



Feasibility Assessment:

Conference Center & Hotel

PHASE I: MARKET ANALYSIS

PHASE II: FINANCIAL ANALYSIS



Manhattan, Kansas

May 2006



Today's Presentation

PHASE I: Market Analysis

- *Study Impetus*
 - *Study Goal*
- *Manhattan's Meeting Infrastructure*
- *Competitive Destinations in Kansas*
- *Meeting Planner Survey*
- *Hotel Brands & Chain Scales*
- *Recommended Facility Plan*
- *Hotel Market Performance*
- *Phase I Conclusions*



Today's Presentation

PHASE II: Financial Analysis

- *Project Cost Estimates*
- *Operating Revenues & Expenses*
- *Warranted Private-Sector Investment*
- *Need For Public Investment*
- *Phase II Conclusions*
- *Study Recommendations*



Study Impetus Summary

- *Manhattan Needs a Facility to Host Larger Events*
- *The impact of the recent **Lost Business Report** alone; and assuming that an Attendee spends an average of \$157 per day*
 - *Manhattan has lost opportunity of circulating an additional \$7.5M through City*
- *Population surge expected due to Big Red One*
- *KSU Alumni Center Occupancy Rate*
 - *Chamber of Comm. dinner at Alumni Ctr has turn-aways*
- *Manhattan is now realizing its competitive disadvantage with other Kansas communities*
- *Potential tie-in with Downtown development project*



Major Study Impetus: Lost Business

<u>Where Go?</u>	<u>Why?</u>	<u>Where Go?</u>	<u>Why?</u>
Great Bend	Condition of Holiday Inn	Topeka	Board decision
Great Bend	Condition of Holiday Inn	Topeka	Facility Concerns
Great Bend	Condition of Holiday Inn	Topeka	Falls on graduation
		Topeka	Insufficient Hotel Rooms
Hutchinson	Condition of Holiday Inn	Topeka	Insufficient Hotel/Meeting Space
Hutchinson	Condition of Holiday Inn; "Done it All"	Topeka	Lower rates offered
		Topeka	Lower room rates
		Topeka	n/a
Junction City	Condition of Ramada		
Junction City	Rumor of Holiday Inn closing		
Junction City	Condt'n of Holiday Inn/See New Prop.	Wichita	Needed better meeting space
Junction City	Condt'n of Holiday Inn/See New Prop.	Wichita	Committee decision
Junction City	Wanted to see New Property	Wichita	Insufficient Hotel/Meeting Space
Junction City	Wanted to see New Property	Wichita	Insufficient Meeting Space
Junction City	Wanted to see New Property		
		Outside KS	Quality concerns
Overland Park	Insufficient Meeting Space		
Overland Park	Insufficient Meeting Space	Unsure	Insufficient Meeting Space
		Unsure	Lower room rates
Salina	Needed better meeting space		
Salina	Condition of Holiday Inn		



Study Goal:

- *To Create a Facility that will:*
 - *Be of a **Size** that will Enable Manhattan to Host Large Events (multiple medium events), and*
 - *Be of a **Quality** that will Allow Manhattan to Become Competitive, and*
 - *Be **Financially Self-sustaining** on Ongoing Annual Basis, and*
 - *Be **Cost Efficient** with Public Sector Resources*



PHASE I: Market Analysis



Study Research

- *City Elected Officials & Staff*
- *CVB Officials*
- *Chamber of Commerce*
- *Governor's Strategic Military Planning Commission*
- *Manhattan Hotels - General Managers & Sales*
- *KSU University – VP of Administration*
- *KSU University – Physical Planning Staff*
- *K-State Alumni Center Management & Finance*
- *Wichita Century II Center – Management & Sales*
- *Overland Park Sheraton & Convention Center – Management*
- *40 Kansas & Local Meeting and Event Planners*
- *Manhattan & Other KS Full-service Hotel Performance*
- *Tours of Other Competitive Facilities*



Manhattan's Meeting Infrastructure



Manhattan's Meeting Infrastructure

	Hotel Rooms	Largest Ballroom	Other Meeting Space	Total Exhibit Space
K-State Student Union	0	9,300	29,500	0
Houston Street Ballroom	0	9,000	0	0
Holiday Inn Hotel (Clarion)	197	6,800	4,411	0
Ramada Plaza Hotel (Holiday Inn)	112	5,700	4,296	0
K-State Alumni Center	0	5,200	9,238	0
Wareham Opera House	0	4,400	0	0
Fairfield Inn Manhattan	98	0	988	0
Super 8 Motel	87	0	1,625	0
Motel 6	87	0	0	0
Econo Lodge	79	0	2,145	0
Hampton Inn	72	0	674	0
Comfort Inn	65	0	0	0
Best Western	45	0	0	0
Regency Inn	45	0	0	0
Bramlage Coliseum	0	0	0	12,800
TOTAL	887	40,400	52,871	12,800
MAXIMUM	197	9,300	29,500	12,800
MAXIMUM w/o Alcohol Policies	197	6,800	9,238	0



Manhattan's Largest Function Spaces



Holiday Inn



Ramada



Houston Street Ballroom



Bramlage Coliseum



K-State Alumni Center





Competitive Destinations & Facilities



Kansas Meeting Infrastructure

	Population	Rank	No. of Hotel Properties				Hotel Supply						Largest Single Function Space SF			
			Full	Rank	Limited	Rank	Full	Rank	Limited	Rank	TOTAL	Rank	Exhibit	Rank	Ballroom	Rank
Wichita	344,284	1	7	1	40	1	1,731	2	3,552	1	5,283	1	128,000	1	45,000	1
Overland Park	149,080	2	7	1	25	2	1,923	1	3,045	2	4,968	2	58,500	2	25,000	2
Salina	45,679	8	1	6	18	4	192	8	1,285	4	1,477	4	21,100	7	18,300	3
Hutchinson	40,787	10	1	6	7	14	220	7	489	15	709	13	28,800	5	15,300	4
Kansas City	146,866	3	2	4	8	9	428	4	615	10	1,043	6	0	-	15,000	5
Topeka	122,377	4	3	3	24	3	679	3	1,812	3	2,491	3	44,500	3	14,500	6
Great Bend	15,345	18	1	6	4	16	172	11	224	16	396	16	0	-	13,100	7
Lawrence	80,098	6	1	6	12	5	192	8	906	5	1,098	5	24,000	6	12,000	8
Junction City	18,886	17	1	6	9	8	119	13	616	9	735	12	0	-	12,000	8
McPherson	13,770	19	1	6	2	18	109	14	86	19	195	19	0	-	7,000	10
Manhattan	44,831	9	2	4	8	9	309	5	578	14	887	9	12,800	9	6,800	11
Garden City	28,451	13	0	-	8	9	0	-	599	13	599	15	30,000	4	6,000	12
Olathe	92,962	5	1	6	8	9	148	12	613	11	761	10	0	-	4,600	13
Hays	20,013	16	1	6	11	6	191	10	770	6	961	8	13,200	8	4,500	14
Lenexa	40,238	11	1	6	7	14	297	6	743	7	1,040	7	6,500	13	3,900	15
Emporia	26,760	14	0	-	11	6	0	-	739	8	739	11	7,500	12	3,800	16
Leavenworth	35,420	12	0	-	3	17	0	-	207	18	207	18	0	-	3,700	17
Shawnee	47,996	7	0	-	2	18	0	-	217	17	217	17	9,100	11	3,300	18
Dodge City	25,176	15	0	-	8	9	0	-	603	12	603	14	10,500	10	1,100	19

Note: Largest Function Space not necessarily in same facility.



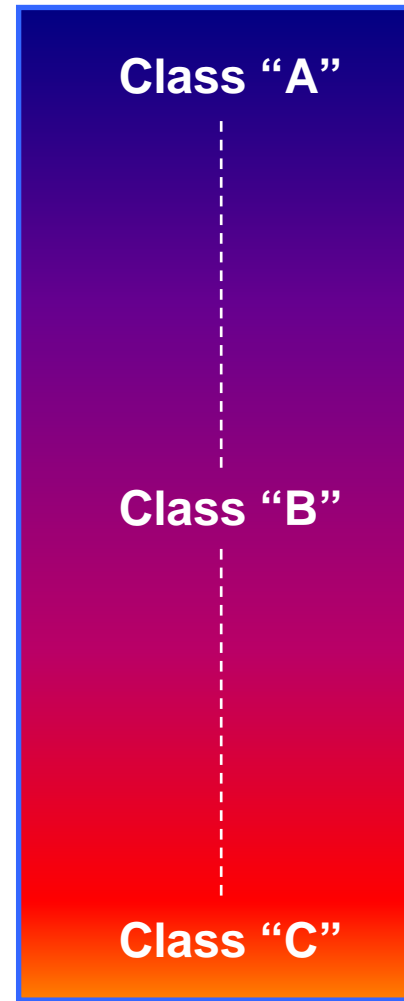
Quality of Competition

Manhattan's
Target
Quality



- Overland Park
- Wichita
- Topeka
- Junction City
- Lawrence
- Kansas City
- Hutchinson
- Salina
- Great Bend
- McPherson

Manhattan's
Current
Quality





McPherson
Best Western



Great Bend
Highland Hotel



Salina
Holiday Inn



Hutchinson
Grand Prairie



Kansas City KS
Hilton Garden Inn



Junction City
Marriott Courtyard



Topeka
Capital Plaza



Wichita
Hyatt



Overland Park
Sheraton



McPherson
Best Western



Great Bend
Highland Hotel



Salina



Kansas City KS
Hilton Garden Inn



Junction City
Marriott Courtyard



Topeka: Capital Plaza



Wichita
Hyatt



Overland Park
Sheraton



McPherson
Best Western



Great Bend
Highland Hotel



Salina
Holiday Inn



Hutchinson
Grand Prairie



Kansas City KS
Hilton Garden Inn



Junction City
Marriott Courtyard



Wichita
Hyatt



Overland Park
Sheraton



Infrastructure Summary

- *Relative to the primary competition, Manhattan ranks:*
 - *High in full-service hotel rooms*
 - *Last in ballroom space*
 - *Among the lowest in quality of space & hotel rooms*
- *Excluding K-State Alumni Center, Manhattan's meeting package is "Class C"*
 - *Quality Minimum = Courtyard Junction City*
- *Manhattan should not attempt to be on par with quality level of Wichita/Overland Park, but should strive to be best "other" market for rotational patterns of state-wide groups*
- *Q: Do KS Meeting Planners Agree?*



Meeting Planner Survey



Meeting Planner Surveys

- Assn of General Contractors of KS
- Gaches, Draden, Barbee & Associates
- KS Academy of Family Physicians
- KS Assn of Insurance Agents
- KS Assn of School Boards
- KS Bankers Assn
- KS Chamber of Commerce & Industry
- KS Chiropractic Assn
- KS Crop Improvement Assn
- KS Dental Assn
- KS Foundation for Medical Care
- KS Grain & Feed Assn/KS Agribusiness
- KS Healthcare Assn
- KS Hospital Assn
- KS Independent Oil and Gas Assn
- KS Livestock Assn
- KS Manufactured Housing Authority
- KS Motor Carriers Assn
- KS Nurses Assn
- KS Press Assn
- KS Propane Education & Research Council
- KS Recreation & Park Assn
- KS Society of Certified Accountants
- KS Soybean Assn
- KS Speech-Language & Hearing Assn
- KS State Bar Assn
- KS State High School Activities Assn
- KS Telecommunications Industry
- KS Trial Lawyer Assn
- KS Veterinary Medical Assn
- Mid-America Tire Dealers Assn
- Petroleum Marketers & Convenience Store Assn
- Propane Marketers Assn
- The Carter Group

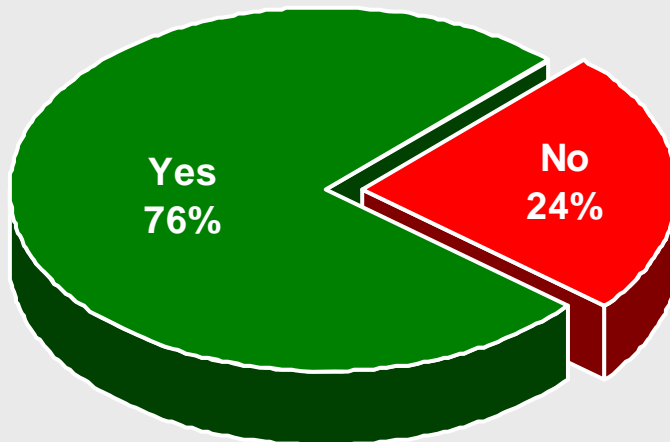


“What is first thing(s) that come to mind when you think of Manhattan?”

“K-State”	24
“The Little Apple”	5
“Football/Wildcats”	2
“Colbert Hills”	1
“Our Members Love Manhattan”	1
“No Good Place to Have a Meeting”	1
“Our Annual Spring Conference”	1



“Have you ever held an event in Manhattan?”



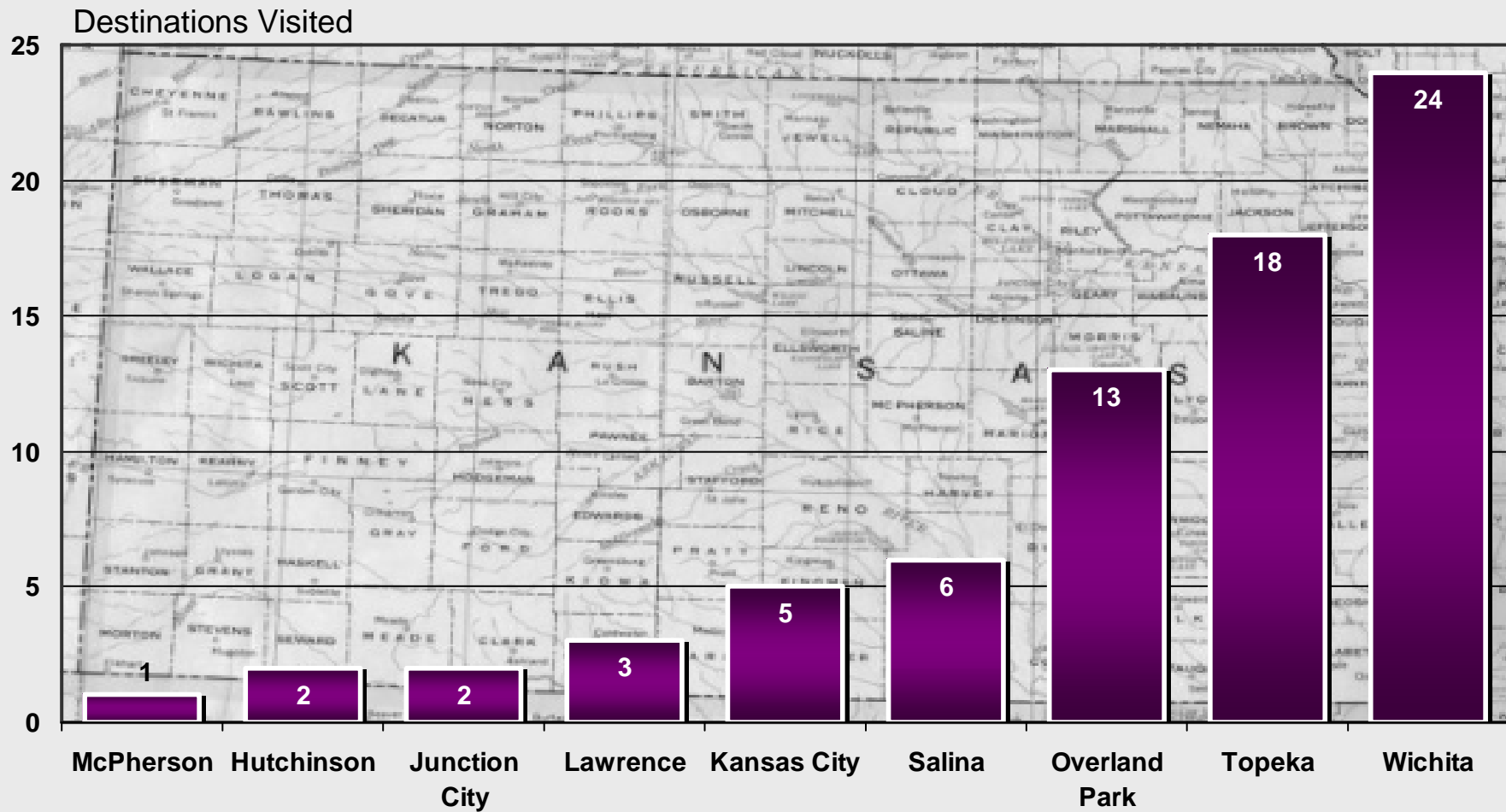
- **YES: Why Return?**
 - Location (6)
 - K-State & Athletics (6)
 - It is Another City to Rotate to (2)
 - Nice People (1)
 - Affordable Pricing (1)
 - Colbert Hills (1)
 - Aggieville (1)

- **YES: Why Not Return?**
 - Number and Quality of Hotel Rooms (11)
 - Insufficient Meeting Space (10)
 - Location (3)
 - Poor Service (1)

- **NO: Why They Never Came?**
 - Location (4)
 - Prefer other destination (2)
 - Insufficient Meeting Space (2)
 - Lack of Quality Hotel (2)
 - No Attractions; No Pull (1)

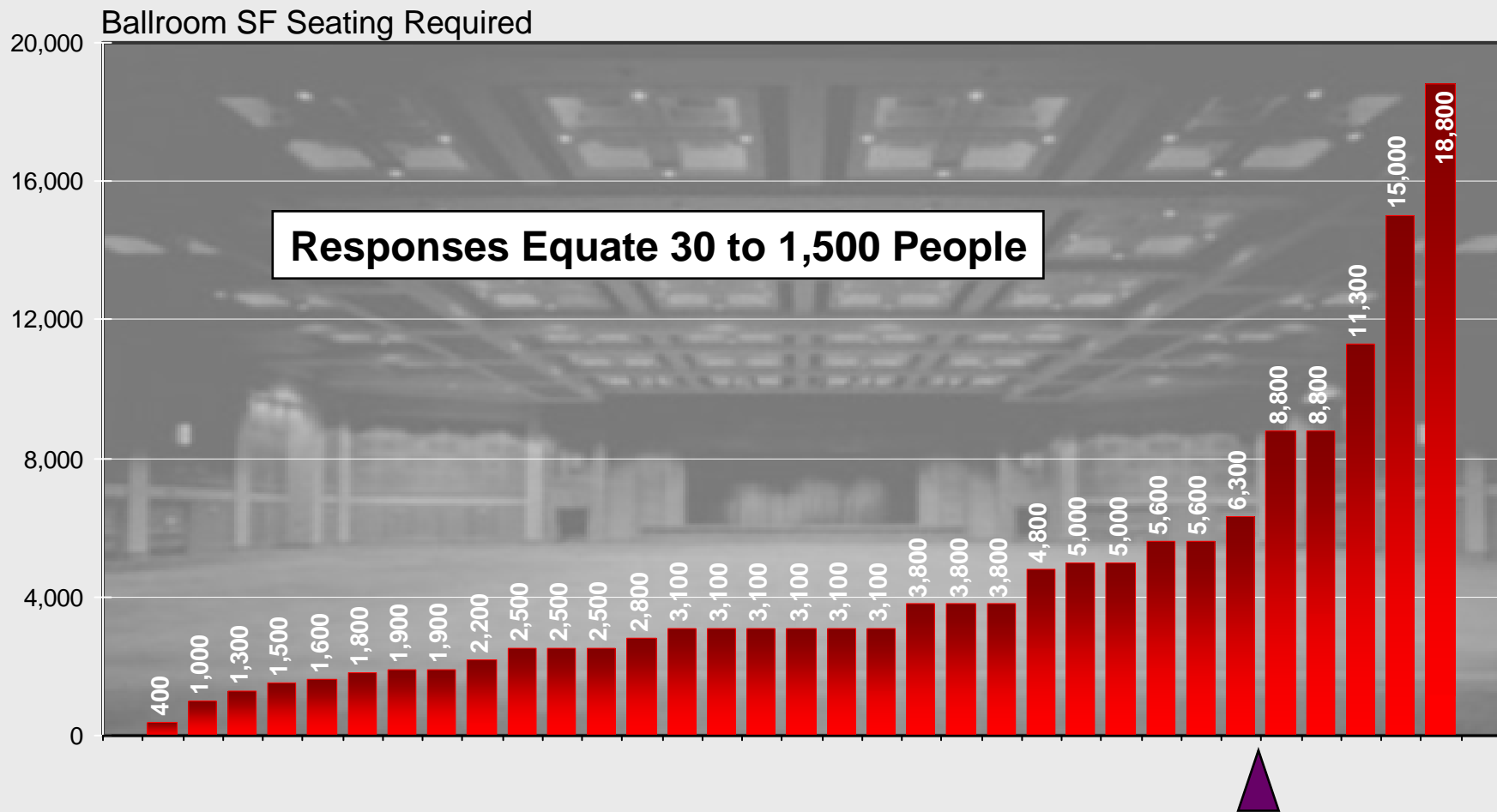


“Where have you met in the past few years?”





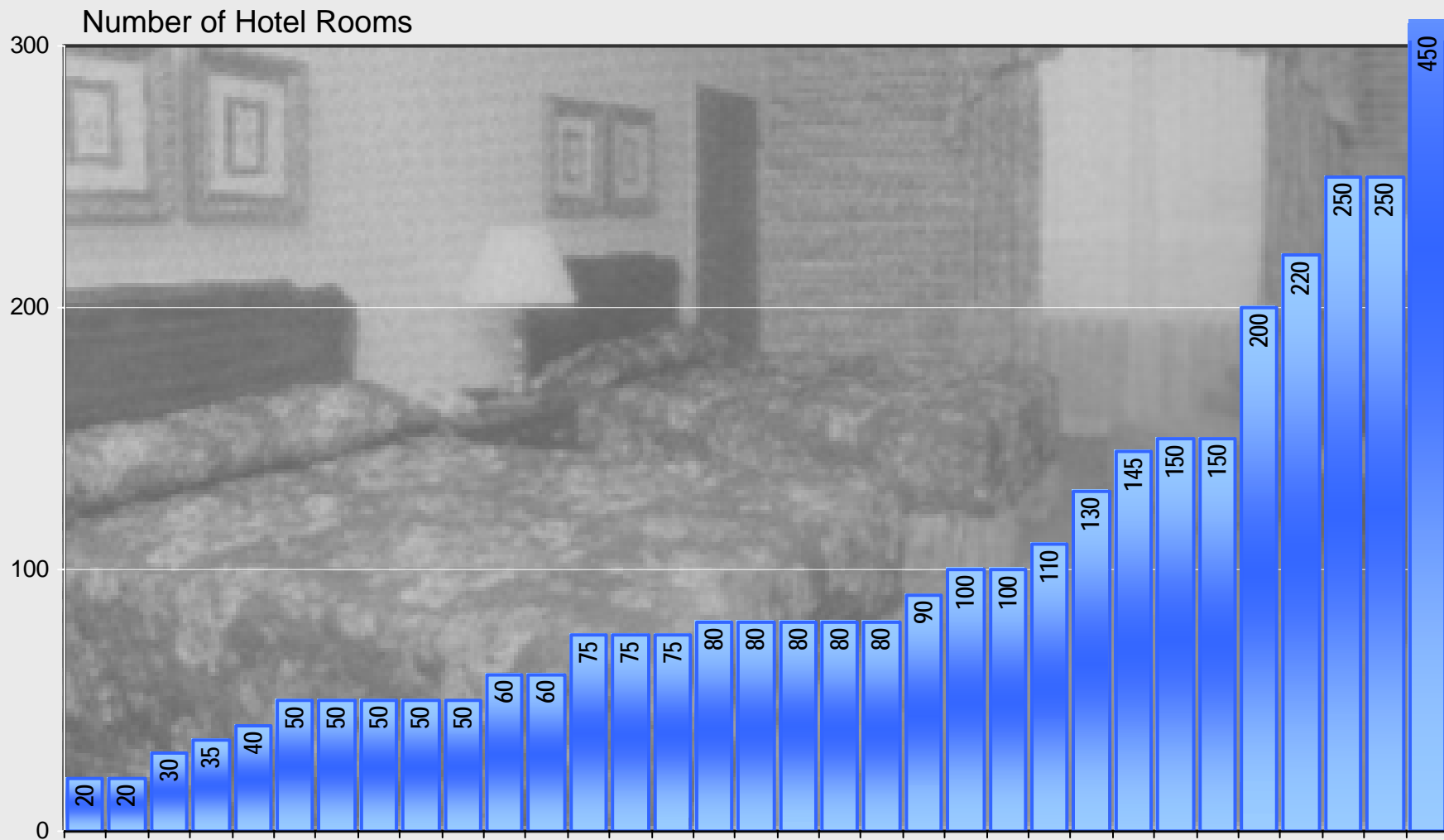
“What is seating requirement for largest banquet function?”



Manhattan can accommodate 85% of Market needs, yet only 27% reported they would come



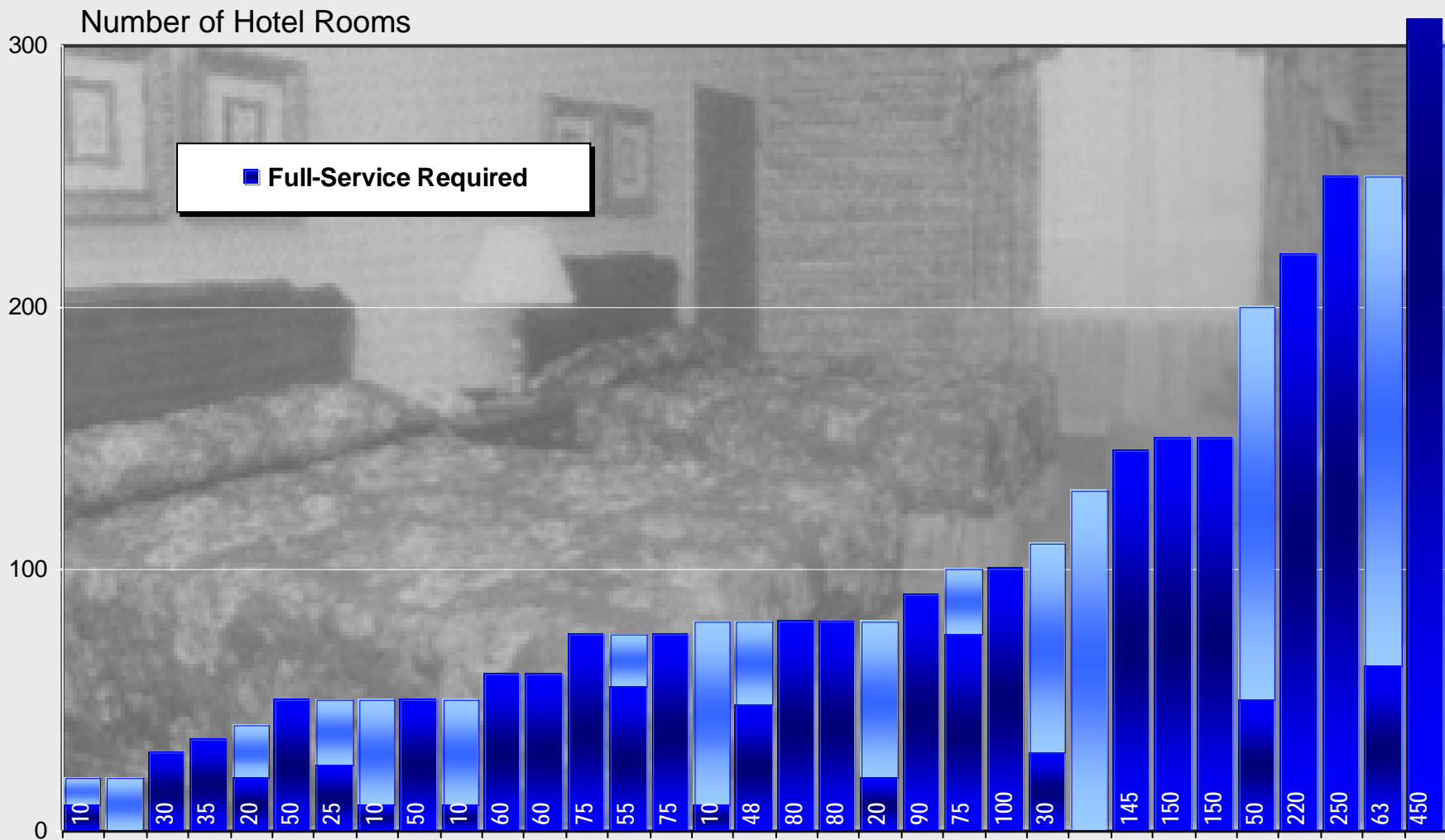
“What is your typical peak-night room block?”



Manhattan can accommodate 97% of Market needs, yet only 27% reported they would come ▲



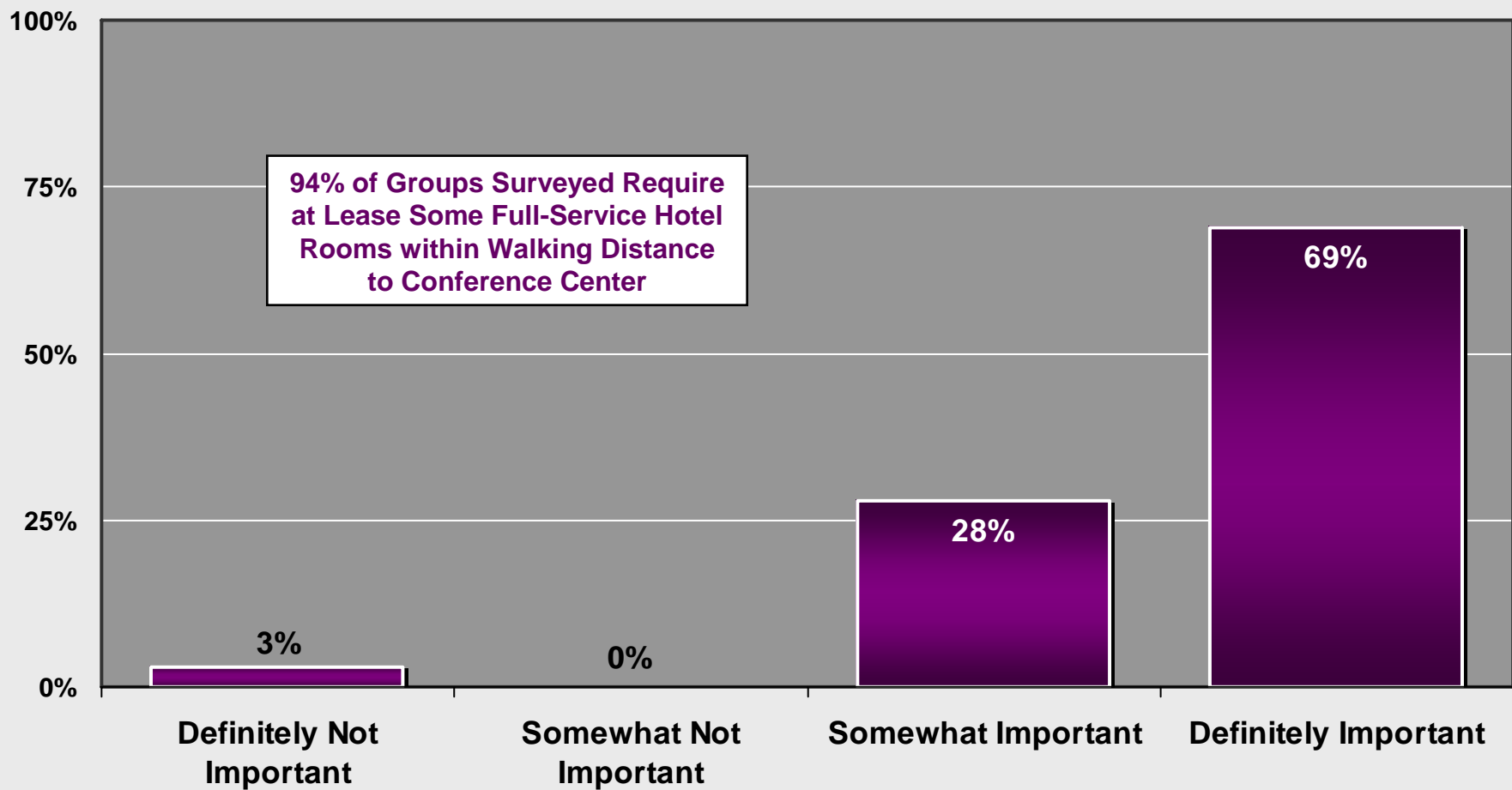
“What number of rooms must be full service?”



94% of Groups Surveyed Require at Least Some Full-Service Hotel Rooms



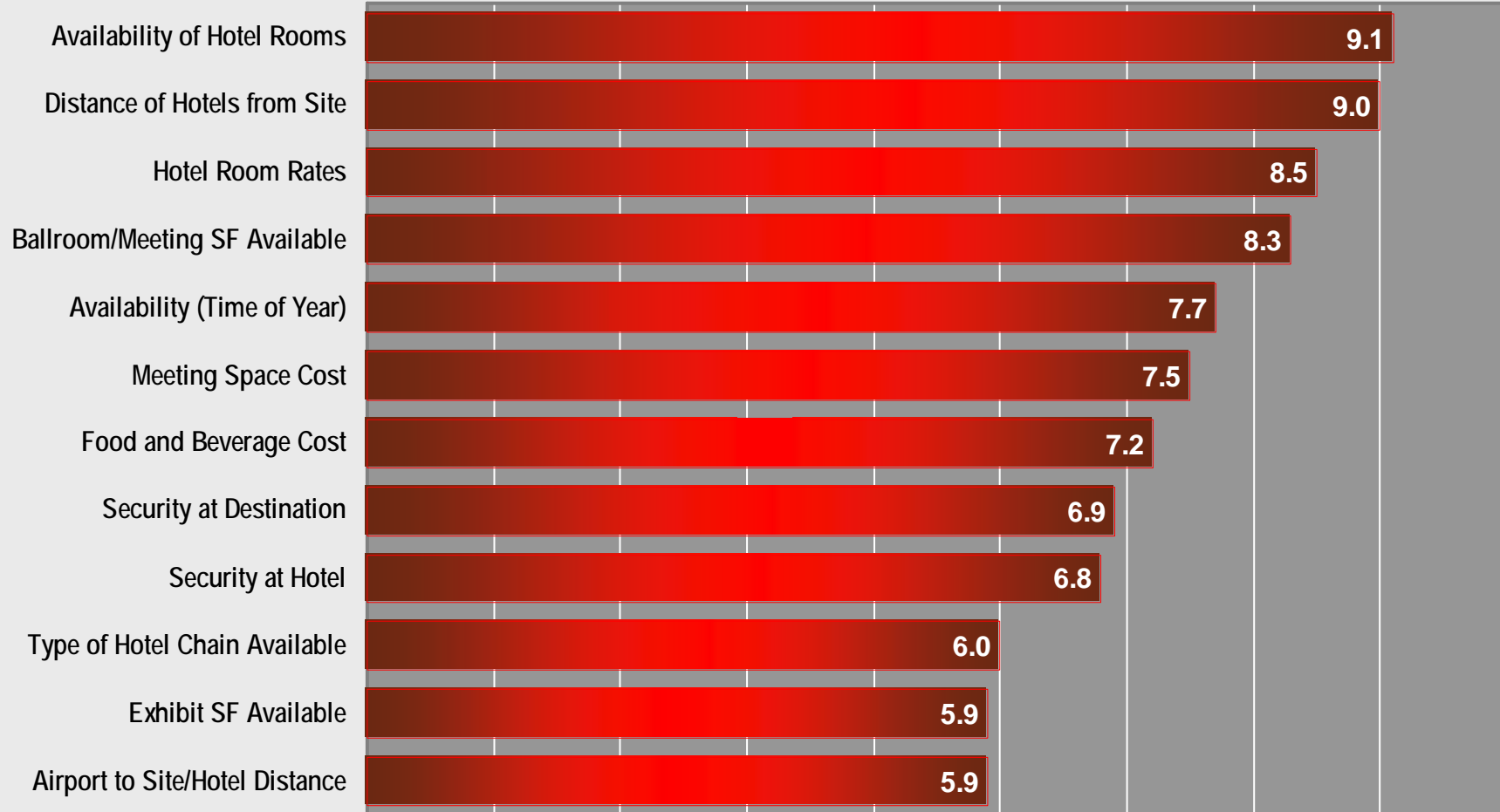
“How important is it that the bulk of your hotel rooms be within walking distance to the meeting facility?”





What Factors are Important?

Nat'l Meeting Planner Survey: 12 Most Important Destination Selection Factors

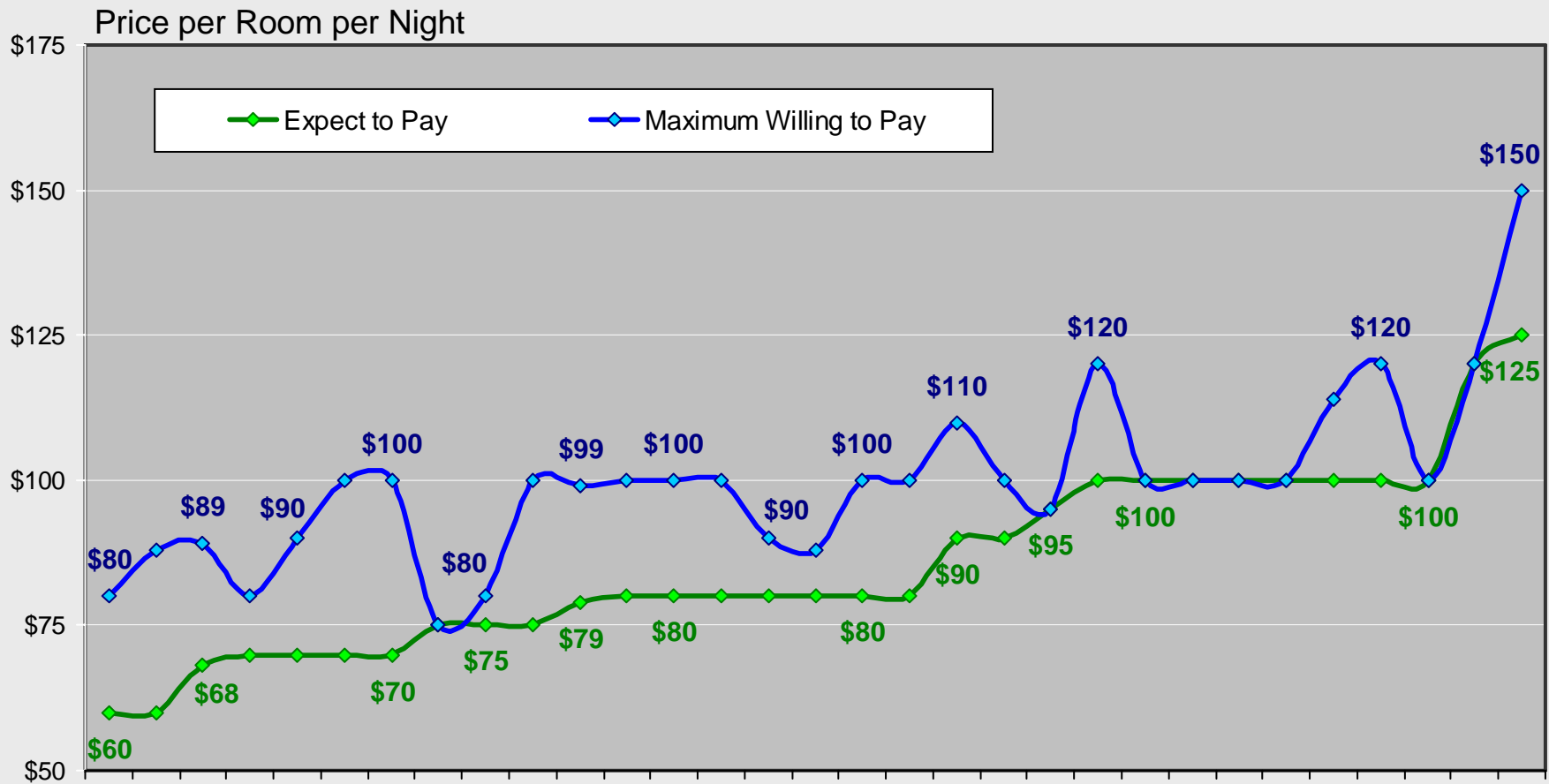


Least Important ----- **SCALE** ----- Most Important

Source: Successful Meetings Magazine



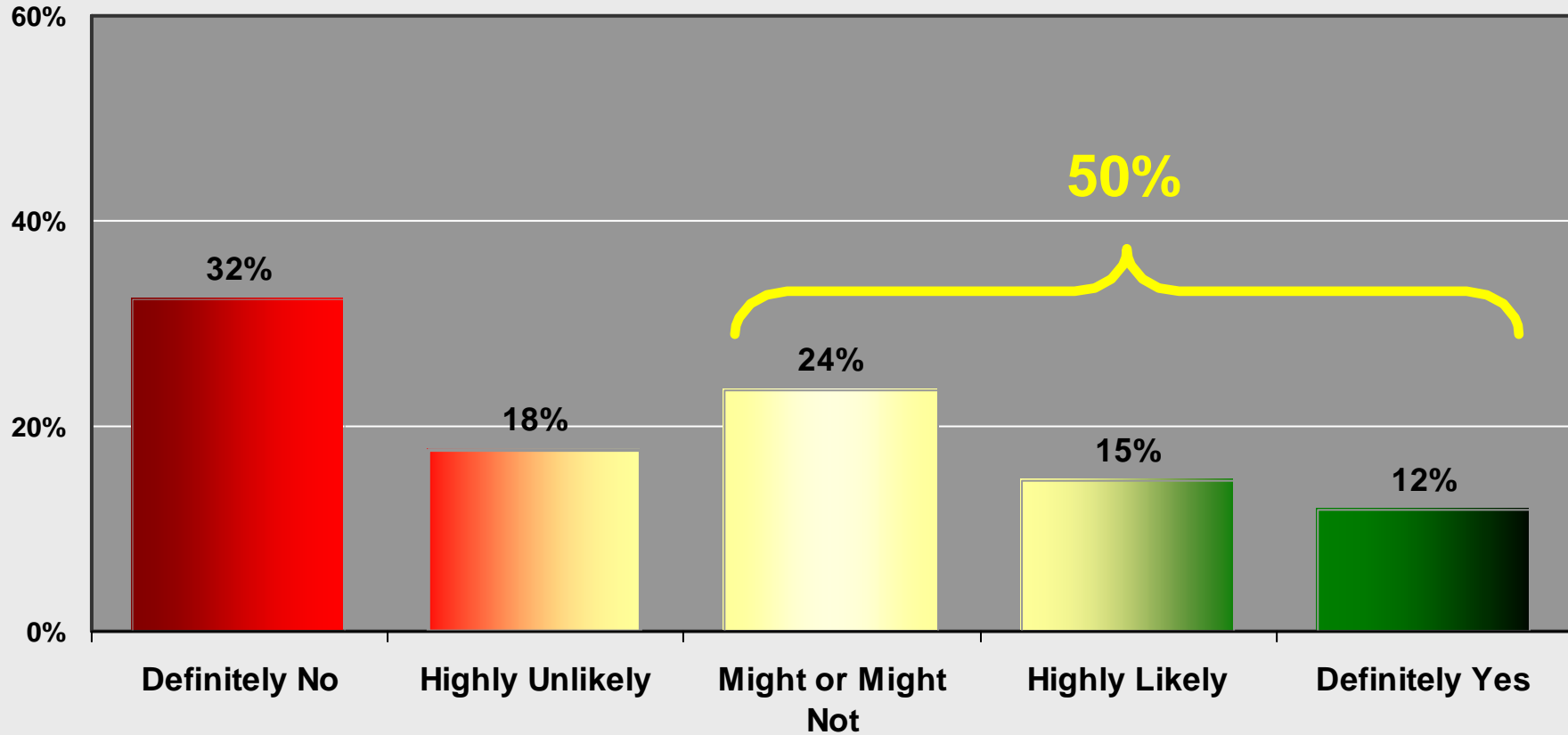
“What hotel rate do you expect to pay in Manhattan for a full-service property located near the conference center?”





Scenario 1: As-Is

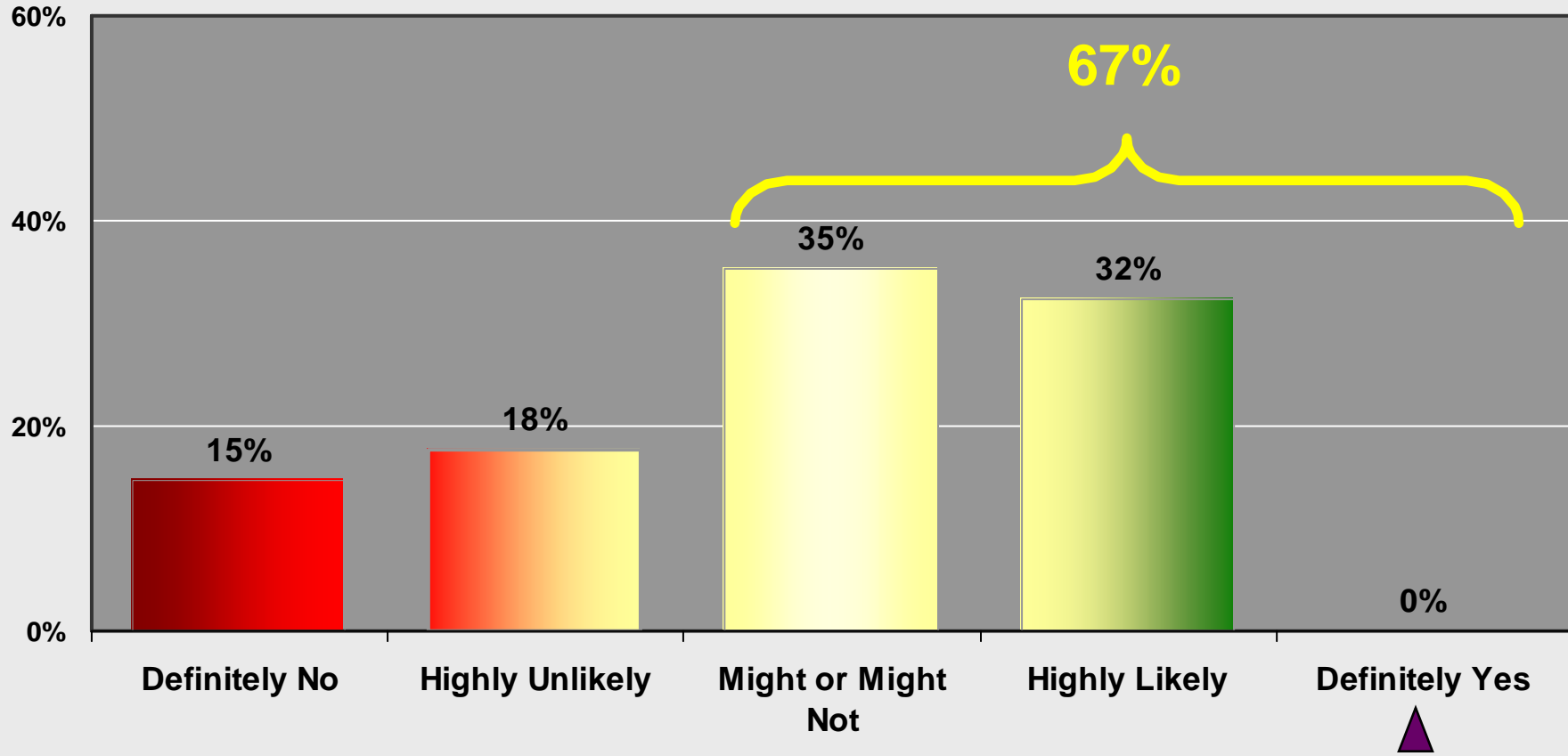
“Assume that the conference space in Manhattan remains unchanged; How likely would you be to consider hosting your event in Manhattan?”





Scenario 2: Downtown Facility

“Assume now that a new conference space that meets your space needs is built downtown and is within walking distance to mall and 98-room Fairfield Inn hotel. Given this scenario, how likely would you be to consider hosting your event in Manhattan?”

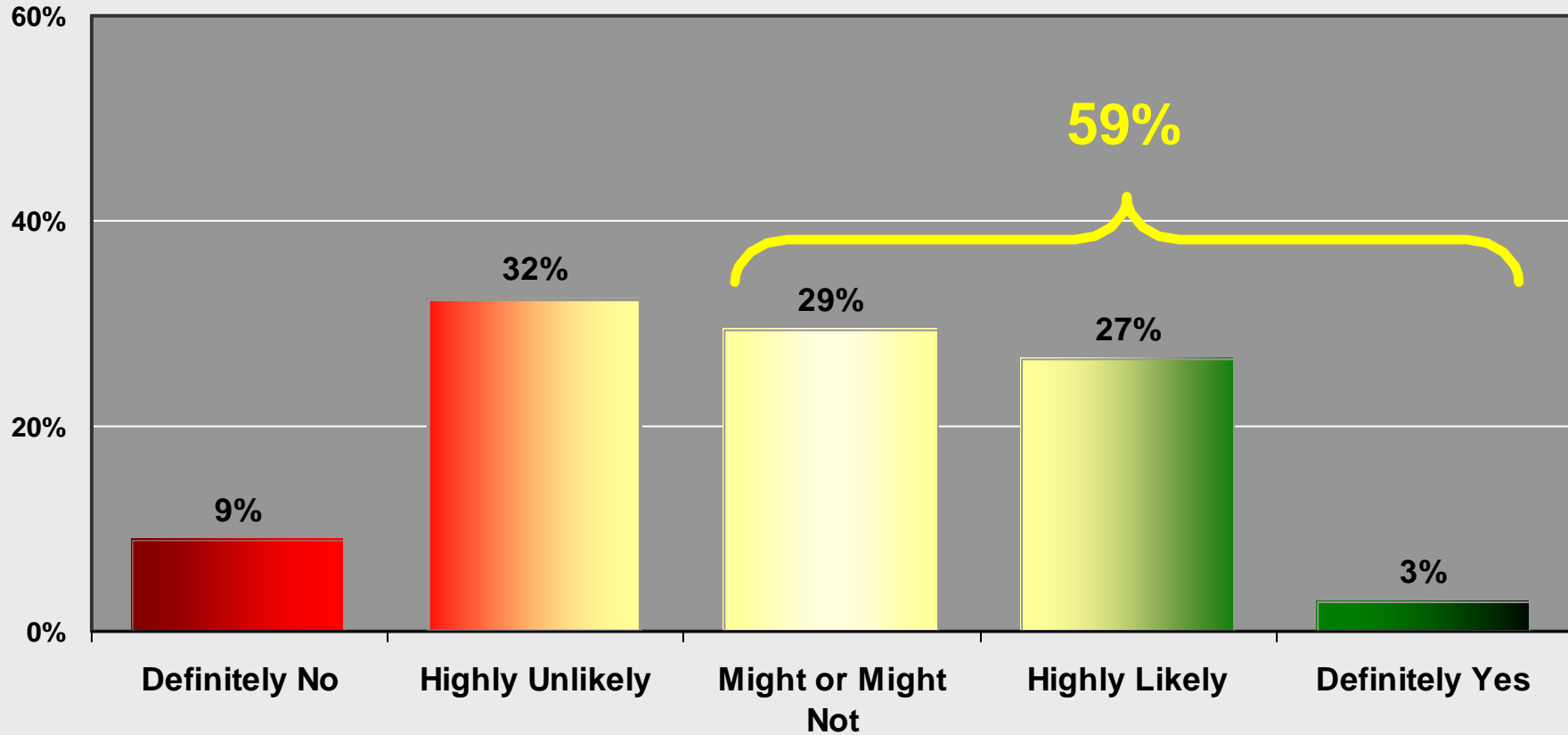


Impact of Lack of Full-Service Hotels



Scenario 2: D'town Facility + Museum/Gym

“If in addition to this scenario, the facility was across the street from a complex that included a large community fitness and aquatic center that your attendees could use for a fee, as well as a discovery museum, how would you respond?”

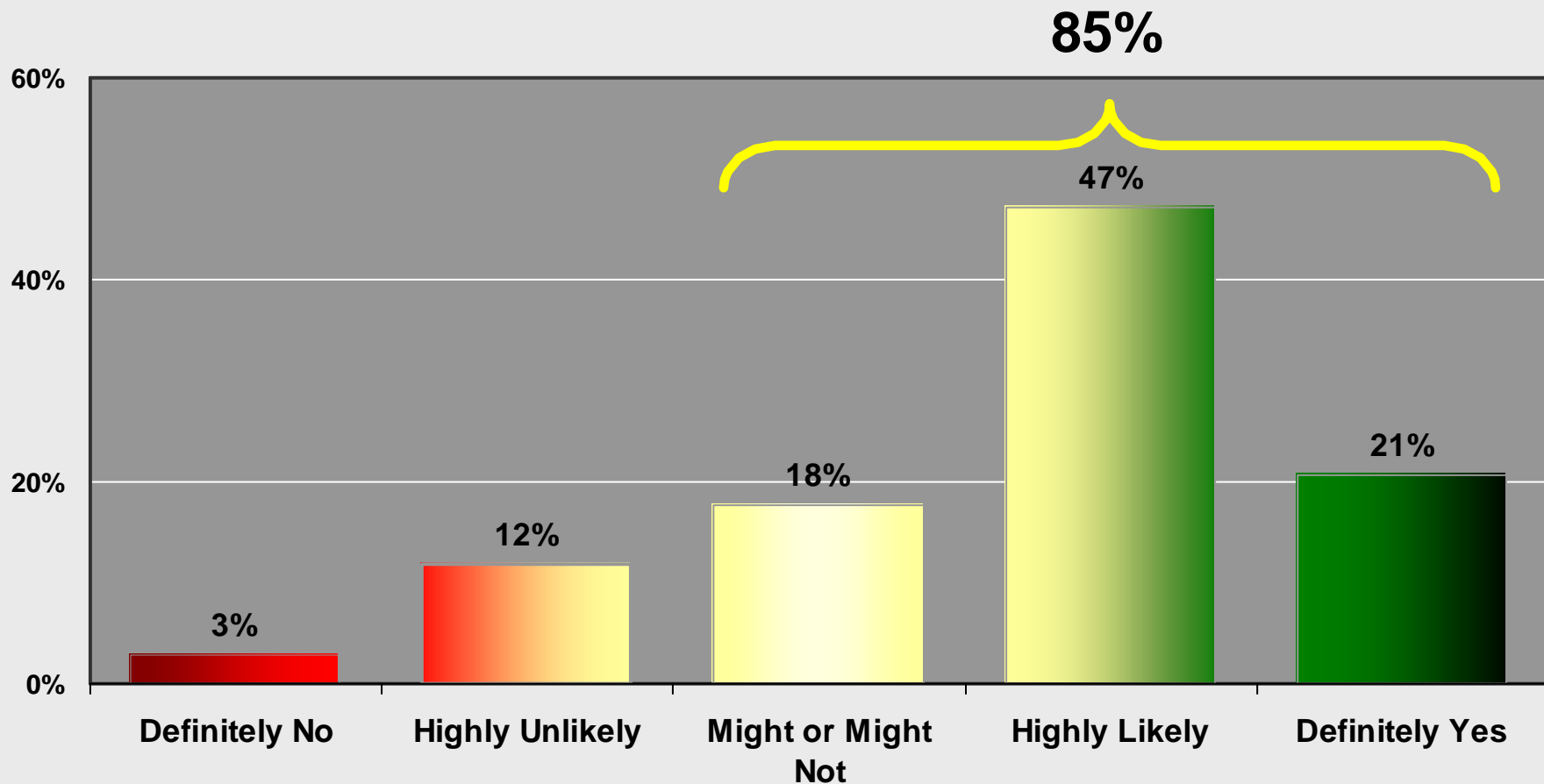


What We Heard: *Museum = “Beneficial”* *Fitness Center = “No Benefit”*



Scenario 2: D'town + Mus./Gym + Hotel

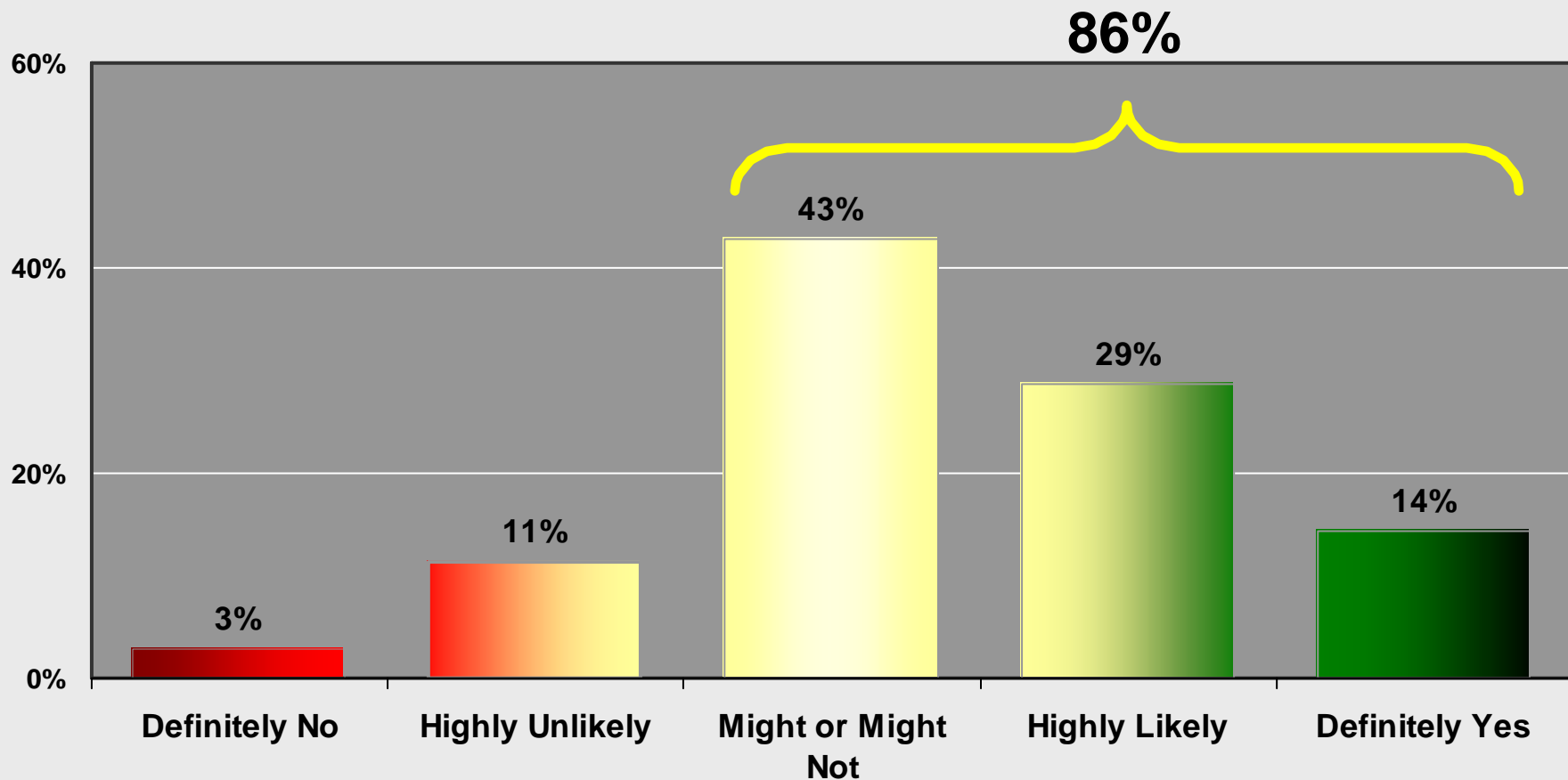
“Finally, in addition to the Fairfield Inn and the Fitness/Aquatic center and museum, consider that the new downtown conference center is built with an attached 150-room hotel, how would you respond?”





Scenario 3: K-State & Aggieville

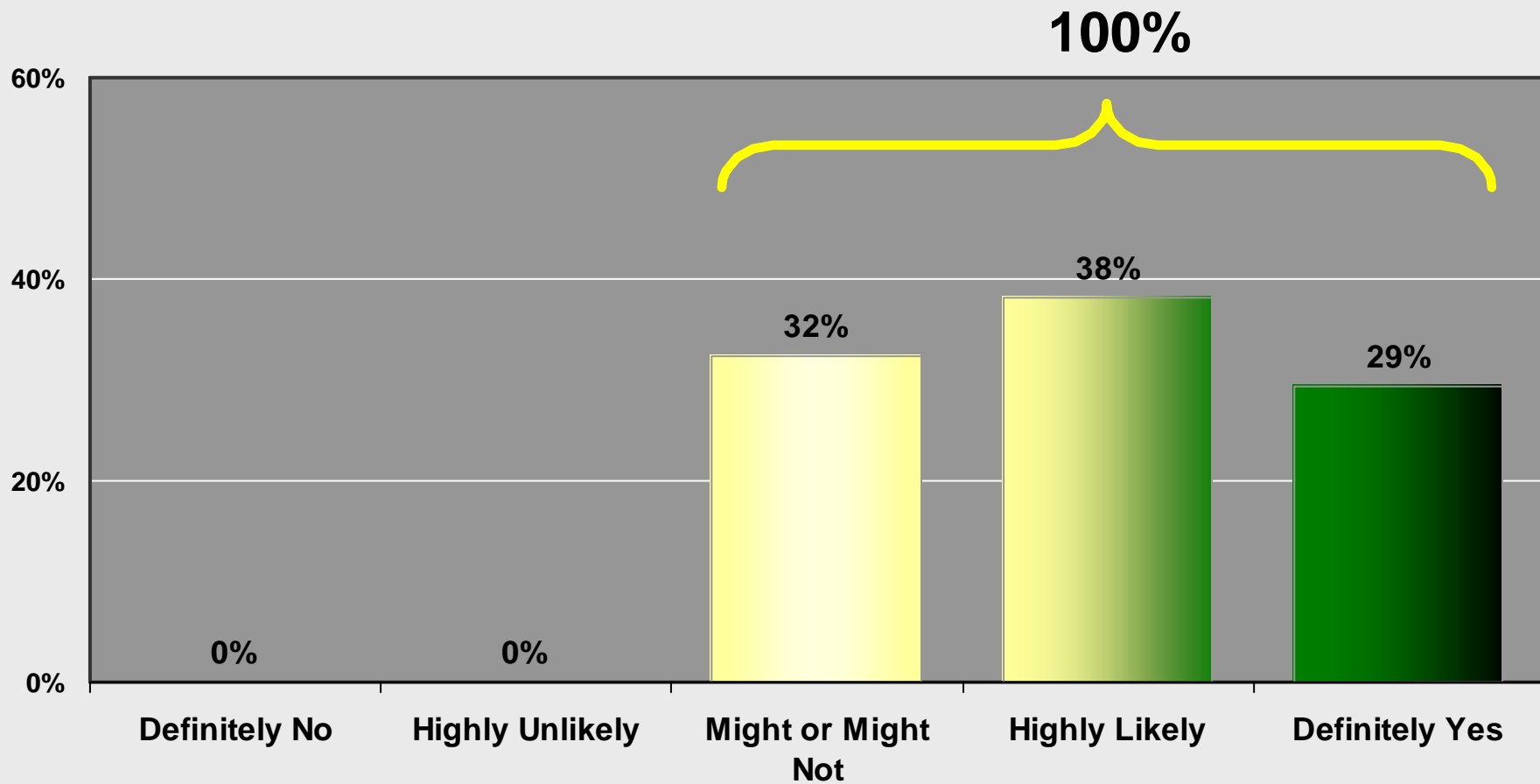
“Assume now that a new conf. center that meets your space needs is built within walking distance to Kansas State University, Aggieville, and the 112-room Ramada Inn (currently completing a large renovation); How likely would you be to consider hosting your event in Manhattan?”





Scenario 3: K-State & Aggieville + Hotel

“In addition to the above, consider that the new conference center is built with an attached 150-room hotel, how would you respond?”





Summary: Will They Come?

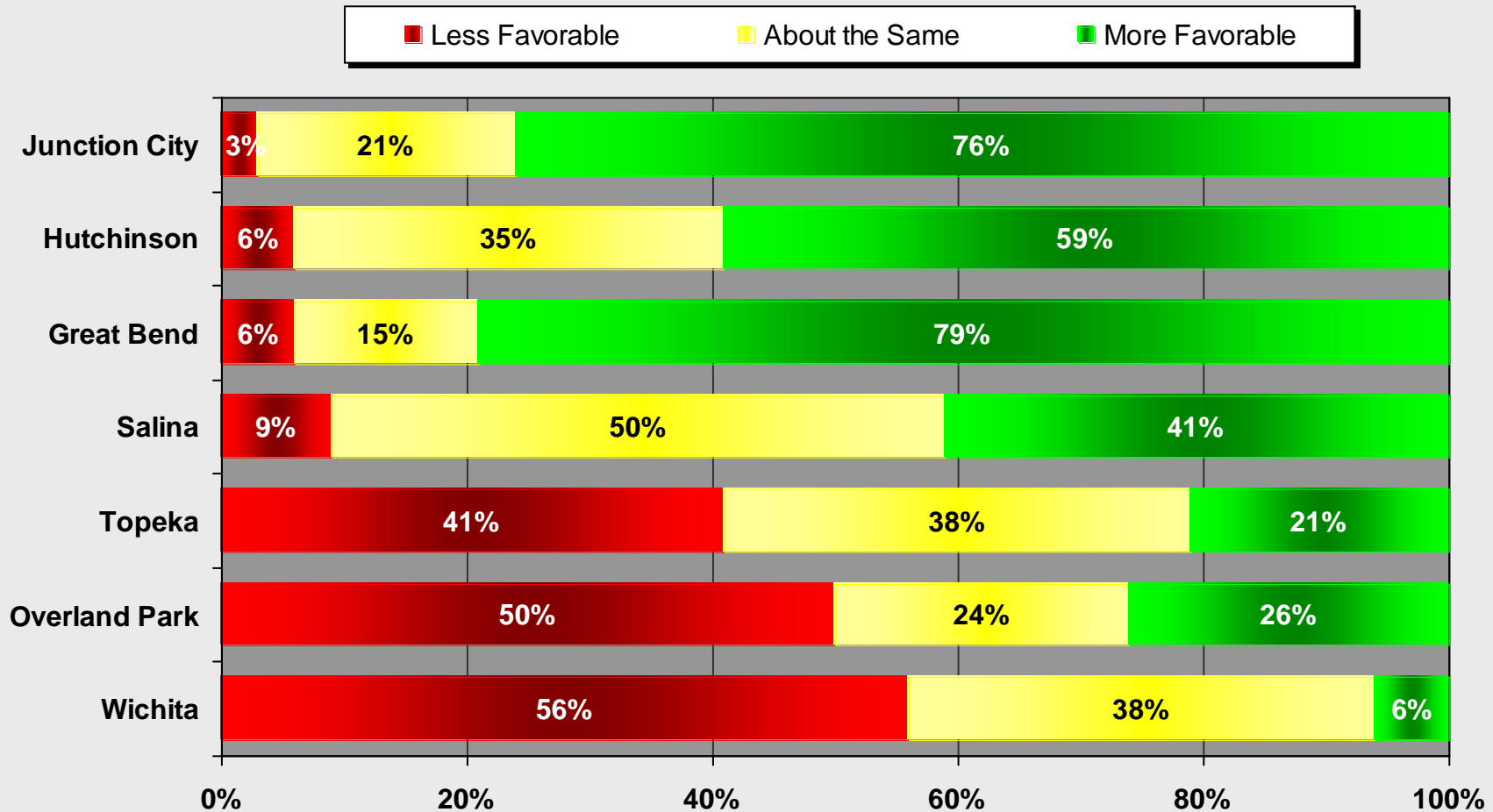
	No (DN + HU)	Maybe	Yes (DY + HL)
■ Scenario 1: “As-Is”	50%	24%	26%
■ Scenario 2: “Downtown”	32%	35%	33%
Scenario 2b: + Museum/Gym	41%	29%	30%
Scenario 2c: + 150-rm Hotel	15%	18%	67%
■ Scenario 3: “K-State & Aggieville”	14%	43%	43%
Scenario 3b: + 150-rm Hotel	0%	32%	68%

- Scenario 1: “As-Is”
- Scenario 2: “Downtown”
 - Scenario 2b: + Museum/Gym
 - Scenario 2c: + 150-rm Hotel
- Scenario 3: “K-State & Aggieville”
 - Scenario 3b: + 150-rm Hotel



Destination Appeal Comparison

“If Manhattan were to build the proposed conference center with a new 150-room hotel, how would our “destination appeal” compare with other markets?”





Meeting Planner Summary

- *Events surveyed represented good target market for Manhattan
 - *Most were of size that is within practical limits**
- *Planners generally have a good image of Manhattan*
- *Manhattan can technically accommodate vast majority of group space and hotel needs with its existing infrastructure, yet attracting events is difficult due to Quality and brands of available hotels*
- *Kansas planners reflect national survey: full-service hotel supply and walking distance between hotel rooms and meeting space are highly important factors (clustering)*
- *An additional full-service hotel is a major decision factor in Manhattan
 - *A site near K-State is preferred**
- *With right “package” Manhattan has destination appeal to be among best outside of Wichita and Overland Park*



Hotel Brands & Chain Scales



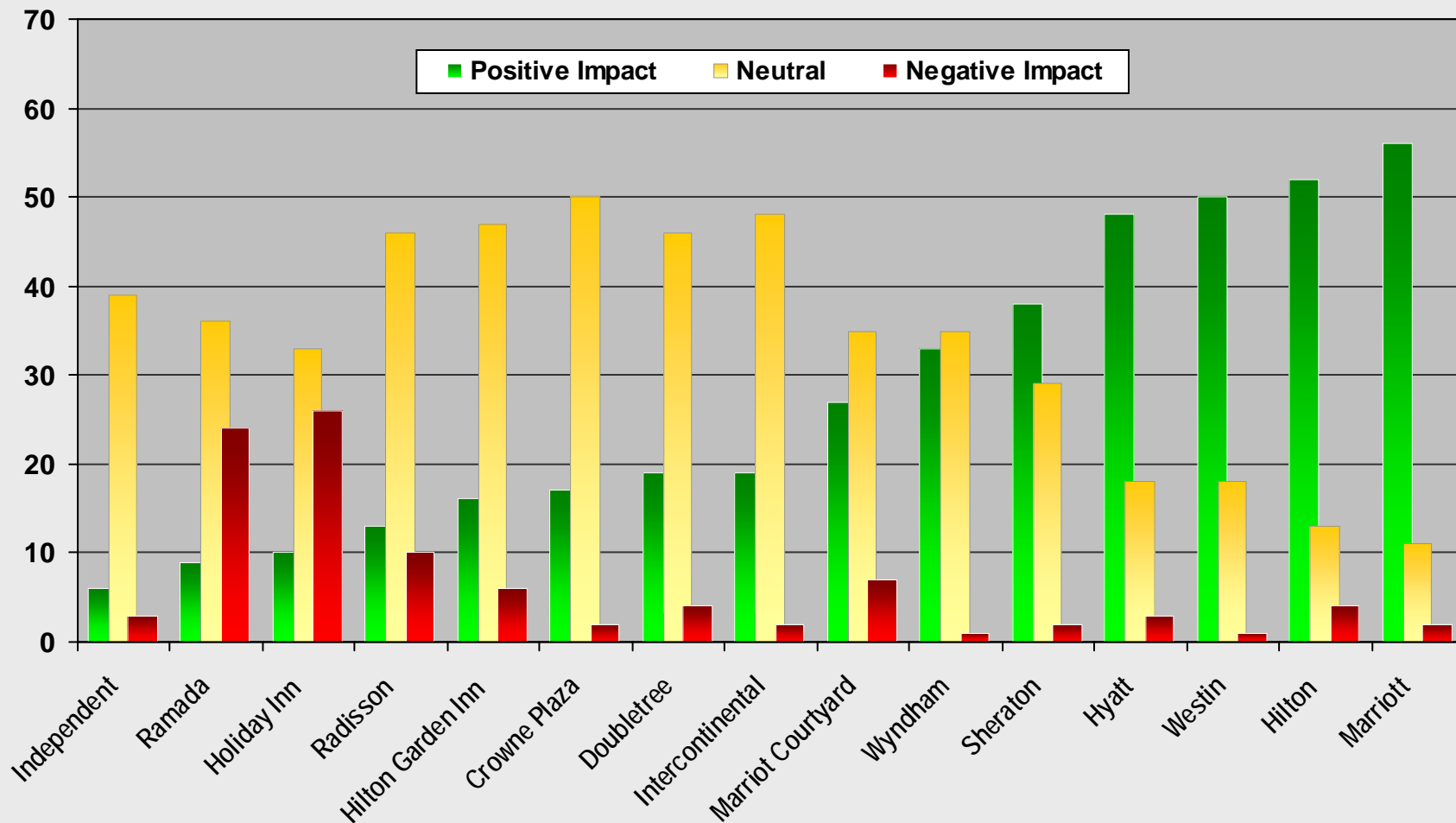
National Survey: How Important is Hotel Brand?

- Air Medical Transport Conference
- American Academy of Forensic Scientists
- American Assn. of Gynecological Laparoscopists
- American Assn. of Museums
- American Assn.iation of Cereal Chemists
- American College of Allergy and Immunology
- American College of Sports Medicine
- American College of Veterinary Ophthalmologists
- American Medical Technologists
- American Pharmaceutical Assn.
- American Physical Therapy Assn.
- American Society for Aesthetic Plastic Surgery
- American Society Plumbing Engineers
- Assn. of Fundraising Professionals
- Assn. of Legal Administrators
- Assn. of State & Territorial Health Officials
- Automatic Transmission Rebuilders Assn.
- Automotive Recyclers Assn.
- Bobit Publishing
- Carpet One
- Coalition of Essential Schools Assn.
- Commission on Accreditation for Law Enf. Agencies
- Conference & Logistics Inc
- Electrical Apparatus Service Assn.
- Electrical Manufacturing & Coil
- Emergency Medical Services
- Filenet Corp
- Food Safety Expo
- Geological Society of America
- Human Factors & Ergonomics Society
- Independent Community Bankers of America
- Institute of Navigation
- Intermec Technologies Corp
- International Church of the Fourquare Gospel
- International Executive Housekeeping Assn.
- International Institute of Municipal Clerks
- International Institute of Refrigeration
- International Right of Way Assn.
- League for Innovation/Community
- Lifestyles Organization
- Materials Research
- MGMA's Annual Conference
- National Assn. Healthcare Quality
- National Athletic Trainers Assn.
- National Conference State Legislature
- National Fire Ecology Symposium
- National Institute of Governmental Purchasing
- National PTA
- National Society of Genetic Counselors
- NECA Show
- North American Nature Photography Assn.
- Pentz Group Communications
- Peoplesoft
- Promax & BDA, PI
- Public Employee Retirement Sys
- Self Insurance Institue of America
- Shorecliff Communications
- Site Services
- Society of American Gastrointestinal Endoscopic Surgeons
- Society of Interventional Radiology
- Specialty Coffee Assn..
- Tech Assn.ation of Pulp & Paper Industries
- Timberline Software
- Truckload Carriers Assn.
- US Dept. of Transportation
- USA National Karate-Do Federation
- Vietnam Helicopter Pilots Assn.
- Washington Mutual Bank
- Wood Technology Clinic & Shows
- Youth Specialties



Brand Preference

“When selecting a destination, do the following hotels have a positive, neutral, or negative impact on your decision making process?”





STR - Chain Scales

- *Luxury*
 - *Four Seasons, Ritz-Carlton, W, Fairmont*
 - *Upper Upscale*
 - *Hyatt, Marriott, Omni, Westin, Embassy Suites*
 - *Upscale*
 - *Crowne Plaza, Radisson, Hyatt Place, Adam's Mark*
 - *Midscale w/ F&B*
 - *Clarion, Holiday Inn, Ramada, Best Western*
 - *Midscale w/o F&B*
 - *Comfort Inn, Hampton Inn, Fairfield Inn,*
 - *Economy*
 - *Econo Lodge, Motel 6, Super 8*
-
- *Manhattan does not offer a property in the higher-end scale of the industry.*
 - *In Kansas, only Big-2 offer an Upper Upscale hotel property.*



Hotel Brands to Consider

TIER 1

(Upper Upscale)

- *DoubleTree*
- *Embassy Suites*
- *Hilton*
- *Hyatt*
- *Marriott*
- *Omni*
- *Renaissance*
- *Sheraton*
- *Westin*

TIER 2

(Upscale)

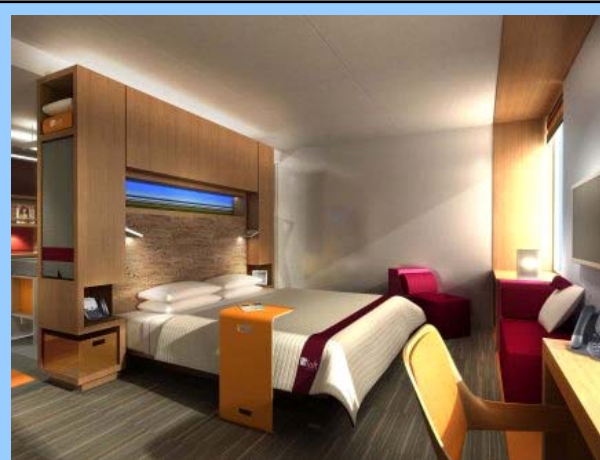
- *Adam's Mark*
- *aloft (Starwood)*
- *Crowne Plaza*
- *Radisson*
- *Wyndham*
- *Four Points (Sheraton)*



Renaissance Hotel
by Marriott



aloft Hotel
by Starwood



Westin Hotel
by Starwood



Crowne Plaza
By Holiday Inn





Recommended Facility Plan



Recommended Facility Plan

Must Have:

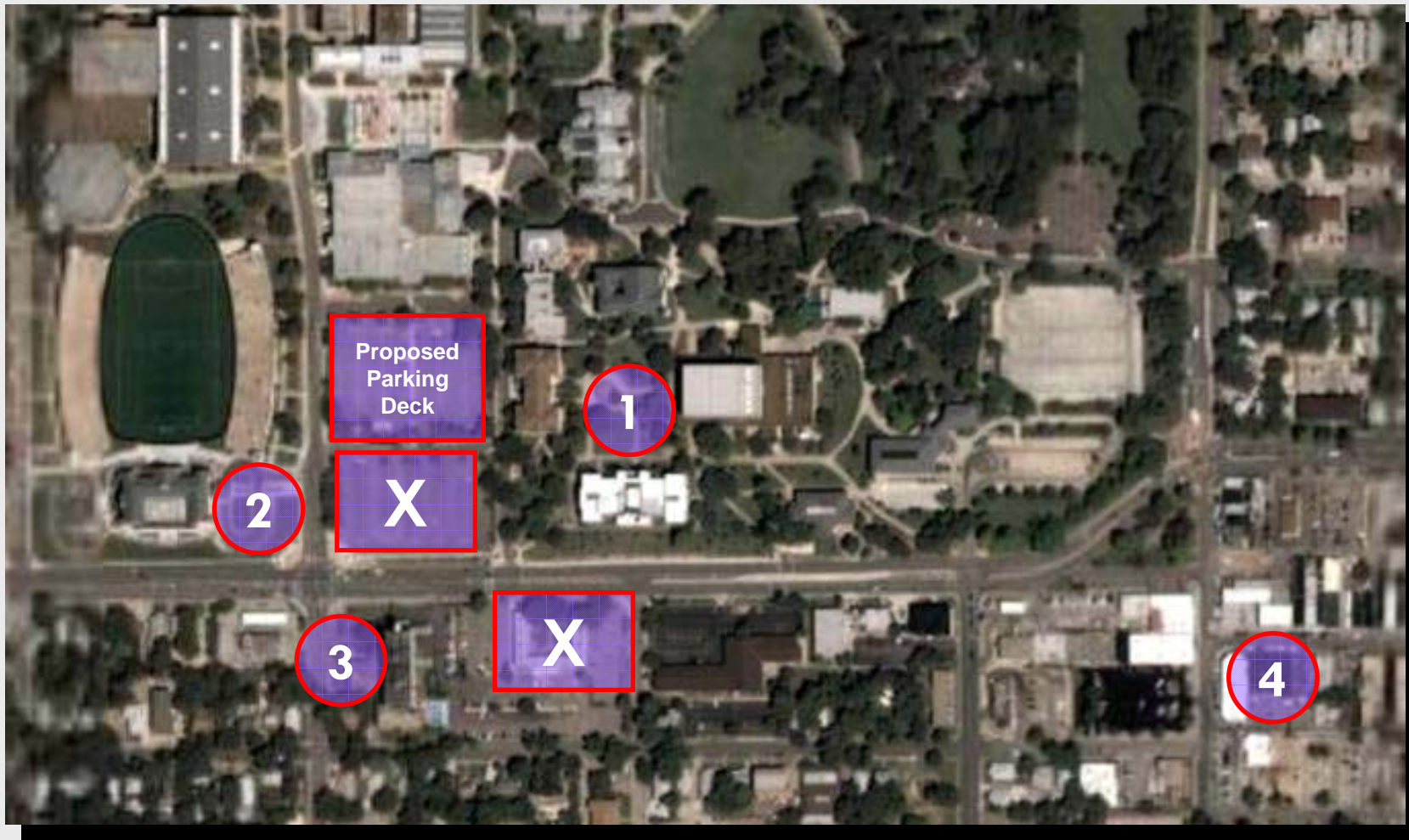
- *Meeting space must be within walking distance to full-service hotel rooms, and*
- *All quality levels must be consistent with desired target market*
 - *Just below Overland Park and Wichita*
- *Ballroom Space must be at least 10,000 SF*

Ideally Have:

- *New ~150 full-service rooms attached to meeting space*
 - *Needed to meet City's Goal to be financially self-supporting*
 - *Pursue Hotel Brand of Upper Upscale but Consider Upscale if Budget Dictates*
- *Up to 20,000 SF ballroom divisible into 7 different rooms*
- *Located within walking distance to ① K-State, ② the Alumni Center, ③ Ramada Inn, and ④ Aggieville*



Potential Conference Center Hotel Site





Hotel Market Performance

- Manhattan Properties
- Full-Service Properties in Kansas

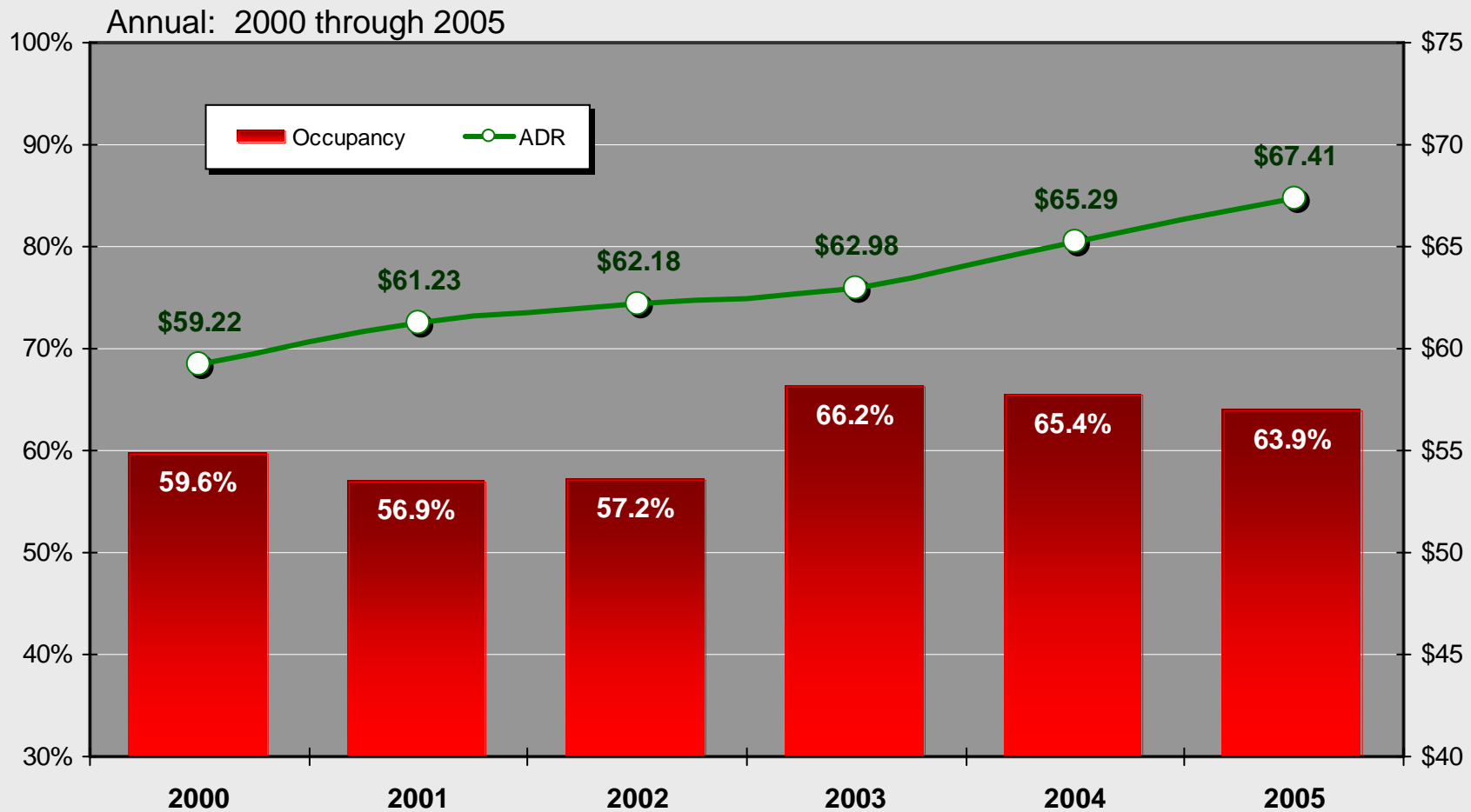


Manhattan Hotels

Hotel Property	Location	Opening Date	No. of Rooms
Holiday Inn	Manhattan	Nov 1981	197
Ramada Plaza	Manhattan	Jun 1960	112
Fairfield Inn	Manhattan	Jun 1998	98
Super 8	Manhattan	Nov 1987	87
Motel 6	Manhattan	n/a	87
Econo Lodge	Manhattan	Jun 1962	79
Hampton Inn	Manhattan	May 1998	72
Comfort Inn	Manhattan	Jul 2000	65



Manhattan Hotel Market Performance



Market leader reported \$75 ADR with 70% occupancy in 2005.



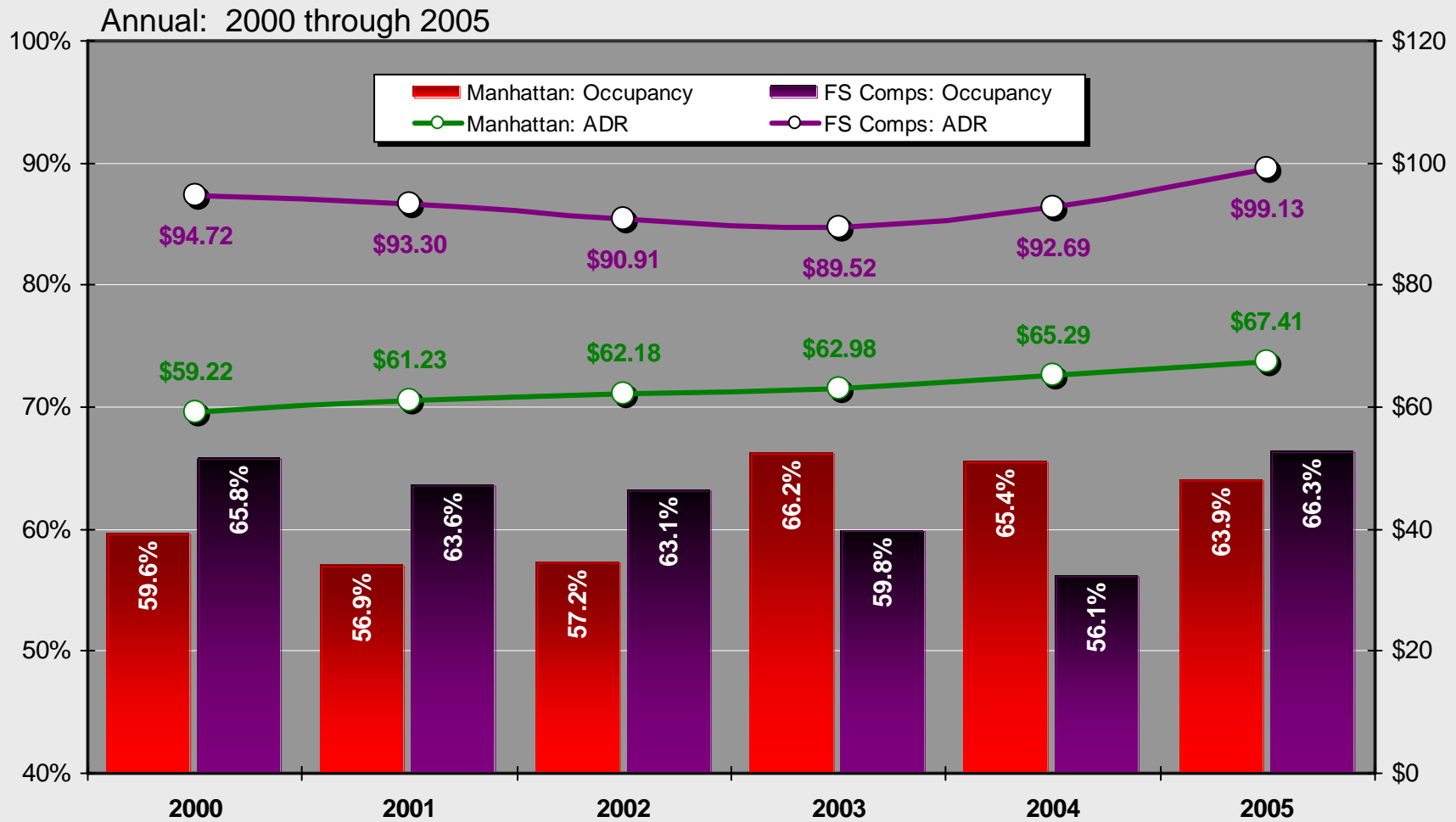
KS Full-Service Hotels

Hotel Property	Location	Opening Date	No. of Rooms
Sheraton Hotel Overland Park & Conference Center*	Overland Park	Dec 2002	412
Marriott Overland Park*	Overland Park	Jul 1984	390
Doubletree at Corporate Woods*	Overland Park	Feb 1982	356
Embassy Suites Overland Park*	Overland Park	May 1984	199
Hyatt Regency Wichita*	Wichita	Sep 1997	303
Hilton Wichita Airport & Conference Center*	Wichita	Aug 1981	302
Marriott Wichita*	Wichita	Jun 1987	294
Capitol Plaza Hotel	Topeka	Aug 1998	224
Grand Prairie Hotel	Hutchinson	Aug 1977	220
Highland Hotel	Great Bend	Aug 1985	172

** Upper Upscale Hotel Property.*



KS Full-Service Hotel Performance





Hotel Market Summary

- *Manhattan Hotel Market is Projected to be able to Support a 150-room Full-Service, Upper-Upscale/Upscale Conference Hotel*
 - *Demand for Product not currently in Market*
 - *Due to timing of Big Red One, impact of proposed hotel may be completely offset, allowing the market to remain at least unchanged in terms of occupancy (63% v. 66% -70%)*
 - *Proposed HQ hotel would have a positive impact on market-wide average hotel room rates (\$67 v. \$78)*

- *Based on Meeting Planner Survey and actual hotel market performance for Manhattan and Kansas full-service properties:*
 - *Proposed Conference Hotel estimated to perform between \$95 to \$110 ADR (2006\$) with 68%-72% occupancy upon stabilization*
 - *Manhattan market-leader performing at \$75 ADR with 70% occupancy (projected to reach up to \$85 in 2006\$ after renovation completion)*



Phase I Conclusions

- *Order-of-magnitude development costs for the conference center between \$6M to \$12M for 10K SF and 20K SF, respectively*
- *The public investment 150-room full-service hotel could be significant*
 - *Overland Park, Wichita, Topeka, Junction City, among others have publicly-incentivized hotels*
- *Study recommends pursuit of the detailed study of the proposed facility at recommended K-State site location*
 - *Site allows for cost-savings due to “package” created with existing Alumni Center/Ramada/KSU function space*
- *As an alternative site, continue to consider the costs and benefits of the downtown site*
- *An Ideal Development Solution could Involve the City, the University, the Foundation, and the Private Sector*



PHASE II: Financial Analysis



Phase II

- *Project Cost Estimates*
- *Operating Revenues & Expenses*
- *Warranted Private-Sector Investment*
 - *Need For Public Investment*
- *Phase II Conclusions*
- *Study Recommendations*



Project Cost Estimates

	<u>UNIVERSITY</u>	<u>DOWNTOWN</u>
Hotel:		
No. of Keys/Rooms	150	150
Estimated Construction Cost per Key	\$150,000	\$150,000
Subtotal – Hotel:	<u>\$22,500,000</u>	<u>\$22,500,000</u>
Conference Center:		
Ballroom Space (SF)	12,000	12,000
Meeting Room Space (SF)	0	5,000
Pre-Function Space (SF)	4,000	4,000
Kitchen/Support/Back-of-House (SF)	6,000	6,000
Total Function SF	<u>22,000</u>	<u>27,000</u>
Cost per SF	<u>\$250</u>	<u>\$250</u>
Subtotal – Conference Center:	<u>\$5,500,000</u>	<u>\$6,750,000</u>
Parking:	5,047,000	5,000,000
Subtotal:	<u>\$33,047,000</u>	<u>\$34,250,000</u>
Contingency (7%):	2,313,000	2,398,000
Pre-Opening Costs:	337,000	337,000
Working Capital:	1,030,000	1,030,000
TOTAL DEVELOPMENT COST:	<u><u>\$36,727,000</u></u>	<u><u>\$38,015,000</u></u>

COST PER KEY

\$245,000

\$253,000



Operating Assumptions

	<u>University</u>	<u>Downtown</u>
No. of Rooms	150	150
ADR of Hotel	\$110	\$100
Occupancy of Hotel	60% - 72%	58% - 68%
New Room Demand in City		
New Conference Demand	12,000	10,200
New Induce Demand	4,800	2,400
Total New Room Nights	<u>16,800</u>	<u>12,600</u>
% Total Revenue to Bottom Line	22.5%	19.3%



Warranted Private-Sector Investment

Scenario 1: Land Only

Proposed Hotel & Conference Center - University Site

Equity Return & Debt Service

In Current Dollars (000s omitted)

		Assumptions	
Number of Rooms	150	Debt	27,563 <i>(excludes Capitalized Interest)</i>
Cost per Key (\$000)	245	Equity	9,187
Total Project Cost (000)	36,750	Debt Interest Rate	7.0%
Public Investment (000)	0	Amortization Period (Years)	30 <i>(Interst Only First 2 years)</i>
NET COST (000)	36,750	Residual Cap Rate	8.0%
% Debt	75%		
% Equity	25%		

	Construction											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net Operating Income	\$0	\$0	\$1,282	\$1,479	\$1,691	\$1,803	\$1,915	\$1,963	\$2,012	\$2,062	\$2,114	\$2,167
Debt Service												
Interest	(502)	(1,447)	(2,066)	(2,066)	(2,066)	(2,044)	(2,021)	(1,996)	(1,969)	(1,940)	(1,909)	(1,877)
Principal	0	0	0	0	(312)	(334)	(358)	(383)	(410)	(438)	(469)	(502)
Capitalized Interest	502	1,447	0	0	0	0	0	0	0	0	0	0
Net Debt Service	0	0	(2,066)	(2,066)	(2,378)	(2,378)	(2,379)	(2,379)	(2,379)	(2,378)	(2,378)	(2,379)
Cash Flows After Debt Service	\$0	\$0	(\$784)	(\$587)	(\$687)	(\$575)	(\$464)	(\$416)	(\$367)	(\$316)	(\$264)	(\$212)
Debt Service Coverage Ratio			0.6	0.7	0.7	0.8	0.8	0.8	0.8	0.9	0.9	0.9
Equity Cash Flows												
Equity Contribution	(\$9,187)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flows After Debt Service	0	0	(784)	(587)	(687)	(575)	(464)	(416)	(367)	(316)	(264)	(212)
Repayment of Debt	0	0	0	0	0	0	0	0	0	0	0	(26,306)
Reversion	0	0	0	0	0	0	0	0	0	0	0	27,088
NET EQUITY CASH FLOWS	(\$9,187)	\$0	(\$784)	(\$587)	(\$687)	(\$575)	(\$464)	(\$416)	(\$367)	(\$316)	(\$264)	\$570

Cash-on-Cash Return	-9%	-6%	-7%	-6%	-5%	-5%	-4%	-3%	-3%	6%
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Equity IRR:	#NUM!
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Private IRR Summary

	<u>UNIVERSITY</u>	<u>DOWNTOWN</u>
▪ Scenario 1: - Land Only	N/A	N/A
▪ Scenario 2: - Land + Conf. Ctr + Pkg	6%	N/A
▪ Scenario 3: - Land + Conf. Ctr + Pkg + \$3M	11%	-5%



Phase II Conclusions

- *Order of Magnitude Costs for Entire Project Could be Between \$35M - \$40M*
- *Based on Meeting Planner Survey and Proximity to Major Demand Generator, University Site projected to perform Better than Downtown Site*
 - *\$10 Higher ADR and 4% Higher Occupancy*
- *Only a University Site Project Begins to Approximate the Kinds of Investment Returns Needed to Attract Private-Sector Hotel Developers*
- *Pursue Upper Upscale Hotel to Differentiate from Competition*
 - *Consider Upscale if Budget Dictates*



Study Recommendations

- *To Meet Study Goals of Size, Quality, Financially Self-sustaining, and Public Costs; Recommended to:*
 - *Begin discussions with Conference Center beneficiaries to plan for site, parking, and assemble Public Incentive package*
 - *City...University...Foundation...County...State*
 - *In exchange for Public investment, a room block agreement should be executed for benefit of all City hotels*
 - *Pursue a site adjacent to University and its planned parking deck, Aggieville, Alumni Center, and existing Ramada Hotel*
 - *Procure Architectural Massing Analysis*
 - *Pursue a highly-divisible ballroom from 10,000 to 20,000 SF depending on site constraints and/or budget*
 - *Issue RFQ/P for Conference Center Hotel Development*
 - *Upper Upscale preferred, but consider Upscale*



Q & A



Feasibility Assessment:

Conference Center & Hotel

PHASE I: MARKET ANALYSIS

PHASE II: FINANCIAL ANALYSIS



Manhattan, Kansas

May 2006



McPherson: Best Western Holiday Manor





Great Bend: Highland Hotel & Conv. Center





Salina: Holiday Inn & Conv. Center





Salina: Bicentennial Center





Hutchinson: Grand Prairie Hotel & Conv. Ctr.





Kansas City: HGI Hotel & Reardon Conv. Ctr.





Lawrence: Holiday Inn Holidome & Convention Center





Junction City: Courtyard Hotel & Conf. Center





Topeka: KS Expocentre & Complex



Heritage Hall



Ag Hall



Exhibition Hall



Landon Arena



Wichita: Hyatt Hotel



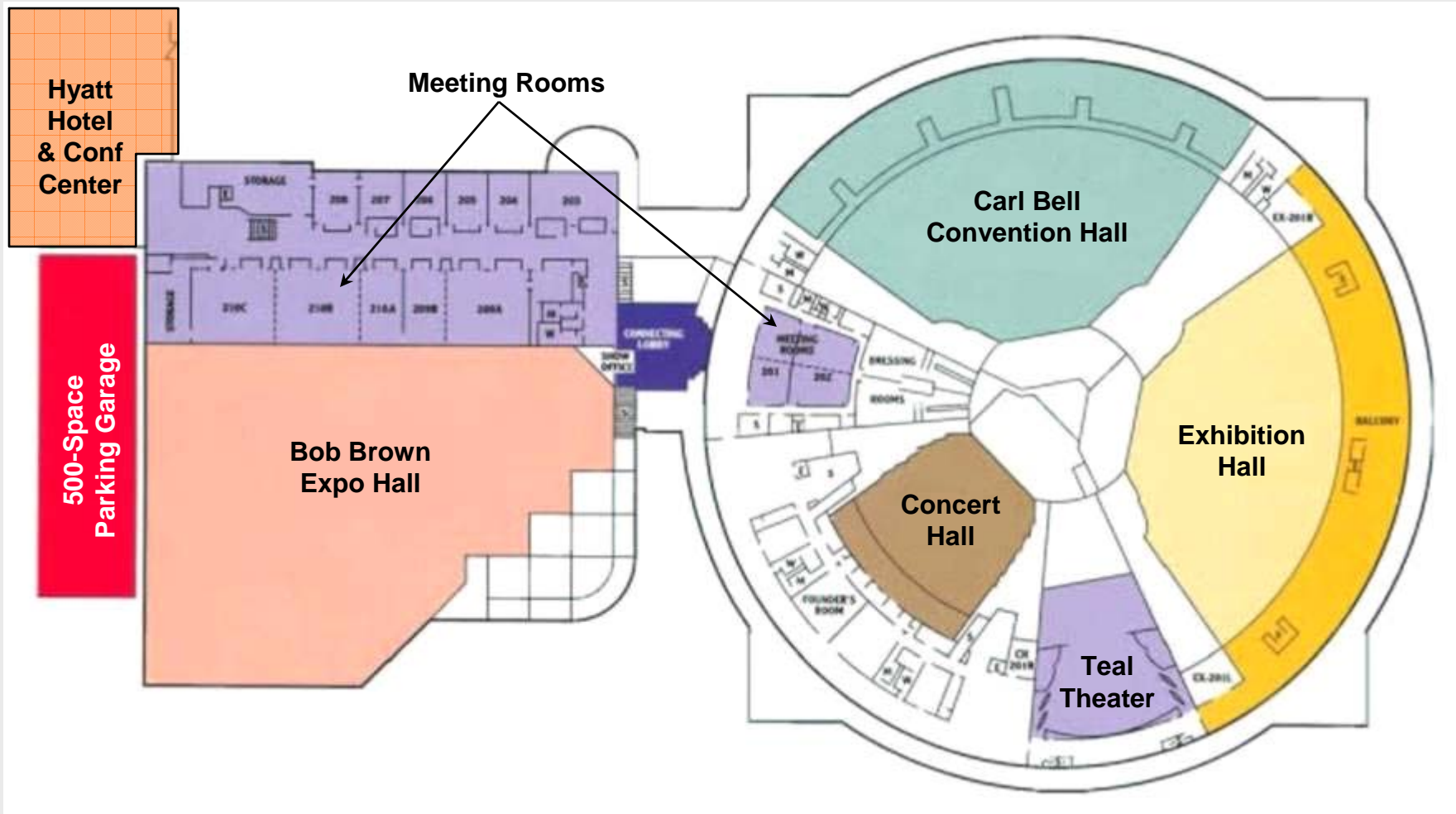


Wichita: Century II Center



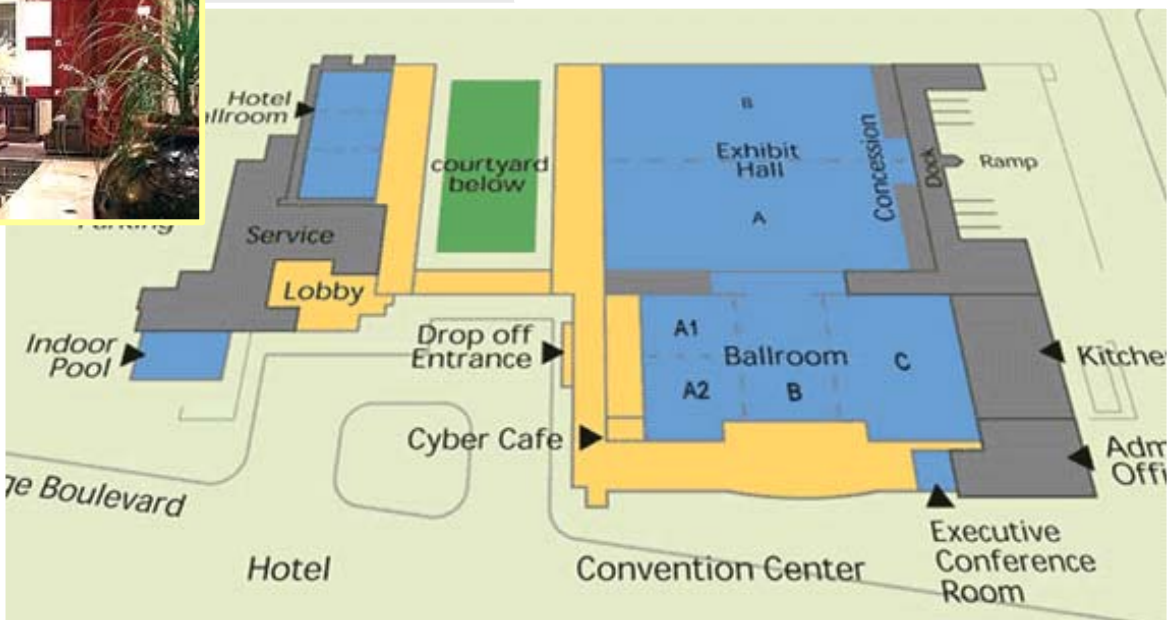


Wichita: Century II Center





Overland Park: Sheraton Hotel & Convention Center





Comments

1) It would be "great" and there would be definite use if a hotel was built attached to a conference center. 2) Lots of members are alumni and love going back to Manhattan.

1) Mid-year event - 200 people - Manhattan would be considered in that rotation if quality space is avail. 2) Discovery museum would be a big plus because they always take a tour of the city on second meeting day of their mid-year meeting.

1) Museum would be a plus. 2) Families attend and look for things to fill their days. 3) The last 20 yrs have always held annual event in KC around Christmas because of holiday festivities in KS. Might consider Manhattan if other events were happening during their meeting times.

1) DMD Alumni love Manhattan. 2) 2007 meeting will be held at Ramada and Alumni Bldg.

1) Had 2007 show scheduled at Holiday Inn but cancelled due to poor quality hotel. 2) "If a new hotel is built we will definitely come." 3) We love Manhattan.

1) Could be persuaded to change venue if enticed.

1) Legislators like Topeka because of location. 2) Members like new hotels and could be enticed.

1) Very small meeting - no need for hotels overnight stays. 2) Use hotels throughout the state for meeting space.

1) Largest meeting will always be in Wichita but PAC annual meeting will most likely stay in Manhattan. 2) Ideal would be to schedule PAC meeting with K-state game in October.

1) Large show will always be 2nd day of Topeka Farm Show. 2) Board meeting will always use IPG Bldg on K-state due to money given to Univ., however use hotels to stay night.

1) We pay \$88 in Topeka for hotels.

1) Pulled out of Manhattan for 2007 due to lack of space. 2) Museum & Fitness center a plus- families attend meeting.

1) Museum & other attractions a plus. 2) Will more than likely stay in current venues due to driving convenience for members.



Comments (cont.)

1) Museum a plus. 2) Rotation based upon RFP for every 2 years; but not going back to Manhattan due to lack of space.

1) Loves new convention center in Junction City. 2) Members like Wichita for our 1,500 person meeting. 3) Our April meeting- 100 people – we would consider Manhattan. 4) Likes Museum but not fitness center idea.

1) MD's love Manhattan and would plan event in conjunction with a K-state game however there are never enough hotel rooms.

1) Doesn't like water park idea.

1) Doesn't like museum idea.

1) Holding meeting at Holidome April 22 but very unhappy due to poor service. Our block was released early and all rooms taken by sports goers.

1) We hold 60 Seminars/yr for 120 people. 2) Our large 1200-person conference uses 3 large hotels plus convention ctr.

1) Likes Discovery Museum. 2) Price of hotel must be reasonable. 3) Loves Marriott in Overland Park.

1) No rotation for largest event. 2) Cont. Ed. meeting has 100 people with minimal rotation might consider adding Manhattan. 3) Annual golf tournament at Colbert Hill would consider a tie-in with a meeting if quality hotels. 4) Recommends attaching conference center with Colbert Hill "winner."

1) Likes Discovery Museum but not fitness center/ water park idea.

1) Museum, fitness center, aquatic center not be an enticement but would be nice. 2) Colbert Hills is a plus.

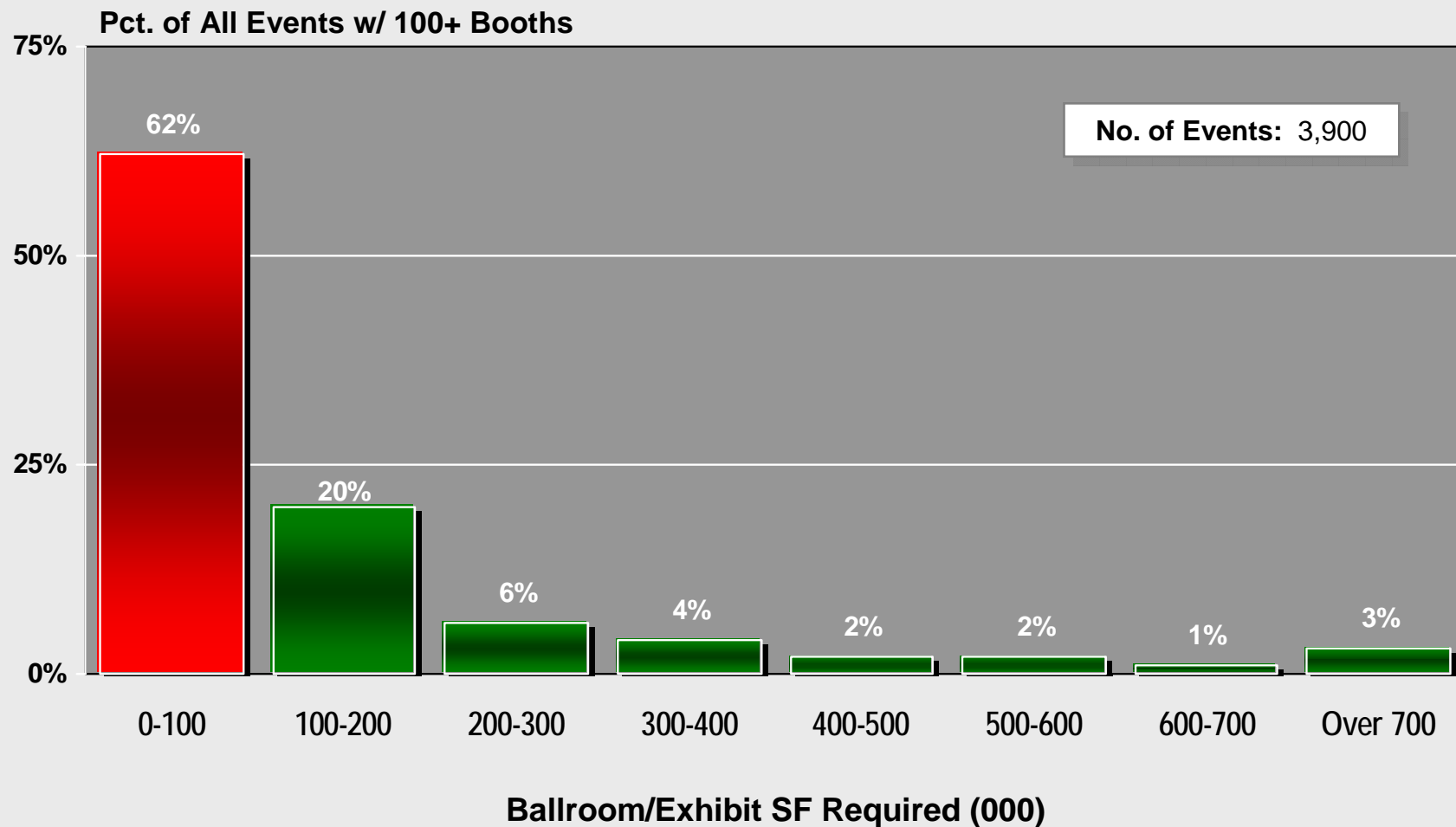
1) Doesn't like museum/fitness/aquatic center idea. 2) Farmers all over state and will always rotate 3) We went to Junction City last year only because did not like choices in Manhattan.

1) Our group offers aquatic class – therefore loves aquatic center idea. 2) Conference Center is free to rent with hotel space in Topeka - key point to gain business. 2) Parks & Rec people in Manhattan very nice - have great events during conferences in past therefore would come back if adequate space.

1) Would choose Manhattan over OP or Wichita if space and price were comparable.



Average Size of Industry Events



Source: Tradeshow Week Custom Research.

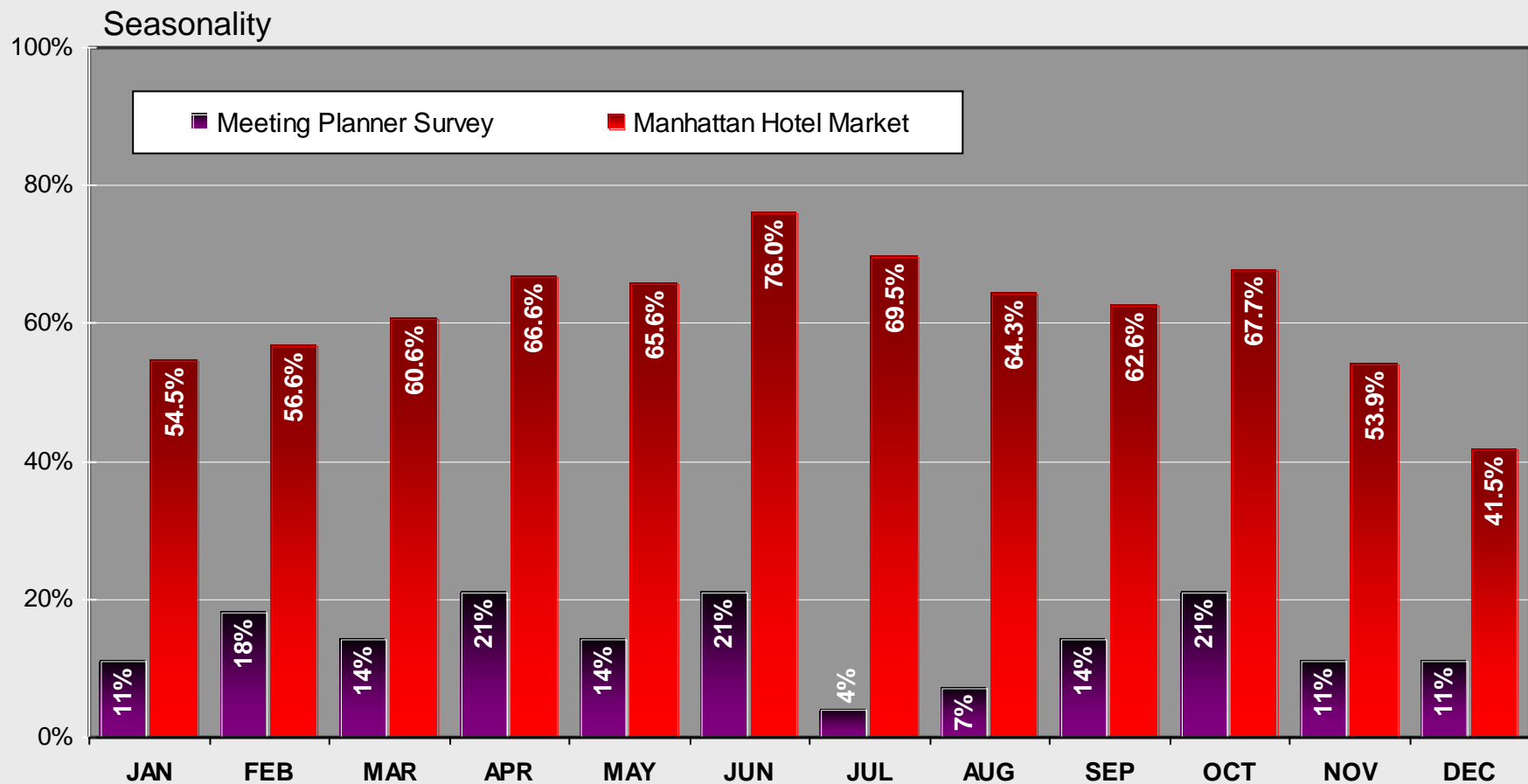


Manhattan's Primary Competition



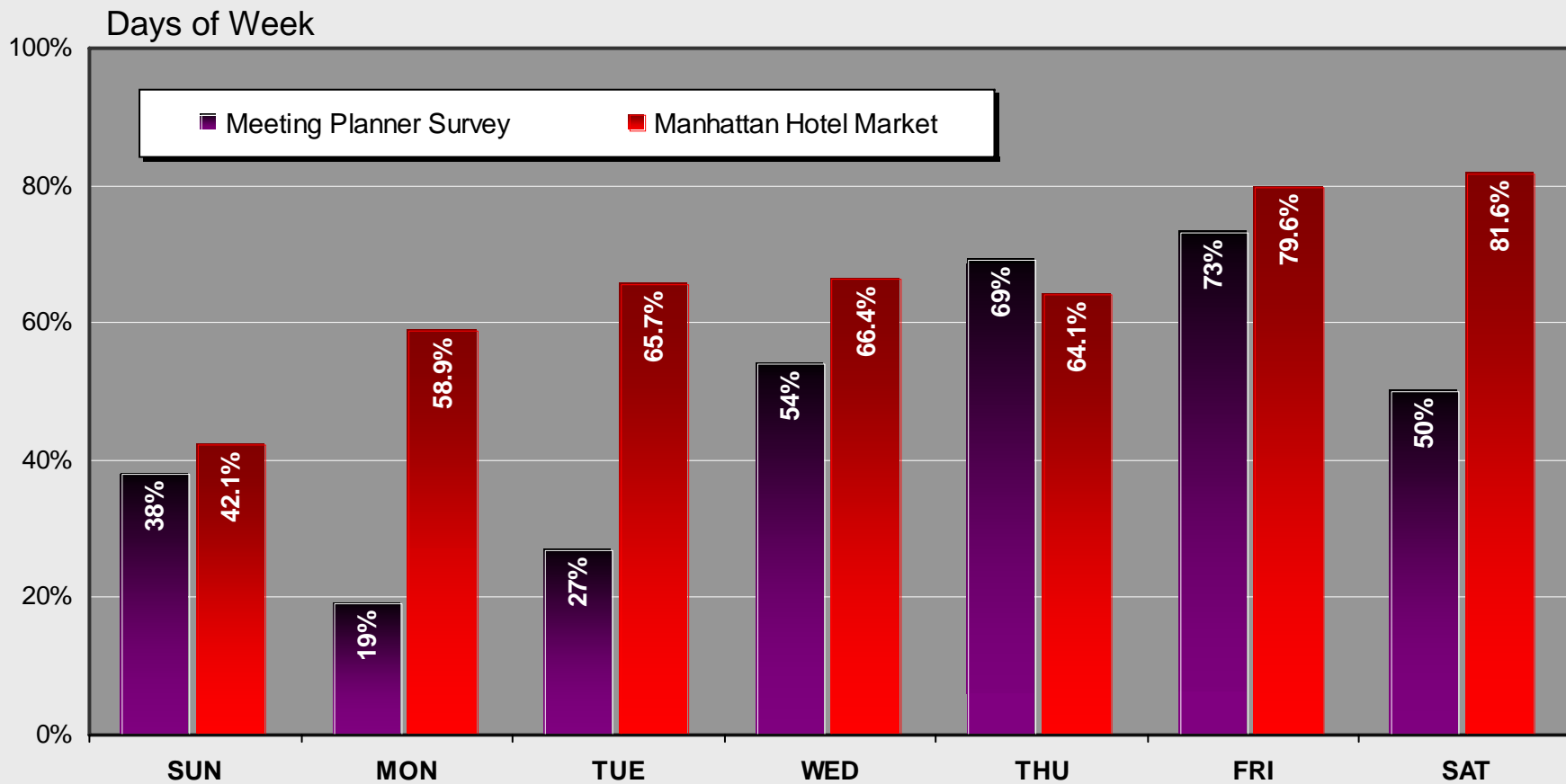


“In what month(s) do you typically meet?”



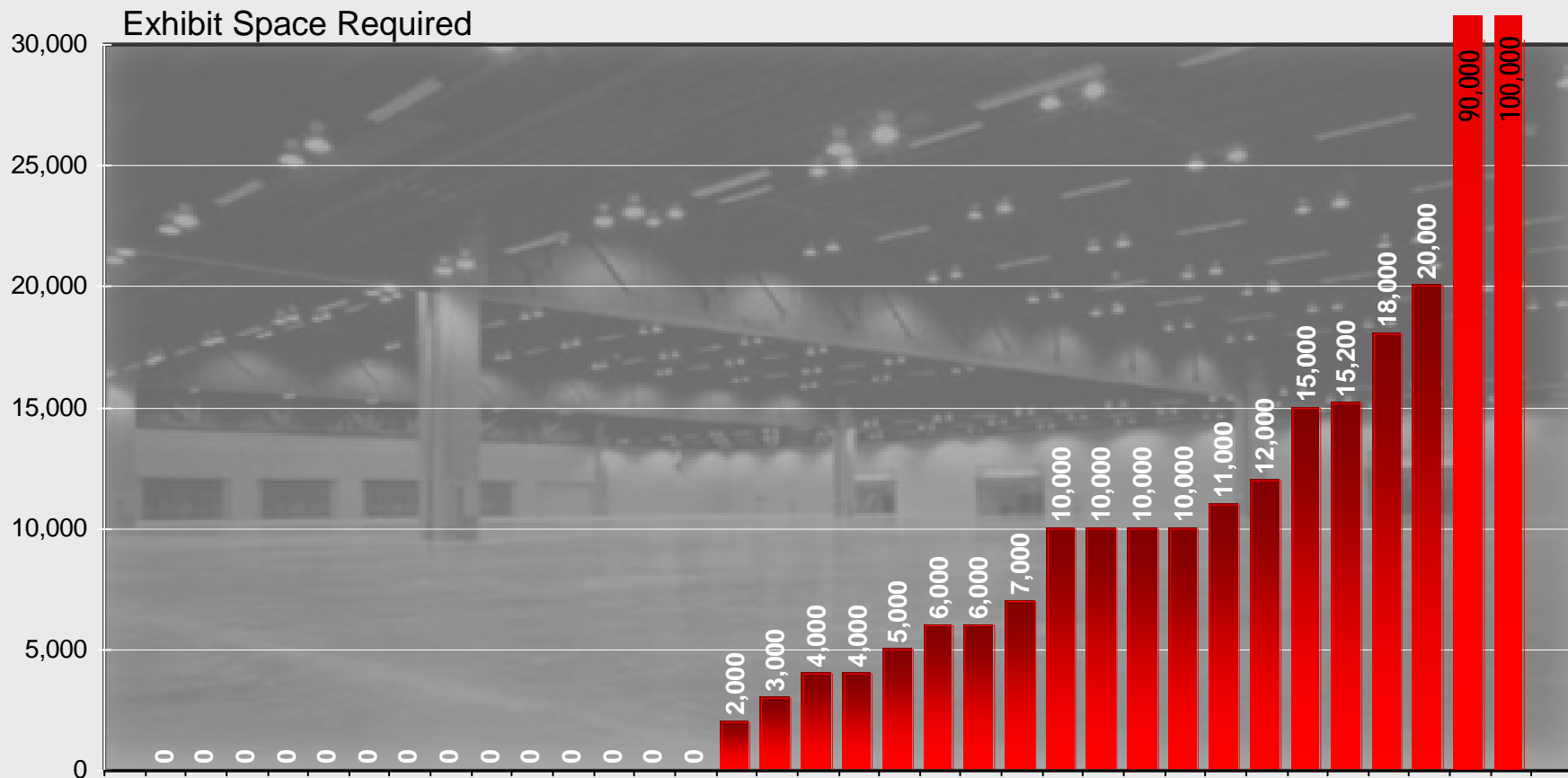


“What day(s) of week does your event typically take place?”



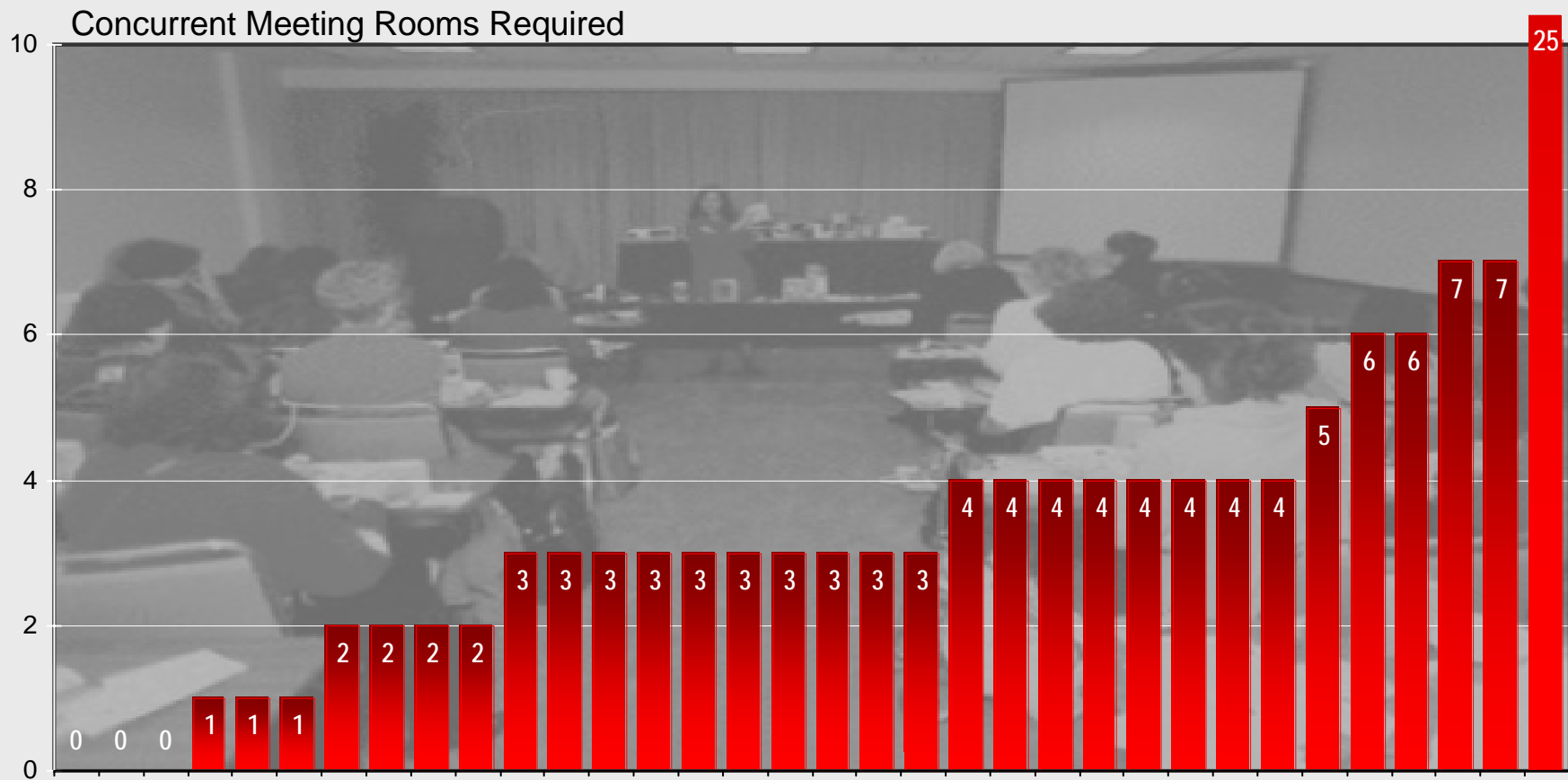


“In addition to ballroom space, do you require dedicated exhibit space?”



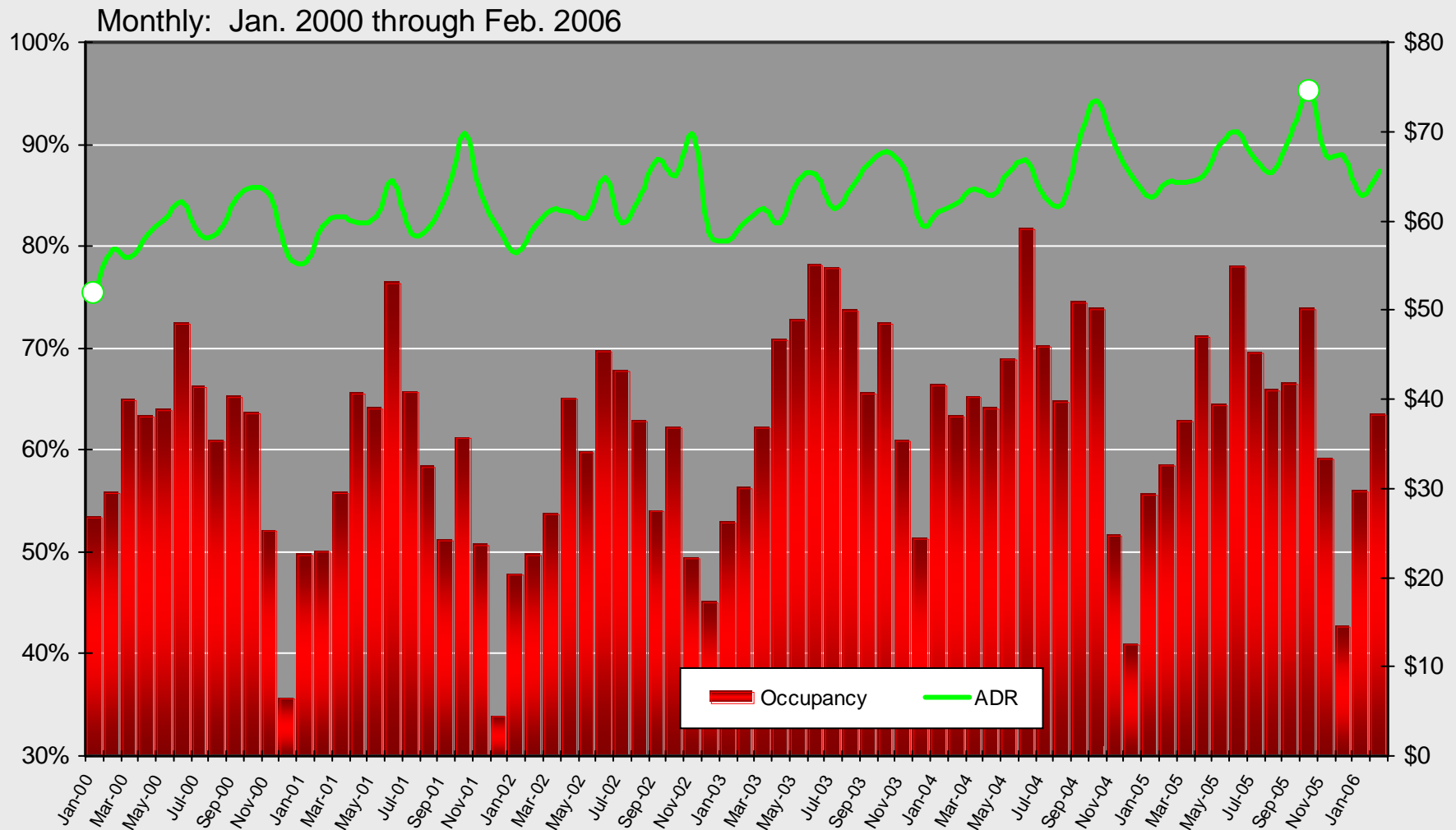


“How many simultaneous break-out rooms do you require?”





Manhattan Hotel Market Performance





Ops Cash Flow – University Site

	2008	2009	2010	2011	2012
Statistics					
Number of Rooms	150	150	150	150	150
Occupancy	60.0%	64.0%	68.0%	70.0%	72.0%
Occupied Room Nights	32,850	35,040	37,230	38,330	39,420
Average Daily Rate (2006 Dollars)	\$110.00	\$110.00	\$110.00	\$110.00	\$110.00
Average Daily Rate (Inflated Dollars)	\$115.59	\$118.44	\$121.41	\$124.45	\$127.55
Revenues					
Rooms	\$3,797	\$4,150	\$4,520	\$4,770	\$5,028
Food & Beverage	2,071	2,264	2,466	2,602	2,743
Telecommunications	138	151	164	173	183
Minor Optg Depts, Rental, Conf., Cancel Fess, Other	414	452	493	520	549
TOTAL REVENUE	6,420	7,017	7,643	8,065	8,503
Departmental Expenses					
Rooms	(1,063)	(1,162)	(1,266)	(1,335)	(1,408)
Food & Beverage	(1,636)	(1,789)	(1,948)	(2,056)	(2,166)
Telecommunications	(103)	(113)	(124)	(130)	(138)
Minor Optg Depts, Rental, Conf., Cancel Fess, Other	(18)	(18)	(20)	(20)	(22)
TOTAL DEPT EXPENSES	(2,820)	(3,082)	(3,358)	(3,541)	(3,734)
Departmental Profit	3,600	3,935	4,285	4,524	4,769
Undistributed Expenses					
Admin & General	(499)	(512)	(524)	(537)	(551)
Marketing	(497)	(485)	(497)	(509)	(522)
Maintenance	(263)	(269)	(276)	(283)	(290)
Utilities	(341)	(350)	(359)	(368)	(377)
TOTAL UNDISTRIBUTED EXPENSES	(1,600)	(1,616)	(1,656)	(1,697)	(1,740)
Gross Operating Profit	2,000	2,319	2,629	2,827	3,029
Fees & Fixed Charges					
Base Management Fee	(192)	(210)	(230)	(242)	(255)
Franchise Fees	(231)	(253)	(275)	(291)	(306)
Property Taxes	(126)	(129)	(132)	(136)	(139)
Insurance	(105)	(108)	(110)	(113)	(116)
Reserve for Replacement	(64)	(140)	(191)	(242)	(298)
TOTAL FEES & FIXED CHARGES	(718)	(840)	(938)	(1,024)	(1,114)
NET OPERATING INCOME	\$1,282	\$1,479	\$1,691	\$1,803	\$1,915



Warranted Private-Sector Investment

Scenario 2: Land + Conference Center + Parking

Proposed Hotel & Conference Center - University Site

Equity Return & Debt Service

In Current Dollars (000s omitted)

Assumptions	
Number of Rooms	150
Cost per Key (\$000)	245
Total Project Cost (000)	36,750
Public Investment (000)	11,250
NET COST (000)	25,500
% Debt	75%
% Equity	25%
Debt	19,125 <i>(excludes Capitalized Interest)</i>
Equity	6,375
Debt Interest Rate	7.0%
Amortization Period (Years)	30 <i>(Interest Only First 2 years)</i>
Residual Cap Rate	8.0%

	Construction											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net Operating Income	\$0	\$0	\$1,282	\$1,479	\$1,691	\$1,803	\$1,915	\$1,963	\$2,012	\$2,062	\$2,114	\$2,167
Debt Service												
Interest	(348)	(1,004)	(1,433)	(1,433)	(1,433)	(1,418)	(1,402)	(1,385)	(1,366)	(1,346)	(1,325)	(1,302)
Principal	0	0	0	0	(217)	(232)	(248)	(266)	(284)	(304)	(325)	(348)
Capitalized Interest	348	1,004	0	0	0	0	0	0	0	0	0	0
Net Debt Service	0	0	(1,433)	(1,433)	(1,650)	(1,650)	(1,650)	(1,651)	(1,650)	(1,650)	(1,650)	(1,650)
Cash Flows After Debt Service	\$0	\$0	(\$151)	\$46	\$41	\$153	\$265	\$312	\$362	\$412	\$464	\$517
Debt Service Coverage Ratio			0.9	1.0	1.0	1.1	1.2	1.2	1.2	1.2	1.3	1.3
Equity Cash Flows												
Equity Contribution	(\$6,375)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flows After Debt Service	0	0	(151)	46	41	153	265	312	362	412	464	517
Repayment of Debt	0	0	0	0	0	0	0	0	0	0	0	(18,253)
Reversion	0	0	0	0	0	0	0	0	0	0	0	27,088
NET EQUITY CASH FLOWS	(\$6,375)	\$0	(\$151)	\$46	\$41	\$153	\$265	\$312	\$362	\$412	\$464	\$9,352

Cash-on-Cash Return	-2%	1%	1%	2%	4%	5%	6%	6%	7%	147%
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Equity IRR:	6%
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Ops Cash Flow – Downtown Site

	2008	2009	2010	2011	2012
Statistics					
Number of Rooms	150	150	150	150	150
Occupancy	58.0%	62.0%	66.0%	68.0%	68.0%
Occupied Room Nights	31,760	33,950	36,140	37,230	37,230
Average Daily Rate (2006 Dollars)	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Average Daily Rate (Inflated Dollars)	\$105.07	\$107.69	\$110.38	\$113.13	\$115.98
Revenues					
Rooms	\$3,337	\$3,656	\$3,989	\$4,212	\$4,318
Food & Beverage	1,668	1,829	1,995	2,107	2,159
Telecommunications	133	146	160	169	173
Minor Optg Depts, Rental, Conf., Cancel Fess, Other	400	438	479	506	518
TOTAL REVENUE	5,538	6,069	6,623	6,994	7,168
Departmental Expenses					
Rooms	(934)	(1,024)	(1,117)	(1,179)	(1,208)
Food & Beverage	(1,319)	(1,444)	(1,576)	(1,664)	(1,706)
Telecommunications	(100)	(110)	(120)	(127)	(130)
Minor Optg Depts, Rental, Conf., Cancel Fess, Other	(18)	(17)	(19)	(20)	(21)
TOTAL DEPT EXPENSES	(2,371)	(2,595)	(2,832)	(2,990)	(3,065)
Departmental Profit	3,167	3,474	3,791	4,004	4,103
Undistributed Expenses					
Admin & General	(499)	(512)	(524)	(537)	(551)
Marketing	(497)	(485)	(497)	(509)	(522)
Maintenance	(263)	(269)	(276)	(283)	(290)
Utilities	(341)	(350)	(359)	(368)	(377)
TOTAL UNDISTRIBUTED EXPENSES	(1,600)	(1,616)	(1,656)	(1,697)	(1,740)
Gross Operating Profit	1,567	1,858	2,135	2,307	2,363
Fees & Fixed Charges					
Base Management Fee	(166)	(182)	(199)	(209)	(215)
Franchise Fees	(200)	(219)	(238)	(252)	(259)
Property Taxes	(126)	(129)	(132)	(136)	(139)
Insurance	(105)	(108)	(110)	(113)	(116)
Reserve for Replacement	(56)	(122)	(166)	(209)	(250)
TOTAL FEES & FIXED CHARGES	(653)	(760)	(845)	(919)	(979)
NET OPERATING INCOME	\$914	\$1,098	\$1,290	\$1,388	\$1,384



Warranted Private-Sector Investment

Scenario 1: Land Only

Proposed Hotel & Conference Center - Downtown Site

Equity Return & Debt Service

In Current Dollars (000s omitted)

Assumptions			
Number of Rooms	150	Debt	28,463 <i>(excludes Capitalized Interest)</i>
Cost per Key (\$000)	253	Equity	9,487
Total Project Cost (000)	37,950	Debt Interest Rate	7.0%
Public Investment (000)	0	Amortization Period (Years)	30 <i>(Interst Only First 2 years)</i>
NET COST (000)	37,950	Residual Cap Rate	8.0%
% Debt	75%		
% Equity	25%		

	Construction		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	2006	2007										
Net Operating Income	\$0	\$0	\$914	\$1,098	\$1,290	\$1,388	\$1,384	\$1,419	\$1,454	\$1,490	\$1,527	\$1,565
Debt Service												
Interest	(518)	(1,494)	(2,133)	(2,133)	(2,133)	(2,111)	(2,087)	(2,061)	(2,033)	(2,003)	(1,972)	(1,938)
Principal	0	0	0	0	(323)	(345)	(369)	(395)	(423)	(452)	(484)	(518)
Capitalized Interest	518	1,494	0	0	0	0	0	0	0	0	0	0
Net Debt Service	0	0	(2,133)	(2,133)	(2,456)	(2,456)	(2,456)	(2,456)	(2,456)	(2,455)	(2,456)	(2,456)
Cash Flows After Debt Service	\$0	\$0	(\$1,219)	(\$1,035)	(\$1,166)	(\$1,068)	(\$1,072)	(\$1,037)	(\$1,002)	(\$965)	(\$929)	(\$891)
Debt Service Coverage Ratio			0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Equity Cash Flows												
Equity Contribution	(\$9,487)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flows After Debt Service	0	0	(1,219)	(1,035)	(1,166)	(1,068)	(1,072)	(1,037)	(1,002)	(965)	(929)	(891)
Repayment of Debt	0	0	0	0	0	0	0	0	0	0	0	(27,165)
Reversion	0	0	0	0	0	0	0	0	0	0	0	19,563
NET EQUITY CASH FLOWS	(\$9,487)	\$0	(\$1,219)	(\$1,035)	(\$1,166)	(\$1,068)	(\$1,072)	(\$1,037)	(\$1,002)	(\$965)	(\$929)	(\$8,493)

Cash-on-Cash Return -13% -11% -12% -11% -11% -11% -11% -11% -10% -10% -90%

Equity IRR: #NUM!



Warranted Private-Sector Investment

Scenario 2: Land + Conference Center + Parking

Proposed Hotel & Conference Center - Downtown Site

Equity Return & Debt Service

In Current Dollars (000s omitted)

		Assumptions	
Number of Rooms	150	Debt	19,125 <i>(excludes Capitalized Interest)</i>
Cost per Key (\$000)	253	Equity	6,375
Total Project Cost (000)	37,950	Debt Interest Rate	7.0%
Public Investment (000)	<u>12,450</u>	Amortization Period (Years)	30 <i>(Interest Only First 2 years)</i>
NET COST (000)	<u>25,500</u>	Residual Cap Rate	8.0%
% Debt	75%		
% Equity	25%		

	Construction		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	2006	2007										
Net Operating Income	\$0	\$0	\$914	\$1,098	\$1,290	\$1,388	\$1,384	\$1,419	\$1,454	\$1,490	\$1,527	\$1,565
Debt Service												
Interest	(348)	(1,004)	(1,433)	(1,433)	(1,433)	(1,418)	(1,402)	(1,385)	(1,366)	(1,346)	(1,325)	(1,302)
Principal	0	0	0	0	(217)	(232)	(248)	(266)	(284)	(304)	(325)	(348)
Capitalized Interest	348	1,004	0	0	0	0	0	0	0	0	0	0
Net Debt Service	0	0	(1,433)	(1,433)	(1,650)	(1,650)	(1,650)	(1,651)	(1,650)	(1,650)	(1,650)	(1,650)
Cash Flows After Debt Service	\$0	\$0	(\$519)	(\$335)	(\$360)	(\$262)	(\$266)	(\$232)	(\$196)	(\$160)	(\$123)	(\$85)
Debt Service Coverage Ratio			0.6	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9
Equity Cash Flows												
Equity Contribution	(\$6,375)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flows After Debt Service	0	0	(519)	(335)	(360)	(262)	(266)	(232)	(196)	(160)	(123)	(85)
Repayment of Debt	0	0	0	0	0	0	0	0	0	0	0	(18,253)
Reversion	0	0	0	0	0	0	0	0	0	0	0	19,563
NET EQUITY CASH FLOWS	(\$6,375)	\$0	(\$519)	(\$335)	(\$360)	(\$262)	(\$266)	(\$232)	(\$196)	(\$160)	(\$123)	\$1,225

Cash-on-Cash Return	-8%	-5%	-6%	-4%	-4%	-4%	-3%	-3%	-2%	19%
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Equity IRR: #NUM!



Warranted Private-Sector Investment

Scenario 3: Land + Conference Center + Parking + \$3M

Proposed Hotel & Conference Center - Downtown Site

Equity Return & Debt Service

In Current Dollars (000s omitted)

		Assumptions	
Number of Rooms	150	Debt	16,875 <i>(excludes Capitalized Interest)</i>
Cost per Key (\$000)	253	Equity	5,625
Total Project Cost (000)	37,950	Debt Interest Rate	7.0%
Public Investment (000)	15,450	Amortization Period (Years)	30 <i>(Interest Only First 2 years)</i>
NET COST (000)	22,500	Residual Cap Rate	8.0%
% Debt	75%		
% Equity	25%		

	Construction		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	2006	2007										
Net Operating Income	\$0	\$0	\$914	\$1,098	\$1,290	\$1,388	\$1,384	\$1,419	\$1,454	\$1,490	\$1,527	\$1,565
Debt Service												
Interest	(307)	(886)	(1,265)	(1,265)	(1,265)	(1,251)	(1,237)	(1,222)	(1,205)	(1,188)	(1,169)	(1,149)
Principal	0	0	0	0	(191)	(205)	(219)	(234)	(251)	(268)	(287)	(307)
Capitalized Interest	307	886	0	0	0	0	0	0	0	0	0	0
Net Debt Service	0	0	(1,265)	(1,265)	(1,456)	(1,456)	(1,456)	(1,456)	(1,456)	(1,456)	(1,456)	(1,456)
Cash Flows After Debt Service	\$0	\$0	(\$351)	(\$167)	(\$166)	(\$68)	(\$72)	(\$37)	(\$2)	\$34	\$71	\$109
Debt Service Coverage Ratio			0.7	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.1
Equity Cash Flows												
Equity Contribution	(\$5,625)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flows After Debt Service	0	0	(351)	(167)	(166)	(68)	(72)	(37)	(2)	34	71	109
Repayment of Debt	0	0	0	0	0	0	0	0	0	0	0	(16,106)
Reversion	0	0	0	0	0	0	0	0	0	0	0	19,563
NET EQUITY CASH FLOWS	(\$5,625)	\$0	(\$351)	(\$167)	(\$166)	(\$68)	(\$72)	(\$37)	(\$2)	\$34	\$71	\$3,566

Cash-on-Cash Return -6% -3% -3% -1% -1% -1% 0% 1% 1% 63%

Equity IRR: -5%



Introduction Summary

- *With one exception, all interviewees identified strong need for more/higher quality meeting space*
- *CVB Lost Business Reports suggest that ~ \$7.5M worth of economic activity has left due to space and/or quality*
- *KSU and Alumni Center report a continued need for more space*
- *Most industry events are relatively small, and therefore large convention centers are not necessarily required to attract meaningful market share*
- *National meeting planner survey shows hotel proximity and supply are highly important factors in destination selection*
- *MANHATTAN GOAL: City Officials report a desire to fund the initial costs of a warranted facility, but not any continued annual financial support if required*



Manhattan Hotel Market

Assumes Impact of Big Red One Only

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Historical Statistics													
Hotel Properties	7	8	8	8	8	8	8	8	9	9	10	10	10
Available Rooms	293,740	305,505	305,050	305,050	294,505	290,905	290,905	290,905	321,930	321,930	321,930	352,955	352,955
New Hotel Supply	0	65	0	0	(40)	0	0	0	85	0	0	85	0
Demand	175,105	173,696	174,837	202,340	192,478	185,985	188,775	191,607	194,481	197,398	200,359	203,364	206,414
Unadjusted Growth Rate		(0.8)%	0.7%	15.7%	(4.9)%	(3.4)%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Unadjusted Demand	175,105	173,696	174,837	202,340	192,478	185,985	188,775	191,607	194,481	197,398	200,359	203,364	206,414
Add'l Demand: Big Red One	n/a	n/a	n/a	n/a	n/a	n/a	7,875	23,625	31,500	31,500	31,500	31,500	31,500
Add'l Demand: Conventions	n/a	n/a	n/a	n/a	n/a	n/a	0	0	0	0	0	0	0
Add'l Demand: In-House Induced	n/a	n/a	n/a	n/a	n/a	n/a	0	0	0	0	0	0	0
Total Demand	175,105	173,696	174,837	202,340	192,478	185,985	196,650	215,232	225,981	228,898	231,859	234,864	237,914
Growth Rate		(0.8)%	0.7%	15.7%	(4.9)%	(3.4)%	5.7%	9.4%	5.0%	1.3%	1.3%	1.3%	1.3%
Overall Market Occupancy	59.6%	56.9%	57.3%	66.3%	65.4%	63.9%	67.6%	74.0%	70.2%	71.1%	72.0%	66.5%	67.4%
ADR	\$59.22	\$61.23	\$62.18	\$62.98	\$65.29	\$67.41	\$68.76	\$70.14	\$71.54	\$72.97	\$74.43	\$75.92	\$77.44
Growth Rate		3.4%	1.6%	1.3%	3.7%	3.2%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Total Market-wide Revenue (\$'000)	\$10,370	\$10,635	\$10,871	\$12,743	\$12,567	\$12,537	\$12,980	\$13,439	\$13,913	\$14,404	\$14,913	\$15,439	\$15,985
City Lodging Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
City Tax Collections	\$519	\$532	\$544	\$637	\$628	\$627	\$649	\$672	\$696	\$720	\$746	\$772	\$799



Manhattan Hotel Market

*Assumes Impact of Big Red One, plus
Conference Center Hotel Near/On K-State*

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Historical Statistics													
Hotel Properties	7	8	8	8	8	8	8	8	9	9	10	10	10
Available Rooms	293,740	305,505	305,050	305,050	294,505	290,905	290,905	290,905	345,655	345,655	376,680	376,680	376,680
New Hotel Supply	0	85	0	0	(40)	0	0	0	150	0	85	0	0
Demand	175,105	173,696	174,837	202,340	192,478	185,985	188,775	191,607	194,481	197,398	200,359	203,364	206,414
Unadjusted Growth Rate		(0.8)%	0.7%	15.7%	(4.9)%	(3.4)%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Unadjusted Demand	175,105	173,696	174,837	202,340	192,478	185,985	188,775	191,607	194,481	197,398	200,359	203,364	206,414
Addtl Demand: Big Red One	n/a	n/a	n/a	n/a	n/a	n/a	7,875	23,625	31,500	31,500	31,500	31,500	31,500
Addtl Demand: Conventions	n/a	n/a	n/a	n/a	n/a	n/a	0	0	4,000	8,000	12,000	12,000	12,000
Addtl Demand: In-House Induced	n/a	n/a	n/a	n/a	n/a	n/a	0	0	3,000	4,800	4,800	4,800	4,800
Total Demand	175,105	173,696	174,837	202,340	192,478	185,985	196,650	215,232	232,981	241,698	248,659	251,664	254,714
Growth Rate		(0.8)%	0.7%	15.7%	(4.9)%	(3.4)%	5.7%	9.4%	8.2%	3.7%	2.9%	1.2%	1.2%
Overall Market Occupancy	59.6%	56.9%	57.3%	66.3%	65.4%	63.9%	67.6%	74.0%	67.4%	69.9%	66.0%	66.8%	67.6%
ADR	\$59.22	\$61.23	\$62.18	\$62.98	\$65.29	\$67.41	\$68.76	\$70.14	\$78.51	\$80.08	\$81.68	\$83.31	\$84.98
Growth Rate		3.4%	1.6%	1.3%	3.7%	3.2%	2.0%	2.0%	11.9%	2.0%	2.0%	2.0%	2.0%
Total Market-wide Revenue (\$'000)	\$10,370	\$10,635	\$10,871	\$12,743	\$12,567	\$12,537	\$12,980	\$13,439	\$15,269	\$15,808	\$16,365	\$16,942	\$17,541
City Lodging Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
City Tax Collections	\$519	\$532	\$544	\$637	\$628	\$627	\$649	\$672	\$763	\$790	\$818	\$847	\$877



Major Study Impetus: Lost Business

	<u>Date</u>	<u>Days</u>	<u>People</u>		<u>Date</u>	<u>Days</u>	<u>People</u>
KS State HS Boys Swimming	Feb-06	2	1,000	KFB Young Farmers & Ranchers	Jan-05	3	200
KS State HS Boys Swimming	Feb-07	2	1,000	Schools of Banking	Apr-06	5	100
Eastern Star	Apr-05	4	500	KS County Treasurer's Assn	Apr-07	3	150
KS Water Environment Assn	Apr-01	2	800	KS County Treasurer's Assn	Apr-08	3	150
KS Parks & Rec Assn	Jan-06	3	450	KS Assn of Ret School Pers.	Jun-05	2	200
KS Parks & Rec Assn	Jan-07	3	450	KS Assn of Ret School Pers.	Jun-06	2	200
KS Parks & Rec Assn	n/a	3	450	KS Assn of Ret School Pers.	Jun-07	2	200
Kansas PTA: June Symp.	Jun-06	4	300	KSU Master Farmer	Mar-06	2	200
KS County Weed Dir's Assn	Mar-06	3	300	KSU Master Farmer	Mar-07	2	200
Kansas PTA	Mar-06	4	200	Petroleum Marketers	Sep-05	3	125
KS State HS Girls Swimming	May-05	2	1,000	KS Meat Processors Assn	Apr-05	3	100
KS State HS Girls Swimming	May-06	2	1,000	KS Meat Processors Assn	Apr-06	3	100
KS Athletic Admin Assn	Mar-07	3	250	Kansas Land Fill Assn	Oct-05	2	70
KFB Young Farmers-Ranchers	Jan-06	3	215	Kansas Flying Farmers	Mar-03	2	65
Veterans of Foreign Wars	Jun-05	3	200	Kansas Flying Farmers	Mar-07	2	65
Veterans of Foreign Wars	Jun-06	3	200	Kansas PTA: Driv. Train. Course	Jul-07	4	30
				TOTAL		89	9,270



One Possible Development Solution

