,000 square feet	4,023	11,000
More than 500,000 square feet	13,163	18,238

Source: PricewaterhouseCoopers

As described previously, small and mid-size convention centers host more convention and trade show events, but receive more total attendees from consumer shows, as is more clearly evidenced by average attendance for type of event as displayed in the table. Both small and mid-size convention centers have almost three times as higher average attendance for consumer show events than convention and trade show events. Although large convention centers have both a greater number of attendees and number of events of the convention and trade show type, the average attendance for consumer type show events is also higher as with small to mid-size convention centers. Average attendance for large convention centers for consumer shows was approximately 18,000 versus approximately 13,000 for conventions and trade shows.

In addition to convention, trade show, and consumer show events within their exhibit halls, convention centers also host a variety of other events at ballrooms and meeting rooms located on site.

Table 4-7 shows the average event count and attendance for survey respondents by facility size.

Table 4-7

Convention Centers - All Event Characteristics		
Size	Average Event Count	Average Total Attendance
Less than 100,000 square feet	364	282,000
100,000 to 500,000 square feet	309	714,000
More than 500,000 square feet	170	1,178,000

Source: PricewaterhouseCoopers

Unsurprisingly, convention centers with large square footage capacities tend to host events with a higher number of attendees, even though fewer overall events are hosted.

Table 4-8 shows the average number of room nights generated annually by respondents to the convention center survey.

Table 4-8

Convention Centers - Hotel Room Nights	
Size	Average Number of Nights
Less than 100,000 square feet	36,000
100,000 to 500,000 square feet	166,000
More than 500,000 square feet	947,000

Source: PricewaterhouseCoopers

Again, larger convention centers host shows which not only attract higher attended events, but also events with a higher portion of attendees from outside areas requiring overnight accommodations.

Types of Meetings and Facility Needs

The meeting industry includes a variety of meeting types, ranging from large trade and exhibition events to corporate meetings and conferences. Often, a single event will use many different types of spaces, including exhibit halls, banquet facilities, and breakout meeting rooms. Well-designed multi-purpose facilities offer the proportions of different types of spaces that are appropriate for their market. In addition, they offer the flexibility to host multiple events at one time. Table 4-9 summarizes the key attributes of various types of meetings, including facility requirements.

Table 4-9

Meeting Types and Related Facility Requirements				
Meeting Type	Attendance Range	Primary Purpose	Major Facility Requirement	Typical Facility Used
Corporate & Other Meetings	Less than 100	Training and information exchange	Meeting space (minimal)	Hotels/Conference Centers
Conferences	50 to 2,000	Information exchange	Meeting space and banquet space	Hotels/Conference Centers and Convention Centers
Conventions	300 to 15,000	Information exchange	Meeting space and banquet space	Hotels/Conference Centers and Convention Centers
Conventions with Exhibits	2,000 to 20,000	Information exchange and sales	Exhibition, breakout meeting space, and banquet space	Convention Centers
Trade Shows	1,000 to 50,000	Sales	Exhibition and breakout meeting space for some events	Convention Centers, Trademarts, Fairgrounds
Consumer Shows	10,000 to 1,000,000	Advertising and sales	Exhibition Space	Convention Centers, Trademarts, Fairgrounds
Combination Shows*	10,000 to 150,000	Advertising and sales	Exhibition Space	Convention Centers, Trademarts, Fairgrounds
Assemblies	5,000 to 50,000	Information exchange	Stage, seating, breakout meeting rooms	Convention Centers, Arenas, Stadiums, Fairgrounds
Community, Entertainment, and Social	500 to 10,000	Social and Entertainment	Banquet or multi-purpose space	Convention Centers, and Multipurpose Facilities

*A tradeshow with private access is followed by a consumer show with public access.
Source: HSP

The various types of meeting events are described below:

Corporate and Other Meetings – Corporate meetings include training seminars, professional and technical conferences, incentive trips, and management meetings. Attendance generally ranges from 10 to 100, with an average of fewer than 50. These meetings are held in city-center hotels, specially-designed conference centers, and resort hotels. Corporate meeting planners and attendees demand high-quality facilities. The existing facilities can accommodate most of these types of meetings; however, there are

catering challenges for some users. With a higher-quality and expanded program of spaces, higher-rated and larger corporate meetings can be accommodated.

Conferences – Conferences are meetings typically held by associations, professional groups, and other membership organizations. Educational institutions also host conferences, which attract an average of 300 attendees. These events do not usually require exhibit space, but otherwise their facility demands are similar to those of conventions—such as meeting space for general sessions, food service facilities, and breakout rooms. Hotels and conference centers typically serve as venues for conferences.

Conventions and Trade Shows – Associations, professional groups, and other membership organizations hold conventions and trade shows, with attendance ranging from 300 to 50,000 attendees. The larger of these meetings take place in convention centers with exhibit halls of 100,000, but as a Center for Exhibition Industry Research (CEIR) survey indicates, the vast majority of events require less than 50,000 square feet. Conventions and trade shows may feature a single meeting, but they usually offer a number of concurrent meetings and exhibitions. Facility needs include assembly space for general sessions and displays, banquet facilities, and numerous breakout-meeting rooms. Two-thirds of conventions and trade shows use exhibit space as a means to communicate ideas and to display products.

Conventions are high-impact events economically because a large percentage of attendees originate from outside the local area, typically stay several nights in the host city, and spend money on accommodations, food, transportation, retail goods, and entertainment. Spouses, family, or companions typically accompany 40 percent of attendees.

Like conventions, **trade shows** offer a forum for exchanging industry ideas. They vary slightly from conventions in that they are more product- and sales-oriented. Trade shows are exhibit-intensive, and exhibitors prefer column-free, open-space facilities in which they construct temporary custom booths for product display. Trade shows typically attract a large number of attendees, who originate from outside the host city but tend to have a shorter average stay than convention attendees. Meeting programming is increasing as trade shows attempt to educate buyers about products.

Consumer Shows - Consumer shows are public, ticketed events featuring exhibitions of merchandise for sale or display. Consumer shows provide a means of product distribution and advertising. Some, such as auto and boat shows, have a recreational and entertainment function as well. Consumer shows range in size from small local and specialized shows with a few hundred attendees to large shows with thousands of attendees. The larger consumer shows may occur in convention centers, shopping malls, fairgrounds, and other public-assembly facilities with large exhibition areas. The majority of attendees are local, but exhibitors often come from out of town. Site selection considerations for consumer shows include the size and income of the local population, availability of facilities, and the number of competitive shows in the market.

Assemblies - Assembly events are social, military, educational, religious, and fraternal (SMERF) events. They attract larger numbers of people and require arena or stadium seating. Similar to conventions, attendees originate from outside the host city, but, unlike conventions, these events do not usually require large amounts of exhibit and meeting room space.

Community, Social, and Entertainment Events – Entertainment events are ticketed events that are typically held in arenas by outside promoters. This includes many types of events, including sporting events, touring concerts, and family shows. Community and social events are similar, and include gatherings such as graduations. Most attendees are local residents, and attendance is limited to the fixed seating area of the arena, including floor seats for concerts. Entertainment events require concessions with numerous points of sale throughout a facility. Entertainment events could possibly utilize a portion of the facility dependent upon the types of events held at the proposed amphitheater.

Size of Events

The majority of convention and trade show events are held in facilities with moderate space capacity. While there are a number of events that require more than 100,000 net square feet of exhibit space, a majority of events are held in facilities with 10,000 to 49,999 net square feet of space. (Gross square footage is considered to be the total amount of space within a room or facility, as measured from wall to wall, while the net square footage measures the amount of space that is actually used by exhibits, booths, and other items, not including aisles and other areas. Net square footage is generally 50 percent of gross square footage.) The proposed convention center’s existing space falls in the lower-to-middle of the spectrum of space availability.

The table below shows the distribution of event size for events of 3,000 net square feet or more and ten or more exhibitors. The table also shows the cumulative share of the events market that is included within each segment and all smaller segments. By definition, this does not consider the entire events market, as meetings without exhibitions, for example, are not included in this sample. However, events that require 100,000 net square feet of space (or 200,000 gross square feet) comprise only seven percent of these events, while 60 percent of events require 25,000 net (50,000 gross) square feet or less, which we believe is the proposed convention center’s target market.

Table 4-10

Size of Exhibitions (gross exhibit space)		
	Percent of Total	Cumulative Total
6,000 - 14,999 SF	19%	19%
15,000 - 24,999 SF	13%	32%
25,000 - 34,999 SF	15%	47%
35,000 - 49,999 SF	13%	60%
50,000 - 100,000 SF	19%	79%
100,000 - 200,000 SF	14%	93%
200,000+ SF	7%	100%

Source: Center for Exhibition Industry Research, HSP

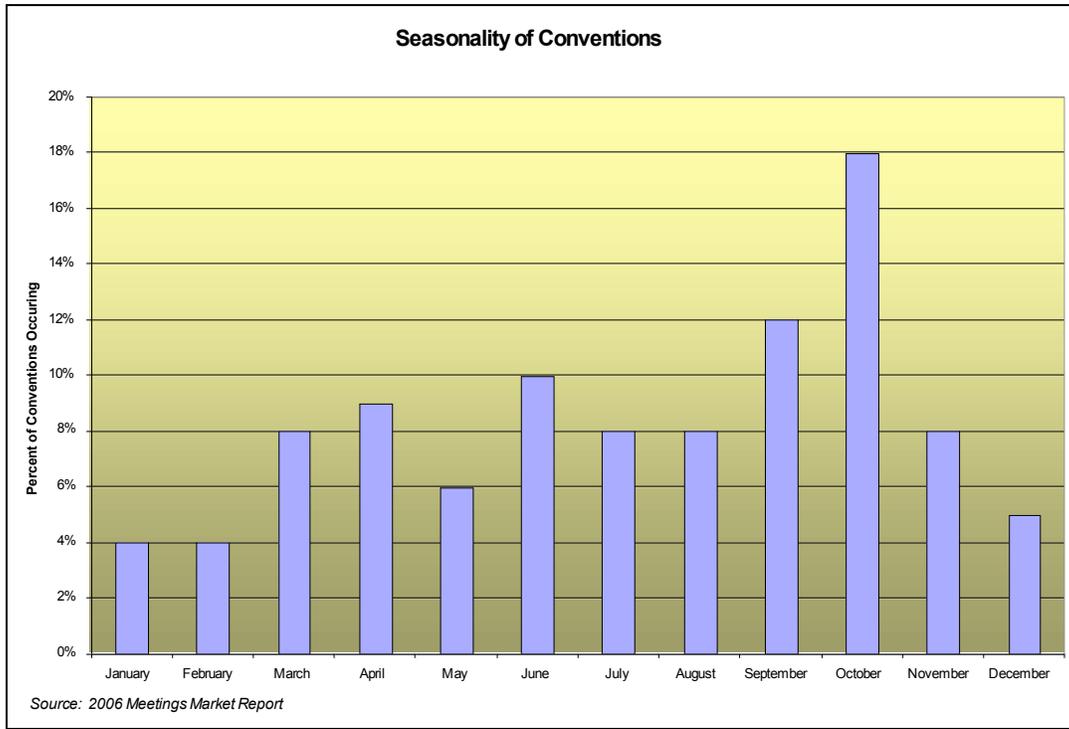
By developing a building of 25,000 square feet of exhibit space, the hall could potentially accommodate 32 percent of events in the market.

Meetings Industry Data

Convention and Meetings Magazine issued a 2006 Meetings Market Report that provided data on the meetings and conventions industry, as well as the opinions of meeting planners.

Figure 4-4 shows the seasonality of the convention calendar across the U.S.

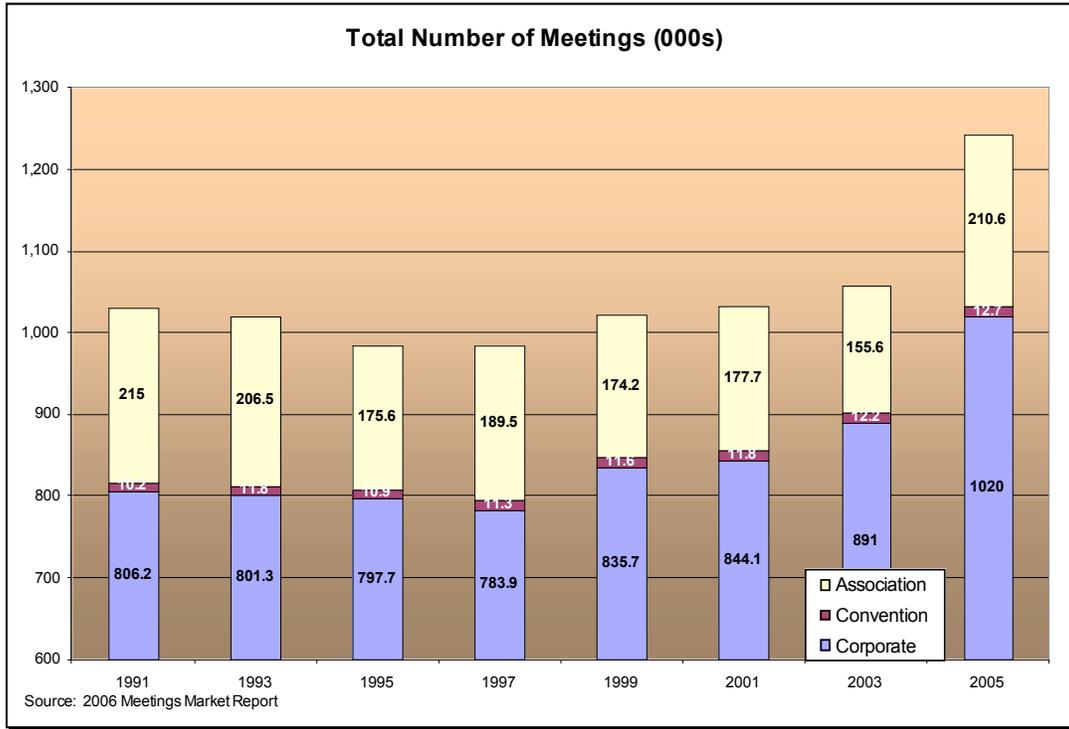
Figure 4-4



The heaviest month for conventions in the U.S. is October, with June, September and November also sharing a large percentage of convention demand.

Figure 4-5 shows the total number of meetings over the 1993 through 2005 period, by category.

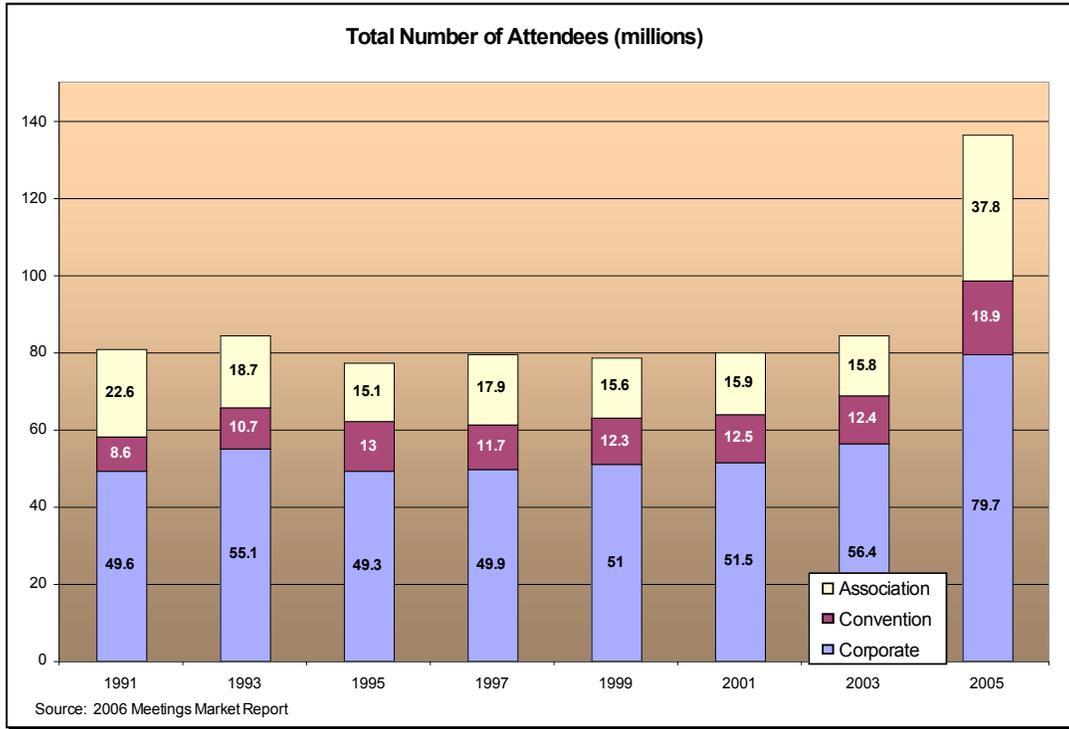
Figure 4-5



The majority of meetings were corporate meetings, followed by association meetings. Conventions represented a small portion of total meetings. The trends for meeting activity are exceptional, with a significant increase from 2003 to 2005.

Figure 4-6 shows the total number of attendees per category of meetings.

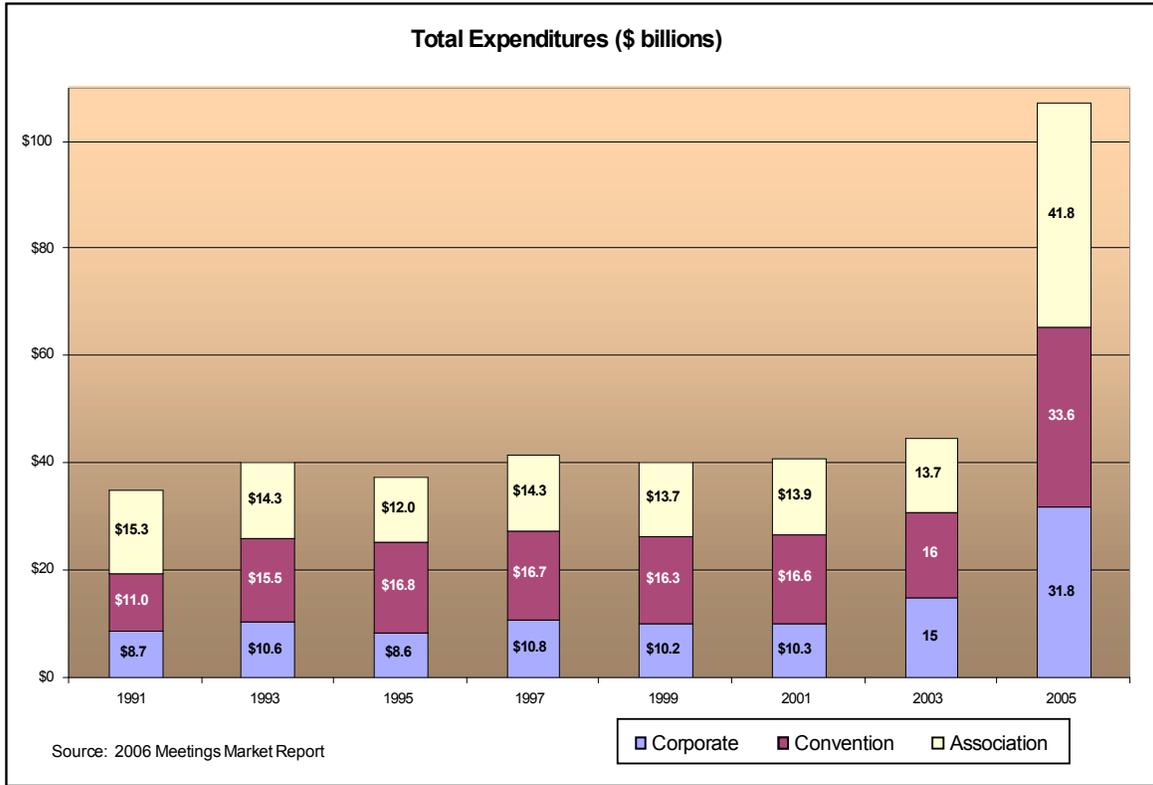
Figure 4-6



Corporate meetings had the most attendees by far, followed by association attendance and convention attendance. Total attendance was approximately 80 million for all categories throughout the period, except for 2005, when attendance spiked to nearly 137 million.

Figure 4-7 shows total expenditures on meetings during the periods.

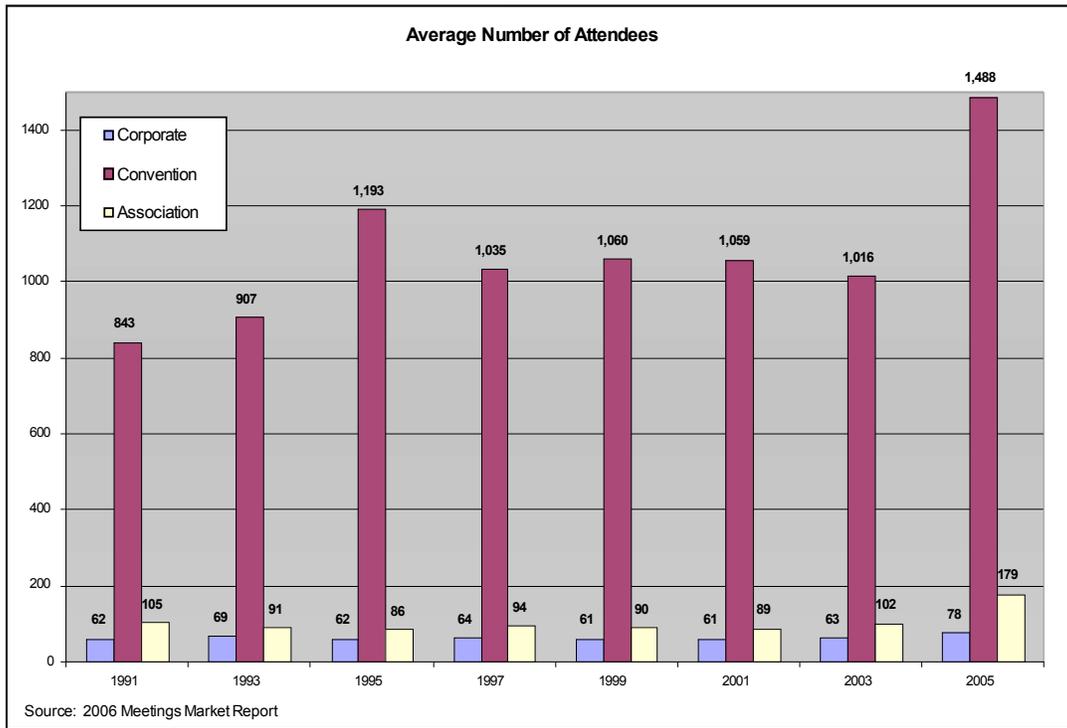
Figure 4-7



Total expenditures on meetings were estimated to have increased from approximately \$40 billion to \$107 billion over the period. In 2005, association and convention meetings spent the most, at \$42 billion and \$34 billion, respectively.

Figure 4-8 shows the average number of attendees at each type of meeting.

Figure 4-8



The average number of attendees is highest at conventions, with an average of 1,500. Association meetings are the next largest in terms of average attendance with approximately 179 attendees per meeting. Corporate meetings are about one-third smaller at 78 attendees per event. Both association and corporate meetings are the day-to-day bread and butter business of many hotels and even convention centers.

Table 4-11 shows the estimated breakdown of association and corporate meetings by type.

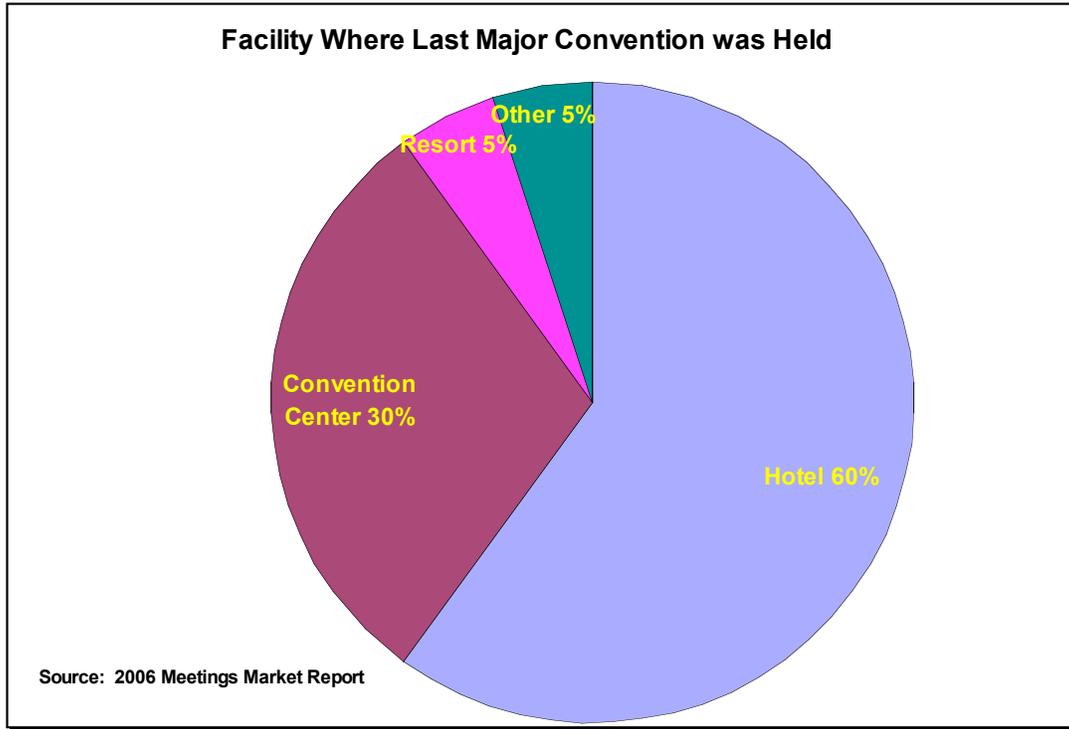
Table 4-11

Estimated Meetings Market Breakdown			
Type	Number	Events % of Total	Avg. Attendance
Corporate Meetings			
Training and Education Seminars	418,300	41%	93
Sales and Marketing Meetings	224,500	22%	96
Management Meetings	142,800	14%	44
Professional & Technical Meetings	91,800	9%	97
New Product Introductions	40,800	4%	97
Group Incentive Meetings	40,800	4%	113
Stockholder Meetings	10,200	1%	93
Other Meetings	51,000	5%	210
Total	1,020,200	100%	105
Association Meetings			
Training and Education Seminars	54,300	26%	122
Board Meetings	62,800	30%	30
Professional & Technical Meetings	35,800	17%	465
Regional/Local Chapter Meetings	26,500	13%	374
Other Off-Premises Meetings	31,200	15%	935
Total	210,600	100%	493
Source: 2006 Meetings Market Report			

Of the nearly 1 million corporate meetings, 41 percent were training and education seminars, 22 percent were sales and marketing meetings, and 14 percent were management meetings. Association events were comprised of training and education seminars (26 percent), with an average of 122 attendees, followed by board meetings, with an average of 30 attendees. Overall, the 2006 Meetings Market Report shows over 1.2 million corporate and association meetings.

Figure 4-9 shows the facility type where an association's annual meeting and/or convention was held.

Figure 4-9



While convention centers hold 30 percent of conventions, hotels actually host approximately twice as many, with 60 percent. Resorts and other facilities host a total of 10 percent of annual meetings and/or conventions. This again shows the relative importance of hotels.

Table 4-12 shows the types of facilities used for all conventions and meetings (respondents could give more than one answer).

Table 4-12

Types of Facilities Used	
Downtown Hotels	68%
Suburban Hotels	48%
Resort Hotels (excluding golf resorts)	42%
Airport Hotels	26%
Convention Centers	19%
Golf Resorts	16%
Suites Hotels	16%
Gaming Facilities	9%
Residential Conference Centers	9%
Nonresidential Conference Centers	6%
Cruise Ships	1%
Source: 2006 Meetings Market Report	

Downtown hotels were used by 68 percent of corporate meetings, a persuasive figure for the enduring appeal of these types of facilities.

Table 4-13 shows the important factors when choosing a meeting destination/city.

Table 4-13

Important Factors when Selecting a Destination			
	Convention	Association Meeting	Corporate Meeting
Availability of hotels and/or other facilities suitable for meetings	83%	79%	74%
Affordability of Destination	77%	81%	77%
Safety and Security of Destination	46%	na	na
Ease of Transporting Attendees to/from Location	43%	na	62%
Transportation Costs	43%	na	na
Source: 2006 Meetings Market Report			

Between convention, association, and corporate meeting planners, there was little differentiation in the factors driving their decision. The top criterion for convention planners was the availability of hotels and/or other facilities suitable for meetings. It was the second-most important item for both association and corporate planners. Affordability was the most important factor for association and corporate planners and the second most important for convention planners, although based on our experience, convenience is key for state association planners.

Once a destination is selected, planners must then choose a hotel.

The table below shows the important factors for selecting hotels within the destination.

Table 4-14

Important Factors when Selecting a Hotel within Location			
Item	Convention	Association	Corporate
Number, Size and Quality of Meeting Rooms	93%	69%	81%
Negotiable Food, Beverage and Room Rates	87%	80%	79%
Cost of Hotel or Meeting Facility	82%	80%	80%
Number, Size and Quality of Sleeping Rooms	79%	54%	72%
Quality of Food Service	70%	63%	70%

Source: 2006 Meetings Market Report

The most important factor for convention and corporate planners when selecting a hotel is the number, size and quality of meeting rooms. This speaks to the power of full-service properties versus limited-service, or rooms-only hotels. This criterion is second most important for association planners. Association and corporate planners share number, size and quality of meeting rooms and affordability of the facility as their two most important factors, which highlights the balance that must be struck between quality and affordability. Cost of the meeting facility is an important criterion for convention planners as well. Note that while the number, size and quality of sleeping rooms is very important for convention planners, it is considerably less important for association and corporate planners, showing convention planners are more concerned with the availability of quality versus affordable hotels. The ability to negotiate food and beverage and room rates is the third most important factor for association and corporate planners, but does not rank nearly as high percentage wise as meeting room amenities and affordability of facilities.

Table 4-15 shows the breakdown of hotel rates paid by groups.

Table 4-15

Average Room Rates Paid	
\$0 to \$70	4%
\$71 to \$90	5%
\$91 to \$100	8%
\$101 to \$120	7%
\$121 to \$140	13%
\$141 to \$150	15%
\$151 or more	48%
Average Daily Room Rate	\$161

Source: 2006 Meetings Market Report

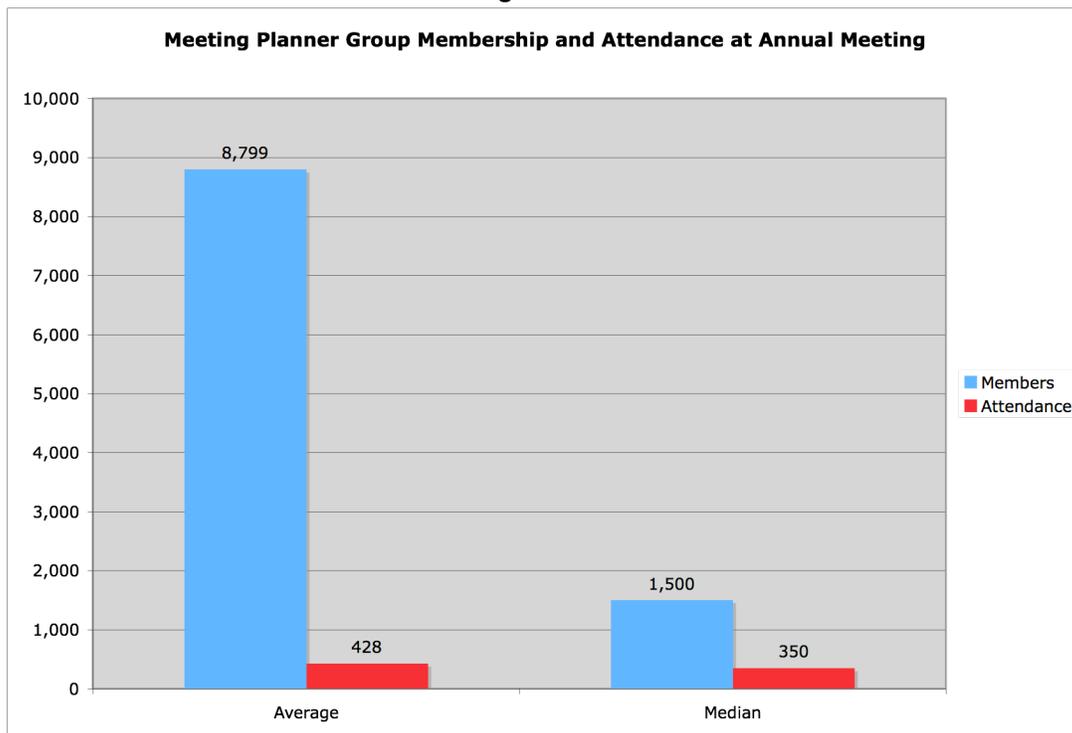
While groups have a reputation for obtaining the lowest room rates, the rates paid by many groups (37 percent) are over \$161. These are usually in resort or popular urban destinations like New York, Chicago, Boston, San Francisco, or Miami. However, for all meetings, only 23 percent paid less than \$120 per room night. The other 77 percent were willing to pay more than \$120 per night.

Survey Results

HSP conducted a survey of Missouri Association planners to assess their thoughts and needs related to a convention center in St. Joseph. The results are shown below. While these should not be taken as scientific results, they do provide anecdotal and real-world insight into these high-impact users. The results are below.

The following figure displays the average meeting planner group membership and attendance at the group's annual meeting.

Figure 4-10



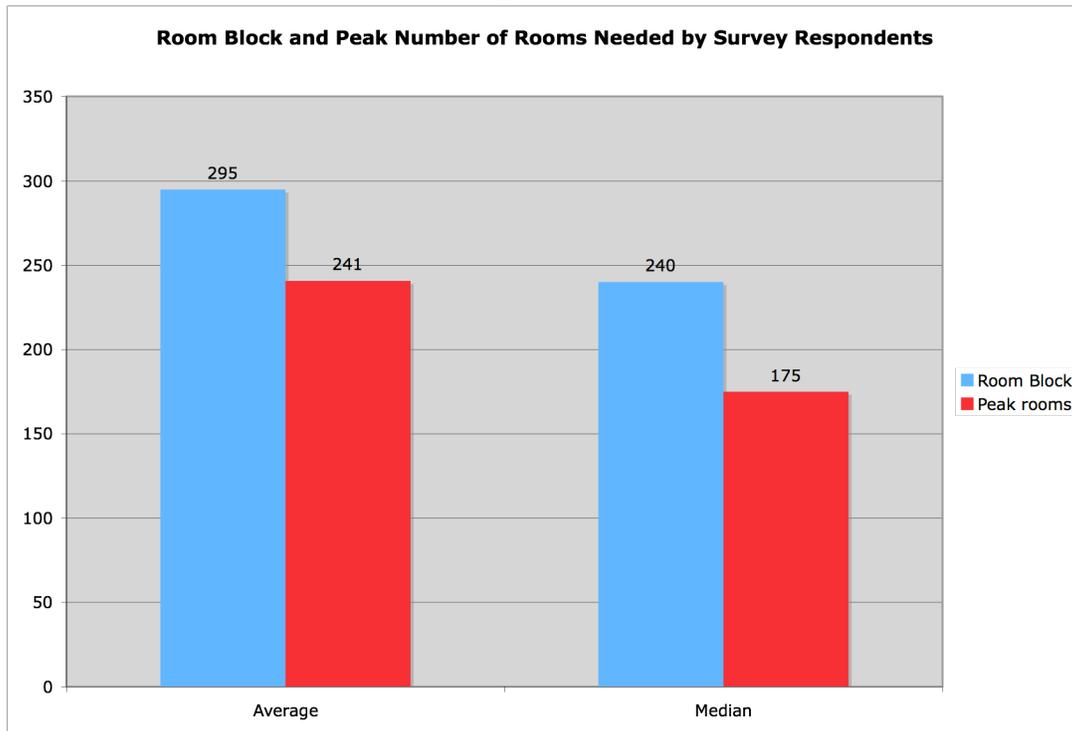
The average membership in the associations was nearly 8,800, with totals ranging from 18 to over 68,000. The average attendance at the annual conference/convention is 428, with totals ranging from 105 to 1,000.

Facilities in which these groups have held their conventions in the past few years or are planning to in the future include many across the state of Missouri. Some of the facilities and cities most mentioned by survey respondents are listed below:

- Port Arrowhead Country Club Hotel
- Adams Mark St. Louis
- Columbia Capital Plaza
- Tan-Tar-A Resort
- Capitol Plaza Kansas City
- Chateau on the Lake
- Lodge of Four Seasons
- University Plaza Hotel/Conference Center
- Renaissance Grand, St. Louis
- Drury Plaza Hotel, St. Louis

The figure below displays the average room block required by survey respondents, as well as the average “peak” rooms.

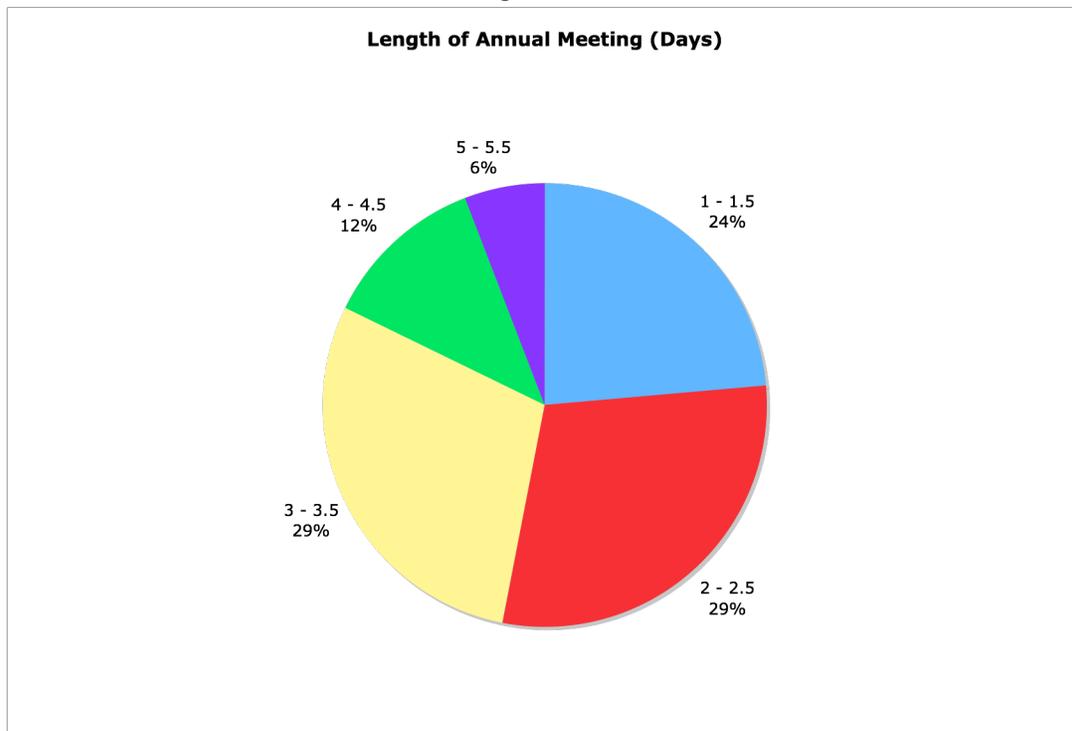
Figure 4-11



Nearly 90 percent of respondents required a room block agreement with a range of 60 to 750 rooms. The average number of rooms required is 295. The peak number of rooms needed ranges from 40 to 500, with an average of 240. This belies the room block numbers. Typically, the room block needed is lower than the peak number of rooms.

The figure below displays a pie chart reflecting the length of the groups' annual meeting in days.

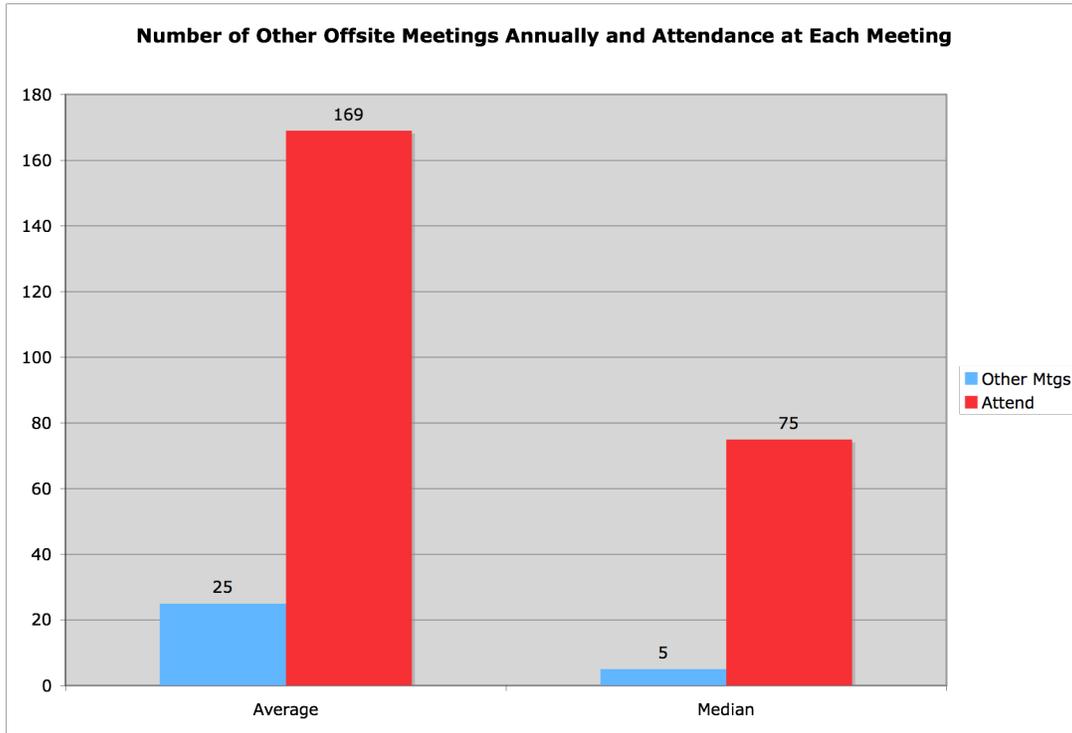
Figure 4-12



The average length for the conventions is two to three days. This shows that these events are high-impact for the community: attendees will have to stay in a hotel room, as well as purchase meals throughout their stay.

The figure below displays the number of offsite meetings annually held by the meeting groups as well as the average attendance at the offsite meetings.

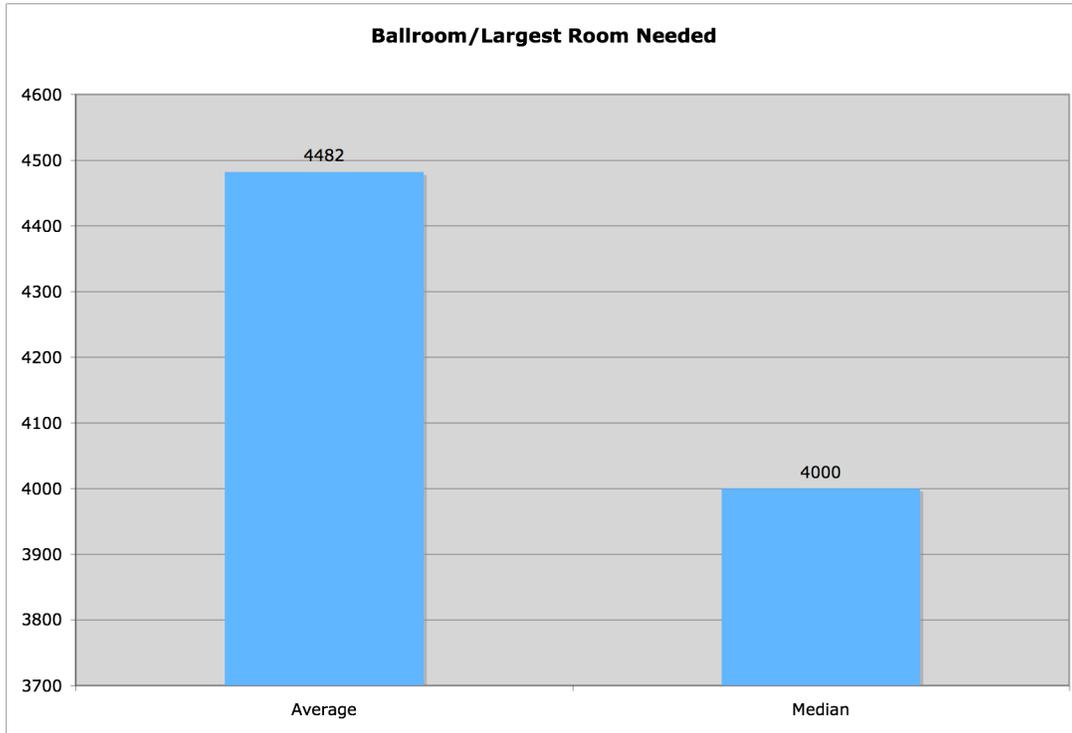
Figure 4-13



All the groups responding hold other offsite meetings throughout the year, ranging from one to 100 and averaging 25. The average attendance at these other meetings ranges from 10 to 250 and averages 169.

The following figure displays the average largest ballroom required by meeting planners for their annual meeting.

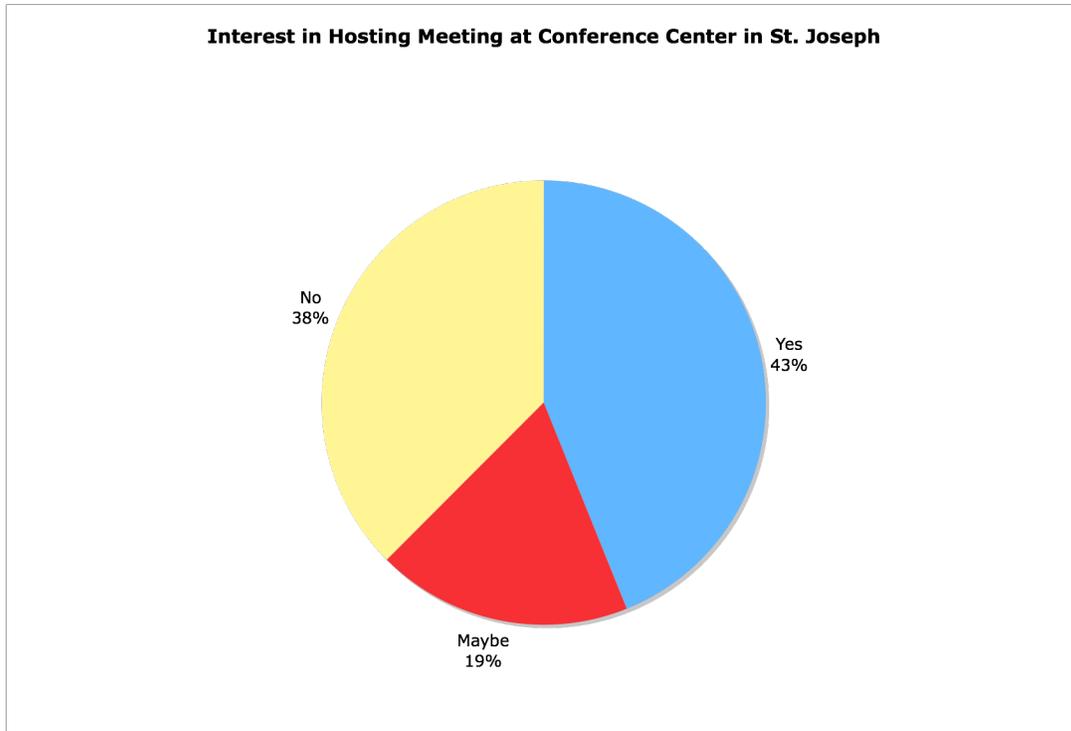
Figure 4-14



The ballroom size demanded by the respondents ranges from 3,000 to 12,000 square feet and averages 4,482 square feet.

The figure below reflects the response of the meeting planners surveyed when asked whether or not they would be interested in hosting a meeting in St. Joseph.

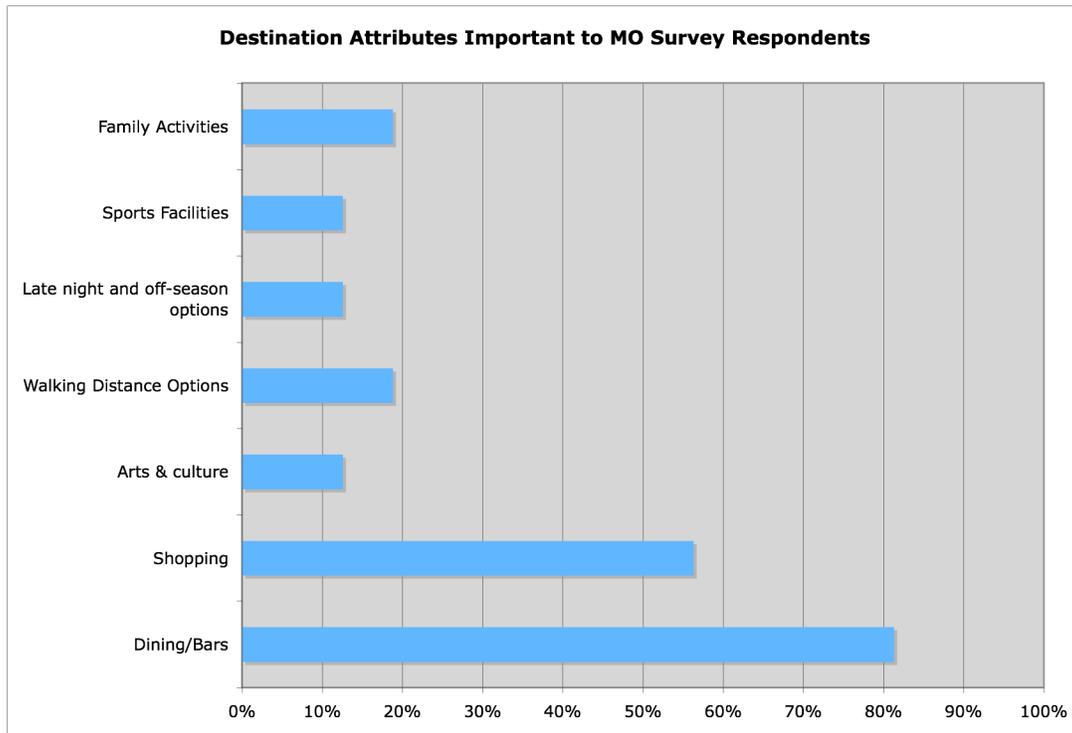
Figure 4-15



Although 38 percent of respondents said they would not consider hosting their meeting in St. Joseph, over 40 percent responded in the affirmative. Many respondents who said they would not consider St. Joseph noted the western location. As the state's population is heavily weighted to the east and west borders, this is to be expected.

The figure below shows the attributes associated with a destination which are important to Missouri survey respondents.

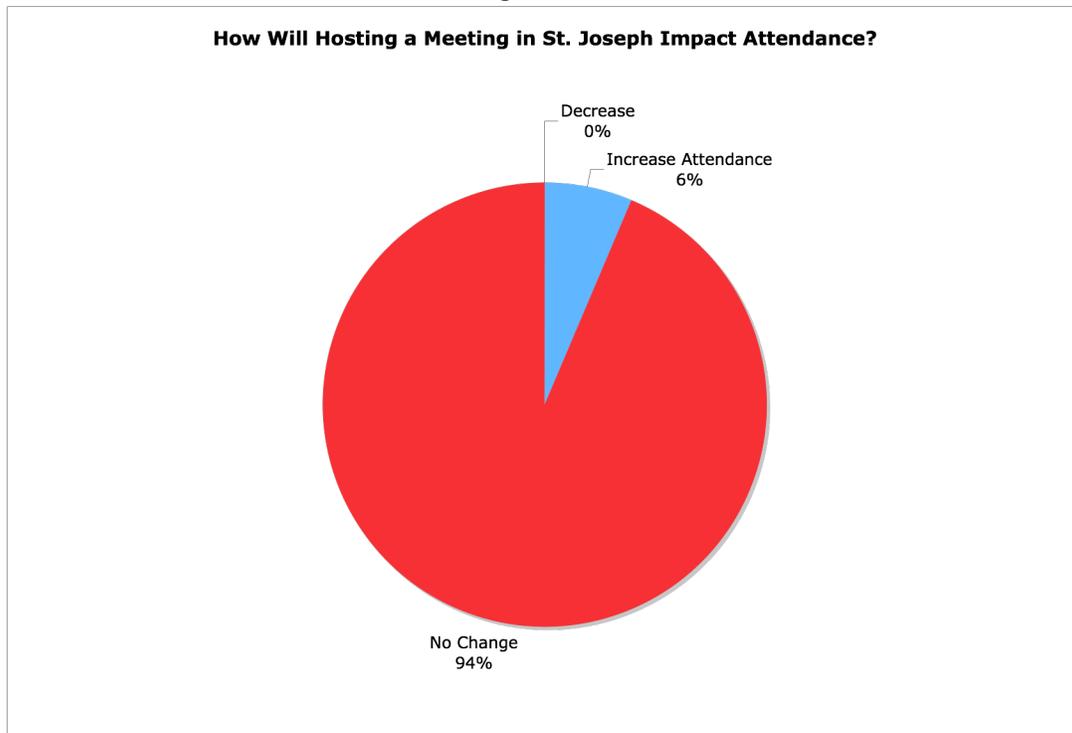
Figure 4-16



As might be expected, dining is most often the most important destination attribute to meeting planners and attendants. Of the survey respondents, 81 percent said dining and bars were an important factor in selecting the location of a meeting. Retail is also an important factor with 56 percent of respondents mentioning it as a factor. Other important attributes include arts and culture, walking distance options to meetings and other activities, late-night and off-season options, sports facilities, and family activities for spouses and partners.

The figure below displays the impact meeting planners said St. Joseph would have on attendance.

Figure 4-17



While only six percent of meeting planners felt that hosting a meeting in St. Joseph would increase their attendance, none felt that it would decrease their attendance.

Implications

The convention industry may not be growing as rapidly today as it did from 1970-2000, however, it is still growing and the industry delivers millions of dollars in spending to the cities and counties that attract events. Large market makers like Las Vegas, Orlando and Chicago have demonstrated the economic impact of the industry, yet mid-market makers like Indianapolis and even small market and suburban facilities like the Northern Kentucky Convention Center can demonstrate significant success. The key is delivering a facility that is optimized for the market. For this market, it would be unwise to build too large a facility. Yet a full-service property that includes ballroom, a small exhibit space and meeting space (as well as the existing arena) will serve planners well. Absolutely critical to success is the inclusion of a convention hotel nearby. While the hotel will not be able to house every attendee, it should serve the room block needs of most of the users. According the meeting planner survey, there is an appetite for an appropriately-sized facility in St. Joseph.

COMPARABLE AND COMPETITIVE FACILITY ANALYSIS

It is important to understand the supply of competitive function space in the market, the future competitive function space, as well as the performance of facilities (some competitive, some nationally comparable) with similar characteristics to any proposed St. Joseph Convention Center (SJCC). By reviewing various attributes, an understanding of expected performance can be developed.

HSP has compiled an extensive database of comparable facilities across the country. The focus of these comparables is on the performance of the facilities, as well as discussion of nearby attributes such as hotels and number of room nights generated by the facilities. We have also considered competitive facilities in Missouri as the proposed facility will compete most directly with these facilities.

The table below shows the facilities in Missouri and Kansas that the proposed facility will compete with on either a direct or indirect basis.

Table 5-1

Missouri & Eastern Kansas Meeting Facilities											
Facility	Location	Hotel Rooms**	Exhibit Space (SF)	Grand Ballroom (SF)	Junior Ballroom (SF)	Other Ballroom (SF)	Meeting Space (SF)	Total Mtg. Room Divisions*	Amphitheater/Auditorium (SF)	Total Function Space (SF)	/100 Guest Rooms
America's Center	St. Louis	0	485,000	28,416	--	--	123,508	73	--	636,924	--
Kansas City Convention Center	Kansas City	0	388,800	24,300	18,555	--	86,922	44	5,329	523,906	--
American Royal Center	Kansas City	0	324,700	--	--	--	0	0	4,975	329,675	--
Overland Park Convention Center	Overland Park	412	58,494	24,991	--	--	15,015	8	--	98,500	2.4
Hyatt Regency Crown Center	Kansas City	731	52,000	15,663	15,360	--	10,424	13	--	93,447	1.3
Westin Crown Center	Kansas City	729	45,500	15,996	--	--	29,071	27	--	90,567	1.2
Tan-Tar-A	Osage Beach	880	30,000	23,400	5,743	--	27,095	19	1,664	87,902	1.0
Hilton Branson Convention Center	Branson	294	46,031	22,703	--	--	17,277	15	--	86,011	2.9
Benson Convention & Exposition Center	Clinton	0	46,031	22,703	--	--	17,277	15	--	86,011	--
KCI Expo Center	Kansas City	141	70,000	--	--	--	9,216	7	--	79,216	5.6
Sheraton Overland Park	Overland Park	412	--	10,799	5,580	--	54,229	13	--	70,608	1.7
Kansas City Marriott Country Club	Kansas City	280	46,031	5,640	3,008	--	9,887	12	Yes	64,566	2.3
Holiday Inn Select Columbia Executive Center	Columbia	300	46,031	8,437	--	--	6,646	7	--	61,114	2.0
Kansas City Marriott Downtown	Kansas City	946	12,000	14,964	13,680	3,360	14,719	24	--	58,723	0.6
Lodge at the Four Seasons	Lake of the Ozarks	388	16,000	7,308	7,200	--	25,462	19	1,800	57,770	1.5
BTC Exhibit Hall	Kansas City	296	56,500	--	--	--	--	--	--	56,500	1.9
St. Charles Convention Center	St. Charles	240	27,600	16,200	6,025	--	5,250	5	--	55,075	2.3
Chateau on the Lake	Branson	301	--	32,256	--	--	19,510	15	924	52,690	1.8
Clarion Hotel Sports Complex	Kansas City	0	--	9,039	2,800	--	15,382	17	--	27,221	--
Truman Hotel	Jefferson City	233	'	5,940	4,836	--	14,594	10	--	25,370	1.1
InterContinental Kansas City Plaza	Kansas City	366	--	11,868	2,340	--	10,487	14	--	22,355	0.6
Intrigue Park Place Hotel	Kansas City	328	--	9,516	--	--	12,158	17	--	21,674	0.7
Hilton Garden Inn Kansas City	Kansas City	147	15,000	--	--	--	6,014	8	--	21,014	1.4
Jack Reardon Civic Center	Kansas City	0	--	--	--	--	19,408	13	--	19,408	--
Hilton Kansas City Airport	Kansas City	347	--	6,497	4,472	2,914	3,596	4	--	17,479	0.5
Doubletree Hotel Overland Park - Corporate Woods	Overland Park	356	--	9,000	1,421	--	4,152	11	2,200	16,773	0.5
Atchison Heritage Country Club	Atchison	0	--	6,696	3,869	--	5,693	5	--	16,258	--
Kansas City Marriott Overland Park	Overland Park	398	--	10,208	2,688	--	1,452	3	--	14,348	0.4
Holiday Inn Lawrence	Lawrence	192	--	8,976	--	--	4,864	5	--	13,840	0.7
Embassy Suites Kansas City Plaza	Kansas City	266	--	--	--	--	11,972	14	--	11,972	0.5
Viking Conference Center	St. Louis	213	--	5,840	2,889	--	2,600	4	--	11,329	0.5
Harrah's North Kansas City Casion & Hotel	Kansas City	200	--	9,720	--	--	351	1	--	10,071	0.5
Total		9,396	1,765,718	367,076	100,466	6,274	584,231	442	16,892	2,838,317	
Average		294	103,866	14,118	6,279	3,137	18,846	14	2,815	88,697	1.4

*Does not include ballroom divisions; includes amph/auditorium
 ** If not a hotel, no room count included
 Source: HSP, Respective Hotels

While there are a variety of competitive facilities in the region, from the large Kansas City and St. Louis convention centers to the smaller Overland Park and St. Charles facilities, there are relatively few comparable convention facilities. In fact, when looking across

Missouri and eastern Kansas, there are a limited number of true, smaller full-service facilities. St. Charles is likely the most direct comparable.

The figure below shows a map of the primary facilities.

Figure 5-1



There are several larger facilities on the list that are not true competitors in terms function space as they are basing their figures on arena floor size or, as in the case of the American Royal Center, the type of space is not fully conditioned. As such, the SJCC will not compete with these facilities for convention-style events. Also of note, many of the hotels with which the SJCC will compete are older facilities and their function space, especially exhibit and ballroom space, have low ceilings (sometimes only 10 – 14 feet). A new ballroom at the SJCC will have at least 18-foot ceilings, and therefore will be much more attractive to planners. Even meeting rooms will have higher ceilings than competitors, and the exhibit space will feature at least 28-foot ceilings.

The table below shows the future comparable and/or competitive facilities for a future convention center in St. Joseph.

Table 5-2

Future Competitive Set													
Facility	Location	Guest Rooms	Exhibit (SF)	SF /Guest Room	Ballroom (SF)	SF /Guest Room	Meeting Space (SF)	SF /Guest Room	Amph/ Auditorium (SF)	Total Meeting Space (SF)	SF /Guest Room	Total Mtg. Room Divisions*	SF / 100 Guest Rooms
Hilton Branson Convention Center	Branson	294	46,031	157	22,703	22,703	17,277	59	--	108,714	370	15	3.7
Tan-Tar-A	Osage Beach	880	30,000	34	29,143	33	27,095	31	1,664	87,935	100	19	1.0
KCI Expo Center	Kansas City	141	70,000	496	0	0	9,216	65	--	79,216	562	7	5.6
The Lodge at Four Seasons	Lake of the Ozarks	388	16,000	41	14,508	37	25,462	66	1,800	57,807	149	18	1.5
St. Charles Convention Center	Saint Charles	296	27,600	93	22,225	75	5,250	18	--	55,150	186	5	1.9
BTC Exhibit Hall	Kansas City (MO)	330	56,500	171	--	--	--	--	--	56,500	171	0	1.7
Chateau on the Lake	Branson	301	--	--	32,256	107	19,510	65	924	52,797	175	14	1.8
Truman Hotel & Conference Center	Jefferson City	233	--	--	10,776	46	14,594	63	--	25,416	109	10	1.1
Total		2,863	246,131		131,611		118,404		4,388	500,534		88	
Average		358			18,802		16,915		1,463	37,179		11	

* Does not include ballroom divisions; includes amph/auditorium
Source: HSP, mpoint.com

The table below shows the national comparable facilities.

Table 5-3

Comparables for Study and Implications (ranked by exhibit space)			
Facility	City	Exhibit Space	Primary Hotel Attached/ Adjacent
Overland Park Convention Center	Overland Park, KS	60,000	Sheraton
Meydenbauer Convention Center	Bellevue, WA	54,000	Courtyard
Rochester Riverside Convention Center	Rochester, NY	49,275	Hyatt Regency Hotel
Arlington Convention Center	Arlington, TX	46,600	Wyndham Arlington Hotel
Northern Kentucky Convention Center	Covington, KY	46,080	Marriott Hotel & Embassy Suites
Hickory Metro Convention Center	Hickory, NC	44,000	Courtyard and Fairfield very close
St. Charles Convention Center	St. Charles, MO	35,700	Embassy Suites
Visalia Convention Center	Visalia, CA	31,675	Visalia Marriott
John S. Knight Center	Akron, OH	30,000	Crowne Plaza
Grand River Center	Dubuque, IA	30,000	Grand River Resort
Lakeland Center	Lakeland, FL	28,262	Amerisuites Lakeland Center
RiverCenter	Baton Rouge, LA	26,336	Sheraton
Columbia Metropolitan Convention Center	Columbia, SC	24,700	Hilton Columbia Downtown
Century Center	South Bend	24,472	South Bend Marriott
Embassy Suites Hotel Northwest AR	Rogers, AR	NA	Embassy Suites

There are 15 facilities nationwide that HSP identified with similar characteristics to the proposed St. Joseph Convention Center. The characteristics considered include size of local population, area qualities, size of facility, hotel adjacent/attached, and character of demand. We have identified several within this list for further study to provide comparison of demand levels. These will be presented later in the report.

Local and State Comparable and/or Competitive Facilities

Profiled below are several of the facilities that are likely to compete with the proposed SJCC. Some of the facilities are very large, such as the Kansas City Convention Center, but due to location, the large profiled facilities may occasionally compete with the SJCC. More likely, large hotels in Kansas City and smaller convention facilities across the state will compete with the St. Joseph convention center.

Kansas City Convention Center

The Kansas City Convention Center (KCCC) is Kansas' primary convention facility and competes for events nationwide as well as hosting many local and regional events. The complex also includes the H. Roe Bartle Hall, the Music Hall, a 2,400 seat theatre, and the 8,189 seat Municipal Auditorium Arena, which hosts mid-sized sporting and entertainment events.

The proposed SJCC will compete with the KCCC for a variety of event types, both locally and within the several-state region. The figure below shows the location of both the KCCC and adjacent hotels; Kansas City Marriott Hotel and Radisson Hotel & Suites, as well as other downtown attractions, hotels and facilities.

Figure 5-2



As shown, there are several SJCC competitors located downtown, including the KCCC, the Kansas City Marriott Hotel, and the Hyatt Regency Crown Center.

The table below shows the function space of the KCCC.

Table 5-4

Kansas City Convention Center			
	Total (SF)	By Division (SF)	Divisions
Exhibit Space	388,800		5
Exhibit Hall A		68,850	
Exhibit Hall B		48,600	
Exhibit Hall C		76,950	
Exhibit Hall D		93,420	
Exhibit Hall E		100,980	
Exhibit Hall A + B		117,450	
Exhibit Hall A + B + C + D		287,820	
	388,800	388,800	5
Ballroom Facilities			
Conference Center Ballroom	18,555		8
Conference Center Ballroom A		1,848	
Conference Center Ballroom B		2,331	
Conference Center Ballroom C		1,804	
Conference Center Ballroom D		2,530	
Conference Center Ballroom E		1,804	
Conference Center Ballroom F		3,030	
Conference Center Ballroom G		1,848	
Conference Center Ballroom H		3,360	
Grand Hall	24,300		5
Grand Hall 1203 A		5,400	
Grand Hall 1203 B		5,400	
Grand Hall 1203 C		8,100	
Grand Hall 1202 A+B		5,400	
	42,855	42,855	13
Meeting Room Facilities			
Committee Room 400	2,516		2
Committee Room 400 A		1,258	
Committee Room 400 B		1,258	
Committee Room 401	558	558	1
Committee Room 402	432	432	1
Committee Room 403	486	486	1
Committee Room 500	2,516		2
Committee Room 500 A		1,258	
Committee Room 500 B		1,258	
Committee Room 501	738	738	1
Committee Room 502	738	738	1
Committee Room 600	2,610	2,610	1
Conference Center Section 4100	15,366		3
Conference Center Section 4100A		3,988	
Conference Center Section 4100B		8,178	
Conference Center Section 4100C		3,200	
Conference Center Section 4201	5,020		2
Conference Center Section 4201A		2,510	
Conference Center Section 4201B		2,510	
Conference Center Section 4202	3,831		2
Conference Center Section 4202A		2,043	
Conference Center Section 4202B		1,788	
Conference Center Section 4203	5,020		2
Conference Center Section 4203A		2,510	
Conference Center Section 4203B		2,510	
Conference Center Section 4204	5,359		2
Conference Center Section 4204A		2,550	
Conference Center Section 4204B		2,809	
Meeting Room 1201	4,500	4,500	1
Meeting Room 1202	5,400		2
Meeting Room 1202A		2,700	
Meeting Room 1202B		2,700	
Meeting Room 1204	5,400		2
Meeting Room 1204A		2,700	
Meeting Room 1204B		2,700	
Meeting Room 1205	4,500	4,500	1
Meeting Room 2205	1,300	1,300	1
Meeting Room 2206	1,300	1,300	1
Meeting Room 2207	1,300	1,300	1
Meeting Room 2208	308	308	1
Meeting Room 2209	308	308	1
Meeting Room 2210	9,000		3
Meeting Room 2210A		3,600	
Meeting Room 2210B		1,800	
Meeting Room 2210C		3,600	
Meeting Room 2211	308	308	1
meeting Room 2212	308	308	1
Meeting Room 2213	1,300	1,300	1
Meeting Room 2214	1,300	1,300	1
Meeting Room 2215	1,300	1,300	1
Meeting Room 2217	1,300	1,300	1
Meeting Room 2218	1,300	1,300	1
Meeting Room 2219	1,300	1,300	1
	86,922	86,922	43
Little Theater	5,329	Seats	--
Hotel Rooms	0	Per Guest Room	
Total Exhibit Space	388,800		
Total Ballroom Space	42,855	--	
Total Meeting Space	86,922	--	
Other Space	5,329	--	
Total Function Space	523,906	0.0	
Ballroom Divisions	13	/100 Guest Rms	--
Meeting Room Divisions (incl. audit/amph)	44	--	
Total Divisions (including Ballroom)	57	0.0	

Source: Individual Property, HSP

The facility includes over 388,000 square feet of exhibit space, 13 ballroom divisions totaling 42,855 square feet, and over three dozen meeting rooms totaling 86,922 square feet.

The KCCC is owned by the City of Kansas City, Missouri, and is operated by the Department of Conventions and Entertainment Centers. The facility hosts a number of conventions and meetings annually. The table below shows the convention activity at the center for 2006.

Table 5-5

Kansas City Convention Center Event Demand for 2006		
Type of Event	# of Events	Total Attendance
Consumer Shows	10	141,423
Performances	25	78,416
Sporting Events	37	70,855
Conventions	29	51,413
Other	33	49,311
Meetings	78	41,341
Family Shows	4	26,692
Banquets & Receptions	69	17,345
Tradeshows	4	13,894
City Department Events	19	5,746
Total	308	496,436

Source: KCCC

In 2006, the KCCC hosted 308 events with a total of approximately 496,400 attendees. The number of events and attendance has slowly decreased since 2002, when the facility was hosting 409 events with a total of 959,000 attendees. The expansion of the facility with new ballroom and meeting space to be completed in 2007 is expected to generate more events, but the lack of high-quality/quantity of full-service hotels nearby have limited the success of the KCCC.

America's Center

The America's Center complex is located in St. Louis, Missouri, and includes the St. Louis Convention Center, the 70,000 seat Edward Jones Dome (home to the NFL Rams), the 1,400 seat Ferrara Theatre, and the St. Louis Executive Conference Center. The complex was built in stages over several years with the final additions completed in 1995 with a total construction cost of approximately \$330 million. The complex is owned by the city (25 percent), the County (25 percent), and the State (50 percent), and is managed by the St. Louis Convention and Visitors Commission.

The table below shows a summary of the function space available at the America's Center.

Table 5-6

America's Center		
	Total (SF)	By Division (SF)
Exhibit Space	485,000	
Exhibit Hall 1	50,000	
Exhibit Hall 2	80,000	
Exhibit Hall 3	80,000	
Exhibit Hall 4	80,000	
Exhibit Hall 5	80,000	
Exhibit Hall 6	145,000	
	485,000	6
Bathroom Facilities		
America's Ballroom	28,416	10
America's Ballroom 220	2,816	
America's Ballroom 221	2,880	
America's Ballroom 222	2,880	
America's Ballroom 223	2,880	
America's Ballroom 224	2,752	
America's Ballroom 225	2,880	
America's Ballroom 226	2,880	
America's Ballroom 227	2,880	
America's Ballroom 228	2,880	
America's Ballroom 229	2,816	
	28,416	10
Meeting Room Facilities		
120 Complex	15,300	8
Room 120	2,475	
Room 121	1,350	
Room 122	1,350	
Room 123	2,520	
Room 124	2,475	
Room 125	1,350	
Room 126	1,350	
Room 127	2,520	
130 Complex	13,125	4
Room 130	4,125	
Room 131	4,500	
Room 132	4,500	
140 Complex	13,348	6
Room 140	1,980	
Room 141	2,352	
Room 142	2,128	
Room 143	2,352	
Room 144	1,904	
Room 145	2,632	
150 Complex	4,447	3
Room 150	1,521	
Room 151	1,482	
Room 152	1,444	
160 Complex	5,544	4
Room 160	1,444	
Room 161	1,443	
Room 162	1,36	
Room 163	1,292	
220 Complex	7,546	3
Room 220	2,596	
Room 221	2,346	
Room 222	2,610	
240 Complex	7,769	3
Room 240	2,684	
Room 241	2,430	
Room 242	2,655	
250 Series	4,490	7
Room 250	590	
Room 251	560	
Room 252	590	
Room 253	390	
Room 255	1,890	
Room 256	210	
Room 257	390	
260 Series	15,120	8
Room 260	2,475	
Room 261	1,305	
Room 262	1,305	
Room 263	2,475	
Room 264	2,475	
Room 265	1,305	
Room 266	1,305	
Room 267	2,475	
270 Series	12,525	3
Room 274	4,050	
Room 275	4,350	
Room 276	4,125	
Meeting Room 101	210	1
Meeting Room 102	224	1
Meeting Room 103	224	1
Meeting Room 104	224	1
Meeting Room 105	224	1
Meeting Room 106	224	1
Meeting Room 107	240	1
Meeting Room 280	1,200	1
Plaza Perimeter 111	667	1
Plaza Perimeter 112	195	1
Plaza Perimeter 113	182	1
Plaza Perimeter 115	660	1
Plaza Perimeter 116	660	1
Plaza Perimeter 117	180	1
Plaza Perimeter 118	390	1
Plaza Perimeter 119	420	1
Room 200	660	1
Washington Avenue Complex	17,420	7
Complex A	2,800	
Complex B	2,520	
Complex C	2,514	
Complex D	2,800	
Complex E	2,620	
Complex F	2,522	
Complex G	1,664	
	123,508	73
Amphitheater		Seats 1,411
Hotel Rooms	0	Per Guest Room
Total Exhibit Space	485,000	--
Total Bathroom Space	28,416	--
Total Meeting Space	123,508	--
Other Space	--	--
Total Function Space	636,924	0.0
Bathroom Divisions	10	/100 Guest Rms --
Meeting Room Divisions (incl. amphitheater)	73	--
Total Divisions (including Bathroom)	83	0.0

There are over 636,900 square feet of function space at the America's Center. There are 73 meeting room divisions totaling over 123,500 square feet of meeting space, and 485,000 square feet of exhibit space.

The table below displays the event demand for the America's Center in 2006.

Table 5-7

America's Center Event Demand for 2006		
Type of Event	# of Events	Total Attendance
Dome Events	11	715,000
Consumer Shows	17	359,000
Conventions	28	223,185
Sporting Events	8	55,700
Miscellaneous	15	49,075
Banquet & Receptions	37	37,780
Trade Shows	4	15,100
Conference	8	13,550
Meeting	24	12,478
Performance	1	10,000
Total	153	1,490,868
Without Arena Events	142	775,868

Source: America's Center

In 2006, the America's Center had 153 events with a total attendance of nearly 1.5 million. The facility had eleven events in the Dome, consisting of St. Louis Rams' Football games, with an attendance of 65,000 per game. The America's Center had 142 non-football events with a total attendance of 775,868. Consumer shows drew the largest number of attendees (359,000). The largest three shows were the Auto Show (70,000 attendees), the Home and Garden Show (60,000 attendees) and the Grand Slam Motor Sports Show (50,000 attendees) made up more than half of the entire attendance for consumer shows in 2006.

The SJCC would rarely compete with the America's Center, due to the latter facility's location and size. However, it is instructive to compare how the St. Charles Convention Center has performed in relation to the America's Center, as it is situated near downtown St. Louis – similar to St. Joseph's location in relation to downtown Kansas City.

Tan-Tar-A Resort

The Tan-Tar-A Resort is located in Lake of the Ozarks, Missouri, and offers 880 rooms. Tan-Tar-A is the largest hotel property in the area and is rated by meeting planners as one of the best facilities in Missouri. The Resort consists of a hotel with 86,000 square feet of meeting space, a golf course, and water park.

The table below shows the function space breakout at the Tan-Tar-A Resort.

Table 5-8

Tan-Tar-A			
	Total (SF)	By Division (SF)	Divisions
Exhibit Space			
Windgate Hall	30,000	30,000	1
	30,000	30,000	1
Ballroom Facilities			
Grand Ballroom	23,400		3
Salon A		7,800	
Salon B		7,800	
Salon B		7,800	
Crystal Ballroom	5,743	5,743	1
	29,143	29,143	4
Meeting Room Facilities			
Dogwood	211	211	1
Eastwinds	468	468	1
Magnolia	460	460	1
Meeting Room 60	660	660	1
Meeting Room 61	674	674	1
Meeting Room 62	717	717	1
Meeting Room 63	729	729	1
Meeting Room 64	769	769	1
Meeting Room 70	474	474	1
Meeting Room 71	480	480	1
Meeting Room 72	584	584	1
Meeting Room 73	414	414	1
Meeting Room 74	462	462	1
Meeting Room 75	504	504	1
Meeting Room 76	373	373	1
Meeting Room 77	426	426	1
Northwinds	8,800	8,800	1
Parasol	4,758		
Parasol 1		2,916	
Parasol 2		1,842	
Picnic Grove	2,000	2,000	1
Suite G	3132	3132	1
	27,095	27,095	19
Auditorium	1,664	Seats	--
Hotel Rooms			
	880	Per Guest Room	
Total Exhibit Space	30,000		
Total Ballroom Space	29,143		33.1
Total Meeting Space	27,095		30.8
Other Space	1,664		1.9
Total Function Space	87,902		65.8
Ballroom Divisions	4	/100 Guest Rms	0.5
Meeting Room Divisions (incl. audit/amph)	20		2.3
Total Divisions (including Ballroom)	24		2.7

Source: Individual Property, HSP

Tan-Tar-A has 30,000 square feet of exhibit space and 29,000 square feet of ballroom space. There is also nearly 27,000 square feet of meeting space, which gives the convention center nearly 85,700 square feet of available function space. The facility also has an attached auditorium which is included in the meeting space figures.

Tan-Tar-A's large meeting space along with the large hotel makes it a favorite among meeting planners. With a new convention center, hotel and improved arena, it is likely that St. Joseph would compete against Tan-Tar-A for many events; however, the character of the destination and size of Tan-Tar-A will continue to provide it with a competitive edge over St. Joseph.

KCI-Expo Center

The KCI-Expo Center (KCI) is located in Kansas City, Missouri, near the airport. The KCI-Expo Center opened in 2003 and is owned by the Wheat Belt Corporation and operated by Leisure Hotels and Resorts.

The table below shows the breakout the available function space at the KCI.

Table 5-9

KCI Expo Center			
	Total (SF)	By Division (SF)	Divisions
Exhibit Space	70,000		2
Exhibit Hall A		35,000	
Exhibit Hall B		35,000	
	70,000	70,000	2
Ballroom Facilities	--	--	--
	0	0	0
Meeting Room Facilities			
Meeting Room A	1,008	1,008	1
Meeting Room B	1,008	1,008	1
Meeting Room C	1,008	1,008	1
Meeting Room D	1,008	1,008	1
Meeting Room E	1,134	1,134	1
Meeting Room F	882	882	1
Ambassador Room	3,168	3,168	1
	9,216	9,216	7
Auditorium	--	Seats	--
Hotel Rooms	141	Per Guest Room	
Total Exhibit Space	70,000		
Total Ballroom Space	0		0.0
Total Meeting Space	9,216		65.4
Other Space	--		--
Total Function Space	79,216		65.4
Ballroom Divisions	0	/100 Guest Rms	0.0
Meeting Room Divisions (incl. audit/amph)	7		5.0
Total Divisions (including Ballroom)	7		5.0

Source: Individual Property, HSP

The KCI-Expo Center has 70,000 square feet of dedicated exhibit and meeting space. A Holiday Inn Hotel with 141 rooms is attached to the Center. According to management, a ballroom that can accommodate 400 to 500 people is needed so the facility can host banquets and wedding receptions. Currently the facility holds approximately 200 events with the majority of the events being consumer shows. Due to the facility being privately owned, no detailed event statistics were available.

Due to the character of the the KCI-Expo Center's space – basic expo hall space with little upscale feel or functionality and no ballroom -- it is expected to compete with the SJCC and arena for certain lower rated events.

St. Charles Convention Center

The St. Charles Convention Center is located in St. Charles, Missouri, which is a western suburb of St. Louis. The town has significant historic character, features a downtown from the 1800s and in fact was the site where Lewis and Clark launched their expedition. The city is also a gaming location with riverboats and features the Family Arena. The convention center was completed in 2005 and includes an attached Embassy Suites hotel. The hotel manages the ballroom of the convention center.

The figure below shows the St. Charles Convention Center and Embassy Suites hotel. The facility has been open for over two years.

Figure 5-3



The table below shows the facility breakout at the convention center.

Table 5-10

St. Charles Convention Center			
	Total (SF)	By Division (SF)	Divisions
Exhibit Space	27,600		2
Exhibit Hall North		14,500	
Exhibit Hall South		13,100	
	<hr/>	<hr/>	<hr/>
	27,600	27,600	2
Ballroom Facilities			
Grand Ballroom	16,200		6
Ballroom A		4,010	
Ballroom B		4,010	
Ballroom C		4,010	
Ballroom D		4,170	
Jr. Ballroom	6,025		4
Ballroom A		1,450	
Ballroom B		1,530	
Ballroom C		1,530	
Ballroom D		1,515	
	<hr/>	<hr/>	<hr/>
	22,225	22,225	10
Meeting Room Facilities			
Meeting Room 101	1,100	1,100	1
Meeting Room 102	1,000	1,000	1
Meeting Room 103	1,000	1,000	1
Meeting Room 104	840	840	1
Meeting Room 105	1,310	1,310	1
	<hr/>	<hr/>	<hr/>
	5,250	5,250	5
Cineam	--	Seats	--
Hotel Rooms	296	Per Guest Room	
Total Exhibit Space	27,600		
Total Ballroom Space	22,225		75.1
Total Meeting Space	5,250		17.7
Other Space	--		--
Total Function Space	<hr/>		<hr/>
	55,075		92.8
Ballroom Divisions	6	/100 Guest Rms	2.0
Meeting Room Divisions (incl. audit/amph)	5		1.7
Total Divisions (including Ballroom)	<hr/>		<hr/>
	11		3.7

Source: Individual Property, HSP

At the convention center, there are approximately 55,000 square feet of total function space with 27,600 square feet of exhibit space. There are also two ballrooms which provide the facility with over 22,200 square feet of ballroom space. The convention center is adjacent to the John Q. Hammons Embassy Suites which offers 296 guest rooms.

The table below shows the event activity at the St. Charles Convention Center in 2005.

Table 5-11

St. Charles CC 2005 Activity				
Event Type	# Events	Attendance	Room Nights	Avg. Atten. Per Event
Banquets	66	12,729	463	193
Meetings	168	21,573	2,485	128
Conventions	5	3,130	1,322	626
Special Events	9	3,700	445	411
Consumer Shows	19	63,946	2,223	3,366
Tradeshows	8	5,070	491	634
Total	275	110,148	7,429	401

Source: HSP, St. Charles CC

In 2005 there were a total of 275 events with a total attendance of 110,148. Consumer shows account for the largest percentage of attendance at the facility, or nearly 64,000 attendees in 2005. The average number of attendees at the consumer shows in 2005 was 3,365. Meetings account for the largest number of events at the facility, 168, followed by 66 banquets.

The table below shows the gross and net revenues by event type in 2005.

Table 5-12

St. Charles CC 2005 Revenues by Type				
Event Type	Gross Revenue	% Gross Rev	Net Revenue	% Net Rev.
Banquets	\$447,013	23%	\$323,391	22%
Consumer Shows	\$563,848	30%	\$440,874	31%
Special Events	\$87,456	5%	\$43,847	3%
Conventions	\$107,968	6%	\$88,038	6%
Meetings	\$548,426	29%	\$421,759	29%
Tradeshows	\$154,811	8%	\$126,206	9%
Total	\$1,909,522	100%	\$1,444,115	100%

Source: HSP, St. Charles CC

Consumer shows and meetings account for the majority of the convention center's net revenues; 31 percent and 29 percent, respectively. Banquets are also a significant revenue generator for the facility. In 2005 22 percent of net revenue was from banquets, which generated 463 room nights. Net revenue for the convention center in 2005 was \$1.44 million.

The St. Charles facility is the best comparison to the facility that would be developed in St. Joseph. Both markets are relatively small, located near major metro areas, and the facility types are similar. However, St. Joseph will be a smaller facility and it is located several miles farther from Kansas City than St. Charles, which is more of a suburb of St. Louis.

As was suggested prior to the opening of the St. Charles facility, there is a flight to quality, price and convenience and the results there suggest that in fact this is true. Not every event wants or needs to be in downtown metro hotels or convention centers. Many prefer to be in outlying areas with new, easy-to-use facilities, at low price points.

The Lodge of Four Seasons

The Lodge of Four Seasons (LFS) is located in Lake of the Ozarks, Missouri. The facility underwent an expansion in 2002 and now has approximately 67,000 square feet of meeting space. The hotel also features three golf courses, a marina, and approximately 400 hotel rooms.

The table below shows a breakout of the function space at the LFS.

Table 5-13

The Lodge at Four Seasons			
	Total (SF)	By Division (SF)	Divisions
Exhibit Space			
Exhibit Hall	16,000	16,000	1
	<u>16,000</u>	<u>16,000</u>	<u>1</u>
Ballroom Facilities			
Granada Ballroom	7,308		2
Ballroom A		3,654	
Ballroom B		3,654	
Marbella Ballroom	7,200		2
Ballroom A		2,400	
Ballroom B		4,800	
	<u>14,508</u>	<u>14,508</u>	<u>4</u>
Meeting Room Facilities			
Barcelona Room	682	682	1
Breezes Room	2,925	2,925	1
Busters Room	3,500	3,500	1
Eagle Peak Room	3,100	3,100	1
Escollo Room	1,728	1,728	1
La Salita Room	441	441	1
Lookout Room	2,352	2,352	1
Madrid Room	882	882	1
Sea Chase Room	1,440	1,440	1
Seville Room	1,457	1,457	1
Valencia	2,080		2
Valencia 1		1,040	
Valencia 2		1,040	
Terrace Room	1,125		5
Terraace Room 120-1		375	
Terrace Room 122-3		375	
Terrace Room 124-5		375	
Wharf	3,750	3,750	1
	<u>25,462</u>	<u>25,462</u>	<u>18</u>
Cineam	1,800	Seats	--
Hotel Rooms	388	Per Guest Room	
Total Exhibit Space	16,000		
Total Ballroom Space	14,508		37.4
Total Meeting Space	25,462		65.6
Other Space	1,800		--
Total Function Space	<u>57,770</u>		<u>103.0</u>
Ballroom Divisions	2	/100 Guest Rms	0.5
Meeting Room Divisions (incl. audit/amph)	19		4.9
Total Divisions (including Ballroom)	<u>21</u>		<u>5.4</u>

Source: Individual Property, HSP

The LFS includes 16,000 square feet of exhibit space, 14,508 square feet of ballroom space and approximately 25,500 square feet of meeting space divisible into 18 rooms, which give the center nearly 58,000 square feet of net function space. According to management, they would have preferred all the meeting space under one roof, instead the 16,000 square foot exhibit hall was built as a separate building and is connected by a walkway.

The LFS has approximately 900 events every year ranging from conventions to golf outings. Typical events held at the Lodge include banquets, receptions, weddings, reunions, retreats, and conventions. Approximately 70 percent of the business at the hotel is group business, 30 percent leisure, and no commercial or business travelers stay at the Lodge, primarily since it is a meeting destination resort.

The Lodge will be one of St. Joseph's primary competitors after the new building is built, although it will still be difficult for St. Joseph to compete on destination appeal. The combination of meeting space, number of hotel rooms, and location, make the Lodge a favorite meeting place for organizations. According to management, the biggest competitors of the LFS are Chateau on the Lake and Tan-Tar-A Resort.

BTC Exhibit Hall

The BTC Exhibit Hall is located on the campus of the Metropolitan Community College in Kansas City, Missouri. The Exhibit Hall is a part of the Business and Technology Center. The BTC Exhibit Hall was acquired through the MCC, formerly the Kansas City Market Center, and renovated for \$9 million before opening in October of 2002.

The original exhibit hall was built for the Kansas City Apparel Show and was a two floor facility. Now the Exhibit Hall is one floor with 37-foot high ceilings. The 328-room Intrigue Park Place Hotel is adjacent to the BTC Exhibit Hall and offers 9,000 square foot divisible ballroom. According to management, the Exhibit Hall was not marketable until the hotel was built several years ago.

The Exhibit Hall is one large room with 56,500 square feet of function space that can be divided into two rooms. Four classrooms are used for breakout rooms when needed. According to management, up to six breakout rooms that could accommodate up to 150 people, a 10,000 square foot ballroom, and better lighting are all preferred if the facility could be expanded.

The table below shows the function space divisions.

Table 5-14

BTC Exhibit Hall			
	Total (SF)	By Division (SF)	Divisions
Exhibit Space	56,500		2
Exhibit Hall A		43,000	
Exhibit Hall B		13,500	
	<u>56,500</u>	<u>56,500</u>	<u>2</u>
Ballroom Facilities	0	0	0
	0	0	0
Meeting Room Facilities	0	0	0
	0	0	0
Cineam	--	Seats	--
Hotel Rooms	330	Per Guest Room	
Total Exhibit Space	56,500		
Total Ballroom Space	0		0.0
Total Meeting Space	0		0.0
Other Space	--		--
Total Function Space	<u>56,500</u>		<u>0.0</u>
Ballroom Divisions	0	/100 Guest Rms	0.0
Meeting Room Divisions (incl. audit/amph)	0		0.0
Total Divisions (including Ballroom)	<u>0</u>		<u>0.0</u>

Source: Individual Property, HSP

The BTC Exhibit Hall hosts a wide range of events with a majority of the events coming from not-for-profit organizations. These not-for-profit organizations do not pay for exhibit space, instead it is thought of as giving back to the community. In 2006, the BTC Exhibit Hall had 52 events which were up from 35 events in 2005 and 29 events in 2004.

The strengths of the facility are its location, free parking and high ceilings. The weaknesses of the facility are its lack of breakout rooms and its internet and phone restrictions for users. The facility was built so that only not-for-profit organizations could use the phones and internet, which creates problems with potential users. The biggest competitors of the BTC Exhibit Hall are the KCI-Expo Center and the Overland Park International Trade Center. This will not compete significantly with the proposed facility in St. Joseph.

Hilton Branson Convention Center

The Hilton Branson Convention Center (HBCC) is located in Branson, Missouri, which is situated near the Arkansas-Missouri border. The hotel and convention center are elements of the Branson Landing, a \$420 million public/private project spanning 1.5 miles of Lake Taneycomo. Branson Landing was completed in 2007 and includes 450,000 square feet of retail and restaurant space, a 12-story Hilton Branson Convention Hotel with 294-rooms (opening August 2007), and 86,000 square feet of meeting space.

The figure below displays the layout of the HBCC.

Figure 5-4



The table below shows breakout of available function space at the facility.

Table 5-15

Hilton Branson Convention Center			
	Total (SF)	By Division (SF)	Divisions
Exhibit Space	46,031		2
Exhibit Hall A		27,435	
Exhibit Hall B		18,596	
	<u>46,031</u>	<u>46,031</u>	2
Ballroom Facilities			
Grand Ballroom	22,703		2
Ballroom A		14,336	
Ballroom B		8,367	
	<u>22,703</u>	<u>22,703</u>	2
Meeting Room Facilities			
Fall Creek	1,523	1,523	1
Short Creek	5,530		4
Short Creek 1		1,407	
Short Creek 2		1,393	
Short Creek 3		1,393	
Short Creek 4		1,337	
Copper Creek	4,151		3
Copper Creek 1		1,338	
Copper Creek 2		1,393	
Copper Creek 3		1,420	
Compton Ferry	1,234	1,234	1
Roark Creek	1,377	1,377	1
Bee Creek	1,472	1,472	1
Boston Ferry	924	924	1
Hensley Ferry	846		2
Hensley Ferry 1		468	
Hensley Ferry 2		378	
Silver Creek	220	220	1
	<u>17,277</u>	<u>17,277</u>	15
Amphitheater		Seats	--
Hotel Rooms	294	Per Guest Room	
Total Exhibit Space	46,031		
Total Ballroom Space	22,703		77.2
Total Meeting Space	17,277		58.8
Other Space	--		--
Total Function Space	<u>86,011</u>		<u>136.0</u>
Ballroom Divisions	2	/100 Guest Rms	0.7
Meeting Room Divisions (incl. audit/amph)	15		5.1
Total Divisions (including Ballroom)	<u>17</u>		<u>5.8</u>

Source: Individual Property, HSP

The convention center features over 46,000 square feet of exhibit space, a 22,700-square foot ballroom, and over 17,000 square feet of meeting space divisible into 15 rooms.

Branson is an established national entertainment destination and the development of this facility provides an enhancement to its offerings. St. Joseph will be able to compete at some level with the facility, as it is located away from the rest of the population of Missouri. St. Joseph is much more accessible, especially to those in western Missouri. However, the destination characteristics in Branson will continue to give it an edge in such comparisons.

Chateau on the Lake

Chateau on the Lake is a 301-room full service hotel located in Branson, Missouri. The hotel offers approximately 39,000 square feet of meeting and banquet space. Chateau on the Lake is another hotel that is highly sought out by meeting planners due to its location and meeting space.

The table below displays the breakout rooms available at the Chateau.

Table 5-16

Chateau on the Lake			
	Total (SF)	By Division (SF)	Divisions
Exhibit Space	0		
	0	0	0
Ballroom Facilities			
Great Hall	32,256		7
Edinburgh		3,712	
Heidelberg		2,604	
Innsbruck		2,666	
St. Mortiz		2,666	
Versailles		8,448	
Vienna		3,712	
Windsor		8,448	
	32,256	32,256	7
Meeting Room Facilities			
Barcelona Room	924	924	1
Baord Room	208	208	1
Florence Room	684	684	1
Greenbelt	8,175	8,175	1
Lake Geneva Boardroom	864	864	1
Lake Louise Boardroom	864	864	1
Lake Lugano Hospitality	783	783	1
Madrid Room	924	924	1
Milan Room	924	924	1
Munich Room	1,110	1,110	1
Naples Boardroom	684	684	1
Salzburg Room	1,110	1,110	1
Venica Room	924	924	1
Veranda	1,332	1,332	1
	19,510	19,510	14
Cineam	924	Seats	--
Hotel Rooms	301	Per Guest Room	
Total Exhibit Space	0		
Total Ballroom Space	32,256		107.2
Total Meeting Space	19,510		64.8
Other Space	924		--
Total Function Space	52,690		172.0
Ballroom Divisions	7	/100 Guest Rms	2.3
Meeting Room Divisions (incl. audit/amph)	15		5.0
Total Divisions (including Ballroom)	22		7.3

Source: Individual Property, HSP

The Chateau offers 32,256 square feet of ballroom space and 19,500 square feet of meeting space. Typical events held at the Chateau include corporate events, banquets, wedding receptions, conferences, and SMERF events.

Truman Hotel and Conference Center

The Truman Hotel and Conference Center is located in Jefferson City, Missouri. The Hotel has 233 rooms, and offers 22,000 square feet of meeting space. While the facility itself is not compelling as a competitor, it is located in the state capitol, which by default makes it a strong competitor for any facility nearing its size.

The table below displays the breakout rooms available at the Truman Hotel.

Table 5-19

Truman Hotel & Conference Center			
	Total (SF)	By Division (SF)	Divisions
Exhibit Space	0		
	0	0	0
Ballroom Facilities			
Stratford Ballroom	5,940	5,940	1
Hermitage Ballroom	4,836	4,836	1
	<u>10,776</u>	<u>10,776</u>	<u>2</u>
Meeting Room Facilities			
Windsor Room	480	480	1
Wellington Room	480	480	1
Baardroom	480	480	1
Carters Grove Room	1,904	1,904	1
Eastover Room	2,142	2,142	1
Glenwood Room	5,304	5,304	1
Hampshire Room	924	924	1
Sheffield Room	900	900	1
Hightower Room	990	990	1
Kingsland Room	990	990	1
	<u>14,594</u>	<u>14,594</u>	<u>10</u>
Cineam	--	Seats	--
Hotel Rooms	233	Per Guest Room	
Total Exhibit Space	0		
Total Ballroom Space	10,776		46.2
Total Meeting Space	14,594		62.6
Other Space	--		--
Total Function Space	<u>25,370</u>		<u>108.9</u>
Ballroom Divisions	1	/100 Guest Rms	0.4
Meeting Room Divisions (incl. audit/amph)	10		4.3
Total Divisions (including Ballroom)	<u>11</u>		<u>4.7</u>

Source: Individual Property, HSP

The Truman Hotel and Conference Center offers nearly 14,600 square feet of meeting space and nearly 11,000 square feet of ballroom space. No event demand data was available at this time.

National Comparable Facilities

HSP profiled a number of facilities previously mentioned or displayed to understand how similar facilities around the U.S. have performed. A summary of event activity for these facilities is shown below.

The table below displays a summary of the profiled facilities.

Table 5-17

	National Competitive And/Or Comparable Facilities													
	Northern Kentucky Convention Center		South Bend Century Center		Harborview Convention Center		Visalia Convention Center		DeSoto Civic Center		Pueblo Convention Center		Columbus Convention & Trade Center	
	# Events	Atten.	# Events	Atten.	# Events	Atten.	# Events	Atten.	# Events	Atten.	# Events	Atten.	# Events	Atten.
Function Space														
Exhibit Space	46,080		24,472		30,000		31,675		16,991		16,200		46,596	
Ballroom Space	22,800		16,640		17,600		11,852		0		0		8,736	
Meeting Space	13,288		17,067		8,400		5,989		2,060		2,900		11,358	
Total Function Space	82,168		58,179		56,000		49,516		19,051		19,100		66,690	
Event Types														
Conventions/Tradeshows	32	n/a	32	15,460	9	n/a	46	n/a	28	11,305	63	4,157	61	21,168
Associations	0	n/a	0	0	0	n/a	0	n/a	7	1,815	n/a	n/a	0	0
Meetings/Corporate	68	n/a	426	82,950	51	n/a	784	n/a	15	16,358	343	16,423	172	31,798
Consumer Shows	12	n/a	14	39,250	37	n/a	18	n/a	n/a	n/a	17	4,700	18	9,887
SMERF	63	n/a	126	38,685	81	n/a	152	n/a	173	23,797	150	24,164	140	37,291
Misc	0	n/a	16	8,740	53	n/a	0	n/a	21	6,284	30	4,815	0	0
Sport/Entertainment/Performance	0	n/a	39	26,776	0	n/a	19	n/a	n/a	n/a	n/a	n/a	117	23,249
Government	0	n/a	0	0	0	n/a	0	n/a	41	2,841	0	n/a	0	0
Total	175	0	653	211,861	231	0	1,019	32,000	285	62,400	603	54,259	508	123,393
Attendance per SF of Function Space	0.0		3.6		0.0		32.2		16.8		2.8		1.9	
Events per 1,000 SF of Function Space	2.1		11.2		4.1		20.6		15.0		31.6		7.6	
Attendance per SF of Exhibit Space	0.0		8.7		0.0		1.0		3.7		3.3		2.6	
Events per 1,000 SF of ExhibitSpace	3.8		26.7		7.7		32.2		16.8		37.2		10.9	
* NKCC does not track attendance														
** Facilities either do not track event & attendance by type or do not share that information														
Source: HSP, Respective Facilities														

Northern Kentucky Convention Center, Covington, Kentucky

The Northern Kentucky Convention Center (NKCC) is located in Covington, Kentucky near the Ohio River and across from Cincinnati. The Convention Center is attached via walkway to the 321-room Cincinnati Marriott Hotel. Across the street from the NKCC is a 281-room Embassy Suites Hotel. The complex has a mixture of 2,200 open air and garage total parking spaces. The NKCC was built in 1998 and opened in 1999 at a cost of \$31.5 million. Six months after the Convention Center was built, the Marriott hotel was completed.

The City of Covington is situated on the south side of the Ohio River, across from Cincinnati and resides in the greater Cincinnati MSA. Covington has a population of 43,470 and a MSA population of approximately 2.1 million. There are 900 hotel rooms within walking distance of the NKCC.

The figure below shows an aerial photo of the facility and hotels.

Figure 5-5



The table below shows the breakout of function space for the convention center.

Table 5-18

Northern Kentucky Convention Center	
Convention Center	
Exhibit Space	46,080
Ballroom	22,800
Meeting Rooms	13,288
Total	82,168
Hotels - Marriott	
Rooms	321
Meeting Space	9,000
Hotel - Embassy Suites	
Rooms	226
Meeting Space	6,000
Source: Mpoint, HSP	

The NKCC includes approximately 82,000 square feet of function space, including 46,000 square feet of exhibit space and 22,800 square feet of ballroom space. In addition to the 82,000 square feet at the NKCC, the Marriott offers an additional 9,000 square feet of function space and the Embassy Suites offers 6,000 square feet. According to management, a larger ballroom that is divisible into smaller sections and more meeting rooms would be preferred if the facility could be expanded.

The table below shows number events by type from 2005.

Table 5-19

NKCC 2005 Activity		
Event	# of Events	Percent of Demand
Conventions	22	13%
Tradeshows	10	6%
Consumer Shows	12	7%
Social	7	4%
Corporate	68	39%
Local	56	32%
Total	175	100%

Source: HSP, NKCC

In 2005, the NKCC hosted 175 events, including 22 conventions, ten tradeshows, and 12 consumer shows. Attendance is not tracked at the facility because revenue is based on gross square feet sold. Most of the demand comes from the Marriott, which rents 70 percent of the facility for its own events and reduces marketing costs for the convention center. The largest market segment of business comes from corporations.

The table below shows the room nights generated by the NKCC over the past several years.

Table 5-20

NKCC Room Nights	
Year	Room Nights
1999	13,788
2000	30,405
2001	14,647
2002	22,287
2003	25,040
2004	34,093
2005	30,941
2006	29,998
2007	16,090
2008	10,020
2009	11,393
2010	1,150

Source: HSP, NKYCVB

Room nights generated by events at the NKCC have grown steadily over the past eight years, with the exception of 2001 due to the September 11 terrorist attacks. In 2002 thereafter the room nights generated have increased, from 14,647 in 2001 to nearly 31,000 in 2005.

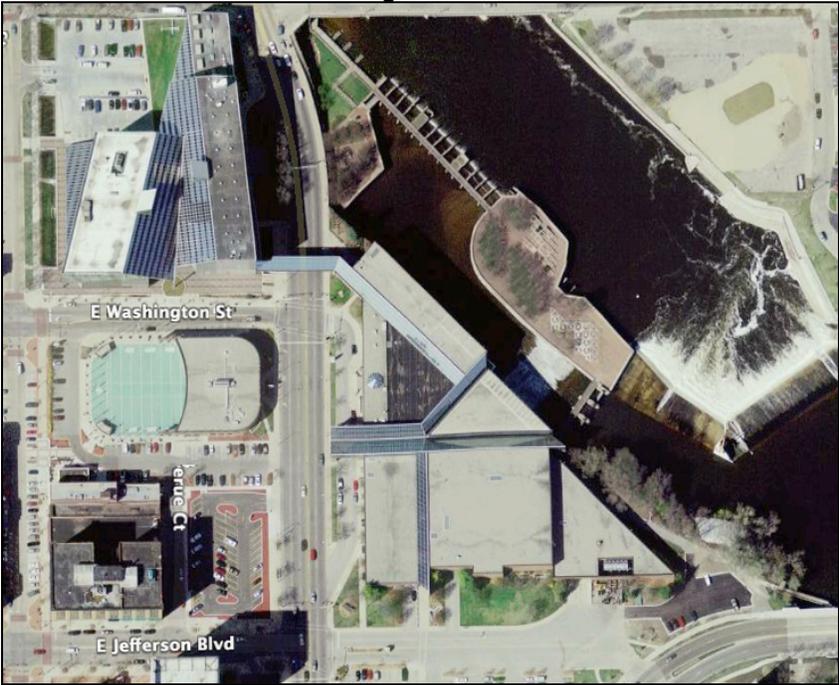
South Bend Century Center, Indiana

The Century Center is South Bend's convention center and consists primarily of an exhibit hall, breakout meeting rooms and the Great Hall, which serves as both the lobby and special

event space and is competitive with ballrooms. The complex also includes the South Bend Regional Museum of Art and is attached via skywalk to the 298-room Marriott hotel and underground to the College Football Hall of Fame.

The figure below shows the Century Center, Marriott Hotel and College Football Hall of Fame.

Figure 5-7



The following shows the space breakout and rental rates for the facility.

Table 5-21

South Bend Century Center	
Meeting Facilities	
Exhibit Space	24,472
Ballroom SF	16,640
Meeting Room SF	17,067
Total	58,179
Hotel - Marriott	
Rooms	298
Ballroom SF	4,635
Meeting Room SF	2,300
Auditorium	
Seats	n/a
Source: HSP, SBCC	

There is nearly 60,000 square feet of total function space at the South Bend Century Center. Of the function space, there is almost 25,000 square feet of exhibit space, over 16,500 square feet of ballroom space, and over 17,000 square feet of meeting room space.

The table below shows the event demand history at the Century Center.

Table 5-22

Century Center Event History								
	2003		2004		2005		2006	
	Events	Atten.	Events	Atten.	Events	Atten.	Events	Atten.
Banquet/Reception	103	35,953	107	35,666	91	28,660	87	29,235
Consumer Shows	19	57,600	16	37,950	22	54,150	14	39,250
Convention/Conference	21	14,661	21	22,073	24	13,725	18	10,750
Entertainment/Performance	48	30,460	53	26,500	42	24,150	34	21,476
Meetings	423	51,830	400	5,633	380	71,955	426	82,950
Prom/Dances	12	7,748	12	7,610	14	8,530	16	8,740
Special/Sports Events	6	4,800	3	3,500	5	5,655	5	5,300
Tradeshows	13	5,900	19	10,100	16	6,450	14	4,710
Weddings	31	6,915	51	12,165	49	12,637	39	9,450
Total	676	215,867	682	161,197	643	225,912	653	211,861

Source: HSP, Century Center

Events and attendance at the South Bend Century Center have fluctuated slightly over the past four years. In 2004, while number of events increased, the attendance decreased 25 percent. However, in 2005 the attendance increased by 40 percent.

Harborview Center, Clearwater, Florida

The Harborview Center (HC) is located in Clearwater, Florida. The HC does not have an attached hotel or arena. Although there is no onsite hotel, there are a total of approximately 4,300 hotel rooms within a few miles of the facility. The HC opened in 1996 at a cost of \$14 million and is owned by the City of Clearwater, and operated by Global Spectrum. Clearwater has a population of approximately 109,000 and a MSA population of approximately 2.6 million.

Error! Reference source not found. shows the breakout of meeting space.

Table 5-23

Harborview Center Meeting Space	
	SF
<i>Convention Center</i>	
Exhibit Space	30,000
Ballroom	17,600
Meeting Rooms	8,400

Source: HC, HSP

The HC has approximately 56,000 square feet of leasable meeting space. According to management, the facility is in need of more exhibit space and breakout rooms. For weddings and banquets, the facility competes with local hotels, for tradeshow, the facility loses events to Orlando, and the facility loses conventions to the Tampa Convention Center.

For the fiscal year of 2006, the HC had 230 events as shown in **Error! Reference source not found.**

Table 5-24

Harborview Center Event Demand 2006		
	# of Events	% of Total Events
Banquets	81	35%
Misc.	53	23%
Meetings	51	22%
Consumer Shows	37	16%
Tradeshows	7	3%
Conventions	2	1%
Total	230	100%

Source: Harborview Center, HSP

Banquets and receptions consisted of 35 percent of the events booked at the Center in 2006. Due to the small exhibit space, the HC held only two conventions last year. According to management, almost all of the events are from local demand and the Center loses events which require lodging since the nearest hotel is a few miles away.

The facility in 2006 had an operating deficit of \$180,000. Operating revenues were \$1.965 million, which included a \$286,000 subsidy. There is no bed tax in Clearwater and the facility is funded on an as need basis.

The HC generates approximately 9,000 room nights annually. No economic impact has ever been done on the Center. According to management, the facility turns away approximately 30 percent of business due to no onsite hotel. With no hotel, the facility is unable to attract regional conventions and tradeshow.

Management believes that the facility would benefit from an adjacent arena due to the small exhibit space the HC has. If there was an arena, the arena would be used for overflow of large events as well as for large religious groups that can generate crowds of 10,000 or more.

Visalia Convention Center, Visalia, California

The Visalia Convention Center (VCC) is located in Visalia, California near Fresno and Sacramento. Adjacent to the VCC is a 201-room Marriott Hotel, which is currently under renovation. Visalia has a population of approximately 109,000, a MSA population of approximately 4 million.

The facility has a total of 2,400 parking spaces within four blocks. The VCC was completed in 1922 and is owned by the City of Visalia. In 1991, the facility underwent a \$24 million expansion that increased the facility from 45,000 square feet to 114,000 square feet. According to management, another 250 room hotel would be ideal for the facility in order to accommodate all the events at the VCC.

The table below shows the breakout of meeting space.

Table 5-25

Visalia Convention Center Meeting Space	
	SF
<i>Convention Center</i>	
Exhibit Space	31,675
Ballroom	11,852
Meeting Rooms	5,989
<i>Hotel</i>	
Rooms	201
Ballroom	N/A
Meeting Rooms	N/A
Source: VCC, HSP	

The VCC has approximately 50,000 square feet of meeting space. According to management, the facility could use more exhibit, ballroom, and meeting space. The ballroom is booked on average over 50 percent of the year with some months being booked 85 percent of the time, therefore an additional ballroom is needed the most followed by exhibit space. The exhibit hall is used for concerts and entertainment events that seat up to 4,000 people and if the exhibit hall could be expanded to hold 5,000 people, management feels that they could hosts many more events every year.

For the fiscal year ending in June of 2005, the VCC had 1,019 events as shown in the table below.

Table 5-26

Visalia Convention Center Event Demand for 2005	
Event Type	# of Events
Consumer Shows	18
Conventions	46
Meeting	784
Entertainment Events	19
Banquets	152
Total	1019

Source: VCC

Meetings made up a majority of the events in the VCC with a total of 784 events. A majority of the business held at the facility is from local residents and businesses, whether it is a business meeting or a wedding reception. Total attendance for the facility was approximately 32,000.

The facility had operating revenues of \$1.6 million with operating expenses totaling \$2.4 million leaving the facility with a net operating income of negative \$800,000.

The VCC creates an economic impact of \$4 million a year locally and generates between 10,000 to 15,000 room nights annually. On average every delegate is estimated to spend \$125 per day while visiting Visalia for an event held at the VCC.

The impact of an onsite hotel for conventions and tradeshow is critical according to management. However, approximately 15 percent of the business at the facility is due to the hotel, mainly because of the amount of local events where most of the attendees can commute to the facility. Management believes that there is no need for an arena adjacent to the convention center because they can turn the exhibit hall into a place for entertainment events with their telescopic seating within the hall. Currently WWF events and concerts are held in the exhibit hall.

DeSoto Civic Center, DeSoto, Mississippi

The DeSoto Civic Center is located in DeSoto, Mississippi near the Gulf of Mexico. The DCC currently consists of a mid-sized arena, a small convention facility, and a theater. The table below shows the size of the rental spaces in the facility.

Table 5-27

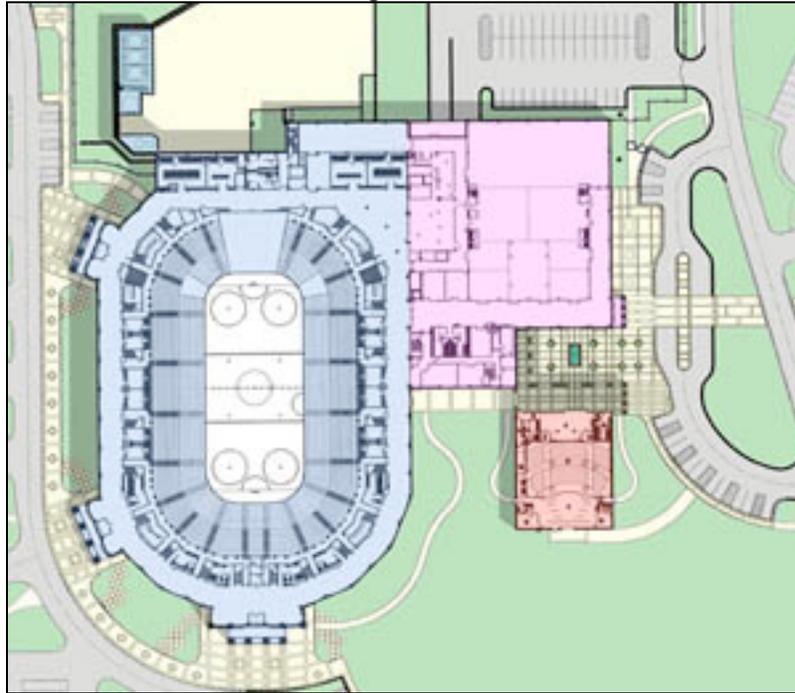
Current Convention Facility		
Exhibit Space		
Meeting Room Div. 1	7,053 SF	
Meeting Room Div. 2	2,380	
Meeting Room Div. 8	2,380	
Meeting Room Div. 5	1,742	
Meeting Room Div. 4	864	
Meeting Room Div. 6	864	
Meeting Room Div. 3	854	
Meeting Room Div. 7	854	
Total	16,991 SF	
Meeting Rooms		
Meeting Room Div. 12	587 SF	Boardroom
Meeting Room Div. 9	512	
Meeting Room Div. 10	505	River Kings Only
Meeting Room Div. 11	456	
Total	2,060 SF	
Net Function Space	19,051 SF	
Arena Floor	35,525 SF	
Total Function Space	54,576 SF	
Source: DeSoto Civic Center		

The existing exhibit space is divisible into eight separate areas, but in total can be opened to nearly 17,000 square feet. There is no ballroom. There are three small meeting rooms also available, plus one dedicated to the River Kings, totaling 2,060 square feet. The arena floor is 35,525 square feet, so larger events can use this floor space and several each year utilize both the convention hall and arena floor.

In terms of capacity, if the total exhibit hall were used for a convention, it would be able to accommodate only 85 booths. If a full-service convention wanted to use the facility, meaning one-third to one half of the space would be reserved for ballroom functions, this would limit it to 40 booths and a sit-down dinner for 525. At present, if the entire convention hall is used for a sit-down dinner, it can accommodate just over 1,000 people. However, the room is not conducive to this type of usage.

The figure below shows the layout of the facility.

Figure 5-6



HSP reviewed the operational history of the DeSoto Civic Center in an effort to understand the need for an expansion of the function space.

The table below shows the attendance at the facility from FY 2000 through FY 2005.

Table 5-28

DeSoto Civic Center Attendance*	
Year	Attendance
2000	258,047
2001	241,949
2002	288,133
2003	260,828
2004	252,344
2005	256,018
Average	259,553

*Fiscal Year Ends September 30
Source: HSP, DCC

Attendance overall has been relatively stable throughout the period, ranging from 242,000 in 2001 to 288,000 in 2002. In the latest year, the number of attendees was 256,000, which is close to the average of 260,000.

The table below shows the number of event days by facility within the Civic Center.

Table 5-29

DeSoto Civic Center Events by Facility*					
Year	Arena	Convention Hall	Theatre	Parking Lot	Total
2000	68	127	25	0	220
2001	60	161	18	1	240
2002	101	217	83	7	408
2003	94	220	114	5	433
2004	207	280	138	14	639
2005	228	420	252	9	909
Average	126	238	105	6	475

*Fiscal Year Ends September
Source: HSP, DCC

The number of event days has increased in total from 220 in 2000 to 909 in 2005. Each component of the facility has shown a significant increase in usage during the period. The arena began with 68 event days and has increased three-fold to 228 in the last full year. The convention hall has also seen event days increase three-fold from 127 to 420. The most significant increase occurred between 2004 and 2005, with event days increasing from 280 to 420. The theater has shown a ten-fold increase in usage, from 25 event days to 252 event days. Parking lot event days have ranged from zero to 14 event days.

HSP analyzed the convention hall activity to understand the character of demand for the facility. The results are shown in the table below.

Table 5-30

DeSoto County Civic Center Convention Hall Activity FY2006					
Event	Days	% of Total	Attendees	% Total	Avg. Atten.
Conference	5	1%	4,160	7%	832
Trade	23	5%	7,145	11%	311
Other	21	5%	6,284	10%	299
Association	7	2%	1,815	3%	259
SMERF	173	41%	23,797	38%	138
Corporate	96	23%	11,295	18%	118
Local	54	13%	5,063	8%	94
Government	41	10%	2,841	5%	69
Total	420		62,400		149

Source: HSP, DCC

For fiscal year 2006, there were a total of 420 event days at the facility, generating 62,400 attendees at the facility. The average attendance was nearly 150. The category with the most event days was SMERF (social, military, educational, religious, or fraternal) events, with 173 event days and average attendance of 138. This is typical for small convention facilities as they are not large enough to lure as many larger events. However, the facility did capture five large conferences with an average attendance of 832, 23 trade shows with

attendance of 311, and 21 other large events with an average of 299 attendees. There were only seven association conferences, with an average attendance of 259. Corporate events were the second largest event type with nearly 100 event days and an average attendance of 118. Local and government events contributed another 95 event days. As shown by the average attendance, the events are pushing the limits of the physical building accommodations.

HSP then analyzed the financial activity at the DCC to understand how much the convention facility and arena contributes respectively to both revenue and expense. The table below shows the results.

Table 5-31

DeSoto Civic Center Fiscal 2006 Operating Income & Expense			
Revenue	Arena	Convention	Total
Events	\$1,345,804	\$723,617	\$2,103,471
Ticket Sales (net of cost)	\$162,700	\$0	\$162,700
Sponsorship	\$123,800	\$0	\$123,800
Sign Sales	\$69,500	\$0	\$69,500
Luxury Suite Sales	\$77,100	\$0	\$77,100
Other	\$52,734	\$28,395	\$81,129
Total Operating Revenue	\$1,831,638	\$752,012	\$2,617,700
	70%	29%	
Expenses			
Event Expenses			
Personnel	\$390,646	\$210,348	\$600,994
Food & Beverage	\$164,360	\$246,539	\$410,899
Equipment Rental	\$3,562	\$14,249	\$17,811
Entertainment	\$64,125	\$3,375	\$67,500
Luxury Suite Tickets	\$53,800	\$0	\$53,800
Supplies	\$38,081	\$20,505	\$58,586
Total Event Expense	\$714,574	\$495,016	\$1,209,590
	59%	41%	
General Operating Expenses	\$1,631,024	\$778,794	\$2,409,818
	68%	32%	
Total Expenses	\$2,345,598	\$1,273,810	\$3,619,408
	65%	35%	
Net Operating Income	(\$513,960)	(\$521,798)	(\$1,001,708)
	51%	52%	

Source: HSP, DCC

As shown, there was total revenue of \$2.6 million at the DCC in FY 2006 and \$3.6 million of operating expenses, leading to an operating loss of \$1.0 million. This is not unusual for either an arena or convention facility, especially a small facility such as the DCC. When understanding revenue by facility within the DCC, the arena generated a total of \$1.8 million in revenue, primarily from event rental, equipment rental, and catering (\$1.4 million). It also has more opportunity for ancillary revenue in the form of ticket sales, sponsorships, sign and luxury suite sales. The convention facility is limited to event revenue, which breaks down into space rentals, catering revenue, and equipment and labor charges. This contributed

\$724,000 to revenue, with other revenue contributing \$28,000. Overall, the convention hall contributed 29 percent of total revenue, while the arena contributed 70 percent.

On the expense side, personnel are a primary cost for both the arena and convention hall, contributing over \$600,000 to expense for the DCC. For the convention hall, it is estimated that nearly \$250,000 in expense is due to food and beverage. Event expenses total nearly \$500,000 for the convention hall and account for 41 percent of total event expense. General operating expenses (utilities, etc.) are estimated at nearly \$780,000 for the convention hall, or 32 percent of total general operating expense. Due to the arena's large open space, ice rink issues, and large HVAC needs, the arena is estimated to generate expense of \$1.6 million. In total, the convention hall is projected to account for \$1.3 million, or 35 percent, of total expense. However, due to the lower revenue generation, the convention hall contributes half of the overall net operating loss.

Pueblo Convention Center, Pueblo, Colorado

The Pueblo Convention Center (PCC) is located in Pueblo Colorado and offers approximately 19,000 square feet of meeting space. HSP recently completed a convention center feasibility study on the PCC with recommendations to increase meeting space by more than 30,000 square feet.

The table below shows the proposed change in net function space.

Table 5-32

Pueblo Convention Center			
	Current	Expansion	Increase
Exhibit Space	16,200	28,600	77%
Ballroom	-	16,200	n/a
Meeting Rooms	2,900	6,900	138%
Total Net Function Space	19,100	51,700	171%

Source: PCC, HSP

In total, the facility currently features just 19,100 square feet of function space. After the expansion, the total space will increase by 171 percent to 51,700 square feet. The most important improvement will be the ability to host a full-service convention with separate exhibit and ballroom spaces. In addition, the existing exhibit hall's transformation to a true ballroom will improve the quality and pricing of events held at the space.

The table below shows the historical events by type at the PCC.

Table 5-33

	Historical Performance of the Pueblo Convention Center											
	2002		2003		2004		2005		2006		Average	
	Event Days	Attendance	Event Days	Attendance	Event Days	Attendance	Event Days	Attendance	Event Days	Attendance	Event Days	Attendance
Tradeshows	18	4,120	13	4,230	9	1,395	7	1,021	1	50	10	2,163
Conventions/Conferences	98	15,194	92	17,589	59	7,064	72	6,328	62	4,107	77	10,056
Consumer Shows	18	2,868	31	4,834	24	2,629	18	3,320	17	4,700	22	3,670
Banquets Receptions	135	21,064	129	19,867	107	18,744	119	18,341	150	24,164	128	20,436
Meetings/Seminars	307	15,925	416	15,731	320	19,602	350	14,028	343	16,423	347	16,342
Miscellaneous	105	27,459	47	10,537	45	9,329	46	9,752	30	4,815	55	12,378
Total	681	86,630	728	72,788	564	58,763	612	52,790	603	54,259	638	65,046

Source: PCC, HSP

As shown, the PCC since 2002 has hosted between 564 and 728 event days per year, with an average of 638 event days. Average attendance is 65,000 but has been as high as 86,600 in 2002. For the last three years, attendance has been under 59,000. The number of tradeshow event days has declined from 18 to one over the period. Conventions and tradeshows have decreased from 98 event days to 62 in 2006. Some of these differences may be due to reclassification of some events to better reflect industry standards. The banquet business has been robust and steady throughout the period, generating an average of 128 event days per year. Meetings and seminars have also shown strength and consistency, generating an average of nearly 350 event days per year.

The following table displays the average number of attendees per event from 2002 to 2006.

Table 5-34

	Average Event Size: Pueblo Convention Center					
	2002	2003	2004	2005	2006	Average
Tradeshows	229	325	155	146	50	225
Conventions/Conferences	155	191	120	88	66	131
Consumer Shows	159	156	110	184	276	170
Banquets Receptions	156	154	175	154	161	160
Meetings/Seminars	52	38	61	40	48	47
Miscellaneous	262	224	207	212	161	227
Average	127	100	104	86	90	102

Source: PCC, HSP

The largest events are tradeshows, which have averaged 181 attendees each over the years. Conventions are generally large events, but have been limited by the space available (as have tradeshows) and have shown decreasing average attendance over the years. With the new exhibit hall, these figures should increase significantly. The size of consumer shows has been increasing over the past five years to 276 in 2006, however the average is only 177. The average sized banquet or reception has stayed relatively stable and averages 160 people. The same can be said of the meetings and seminars at the PCC, which average nearly 50 people. As might be expected of miscellaneous events, there has been a variation in size, but the average size is 213. The average event size in total has decreased from 127 in 2002 to 90 in 2006.

The next table shows the historical revenue by event type.

Table 5-35

Historical Revenue: Pueblo Convention Center						
	2002	2003	2004	2005	2006	Average
Tradeshows	\$71,972	\$54,983	\$30,918	\$68,214	\$2,283	\$45,674
Conventions/Conferences	\$401,790	\$420,351	\$235,976	\$310,957	\$206,760	\$315,167
Consumer Shows	\$42,162	\$46,491	\$25,182	\$48,260	\$73,071	\$47,033
Banquets Receptions	\$566,051	\$555,074	\$507,766	\$526,918	\$674,554	\$566,073
Meetings/Seminars	\$204,162	\$254,147	\$270,292	\$263,682	\$260,165	\$250,490
Miscellaneous	\$142,625	\$66,956	\$62,281	\$77,551	\$43,686	\$78,620
Total	\$1,428,762	\$1,398,002	\$1,132,415	\$1,295,582	\$1,260,519	\$1,303,056

Source: PCC, HSP

Along with the number of tradeshow event days, tradeshow revenue has also decreased, from nearly \$72,000 in 2002 to only \$2,300 in 2006. As late as 2005, however, the amount was \$68,000. Conventions and conference have averaged \$315,000 over the past five years, but have shown a steady decline from \$400,000+ in 2002/2003 to just over \$200,000 in 2006. The largest revenue generator has been banquets and receptions, due to the large number of events and use of catering. On average, over \$560,000 is generated annually by banquets and receptions. This is 43 percent of total revenue over the five-year period. In 2006, it accounted for more than half of revenue. Meetings and seminars have proven a steady revenue stream of \$250,000 annually.

The following table shows historical revenue and expense by line item from fiscal year 2002 through 2006, plus the budget for fiscal year 2007.

Table 5-36

Historical Revenue & Expense Detail: Pueblo Convention Center												
	FY2002		FY2003		FY2004		FY2005		FY2006		FY2007	
	Actual	%	Projection	%								
Revenue												
Event Income-Rentals	\$218,217	14.7%	\$198,393	14.0%	\$166,811	14.4%	\$197,790	15.5%	\$167,612	12.8%	\$203,724	14.3%
Event Income-Food & Beverage	\$1,029,561	69.2%	\$1,023,036	72.2%	\$840,033	72.7%	\$925,181	72.3%	\$985,419	75.2%	\$1,054,702	74.0%
Event Income-Equipment	\$111,589	7.5%	\$118,734	8.4%	\$87,045	7.5%	\$97,740	7.6%	\$102,423	7.8%	\$93,904	6.6%
Event Income-Utilities	\$7,474	0.5%	\$10,276	0.7%	\$9,893	0.9%	\$4,500	0.4%	\$7,270	0.6%	\$6,425	0.5%
Event Income-Labor	\$4,646	0.3%	\$5,982	0.4%	\$5,012	0.4%	\$11,570	0.9%	\$2,335	0.2%	\$4,241	0.3%
Event Income-Other	\$88,441	5.9%	\$41,067	2.9%	\$23,493	2.0%	\$26,658	2.1%	\$30,662	2.3%	\$54,797	3.8%
Subtotal	\$1,459,928	98.1%	\$1,397,488	98.6%	\$1,132,287	98.0%	\$1,263,439	98.7%	\$1,295,721	98.9%	\$1,417,793	99.4%
Non-Event Revenue												
Misc(Pepsi Vending, Etc)	\$18,878	1.3%	\$12,803	0.9%	\$14,639	1.3%	\$16,119	1.3%	\$14,179	1.1%	\$8,404	0.6%
Rental (parking Lot Marriott)	\$6,000	0.4%	\$6,000	0.4%	\$7,010	0.6%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Advertising(Display Case, Kiosk)	\$3,865	0.3%	\$1,520	0.1%	\$1,382	0.1%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Subtotal	\$28,743	1.9%	\$20,323	1.4%	\$23,031	2.0%	\$16,119	1.3%	\$14,179	1.1%	\$8,404	0.6%
Total Revenues	\$1,488,670	100.0%	\$1,417,812	100.0%	\$1,155,318	100.0%	\$1,279,558	100.0%	\$1,309,900	100.0%	\$1,426,197	100.0%
Expense												
Event Expense												
Food & Beverage Expense	\$676,572	45.4%	\$759,871	53.6%	\$690,127	59.7%	\$573,645	44.8%	\$526,441	40.2%	\$537,901	37.7%
Direct Event Expenses	\$232,974	15.6%	\$195,004	13.8%	\$35,313	3.1%	\$91,124	7.1%	\$83,798	6.4%	\$50,828	3.6%
Subtotal	\$909,546	61.1%	\$954,875	67.3%	\$725,440	62.8%	\$664,769	52.0%	\$610,239	46.6%	\$588,729	41.3%
Labor												
Wages/Salaries - Administrative & Benefits	\$219,587	14.8%	\$189,182	13.3%	\$184,031	15.9%	\$157,423	12.3%	\$164,202	12.5%	\$191,880	13.5%
Wages/Salaries - Marketing, Event & Benefits	\$164,348	11.0%	\$148,000	10.4%	\$137,911	11.9%	\$160,018	12.5%	\$176,628	13.5%	\$255,628	17.9%
Wages/Salaries- Food&Beverage & Benefits*	\$190,797	12.8%	\$174,621	12.3%	\$162,014	14.0%	\$92,095	7.2%	\$173,079	13.2%	\$163,941	11.5%
Wages/Salaries - Operations & Benefits	\$71,884	4.8%	\$90,070	6.4%	\$114,282	9.9%	\$61,641	4.8%	\$90,242	6.9%	\$157,782	11.1%
Subtotal	\$646,616	43.4%	\$601,873	42.5%	\$598,238	51.8%	\$471,176	36.8%	\$604,150	46.1%	\$769,231	53.9%
Administrative												
Accounting / Audit Fees (legal)	\$75	0.0%	\$0	0.0%	\$344	0.0%	\$8,381	0.7%	\$6,470	0.5%	\$6,500	0.5%
Advertising	\$18,992	1.3%	\$20,654	1.5%	\$27,899	2.4%	\$25,276	2.0%	\$10,040	0.8%	\$18,198	1.3%
Armored Car Service	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$588	0.0%	\$1,440	0.1%
Bank Charges	\$2,840	0.2%	\$99	0.0%	\$105	0.0%	\$1,422	0.1%	\$6,520	0.5%	\$6,000	0.4%
Computer Software/Support	\$5,831	0.4%	\$6,062	0.4%	\$10,944	0.9%	\$9,911	0.8%	\$9,961	0.8%	\$7,000	0.5%
Collectons Bad/Debt	\$1,226	0.1%	\$749	0.1%	\$15	0.0%	(\$1,414)	-0.1%	\$0	0.0%	\$0	0.0%
Disposables	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$14,991	1.1%	\$13,121	0.9%
Equipment Rental	\$3,183	0.2%	\$1,907	0.1%	\$2,184	0.2%	\$2,086	0.2%	\$600	0.0%	\$875	0.1%
Equipment Lease Agreements	\$10,709	0.7%	\$10,720	0.8%	\$10,459	0.9%	\$11,752	0.9%	\$0	0.0%	\$10,080	0.7%
Postage, meter & scale, Fedex, UPS	\$2,517	0.2%	\$3,357	0.2%	\$3,114	0.3%	\$3,529	0.3%	\$4,700	0.4%	\$3,900	0.3%
Management Fee**	\$116,401	7.8%	\$67,764	4.8%	\$68,781	6.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Insurance (WC/Liability)	\$25,584	1.7%	\$47,995	3.4%	\$57,958	5.0%	\$40,360	3.2%	\$44,512	3.4%	\$44,450	3.1%
Licenses & Fees	\$2,035	0.1%	\$2,275	0.2%	\$2,599	0.2%	\$1,699	0.1%	\$2,207	0.2%	\$2,196	0.2%
Linens and Laundry	\$53,687	3.6%	\$46,682	3.3%	\$39,632	3.4%	\$45,342	3.5%	\$29,677	2.3%	\$39,000	2.7%
Building Maint/Lease Agree&Cleaning Supplies	\$75,835	5.1%	\$83,307	5.9%	\$70,164	6.1%	\$60,698	4.7%	\$72,402	5.5%	\$61,877	4.3%
New Equipment	\$27,012	1.8%	\$17,578	1.2%	\$10,575	0.9%	\$13,965	1.1%	\$13,070	1.0%	\$10,945	0.8%
Office Supplies & Office Equipment Repair	\$4,024	0.3%	\$4,010	0.3%	\$3,274	0.3%	\$4,167	0.3%	\$4,095	0.3%	\$4,360	0.3%
Promotions	\$9,164	0.6%	\$13,508	1.0%	\$4,677	0.4%	\$4,406	0.3%	\$7,599	0.6%	\$10,500	0.7%
Printing	\$5,567	0.4%	\$4,390	0.3%	\$3,093	0.3%	\$2,669	0.2%	\$4,268	0.3%	\$6,050	0.4%
Subscriptions&Dues	\$7,132	0.5%	\$5,190	0.4%	\$6,046	0.5%	\$3,727	0.3%	\$6,439	0.5%	\$8,002	0.6%
Telephone	\$31,184	2.1%	\$27,616	1.9%	\$26,034	2.3%	\$22,389	1.7%	\$18,883	1.4%	\$21,200	1.5%
Employee Hire/Tuition Reimbursement	\$1,555	0.1%	\$4,180	0.3%	\$2,833	0.2%	\$6,447	0.5%	\$5,495	0.4%	\$5,896	0.4%
Travel	\$6,296	0.4%	\$6,072	0.4%	\$12,142	1.1%	\$15,274	1.2%	\$20,356	1.6%	\$12,558	0.9%
Meetings/Conv/Training	\$9,954	0.7%	\$11,901	0.8%	\$2,610	0.2%	\$3,446	0.3%	\$5,113	0.4%	\$11,610	0.8%
Direct Sales	\$2,894	0.2%	\$1,919	0.1%	\$433	0.0%	\$439	0.0%	\$503	0.0%	\$3,200	0.2%
Uniforms/Laundry	\$13,018	0.9%	\$16,964	1.2%	\$8,819	0.8%	\$9,043	0.7%	\$5,601	0.4%	\$3,000	0.2%
Utilities	\$91,119	6.1%	\$103,622	7.3%	\$103,613	9.0%	\$137,799	10.8%	\$127,601	9.7%	\$137,072	9.6%
Subtotal	\$369,869	24.8%	\$353,017	24.9%	\$321,870	27.9%	\$432,813	33.8%	\$421,691	32.2%	\$449,030	31.5%
Total Expense	\$1,926,031	129.4%	\$1,909,766	134.7%	\$1,645,548	142.4%	\$1,568,758	122.6%	\$1,636,080	124.9%	\$1,806,990	126.7%
Operating Profit/(Loss)	(\$437,361)	-29.4%	(\$491,954)	-34.7%	(\$490,231)	-42.4%	(\$289,200)	-22.6%	(\$326,180)	-24.9%	(\$380,794)	-26.7%

*Between 1997 through March 2000 PCC used Swanson Catering, therefore those wages are what was charged by Swanson.
 ** At the end of 2004 Urban Renewal agreed to move the Management/Incentive Fee from the operating expenses to the Urban Renewal expenses.
 Source: PCC

Total revenue has declined from 2002, especially due to the lack of conventions, conferences and tradeshow. It is estimated for 2007 that event revenue will return to the level seen in 2002. Food and beverage revenue accounts for 70 to 75 percent of all revenue and this trend will continue. Total expense has been commensurate with revenue, decreasing when revenue decreases, which is a sign of good management. However, expenses on average are running 130 percent of revenue, so each year there is a deficit of approximately 30 percent, or \$400,000. The largest expense item is food and beverage expense. Combined with other event expense, this accounts for 40 to 60 percent of revenue.

Again, management has been able to prove itself valuable by lowering cost of food and beverage and event expense as a percent of the total from 60 plus percent to 40 percent. Unfortunately, while these expenses have been declining, labor and administrative expenses have been increasing.

Columbus Convention & Trade Center, Columbus, Georgia

The Columbus, Georgia Convention and Trade Center (CCTC) is located in downtown Columbus, Georgia. Adjacent to the CCTC is a 177-room Marriott Hotel and 2,000 seat amphitheatre. The facility has a total of 426 onsite parking spaces. The CCTC was completed in 1979, was renovated in 2004 at a cost of \$35 million, and is owned by the City of Columbus. Columbus is located approximately 100 miles from Atlanta and has an MSA population of approximately 277,000.

The table below shows the breakout of function space of the convention center.

Table 5-37

Columbus, GA Convention and Trade Center	
Meeting Facilities	
Exhibit Space	46,596
Ballroom SF	8,736
Meeting Room SF	11,358
Total	66,690
Hotel	
Rooms	465
Ballroom SF	n/a
Meeting Room SF	n/a
Auditorium	
Seats	664
Source: HSP, CGACTC	

The CCTC has approximately 67,000 square feet of function space, including 46,596 square feet of exhibit space and 8,736 square feet of ballroom space.

The table below shows the event demand history by type of event.

Table 5-38

Columbus, Georgia Convention & Trade Center							
Attendees							
Event Type	2000	2001	2002	2003	2004	2005	2006
Assn/Conv/Conferences	23,866	26,469	18,557	17,100	21,168	34,442	26,476
Corporate Meetings	44,151	43,930	34,466	33,363	31,798	51,583	51,159
Civic Clubs	20,688	21,161	21,431	16,775	23,249	19,858	16,670
Social Events	34,184	45,509	45,914	39,845	37,291	62,561	63,452
Other	0	0	0	0	5,742	7,747	12,079
Consumer Shows/ Other	44,910	24,150	25,433	28,829	9,887	27,024	25,930
Total	167,799	161,219	145,801	135,912	129,135	203,215	195,766
Event Days							
Event Type	2000	2001	2002	2003	2004	2005	2006
Assn/Conv/Conferences	74	72	64	48	61	68	85
Corporate Meetings	217	193	182	152	172	259	245
Civic Clubs	126	122	119	98	117	98	108
Social Events	118	150	151	128	140	239	217
Other	0	0	0	0	12	10	27
Consumer Shows/Other	54	40	50	41	18	45	23
Total	589	577	566	467	520	719	705
Source: CCTC							

For FY 2006, the CCTC totaled 705 event days, with an attendance of 195,800 people. Gross revenue from events has increased from \$1.8 million to \$2.8 million since the completion of the renovation. Due to the military base in town, the military is the single largest user of the CCTC. Corporate meetings made up the largest amount of events at the facility in 2006 followed by social events, however, social events generated the most top-line revenue.

Implications

It is clear that each small convention facility captures demand that is characteristic of its location, demographics, local business community and physical attributes. However, what is clear is that a strong level of event and attendance demand can occur in smaller facilities and that having a hotel (or hotels) attached or adjacent is critical to success.

RECOMMENDATIONS

This study was originally undertaken as an expansion study for the Civic Arena in the thought that it might also serve as a conference or convention center. The concept was to expand the facility and determine what hotel package would be necessary to optimize the performance of the facility.

In reviewing the physical layout of downtown, the Civic Arena, critical streets/arterials and areas available for development, it was concluded that while a convention center and hotel study was warranted, the expansion of the Civic Arena to accommodate a convention facility was not feasible. The arena takes up an entire city block and unless primary streets are to be vacated or bridged/tunneled under/over, expansion is not feasible. Even if the Civic Arena were to be connected to a convention facility located on a parcel to the west (the most likely option), the westward-facing side of the Civic Arena is used for loading. If the connection were to occur over the loading zone, it would likely pierce the building along the upper concourse and not a lobby or lower concourse area, when the lower concourse would be preferred. In addition, due to elevation changes, the connection from the arena to the convention center would enter the facility at a height two stories above the lobby level. With these issues in mind, the focus became a stand-alone downtown convention facility and related hotels.

In the long-term, it is suggested that the Civic Arena will likely need to be razed and replaced with one that meets the building codes and needs of future generations. As discussed previously in this report, there are a number of obsolescence issues that should be addressed to keep the facility relevant for the next ten years.

With the expansion option determined non-feasible at this time, the focus of this chapter is the convention building believed to be supported by the meetings market and appropriate for downtown St. Joseph for the next ten years. This includes the ability to site the facility on lots that may be attainable downtown. The hotel analysis occurs after the conclusion of the recommended convention facility in order to optimize the package of facilities.

Convention Center Components

In reviewing the strengths and weaknesses of St. Joseph as it relates to a meeting facility, we note the following:

Strengths/Opportunities

- Proximity to Kansas City
- Accessible by interstate and relatively close to airlift at KCI
- Some available land downtown
- Existing Holiday Inn downtown provides some quality accommodations
- Existing, stable business community and population
- Lack of quality small meeting facilities in region

Weaknesses

- Few corporate headquarters and high-wage jobs
- Existence of colleges and universities is limited
- Static/slow employment, population growth
- Few natural or man-made attractions; limited tourism
- Downtown fairly inactive, save for a few bars and restaurants

Based on these and other characteristics, we believe the market could support a small, quality convention facility. We are recommending among the smallest of facilities based on the market situation and the limited space available to develop such a facility.

Given our review of the total facility and its ability to optimize impact for the community as well as internal performance, we are recommending the following:

Exhibit Hall. The recommended exhibit hall is 22,000 square feet. For events with exhibits, this will accommodate 110 booths. Ceiling height should be 30 feet at minimum and utility boxes should be placed at 30-foot intervals.

Ballroom. The recommended ballroom is 9,500 square feet with a minimum 24-foot ceiling height. This will provide seating at banquets for 594, assuming an average of 16 square feet per person. For theater-style, it would accommodate approximately 950 people. If space permits, it is suggested that the ballroom and exhibit hall be programmed adjacent to each other in order to open up one large 30,000-square foot space. However, based on a review of the available land downtown, it does not appear likely that such contiguous space is likely.

Meeting Rooms. We recommend a total of 4,000 square feet of usable meeting rooms. These should be divisible into sections as small as 800 square feet and should include one dedicated boardroom that is recommended at 500 square feet.

Pre-function space. This space, used for registration and pre-function receptions, is recommended at approximately 7,000 square feet in front of the exhibit hall and 4,500 square feet in front of the ballroom and meeting rooms. The depth of the pre-function space in front of the exhibit hall should be at least 20 feet.

Parking. For a facility of this size, the maximum number of people attending an event would be 950, and this level of attendance will be rare at best. More likely, the building will “max out” at 500 attendees at any given time. Assuming 1.8 people per car attending events (1.8 load factor), a total of 280 spaces will be needed to support the center. The benefit of being located downtown is the abundance of parking adjacent/east of the Civic Arena. Parking will also be available under the convention center and ballroom in the suggested plan.

Hotel. An attached hotel is now requisite for any full-service convention facility hoping to attract the optimal level of usage. Competition from convention centers with one or more hotels attached has defined this situation and meeting planners settle for little else. This will be discussed more in the hotel recommendation chapter.

The table below shows the current St. Joseph Civic Arena function space as well as the recommended new convention center.

Table 6-1

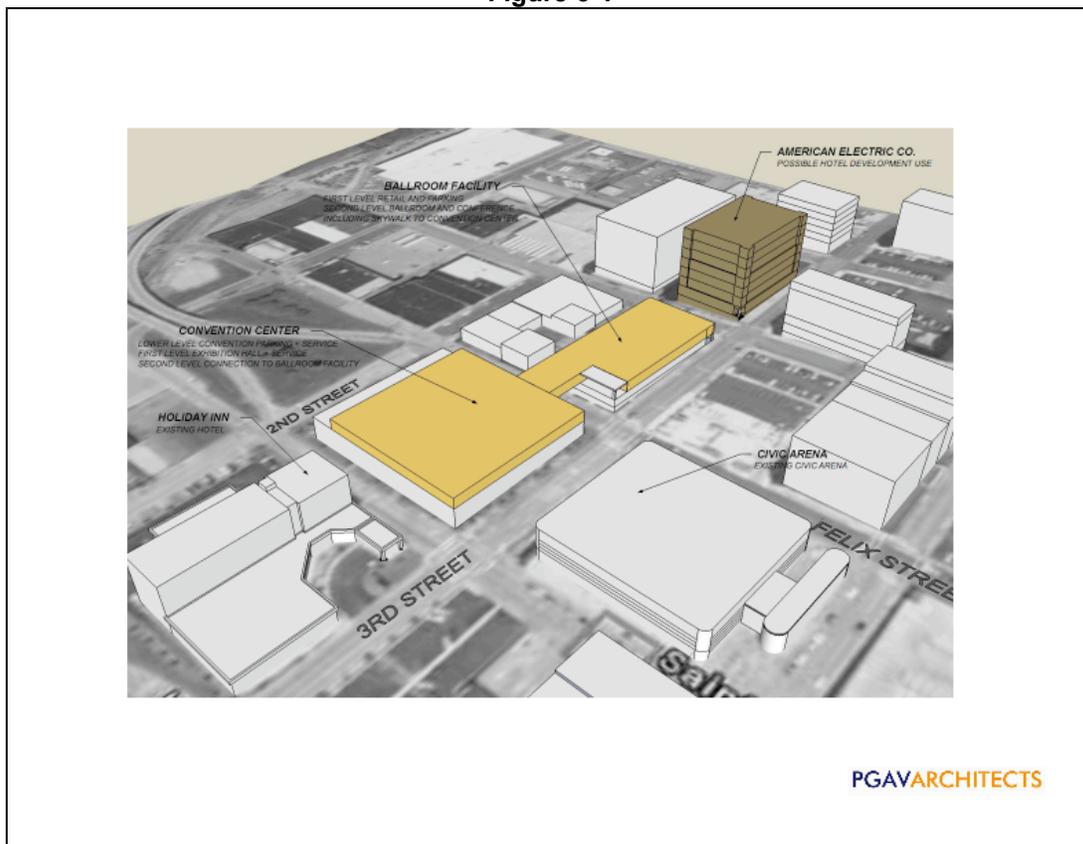
Recommended Convention Facility (SF)		
	Current Civic Arena	Proposed Convention Center
Exhibit Space		
Division 1	19,000	11,000
Division 2	n/a	11,000
Total	19,000	22,000
Ballroom Space		
Grand Ballroom		
Division 1		3,000
Division 2		2,000
Division 3		2,000
Division 4		2,500
Total	--	9,500
Meeting Rooms		
Meeting Room 1	1,000	1,000
Meeting Room 2	1,000	800
Meeting Room 3	1,000	800
Meeting Room 4	1,000	800
Meeting Room 5	0	600
Total	4,000	4,000
Net Function Space	23,000	35,500
Total Function Space	23,000	35,500

Source: HSP

As shown, the recommended facility will have 35,500 square feet of net function space. The exhibit hall could be divisible into either two or three sections. The grand ballroom could be divisible into three or four sections.

The figure below shows how this space could be laid out downtown.

Figure 6-1



As shown, there is a parking lot to the west of the Civic Arena and north of the Holiday Inn that would make an optimal site of a convention facility. It is currently owned by the Holiday Inn and used for parking. It is thought that due to grade changes, the facility could be built above a level of parking and could connect to the ballroom and meeting room portion of the facility, located on a block to the east of Felix. It is not feasible to stack the ballroom on the exhibit hall, so it is recommended to build the facility horizontally rather than vertically.

Governance Structure Recommendation

As is the case in most industries, there are as many ways to operate a convention center as there are convention centers. Typically, the structure adopted flows directly from the financing strategy used to develop the venue, and in reflection of the anticipated strategy for sustaining long-term operations.

HSP suggests the creation of a publicly directed not-for-profit corporation. Under this model, elected officials would appoint Board members to oversee the operation of the facility, along with the hospitality industry. The nature of this structure and its existence outside the daily sphere of municipal operations ensures the greatest possibility flexibility in operations, yet ensures public standards and resources remain subject to municipal oversight. In addition, this structure would also allow for the addition of other products or joint management of

assets that are consistent with the operating mandate of the not-for-profit corporation. In many areas, this involves operation of performing arts centers, hotels, and arenas, which are distinct products, but share mission and purpose with a convention center. The not-for-profit can either self-operate the facility or hire a private management firm.

Preliminary Cost Estimate

HSP has reviewed a variety of convention center projects and determined that a rough figure of \$420 per square foot is a preliminary starting point for budgeting for a building to be initiated by 2010. The table below shows some examples of other projects.

Table 6-2

New and Expanded Convention Facilities in Mid-Size MSA's (Ranked by Local MSA Population)							
Facility Name	MSA	MSA Population	Type	Year Opened	Costs (\$000,000)	Square Feet Added	Cost/ SF
Knoxville Convention Center	Knoxville, TN MSA	687,249	New	2002	\$95	500,000	\$190
Hershey Lodge and Convention Center	Harrisburg-Lebanon-Carlisle, PA MSA	629,401	Expansion	1998	\$33	130,000	\$254
Baton Rouge River Center	Baton Rouge, LA MSA	602,894	Expansion	2004	\$70	200,000	\$350
MassMutual Center	Springfield, MA MSA	591,932	Expansion	2005	\$71	147,000	\$483
Sarasota Bradenton International Convention Center	Sarasota-Bradenton, FL MSA	589,959	New	2002	\$85	120,000	\$708
Statehouse Convention Center	Little Rock-North Little Rock, AR MSA	583,845	Expansion	1999	\$20	40,000	\$500
McAllen Convention Center	McAllen-Edinburg-Mission, TX MSA	569,463	New	2007	\$51	192,239	\$264
Charleston Area Convention Center	Charleston-North Charleston, SC MSA	549,033	New	1999	\$56	175,000	\$320
Mobile Convention Center	Mobile, AL MSA	540,258	New	1993	\$53	167,000	\$317
Columbia Metropolitan Convention Center	Columbia, SC MSA	536,691	New	2004	\$36	142,500	\$253
Broadmoor	Colorado Springs, CO MSA	516,929	Expansion	2005	\$37	72,000	\$514
Grand Wayne Convention Center	Fort Wayne, IN MSA	502,141	Expansion	2005	\$42	110,000	\$382
Ocean Center Convention and Entertainment Complex	Daytona Beach, FL MSA	493,175	Expansion	2007	\$57	100,000	\$570
The Lexington Center	Lexington, KY MSA	479,198	Expansion	2004	\$50	95,000	\$526
Chattanooga Convention Center	Chattanooga, TN-GA MSA	465,161	Expansion	2003	\$45	100,000	\$450
Lansing Center	Lansing-East Lansing, MI MSA	447,728	Expansion	1995	\$25	65,000	\$385
Capitol City Convention Center	Jackson, MS MSA	440,801	New	2009	\$61	246,000	\$248
Spokane Convention Center	Spokane, WA MSA	417,939	Expansion	2003	\$77	160,000	\$481
Average New Facility					\$62	220,391	\$329
Average Expansion					\$48	110,818	\$445

Source: Expo Web, Respective facility websites, Johnson Consulting

There are many factors to be determined yet. However, the rough metric suggests a cost of approximately \$32.1 million for the convention center development. This does not include:

- Structured and other parking (this “stacking” will add cost to the project)
- Hotel costs, to be discussed later in this report
- Civic Arena Improvements, to be estimated by PGAV separately
- Ongoing operating losses, to be discussed later in this report
- Additional budget for the CVB to market the facility to a wider audience

HOTEL MARKET ANALYSIS

This chapter initiates the hotel portion of the analysis. Once the recommended hotel package is known, then projections of performance for both the hotel and convention center will be made.

Overview of US Lodging Industry

With the growth of the travel industry, the US lodging industry has also experienced strong expansion. The table below shows selected characteristics of the US lodging industry from 2000 through the first half of 2007, as measured by Smith Travel Research.

Table 7-1

National Lodging Industry Annual Summary								
Year	Room Night Supply Change	Room Night Demand Change	Occupancy	Change	Average Daily Rate	Change	Revenue per Available Room	Change
2000	3.4%	4.4%	63.5%	0.6%	\$85.24	4.9%	\$54.13	5.5%
2001	2.0%	-3.7%	59.8%	-5.8%	\$84.45	-0.9%	\$50.50	-6.7%
2002	1.6%	0.3%	59.0%	-1.4%	\$83.20	-1.5%	\$49.08	-2.8%
2003	1.1%	1.4%	59.2%	0.3%	\$83.28	0.1%	\$49.27	0.4%
2004	0.6%	4.2%	61.3%	3.6%	\$86.70	4.1%	\$53.13	7.8%
2005	0.4%	3.3%	63.1%	2.9%	\$90.95	5.3%	\$57.35	7.9%
2006	0.6%	1.1%	63.4%	0.6%	\$97.31	6.0%	\$61.69	7.6%
2007 First Half	1.1%	0.8%	63.2%	-0.3%	\$102.95	5.7%	\$65.09	5.5%
<i>Compound Annual Growth Rate (2000-2006)</i>	<i>1.0%</i>	<i>1.0%</i>		<i>0.0%</i>		<i>2.2%</i>		<i>2.2%</i>

Source: HSP, STR

The weakened economy and the effects of the September 11th terrorist attacks impacted room demand in 2001 and occupancy declined in both 2001 and 2002. In 2003, demand outpaced supply for the first time since 2000. The strong downturn of 2001-2002 and the reasonably difficult financing environment for hotel projects resulted in a much lower level of supply growth from 2002 through 2006. As such, when demand rebounded with strong increases in 2004 and 2005, occupancy and average daily rates (ADRs) increased at a very strong rate, especially in terms of average daily rate. In 2006, occupancy was nearly to the level seen in 2000 (63.4 percent) and average daily rate was \$97.31 nationwide. In the first half of 2007, room night supply outpaced demand for the first time since 2001, resulting in a decrease in occupancy. However, room rates continued to increase at an impressive rate, and ADR broke the \$100 barrier for the first time.

Throughout this period, financing of branded limited-service hotels has remained relatively easy, however, high construction costs, barriers to entry, and lower return on investment figures for full-service hotels kept urban full-service hotel lending tight. This resulted in few projects reaching completion. Many of the urban full-service projects that were built were

assisted by participation from the public sector, with nearly all convention hotel projects requiring creative financing.

Analysis of the Competitive Hotel Market

HSP chose a set of primary competitive hotels to analyze in St. Joseph. The factors considered were quality, amenities, size, function space, location, age, brand, and market demand mix. The table below shows a summary of the competitive set.

Table 7-2

Hotel	Rooms	Occupancy	Avg. Daily Rate	RevPAR	RevPAR Yield	Market Segmentation		
						Corp. Transient	Group	Leisure
Holiday Inn St Joseph Riverfront Historic	169	62%	\$66	\$41	90%	45%	25%	30%
Drury Inn & Suites St Joseph	143	55%	\$60	\$33	73%	70%	25%	5%
Ramada Inn St Joseph	161	63%	\$55	\$35	76%	10%	30%	60%
Hampton Inn St Joseph	60	69%	\$74	\$51	113%	88%	2%	10%
Comfort Suites St Joseph	65	55%	\$51	\$28	62%	50%	20%	30%
Stoney Creek Inn	129	60%	\$65	\$39	86%	65%	20%	15%
Total/Weighted Averages	598	73%	\$62	\$45	100%	49%	23%	28%

Source: HSP, STR

Occupancy in 2006 was 73 percent and average daily rate was \$62, leading to a RevPAR of \$45. The hotel size ranges from 60 rooms at the Hampton Inn to 169 at the Holiday Inn St. Joseph Riverfront Historic Hotel. Occupancy and rate profiles vary, depending upon management's yield strategy. The Comfort Suites has the lowest RevPAR (\$28), as well as the lowest occupancy (55%, the same as Drury Inn). The Hampton Inn is the strongest performer in the group, with a RevPAR yield of 113 percent, 69 percent occupancy, and an ADR of \$74.

The market mix of the six hotels in the competitive set averaged 49 percent corporate transient, 23 percent group, and 28 percent leisure. While group business made up a similar component of demand across most hotels (with the exception of the Hampton), ranging from 20 to 30 percent, the corporate transient and leisure markets varied significantly among the hotels. Corporate transient business ranged from 10 percent at the Ramada Inn to 88 percent at the Hampton Inn. Leisure business ranged from five percent at the Drury Inn and Suites to 60 percent Ramada Inn. Contract business did not generate a material market share in our interviews.

Hotel Descriptions

The following section describes the competitive hotel set, in terms of size, demand characteristics and other factors. All of the hotels are located near the interstate on the east side of town, except for the Holiday Inn, which is located downtown adjacent to the proposed site of the convention center.

The Comfort Suites -- hotel opened in 2002 and has 65 rooms. The daily room rate ranges from \$50 to \$80 per night. The Comfort Suites does not have any meeting space. In 2006 the projected average daily rate (ADR) was \$51 with occupancy of 55 percent leading to a

RevPAR Index within the competitive set of 62 percent – the lowest in the group. The market segmentation is 50 percent corporate transient, 20 percent group business, and 30 percent leisure.

The Drury Inn & Suites -- opened in 1984 and has since undergone several renovations. The most recent renovation was completed in July of 2005, which added another wing at a cost of \$4.5 million. The Drury Inn & Suites has a total of 133 rooms and four meeting rooms with a total of 2,100 square feet of space. In 2006 the projected ADR at the Drury Inn was \$60 with occupancy of 55 percent. The market segmentation is 70 percent corporate transient, 25 percent group business, and five percent leisure business.

The Hampton Inn -- opened in 2002 and is currently undergoing a renovation that will result in the remodeling of all guest rooms and public spaces. The Hampton Inn has 60 rooms but no function space. The hotel is located approximately three miles from the Civic Center within the east side hotel cluster. In 2006 the Hampton Inn had a projected ADR of \$74 with occupancy of 69 percent. The market segmentation is 88 percent corporate transient, two percent group business, and 10 percent leisure.

The Holiday Inn Riverfront Conference Center -- opened in 1988 and recently underwent a \$3.5 million renovation in 2004. The renovation included all 169 guest rooms and public space. There is one 4,050 square foot ballroom and eight meeting rooms totaling 7,324 square feet. The Holiday Inn is located in downtown St. Joseph adjacent to the Civic Arena. In 2006 the projected hotel ADR was \$66 with occupancy of 62 percent, leading to a RevPAR index of 113 percent – the leader in the market. The market segmentation is 45 percent corporate transient, 25 percent group business, and 30 percent leisure.

The Ramada Inn -- opened in 1980 and has 165 rooms. In 2006, the hotel spent \$400,000 repairing the exterior portion of the hotel and is currently in the planning stages of adding a water park to the property. The modest water park will cost a projected \$1.5 million. The Ramada Inn has a business center and fitness center as well as 1,694 square feet of meeting room space. There is one ballroom that is 6,400 square feet divisible into four rooms. In 2006 the Ramada's projected ADR was \$55 and occupancy was projected to be 63 percent. The market segmentation is 10 percent corporate transient, 30 percent group business, and 60 percent leisure.

Stoney Creek Inn -- opened in 2002 and has 129 rooms. The Stoney Creek Inn has a business center and seven meeting rooms totaling 3,678 square feet. The ballroom is divisible into two sections and totals 5,636 square feet. In 2006 the projected ADR was \$65 with occupancy of 60 percent. The market segmentation is 65 percent corporate transient, 20 percent group business, and 15 percent leisure.

Proposed and Under-Construction Hotels

There are currently no confirmed hotels under development in St. Joseph.

Function Space in Competitive Set of Hotels

The table below shows the function space at each of the hotels in the competitive set.

Table 7-3

Competitive Set Hotels						
Name	Date Opened	Rooms	Total Function Space (SF)	Ballroom Space	Meeting Space	Per Room
Holiday Inn St Joseph Riverfront Historic	June-88	169	10,564	4,050	6,514	39
Stoney Creek Inn St. Joseph	July-02	129	9,014	5,336	3,678	29
Ramada Inn St Joseph	June-80	161	8,094	6,400	1,694	11
Drury Inn & Suites St Joseph	December-84	143	2,097	0	2,097	15
Hampton Inn St Joseph	February-02	60	0	0	0	0
Comfort Suites St Joseph	July-02	65	0	0	0	0
Average	June-93	121	4,962	2,631	2,331	15

Source: HSP, STR, Mpoint.com

There is a very limited supply of function space in the competitive set of hotels, ranging from none at the Comfort Suites and the Hampton Inn to over 10,500 square feet of function space at the Holiday Inn and just over 9,000 square feet at the Stoney Creek Inn St. Joseph. Among the six properties there is an average of 15 square feet of function space per hotel room. The range of function space per room among the hotels is wide ranging from none at the Comfort Suites and Hampton Inn to 15 square feet at the Drury Inn to 39 square feet at the Holiday Inn.

Accommodated Demand and Primary Competitive Set Occupancy

HSP used Smith Travel Research data to analyze the competitive set performance, as well as information collected by the St. Joseph CVB (since Drury Inn does not report to Smith Travel).

The table below displays historical room supply, demand, occupancy, rate, and RevPAR for the selected competitive supply of hotels. A projection of statistics for 2007 is also included.

Table 7-4

Historical Supply, Demand, Occupancy, ADR, and RevPar for Competitive Hotels											
Year	Annual Avg. Available Rooms	Available Room Nights	% Change	Room Nights Sold	% Change	Occupancy	% Change	ADR	% Change	RevPar	% Change
2001	588	214,620	--	133,885	--	62.4%	--	\$58.44	--	\$36.46	--
2002	588	214,620	0.0%	134,141	0.2%	62.5%	0.2%	\$57.21	-2.1%	\$35.76	-1.9%
2003	588	214,620	0.0%	122,395	-8.8%	57.0%	-8.8%	\$55.27	-3.4%	\$31.52	-11.8%
2004	588	214,620	0.0%	138,350	13.0%	64.5%	13.0%	\$56.03	1.4%	\$36.12	14.6%
2005	597	217,960	1.6%	142,937	3.3%	65.6%	1.7%	\$55.76	-0.5%	\$36.57	1.2%
2006	598	218,270	0.1%	159,099	11.3%	72.9%	11.1%	\$61.05	9.5%	\$44.50	21.7%
2007 (est.)	598	218,270	0.0%	159,099	0.0%	72.9%	0.0%	\$67.16	10.0%	\$48.95	10.0%
CAGR* 2000 - 2007			0.3%		2.9%		2.6%		2.3%		5.0%

*Compound Annual Growth Rate
Sources: Smith Travel Research, HSP

Supply has been generally consistent throughout the period. Demand for room nights in the set decreased nearly nine percent in 2003 as the effects of the travel and business

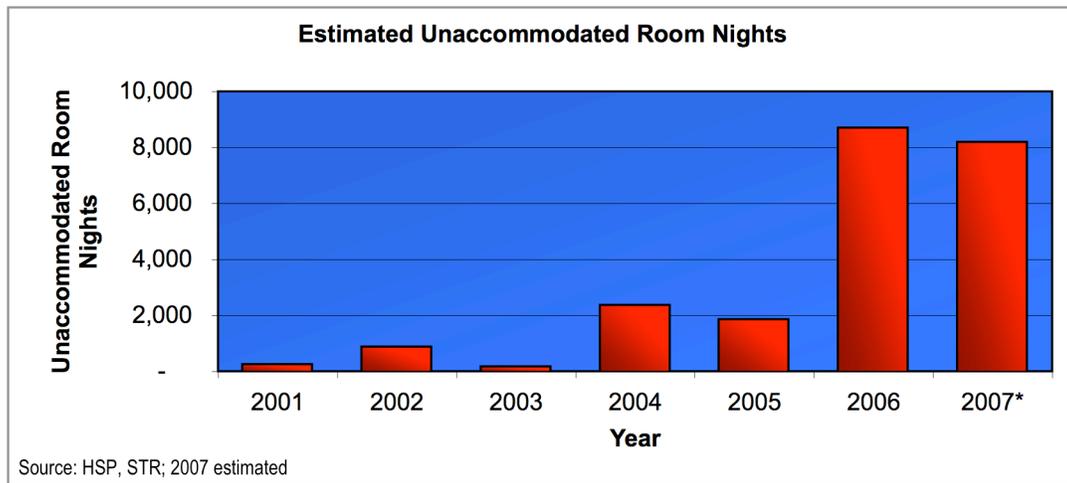
slowdown hit St. Joseph. In 2004, however, demand jumped to a new high of 138,350 room nights, or a 13 percent increase from 2003. In 2005 demand increased an additional 3.3 percent, and another 11.3 percent in 2006. Occupancy in 2006 and 2007 is at a new high of nearly 73 percent. This is generally the point in the demand cycle when new product is planned. This is due to the turn-away demand that cannot be accommodated, or pent up demand for new hotels. Average daily rate decreased in 2002 and again in 2003. In 2004, ADR increased 1.4 percent, and then fell in 2005. In 2006, ADR increased 9.5 percent and revenue per available room (RevPar) soared 21.7 percent to nearly \$44.50. It is expected that rates will increase another ten percent in 2007, but occupancy will remain at 72.9 percent.

Unaccommodated Demand

Unaccommodated demand is defined as demand that would have been captured by the market, but for a lack of available rooms. This demand is therefore deferred to later dates, accepts lesser accommodations, moves just outside the competitive set, moves its business to another area, or cancels plans altogether. As new properties are added to the market, it is expected that this demand will be accommodated in the new supply. In most markets, average monthly demand in excess of 70 percent indicates unaccommodated demand.

For every month that occupancy was greater than 70 percent, it is assumed that a portion over that amount was unaccommodated. The figure below shows the estimated number of unaccommodated room nights in the competitive set.

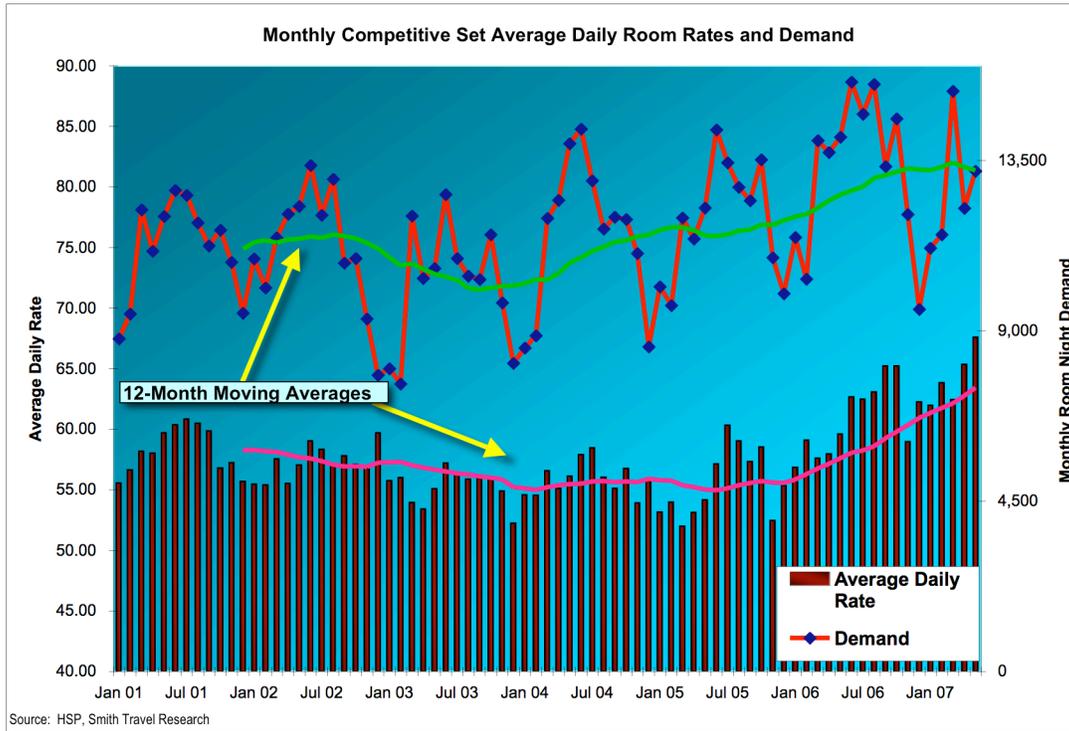
Figure 7-1



As shown, there were few unaccommodated room nights from 2001 through 2003, however in 2006, the number is estimated to have increased to over 8,000. A similar figure is projected for 2007. The represents opportunity for a new hotel developed in St. Joseph as long as confidence remains in the ongoing level of demand.

The figure below displays the monthly average daily room rates and monthly room night demand from January 2001 through January 2007.

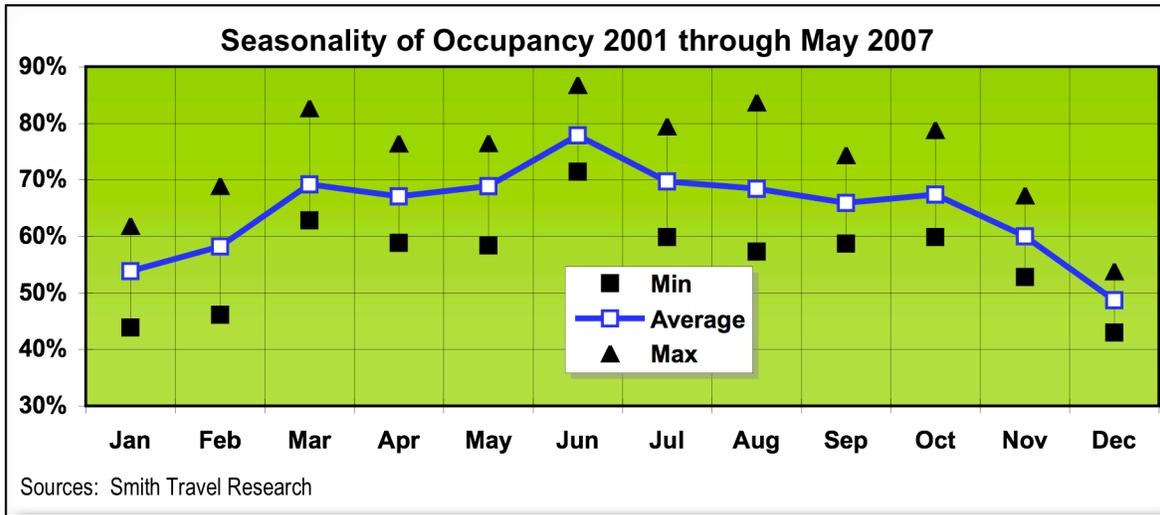
Figure 7-2



The pattern exhibited in the figure above shows that monthly demand began a steady increase from late to the present. Average daily rate decreased from early 2001 through late 2003 and not until late-2005 did it begin to increase at an unprecedented rate.

The figure below shows the seasonality of occupancy from 2001 through May 2007.

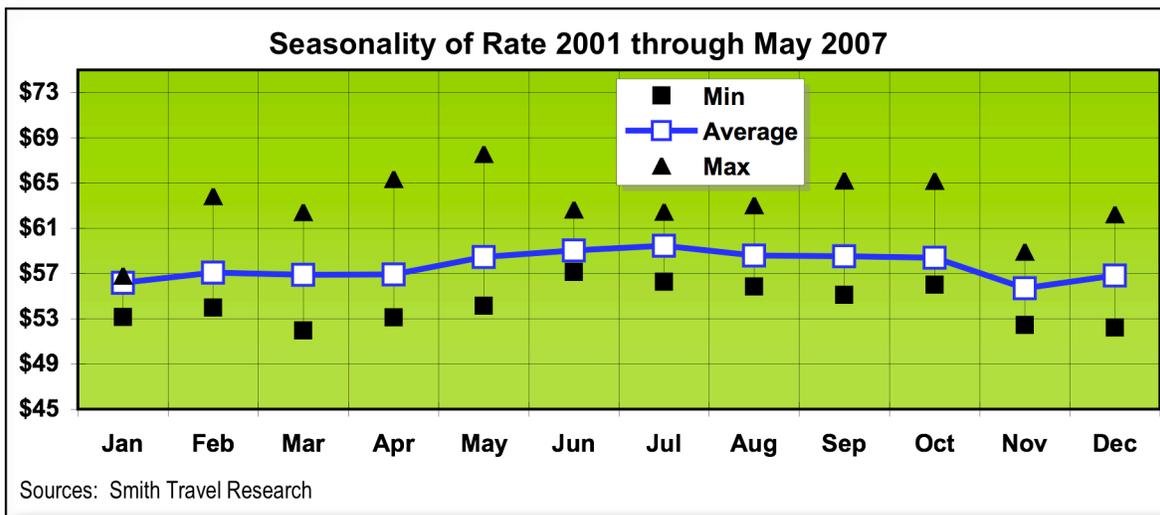
Figure 7-3



The competitive set's monthly averages show that the strongest months for room demand are March through October, all averaging nearly 70 percent or higher (June is the stand-out month at nearly 80 percent). December and January are the weakest months, as is typical for most of the U.S.

The figure below shows the seasonality of rate for the competitive set.

Figure 7-4



The rate trends help to explain the market mix in the competitive set. While summer occupancies are very high, the demand tends to come from lower-paying leisure travelers, who lower the average rate for July and August, ultimately not allowing rate to heavily fluctuate throughout the year.

Conclusion

Based on the performance of the competitive set of hotels to date, it appears the hotel market has recovered from the four-year slump in demand and is now achieving record performance. With no proposed supply in the competitive set pipeline and stable or increasing demand levels, new hotel absorption into the market should occur rapidly.

HOTEL RECOMMENDATIONS

In contemplating the appropriate hotel package for downtown, including the proposed convention center and improved Civic Arena, a number of items must be considered. These include:

- Ability to maximize business to the market and convention center without providing more supply than can be sustained in the market,
- Existing hotels in the proximate area,
- Walking distance to demand generators, such as a convention center,
- Available land; ownership of land,
- Available buildings for re-use, and
- Market strength.

There is currently a renovated 169-room Holiday Inn adjacent to the proposed site for the convention center. Our recommendation for a total hotel package is to either have one hotel of 275 - 300 rooms, or two hotels totaling 200+ and 100+ rooms. If the Holiday Inn is the smaller of the two, then a new 200-room property with 15,000 square feet of net function space is recommended. If such a property is not realistic (or there is no room), then the Holiday Inn should be expanded to 200 rooms and another hotel developed of 100+ rooms.

If possible, would it be better for the hotel and the market if there were simply one property to accommodate all downtown and convention demand? Likely not, as this assigns too much risk to one property. While meeting planners would appreciate the single large room block on the one hand, on the other hand they would not like to have their attendees' options limited to one property.

Is the hotel room count amongst two hotels necessarily recommended to be the same as if there were one hotel? No. Generally, it is possible and recommended to have more rooms in two hotels than one large hotel with the same number of rooms. This provides both properties flexibility in booking various types of business yet provides a suitable room block for each.

There are some very real constraints given what is attempting to be created: a convention, arena and hotel package. Having an adjacent hotel or hotels is absolutely critical, so available land surrounding the proposed convention center is a must. In St. Joseph, this land is limited unless existing buildings are razed. The proposed convention center will take up the 1.5 blocks of surface parking available. After reviewing the options, there are no viable sites for a new full-service hotel of 200 rooms. This leaves several options:

Expand the Holiday Inn to 300 rooms.

Expand the Holiday Inn to 200+ rooms and develop a second hotel with 100+ rooms.

Again, given the available land, it is not likely the Holiday Inn could expand to 300 rooms, nor would we suggest it as the best option for the owners of the Holiday Inn or the market.

However, there is some room on the site to add rooms and function space, although it is likely that structured parking could then be required. Adding a wing with 30-50 rooms is feasible, and additional function space could be added.

HSP and city officials, along with PGAV, have investigated the options for a new hotel and have determined that the redevelopment of the American Electric Building may be the best alternative for the second hotel. The building could be redesigned to accommodate as many as 130 rooms, which is a comfortable number of rooms for most branded hotels.

The figure below shows the American Electric Building.

Figure 8-1

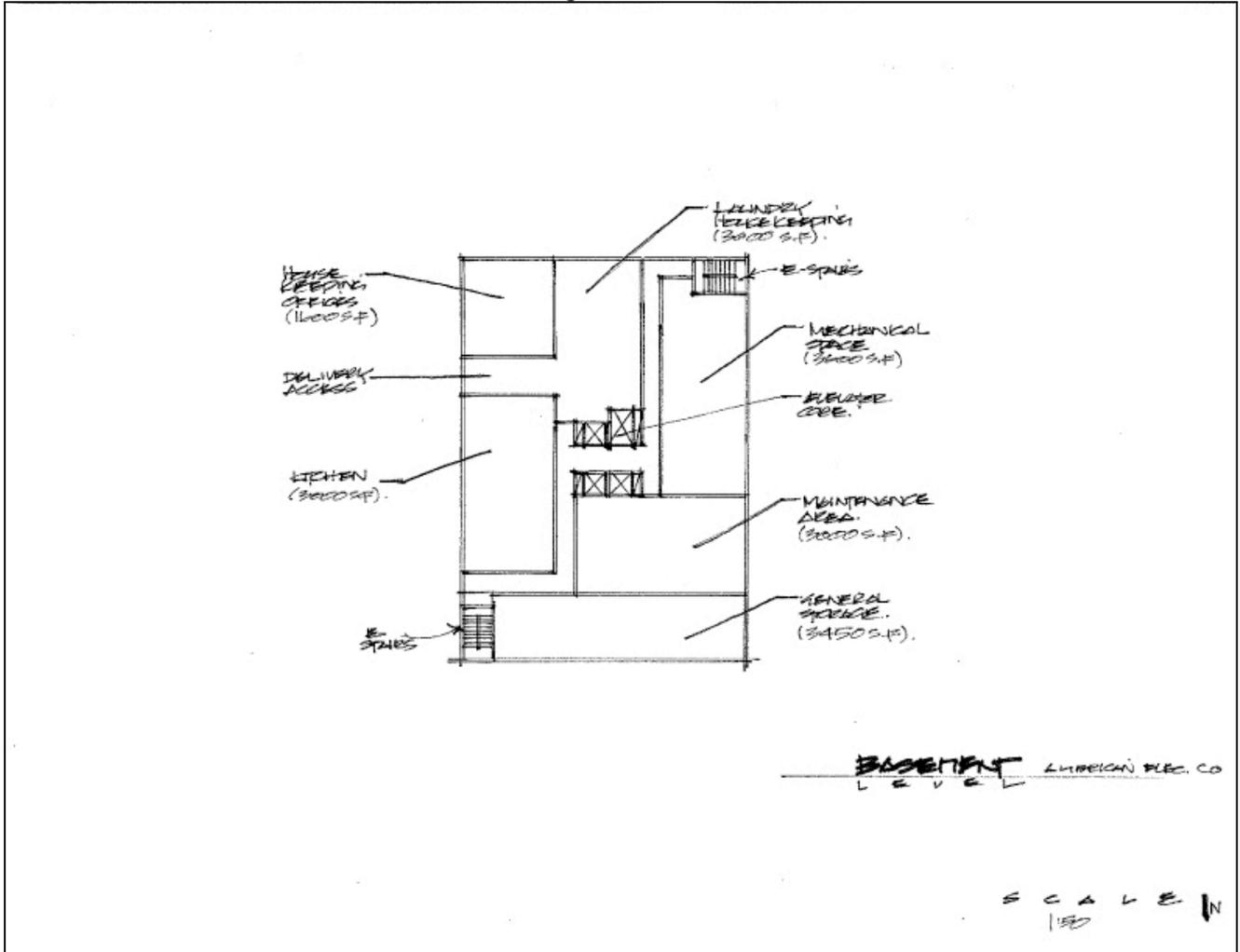


The building is located north across the street from the proposed ballroom site of the convention center.

PGAV has undertaken a more detailed review of the building's properties to understand how a hotel might fit within it. The historic structure is very sound and has many rehabilitation opportunities. The assumed room count in the renovated structure is 130. The figures below show how the building's floor plates may be re-programmed to suit a full-service hotel.

The first figure shows the basement level.

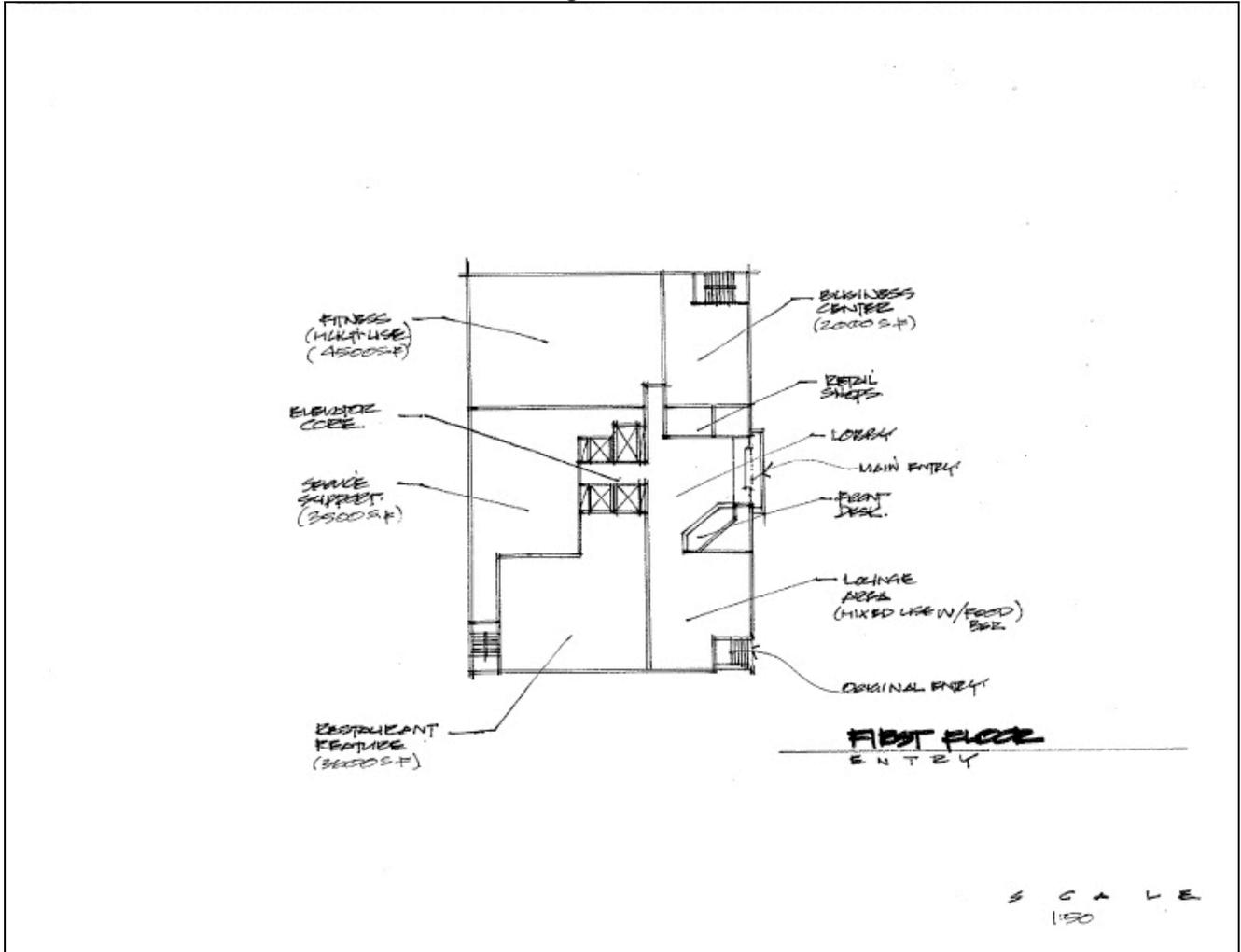
Figure 8-2



The basement level would consist of offices, delivery access, a kitchen, laundry, mechanical space, a maintenance area, and storage.

The next figure shows how the street level could be programmed.

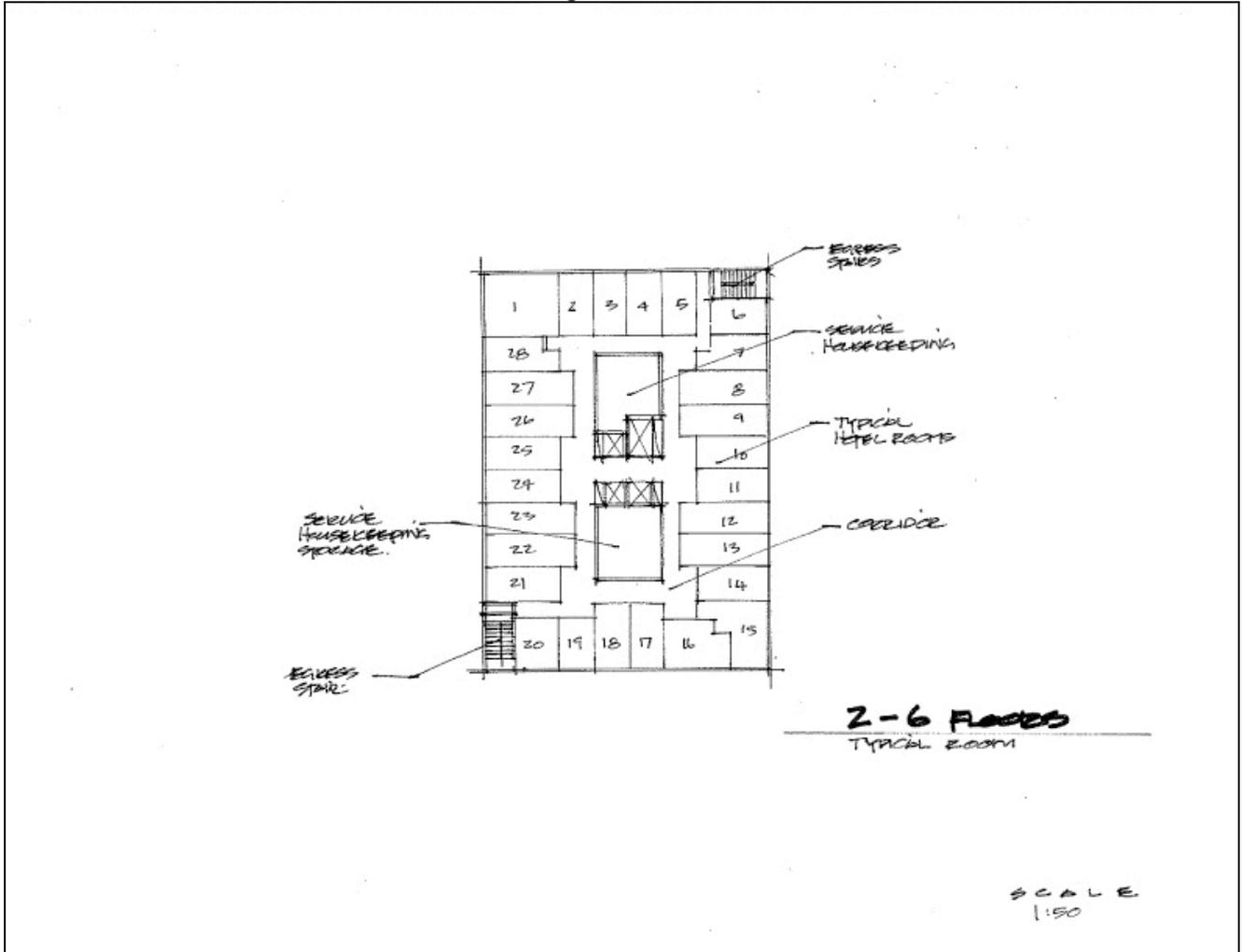
Figure 8-3



The first floor shows an entry on the southeast corner leading to the lounge and bar area, as well as the front desk. The restaurant, service support, elevator core, and fitness center could all be on the western half of the building. The remainder of the lobby, retail shop and business center are shown in the northeast portion.

The following figure shows how a typical floor would lay out.

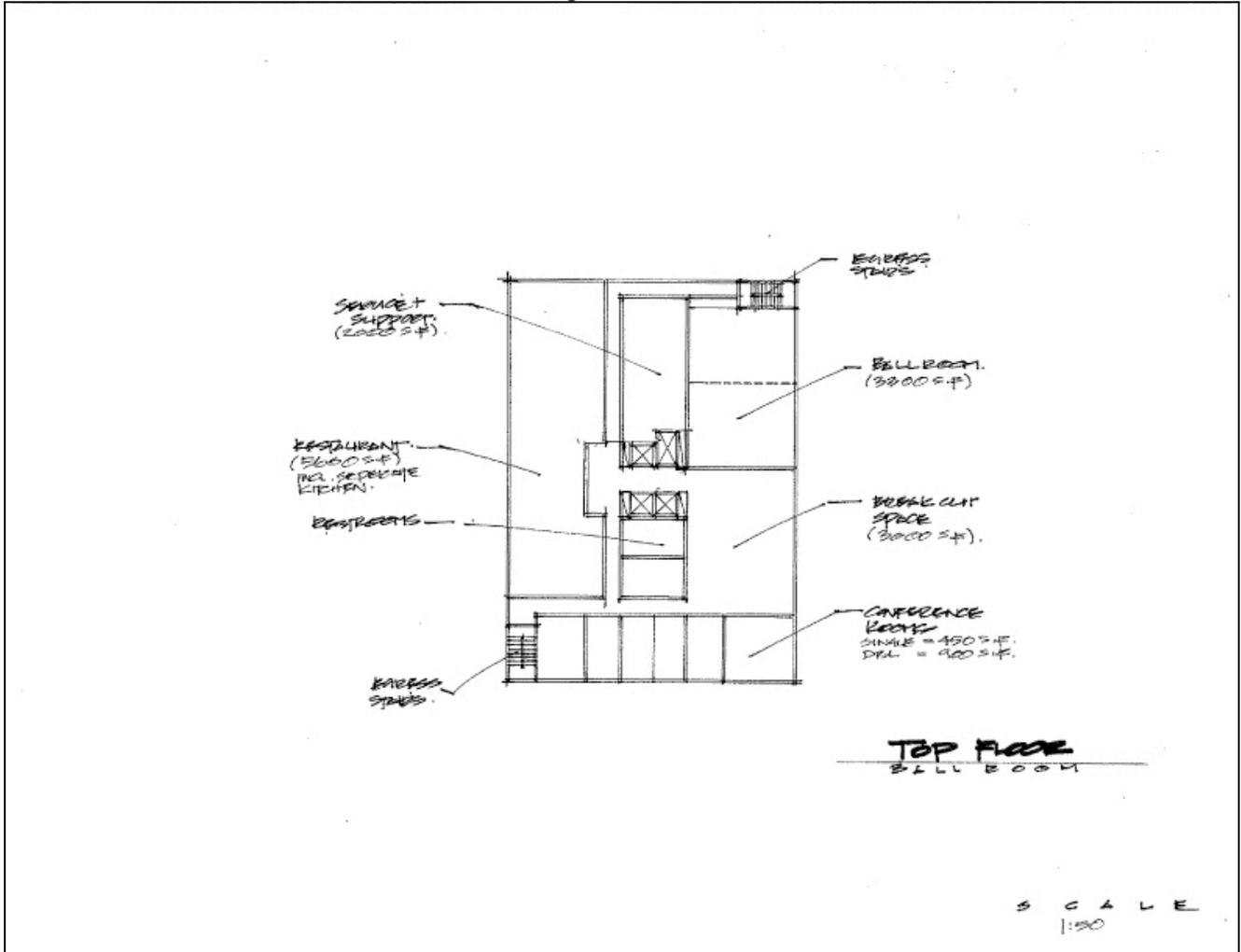
Figure 8-4



As shown, if only the exterior-facing rooms were programmed, a total of 28 per floor is a reasonable number to assume, totaling 140 bays. We have assumed that five bays are combined with a second bay to create five suites, therefore leaving 130 keyed rooms.

The final figure shows the top floor, where function space could be accommodated.

Figure 8-5



The program shown includes a 3,300-square foot ballroom and a number of meeting rooms, as well as a large restaurant. The floor plate is large enough to modify these amounts to fit other space utilization suggestions. For example, a larger 4,000-square foot ballroom could be accommodated.

Sizing and Amenities

As discussed above, for a convention headquarters hotel to be effective it requires it having a block of rooms large enough to induce demand from groups that would be suitably sized for the convention center, along with the other convention hotels. We believe that within the two-hotel solution, the 200-room size is an achievable and appropriate development size for the expanded Holiday Inn and the 130-room hotel is appropriate for the American Electric Building. Anything larger would be a longer-term absorption burden to itself and to the market. Anything smaller will not have the desired long-term group inducement effects and

not help St. Joseph compete as well against peer convention markets from a room block perspective or single large hotel perspective.

Function Space

The function space at the hotels must support the hotel's room count, but also provide synergy with the space offered at the convention center and assist in inducing group demand.

Breakout meeting space has become more important over the years, as training sessions and other education elements related to corporate and association events have grown. St. Joseph could help to distinguish itself by offering more than its competitors in terms of breakout space. The hotels can also partner with the convention center and offer meeting rooms in the event that the convention center cannot provide enough. This could be a source of synergy for both. The suggested function space program and amenities for the properties are shown in the table below.

Table 8-1

Recommended Project Components				
Item	Expanded Holiday Inn		American Electric Hotel	
	Count	Unit	Count	Unit
Guest Rooms (Total)	210	Rooms	130	Rooms
Grand Ballroom	6,500	Square Feet	4,000	Square Feet
Meeting Rooms	3,000		1,600	
Board Room	500		500	
Parking	189	Spaces	117	Spaces
Three-meal Restaurant	50	Seats	35	Seats
Lobby Lounge/Bar	20		12	
Indoor Pool	Yes		Yes	
Fitness Center	Yes		Yes	
Concierge Desk	Yes		Yes	
Business Center	Yes		Yes	
Gift Shop	Yes		Yes	

Source: HSP

The amenities suggested are designed to help attract all segments of demand at a higher price point, and due to the fact that the collection of amenities does not exist elsewhere in the market. For example, room service is not always offered beyond 10PM at most hotels (if at all in St. Joseph), so having extended hours will help the hotels and St. Joseph compete for business.

DEMAND PROJECTION

This chapter shows the operations at the recommended St. Joseph Convention Center (SJCC) assuming the recommended hotels are constructed and expanded. It also assumes the CVB markets the facility at levels comparable to other convention centers of this size.

The table below shows the events by type projected for the SJCC. We have assumed the facility opens in January 2010, simultaneous with the hotels.

Table 9-1

Projected Events at the St. Joseph Convention Center										
Event Type	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Conventions, Conferences and Trade Shows	8	12	15	17	19	19	19	19	19	19
Consumer Shows	0	1	1	2	3	3	3	3	3	3
Corporate Events	19	24	28	33	36	36	36	36	36	36
Banquets	63	76	91	109	131	131	131	131	131	131
Meetings Room Events	85	93	101	110	120	120	120	120	120	120
Total	175	205	236	271	309	309	309	309	309	309

Source: HSP

It is projected that the number of events will increase from 175 in 2010 to 309 by stabilization in 2014. The number of events will be dominated by ballroom and meeting room events, however we project a number of large, high-impact events, including 19 conferences, conventions and tradeshows, three consumer shows, and 36 large corporate events using the exhibit hall annually.

The following table displays the number of show days as well as move in/move out days for the SJCC.

Table 9-2

Show, Move In/Out and Total Use Days - St. Joseph Convention Center										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Show Days	247	297	336	386	439	439	439	439	439	439
Move In/Out Days	53	63	72	84	96	96	96	96	96	96
Use Days	300	361	408	469	535	535	535	535	535	535

Source: HSP

The number of show days is projected to increase from 247 in 2010 to 439 by stabilization. The total number of use days is projected to increase from 300 in 2010 to 535 by stabilization.

The next table shows the number of attendees projected in the first ten years.

Table 9-3

Projected Attendance at the St. Joseph Convention Center

Event Type	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Conventions, Conferences and Trade Shows	3,100	5,000	5,700	6,300	7,500	7,500	7,500	7,500	7,500	7,500
Consumer Shows	0	2,200	2,200	4,400	6,600	6,600	6,600	6,600	6,600	6,600
Corporate Events	4,400	5,500	6,500	7,600	8,400	8,400	8,400	8,400	8,400	8,400
Banquets	12,700	15,700	18,700	22,200	26,800	26,800	26,800	26,800	26,800	26,800
Meetings Room Events	7,900	8,500	9,300	10,200	11,000	11,000	11,000	11,000	11,000	11,000
Total	28,100	36,900	42,400	50,700	60,300	60,300	60,300	60,300	60,300	60,300

Source: HSP

A total of 28,100 attendees is projected in the first year, ramping up to approximately 60,000 by 2014. This will consist largely of attendees to the ballroom events, however, nearly 23,000 are attributable to the exhibit hall by 2014. It is those attending exhibit hall events that create economic impact via overnight hotel stays and spending in restaurants.

The table below shows the average number of attendees projected by event type. Changes over the period are due to rounding in the model.

Table 9-4

Projected Average Attendance by Event Type at the St. Joseph Convention Center

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Conventions, Conferences and Trade Shows	390	420	380	370	390	390	390	390	390	390
Consumer Shows	0	0	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Corporate Events	230	230	230	230	230	230	230	230	230	230
Banquets	200	210	210	200	210	210	210	210	210	210
Meetings Room Events	90	90	90	90	90	90	90	90	90	90
Average	160	180	180	190	200	200	200	200	200	200

Source: HSP

The largest events are projected to be consumer shows, which is normal for convention facilities. The average size of conventions, conferences and trade shows is projected to be nearly 400, although many will be smaller, while some will be much larger. Ballroom events are projected at approximately 200 attendees per event and meeting room events are projected at 90 on average. The size range for meeting room events will be largest, with as few as ten people and as many as 300 people.

The next table shows the projected number of room nights generated by the facility.

Table 9-5

Attendee & Exhibitor Room Nights Generated from the St. Joseph Convention Center

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Conventions, Conferences and Trade Shows	2,470	4,430	4,160	4,600	6,130	6,130	6,130	6,130	6,130	6,130
Consumer Shows	0	0	330	670	1,000	1,000	1,000	1,000	1,000	1,000
Corporate Events	850	1,060	1,260	1,460	1,630	1,630	1,630	1,630	1,630	1,630
Banquets	800	980	1,170	1,390	1,680	1,680	1,680	1,680	1,680	1,680
Meetings Room Events	200	210	230	260	280	280	280	280	280	280
Total	4,320	6,680	7,150	8,380	10,720	10,720	10,720	10,720	10,720	10,720

Source: HSP

Hotel room nights are generated primarily by out-of-town visitors in St. Joseph for larger events, such as conventions, large corporate gatherings, and the exhibitors serving all events. The number of hotel room nights generated by the expanded SJCC is projected to be 4,300 in the first year and should increase to nearly 11,000 by 2014. These are the primary drivers of economic impact to the community.

CONVENTION CENTER OPERATING PROJECTION

The table below presents the projected operating statement for the facility's first ten years of operation. The projection uses inflated dollars and accrual-based accounting, wherein revenues are recognized when they are earned and expenses are recognized when they are incurred. Revenues include all revenues of the facility that can be used for operations. All revenues and expenses are inflated at a three percent annual rate.

Table 9-6

St. Joseph Convention Center - Pro Forma Operating Statement of Revenue and Expenses (\$000's, Inflated)										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue										
Event Revenue										
Space Rental	\$97	\$141	\$213	\$256	\$304	\$311	\$319	\$327	\$335	\$344
Equipment Rental	23	33	50	60	71	73	74	76	78	80
Gross Food & Beverage	688	878	1,039	1,241	1,486	1,523	1,561	1,600	1,640	1,681
Event Services Income	37	53	62	73	90	92	94	97	99	102
Parking	26	35	40	48	57	57	57	57	57	57
Other Revenue	3	4	6	7	9	9	9	9	9	10
Total Operating Revenue	\$874	\$1,145	\$1,409	\$1,686	\$2,015	\$2,064	\$2,114	\$2,166	\$2,218	\$2,272
Expenses										
Food and Beverage	\$447	\$571	\$676	\$807	\$966	\$990	\$1,015	\$1,040	\$1,066	\$1,093
Salaries and Wages	\$489	\$504	\$519	\$534	\$550	\$567	\$584	\$601	\$619	\$638
Employee Benefits	122	126	130	134	138	142	146	150	155	160
Passthrough Labor	10	16	19	23	29	30	31	31	32	33
Maintenance & Repairs	5	11	19	23	28	29	29	30	31	32
Cleaning	9	12	14	17	21	22	23	23	24	25
Utilities	76	83	86	91	98	99	100	101	102	103
Sales and Marketing	50	52	42	44	45	46	48	49	51	52
General and Administrative	71	73	75	78	80	82	85	87	90	93
Insurance	33	34	35	36	37	38	39	41	42	43
Other Operating Expenses	27	28	29	30	32	33	34	34	35	36
Management Fee	34	43	56	67	80	82	84	86	88	91
Reserve For Replacement	19	25	31	38	45	46	47	48	49	51
Total Expenses	\$1,393	\$1,578	\$1,732	\$1,921	\$2,148	\$2,205	\$2,263	\$2,324	\$2,385	\$2,449
Net Operating Income	(\$519)	(\$433)	(\$322)	(\$236)	(\$133)	(\$141)	(\$149)	(\$158)	(\$167)	(\$176)

Source: HSP

It is projected that in the first year of operation, the convention center is projected to generate revenues of \$874,000 and incur approximately \$1.4 million in operating expenses, leaving a deficit of \$519,000. Once the building stabilizes after marketing and long-term bookings occur, we expect 2014 revenue of \$2.015 million and \$2.148 million in expense, leading to a deficit of less than \$133,000. This is highly dependent upon the assumptions below.

The assumptions and methodology used to estimate the financial performance of the facility is described in the following subsections.

Operating Revenues

The following text describes the individual line items listed in the table above.

Space Rentals – include the temporary rental of event space and other facilities for events. Assumptions of rental revenue per square foot are based on comparable facilities. The table below summarizes the projected rental rates for event spaces and equipment, as well as the ratio of event services revenue to rental revenue.

Table 9-7

Rental Revenue Assumptions		
Item	Rent	Unit
Exhibit Hall Rental	\$2,200	per show day (full hall)
	\$1,100	per moving day (full hall)
Ballroom Rental	\$1,900	per show day
	\$950	per move day
Meeting Room Rental	\$600	per show day (all rooms)
	\$300	per move day (all rooms)
Equipment Rental	7%	% of space rental

Source: HSP

The projections assume rental rates of \$2,200 (\$0.10 per square foot) for exhibit hall rental (half as much for moving days). Ballroom rental, due to the higher quality of space, is more expensive per square foot and is assumed to be rented at \$1,900 (\$0.20 per square foot), although this is usually waived once food and beverage minimums are met. Meeting room rental is expected to be \$600 if all rooms are rented (\$0.15 per square foot).

Equipment Rental - includes the rental of furniture, audio/visual, and other equipment. In this analysis, equipment rental is expected total seven percent of room rental revenue.

Event Services - include revenue from services and reimbursements for labor provided to exhibitors and other facility users. Facilities charge its users for a range of services, including electrical, cleaning, telephone, Internet, decorating, audio-visual, and security services. The facility will receive revenue from the provision of these services, either through direct charges for services provided by facility staff, or through shared revenues from services provided by third-party vendors. The costs of temporary labor for stagehands, police, ushers and paramedics, and others, are also recovered from facility tenants.

The projection assumes that event services are charged per booth for events using the exhibit hall. Services include electrical, cleaning, audio/visual, and telecommunications and are assumed to total of approximately \$28.50 per booth.

Food and Beverage Services (Net) - are based on event attendance, and reflect net sales that the DCC will generate through its events in concessions, catered meals, and other services such as coffee break services for meetings. The projections are based on per capita food and beverage revenues, estimated to reflect an expectation of the quality in the facility. The table below shows the assumptions for per capita food and beverage revenue, in current price levels.

Table 9-8

Gross Food and Beverage Service Assumptions

Revenue	Base	Unit
Conventions, Conferences and Trade Shows	\$22.00	per attendee
Consumer Shows	\$3.00	per attendee
Corporate Events	\$27.00	per attendee
Banquets	\$25.00	per attendee
Meetings Room Events	\$23.00	per attendee

Source: HSP

As the basis for the analysis, gross food and beverage sales are assumed to be \$22.00 per convention/trade show attendee, \$3.00 per consumer show attendee, \$27.00 for corporate events, \$23.00 for meeting and conferences, and \$25.00 for banquets and seminars. Depending on the event type, 35 to 50 percent will flow to the bottom line.

Other Revenues – other revenues includes any revenue from other sources that do not fit into previous categories, including interest generated from facility revenues. Examples include vending commissions, interest, or income from a coat check booth.

Expenses

The expense assumptions are described below.

Salaries and benefits will be one of the largest expense items. The assumptions for staffing are shown below.

Table 9-9

Base Salary Expenses for the St. Joseph Convention Center	
	Salary per Staff Member 2010 Dollars
Gen. Manager	\$75,000
Administrative Assistant	\$30,000
Human Resource Director	\$42,000
Controller	\$52,000
Security Director	\$37,000
Security Guards (2)	\$48,000
Director of Sales	\$55,000
Sales Manager	\$40,000
Convention Services Manager	\$36,000
Director of Catering	\$42,000
Catering Manager	\$32,000
Total	\$489,000

Source: HSP

The table below shows a summary of the assumptions utilized for projections of most other operating expenses.

Table 9-10

Expense Assumptions		
Expenses	Base	Unit
General and Administrative	\$2.00	per SF of facility
Employee Benefits	25%	% of salaries
Maintenance & Repairs	\$250	per show day
	\$125	per move in/ out day
Insurance	\$1.50	per SF of facility
Advertising & Marketing	\$50,000	per year in first 2 years
	\$40,000	per year afterwards
Utilities	\$250	per event day
	\$1.75	per building sq. footage
Cleaning	\$150	per event day
Other Operating Expenses	3%	% of sub-total
Management Fee	3%	% of gross revenue
Reserve For Replacement	3%	% of revenues

Source: HSP

General and Administrative – expenses are related to expenditures for staff training, travel, registrations and memberships, printing, postage, and other expenses. Based on the existing amount implied for G&A, general and

administrative expense is projected to be \$2.00 per square foot of facility space.

Building Maintenance and Repair – reflects maintenance associated with particular events occurring in the exhibit hall. Consequently, the projected amounts are calculated based on facility usage for exhibit hall events at \$250 per event day and \$125 per move-in /out day.

Insurance – this projected expense is based on the premiums paid currently by the facility, based on facility size at \$1.50 per square foot of total space.

Passthrough Labor/Contract Services – depend on the level of facility utilization and are calculated based on the number of rental days in the exhibition hall. Contract services include cleaning, security, and electrical services. These are estimated to be 15 percent of Event Services Income in the first three years, 25 percent in Year 4, and then increase to 30 percent by Year 5.

Advertising (Sales & Marketing) – Advertising and marketing expenditures are projected to be \$50,000 in the first two years, then decrease to \$40,000.

Utilities - reflect the facility's utility cost and are based on the volume of activity in the convention center (usage of the facility will spike utility usage) as well as a base amount for continuous utility service for the total building space. The projections assume a rate of \$250 per event day on top of a base of \$1.75 per square foot of total space.

Cleaning – depends on event activity and is separate and in addition to passthrough labor charges for cleaning. This is calculated at \$150 per event day.

Other Operating Expenses - include miscellaneous expenses, uniforms, tools, small equipment, dues and subscriptions, and transportation. These expenses are estimated as three percent of total direct expenses.

Reserve for Replacement – The building owner is responsible for major capital items, so we have assumed an amount be dedicated to a reserve fund of three percent of revenue.

PROJECTION OF OCCUPANCY AND AVERAGE DAILY RATE

For this analysis, it is assumed the recommended projects come online in January of 2010, simultaneously with the convention center. The added rooms include 40 new rooms at the Holiday Inn and a new 130-room full-service branded hotel in the American Electric Building. The projection of occupancy and rate follows for the new hotel.

Competitive Set Supply and Demand Growth

The table below shows the expected competitive set growth by segment from 2006 through 2016. Growth in each segment can be natural growth or can be the set's ability to penetrate the market outside the set's historical pattern.

Table 10-1

Demand Segment	Estimated Competitive Set Demand Growth by Segment										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Corporate Transient	78,568	78,568	79,353	80,147	87,360	92,602	95,380	96,333	96,333	96,333	96,333
Annual Growth	--	0.0%	1.0%	1.0%	9.0%	6.0%	3.0%	1.0%	0.0%	0.0%	0.0%
Group	36,119	36,119	36,481	36,845	42,741	47,870	50,742	52,771	53,299	53,299	53,299
Annual Growth	--	0.0%	1.0%	1.0%	16.0%	12.0%	6.0%	4.0%	1.0%	0.0%	0.0%
Leisure	44,432	44,432	44,876	45,325	48,498	49,953	50,452	50,957	50,957	50,957	50,957
Annual Growth	--	0.0%	1.0%	1.0%	7.0%	3.0%	1.0%	1.0%	0.0%	0.0%	0.0%
Total	159,119	159,119	160,710	162,317	178,598	190,424	196,573	200,061	200,589	200,589	200,589
Annual Growth	11.3%	0.0%	1.0%	1.0%	10.0%	6.6%	3.2%	1.8%	0.3%	0.0%	0.0%
Available Room Nights	218,270	218,270	218,270	218,270	280,320	280,320	280,320	280,320	280,320	280,320	280,320
Annual Growth	0.1%	0.0%	0.0%	0.0%	28.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Occupancy	72.9%	72.9%	73.6%	74.4%	63.7%	67.9%	70.1%	71.4%	71.6%	71.6%	71.6%
Avg. Annual Room Supply	598	598	598	598	768	768	768	768	768	768	768

Source: HSP

The projection shows the hotel and expansion opening at the beginning of 2010. The new hotel and additional hotel rooms at the Holiday Inn will represent a 28 percent increase in the competitive set room supply. Based on the new convention center and hotel, overall group room nights are projected to increase from approximately 37,000 to 53,000 over a five-year period (a 43 percent increase, or 16,000 room nights). Approximately 11,000 of this increase will be due to the convention center, while 5,000 will be due to the improved/expanded hotel package. Overall occupancy is projected to decrease to 63.7 percent for the competitive set in 2010 and increase to 71.6 percent by 2015 as it is expected the new rooms will be fully absorbed within the period.

Penetration Rate Analysis

Occupancy penetration is the ratio of a particular property's actual room nights captured compared to its fair share. Fair share is defined as the ratio of the property's number of rooms to the total rooms in the defined competitive supply. For example, if a hotel has 100 rooms and the market has 1,000 rooms, its 'fair share' of business would be 10 percent of market room nights. The ratio is then applied to the total market demand by segment to measure the property's actual room nights captured compared to its fair share of room nights.

The table below shows how the property would fare if it captured its fair share of the competitive set demand.

Table 10-2

Fair Share Room Night Capture of Proposed Property					
	2010	2011	2012	2013	2014
Corporate	19,337	20,498	21,113	21,324	21,324
Group	9,461	10,596	11,232	11,681	11,798
Leisure	10,735	11,057	11,168	11,279	11,279
Total	39,533	42,151	43,512	44,284	44,401
Available Room Nights	62,050	62,050	62,050	62,050	62,050
Fair Share Occupancy	63.7%	67.9%	70.1%	71.4%	71.6%

Source: HSP

In a “fair-share” scenario, the hotel would capture 21,324 corporate transient room nights by stabilization in 2014, nearly 12,000 room nights in the group segment, and nearly 11,000 room nights from the leisure category. At stabilization, the hotel would perform at 71.6 percent occupancy.

After preparing projections of overall market occupancy, HSP assessed the expected qualities of the proposed hotel in relation to the competitive supply to formulate projections of occupancy for each hotel’s first five years of operation. This projection represents the hotel’s relative performance, or “penetration” within the competitive supply. Characteristics considered in this analysis include, but are not limited to, location, market orientation, pricing strategies, contracted rooms, chain affiliation, facilities, and amenities.

The table below shows the projected penetration of the market segments by the hotels.

Table 10-3

Estimated Market Penetration Rates of Proposed Property					
Segment	2010	2011	2012	2013	2014
Corporate	90%	95%	95%	95%	95%
Group	110%	115%	115%	115%	115%
Leisure	80%	85%	85%	85%	85%
Total Market Penetration	93%	97%	97%	97%	97%
Projected Competitive Set Occupancy	64%	68%	70%	71%	72%
Proposed Property Occupancy	59%	66%	68%	70%	70%

Source: HSP

The hotel is projected to penetrate the corporate transient market at 90 percent in the first year of operation and at 95 percent by stabilization in 2014. In the group market, it is projected to show

110 percent penetration in the first year of operation and 115 percent by stabilization. Leisure penetration is projected at 80 percent the first year of operation and at 85 percent by stabilization. Total market penetration is projected to be 97 percent by stabilization, leading to an occupancy rate of 70 percent.

The table below displays the projected occupied room nights by sector and the occupancy rate for the hotel.

Table 10-4

Projected Occupied Room Nights of the Proposed Property					
Market Segment	2010	2011	2012	2013	2014
Corporate	17,404	19,473	20,057	20,258	20,258
<i>Annual Growth</i>	<i>na</i>	11.9%	3.0%	1.0%	0.0%
Group	10,407	12,186	12,917	13,433	13,568
<i>Annual Growth</i>	<i>na</i>	17.1%	6.0%	4.0%	1.0%
Leisure	8,588	9,399	9,493	9,588	9,588
<i>Annual Growth</i>	<i>na</i>	9.4%	1.0%	1.0%	0.0%
Total	36,399	41,057	42,466	43,279	43,413
<i>Annual Growth</i>	<i>na</i>	12.8%	3.4%	1.9%	0.3%
Available Room Nights	62,050	62,050	62,050	62,050	62,050
Occupancy	59%	66%	68%	70%	70%

Source: HSP

As shown, corporate room nights are projected to increase from 16,500 to over 19,000 during the period. Group nights are expected to increase from 10,400 in the first year of operation to over 13,500 by stabilization in 2014. Overall occupancy is projected to increase from 59 percent to 70 percent during the four-year absorption period.

The table below shows the resulting stabilized demand mix for the hotel.

Table 10-5

Projected Hotel Market Demand Mix, 2014	
Segment	%
Corp. Transient	47%
Group	31%
Leisure	22%
Total	100%

Source: HSP

Based on its penetration of the market, we expect the hotel to draw 47 percent of its business from the corporate transient sector, 31 percent from the group segment, and 22 percent from the leisure segment.

AVERAGE RATE ANALYSIS

Average Rate

The average rate is the weighted average of the rates charged to all guests in all segments throughout the year. For example, due to seasonality, the winter months have low demand and therefore yield lower rates. Rates also differ depending upon how far in advance the room is sold and based on the user type. Groups usually are able to attain a discount because they are filling more rooms; however, their rates can exceed more discounted leisure business. Corporate travelers usually pay the highest rate, and leisure travelers generally pay the least amount for rooms. The resulting average provides a benchmark for performance measurement as well as a tool for managing target revenue generated per occupied and available room night.

Competitive Position

The competitive position of a property determines, in large part, its ability to generate rate. A hotel with high comparative quality to the rest of the competitive set as well as a good location and brand reputation will be able to penetrate the competitive set rate at greater than 100 percent. The proposed hotel will be generally well-located, the newest hotel in the market, and a part of the strongest set of hotels. It will also be a branded property within a historic setting, providing the visitor with a unique experience – not to mention oversized rooms. For these reasons, we expect that the hotel will penetrate the average rate higher than 100 percent.

Projected Average Daily Rate

The table below displays the projected average daily rate in the competitive set and the proposed hotel's penetration and resulting rate.

Table 10-6

Average Daily Room Rate Projections					
Year	Comp. Set ADR	Annual Increase	Hotel Rate Penetration	Projected Hotel Rate	Annual Increase
2001	\$58				
2002	\$57	-2.1%			
2003	\$55	-3.4%	--	--	--
2004	\$56	1.4%	--	--	--
2005	\$56	-0.5%	--	--	--
2006	\$61	9.5%	--	--	--
2007	\$67	10.0%	--	--	--
2008	\$70	4.5%	--	--	--
2009	\$73	4.0%	--	--	--
2010	\$75	3.0%	105%	\$79	--
2011	\$77	3.0%	105%	\$82	3.0%
2012	\$80	3.0%	105%	\$84	3.0%
2013	\$82	3.0%	105%	\$86	2.9%
2014	\$85	3.0%	105%	\$89	3.0%
2015	\$87	3.0%	105%	\$92	3.0%
2016	\$90	3.0%	105%	\$94	3.0%
2017	\$92	3.0%	105%	\$97	3.0%
2018	\$95	3.0%	105%	\$100	3.0%
2019	\$98	3.0%	105%	\$103	3.0%
2020	\$101	3.0%	105%	\$106	3.0%

Source: HSP

The hotel is projected to penetrate the market at 105 percent in the first year with a rate of \$79 and increase to \$89 by 2014.

The table below summarizes the projected performance of the hotel.

Table 10-7

Summary of Performance				
Year	Subject Occupancy	Average Daily Rate	Revenue per Available Room	Annual Increase
2010	59%	\$79	\$46	--
2011	66%	\$82	\$54	16%
2012	68%	\$84	\$57	7%
2013	70%	\$86	\$60	5%
2014	70%	\$89	\$62	3%

Source: HSP

The hotel set is projected to achieve a \$79 average rate in its first year with occupancy of 59 percent. We expect a four-year ramp-up to stabilization by which time the average rate and

occupancy are expected to be 89 and 70 percent respectively. Revenue per available room is projected to be \$46 in 2010 and increase to \$62 by 2014.

Forecast of Income and Expense

Understanding how the hotel will perform internally is as important to the feasibility as the external occupancy and rate projections. The financial projections are presented in the table below. PAR stands for 'per available room' and POR stands for 'per occupied room night.'

Table 10-8

Statement of Projected Operations: 130-Room St. Joseph Hotel - (in \$000, inflated)

	Year 1			Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Room Count	130			130	130	130	130	130	130	130	130	130
Available Room Nights	47,450			47,450	47,450	47,450	47,450	47,450	47,450	47,450	47,450	47,450
Occupancy Rates	59%			66%	68%	70%	70%	70%	70%	70%	70%	70%
Occupied Room Nights	27,834			31,397	32,474	33,095	33,198	33,198	33,198	33,198	33,198	33,198
Average Daily Rate	\$79.19			\$81.53	\$83.97	\$86.39	\$88.95	\$91.62	\$94.36	\$97.19	\$100.11	\$103.11
RevPAR	\$46.45			\$53.94	\$57.47	\$60.26	\$62.23	\$64.10	\$66.02	\$68.00	\$70.04	\$72.14
Percent of Change from Prior Year	--			16.1%	6.5%	4.8%	3.3%	3.0%	3.0%	3.0%	3.0%	3.0%
Revenue		%	PAR	POR								
Rooms	\$2,204	65.3%	\$ 16,955	\$ 79.19	\$2,560	\$2,727	\$2,859	\$2,953	\$3,041	\$3,133	\$3,227	\$3,323
Hotel Food and Beverage	874	25.9%	\$ 6,721	\$ 31.39	1,025	1,104	1,179	1,217	1,254	1,291	1,330	1,370
Telephone	33	1.0%	\$ 255	\$ 1.19	39	41	44	45	46	48	49	51
Other Operated Departments	132	3.9%	\$ 1,018	\$ 4.76	154	165	175	180	186	191	197	203
Parking & Transportation	68	2.0%	\$ 526	\$ 2.46	79	84	90	92	95	100	102	104
Rentals and Other Income	66	2.0%	\$ 509	\$ 2.38	77	82	109	113	116	120	123	127
Hotel Revenue	\$3,378	100.0%	\$ 25,984	\$ 121.36	\$3,934	\$4,203	\$4,455	\$4,601	\$4,738	\$4,882	\$5,028	\$5,178
Expenses												
Rooms	\$606	27.5%	\$ 4,663	\$ 21.78	\$678	\$709	\$743	\$768	\$791	\$815	\$839	\$864
Hotel Food and Beverage	673	77.0%	\$ 5,175	\$ 24.17	779	839	884	913	940	969	998	1,027
Telephone	33	100.0%	\$ 255	\$ 1.19	39	41	44	45	46	48	49	51
Other Operated Departments	7	5.0%	\$ 51	\$ 0.24	8	8	9	9	9	10	10	10
Parking & Transportation	16	24.0%	\$ 126	\$ 0.59	19	20	22	18	19	20	20	21
Rent and Other Income	3	5.0%	\$ 25	\$ 0.12	4	4	5	6	6	6	6	7
Hotel Expenses	\$1,338	39.6%	\$ 10,295	\$ 48.08	\$1,527	\$1,622	\$1,707	\$1,759	\$1,812	\$1,866	\$1,922	\$1,980
Departmental Operating Income	\$2,040	60.4%	\$ 15,689	\$ 73.28	\$2,407	\$2,581	\$2,748	\$2,842	\$2,927	\$3,016	\$3,106	\$3,199
Undistributed Operating Expenses												
Administrative and General	\$280	8.3%	\$ 2,157	\$ 10.07	\$307	\$319	\$334	\$345	\$355	\$366	\$377	\$388
Marketing	\$206	6.1%	\$ 1,585	\$ 7.40	\$224	\$235	\$245	\$253	\$261	\$269	\$277	\$285
Chain Services (% GRR)	\$98	2.9%	\$ 754	\$ 3.52	\$114	\$122	\$129	\$133	\$137	\$142	\$146	\$150
Utility Costs	\$162	4.8%	\$ 1,247	\$ 5.83	\$181	\$189	\$200	\$207	\$213	\$220	\$226	\$233
Property Operations and Maintenance	\$176	5.2%	\$ 1,351	\$ 6.31	\$205	\$219	\$232	\$239	\$246	\$254	\$261	\$269
Total	\$922	27.3%	\$ 7,094	\$ 33.13	\$1,031	\$1,084	\$1,141	\$1,178	\$1,213	\$1,250	\$1,287	\$1,326
Gross Operating Profit	\$1,117	33.1%	\$ 8,595	\$ 40.14	\$1,377	\$1,497	\$1,608	\$1,664	\$1,714	\$1,766	\$1,819	\$1,873
Selected Fixed Charges												
Property Taxes	\$128	3.8%	\$ 987	\$ 4.61	\$149	\$160	\$169	\$175	\$180	\$186	\$191	\$197
Insurance	47	1.4%	\$ 364	\$ 1.70	51	50	53	55	57	59	60	64
Total	\$176	5.2%	\$ 1,351	\$ 6.31	\$201	\$210	\$223	\$230	\$237	\$244	\$251	\$259
Income Before Management Fees	\$942	27.9%	\$ 7,244	\$ 33.83	\$1,176	\$1,287	\$1,385	\$1,434	\$1,477	\$1,522	\$1,567	\$1,614
Management Fee	101	3.0%	\$ 780	\$ 3.64	118	126	134	138	142	146	151	155
Income after Management Fees	840	24.9%	\$ 6,465	\$ 30.19	1,058	1,161	1,251	1,296	1,335	1,376	1,417	1,459
Reserve for Replacement	\$68	2.0%	\$ 520	\$ 2.43	\$118	\$147	\$178	\$184	\$190	\$195	\$201	\$207
Project Net Operating Income	\$773	22.9%	\$ 5,945	\$ 27.77	\$940	\$1,014	\$1,073	\$1,112	\$1,145	\$1,180	\$1,215	\$1,291

Source: HSP

The property is projected to generate a total of \$3.38 million in gross revenue in 2010, consisting of \$2.2 million in rooms revenue and \$874,000 in food and beverage revenue. After direct and indirect expenses are accounted for, net operating income available to repay debt and equity requirements is projected to be \$773,000. As the hotel gains occupancy, the net operating income is projected to increase to \$1.07 million in 2014.

Explanation of Income and Expense Items

The estimates of income and expense statements are based on the results of operations of comparable hotels and solving for a new branded full-service hotel within a historic building and the associated costs. In addition, we have estimated net parking income based on room night projections and an assumption of valet parking for a certain percentage of guests.

The steps in the projection of income and expenses for the proposed Hotel include projecting the income and expenses for Year 1. The income for each of these years is estimated based on the expected impact that the change in occupancy and average daily room rates is expected to have on income and expenses. Expense estimates are assumed to have both fixed and variable components, and vary based on projected occupancy levels.

Departmental Revenues and Expenses

Distributed Departmental Revenues and Expenses

Rooms Department: Room revenue is estimated by multiplying the occupancy rate by the average daily rate (ADR) projected in this analysis.

Rooms department expenses include payroll and related costs associated with the front desk and housekeeping, operating supplies, laundry linens, cable television, and other items necessary to maintain guest rooms. The stabilized expense ratio is 26 percent.

Food and Beverage

In this case where a hotel restaurant is not assumed, Food and Beverage is comprised of room service, and revenues from bars and coffee shops, and any catering revenue.

Food and beverage expenses are among the highest in the Hotel's departments (outside of telecommunications). Hotels with significant food and beverage business tend to have lower net profit ratios.

For the Hotel's food and beverage we estimate revenue of \$31.39 per occupied room night and an expense ratio of 77 percent in the first year. The stabilized expense ratio is estimated to be 75 percent.

Telephone Department: Estimated telephone revenue is based on the experience of the similar hotel properties. Hotel telephone systems today are designed to generate profits, although the increasing use of cellular phones and expectation of free high-speed internet access has cut the gross and net revenue figures in this department across the industry in the last few years. Some hotel chains, such as Marriott, charge a flat \$10 per night fee for high-speed internet access, while others provide it gratis. In many hotels, this department loses money. We have assumed the department performs at zero percent profitability.

Other Operated Departments: This income category is typically comprised of smaller departments that generate income from activities such as valet laundry, business services, and similar others. It is figured based on a percentage of total revenue and the experiences of other full-service properties. Combined expenses are projected to be 5 percent.

Parking & Transportation: This item is based on assumptions for those using valet services. Total revenue is projected to be \$68,000 in the first year, with expenses accounting for \$16,000.

Rentals and Other Income: This income category is typically comprised of interest, commissions on vending machine sales, movies, and other miscellaneous income. This income category is typically highly dependent on occupancy and has a very low expense ratio. We estimate expenses of five percent.

Undistributed Operating Expenses

Operating expenses that are not chargeable to a particular operating department are presented as undistributed operating expenses in accordance with the Uniform System of Accounts for hotels. These expenses are discussed in the following paragraphs.

Administrative and General: This category covers expenses such as salaries and wages for management staff, bookkeeping, data processing charges, corporate office charges, office supplies, legal, accounting, allowance for bad debts, travel expenses, and similar items. General insurance (liability, business risk, etc.) is included in the Administrative and General (A&G) category. This is estimated at 8.3 percent of revenue, decreasing to 7.5 percent by stabilization.

Marketing Expenses: Marketing expenses include local advertising, marketing costs, the cost of printing brochures, and other related items. These are estimated at 6.1 percent of revenue in Year 1, decreasing to 5.5 percent.

Utilities: Utility expenses are typically between 2.8 and 4.8 percent for most hotels. It is estimated that the ratio at the subject Hotel will be 4.8 percent in Year 1, decreasing to 4.5 percent.

Property Operations and Maintenance: Property operations and maintenance expenses include salaries and wages, employee benefits, other payroll costs, normal maintenance of the building and electrical and mechanical equipment. For newer hotels, this line item is relatively low, although is still a significant expense, yet for this hotel within a historic building, it is expected to be relatively high throughout the period. It is estimated at 5.2 percent throughout the period.

Fixed Charges

Property Taxes: are estimated at 3.8 percent of gross revenues or approximately \$1,000 per room in the first year.

Insurance: This insurance category covers only the cost of building and contents insurance and no liability insurance and is estimated at 1.2 percent of revenue at stabilization. The liability insurance is found in the A&G expense.

Management Fees: It is estimated this fee will be set based on 3.0 percent of revenue throughout the projection period.

Reserve for Replacement: As is standard for income-producing properties, a reserve for replacement for furniture, fixtures, and equipment, as well as other capital items has been included in this analysis. Recent studies have indicated that, over the long-term, a minimum of four percent is required to properly maintain hotel facilities and actual costs could be higher. HSP

projects a reserve level of four percent over the long-term, but one that can begin at two percent and grow to the four percent level during the first few years of operation.

HOTEL CAPITAL BUDGET ANALYSIS

In order to accurately assess how the proposed Hotel might be funded, it is important to understand the capital requirements for the project. As discussed earlier in this report and in the following chapter, the reason the public sector has been active in assisting the financing and development of downtown and convention hotels is due to their high relative cost. This is caused by:

- the outsized amount of ballroom, meeting and function space compared to most full-service hotels, including loading and elevation to accommodate said spaces,
- significant food and beverage space and equipment,
- the urban location and hence, vertical, rather than horizontal construction, including multiple and higher elevators and escalators,
- compact, efficient, and structured parking, and
- group loading/unloading zones, separate check-in/out, and larger lobby.

In this case, the historic structure will add one-time and ongoing costs associated with the building, which would not be found in a prototypical new-build situation. With that in mind, this section will discuss current hotel construction data.

Cost Survey

HVS International conducts an annual hotel construction cost survey and has done so since 1976. The survey provides data for six lodging types: economy/budget, midscale without food and beverage, extended stay hotels, midscale hotels with food and beverage, full-service hotels, and luxury hotels/independent resorts. This analysis will focus on “mid-scale with food and beverage” hotel costs, which provides a full-service product at a price point and level of quality below what one would expect at an upscale full-service hotel. The median cost amounts for both midscale with F&B and full-service are shown for comparison sake.

Table 11-1

HVS Per-Room Hotel Development Cost Survey*						
Hotel Type	Land/ Buildings	Building & Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Total
Midscale with F&B						
Median	\$15,307	\$74,171	\$12,718	\$13,956	\$3,489	\$119,642
Allocation	13%	62%	11%	12%	3%	100%
Full-Service						
Median	\$19,246	\$130,334	\$17,783	\$21,722	\$6,641	\$195,726
Allocation	10%	67%	9%	11%	3%	100%

* Figures Inflated to 2009 rates.
Source: HVS, HSP

The cost per-room for Midscale with F&B hotels, such as that being proposed, are projected to cost nearly \$120,000 per room in 2009. Full-service hotels, such as Marriott and Hilton, are expected to have a median cost per room of nearly \$200,000 by 2009. Based on information presented here and tempering for the historic re-use, the estimated development cost is shown in the table below.

Table 11-2

Estimated Development Cost for American Electric Hotel		
	Amount	Per Room
Land/ Buildings	\$725,000	\$5,577
Building & Site Improvements	\$9,880,000	\$76,000
Soft Costs	\$1,690,000	\$13,000
FF&E	\$2,080,000	\$16,000
Pre-Opening & Working Capital	\$455,000	\$3,500
Total	\$14,830,000	\$114,077
Interest Carrying Costs	\$1,483,000	\$11,408
Grand Total	\$16,313,000	\$125,485

Source: HSP

Based on an appraisal of the building, it is assumed that the acquisition cost for the building is \$725,000. The total estimated development cost for the project is \$16.3 million, or \$125,500 per room. This could increase or decrease based upon the modifications needed in the building. It is possible that build-out costs could be reduced significantly as the condition of the structure appears to be sound.

RETURN ON INVESTMENT AND FINANCING ANALYSIS

This section focuses on how the total development can be financed by a private developer and the resulting gap after solving for debt and equity requirements.

HSP has experience in numerous hotel financings and our analysis of hotel finance is based directly on how the private sector is developing such deals and how the “gap” or public participation is determined.

Financing Assumptions

In order to assess the potential financing scenarios for the Hotel, an analysis was conducted of the income available to pay debt service and repay equity investments. Based on the financing and return requirement needs of banks and investors, the following assumptions were made:

Borrower has excellent credit and the ability to back a loan of \$10 million.

Debt coverage ratio of 140 percent or 1.4 times debt service in all years via net operating income.

Minimum three-year, per-year average return on equity of ten percent, and a ten-year return averaging more than 15 percent,

Loan: Construction/Mini-perm loan of 2 years plus 3 years, amortized over 25 years. Interest rate of 150 basis points over LIBOR, or 6.8 percent. Converts to a conventional loan with interest rate of 6.3 percent in fourth year of operation.

Project costs as shown.

When the amounts to support equity and debt requirements are not enough to cover the cost of the project, then other sources must be found to fund the gap. In this case, funds from a TIF district may be available. This analysis looks at need for such funds.

The table below shows the financing assumptions related to the 130-room hotel.

Table 11-3

Financing Assumptions - 130-Room St. Joseph American Electric Hotel

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Net Operating Income	\$0	\$0	\$773	\$940	\$1,014	\$1,073	\$1,112	\$1,145	\$1,180	\$1,215	\$1,252	\$1,291	\$10,995
Interest and Debt Reserve W/D	\$322	\$482	\$350	\$175	\$100	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,429
Debt Service Payment	(\$322)	(\$482)	(\$798)	(\$798)	(\$798)	(\$722)	(\$722)	(\$722)	(\$722)	(\$722)	(\$722)	(\$722)	(\$8,255)
Net Income to Repay Equity	\$0	\$0	\$324	\$316	\$315	\$351	\$390	\$423	\$458	\$493	\$529	\$569	\$4,170
Princ. Amount***	\$4,750	\$7,125	\$9,500	\$9,345	\$9,179	\$9,000	\$8,842	\$8,674	\$8,496	\$8,306	\$8,105	\$7,891	\$87,339
Interest	\$322	\$482	\$643	\$633	\$621	\$564	\$554	\$544	\$533	\$521	\$508	\$495	\$5,616
Less Payment	(\$322)	(\$482)	(\$798)	(\$798)	(\$798)	(\$722)	(\$722)	(\$722)	(\$722)	(\$722)	(\$722)	(\$722)	(\$7,451)
Loan Balance	\$4,750	\$7,125	\$9,345	\$9,179	\$9,002	\$8,842	\$8,674	\$8,496	\$8,306	\$8,105	\$7,891	\$7,664	\$85,504
Assumptions													Refi
Loan Amount (\$000's)	\$9,500												\$9,000
Amortization Period (Years)	25												25
Loan Interest Rate	6.8%												6.3%
Annual Debt Service Payment (\$000's)	(\$798)												(\$722)
Equity:													
Developer's Equity (\$000's)	\$2,750	17%											
Private Debt	\$9,500	58%											
Total Private Financing	\$12,250	75%											
Public Contribution	\$4,063	25%											
Project Amount (\$000's)	\$16,313	100%											
Debt (Private) Coverage Ratio			1.41	1.40	1.39	1.49	1.54	1.59	1.63	1.68	1.73	1.79	
Return on Private Equity*			11.8%	11.5%	11.5%	12.8%	14.2%	15.4%	16.7%	17.9%	19.3%	20.7%	
Return on Assets**			4.7%	5.8%	6.2%	6.6%	6.8%	7.0%	7.2%	7.5%	7.7%	7.9%	

*On developer's equity only.
 **On project cost.
 ***Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2

Source: HSP

In this scenario, with a total development cost of \$16.3 million, it is projected that the hotel would support \$9.5 million in private debt, or 58 percent of cost, at a 1.4+ times coverage ratio. We have assumed that a \$1.4 million debt service and interest reserve fund is included in the total funding, as previously discussed. The remaining amount supports a \$2.75 million equity investment, which will repay an average of 11.6 percent during the first three years (not including developer's fee), and 15 percent over the first ten years of the project.

The amount remaining to be funded by other sources is \$4.1 million.

Conclusion

In general terms, the hotels by themselves, while strategically sound for the downtown, will not provide enough of a return for a private developer to finance them without additional assistance. However, conditions have improved and as a result the subsidy necessary to fund the proposed project in a public-private partnership is reasonable, especially on a per-room basis. The subsidy amounts may need to increase if:

- Interest rates increase.

- Development costs increase.

- The developer cannot assemble the required debt and equity covenants.

- The hotel market falters.

SMALL TO MID-MARKET HOTEL DEVELOPMENT CASE STUDIES

The following examples illustrate how cities have recently participated in convention hotel development in small to mid-sized markets. Cities include:

- Overland Park, Kansas
- Portsmouth, Virginia
- Chattanooga, Tennessee
- St. Charles, Missouri
- Coralville, Iowa
- Salem, Oregon
- Bay City, Michigan
- Trenton, New Jersey
- Franklin, Tennessee
- Lancaster, Pennsylvania

Overland Park, Kansas

The city of Overland Park, Kansas, adopted a strategy in the early 1990's to capitalize on its status as a successful edge city with a large corporate presence. With only a small exhibit hall and a large wave of limited service hotels, the market challenge was apparent. The public sector funded development of the \$60 million Overland Park Convention Center but still needed a hotel to complete the package.

Project: The 412-room Sheraton is an upscale hotel with 30,000 square feet of function space. Total costs, including soft costs, financing, and shared infrastructure costs were \$92 million. The hotel is directly connected to the Overland Park Convention Center, which was designed and constructed simultaneously, but as a separate project with separate financing. The hotel will be owned by the city, and will require a subsidy for debt service. Use of tax-exempt financing, described next, reduced the hotel's subsidy.

Deal Structure: The project was financed through the issuance of tax-exempt municipal bonds under IRS rule 63-20, which allows the formation of a not-for-profit corporation by the public sector in order to qualify for tax-exempt funding status. Overland Park established such a single-purpose nonprofit corporation that issued approximately \$88 million in non-recourse debt to be repaid from revenues of the hotel.

Approximately \$60 million in Series A bonds were rated as investment grade and consequently carried an interest rate below 7 percent. The city agreed to provide debt service support by dedicating approximately \$5.0 million of its annual Transient Guest Tax Collections to pay debt service in the event that the hotel's revenues are insufficient to pay debt. Approximately \$20 million in Series B bonds were subordinated to Series A bonds but also were supported by the city debt service support agreement. Approximately \$8 million in

Series C bonds served as quasi-equity in the deal because they would be paid only after all other operating subsidies, debt service reserve funds and management fees were paid. These bonds were acquired by Sheraton, the operator, the developer, and a small investor group. These bonds were important to the deal as they provide incentive to the operator and the developer to make the project succeed.

In addition to its debt service support agreement, the city contributed approximately \$3.9 million in land that will be leased to the public corporation on favorable terms. The city also contributed approximately \$1 million in road and infrastructure improvements and \$1 million in shared costs of the convention center and the hotel. The same model is applicable for smaller projects.

Portsmouth, Virginia

Project: The Renaissance Portsmouth Hotel and Waterfront Conference Center complex includes a 250-room full-service Renaissance Hotel, a conference center, and a parking facility. There is nearly 25,000 square feet of net meeting space.

Deal Structure: A condominium structure was established with the hotel, conference center, and parking facility. The City, however, owns each condominium and maintains separate contracts for the operation of each unit. During the development period, the City contracted with a developer (Stormont) to manage the design, construction, and development services for the hotel and conference center and parking garage. Financing for the center and garage was generated by the City. The City also made a grant to the developer for use in the construction of the hotel, although the developer funded the majority of the hotel.

The operator leases the conference center from the City on a 50-year term, with five 10-year renewal options and pays \$75,000 per year in lease payments (with no escalation). The operator leases the conference center space and the hotel above it for a similar term structure, but with base rent of \$50,000 per year (with no escalation). There is also incentive rent related to net cash flow hurdles. The City will also participate in 50 percent of any net sale proceeds of the hotel in excess of the amount necessary to generate a 15 percent internal rate of return on the private capital. Participation in sale proceeds, combined with incentive rent cannot exceed \$10 million over the life of the lease.

The developer has the option to purchase the condominium lease (including the hotel and conference center) for \$11 million less any incentive rent payments plus fair market value of the operator's projected remaining obligation to pay incentive rent. In regard to the garage, the hotel has access to 281 of the 458 spaces for 99 years, or so long as the hotel is operated as a hotel, whichever is less. The operator manages the garage under a tax-exempt bond qualified management contract, with a fair market value management fee paid to the manager.

Chattanooga, Tennessee

Project: The Chattanooga Hotel and Conference Center is a recently opened conference center and hotel located in Chattanooga, Tennessee. It is comprised of a 210,000 square-

foot, five-story upscale hotel with state-of-the-art conference facilities. The property has 202 guestrooms and suites and 25,000 square feet of conference and meeting facilities. The property, opened in April 2001, was co-developed by a private limited partnership for the City of Chattanooga at a cost of approximately \$43 million.

Hotel amenities include a 195-seat restaurant, a casual bistro and cafe, a sidewalk coffee shop, a day spa, and recreation and fitness facilities. The hotel courtyard is a 70,000 square-foot “urban forest” with 10,000 different plantings. Financing for the hotel was provided through a combination of public and private sources, but primarily with public, tax-exempt bonds. The new 1,000-vehicle parking garage, to be located adjacent to the conference center, will also support parking needs for The Chattanooga and the surrounding area.

Deal Structure: The cost of the hotel was approximately \$43 million, or \$213,000 per keyed hotel room. The real estate is being subsidized by the city, paid for by bonds, and is expected to stabilize this year. Over the life of the project, it is expected to need \$20 million in subsidy. The public non-profit corporation is the Southside Redevelopment Corporation and they have entered into a management agreement with The Benchmark Management Company.

The management company received a base fee of approximately \$443,000 in the first full year of operations (2002) and this will increase to \$868,000 by 2010. There is a sliding incentive fee based upon the operator’s projected revenues and gross CMP (complete meeting package) revenues. The incentive fee, being based on CMP, keeps the hotel focused on conference events. There is also an additional one-time management fee based on total CMP sales, keeping management focused on the long-term performance of the property.

St. Charles, Missouri

Historic St. Charles, Missouri, located approximately 40 miles west of downtown St. Louis, is a growing, successful suburb with an historic past. Its well-preserved downtown and Lewis and Clark legacy made it a regional tourist destination for years. Riverboat gaming nearby and the development of an arena provided critical mass to the City’s cache of attractions. St. Charles worked for years to leverage that success by building a convention facility to host those interested in holding meetings and conventions there. A hotel of good quality and size adjacent to the center was key to the development’s success. After several failed attempts, the City completed a development deal with John Q. Hammons (JQH) to develop the hotel and approved the building of the convention center, both of which are now under construction.

Project: The St. Charles Convention and Sports Facilities center features approximately 36,700 square feet of exhibit space, two ballrooms totaling 18,300 square feet, and 9,300 square feet of meeting rooms. The project was funded and developed by the city. The \$40 million convention center hotel, a 300-room Embassy Suites Hotel, was funded by John Q Hammons.

Financing: The \$32.5 million convention center was funded by the City while the \$40 million hotel is a public-private partnership with JQH. The city is essentially providing free land to

the hotel project and is also allowing the hotel to run the convention center's food and beverage operations. This provides the hotel with more revenue than it otherwise would have generated on its own and guarantees that the two integrated projects will work together. The city formed a property and sales tax TIF around the hotel and is using the revenues from the TIF to partially fund the convention center. The hotelier pays the convention center 5 percent of food and beverage sales to the convention center yielding an incentive to the hotel in the range of \$4 million over the first 30 years of the project. JQH agreed to pay 1 percent of gross hotel sales in order to expand the convention center ballroom. Global Spectrum is managing the convention center for the City.

Coralville, Iowa

Coralville is located adjacent to Iowa City, Iowa and the University of Iowa, a regional center in Iowa. Coralville was simply a small town until the 1990s, when it aggressively pursued growth opportunities. It put itself on the map by developing a major new regional mall on I-80. Since then it has worked to redevelop a separate 100-acre parcel on I-80 with a convention center, hotel and other attractions.

Project: The 250-room Marriott hotel and convention center was developed by FaulknerUSA as an integrated property, backed by the City. The convention center features 30,000 square feet of exhibit space, 15,000 square feet of ballroom space, and 15,000 square feet of meeting space.

Financing: The city determined to develop the project and finance it with public, tax-exempt bonds. A sales tax TIF around the Coralville Mall, Iowa's largest, was expanded to the site area and its revenues, plus the hotel's cash flows are being used for land assemblage and as backstops for the bonds. The state also provided limited funding. While lawsuits challenged the project initially, the City prevailed and development was completed. Project revenues are dedicated to repayment of bonds. The project cost was approximately \$60 million.

Salem, Oregon

Salem is the capital of Oregon, yet due to its small size, has no primary meeting facility or full-service hotel. City leaders and the private sector came together to develop a combined facility that will help accommodate current need and induce additional demand for space and room nights in the market.

Project: The project is a combined 29,000-square foot conference center (with an 11,000 square foot ballroom), and Phoenix Grand Hotel and restaurant with 193 suites. There is also a 400-space garage under the complex. The project was completed in 2005.

Financing: The private sector land-owner and hotel developers, VIPs, sold the land to the City for an amount equal to purchase and holding costs, as well as costs to demolish existing structures, estimated to be \$1.5 million. The development was then split into condominiums with easements so that the City retained ownership of the conference center and garage and the developer retained ownership of the hotel. The conference center element is being funded by redevelopment agency tax revenues. No management fee will

be paid, but the developer retains all profits from the hotel and non-conference center food and beverage sales.

The hotel owner/operator has agreed to operate the entire complex and take responsibility for conference center and garage losses up to \$100,000 in initial years and \$300,000 per year after the third year. The city will fund operating losses beyond these amounts. In a complex arrangement, the purchase price for the land paid to the developer was dedicated as part of the developer's contribution to the conference center operating gain/loss reserve (\$1.5 million). If the conference center and garage generate a profit, then these revenues are split with the city. The city's portion will be dedicated to the gain/loss reserve. The city will contribute \$300,000 per year to the gain/loss reserve until the reserve hits \$4 million.

Bay City, Michigan

Bay City is located in the center of lower-Michigan and, like St. Joseph, is working to establish itself as a regional destination for state meetings. As such it has developed a combined hotel and conference center.

Project: The completed project consists of a combined six-story 150-room Doubletree Hotel and conference center with 25,000 square feet of conference, ballroom, pre-function and sales space. It also will have a three-meal restaurant with dedicated conference dining, a lounge, indoor pool, and an attached garage and surface lot providing 310 spaces.

Financing: The city worked with Garfield Traub Development and Piper Jaffray as underwriter to develop and finance the project through a public, tax-exempt bond sale. Unrated senior A bonds of \$15.5 million were issued (7.625% rate), backed by revenues from the project. No general funds were obligated to the project or used to guarantee payment on the bonds. Additional funding for the \$33 million project (\$24.4 million development plus financing costs) came from a HUD grant (\$8.8 million), local Power Fund loan (\$4 million), HUD loan (\$2.5 million), Michigan Economic Development loan (\$1.5 million), and a GLCF loan (\$0.6 million).

Trenton, New Jersey

Like Salem, Oregon, Trenton was a state capital without a primary meeting facility. What separated Trenton from its sister capitals is that it had the distinction of being the only state capital with absolutely no hotels within the city limits, let alone downtown. The city began major redevelopment and growth initiatives downtown in the 1990s that resulted in the completion of major sports, cultural, and entertainment facilities, as well as those celebrating Trenton's significant history.

Project: The project consists of a 197-room Marriott hotel, 15,000-square feet of net meeting space and a 657-space parking garage to service the hotel and the nearby 1,800-seat Memorial Theater. A link between the complex and the theater was also built. The project opened in April of 2002.

Financing: The city sponsored a non-profit corporation to issue tax-exempt revenue bonds of \$46 million in addition to obtaining \$12 million in other sources for the \$58 million project.

The other sources consisted of \$8.2 million in State loans, \$6.8 million in parking authority loans, and \$450,000 through an Urban Enterprise Zone grant. The hotel and conference center portion cost \$46.4 million and the parking garage cost \$11.3 million.

Franklin, Tennessee

Franklin is a fast-growing suburb of Nashville, Tennessee, located 15 miles south of the capital city. It is one of the wealthiest cities located in one of the wealthiest counties in the US.

Project: The 300-room Marriott Cool Springs is the headquarters hotel for the 29,000-square foot Cool Springs Conference Center.

Financing: The city and county provided \$6 million each for the funding of the conference center. The \$30 million hotel was developed and financed primarily by Stormont, a private firm. Public subsidy to the hotel was provided in the form of a management contract to Stormont for the conference center, as well as an exclusive catering contract and joint-use contract for the conference center, hotel, and two office buildings. Stormont received a \$125,000 annual management fee for the center and the City and County are responsible for any operating losses at the center, but also receive any profits generated. The annual marketing budget is split 50/50 between the public sector and private management. Noble Investment group, prior to purchasing Stormont, purchased the hotel and management rights for \$32.5 million in 2001.

Lancaster, Pennsylvania

Lancaster has been pursuing downtown redevelopment in the form of a convention center and hotel complex for several years. The public and private sectors united in a unique development format to fund the project. Despite multiple lawsuits brought by other local hoteliers who opposed using occupancy taxes to fund the project (all of which have been dismissed), the delayed project is now moving forward.

Project: Lancaster is developing a combined convention center and hotel project on Penn Square that is expected to include a convention center with 30,000 square feet of exhibit space and a 294-room full-service Marriott hotel, both to be operated by Interstate Hotels. A portion of the hotel, 80 rooms, will be located in the historic Watt & Shand Building. The hotel and convention center are set to open in March, 2009. Design revisions on the project continue, so final net function space (exhibit, ballroom, meeting) is yet to be determined.

Financing: The total project costs are currently estimated at \$124 million. The Marriott hotel planned for Penn Square is being developed by Penn Square General Corp., a High Associates affiliate. Limited partners are Fulton Bank and Lancaster Newspapers, Inc. The state is expected to provide up to \$35 million of the \$74 million necessary to build the convention center, with the remainder supported by hotel tax collections and other public support. The hotel financing, while not entirely detailed to the public to date, will be primarily borne by the private development group. However, while the civic-minded consortium of businesses developing the hotel is assisting the project, they are willing to take advantage of public subsidy opportunities. These incentives may include:

Low-interest loans,

Benefiting from shared public areas and function space paid for by the public, but leased on a long-term basis to the hotel for a nominal amount,

Allowing hotel to manage or profit from the catering operations at the convention center, and

Sharing personnel between facilities.

Implications

The reality in today's competitive convention market is this: the market has demanded and received top-quality hotel and convention center packages, usually connected to each other, in most major U.S. cities and now even in second and third-tier cities. Smaller cities have stood behind the development of smaller hotel and conference center developments. For a community to be competitive in the industry, a convention center alone will not suffice. The destination package must include a solid-quality convention hotel.

St. Joseph has an opportunity to develop a project that will stand out with a new convention center, renovated arena, and two full-service hotels (one in a newly-renovated historic building). To finance the project, it is likely that public participation will be necessary, as shown is the case in even the most robust of markets.

ECONOMIC AND FISCAL IMPACTS

This section analyzes the **new** spending that would be generated by event activities at the new St. Joseph Convention Center upon stabilization, including the new room nights generated at area hotels. *The impacts presented here are only for the activity at the convention facility and do not include arena events. Only construction impacts for the hotels have been assumed beyond the directly-related room night economic activity from the convention center.*

For the purpose of this analysis, impact totals are discussed in terms of the City's economy. The levels of impacts are described as follows:

- **Direct impacts** - are an expression of the spending that occurs as a direct result of the events and activities that occur in the convention center and new hotel. For example, a convention's attendee's expenditures on hotel rooms and meals are a direct economic impact.
- **Indirect impacts** - consist of re-spending of the initial or direct expenditures, or, the supply of goods and services resulting from the initial direct spending in these facilities. For example, an attendee's direct expenditure on a restaurant meal causes the restaurant to purchase food and other items from suppliers. The portion of these restaurant purchases that are within the local, regional, or state economies is counted as an indirect economic impact.
- **Induced impacts** – represent changes in local consumption due to the personal spending by employees whose incomes are affected by direct and indirect spending. For example, a waiter at the restaurant may have more personal income as a result of the convention attendee's visit. The amount of the increased income the waiter spends in the local economy is considered an induced impact.
- **Personal income** – measures increased employee and worker compensation related to the events being analyzed. This figure represents increased payroll expenditures, including benefits paid to workers locally. It also expresses how the employees of local businesses share in the increased outputs.
- **Employment impact** – measures the number of jobs supported in the study area related to the spending generated as a result of the events occurring in the Convention Center. Employment impact is stated in a number of full-time equivalent jobs.

This analysis differentiates impacts from spending by people coming from out-of-town and by local residents, as defined below:

- **Net New Spending** - is spending by out-of-town attendees, exhibitors, and other visitors who come from outside the subject area: St. Joseph, which represents the amount of "new dollars" that flow into the economy of the jurisdiction. It also includes spending by those who previously would have left the area for such events, but whose business the community has recaptured.
- **Transfer Spending** – In strict economic terms, spending by those who live in the market area represents "transfer" spending. For example, a resident of St. Joseph who attends a local seminar at the new Convention Center would transfer income

from one sector of the City’s economy to another, and therefore is not bringing new dollars into the City economy. Nevertheless, they are part of the economic activities attributable to the Convention Center.

Therefore, the analysis will present total impacts of the Convention Center and new hotel as expressed through the sum of net new spending to the City.

Expanded Convention Center Event Characteristics

As discussed previously in this report, in its first stabilized year of operation the Convention Center is projected to host a total of 309 events, generating approximately 60,300 attendees. As the stabilized year represents what should be the effective level of performance for the facility, the economic impacts are based on this year.

The number of days that an attendee spends in the market (person-days) serves as the basis of the economic impact estimate. Based on the attendance figures presented above, HSP estimated the number of person-days that resulted from the activities hosted at the Convention Center.

The following table shows the assumptions of event length and visitor origin, derived from actual data (as available) and from experience with similar facilities in comparable markets, adjusted to reflect the St. Joseph market. The table also shows the assumptions used for estimating the number of room nights generated from the Center events. It is estimated that most room night demand will come from the out-of-City visitors who would stay overnight in the area and require lodging accommodations.

Table 13-1

Projected Number of Room Nights Generated from Convention Center in Stabilized Year

Type of Event	# of Attendees	% of Attendees from Out of City	Average Event Length	Average Length of Stay	Total Person Days	Total Out of City Person Days	Total Room Nights
Conventions, Conferences and Trade Shows	7,543	68%	3.1	1.8	30,624	20,824	6,130
Consumer Shows	6,600	8%	3.0	0.3	24,750	1,980	1,000
Corporate Events	8,400	33%	1.3	0.8	12,600	4,158	1,630
Banquets	26,838	25%	1.1	1.0	37,189	9,297	1,680
Meetings Room Events	11,040	25%	1.6	1.4	18,977	4,744	280
Total	60,420				124,141	41,004	10,720

Source: HSP

The number of attendees, in combination with length of stay in the local market, represents the two primary indicators of event impacts. Accordingly, HSP, drawing on prior experience in similar markets, developed estimates of local and non-local person-days.

The number of person-days by type is determined by the number of projected attendees, the average length of stay, and their origin. The following table shows these estimates, as well as the number of room nights generated

Table 13-2

St. Joseph Convention Center Estimate of Person-Days and Room Nights in Stabilized Year						
	# of Attendee & Spouse Days	# of Exhibitor Days	Total Visitor Days	Local	Outside City	# of Room Nights
Conventions and Trade Shows	18,399	3,340	21,739	6,956	14,782	6,130
Consumer Events	2,475	990	3,465	3,188	277	1,000
Corporate Events	8,400	900	9,300	6,231	3,069	1,630
Ballroom Events	26,800	0	26,800	20,100	6,700	1,680
Meeting Room Events	17,936	0	17,936	13,452	4,484	280
Total	74,009	5,230	79,239	49,927	29,312	10,720

Source: HSP

As shown in the table, events at the facility are estimated to generate approximately 50,000 local person-days and 29,000 person-days from out-of-City visitors. In the stabilized year, these visitors are estimated to generate 10,720 room nights. The total number of room nights used at the new hotel are not included as it is assumed these are not all attributable to the convention center.

Economic Impact Analysis

As the basis for direct spending estimates for the economic impact analysis, HSP used the average daily spending per attendee by type of event as shown below. The average daily spending assumptions are derived from spending data developed using figures from Destination Management Association International and modified for small markets. The spending amounts below are shown in 2014 dollars.

Table 13-3

Avg. Daily Spending per Visitor (2014 Dollars)		
	\$ Amount	% of Total
Overnight Visitors		
Lodging*	\$59.33	35%
Hotel Food & Beverage	\$24.67	15%
Other Hotel Spending	\$7.19	4%
Other Food & Beverage	\$34.53	20%
Shopping	\$17.22	10%
Transportation	\$9.46	6%
Recreation/Entertainment	\$12.42	7%
Other	\$4.92	3%
Total	\$169.74	100%
Day-Trip Visitors		
Food & Beverage	\$23.68	59%
Shopping	\$6.89	17%
Transportation	\$2.84	7%
Recreation/Entertainment	\$4.97	12%
Other	\$1.97	5%
Total	\$40.34	100%
* Assumes 1.5 People/Room at \$89 per room night in 2014		
** Assumes 1.3 People/Car; cars are rented outside of St. Joseph		
Source: HSP		

As the table shows, the estimated average daily spending per overnight attendee is \$170 per day, including lodging. For day visitors, the average daily spending is estimated at \$40.

The next table shows the estimated economic impact of the Convention Center. HSP utilized the IMPLAN input-output model to estimate indirect and induced impacts. IMPLAN is a nationally recognized model commonly used to estimate economic impacts. An input-output model analyzes the commodities and income that normally flow through the various sectors of the economy. The indirect and induced spending and employment effects represent the estimated changes in the flow of income and goods caused by the direct spending associated with the enhanced facilities.

Table 13-4

Summary of Annual Spending (\$000s, 2014)	
	Total New Direct Spending in city
Spending Inside Convention Center	\$2,015
Spending from Overnight Visitors*	\$2,729
Spending from Day Visitors*	\$534
Total Direct Spending New to City	\$5,278
Indirect Spending	\$1,062
Induced Spending	\$1,493
Total Economic Activity Due to Convention Center	\$7,833
Personal Income	\$1,978
Employment (in FTE)	72

* Only includes visitors from outside St. Joseph; does not include transfer spending
Source: HSP

As shown in the table, HSP projects that in the stabilized year of operation, the Convention Center is estimated to generate approximately \$5.3 million in total new direct, indirect, and induced spending to the City. Personal income in the City is projected to increase by \$2 million and full-time-equivalent City employment is projected to increase by 72 due to the activity and spending associated with it.

Fiscal Impact Analysis

Fiscal impacts are tax revenues that result from the spending and income related to the activities at the Convention Center. This analysis estimates fiscal impacts for the governmental units that levy taxes in the jurisdiction. Like the annual spending estimates on which they are based, fiscal impacts are based on spending generated in the stabilized year of operation, and only apply to local taxes.

The fiscal impacts are the public sector's return on investment. Fiscal impacts provide a partial offset to the capital and operating expenditures required to support the development of the facility. Although the incremental tax revenues cannot be expected to pay for a publicly-funded project in full, fiscal impacts are important because they improve the ability of the public sector to pay for the project. The overall economic impacts, including the fiscal impacts, provide a rationale for public participation in a project.

The table below summarizes the fiscal impact estimates from City taxes.

Table 13-5

Annual Fiscal Impacts from Net New Spending (2014)		
	Rate	Tax Generated
General City Sales Tax	1.500%	\$48,949
Mass Transit Sales Tax	0.150%	\$4,895
County Sales Tax	0.500%	\$16,316
County Tourism Sales Tax	0.100%	\$3,263
State Sales Tax	4.225%	\$137,872
Hotel Motel Tax	11.000%	\$104,949
Source: HSP		

As the table shows, there are a variety of taxes that will be impacted by the net new economic activity from the Convention Center, although many are non-City taxes. The General City Sales Tax is projected to increase by nearly \$50,000 annually from the net new spending associated with the Convention Center. It is not expected that property taxes will increase due to the Convention Center, however, new property taxes are projected to be generated from the recommended hotel and expanded Holiday Inn hotel. As these would lessen the tax burden on the rest of the City parcels and not justify an increase or decrease in total tax burden, the result for the City is projected to be net zero.

The City is likely to incur expenses related to providing services to the improved facilities that are not estimated in this analysis. These expenses include police, fire protection, emergency medical services, traffic control, street maintenance, sanitation, and other ongoing operating expenses required to maintain the environment around the facility. While many of these costs are charged back to facility users, inevitably these costs would, to some extent, decrease the overall fiscal benefit to the public sector.

Construction Impact

In addition to the ongoing impacts from the operation of the facilities, the Convention Center and new hotel would create a one-time influx of spending. The construction spending also results in employment in many sectors of the local economy.

The table below shows the estimated cost of the Convention Center and the new hotel.

Table 13-6

Development Cost Estimate	
Hotel	\$16,313,000
Convention Center	<u>\$32,100,000</u>
Total Development Cost	\$48,413,000
Materials	\$19,365,200
Labor	<u>\$29,047,800</u>
Total Development Cost	\$48,413,000
Source: HSP	

It is estimated that the hotel will cost \$16.3 million to develop and the Convention Center will cost approximately \$32.1 million, for a total of \$48.4 million. Materials are projected to account for \$19.4 million and labor is projected to account for \$29.0 million. The expansion of the Holiday Inn is not assumed in this analysis.

Based on a \$48.4 million development cost, the table below shows the total direct spending and the estimated indirect and induced impacts that the project would generate to the local economy.

Table 13-7

Development Impact	
Direct Spending in St. Joseph	\$33,889,100
Indirect Spending in St. Joseph	\$6,817,526
Induced Spending in St. Joseph	<u>\$9,589,007</u>
Total Spending in City	\$50,295,633
Increased Income in St. Joseph	\$12,701,960
Job-Years Created	289
Source: HSP	

As shown on the table, construction activity is projected to account for total direct, indirect, and induced spending of \$50.3 million, increased City earnings of \$12.7 million, and 289 job-years. Because construction is a one-time event rather than an ongoing operation, these jobs are counted in “job-years” each representing one-year of work for one person.

FINANCING ANALYSIS

Based on discussions with City representatives, tax specialists, state economic development officials, and research conducted with PGAV, HSP has identified six possible financing opportunities potentially available for the Projects.

The six financing tools to be analyzed include:

- Community Improvement District (CID);
- Missouri Downtown Economic Stimulus Act (MoDESA);
- Missouri Downtown Economic Stimulus Act Light (MoDESA Light);
- Tax Increment Financing (TIF);
- Hotel Occupancy Tax.

Description of Financing Tools

Community Improvement District (CID)

A community improvement district (CID) is typically a public-private partnership used to revitalize center cities. It is an effective tool for financing improvements that directly enhance property values by allowing property owners to determine how funds are spent in their area. Typically the fund amounts are relatively small and are used for “clean and safe” enhancements, such as street cleaning, façade improvements, and visible security. A CID is a geographically defined district (may be either a political subdivision or a not-for-profit corporation) in which commercial property owners vote to impose a self-tax. Funds are then collected by the taxing authority and given to a board of directors elected by the property owners. The proceeds can fund a wide range of public-use facilities and establish managing policies and public services relative to the needs of the district. Such public uses include:

- Convention centers, arenas, meeting facilities, pedestrian or shopping malls and plazas;
- Paintings, murals, fountains, or kiosks;
- Parks, lawns, gardens, trees, or other landscapes;
- Streetscapes, lighting, benches, marquees, awnings, canopies, trash receptacles, walls;
- Lakes, dams, and waterways;
- Sidewalks, streets, alleyways, bridges, ramps, tunnels, traffic signs and signals utilities, drainage works, water, storm and sewer systems, and other site improvements;
- Parking lots, garages; and
- Child care facilities and any other useful, necessary, or desired improvement.

A CID may also provide a variety of public services, some of which may be:

Operating or contracting for the operation of parking facilities, shuttle bus services;

Leasing space for sidewalk café tables and chairs;

Providing trash collection and disposal services;

With consent of the municipality, prohibiting or restricting vehicular and pedestrian traffic and vendors on streets;

Within a designated “blighted area,” contract with any private property owner to demolish or rehabilitate any building or structure owned by such property owner; and

Providing or contracting for security personnel, equipment, or facilities.

In Missouri, a CID request petition must be signed by property owners owning at least 50 percent of the assessed value of the real property, and more than 50 percent per capita of all owners of real property within the proposed CID must be presented for authorizing ordinance to the governing body of the local municipality in which the proposed CID would be located. However, the CID is distinct and apart from the municipality that creates the district. The petition must include a five-year plan that describes:

The purposes of the proposed district;

The services it will provide;

The improvements it will make;

An estimate of the costs of those services and improvements and how they will be funded; and

The maximum rates of property taxes and special assessments that may be imposed within the proposed district.

Other information must state how the CID would be organized and governed, and whether the governing board would be elected or appointed.

As stated above, funding of CID projects and services must be set forth in the requesting petition that is presented to the local governing body of the municipality in which the CID is located. Funding may be accomplished by district-wide special assessment, rents, fees, and charges for the use of CID property or services, grants, gifts, or donations. If the CID is organized as a political subdivision, property and sales taxes may also be imposed within the boundaries of the CID.

In this case, a CID including a 0.5 percent sales tax is being considered, however, the statutory maximum amount of 1.0 percent is analyzed below, to show the financing opportunity.

Implication

The table below shows the projection of CID revenue generated if the sales tax rate is 1.0 percent. This only applies to sales at the convention center and hotel. No sales tax has been assumed on parking revenue, as such sales fall outside the statute.

Table 14-1

Calculation of CID Revenue Generated by Convention Center & Hotel									
Source	Effective Rate	Amount Commitable	2010	2015	2020	2025	2030	2034	Total
Taxable Sales Onsite									
Convention Center			\$847,860	\$2,007,357	\$2,282,219	\$2,645,717	\$3,067,111	\$3,452,061	\$59,922,512
Hotel			\$3,309,483	\$4,643,446	\$5,383,026	\$6,240,403	\$7,234,337	\$8,142,310	\$144,927,916
Total			\$4,157,343	\$6,650,802	\$7,665,245	\$8,886,120	\$10,301,448	\$11,594,371	\$204,850,428
CID Sales Tax Assessment	1.000%	1.0000%	\$41,573	\$66,508	\$76,652	\$88,861	\$103,014	\$115,944	\$2,048,504
Total			\$41,573	\$66,508	\$76,652	\$88,861	\$103,014	\$115,944	\$2,048,504

Source: HSP

It is assumed that all revenue generated at the hotel and convention center is taxable for purposes of the CID, except parking revenue. This includes all room sales, food and beverage sales at both facilities, rent and event services revenue. Annual amounts generated begin at \$42,000 and increase to \$77,000 by 2020. The total generated just by the two facilities over the 25-year period is projected to be \$2 million.

Missouri Downtown Economic Stimulus Act

The Missouri Downtown Economic Stimulus Act (MoDESA), enacted in 2003, provides redirected state revenue (not appropriations) for “major initiative” projects to facilitate the redevelopment of downtown areas and the creation of jobs by providing essential public infrastructure. Under MoDESA, a portion of the new state and local taxes created by a project can be redirected to fund eligible public infrastructure and related costs for a period of up to 25 years. These include income taxes, sales taxes, and property taxes.

Areas that are eligible under MoDESA include “central business districts” that are either “blighted” or a “conservation area.” At least 50 percent of the buildings must be 35 years old or older. Municipalities may apply if they have an annual median household income of \$62,000 or less. Further, qualifying projects can be “community enhancement” or for “job creation.” Total project costs and/or new job creation minimums are based on the population of the municipality, as shown below in Table 14-2.

Table 14-2

MODESA	
Population of Municipality	Estimated Project Costs
300,000 +	\$10,000,000
100,000 to 299,999	\$5,000,000
50,001 to 99,999	\$1,000,000
< 50,000	\$500,000

Source: Missouri Dept. of Economic Devel.

Limits on funding under MoDESA include:

A development project will not receive funds until it generates increment.

A development project cannot receive more than half of the increased amount of state sales tax and/or income tax it generates.

The program is limited in any year to the amount appropriated by the General Assembly. The law does not allow an annual appropriation to exceed \$108,000,000, but the actual amount available in any year will depend upon the amount actually appropriated by the General Assembly.

In the event appropriations from the fund are not adequate to cover approved disbursements, projects will receive a pro-rata share of increment.

In order to qualify under MoDESA, a project must include a market study of the development. The market study will assess the project, make projections of new revenue streams, and estimate the impact in jobs, new spending, and new taxes generated.

After review of the consultant's report, the Department of Economic Development (DED) presents an analysis and recommendation to the Missouri Development Financial Board (MDFB). DED's recommendation for approval by MDFB is based on criteria that include:

- Meeting all eligibility requirements;

- Demonstrating the need for the public infrastructure in order for the project to occur;

- Demonstrating the need for the funding, such that the projected return on investment by the developer is below market standards without state/local subsidy, and that such subsidy is the least amount necessary to cause the project to occur;

- Demonstrating that the developer/businesses can successfully implement the project based on prior experience and financial viability;

- A positive net state fiscal benefit (deducting all state costs/incentives related to the project); and

- Availability of funding based on state appropriations.

A funding decision will be made by MDFB. If a project is approved for funding by MDFB, DED will issue a Certificate of Approval outlining the terms of the financing.

Implication

The table below shows the projection of taxes eligible under MoDESA generated from the hotel and convention center. Again, parking is not an eligible item to be taxed, so is not included.

Table 14-3

Calculation of Economic Activity Taxes (EATs) Available for MoDESA TIF Bonds from Convention Center & Hotel									
Source	Effective Rate	Amount Commitable	2010	2015	2020	2025	2030	2034	Total
State Income Tax	5.069%	2.534%	\$43,695	\$58,911	\$68,330	\$79,214	\$91,830	\$103,356	\$1,841,540
Sales Tax									
State	4.225%	2.113%	\$87,824	\$140,498	\$161,928	\$187,719	\$217,618	\$244,931	\$4,327,465
County Tourism	0.100%	0.050%	\$2,079	\$3,325	\$3,833	\$4,443	\$5,151	\$5,797	\$102,425
Capital Improvements*	0.250%	0.125%	\$5,197	\$0	\$0	\$0	\$0	\$0	\$18,264
Law Enforcement**	0.250%	0.125%	\$5,197	\$0	\$0	\$0	\$0	\$0	\$6,748
County (Buchanan)	0.500%	0.250%	\$10,393	\$16,627	\$19,163	\$22,215	\$25,754	\$28,986	\$512,126
Mass Transit	0.150%	0.075%	\$3,118	\$4,988	\$5,749	\$6,665	\$7,726	\$8,696	\$153,638
City (St. Joseph)	1.500%	0.750%	\$31,180	\$49,881	\$57,489	\$66,646	\$77,261	\$86,958	\$1,536,378
Property Tax (Hotel Only)	8.0899%	8.0899%	\$194,229	\$272,444	\$316,171	\$366,529	\$424,908	\$478,237	\$8,510,278
Total			\$382,911	\$546,675	\$632,664	\$733,431	\$850,247	\$956,961	\$17,008,863

* Expires end of 2012
 ** Expires 3/31/11
 Source: HSP

As shown, the various taxes collected from both sites are projected to total more than \$380,000 in 2010, increasing to \$957,000 in 2034. The total generated over the period is projected to be \$17 million. The largest component, generating half of the total, is the property tax, which is projected to generate \$8.5 million over the period. No property taxes will be able to be collected from the convention center site, however sales and income taxes will be generated.

Revised Missouri Downtown Economic Stimulus Act (MoDESA Light)

The Missouri Downtown Economic Stimulus Act Light (MoDESA Light) is similar to MoDESA in that it functions to facilitate the redevelopment of downtown areas and the creation of jobs. While any municipality with a median household income of \$62,000 or less can qualify for MoDESA, only those municipalities with a population of 200,000 inhabitants or less AND a median household income of \$62,000 or less can qualify under MoDESA Light. Similar to MoDESA, MoDESA Light qualifying projects can be “community enhancement” or for “job creation.” Total project costs and/or new job creation minimums are based on the population of the municipality, as shown in Table 14-4.

Table 14-4

MODESA Light	
Population of Municipality	Estimated Project Costs
100,000 to 199,999	\$5,000,000
50,000 to 99,999	\$1,000,000
10,000 to 49,999	\$500,000
1 to 9,999	\$250,000

Source: Missouri Dept. of Economic Devel.

The funding limitations for MoDESA Light are also like those for MoDESA, except the amount of disbursements may not exceed \$15 million in any one year.

Essentially, this program provides the same benefits, but with fewer hurdles. For example, under the original legislation, a separate board or authority must be set up to administer the district (essentially a glorified TIF district). With MoDESA Light, this is not required and local officials could administer the program.

Implication

This is the most powerful tool available for the proposed projects. Based on the limitations, it is assumed that only a downtown site would qualify. The benefits are the same (see Table 14-2), in our analysis, as will the original MoDESA, however, the rules governing the organizational structure are less strict.

Tax Increment Financing

Tax increment financing (TIF), is a procedure by which Missouri municipalities may financially encourage redevelopment of a designated, economically marginal area. TIF allows the use of a portion of the new and additional property and sales taxes generated for a limited number of years after construction is complete to help pay for the redevelopment. The following information pertains only to locally-sponsored TIF programs.

The first step to organizing a TIF program is to create a TIF Commission. The TIF Commission is authorized by ordinance of the local governing body, which will also act in the selection of a portion of its membership. The TIF Commission receives proposals, engages studies of proposed projects, conducts required public hearings, and eventually makes its recommendation to the governing body of the municipality. Such recommendation usually requests the governing body to adopt a comprehensive community Redevelopment Plan, likely including a specific Redevelopment Project(s), within a designated Redevelopment Area. The TIF Commission membership will generally range from nine-to-12 members, depending on location in the state.

The following information must be included in a TIF Redevelopment Plan:

- Estimate of redevelopment project cost;
- Anticipated sources, types, and terms of funds to pay project cost;
- Evidence of commitments to finance project costs;
- Most recent equalized assessed valuation of property within the redevelopment area subjected to payment-in-lieu-of-tax or economic activity tax;
- Estimate of the equalized assessed valuation after redevelopment; and
- The general use of the land in the redevelopment area.

Once the Redevelopment Plan is in place, a Redevelopment Area must be defined. A Redevelopment Area must contain property classified as either a blighted, conservation, or economic development area, or any combination thereof. The entire Redevelopment Area need not qualify under the criteria of one of the three property classifications; however, it

must be shown to receive "substantial benefit" by the redevelopment project or projects that would be built within its borders.

Eligible uses of TIF funds may be used to pay all necessary and reasonable costs incurred in a redevelopment project. Some cost examples include:

- Costs of studies, surveys, and plans;
- Professional service costs such as financial advisory fees;
- Land acquisition, demolition costs;
- Rehabilitation of existing buildings;
- Costs of new or improvements to existing public works infrastructure such as streets, lighting, and parking;
- Financing costs such as capital interest, underwriting fees, bond printing, etc.;
- Relocation costs;
- Initial costs for an economic development area;
- A taxing district's capital costs resulting from the redevelopment project; and
- Payments in lieu of taxes.

State-sponsored supplemental tax increment financing also exists. When local tax increment financing leaves a gap for a redevelopment project, a municipality can apply for a portion of the new state tax revenues created by the project to be disbursed to cover the financing gap for eligible redevelopment costs on the project.

To be eligible for State TIF, the underlying local TIF must dedicate at least 50 percent of the amount of the new local sales tax revenue and 100 percent of the amount of the new real property tax revenue created by the project each year for which state TIF is sought. An applicant may be approved to receive up to 50 percent of the net new state sales tax revenue (general revenue portion only; excluding dedicated taxes) generated in the project area or up to 50 percent of the increase in state income tax revenue from net new jobs in the project area. An applicant cannot receive both. State TIF may be awarded for a period of up to 15 years (a longer period may be requested, but not to exceed 23 years).

Implication

As stated, the limitation of TIF versus MoDESA is that with TIF the benefit can include only 50 percent of either the use taxes or property taxes, but not both, and is limited to a shorter period of time. Therefore this financing mechanism would generate a smaller overall impact than applying MoDESA.

Hotel Tax Increase

A final source of potential revenue for the project is a local increase in the hotel occupancy tax. Currently only four percent is assessed (plus normal sales taxes), bringing the total current tax to more than 11 percent. The four percent generates approximately \$450,000 for the city. The city has the option to increase the tax to nine percent. The table below shows the additional tax generated only at the new hotel from the additional five percent.

Table 14-5

Calculation of Hotel Tax from American Electric Hotel									
Source	Effective Rate	Amount Commitable	2010	2015	2020	2025	2030	2034	Total
Hotel Tax	5.000%	5.000%	\$110,206	\$152,073	\$176,294	\$204,373	\$236,925	\$266,661	\$4,751,386

Source: HSP

As shown, the additional five percent tax is projected to generate an additional \$110,000 in 2010, increasing to more than \$265,000 in 2034. In total over the 25-year period, the additional tax is projected to generate \$4.75 million from the American Electric Hotel alone. If the tax from the balance of hotels in the city were applied, it would be expected to generate \$562,000 in current dollars per year. In total over the 25-year period, the additional five percent could generate nearly \$25 million.

Local Sales Tax

While not specifically part of a financing program, only half of the sales tax generated by the projects for the City’s 1.5 percent sales tax will be applied to a MoDESA financing. However, the project will generate the whole amount, of which the City could dedicate the “second half” to the project financing as well. This “second half” is projected to generate nearly \$1.6 million over the 25-year period and is shown in Table 14-6 further in this analysis.

Conclusion

The solution with the largest financial impact for the project appears to be a combination of MoDESA financing, application of a one percent CID sales tax, application of the “second half” of the City’s sales tax, and an increase of the hotel tax by five percent.

The table below shows how all of these would generate more than \$25 million over 25 years from only the hotel and convention center’s financial activity.

Table 14-6

Calculation of All Revenue Sources Available from Convention Center & Hotel									
Source	Effective Rate	Amount Committable	2010	2015	2020	2025	2030	2034	Total
State Income Tax	5.069%	2.534%	\$43,695	\$58,911	\$68,330	\$79,214	\$91,830	\$103,356	\$1,841,540
Sales Tax									
State	4.225%	2.113%	\$87,824	\$140,498	\$161,928	\$187,719	\$217,618	\$244,931	\$4,327,465
County Tourism	0.100%	0.050%	\$2,079	\$3,325	\$3,833	\$4,443	\$5,151	\$5,797	\$102,425
Capital Improvements*	0.250%	0.125%	\$5,197	\$0	\$0	\$0	\$0	\$0	\$18,264
Law Enforcement**	0.250%	0.125%	\$5,197	\$0	\$0	\$0	\$0	\$0	\$6,748
County (Buchanan)	0.500%	0.250%	\$10,393	\$16,627	\$19,163	\$22,215	\$25,754	\$28,986	\$512,126
Mass Transit	0.150%	0.075%	\$3,118	\$4,988	\$5,749	\$6,665	\$7,726	\$8,696	\$153,638
City (St. Joseph)	1.500%	0.750%	\$31,180	\$49,881	\$57,489	\$66,646	\$77,261	\$86,958	\$1,536,378
St. Joseph Second Half Sales Tax	1.500%	0.750%	\$31,180	\$49,881	\$57,489	\$66,646	\$77,261	\$86,958	\$1,536,378
Property Tax (Hotel Only)	8.0899%	8.0899%	\$194,229	\$272,444	\$316,171	\$366,529	\$424,908	\$478,237	\$8,510,278
Hotel Tax	5.0000%	5.0000%	\$110,206	\$152,073	\$176,294	\$204,373	\$236,925	\$266,661	\$4,751,386
CID Sales Tax Assessment***	1.000%	1.000%	\$41,573	\$66,508	\$76,652	\$88,861	\$103,014	\$115,944	\$2,048,504
Total			\$565,870	\$815,137	\$943,100	\$1,093,311	\$1,267,447	\$1,426,523	\$25,345,132

* Expires end of 2012
 ** Expires 3/31/11
 *** Assumes 1.0%
 Source: HSP

The amounts generated from the funding sources are projected to begin at \$566,000 in 2010 and increase to \$1.4 million in 2034. These amounts could buy down the cost of the convention center, assist with the financing of the hotel, and/or cover the operating deficit at the building. While the total amount generated will not provide for all three items, the taxing options can cover much of the project's cost.

Assumptions

The following are the assumptions used for determining the potential financing sources for the project. The basis for the original convention center and hotel projections are found in the Hunden Strategic Partners' DREAM report as part of PGAV's DREAM report.

Table 14-7

Revenue and Other Assumptions Used in Financing Analysis (000s)								
Source	Basis	2010	2015	2020	2025	2030	2034	Total
Income Tax								
<i>Convention Center</i>	From Convention Center Salaries & Labor Projections through 2019, then increased at 3% annually							
<i>Salaries</i>		\$489	\$567	\$657	\$762	\$883	\$994	\$17,829
<i>Pass-Through Labor</i>		\$19	\$52	\$59	\$69	\$80	\$90	\$1,549
<i>Hotel</i>	36% of Hotel Revenue (based on industry statistics) through 2019, then increased at 3% annually	\$1,216	\$1,706	\$1,980	\$2,295	\$2,660	\$2,994	\$53,282
Total		\$1,724	\$2,324	\$2,696	\$3,125	\$3,623	\$4,078	\$72,659
Sales Tax								
<i>Convention Center</i>	From Convention Center Projections through 2019, then increased at 3% annually							
<i>Space Rental</i>		\$97	\$311	\$354	\$410	\$476	\$535	\$9,230
<i>Equipment Rental</i>		\$23	\$73	\$83	\$96	\$111	\$125	\$2,154
<i>Gross Food & Beverage</i>		\$688	\$1,523	\$1,731	\$2,007	\$2,327	\$2,619	\$45,536
<i>Event Services Income</i>		\$37	\$92	\$105	\$121	\$141	\$158	\$2,744
<i>Other Revenue</i>		\$3	\$9	\$10	\$11	\$13	\$15	\$259
Total		\$848	\$2,007	\$2,282	\$2,646	\$3,067	\$3,452	\$59,923
<i>Hotel</i>	From Hotel Projections through 2019, then increased 3% annually							
<i>Rooms</i>		\$2,204	\$3,041	\$3,526	\$4,087	\$4,738	\$5,333	\$95,028
<i>Hotel Food and Beverage</i>		\$874	\$1,254	\$1,453	\$1,685	\$1,953	\$2,198	\$39,087
<i>Telephone</i>		\$33	\$46	\$54	\$62	\$72	\$81	\$1,449
<i>Other Operated Departments</i>		\$132	\$186	\$215	\$250	\$289	\$326	\$5,797
<i>Rentals and Other Income</i>		\$66	\$116	\$135	\$156	\$181	\$204	\$3,567
Total			\$3,309	\$4,643	\$5,383	\$6,240	\$7,234	\$8,142
Taxable Total (Sales)		\$4,157	\$6,651	\$7,665	\$8,886	\$10,301	\$11,594	\$204,850
Property Tax								
<i>Hotel</i>	Hotel Valuation; Income Basis, Stabilized Year							
	Rate							
	Assessed Value							
	Mill Rate							
	Annual Tax	\$194	\$272	\$316	\$367	\$425	\$478	\$8,510
	Per Room							

Source: HSP