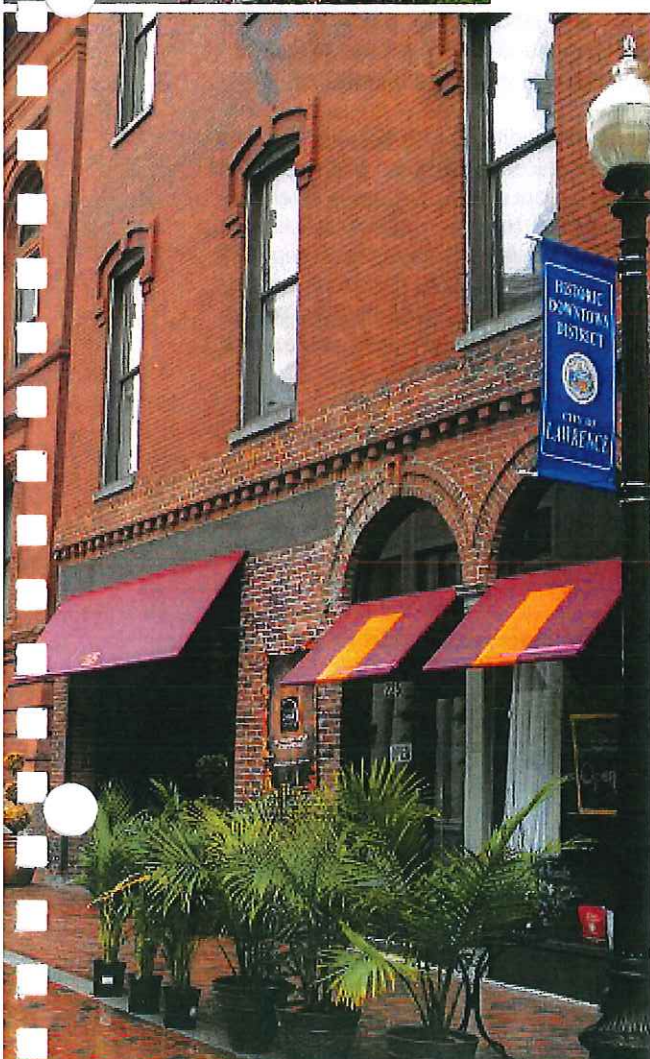
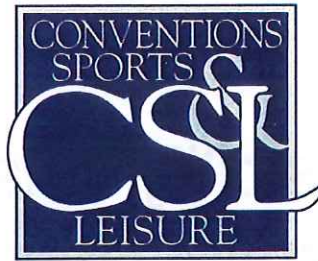


Feasibility Analysis of a Potential New Conference Center in Lawrence, Kansas

May 3, 2017





May 3, 2017

Mr. Dan Simons
The World Company
645 New Hampshire
P.O. Box 888
Lawrence, Kansas 66044

Dear Mr. Simons:

Conventions, Sports & Leisure International (CSL) has completed a report related to a feasibility analysis of a potential new conference center in Lawrence, Kansas. The attached report presents our research, analysis and findings and is intended to assist The World Company and other project stakeholders in evaluating the viability of facility development. The World Company, the City of Lawrence, and the University of Kansas all contributed funding for this overall study effort.

This report document presents findings associated with the overall feasibility study, which included analysis of market demand, supportable program, site/location, development options, event and use levels, preliminary construction costs, financial operations, economic impacts, funding, and ownership/management options associated with a potential new conference center in Lawrence.

The analysis presented in this report is based on estimates, assumptions and other information developed from industry research, data provided by study stakeholders, surveys of potential facility users, discussions with industry participants and analysis of competitive/comparable facilities and communities. The sources of information, the methods employed, and the basis of significant estimates and assumptions are stated in this report. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur. Therefore, actual results achieved will vary from those described and the variations may be material.

The findings presented herein are based on analysis of present and near-term conditions in the Lawrence area as well as existing interest levels by the potential base of users for a new conference center. Any significant future changes in the characteristics of the local community, such as change in population, corporate inventory, competitive inventory and visitor amenities/attractions, could materially impact the key market conclusions developed as a part of this study. As in all studies of this type, the estimated results are based on competent and efficient management of the potential facilities and assume that no significant changes in the event markets or assumed immediate and local area market conditions will occur beyond those set forth in this report. Furthermore, all information provided to us by others was not audited or verified and was assumed to be correct. All primary market research completed for the Phase One study was completed in late 2014.

This report has been prepared for the internal use of The World Company, the City of Lawrence, and the University of Kansas, and should not be relied upon by any other party. The report has been structured to provide study stakeholders with a foundation of research to provide decision makers with the information necessary to evaluate issues related to a potential new conference center project and should not be used for any other purpose. This report, its findings or references to CSL may not be included or reproduced in any public offering statement or other financing document.

We sincerely appreciate the assistance and cooperation we have been provided in the compilation of this report and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSL International

TABLE OF CONTENTS

Executive Summary	
1.0 Introduction.....	1
2.0 Analysis of Local Market Conditions	4
3.0 Industry Characteristics & Trends	13
4.0 Competitive and Comparable Facilities Analysis	27
5.0 Market Demand Analysis	41
6.0 Analysis of Program, Development Options & Location	53
7.0 Analysis of Utilization and Cost/Benefit	61
8.0 Review of Funding Alternatives	75
Appendix A: Comparable Facility Case Studies	
Appendix B: Comparable Facility Hotel Support	
Appendix C: Comparable Market Demographic Data	
Appendix D: Additional Market Survey Responses	
Appendix E: Public/Private Partnership Case Studies	

EXECUTIVE SUMMARY

Conventions, Sports & Leisure International (CSL) was retained by The World Company, the City of Lawrence and the University of Kansas to conduct a feasibility analysis of a potential new conference center in Lawrence, Kansas. This executive summary outlines the key findings associated with the study. The full written report should be reviewed in its entirety to gain an understanding of the study's methods, limitations and implications.

Introduction

Preceding the commission of this study was the belief by the stakeholders and other community leadership that Lawrence presently lacks a large, quality conference space suitable for accommodating many types of conventions, conferences, tradeshow, meetings and other such events.

A new conference center, as envisioned, would act as an economic generator and a public resource for the local community, hosting conventions, tradeshow, public/consumer shows, conferences, meetings, sports tournaments/competitions, civic events, and other events of both a non-local and local nature. An important goal of the facility would be to attract non-local events to the area that presently cannot be accommodated by existing local facilities, providing new visitation and related economic impact in the local area. Much of the quantifiable economic impacts and non-quantifiable benefits the conference center provides in any local community and to its residents would not be possible if it were not for the initial (and, oftentimes, ongoing) investment by a public sector partner.

Initially, Phase One of this overall study effort was commissioned by the City of Lawrence (with participation by the University of Kansas) and a presentation was delivered in January 2015 outlining the findings associated with this phase, which included analysis of market demand, supportable program, and site/location issues. Subsequently, partially resulting from internal restructuring of City administration/leadership and reprioritization of discretionary funding, the City opted to delay pursuit of Phase Two. With the consent of the City and University, The World Company took on stewardship of the project, allowing for the completion of Phase Two of the originally contemplated two-phased study. Phase Two involved analysis of development options, event and use levels, costs/benefits, funding options, and ownership/management issues.

Throughout the country, cities of all sizes have expanded or developed new public sector-owned convention/conference centers within the past decade or two. Further, many of these communities have also invested substantial public sector dollars into enhancing the convention/conference industry's supporting amenity infrastructure, including incentivizing appropriate headquarter hotel products and entertainment/mixed use districts and infrastructure nearby the convention/conference center. Ideally leveraging private sector dollars when possible, all this investment is geared towards enhancing the attractiveness of the destination and its infrastructure in order to better compete for economic impact-generating events and visitation.

This study process consisted of detailed research and analysis, including a comprehensive set of market-specific information derived from the following:

- ✓ Experience garnered through more than 500 convention/conference facility projects throughout the country.
- ✓ Local market visit at the outset of the project, including community and potential site tours.

- ✓ In-person interviews and meetings with Lawrence area individuals, including City and KU leadership and staff, the Lawrence Convention and Visitors Bureau, the Chamber of Lawrence, the World Company, potential local facility users, management of existing primary local hotel and conference facility venues, and other local visitor industry stakeholders.
- ✓ Research and analysis of local market conditions.
- ✓ Analysis of facility data obtained from nearly 35 competitive and comparable conference center facilities and host community destination marketing organizations (DMOs).
- ✓ Comparative analysis of socioeconomic data from competitive/regional and comparable facility markets.
- ✓ Completed a detailed telephone survey consisting of telephone interviews of representatives of state and regional organizations, collecting data pertaining to more than 100 recurring, rotating conventions, conferences, exhibitions, meetings and other large events that represent Lawrence's primary potential non-local event market.
- ✓ Completed detailed telephone interviews with members of Meeting Planners International, consisting of independent and corporate meeting planners from around the state of Kansas and representing nearly 250 rotating events.

Local Market Conditions

The demographic and socioeconomic characteristics of a local market are important components in assessing the market potential for new conference center space in a community. The strength of a market in terms of its ability to attract events and attendees, and generate revenues, is predicated, somewhat, on the size of the regional market area population and its demographic makeup as well as the level of competition within the regional area. Further, a community's hospitality infrastructure in terms of hotels, restaurants, entertainment and other such factors contribute heavily to the ability to attract non-local events.

From a competitive standpoint as a "destination", Lawrence's most prominent strengths include (1) the presence of and direct and indirect benefits associated with the University of Kansas; (2) its proximity to Kansas City and Topeka; (3) one or more potential private partner candidates; (4) interstate accessibility; (5) significant amount of retail, restaurants, bars, and entertainment along Massachusetts Street in the city's Central Business District; (6) strengthening economic and demographic trends; and (7) limitations in existing local, quality conference center/hotel offerings with sizeable contiguous conference space.

The accessibility of Lawrence to the greater Kansas City market may offer some important advantages for a potential conference center product and visitor industry, particularly as it relates to drawing from a nearby large population base (mostly Missouri-based) and attracting new economic activity for the state of Kansas (an important consideration for potential STAR bond financing).

Events that rotate within a given region (e.g., conventions, conferences, and meetings hosted by associations, government, corporate/trade groups, and non-professional organizations, such as SMERF [social, military, educational, religious, fraternal] groups) normally view destinations with these types of attributes favorably when considering sites.

In terms of weaknesses, as with many destinations its size, Lawrence has certain limitations in terms of its breadth and density of traditionally desirable visitor amenities, such as the destination's overall amount of restaurants, bars, nightlife, entertainment, attractions, hotels, retail, and other such items that are normally found more commonly throughout and near a convention/conference host city. As will be discussed in a

subsequent chapter, these are some of the issues that some meeting/event planners cite as reasons for lower appeal of the Lawrence destination for their particular events relative to other larger destinations. Conversely, Lawrence's destination is unique and differentiated from the Kansas City destination. A significant portion of convention planners, particularly those smaller and mid-sized groups, prefer to have alternate destination choices within general regional areas and are often interested in getting their events out of larger cities to affordable, smaller—yet still conveniently accessible—destinations.

Local events and attendees residing in a given "local" (i.e., nearby) market normally comprise the largest user segment of event facilities of any type (via corporate events such as meetings, training, banquets, and conferences, as well as private events such as wedding receptions, luncheons and service club meetings for event facilities). The demographic characteristics of the local market (combined with the level of nearby facility competition) will have important influences on the quantity and type of events estimated for a new conference center product in Lawrence.

Industry Characteristics and Trends

The market success of a conference center can be partially attributed to the characteristics of the industry as a whole. Broad industry changes, characterized by—sometimes significant—retraction and expansion in convention/tradeshow event demand and attendance/participation characteristics have taken place within the industry over the past decade. In 2009, the U.S. economy fell into a significant recession. Metrics for 2008 illustrated deteriorating economic conditions that led to a decline in macro industry-wide demand. However, the convention and tradeshow industry has exhibited slow, but consistent recovery, along with the U.S. economy, in recent years. Metric indicators project continued moderate growth into the foreseeable future.

With respect to the convention and tradeshow industry, however, the practical manifestations for smaller and mid-sized communities during economic downturns are normally more limited, as they tend to be more economical and drive-in regional destinations. These types of second/third-tier destinations often have lower costs of living (including lower priced hotels, restaurant meals, taxes, etc.) that become more appealing during hard economic times.

Additionally, it is critical to recognize that every community and destination is unique, and application of blanket industry-wide, macro assessments of convention/meeting supply and demand phenomena do not consider the uniqueness of individual markets. Like nearly everything in a free market society, individual convention centers operate in a "survival of the fittest" environment. Destination appeal is normally the common denominator with successful projects. Convention/conference centers located in the strongest destinations tend to be the most successful, while facilities located in destinations with weak appeal and/or deficient visitor amenities more often struggle or underperform industry averages.

Recognizing that the convention/conference center facility itself is only one piece of a larger puzzle that non-local event planners tend to consider when selecting sites, more and more communities have been focusing on ways to strengthen the appeal of the proximate area surrounding the "box". This often involves comprehensively master planning a mixed-use or entertainment district containing the convention center, whereby an attractive pedestrian-friendly environment is created to welcome convention center attendees, through offerings of restaurants, retail, nightlife, entertainment and attractions. "Connectivity" issues are often addressed that physically and perceptually bring together the district to other nearby attractions and districts. Healthy, vibrant and exciting environs surrounding the convention center are normally viewed very attractively by event planners and can provide important advantages in marketing a destination and its convention/conference center.

Competitive and Comparable Facilities

An analysis was conducted of the various physical characteristics and resources of a set of both competitive and comparable facilities and communities. Throughout the country, public sector investment in convention/conference product development is increasingly targeting both convention/conference facility (bricks/mortar and policies/procedures) and its supporting visitor amenities (hotel, restaurants, entertainment, attractions, etc.)—all geared towards enhancing destination/product attractiveness compared to other competitive destinations. Public and private sector investment in communities of all sizes throughout the country have included expanded or new convention/conference centers, as well as substantial investment in enhancing the convention/conference product's supporting amenity infrastructure, including incentivizing appropriate headquarter hotel products and entertainment/mixed use districts and infrastructure nearby the convention/conference center.

As compared to other states in the country, the amount of competitive convention/conference facility product in Kansas is estimated to be relatively low. Specifically, most of the square footage of convention/conference space in the state is concentrated in the Kansas City Metro Area (which mostly resides in Missouri). There are limitations throughout the remainder of the state with respect to sizeable, modern, state-of-the-industry convention/conference center facility product. These are important issues when considering the market potential for new conference center product in Lawrence and its ability to compete for in-state and regional convention, tradeshow, conference and meeting business.

Overall, the city of Lawrence ranks near the median for many regional demographic characteristics (among the demographic metrics evaluated) relative to those of the host markets of both the competitive/regional and comparable facilities evaluated. Likewise, in comparing the one-hour, two-hour and four-hour drive radiuses of comparative markets, Lawrence similarly ranks near the median across a variety of demographics.

Due to their proximity to the Lawrence market, quality and amount of event space offered, and the type of event business each facility pursues, The Manhattan Conference Center at the Hilton Garden Inn, the Overland Park Convention Center, and large Kansas City area hotels represent the primary competition to a potential new conference in Lawrence. This being said, Lawrence's destination is unique and differentiated from other Kansas and Missouri destinations. Further, extensive conversations with in-state meeting planners (relative to those with planners in other states, as will be discussed in the subsequent chapter of this report) suggest that Kansas events often have more flexibility in their consideration of host destinations and would look forward to a quality option in Lawrence. These are important issues when considering the market potential for a new conference center project in Lawrence and its ability to compete for in-state and regional convention, tradeshow, conference and meeting business.

Market Demand

Given Lawrence's local market characteristics and the event profiles of other comparable convention/conference facilities in similar markets, it is believed that the primary non-local event markets for a new conference center in Lawrence would be events hosted by state and regional associations/organizations and corporate groups. While local events tend to be the largest users of facilities (in terms of the count of events hosted, i.e., hundreds of small meetings, banquets, receptions, etc.), they generate little new economic impact for host communities (as opposed to the hotel room nights and new spending generated by non-local event attendees and exhibitors). As such, estimation of the market demand associated with non-local state, regional, and corporate groups is normally of particular interest for communities like Lawrence who are evaluating new conference center development.

In order to test the potential event market for new conference center development in Lawrence, a detailed telephone survey was conducted with planners of state and regional conventions, conferences, tradeshows, meetings, and other events. The survey resulted in completed interviews with event planners representing nearly 350 potential rotating events, including more than 100 state and regional events and 250 independent and corporate events. Surveyed groups included professional associations, SMERF (social, military, education, religious, fraternal) groups, government groups, academic organizations, youth and amateur sports organizations, nonprofits, various corporations, independent event planners and other producers of rotating events.

Surveys of non-local groups with recurring events suggest moderately-high demand for a potential new conference center in Lawrence. Measured survey interest in Lawrence was higher than average and median interest levels associated with more than 60 telephone surveys conducted by CSL for other comparable facility studies. This measured Lawrence demand exceeds what can be accommodated by existing conference facilities in Lawrence, suggesting unmet market demand exists to support new conference center development. This result in new midweek, shoulder season and off-peak season visitation and generate more hotel room nights.

Importantly, it is believed that KU could be involved in several levels, particularly in terms sponsorship/recruitment, satellite presence, having expanded/improved local venue to host KU-affiliated or academic events. Moreover, KU facilities have limitations and some incremental internal KU unmet demand exists; however, a greater opportunity is believed to exist for an off-campus project. The concentrated visitor amenity infrastructure on Massachusetts Street is the destination's strongest source of appeal to non-local groups, and the placement of a new conference facility there also ties in with greater downtown master planning principles and long-term revitalization efforts.

Appropriate attached headquarters hotel and proximate ancillary hotel support will be critical for any new conference center project, along with sufficient adjacent/proximate parking. A site that is proximate to support hotel infrastructure that leverages private sector investment could create substantial synergy and cost efficiency.

Program and Development Options

Based on the previous analyses undertaken, key aspects of a market supportable facility program for a potential Lawrence conference center are presented below.

- Multipurpose Room:
 - 20,000 to 25,000 square feet subdividable, column-free, carpeted, upscale space
 - 30-foot or higher ceiling height
 - Utility floor grids, independent loading/public access, climate control
- Breakout Meeting Rooms:
 - 10,000 to 12,500 square feet of breakout meeting space
 - Subdividable, upscale
- Sufficient pre-function, support and storage space
- Sufficient parking adjacent/proximate to support hotel and conference center (parking spaces = one per hotel room, plus approximately 500 spaces for the conference center)
- 150-room or larger full-service hotel attached, adjacent or closely proximate
- 300 or more hotel rooms in immediate area

In most cases throughout the country, the market supportable facility program associated with a convention/conference center product that is optimally sized to address overall non-local demand needs for a given market area significantly exceeds the size and scope of a facility project that a motivated private sector partner (e.g., hotel) would have an interest in participating in as the sole funding participant. Most convention and conference center projects that are large (in relative terms for the particular market) operate at a financial operating deficit (requiring public sector funding participation), and are intended to maximize economic impact. A private partner (typically the headquarters hotel investor/owner) normally is interested only in a conference space product that maximizes its ability to fill hotel room nights in its owned lodging asset. Conference space square footage that is in excess of this level provides hotel room nights that will be displaced to other hotel properties in the marketplace, and therefore, is not incrementally desirable for the private partner, as the lodging asset represents the primary profit center (i.e., "heads in beds") for the private owner.

Conference space beyond the typical range of space developed as a part of a particular brand's normal program will tend to increasingly burden the hotel's bottom line (as the space gets larger beyond typical ranges). The larger amount of conference space currently contemplated for the Lawrence conference center project should result in an unacceptable return-on-investment (ROI) for the typical hotel investor, resulting in a feasibility gap that will need to be bridged through other income/funding sources.

Further, the more any new Lawrence conference center project is "private sector-oriented", in terms of upfront capital and/or ongoing operational funding, the greater the need for program adjustments (largely in terms of square footage) in the conference center element. However, shrinking the conference center program significantly from the estimated "market supportable" program (as outlined herein) would be expected to result in lower economic impact generating potential and less differentiation from other local conference/meeting venues.

In terms of a Lawrence project, if a new conference center project is expected to be operated by the private sector without public sector subsidy, adjustments will likely be required in facility sizing (relative to the previously outlined market supportable program). The adjusted program could approximate:

- Ballroom = 16,000 to 18,000 square feet
- Meeting rooms = 7,000 to 9,000 square feet
- Headquarters Hotel = 130-room or larger full-service or quasi-full-service hotel attached
- Supporting Hotels = 200 or more additional rooms within practical walking distance

For purposes of the remaining quantitative analyses, the following two development scenarios associated with a new Lawrence conference center have been developed.

1. Scenario 1: Stand-Alone Conference Center

- a. Public sector builds and owns conference center, located attached or near unrelated hotel
- b. Private sector manages via contract (i.e., qualified third party private management firm)
- c. Public sector funds operating shortfall
- d. Full market supportable space (30,000 to 37,500 square feet of sellable space)

2. Scenario 2: Public/Private Conference Center

- a. Public sector builds and owns conference center attached to hotel partner
- b. Hotel partner operates via lease agreement (or subcontracts to third party management)
- c. No ongoing public sector operating subsidy
- d. Reduced space (23,000 to 27,000 square feet of sellable space)

Each of these scenarios leverage the private sector's investment in the hotel asset and other planned elements of any larger development plan.

Even under public/private partnership models, the large majority of conference center projects that have had all or a majority of their construction funding provided by public sector sources are owned by a public sector entity. While serving to remove the property tax burden from the hotel partner (enhancing the appeal of the business opportunity), the public sector entity maintains leverage in the public/private relationship and retains control of a valuable community asset. Under both Scenario 1 and 2, it is recommended that the City of Lawrence serve as the owner of any new conference center development.

In terms of a management model, a Scenario 1 conference center could be managed by the City or via contract with a qualified private management firm. The private manager could either be a traditional third party convention/conference center private management company or through the hotel management company that is under contract to manage the headquarter hotel. Under Scenario 1, the latter would likely only be viable under a situation where the conference center happens to be physically attached to the headquarters hotel.

Under Scenario 2, the most efficient and beneficial manager would likely be the actual operator of the partner hotel. The hotel is assumed to be a full-service or quasi-full service brand; therefore, a single operator of both the hotel and conference center should realize significant efficiencies in operations. The conference center's food service infrastructure and operation will benefit both the conference center and hotel units. Both units will benefit significantly from shared staffing and overhead. The hotel/conference center operator could operate its own food service in-house, or could contract out to a third-party caterer. The financial operating estimates shown in the subsequent chapter assume the latter, whereby "net" food and beverage revenue is shown (via an assumed 25 percent commission retained by the conference center). If food service was handled in-house, both operating revenues (reflecting gross revenues instead) and expenses (also reflecting associated gross F&B expenses, influenced by in-house food service staff, labor and cost of goods sold) would be proportionately higher.

Location

A high concentration of food and beverage and retail establishments is clustered along the north end of Massachusetts Street in downtown Lawrence. Based on our experience in markets throughout the country, the quality and density of this visitor infrastructure is atypical for communities of comparable size to Lawrence. Most meeting planners that were surveyed as a part of this study, and who were familiar with the Lawrence destination, noted the attractiveness of the downtown amenity base and indicated an interest in either holding their event in downtown or at least visiting Massachusetts Street as a part of their event visit.

A downtown location on or adjacent to Massachusetts Street at the north end would also leverage both the room supply and parking at three existing hotels within close walking distance (Springhill Suites, the Eldridge Hotel, and the Marriott TownePlace Suites). In a market the size of Lawrence, it is also rare to have the benefit of existing hotel supply of this nature within the central business district.

While there would be some benefits to a KU location for the conference center project, the advantages and attractiveness of a potential downtown location (on or adjacent to Massachusetts Street) is significant. Additionally, conversations with KU representatives indicated that KU could be involved in several ways with a new conference center irrespective of where it is located in Lawrence. These participation opportunities include contracted facility use, sponsorship/recruitment, satellite presence, having a more appropriate local venue to host certain KU-affiliated or academic events. In particular, KU has indicated a desire to open a satellite presence in the downtown core and a downtown project could tie into this objective.

Overall, it is clear that the most attractive location for a new conference center in Lawrence would be one in the downtown on or adjacent to the north end of Massachusetts Street. The concentrated visitor amenity infrastructure on Massachusetts Street is the destination's strongest source of appeal to non-local groups, and the placement of a new conference facility there also importantly ties in with greater downtown master planning principles and long-term revitalization efforts that can be mutually-beneficial.

Utilization and Cost/Benefit

The ability of a conference facility to generate new spending and associated economic impact in a community is often one of the primary determinants regarding a decision by a public sector entity to participate in investing in the development and/or operation of such facilities. Beyond generating new visitation and associated spending in local communities, convention/conference centers also benefit a community in other important ways, such as providing a venue for events and activities attended and participated in by local community members and drawing new visitation/traffic into downtowns or mixed-use developments.

With regard to the cost/benefit analysis, for purposes of this exercise, only directly-attributable estimated annual economic benefits and costs have been considered and quantified. We have also presented some discussion herein of potential non-quantifiable or intangible benefits and issues that will likely also be important to consider during decision-making concerning the potential new conference center project.

The exhibit below presents a summary of the number of events estimated for a new Lawrence conference center under the two identified scenarios. Estimates are provided for a stabilized year of operations for each scenario (assumed to occur at the fourth full year of operation).

**Estimated Annual Number of Events –
New Lawrence Conference Center by Scenario**

Event Type	SCENARIO 1	SCENARIO 2
	Stand-Alone Conf Center	Public/Private Conf Center
Conventions/Tradeshows	14	12
Conferences/Meetings	135	165
Banquets/Receptions	60	80
Public/Consumer Shows	12	6
Other	30	20
Total	251	283

As shown above, it is estimated that event levels at a new Lawrence conference center, during a stabilized year of operation, would total between 251 and 283 events, depending on the scenario.

The exhibit on the following page presents a summary of the estimated total attendance by development scenario. Additional analyses were subsequently conducted to isolate only attendance that is assumed to represent "non-local" visitation. The non-local attendance estimates represents a mix of overnight and daytrip visitation (i.e., attendees, exhibitors and event participants/guests that do not reside in Lawrence) that represent the basis for the economic impact calculations, to be subsequently presented.

**Estimated Annual Attendance –
New Lawrence Conference Center by Scenario**

Event Type	SCENARIO 1	SCENARIO 2
	Stand-Alone Conf Center	Public/Private Conf Center
Conventions/Tradeshows	14,000	9,750
Conferences/Meetings	42,525	47,025
Banquets/Receptions	15,000	18,000
Public/Consumer Shows	30,000	13,500
Other	<u>18,000</u>	<u>9,600</u>
Total	119,525	97,875

The following exhibit summarizes the overall estimated new annual economic and fiscal (tax) impacts within Lawrence associated with estimated levels of potential event activity at the conference center, based on the application of the economic impact multipliers. Taxes considered for this analysis include City Sales Tax (1.55%), City Hotel Tax (6.0%), County Sales Tax (1.00%), and State Sales Tax (6.50%).

**Estimated Annual Economic & Tax Impacts (stabilized year of operations, in 2015 dollars) –
New Lawrence Conference Center by Scenario**

	SCENARIO 1	SCENARIO 2
	Stand-Alone Conf Center	Public/Private Conf Center
Direct Spending	\$8,604,872	\$7,489,637
Indirect/Induced Spending	<u>5,162,923</u>	<u>4,493,782</u>
Total Output	\$13,767,795	\$11,983,419
Personal Earnings	\$6,969,946	\$6,066,606
Employment (full & part-time jobs)	180	156
City Sales Taxes	\$120,038	\$104,480
City Hotel Taxes	\$155,558	\$133,999
County Sales Taxes	\$77,444	\$67,407
State Sales Taxes	\$503,385	\$438,144
Net New Economic Impacts		
Direct Spending	\$5,593,167	\$4,493,782
Indirect/Induced Spending	<u>3,355,900</u>	<u>2,696,269</u>
Total Output	\$8,949,067	\$7,190,051
Personal Earnings	\$4,530,465	\$3,639,964
Employment (full & part-time jobs)	117	94
City Sales Taxes	\$78,025	\$62,688
City Hotel Taxes	\$101,113	\$80,400
County Sales Taxes	\$50,339	\$40,444
State Sales Taxes	\$327,200	\$262,886

As presented in the exhibit, the estimated total output (direct spending plus indirect/induced spending) for a new conference center in Lawrence is estimated to range between approximately \$12.0 million and \$13.8 million per annum (in 2015 dollars), depending on the scenario. Additionally, this spending is estimated to annually support between \$6.1 million and \$7.0 million in personal income (or "earnings") in the local Lawrence economy, along with between 156 and 180 full and part-time jobs throughout the Lawrence economy.

Accounting for the portion of estimated non-local event activity that is assumed to already be accommodated by existing Lawrence event facilities, a new Lawrence conference center would result in between approximately \$7.2 million and \$8.9 in net new economic impact to the Lawrence area, in addition to between \$3.6 million and \$4.5 million in net new personal earnings and between 94 and 117 net new full and part-time jobs. This level of net new economic activity is estimated to generate between \$184,000 and \$229,000 in new annual City and County sales and hotel tax revenue, as well as between \$263,000 and \$327,000 in new annual States sales tax revenue (approximately one third of these State sales taxes are estimated to be net new to the state of Kansas).

An analysis of the estimated financial operations of the potential new Lawrence conference center was conducted. As the operations of a conference center under Scenario 2 would be integrated and inextricably tied to the hotel partner, financial operating estimates for this study report are only provided for Scenario 1 (stand-alone conference center operations), as shown in the exhibit below. Given the smaller conference center program and the assumption of public sector investment in construction, it would be expected that significant operating efficiencies would be possible under Scenario 2 and that return-on-investment considerations by the hotel partner would allow for the hotel partner (via agreement through the actual hotel's management company or via a subcontract with a third party private operator) to operate the conference center without an annual public sector operating subsidy.

**Estimated Financial Operating Results for a New Lawrence Conference Center
(Scenario 1, stabilized year of operation, in 2015 dollars)**

Operating Revenues	
Space Rental	\$480,000
Food Service (net)	610,000
Contract Service & Other	<u>230,000</u>
Total Operating Revenues	<u>\$1,320,000</u>
Operating Expenses	
Salaries, Wages & Benefits	\$670,000
Utilities	225,000
Repair & Maintenance	87,000
General & Administrative	140,000
Insurance	85,000
Materials & Supplies	110,000
Professional Fees	55,000
Management Fee	<u>185,000</u>
Total Operating Expenses	<u>\$1,557,000</u>
Net Operating Deficit	(\$237,000)

The exhibit above presents a summary of the estimated financial operating results for a conference center under Scenario 1 (independently operated relative to the hotel) in a stabilized year of operation (assumed to occur by the fourth full year of operation) and presented in 2015 dollars. These figures only represent

the annual operations of the facilities and do not include construction debt service payments, capital repair/replacement reserve funding obligations, or other non-operating expenses.

Upon stabilization, a new conference center in Lawrence (under Scenario 1) is estimated to generate an operating deficit of approximately \$237,000 per annum (in 2015 dollars). This type of annual operating loss (approximately -\$6.75 deficit per square foot of sellable space) is consistent with or better than comparable facilities throughout the country.

As previously mentioned, the operations of a conference center under Scenario 2 would be integrated and inextricably tied to the partner hotel property. Therefore, a hotel market and financial operating analysis would be required to generate financial operating estimates for a combined hotel and conference center operating unit.

However, assuming a 130 to 150-key Upscale chain scale hotel property (i.e., Hilton Garden Inn, Courtyard Marriott, Hyatt Place, Aloft, etc.) represents the subject hotel, its debt obligation is reduced through public funding and public sector ownership of the attached conference center, and a non-onerous management/lease agreement is struck, the reduced Scenario 2 conference center program would be believed to be an attractive investment opportunity for the private hotel partner, allowing it to absorb the operating burden of the conference center at its own risk/gain while, in turn, enhancing its core hotel unit performance through the attraction of new group business.

An analysis of hypothetical, order-of-magnitude hard construction costs was conducted. Soft costs, including those associated with site acquisition and/or infrastructure costs, are not included in this analysis. The exhibit below presents a summary of assumed construction costs associated with each of the development scenarios considered for this study. It is assumed that a greater degree of cost efficiencies could be realized under Scenario 2 through a single construction contract for both the hotel and attached conference center, along with the sharing of expensive central plant equipment and other back-of-house space.

**Hypothetical Order-of-Magnitude Construction Costs
for a New Lawrence Conference Center
(in 2015 dollars)**

	SCENARIO 1	SCENARIO 2
	Stand-Alone Conf Center	Public/Private Conf Center
Conference Center Sellable SF	35,000	25,000
Conference Center Gross SF	70,000	45,000
Assumed Hard Const. Cost/SF	\$300	\$280
Hypothetical Construction Costs	\$21,000,000	\$12,600,000

It has been assumed that a new stand-alone Lawrence conference center under Scenario 1 could hypothetically cost an estimated \$21.0 million in 2015 dollars, based on current market rates for construction in Kansas and comparable project data. Hypothetical hard construction costs associated with a smaller Scenario 2 program that is integrated with a new hotel are estimated at approximately \$12.6 million.

The exhibit below presents a summary comparison of key estimated costs that will need to be borne by the public sector (i.e., City, County or other government or not-for-profit entity) and benefits that would be estimated to accrue to the local Lawrence economy associated with a new conference center by scenario. Benefits have been presented in terms of annual total economic output (a sum of direct, indirect and induced visitor spending) in Lawrence. Importantly, the economic impact of non-conference center room night demand that is induced by virtue of the new hotel product is not included in the estimate. Adjustments have been made based on the amount of visitor-generated economic impact that is estimated to represent "net new" (or incremental) economic activity in Lawrence over activity that is presently being accommodated by other existing venues. Costs have been presented in terms of construction debt service (assuming the entire construction debt would be bonded debt) and operating subsidy needed per scenario. Specifically, a 30-year term and a 3.0 percent annual interest rate have been assumed for the hypothetical debt associated with each scenario.

**Summary of Estimated Annual Benefits/Costs Associated
with a New Lawrence Conference Center
(2015 dollars, annualized, upon stabilization)**

	SCENARIO 1 Stand-Alone Conf Center	SCENARIO 2 Public/Private Conf Center
Conference Center Sellable SF	35,000	25,000
Conference Center Gross SF	70,000	45,000
Assumed Hard Const. Cost/SF	\$300	\$280
Hypothetical Construction Costs	\$21,000,000	\$12,600,000
ANNUAL BENEFITS:		
Total Economic Output	\$13,767,795	\$11,983,419
Assumed "Net New"	65%	60%
Net New Economic Output	\$8,949,067	\$7,190,051
ANNUAL COSTS (borne by Public Sector):		
Construction Debt Service	\$1,071,404	\$642,843
Operating Subsidy	237,000	0
Capital Reserve Funding	105,000	63,000
Total Public Sector Costs	\$1,413,404	\$705,843
Benefit to Cost Ratio	6.33	10.19

As shown, Scenario 2 is estimated to generate the greatest net new benefits-to-costs in Lawrence. Total annual costs assumed to be the responsibility of the public sector (largely construction debt service, should the public sector's contribution be bonded) for Scenarios 1 and 2 are estimated at approximately \$1.4 million and \$706,000, respectively.

In addition to the quantifiable benefits of the operation of a potential new conference center in Lawrence, there are a number of potential benefits that cannot be quantified. In fact, these qualitative benefits tend to be a critical factor in the consideration of public and private investment in projects of this nature, particularly those involving existing venues with a long history of service in the local community. Some of these potential qualitative benefits for Lawrence from a new conference center that have not been quantified include:

- *Potential Transformative and Iconic Effects* – Major conference and visitor amenity investment projects, like that which is proposed, become statement pieces for the local community/destination, becoming integral components of the community brand and showcased on destination visitor guides for years to come.
- *Mutually Beneficial with Other Community Elements* – Investment in a new conference center will assist in supporting a healthier supporting hotel product, along with enhancing the private sector investment opportunities at and around the site through the attraction of additional local and non-local visitors to the site and Lawrence.
- *New Visitation* – New visitors will be attracted to the area because of an event in the new conference center product. These attendees, in turn, may elect to return to the area later for new business or with their families for a vacation after visiting the area for the first time.
- *Spin-Off Development* – New retail/business tend to invariably sprout up near conference centers spurred by the operations and activities associated with the conference center, representing additions to the local tax base.
- *Community Marketing* – Attendees of certain conference center events (particularly, convention/conference/tradeshows) represent decision-makers and executives from a broad cross-section of industries. This exposure can benefit the area from a long-term business development perspective.
- *Anchor for Revitalization* – New conference center development can oftentimes be the base of community-wide master development plans to enhance and revitalize markets.
- *Reduction in Lost Local Impact* – Physical, functional and site/location limitations of existing Lawrence area event facilities suggests that some level of event activity produced by local area companies and groups may be leaving the community to be held elsewhere where suitable facilities exist. To the extent that these Lawrence-based groups must relocate outside of the local community (despite an interest in hosting events within Lawrence), the spending related to these events effectively represents “lost” economic activity for the local area. Upon completion of the new conference center product, it is possible that many of these lost local events could be recaptured.
- *Construction Period Impacts* – While not specifically quantified herein, there is normally a substantial short-term economic impact (including many jobs created) during the construction phase of major public assembly facility projects of this nature.
- *Intangible Benefits* – There are a number of other intangible benefits of having a major conference center facility in a community that have not been quantified, including: quality of life, community reputation and image, local gathering point and new advertising opportunities for local business.

Funding Alternatives

While there are a variety of public sector funding vehicles and revenue sources that have been used in the financing of public assembly facility projects in communities throughout the country, a large percentage are owned by the public sector and had original or expansion construction funding provided through municipal capital project funding (i.e., transfers from a City's General Fund or Capital Projects Fund, etc.) or through the issuance of General Obligation Revenue bonds. Types of financing/funding vehicles that are commonly used in public assembly projects throughout the country include:

- General Obligation Revenue Bonds
- Tax Increment Financing (TIF)
- Pay-As-You-Go Financing
- Certificates of Participation
- State/Federal Assistance
- Private/Public Equity & Grants

Under situations where bonds have been issued, debt service is often supported by local tax revenue, which has tended to include the following:

- Hotel/motel taxes
- Sales & use taxes
- Property taxes
- Restaurant/food & beverage taxes
- Auto rental/taxicab taxes/fees
- Sin taxes (alcohol, cigarette, etc.)
- Admissions/entertainment taxes
- Gaming license fees and taxes

Hotel taxes are frequently used to fund public facility projects such as conference centers, as the tax is borne by visitors and convention/conference centers are normally considered visitor industry investment projects. Currently, the total effective hotel tax in Lawrence is 6.0 percent. There has been some recent conversation concerning the potential increase in the hotel tax rate. It is estimated that each 1.0 percent in the Lawrence hotel rate generates approximately \$240,000 per annum. Presently, Overland Park has the highest local hotel tax rate in Kansas at 9.0 percent. Kansas City, Leavenworth, Leawood, and Lenexa impose an 8.0 percent rate. Topeka is at 7.0 percent. Manhattan, Olathe, and Wichita are at Lawrence's current rate of 6.0 percent. While an increase in the hotel tax rate could be considered for the Lawrence conference center project, it would not be expected to be the primary funding source for the project.

STAR bond funding is often considered in Kansas for projects of this nature. STAR bonds have been issued for a number of economic and visitor industry development projects throughout the state—a number of them have generated significant improvements in downtown areas, mixed use districts and other areas, providing measurable results and growth. STAR bonds provide Kansas municipalities the opportunity to issue bonds to finance the development of major commercial entertainment and tourism areas and use City and State sales tax revenue generated by the development to pay off the bonds. In order to be considered a major commercial entertainment and tourism area, a proposed project must be capable of being characterized as a statewide and regional destination, and include a high quality innovative entertainment and tourism attraction, containing unique features which will increase tourism, generate significant positive and diverse economic and fiscal impacts and be capable of sustainable development

over time. It is suggested that further assessment of the viability of utilizing the STAR bond funding tool be undertaken for a new Lawrence conference center, if concept planning advances.

In recent years, a growing number of communities have explored ways in which the private sector can participate in reducing the overall funding burden borne by the public sector. This participation has taken the form of:

- Naming rights
- Sponsorships
- Upfront service provider fees and facility component build-outs
- Exclusive facility use agreements
- Private donations of capital and/or land

Each of these opportunities for private sector participation in funding the facility should be evaluated. Given the potential costs for construction and the annual costs to operate, such private sector participation may be a necessary component of a successful project.

As stand-alone (operations not tied to a hotel facility) convention/conference centers typically are not profitable from a purely financially operational standpoint (i.e., operate with an annual deficit and require some type of public subsidy), the vast majority of these independent facilities are owned by the public sector. Communities throughout the country have been willing to invest public dollars for the construction and annual operations of the facility in exchange for the economic impact (i.e., new tax dollars) generated by facility operations.

Most hotels offer some level of meeting and banquet space. In fact, certain hotels offer greater levels of convention space than some small and medium-sized convention centers. Integrating convention space allows hotels to penetrate into various group segments that they might not otherwise be able to compete for without convention space. Rather than generating a significant amount of additional direct income for the hotel, the presence of the convention space is often intended to generate added room night demand. Additionally, operating synergy (i.e., sharing overhead and personnel costs between the conference space and hotel components), complete control over bookings and rates, and the provision of in-house services (i.e., catering, telecommunications, audiovisual, etc.) often combine to make the hotel/conference center a profitable venture (assuming demand for the hotel and conference center exist).

A number of detailed case studies concerning comparable public/private hotel and conference center projects are provided at the conclusion of this report in Appendix E. These case studies illustrate a variety of approaches to the public/private transaction and specific funding mechanisms and sources utilized.

1.0. INTRODUCTION

Conventions, Sports and Leisure International (CSL) was commissioned to complete a feasibility study of a potential new conference center in Lawrence, Kansas. Key components of the study included analysis of market demand, supportable program, site/location, development options, event and use levels, preliminary construction costs, financial operations, economic impacts, funding, and ownership/management options associated a potential new conference center in Lawrence.

The City of Lawrence, University of Kansas, and The World Company are the primary stakeholders for this study, with each contributing funds to allow for its completion. Initially, Phase One of this overall study effort was commissioned by the City of Lawrence (with participation by the University of Kansas) and a presentation was delivered in January 2015 outlining the findings associated with this phase, which included analysis of market demand, supportable program, and site/location issues. Subsequently, partially resulting from internal restructuring of City administration/leadership and reprioritization of discretionary funding, the City opted to delay pursuit of Phase Two. With the consent of the City and University, The World Company took on stewardship of the project, allowing for the completion of Phase Two of the originally contemplated two-phased study. Phase Two involved analysis of development options, event and use levels, costs/benefits, funding options, and ownership/management issues.

Preceding the commission of this study was the belief by the stakeholders and other community leadership that Lawrence presently lacks a large, quality conference space suitable for accommodating many types of conventions, conferences, tradeshow, meetings and other such events.



A new conference center, as envisioned, would act as an economic generator and a public resource for the local community, hosting conventions, tradeshow, public/consumer shows, conferences, meetings, sports tournaments/competitions, civic events, and other events of both a non-local and local nature. An important goal of the facility would be to attract non-local events to the area that presently cannot be accommodated by existing local facilities, providing new visitation and related economic impact in the local area. Much of the quantifiable economic impacts and non-quantifiable benefits the conference center provides in any local community and to its residents would not be possible if it were not for the initial (and, oftentimes, ongoing) investment by a public sector partner.

This study provides a foundation for strategic planning to provide decision makers with the information necessary to strategically plan for Lawrence's future in the conference industry, with a focus on protecting and growing its competitive position in the evolving regional and national convention/conference industry.

This research provides direction not only as to the facility components that may be supportable from market demand perspectives, but also the visitor amenities surrounding Lawrence's primary convention/conference facility, including hotel support.

Throughout the country, cities of all sizes have expanded or developed new public sector-owned convention/conference centers within the past decade or two. Further, many of these communities have also invested substantial public sector dollars into enhancing the convention/conference industry's supporting amenity infrastructure, including incentivizing appropriate headquarter hotel products and entertainment/mixed use districts and infrastructure nearby the convention/conference center. Ideally leveraging private sector dollars when possible, all this investment is geared towards enhancing the attractiveness of the destination and its infrastructure in order to better compete for economic impact-generating events and visitation.



Conclusions of a conference facility project's feasibility can be assessed in various ways, including:

- Market feasibility – the facility's ability to attract and support levels of event activity and patronization that are consistent with or in excess of industry standards.
- Financial feasibility – the ability of the facility to "break-even" or generate an operating profit focusing only on direct facility-related operating revenues and expenses.
- Economic spending – the facility's ability to generate new spending activity in the local community (i.e., direct and indirect spending that is attributable to out-of-town visitors that would not otherwise occur in the local area).
- Tax generation – the ability of the facility to generate new tax revenue for the local area (i.e., tax revenue resulting from direct, indirect and induced spending that is attributable to out-of-town visitors that would not otherwise occur in the local area).



- Costs/benefits/return on investment – the facility's ability to generate new revenues (i.e., from taxes, operating income and ancillary facility-related revenues, etc.) in excess of quantifiable facility-related costs (i.e., construction costs, operating costs, marketing costs, public sector contribution, etc.).
- Intangible benefits/public good – the ability of the facility to represent an important resource for the local community, regardless of financial or economic concerns. These types of benefits add to the local community's "quality of life" in the same way that libraries, museums and recreational parks do, without consideration of the economic impacts that the facility might generate.

When evaluating the feasibility of a public assembly facility, such as a conference center, communities throughout the country have differed in the specific criteria that best reflects the definition of "feasible" for their community. For instance, one community may focus more on the ability of the project to be operationally self-supportive or require below a certain threshold of public sector contribution, rather than the intangible "public good" aspects the project would provide local residents. The research, data, information and analysis provided through this study is intended to allow stakeholders and other community constituents to draw their own informed conclusions concerning the "feasibility" of public sector investment in Lawrence's conference center product and related infrastructure.

This study process consisted of detailed research and analysis, including a comprehensive set of market-specific information derived from the following:

- ✓ Experience garnered through more than 500 convention/conference facility projects throughout the country.
- ✓ Local market visit at the outset of the project, including community and potential site tours.
- ✓ In-person interviews and meetings with Lawrence area individuals, including City and KU leadership and staff, the Lawrence Convention and Visitors Bureau, the Chamber of Lawrence, the World Company, potential local facility users, management of existing primary local hotel and conference facility venues, and other local visitor industry stakeholders.
- ✓ Research and analysis of local market conditions.
- ✓ Analysis of facility data obtained from nearly 35 competitive and comparable conference center facilities and host community destination marketing organizations (DMOs).
- ✓ Comparative analysis of socioeconomic data from competitive/regional and comparable facility markets.
- ✓ Completed a detailed telephone survey consisting of telephone interviews of representatives of state and regional organizations, collecting data pertaining to more than 100 recurring, rotating conventions, conferences, exhibitions, meetings and other large events that represent Lawrence's primary potential non-local event market.
- ✓ Completed detailed telephone interviews with members of Meeting Planners International, consisting of independent and corporate meeting planners from around the state of Kansas and representing nearly 250 rotating events.

2.0. ANALYSIS OF LOCAL MARKET CONDITIONS

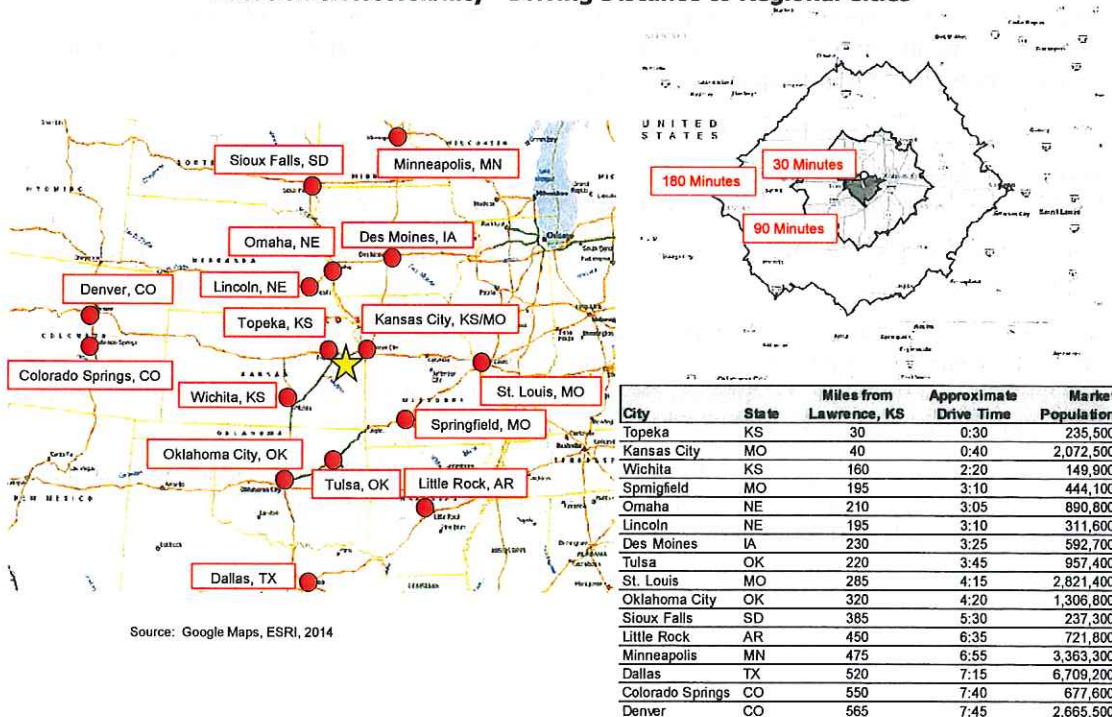
The strength of the local market, in terms of its socioeconomic and demographic attributes, can provide an indication of a conference facility's ability to draw and accommodate convention, conference, tradeshow, consumer show, and other event related attendees and participation. Furthermore, a community's hospitality infrastructure in terms of hotels, restaurants, entertainment, transportation amenities and other such factors contribute heavily to the potential success of any conference facility. An analysis of these attributes was conducted as they relate to potential conference center development in Lawrence, Kansas.

Location and Accessibility

Lawrence, Kansas, the sixth-largest city in the state, had a population of just under 88,000 in the 2010 Census with a student population of nearly 27,000. The city was founded in 1854 by the New England Emigrant Aid Company and was named after Amos Adams Lawrence who contributed significant monetary donations to help support growth of the settlement. Originally serving as a center for Kansas politics, Lawrence's economy became diversified after the founding of the University of Kansas in 1866, ensuring a steady labor force to foster the growth of its agriculture, manufacturing, and education industries.

Exhibit 1 illustrates the location of Lawrence, Kansas, its proximity to nearby regional markets, and the market population of each of these markets. Additionally, the exhibit demonstrates the markets and land area captured within 30-, 90- and 180-minute estimated driving distances. These distances will also be utilized throughout the report while analyzing and comparing demographic and socioeconomic variables.

Exhibit 1
Location & Accessibility - Driving Distance to Regional Cities



Source: Google Maps, ESRI, 2014

Lawrence is located in Northeast Kansas just between Kansas City and Topeka along Interstate 70. The same Interstate also eventually connects the city with the Denver market to the west and the St. Louis market to the east, which are approximately eight hours and four hours away, respectively. Wichita, the third nearest population center, is just over two hours away to the southwest. Other population centers located within 500 miles include Oklahoma City, Oklahoma; Omaha, Nebraska; Des Moines, Iowa; and Minneapolis, Minnesota.

Lawrence is in close proximity to the Kansas City Metropolitan area, which is also the location of the nearest airport, the Kansas City International Airport. The accessibility of Lawrence to the greater Kansas City market may offer some important advantages for a potential conference center product and visitor industry, particularly as it relates to drawing from a nearby large population base (mostly Missouri-based) and attracting new economic activity for the state of Kansas (an important consideration for potential STAR bond financing). However, the City's relative distance from KCI may serve as a disadvantage in attracting certain national and regional organizations and events.

Demographics

An important component in assessing the potential success of the convention/conference center product within a given market is the demographic and socioeconomic profile of the local area. Specific demographic and socioeconomic information that can provide an indication of the ability of a market to support an event facility includes population, age, and household income. Exhibit 2 provides a summary of key demographic characteristics estimated for the city of Lawrence, Douglas County, markets captured in a 30-minute, 90-minute and 180-minute drive concentric rings around the city of Lawrence, the state of Kansas, and the United States.

Exhibit 2
Demographics – Lawrence Area Summary

Demographic Variable	City of Lawrence	Douglas County	30-minute	90-minute	180-minute	State of Kansas	U.S.
Population (2000)	80,278	99,962	199,743	2,436,117	4,444,681	2,688,418	281,421,906
Population (2010)	87,643	110,826	225,249	2,672,746	4,780,194	2,853,118	308,745,538
Population (2014 est.)	89,626	113,576	231,341	2,727,792	4,868,717	2,908,933	316,296,988
% Change (2000-2014)	11.6%	13.6%	15.8%	12.0%	9.5%	8.2%	12.4%
Population (2019 est.)	92,933	117,994	239,537	2,811,667	4,990,492	2,983,862	327,981,317
% Change (2014-2019)	3.7%	3.9%	3.5%	3.1%	2.5%	2.6%	3.7%
Avg. Household Inc. (2014 est.)	\$ 61,419	\$ 65,986	\$ 66,661	\$ 71,317	\$ 64,922	\$ 67,558	\$ 72,809
Avg. Household Inc. (2019 est.)	\$ 71,658	\$ 76,731	\$ 77,657	\$ 82,974	\$ 75,202	\$ 78,737	\$ 83,937
% Change (2014-2019)	16.7%	16.3%	16.5%	16.3%	15.8%	16.5%	15.3%
Median Age (2014, in years)	27.5	29.1	33.3	36.5	37.0	38.6	37.7
Businesses (2014 est.)	5,405	7,182	14,775	192,569	349,377	214,736	24,262,035
Employees (2014 est.)	42,241	48,138	116,444	1,270,855	2,148,859	1,361,372	141,523,742
Employee/Residential Population Ratio	0.47:1	0.42:1	0.50:1	0.47:1	0.44:1	0.47:1	0.45:1

Source: ESRI, 2014

As shown, the population of the city of Lawrence was approximately 80,300 in 2000, while future projections based on U.S. Census data estimate Lawrence's population to be approximately 89,600 in 2014 and 92,900 in 2019.

The estimated population within a 30-minute drive of Lawrence was approximately 231,300 in 2014, which is an estimated 15.8 percent increase over the 2000 population within that radius. This increase is greater than the estimated 8.2 percent increase throughout the state of Kansas and the 12.4 percent increase of the United States. The population base in 2014 within a 90-minute and 180-minute drive is estimated at 2.7 million and 4.9 million, respectively.

Average household income among Lawrence residents approximates \$61,400, which is nearly 16 percent (\$11,400) less than the national average. Furthermore, Lawrence has an employee/residential population ratio of 0.47 to 1, which is just above the national average, as well just over 5,400 businesses. These important metrics help measure Lawrence's corporate base, an element that is explored in further detail in the subsequent section.

Corporate Base

The breadth and characteristics of the inventory of local corporations and employers can provide an indication of general potential for corporate meeting activity in a given market. Often, the major employers in a local market are an important source of facility usage with regard to corporate meetings, banquets and other similar uses, all of which are important to maintain the utilization and financial viability of a convention/conference center. Indirectly, the size of a local corporate base also tends to be correlated with the level and breadth of supporting community amenities (i.e., hotels, restaurants, transportation infrastructure, etc.), which are relevant when considering non-local events. Exhibit 3 outlines all public and private sector employers in Lawrence with 100 or more total full-time employees.

The University of Kansas is the largest employer in Lawrence with nearly 9,900 employees. The second largest employer in the county, Lawrence Public Schools, has nearly 1,700 employees. Other major public sector employers include the city of Lawrence (1,455) and Lawrence Memorial Hospital (1,322). Vangent is the largest private employer, totaling approximately 1,500 employees, followed by Berry Plastics (739). In all, there are an estimated 27 employers with over one hundred employees.

Exhibit 3
Top Lawrence, Kansas Employers

Top Lawrence, KS Employers	Employees
The University of Kansas	9,881
Lawrence Public Schools	1,650
Vangent	1,500
City of Lawrence	1,455
Lawrence Memorial Hospital	1,322
Berry Plastics	739
Hallmark Cards, Inc.	525
Baker University	496
Amarr Garage Doors	461
Douglas County	435
The Olivia Collection	320
K-Mart Distribution Center	320
DCCCA	295
Allen Press	275
Community Living Opportunities	263
Haskell Indian Nations University	250
Cottonwood, Incorporated	240
Eudora School District	232
Lawrence Paper Company	209
The World Company	200
Berth Nash Community Mental Health Ce	179
Westar Energy	170
ICL Performance Products LP	161
HP Pelzer	160
Del Monte Foods	160
Schlumberger	150
SurePoint Medical	107

Source: City of Lawrence Economic Profile, 2013

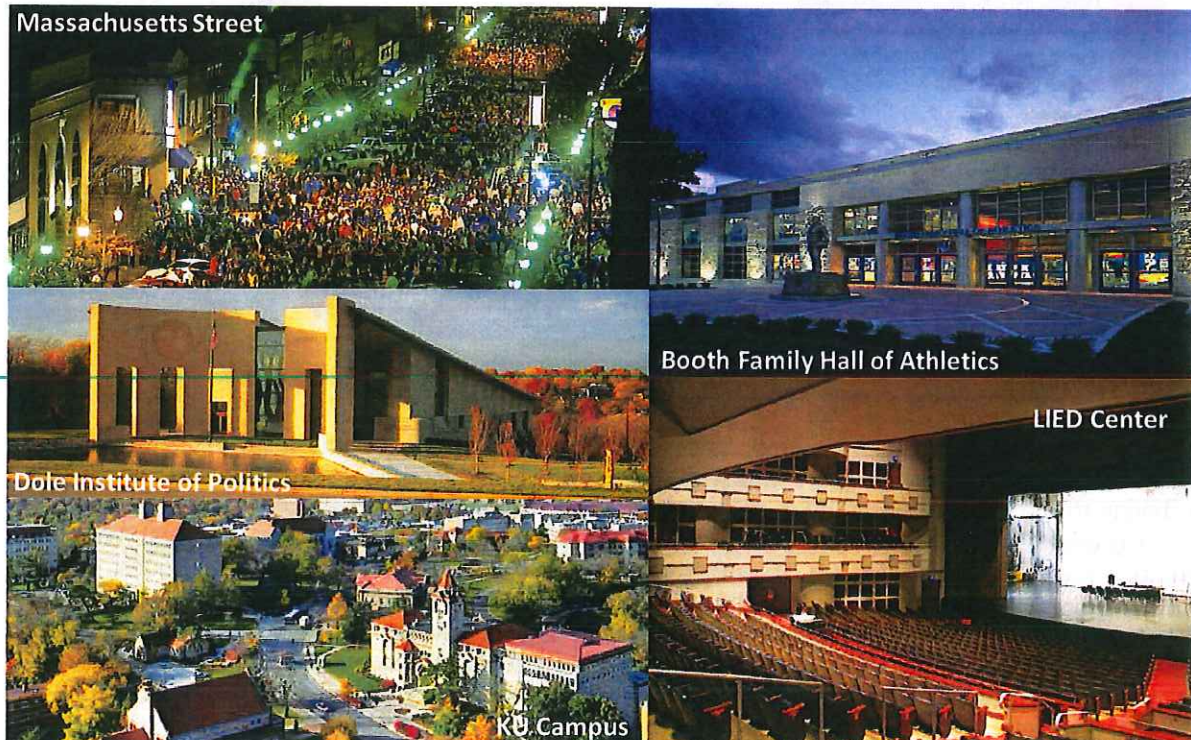
Economy and Attractions

Economically, Lawrence has prominent higher education and related research industries due to the University of Kansas, the largest university in the state. The Jayhawks men's basketball team is one of the oldest and most successful college basketball programs in the nation, winning the NCAA tournament three times since 1950, most recently in 2008, and so far sporting the second most Division I wins in college basketball history. Jayhawk games at the Allen Fieldhouse attract nearly 600,000 total attendees annually.

The University is also home to the Dole Institute of Politics, a 28,000 square foot facility non-partisan political institution that frequently hosts regional and national political events; the Booth Family Hall of Athletics, a nationally acclaimed shrine to University of Kansas sports that is connected to Allen Fieldhouse and features trophies, retired jerseys, and other memorabilia; and the LIED Center, the University's state of the industry performing arts center that houses seating for nearly 2,000 attendees.

The size and reputation of the University of Kansas leverages the city's appeal as a visitor destination. With nearly 27,000 students enrolled and its successful Big 12 athletic teams, the University would be expected to play a role in a significant number of organizations that could have interest in utilizing new convention/conference space in Lawrence.

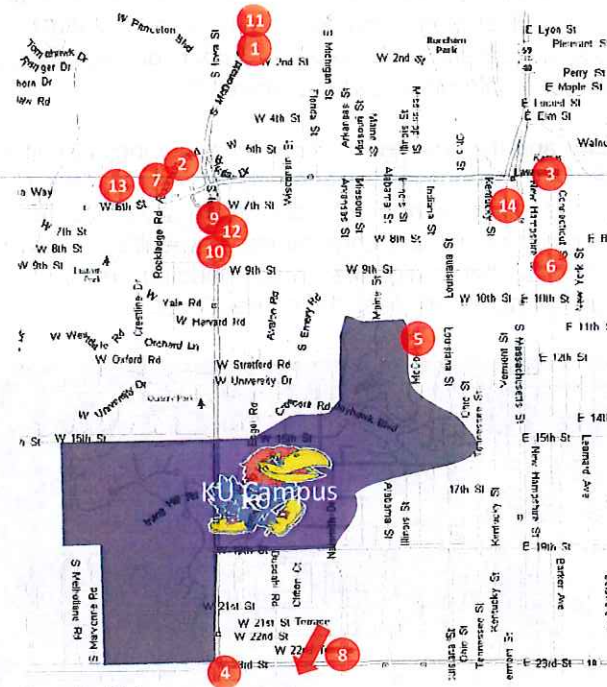
The city and its Downtown also offer a number of cultural and historic attractions and events that help shape the Lawrence destination and its brand. Massachusetts Street, the main street that runs through the central business district of downtown Lawrence, features a number of historic buildings as well as an array of restaurant and entertainment amenities. Lawrence's densest concentration of visitor amenities (restaurants, bars, nightlife, retail, lodging, etc.) is situated along and around the north end of Massachusetts Street, near the Kansas River.



As previously mentioned, a community's hospitality infrastructure, in terms of hotels, restaurants, entertainment and other such factors, contributes heavily to the potential success of a market's convention/conference center product. The marketability of any conference facility increases when there exists the support of amenities and infrastructure within close proximity.

Exhibit 4
Lodging - Primary Lawrence Hotels

Total Estimated Lawrence Hotel Room Inventory = 1,400 Guestrooms



(1) - Undergoing a major renovation and flag change to DoubleTree (expected to be completed by spring of 2016)
Source: 2014-2015 Official Lawrence Visitor's Guide
Note: Only properties offering more than 40 sleeping rooms listed.

FEASIBILITY ANALYSIS OF A POTENTIAL NEW CONFERENCE CENTER IN LAWRENCE, KANSAS
Analysis of Local Market Conditions
Page 8



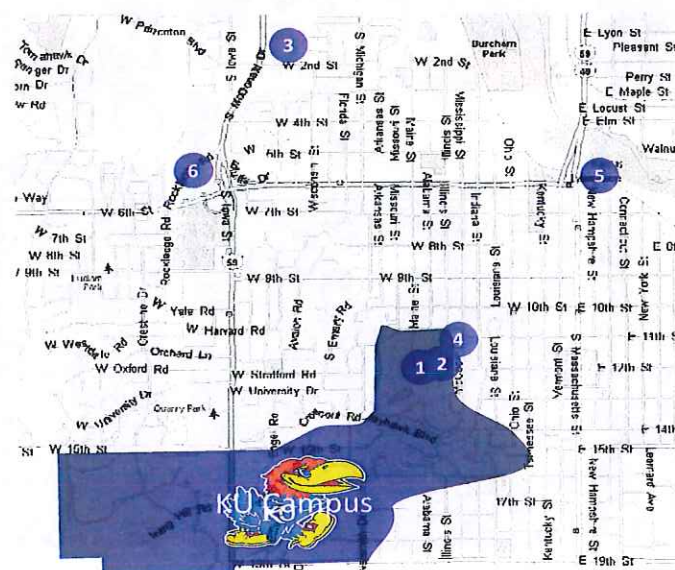
Aloft, etc.). The development of such a hotel property in conjunction with a potential new conference center may be important to consider.

Including properties with fewer than 60 guestrooms, the total number of hotel guest rooms in Lawrence is estimated at 1,400.

Local Meeting Facility Inventory

The number of potentially competitive and/or supporting event facilities in the local market area is also an important consideration with respect to the overall viability of a market's conference product. Exhibit 5 summarizes the primary event facilities in the Lawrence market that offer flat floor event space. Prime exhibit space refers to dedicated exhibition area that is column-free or with minimal columns, has a concrete floor and high ceilings (i.e., 25 feet or higher). Ballroom and meeting space normally represents carpeted, high quality, subdividable space. Ballroom space has higher ceiling heights and larger space volume than traditional breakout meeting room space.

Exhibit 5
Local Facilities – Primary Existing Lawrence Convention/Meeting Facilities



Facility	Exhibit Space	Meeting Space	Multipurpose/ Ballroom Space	Sellable Space	Largest Contiguous Space	Number of Meeting Rooms	Rooms at HQ Hotel
KU Memorial Unions							
1 Kansas Union	0	19,800	6,900	26,700	6,900	21	n/a
2 Burge Union	0	8,100	0	8,100	3,100	6	n/a
3 Holiday Inn and Conference Center (1)	0	600	12,900	13,500	8,700	2	192
4 The Oread Hotel	0	1,400	9,600	11,000	5,000	3	99
5 SpringHill Suites by Marriott	0	700	4,000	4,700	2,000	2	105
6 Howard Johnson (Rodeway Inn)	0	1,600	3,000	4,600	3,000	2	108

(1) - Undergoing a major renovation and flag change to DoubleTree (expected to be completed by spring of 2016)
Source: facility management, Lawrence Facilities Guide, 2014

As shown, there are six meeting facilities in the Lawrence market that offer more than 4,500 square feet of total sellable space, totaling approximately 68,600 square feet of cumulative sellable flat floor event space throughout the market. The three primary facilities that offer the largest amount of rental flat floor event space or notable conference space include the two KU Memorial Union buildings at the University of Kansas (Kansas Union and Burge Union), the Holiday Inn and Conference Center, and the Oread Hotel. These facilities are described in greater detail below.

Exhibit 6 Key Local Flat Floor/Convention Facilities

HOLIDAY INN & CONF. CENTER		THE OREAD HOTEL		KU MEMORIAL UNIONS	
					
					
Hotel Guestrooms:	192	Hotel Guestrooms:	99	Hotel Guestrooms:	n/a
Convention Space (SF):		Convention Space (SF):		Convention Space (SF):	
Prime Exhibit:	0	Prime Exhibit:	0	Prime Exhibit:	0
Other Exhibit:	0	Other Exhibit:	0	Other Exhibit:	0
Meeting Space	600	Meeting Space	1,400	Meeting Space	25,100
Ballroom Space	12,900	Ballroom Space	9,600	Ballroom Space	9,700
Total Sellable Space	13,500	Total Sellable Space	11,000	Total Sellable Space	34,800

Holiday Inn and Conference Center

Located several blocks northwest from Downtown Lawrence and off of Interstate 70, the Holiday Inn and Conference Center is a 192-room hotel featuring a 12,900-square foot multi-purpose hall, in addition to 600 square feet of ancillary meeting space. The Holiday Inn and Conference Center hosts corporate and University-related functions, including luncheons, meetings, conferences, banquets and various other types of general assemblies. The Holiday Inn and Conference center will undergo a significant renovation as well as a flag change to a DoubleTree property by the spring of 2016.

The Oread Hotel

Situated on the northeast border of the University of Kansas campus, the upscale Oread Hotel is a 99-room boutique hotel and conference property featuring 11,000 square feet of sellable event space, including a 5,000-square foot ballroom and a 4,600-square foot ballroom. The hotel also features three separate breakout meeting rooms totaling in 1,400 square feet of meeting space, and offers on-site bar and restaurants.

KU Memorial Unions

Found at the heart of the University of Kansas campus, the KU Memorial Unions consist of two different Union facilities, the Kansas Union and the Burge Union. Located within close proximity to attractions such as the Spencer Museum of Art and the Natural History Museum, the Unions represent meeting facilities that are well integrated into the campus's entertainment and education infrastructure. Although the campus itself is highly walkable, local representatives cite the lack of nearby parking inventory as a challenge to hosting more non-school related corporate event activity at the Unions.

The Kansas Union is the more accommodating event facility, with 19,800 square feet of meeting space allocated between 21 different breakout meeting rooms, and also includes a 6,900-square foot ballroom. Meanwhile, the Burge Union features approximately 8,100 square feet of meeting space spread across six breakout meeting rooms, and has a 3,100-square foot "junior" ballroom. Both Unions frequently experience substantial concurrent event activity, as the many breakout meeting rooms between the two are used by a significant number of student groups and other University-affiliated organizations.

Conclusions

The demographic and socioeconomic characteristics of a local market are important components in assessing the market potential for new conference center space in a community. The strength of a market in terms of its ability to attract events and attendees, and generate revenues, is predicated, somewhat, on the size of the regional market area population and its demographic makeup as well as the level of competition within the regional area. Further, a community's hospitality infrastructure in terms of hotels, restaurants, entertainment and other such factors contribute heavily to the ability to attract non-local events.

From a competitive standpoint as a "destination", Lawrence's most prominent strengths include (1) the presence of and direct and indirect benefits associated with the University of Kansas; (2) its proximity to Kansas City and Topeka; (3) one or more potential private partner candidates; (4) interstate accessibility; (5) significant amount of retail, restaurants, bars, and entertainment along Massachusetts Street in the city's Central Business District; (6) strengthening economic and demographic trends; and (7) limitations in existing local, quality conference center/hotel offerings with sizeable contiguous conference space.

The accessibility of Lawrence to the greater Kansas City market may offer some important advantages for a potential conference center product and visitor industry, particularly as it relates to drawing from a nearby large population base (mostly Missouri-based) and attracting new economic activity for the state of Kansas (an important consideration for potential STAR bond financing).

Events that rotate within a given region (e.g., conventions, conferences, and meetings hosted by associations, government, corporate/trade groups, and non-professional organizations, such as SMERF [social, military, educational, religious, fraternal] groups) normally view destinations with these types of attributes favorably when considering sites.

In terms of weaknesses, as with many destinations its size, Lawrence has certain limitations in terms of its breadth and density of traditionally desirable visitor amenities, such as the destination's overall amount of restaurants, bars, nightlife, entertainment, attractions, hotels, retail, and other such items that are normally found more commonly throughout and near a convention/conference host city. As will be discussed in a subsequent chapter, these are some of the issues that some meeting/event planners cite as reasons for lower appeal of the Lawrence destination for their particular events relative to other larger destinations. Conversely, Lawrence's destination is unique and differentiated from the Kansas City destination. A significant portion of convention planners, particularly those smaller and mid-sized groups, prefer to have alternate destination choices within general regional areas and are often interested in getting their events out of larger cities to affordable, smaller—yet still conveniently accessible—destinations.

Local events and attendees residing in a given "local" (i.e., nearby) market normally comprise the largest user segment of event facilities of any type (via corporate events such as meetings, training, banquets, and conferences, as well as private events such as wedding receptions, luncheons and service club meetings for event facilities). The demographic characteristics of the local market (combined with the level of nearby facility competition) will have important influences on the quantity and type of events estimated for a new conference center product in Lawrence.

3.0. INDUSTRY CHARACTERISTICS & TRENDS

The market success of a convention/conference facility can be partially attributed to the characteristics of the industry as a whole. In order to assess the current and future strength of the market with regard to event activity that could utilize a new Lawrence conference center, it is important to evaluate the industry trends from a national and regional perspective. Broad industry changes, characterized by—sometimes significant—retraction and expansion in event demand and attendance/participation characteristics have taken place within the industry over the past decade.

The convention, trade and meetings industries are diverse and dynamic, consisting of a wide variety of events, many of which focus around a collection or gathering of individuals for the purpose of entertainment/recreation and/or face-to-face communication and the transmission of ideas/information. Typical convention facility (i.e., flat floor event venue, excluding fixed seating entertainment/sports venues) event segments include:

- Conventions – Events traditionally held by professional associations of international, national, regional, state or local scope. Many of these groups tend to hold annual events that rotate among various destinations within a particular region. In addition, certain large corporations hold annual conventions.
- Conferences – Meetings held by professional associations, non-local corporations and local area companies. While sometimes used interchangeably with the term “convention,” these events tend to be smaller, on average, than conventions and are also less exhibition-focused.
- Tradeshows – Events traditionally held by professional associations of international, national, regional, state or local scope, as well as private events hosted by one or more corporations. Some of these groups tend to hold annual events that rotate among various destinations within a particular region, similar to conventions, while others are fixed in specific cities each year.
- Consumer Shows – Exhibit-based shows are typically open to the general public and generally draw from the local area. These events tend to charge a nominal fee for entry and typically include events such as home and garden shows, boat shows, auto shows, gun shows, antique shows, career fairs, etc.
- SMERF (Social, Military, Educational, Religious, Fraternal) – Events include reunion-type meetings of groups and members, educational conferences and other such events. These events tend to be more sensitive to cost aspects than association and corporate groups.
- Meetings/Banquets – Events include functions hosted by local service clubs (Rotary, Shriners, and Elks) intended to share information, generate interest and spur membership. Other private events include local corporate meetings/training, exams, wedding receptions, anniversary/birthday parties and private banquets.

Exhibit 1 illustrates a summary of traditional convention facility event types along with their key characteristics.

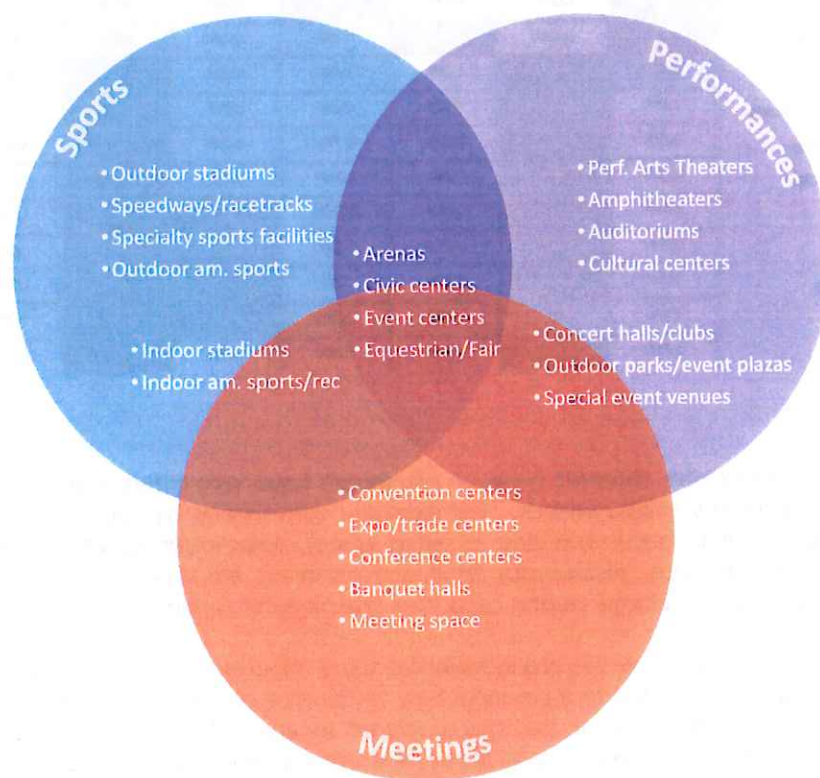
Exhibit 1
Summary of Convention Industry Event Types

Event Types	Primary Purpose	Key Facility Requirements	Typical Facility Used	Attendee Characteristics
Conventions	Information exchange, sales & networking	Exhibit, Ballroom & Meeting space	Convention Center, Conference Center	Predominantly non-local
Conferences	Information exchange, sales & networking	Ballroom and Meeting space	Conference Center, Hotel, Convention Center meeting space	Depends on scope of group, many are predominantly non-local
Tradeshows	Sales & Advertising	Exhibit space	Convention Center, Exhibition Center, Tradeshow Facility	Depends on scope of show, can have large percentage non-local
Consumer Shows	Sales & Advertising	Exhibit space	Convention Center, Exhibition Center	Mostly local
Social, Military, Educational, Religious, Fraternal Events	Information exchange, civic, social, networking	Meeting, banquet, multipurpose space	Civic/Community Ctr., Exhibition Center, Conv./Conf. Center	Depends on scope of group, some are predominantly non-local
Meetings / Banquets	Information exchange, training, incentive	Meeting and Ballroom	Conference Center, Hotel	Typically local

The types of facility products serving the events industry are diverse. Communities of all sizes throughout the country are home to event facilities that serve a wide swath of event segments, attendees, exhibitors, participants, and spectators. Beyond broad variation in the physical facility products offered, there are a multitude of differences in structure/approach to operating mission, policies, procedures, sales and marketing, funding, financial/economic performance goals, and other such items.

Broadly speaking, it is often useful to consider events as those residing in one of three general categories: sports, performances, and meetings. As shown in Exhibit 2 below, facilities that normally accommodate these event types tend to overlap somewhat, as certain event facilities can accommodate events in multiple categories. The exhibit illustrates how specific types of industry-typical event facilities fit within this framework of events. As shown, event facilities situated near the top of the diagram tend to be facilities that are more spectator/entertainment event-oriented, while those facilities located near the bottom of the diagram tend to be those that do not integrate fixed seating and are instead flat floor venues that focus on conventions, meetings, tradeshow and other such events.

Exhibit 2
Event Facility Industry Models



While facilities employ varying degrees of flexibility and multipurpose space, allowing them to technically accommodate events from all three general categories (for instance, arenas and civic centers), any event facility will possess attributes that will allow it to better compete/serve certain event types, while being less competitive/efficient/effective in other segments.

The amenities needed by an event facility vary distinctly depending on the type of event being held. Exhibit 3 illustrates a summary of the typical importance of various facility characteristics by event segment, including some traditional seated, spectator event types.

**Exhibit 3
Typical Event Facility Requirements**

	High Quality Finish	Exhibit/Lg. Event Facility	Upscale Banquet Hall	Breakout Rooms	Spectator Seating	Parking	Nearby Hotels	Secondary Facilities	Nearby Visitor Amenities
Conventions	HIGH	HIGH	HIGH	HIGH	LOW	MED	HIGH	LOW	HIGH
Conferences	HIGH	MED	HIGH	HIGH	LOW	MED	HIGH	LOW	HIGH
Meetings	HIGH	LOW	MED	HIGH	LOW	LOW	LOW	LOW	MED
Banquets/Receptions	HIGH	LOW	HIGH	MED	LOW	MED	LOW	LOW	MED
Tradeshows	MED	HIGH	LOW	LOW	LOW	HIGH	MED	LOW	HIGH
Consumer/Public Shows	LOW	HIGH	LOW	LOW	LOW	HIGH	LOW	LOW	MED
Agricultural Shows	LOW	HIGH	LOW	LOW	LOW	HIGH	LOW	HIGH	LOW
Equestrian Events	LOW	HIGH	LOW	LOW	MED	HIGH	LOW	HIGH	LOW
Rodeos	LOW	HIGH	LOW	LOW	HIGH	HIGH	LOW	MED	LOW
Tractor pulls	LOW	HIGH	LOW	LOW	HIGH	HIGH	LOW	MED	LOW
Sporting Events	LOW	HIGH	LOW	LOW	HIGH	HIGH	LOW	LOW	LOW
Concerts	LOW	MED	LOW	LOW	HIGH	HIGH	LOW	LOW	MED
Festivals	LOW	HIGH	LOW	LOW	LOW	HIGH	LOW	LOW	LOW

As shown in the exhibit, different types of events can have very different preferences and requirements with regard to facility characteristics. For example, conventions typically place high premiums on high quality finish of event space (including carpeted space), adjacent/proximate full-service hotel rooms and other visitor amenities (i.e., restaurants, retail, entertainment, etc.) in close walking distance, while sporting events typically focus on large seating capacities and plentiful parking.

This discussion begins to lay the groundwork for some important issues that will likely affect the types of events that may be attracted to a potential new conference center in Lawrence. The type, level of finish, configuration, and amenities of the space offered in any potential facility will play a strong role in determining the ability of the facility to attract and accommodate certain types of events. Ultimately, this information also implies that industry best practices dictate that event facilities cannot, and should not, be "everything to everyone". Any event facility can be "multipurpose" and attempt to attract a diversity of events; however, it must ultimately "lean" in one direction or the other in terms of its:

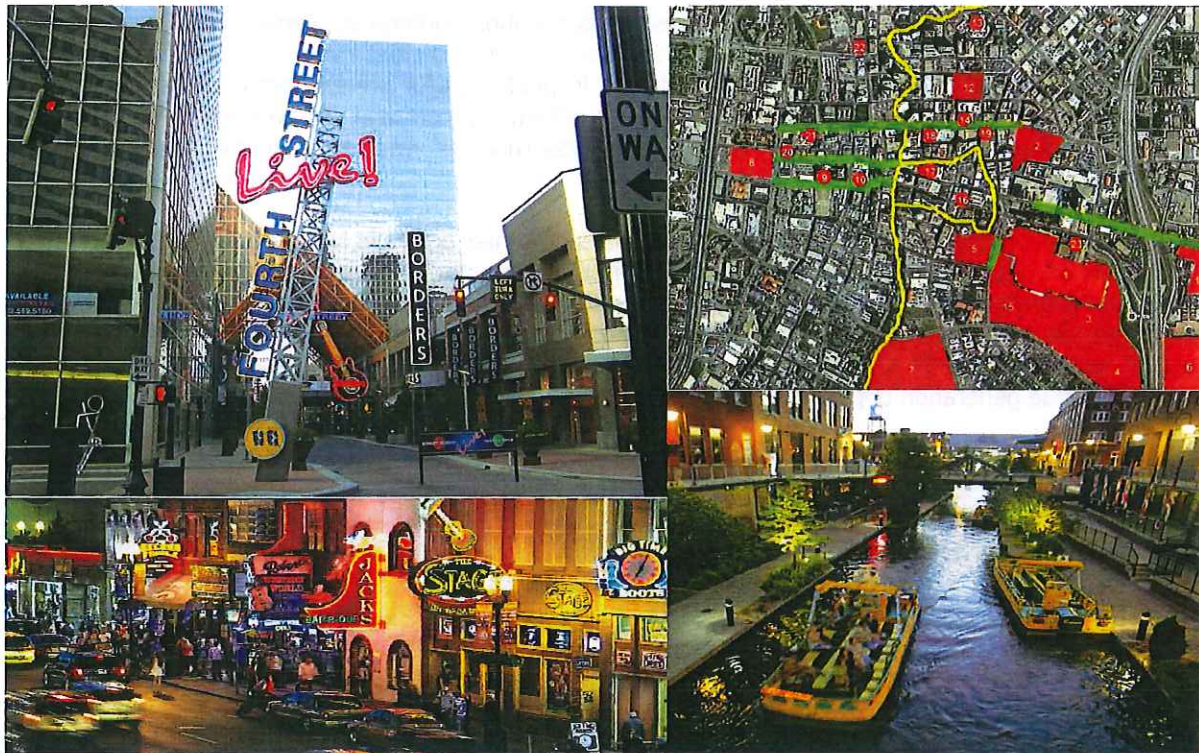
1. identity,
2. mission,
3. physical spaces, configuration and amenities,
4. functionality,
5. booking and marketing approach,
6. pricing and discounting,
7. policies and procedures, and
8. other such items.

Additionally, the “state-of-the-industry” in terms of convention/conference center physical product aesthetics and functionality has continued to advance year-over-year in cities throughout the country. For those communities that do not see regular investment in public and/or private sector convention/expo facility assets and related infrastructure, the ability to effectively compete for key pieces of rotating convention, conference, tradeshow and meeting business (and its resulting economic impact) often deteriorates.

The “state-of-the-industry” relating to convention/conference center products has progressed significantly over the past two decades. Meeting planners throughout the country have come to prefer, and demand in many cases, the modern, spacious aesthetics and optimized, advanced functionality and efficiency of newer facility designs and programs. Beyond attracting higher numbers of groups, visitors and economic impact, modern convention/expo facilities often offer significant advancements in operating efficiencies and enhanced revenue generation opportunities, as compared to previous generations of facilities.



Beyond the facilities themselves, the importance of amenities and location attributes “outside the box” continues to strengthen. Recognizing that the convention/conference center facility itself is only one piece of a larger puzzle that event planners, exhibitors, attendees, and spectators tend to consider when selecting sites and/or deciding whether to attend/participate in an event, more and more communities have been focusing on ways to strengthen the appeal of the proximate area surrounding the event facility itself. This often involves comprehensively master planning a mixed-use or entertainment district containing the convention/conference center, whereby an attractive pedestrian-friendly environment is created to welcome convention center attendees, through offerings of restaurants, retail, nightlife, entertainment and attractions. “Connectivity” issues are often addressed that physically and perceptually bring together the district to other nearby attractions and districts. Healthy, vibrant and exciting environs surrounding the center are normally viewed very attractively by event planners and can provide important advantages in marketing a destination and its convention/conference center.



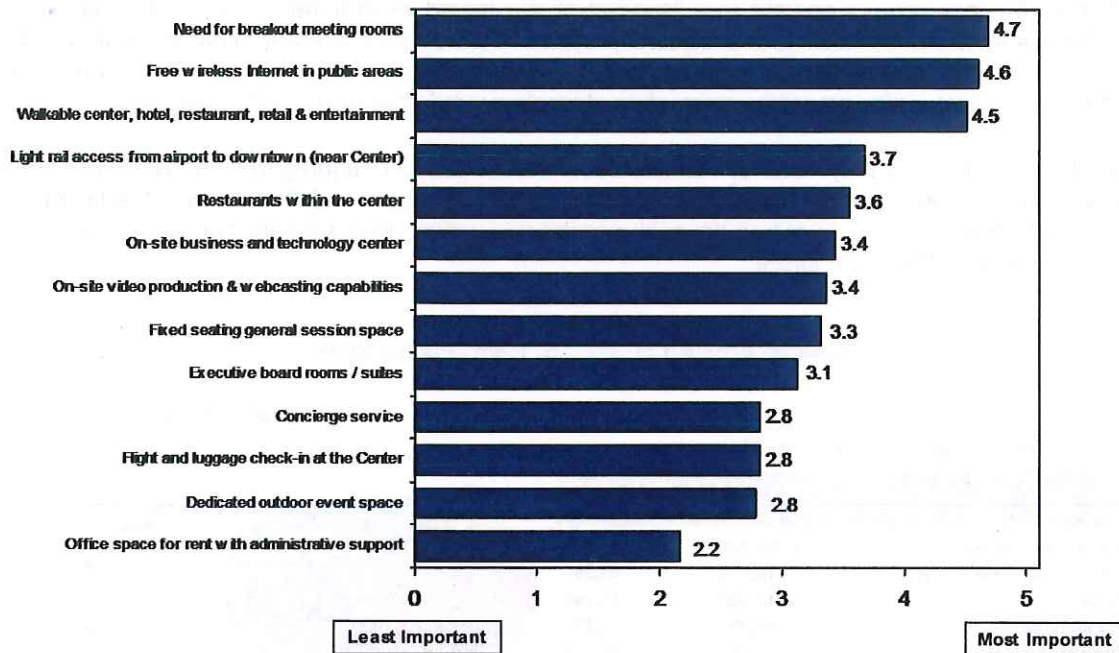
Facilities that have limitations with respect to attached and adjacent quality hotel room supply, as well as other amenities such as restaurants, bars, cafes, retail, entertainment options, and other such items are often at a significant competitive disadvantage with other destinations that possess some or all of these amenities in terms of competing for non-local events.

Broad industry changes, characterized by retraction and expansion in convention and tradeshow demand have taken place within the industry during the past decade. After significant decreases in industry demand levels during the recent recession, demand for convention/conference space has grown industry-wide over the past 24 months.

As we conclude 2015, nearly all indicators suggest that the national economy is mostly recovered from a significant recession. A large collection of data suggests that the health of the convention, tradeshow and meetings industry, like nearly all industries, has historically been and is currently linked to the strength and fluctuations of the overall U.S. economy. This "linkage" is a fundamental premise of any analysis of future convention and tradeshow industry performance. To address the question of future industry trends, we need to consider how the future performance of the convention/conference industry will respond in these post recessionary times.

As part of our ongoing research with convention and tradeshow event planners, survey respondents were asked to identify which of several convention center and destination features are expected to increase in importance in the future. Results among 100 survey respondents are presented in Exhibit 4.

Exhibit 4
Convention Center & Destination Features Expected to Increase in Importance in the Future



Source: CSL interviews, 2014.

As shown, the need for breakout meeting rooms was viewed as the most pressing need for hosting future events, with an average score of 4.7 (on a scale with "0" being the least important and "5" being the most). Following the breakout rooms in importance was the need for free wireless internet and more attractions within the walkable area surrounding the host facility. Interest in a walkable environment surrounding a center has increased significantly over the past five to ten years.

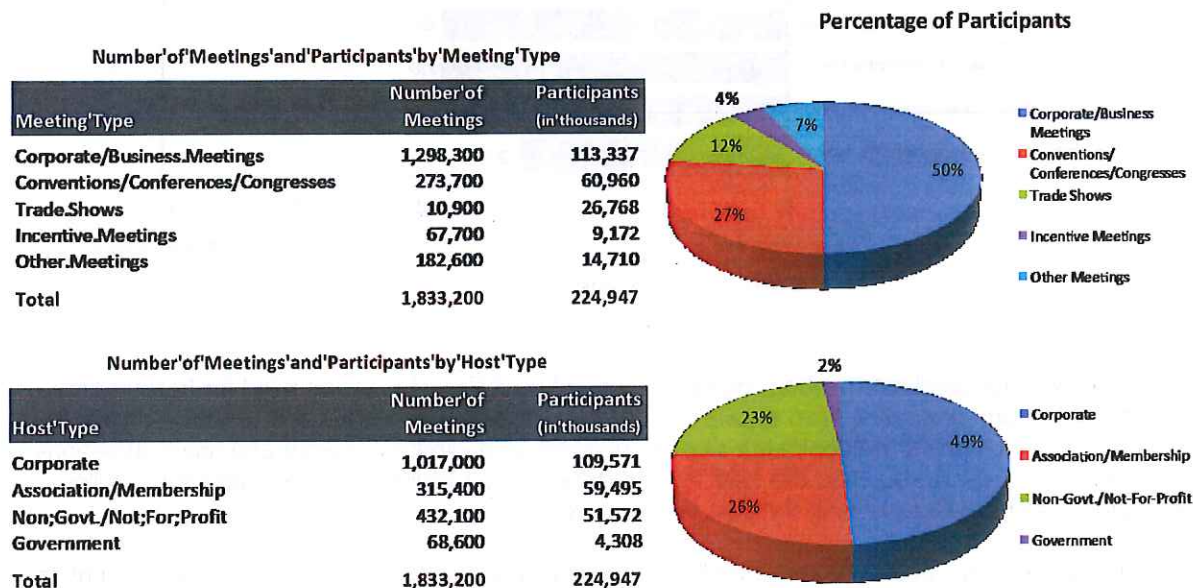
Throughout the country, public sector investment in convention/conference product development is increasingly targeting both convention facility (bricks/mortar and policies/procedures) and its supporting visitor amenities (hotel, restaurants, entertainment, attractions, etc.)—all geared towards enhancing attractiveness compared to other competitive destinations. Many of the communities throughout the country that host convention/conference facilities have also invested substantial public sector dollars into enhancing the convention/conference product's supporting amenity infrastructure, including incentivizing appropriate headquarter hotel products and entertainment/mixed use districts and infrastructure nearby the convention/conference center.

With respect to the convention and tradeshow industry, however, the practical manifestations for smaller and mid-sized communities of the downturn in the economy should be more limited, as they tend to be more economical and drive-in regional destinations. These types of second/third-tier destinations often have lower costs of living (including lower priced hotels, restaurant meals, taxes, etc.) that become more appealing during hard economic times.

Additionally, it is critical to recognize that every community and destination is unique, and application of blanket industry-wide, macro assessments of convention/meeting supply and demand phenomena do not consider the uniqueness of individual markets. Like nearly everything in a free market society, individual convention/conference centers operate in a "survival of the fittest" environment. Destination appeal is normally the common denominator with successful projects. Convention/conference centers located in the strongest destinations tend to be the most successful, while facilities located in destinations with weak appeal and/or deficient visitor amenities more often struggle or underperform industry averages.

PricewaterhouseCoopers (PWC) recently completed a study detailing aggregated industry-wide data regarding meeting industry trends. According to their study, "meetings" are defined as a gathering of ten or more individuals for a minimum of four hours in a contracted venue. PWC's findings on volume of events by type are detailed below in Exhibit 5.

Exhibit 5 Estimated Breadth of the U.S. Meetings Industry

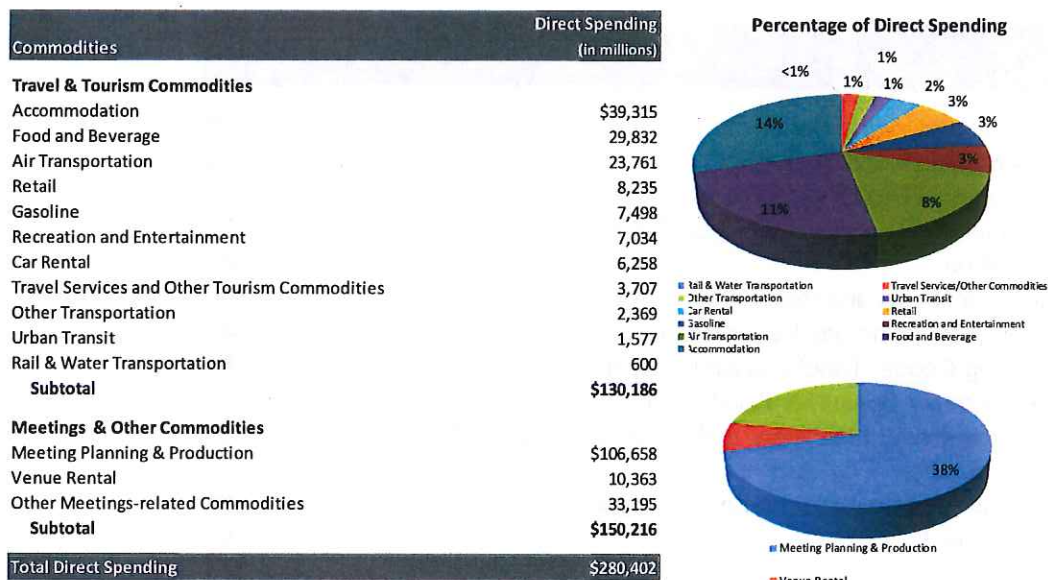


Source: PWC, The Economic Significance of Meetings in the U.S. Economy, 2014

As presented in the exhibit on the previous page, just over 1.8 million meetings were held during 2012, attracting a total of just under 225 million meeting participants. Corporate/business meetings made up the largest portion of this meeting activity, encompassing 50 percent of all 2012 meetings, with conventions/conferences/congresses following behind at 27 percent.

PWC also recorded direct spending levels resulting from these meetings, totaling \$280 million, that is directly attributable to 2012 meeting activity. Findings are summarized below in Exhibit 6.

Exhibit 6
Estimated Direct Spending by Commodity of the U.S. Meetings Industry



Source: PWC, The Economic Significance of Meetings in the U.S. Economy, 2014

As shown, spending on accommodations and food and beverage resulted in just under \$70 million of total direct spending, making up a majority of the \$130 million of direct spending on travel and tourism commodities. Also of note, money spent on meeting planning and production resulted in a total of \$107 million of direct spending.

The Center for Exhibition Industry Research (CEIR) is a nonprofit organization whose mission is to advance the growth, awareness and value of exhibitions in the United States. The annual CEIR Index Report is developed to provide an objective measure of the annual performance of the exhibition industry. The CEIR Index Report measures year-over-year changes in key metrics of industry performance. The industry's performance within these metrics was calculated from data provided from over 400 events. The 2013 CEIR Index Report displays and analyzes actual event-specific data from 2000 through 2013 and provides a forecast for 2014 to 2015. The Report's findings for direct spending by commodity are shown below in Exhibit 7.

Exhibit 7
Estimated Annual Number of Events by Industry Sector – U.S. Meetings Industry

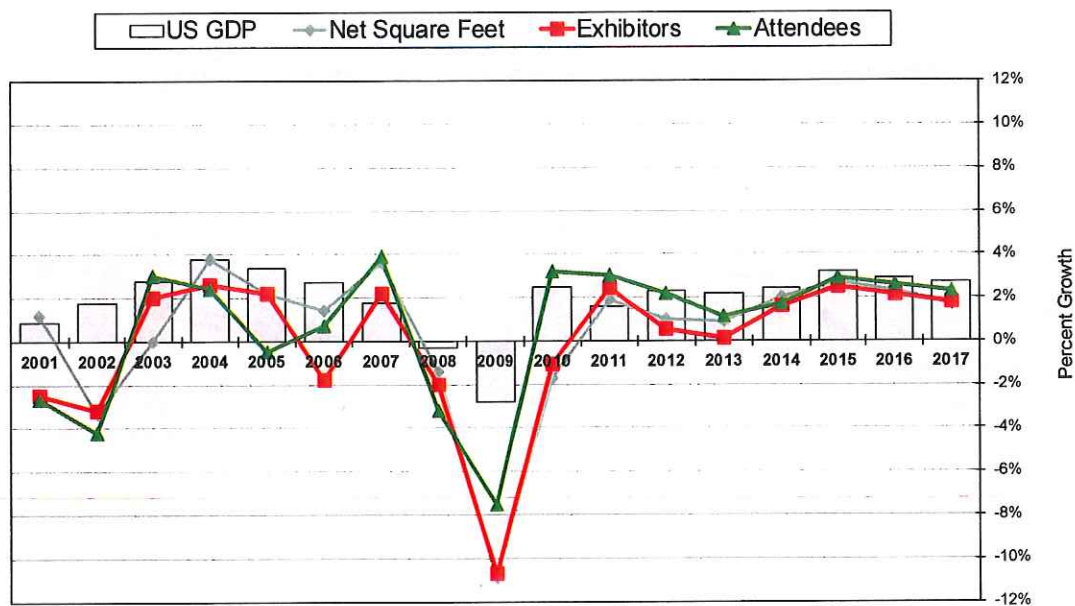
Industry Sector	Number of Events
Medical and Health Care	1,549
Raw Materials and Science	930
Professional Business Services	893
Communications and Information Technology	784
Education	672
Financial, Legal and Real Estate	658
Consumer Goods and Retail Trade	649
Sporting Goods, Travel and Amusement	491
Discretionary Consumer Goods and Services	472
Industrial/Heavy Machinery and Finished business Outputs	435
Transportation	413
Building, Construction, Home and Repair	386
Government	352
Food	278
Total Events	8,962

Source: Center for Exhibition Industry Research (CEIR), 2014

The medical and health care industry made up a substantial amount of the overall number of 2013 events with just under 1,550. This was followed with 930 by the raw materials and science industry, 893 by the professional business services industry and 784 by the communications and information technology industry. In all, 2013 had nearly 9,000 total events.

A summary of CEIR produced historical and projected performance among three of the four variables listed above, as compared to growth in the U.S. Gross Domestic Product (GDP), for the 15-year period spanning 2001 through 2015 is shown in Exhibit 8.

Exhibit 8
Trends in Convention & Exhibition Industry Demand



Note: Data for 2015 through 2017 is based on forecasts.
Source: Center for Exhibition Industry Research (CEIR), 2015

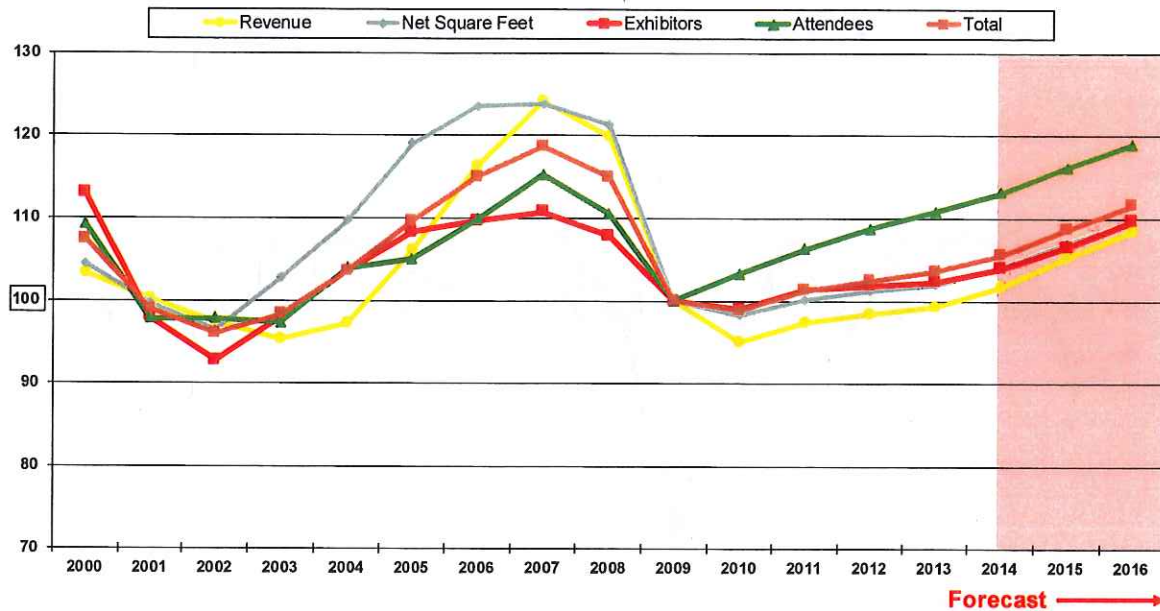
As shown in Exhibit 8, the overall exhibition industry as measured by the CEIR Index experienced a substantial decline in overall performance post 2007. The indices appear to have bottomed out in 2009, during which time the space use showed a 10.9 percent decline and the number of exhibitors fell by an estimated 10.7 percent when compared to 2008.

A significant industry rebound took place starting in 2010 that is projected to continue through at least 2017. Expectations for 2016 call for an overall exhibition industry growth rate of approximately 2.4 percent. This compares to projected growth of 2.0 percent in 2017. The U.S. economy has continued a trend of moderate growth since 2010, with GDP growing at a rate of 2.2 percent in 2013, 2.4 percent in 2014 and is forecasted to grow by 3.2 percent in 2015.

Projections for 2016 have the GDP growing at a rate of 2.9 percent, while 2.7 percent growth is estimated in 2017. These data help support the notion of a linkage between the convention and tradeshow industry and the overall national economy.

Exhibit 9 illustrates the historical performance of various factors of the convention and exhibition industry, including revenue, net square feet utilized, exhibitors, attendees and a total measure of these factors.

Exhibit 9
Comparison of Overall Exhibition Industry Performance (2000-2016)

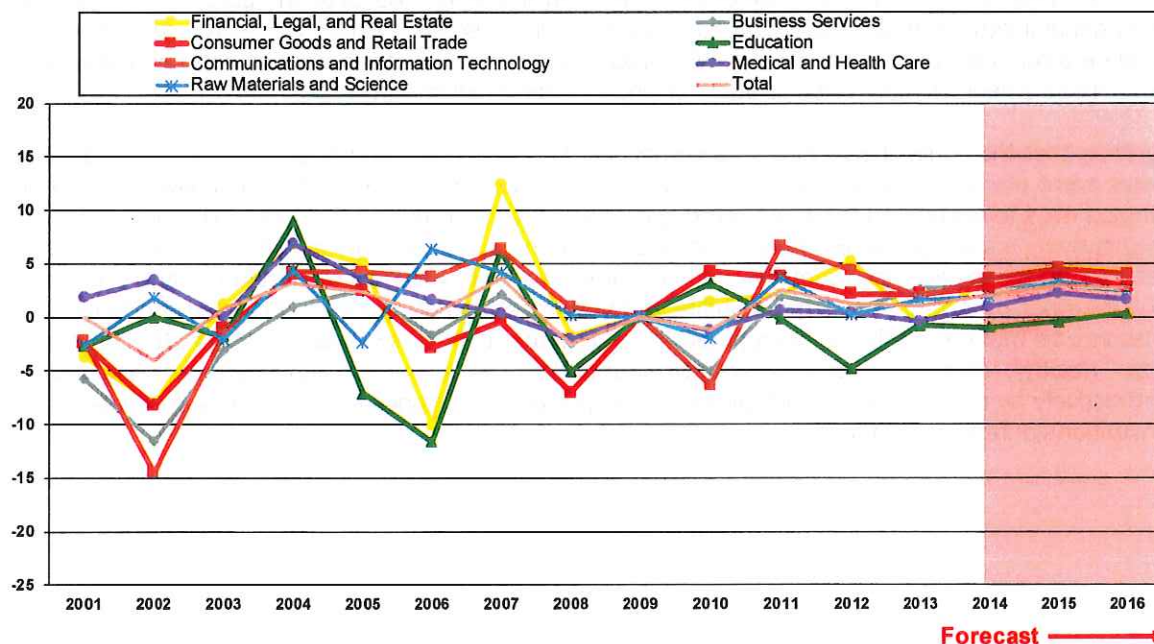


Note: 2009 is the base year and is assigned a value of 100. Years 2014 – 2016 are forecasted data
Source: Center for Exhibition Industry Research (CEIR), 2014

As shown, the overall exhibition industry went through a major decline post 2007. With the industry in rebound since 2010, the number of overall attendees has increased the most rapidly of performance indicators. The amount of revenue that the industry has produced has had the slowest growth factor since 2010, but it is forecasted to increase at a faster rate in future years, as is the case for all the other performance factors.

Exhibit 10 illustrates the historical performance of different market segments in their relation to the exhibition industry.

Exhibit 10
Performance Percentage Change by Market Segment



Note: 2009 is the base year and is assigned a value of 0. Years 2014-2016 are estimated data
Source: Center for Exhibition Industry Research (CEIR), 2014

As evident by the fluctuations in the graph above, each of the market segments have experienced relative volatility throughout the years. Segments that have experienced overall increases in their performance since 2001 include Consumer Goods and Retail Trade; Financial, Legal and Real Estate; and Communications and Information Technology.

Conclusions

The market success of a convention/conference center can be partially attributed to the characteristics of the industry as a whole. Broad industry changes, characterized by—sometimes significant—retraction and expansion in convention/tradeshow event demand and attendance/participation characteristics have taken place within the industry over the past decade. In 2009, the U.S. economy fell into a significant recession. Metrics for 2008 illustrated deteriorating economic conditions that led to a decline in macro industry-wide demand. However, the convention and tradeshow industry has exhibited slow, but consistent recovery, along with the U.S. economy, in recent years. Metric indicators project continued moderate growth into the foreseeable future.

With respect to the convention and tradeshow industry, however, the practical manifestations for smaller and mid-sized communities during economic downturns are normally more limited, as they tend to be more

economical and drive-in regional destinations. These types of second/third-tier destinations often have lower costs of living (including lower priced hotels, restaurant meals, taxes, etc.) that become more appealing during hard economic times.

Additionally, it is critical to recognize that every community and destination is unique, and application of blanket industry-wide, macro assessments of convention/meeting supply and demand phenomena do not consider the uniqueness of individual markets. Like nearly everything in a free market society, individual convention centers operate in a "survival of the fittest" environment. Destination appeal is normally the common denominator with successful projects. Convention/conference centers located in the strongest destinations tend to be the most successful, while facilities located in destinations with weak appeal and/or deficient visitor amenities more often struggle or underperform industry averages.

Recognizing that the convention/conference center facility itself is only one piece of a larger puzzle that non-local event planners tend to consider when selecting sites, more and more communities have been focusing on ways to strengthen the appeal of the proximate area surrounding the "box". This often involves comprehensively master planning a mixed-use or entertainment district containing the convention center, whereby an attractive pedestrian-friendly environment is created to welcome convention center attendees, through offerings of restaurants, retail, nightlife, entertainment and attractions. "Connectivity" issues are often addressed that physically and perceptually bring together the district to other nearby attractions and districts. Healthy, vibrant and exciting environs surrounding the convention center are normally viewed very attractively by event planners and can provide important advantages in marketing a destination and its convention/conference center.

4.0. COMPETITIVE AND COMPARABLE FACILITIES ANALYSIS

This chapter provides an analysis of various physical characteristics and resources of both competitive and comparable facilities and communities. Throughout the country, public sector investment in convention/conference product development is increasingly targeting both facility (bricks/mortar and policies/procedures) and its supporting visitor amenities (hotel, restaurants, entertainment, attractions, etc.)—all geared towards enhancing destination/product attractiveness compared to other competitive destinations.

A review of various physical characteristics and resources of facilities and communities around the country that are comparable to a potential new conference center in Lawrence is presented in this section. This data is used to understand how other similar markets are performing within current industry trends, the level of space and hotel room inventory offered by competitive destinations, and other such characteristics. A number of characteristics are identified in determining the ability of a community to attract and retain convention and business travel.

Competitive/Regional Facilities

As a part of this analysis, we identified 11 competitive facilities in eastern Kansas that may offer some level of competition. Exhibit 1 presents the name and location of these facilities.

Airport Development Group, Inc. ADG
doesn't include
Lawrence or Olathe

Competitive Region



Beyond facilities located in the Kansas City Metro Area, there are relatively limited competitive convention/conference facility offerings going west on Interstate 70, presenting a competitive opportunity for a quality conference center product in Lawrence. We begin with a comparison of the space offerings at the identified competitive convention/conference facilities, including exhibit, ballroom, breakout meeting, and total sellable space.

For purposes of this analysis, only "prime" exhibit space has been considered. "Prime" space refers to the dedicated exhibition area that is column-free or with minimal columns, has a concrete floor and high ceilings. While space in certain facilities may be termed "exhibit space," only space fitting the aforementioned description is considered exhibit space. State-of-the-industry prime exhibition space normally possesses ceiling heights of 30 feet or higher.

In state-of-the-industry convention centers, ballroom space tends to provide a large contiguous open area, high ceilings (25 to 28 feet as opposed to 12 to 15 feet for meeting space) and a slightly higher level of finish, including a higher grade of lighting, floor covering and wall finish. This space can be used for general assemblies, product demonstrations, light exhibits and a variety of other uses. Recognizing this, planners have increasingly placed a premium on such space in their selection of host cities. Ballroom space is also desirable in that it tends to keep delegates in the convention/conference center during the event as a variety of different functions, such as meal functions, can be conducted all under one roof. Further, adjacent hotel ballrooms may be occupied with unrelated events that may prevent their use by convention/conference center events.

Smaller rooms with lower ceiling heights tend to be used for breakout meeting space. Importantly, state-of-the-industry convention/conference facilities offer a variety of meeting rooms of differing sizes and available configurations.

Combining prime exhibit space, multipurpose ballroom space and breakout meeting space produces the total sellable space within a facility, as presented throughout our analysis. Total sellable space does not include common area spaces such as pre-function or lobby space, or back-of-house and other support spaces.

Exhibit 2
Competitive Facilities – Convention/Conference Space

Facility	Market	Exhibit Space	Meeting Space	Ballroom Space	Total Sellable Space	Largest Contiguous Space	Meeting Rooms
Jack Reardon Convention Center	Kansas City, KS	0	6,000	15,000	21,000	15,000	8
Sheraton at Crown Center	Kansas City, MO	43,500	10,600	32,800	86,900	43,500	13
Westin at Crown Center	Kansas City, MO	0	23,800	20,300	44,100	15,400	26
Intercontinental	Kansas City, MO	0	10,500	16,200	26,700	11,900	13
Hilton KC Airport	Kansas City, MO	0	6,700	14,000	20,700	6,600	10
Embassy Suites Airport	Kansas City, MO	0	5,000	10,700	15,700	10,700	5
Holiday Inn KC SE	Kansas City, MO	0	3,900	11,800	15,700	9,000	7
Manhattan Conference Center/Hilton Garden Inn	Manhattan, KS	0	1,900	14,500	16,400	14,500	3
Embassy Suites	Olathe, KS	0	1,100	12,700	13,800	12,700	2
Overland Park Convention Center	Overland Park, KS	58,500	14,100	25,000	97,600	58,500	7
Salina Bicentennial Center	Salina, KS	38,500	6,800	0	45,300	21,100	5
Kansas Expocentre	Topeka, KS	84,800	0	5,800	90,600	44,500	0
Topeka Ramada Hotel & Convention Center	Topeka, KS	0	11,600	21,200	32,800	8,700	22
Topeka Ramada West Hotel	Topeka, KS	0	3,400	6,800	10,200	0	4
Century II Convention Center	Wichita, KS	170,000	27,600	0	197,600	93,000	20
AVERAGE		26,400	8,900	13,800	49,000	24,300	10

As presented, the Century II Center in Wichita, the Overland Park Convention Center, and the Kansas Expocentre in Topeka are the three largest facilities in terms of total sellable space. The Expocentre would not be a significant competitor to a potential convention/conference center in Lawrence as it does not feature the sufficient amount of upscale ballroom or meeting space to accommodate the type of conference or corporate meeting activity that a potential Lawrence facility would be most likely to pursue. Its relative distance from Lawrence and size of the Century II Convention Center likewise removes this facility as a significant competitor to a potential Lawrence facility. Kansas City hotels, the Overland Park Convention Center, and the Manhattan Conference Center would likely represent the most significant competitors to a potential new Lawrence conference center to their proximity to Lawrence and volume/nature of space offerings.

Comparable Facilities

Certain inferences can be made by reviewing comparable convention/conference facilities operating in markets throughout the country of a similar size and/or geographic positioning. The facilities reviewed were selected based on their characteristics, total space offered and the size and location of the markets in which they are located. Exhibit 3 presents a summary of the 19 selected comparable convention/conference center facilities and markets analyzed.

Exhibit 3 Comparable Convention/Conference Centers

Conference/Convention Centers

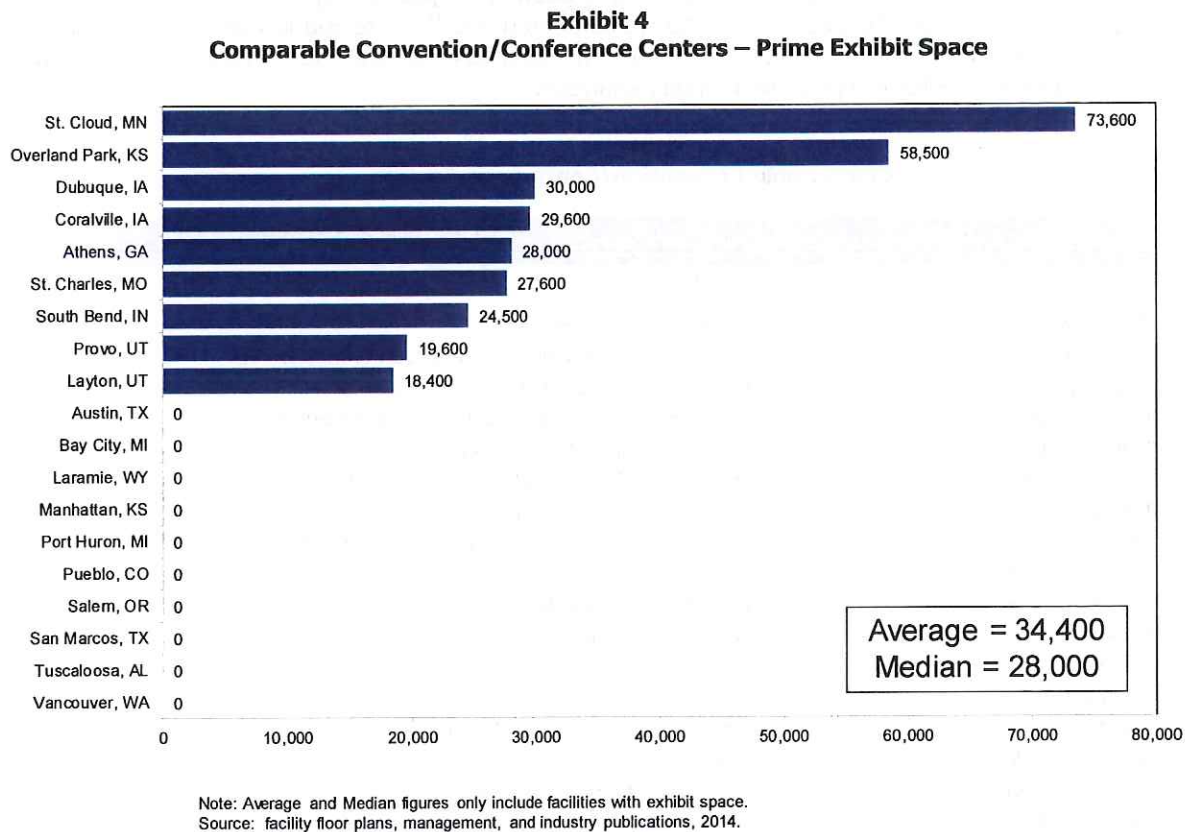
City, State	Facility
Athens, GA	The Classic Center
Austin, TX	AT & T Executive Education and Conference Center
Bay City, MI	DoubleTree Hotel and Conference Center
Coralville, IA	Coralville Marriott Hotel and Conference Center
Dubuque, IA	Dubuque Grand River Center
Laramie, WY	University of Wyoming Conference Center
Layton, UT	Davis Conference Center
Manhattan, KS	Hilton Garden Inn Manhattan & Manhattan Conference Center
Overland Park, KS	Overland Park Convention Center
Port Huron, MI	Blue Water Convention Center
Provo, UT	Utah Valley Convention Center
Pueblo, CO	Pueblo Convention Center
Salem, OR	Salem Conference Center
San Marcos, TX	San Marcos Conference Center
South Bend, IN	Century Center
St. Charles, MO	St. Charles Convention Center
St. Cloud, MN	River's Edge Convention Center
Tuscaloosa, AL	Bryant Conference Center
Vancouver, WA	Vancouver Conference Center

Each of the listed facilities is located in a market that is similar to the Lawrence area, with respect to population size, geographic proximity to other metropolitan areas and/or facility size/characteristics. As available, operational data was obtained and analyzed from these facilities and host communities to assist in the understanding of the operational characteristics of a potential new convention/conference center in Lawrence.

Case studies of the selected facilities are presented in Appendix A, highlighting the physical facility, use, funding and operational data that was obtained.

Exhibit Space

Exhibit 4 presents a comparison of total prime exhibit space offered among the comparable facilities reviewed.

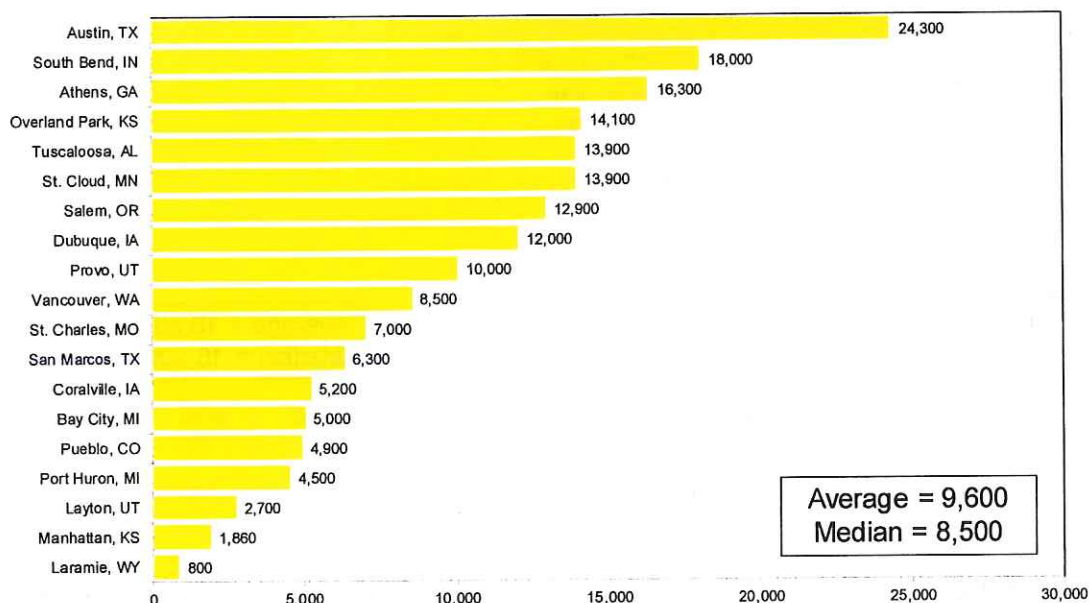


As presented, the River's Edge Convention Center in St. Cloud, Minnesota incorporates the largest amount of prime exhibit space with 73,600 square feet, followed by the Overland Park Convention Center in Overland Park, Kansas with 58,500 square feet. Ten comparable facilities do not offer any prime exhibit space. The average amount of exhibit space offered at facilities offering prime exhibit space is approximately 34,400 square feet and the median square feet of exhibit space among the facilities offering such space is approximately 28,000 square feet.

Meeting/Ballroom Space

Sufficient modern meeting and ballroom space is very important in attracting and accommodating events in the convention, conference and meetings industry. Event organizers see it as an important factor in their selection of host cities. The inclusion of some meeting/banquet/multipurpose space is typically necessary to allow the facility to compete for important economic impact generating events with attendees originating from outside the local area. Exhibit 5 compares the square footage of breakout meeting space offered among the comparable facilities.

Exhibit 5
Comparable Convention/Conference Centers – Breakout Meeting Space



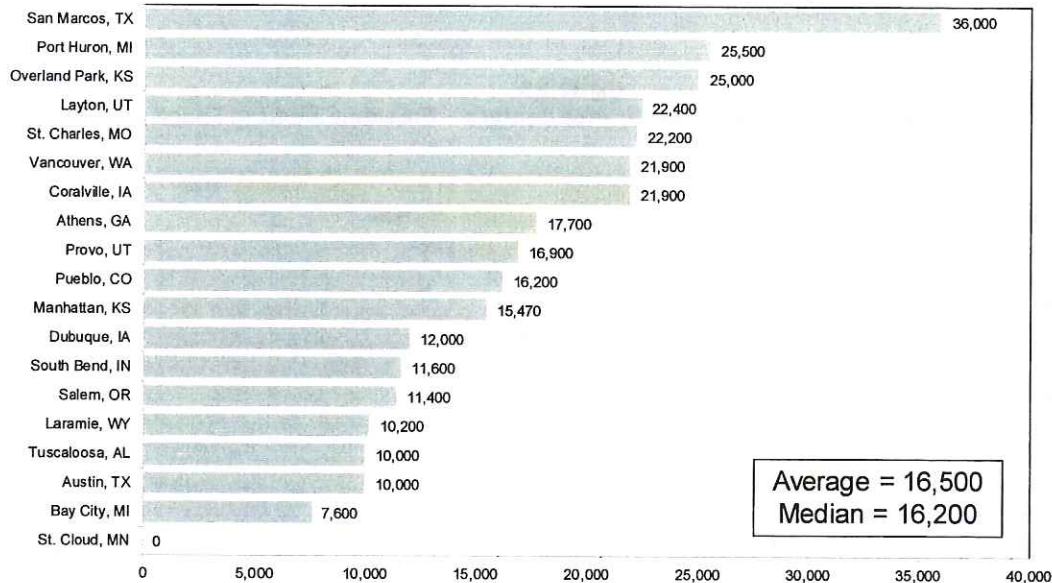
Note: Average and Median figures only include facilities with meeting space.
Source: facility floor plans, management, and industry publications, 2014.

The level of meeting space ranges from approximately 800 square feet at the University of Wyoming Conference Center in Laramie, Wyoming, to 24,300 square feet at the AT&T Executive Education and Conference Center in Austin, Texas. On average, the comparable convention centers reviewed offer approximately 9,600 square feet.

Notably, the Overland Park Convention Center features 14,100 square feet of breakout meeting space, while the Manhattan Conference Center at the Hilton Garden Inn offers just under 1,900 square feet of such space. This variance may represent a potential market gap to consider for potential conference center development in Lawrence.

Another important characteristic reviewed by event planners when selecting a potential facility is the amount of available ballroom space. Exhibit 6 compares the square feet of ballroom space offered at the comparable facilities.

Exhibit 6
Comparable Convention/Conference Centers – Ballroom Space



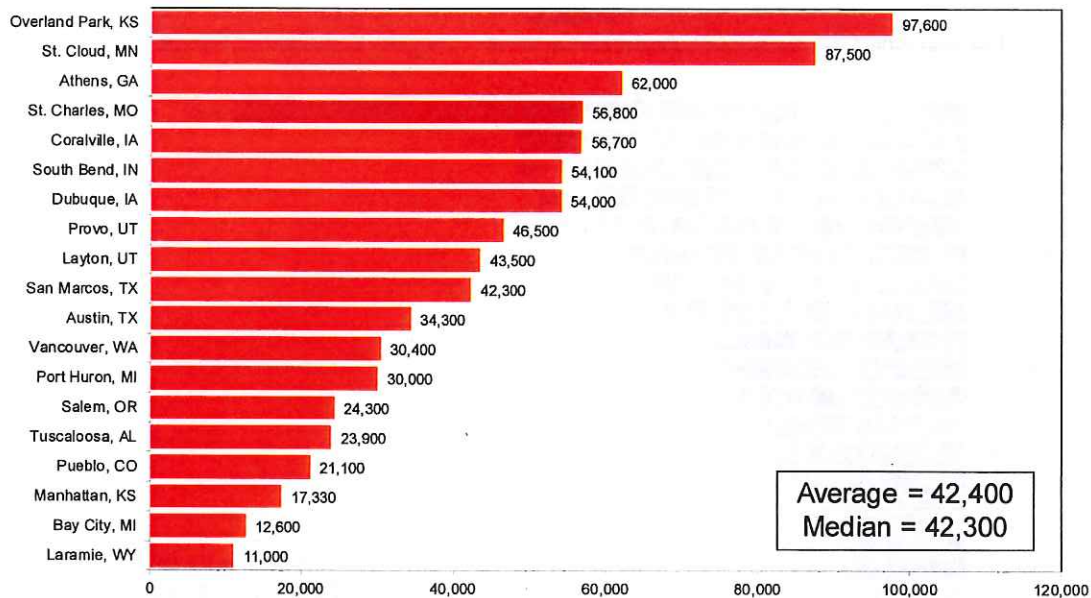
Note: Average and Median figures only include facilities with ballroom space.
Source: facility floor plans, management, and industry publications, 2014.

As presented, among facilities offering dedicated ballroom space, the San Marcos Conference Center in San Marcos, Texas offers the most ballroom square footage with approximately 36,000 square feet, while the DoubleTree Hotel and Conference Center in Bay City, Michigan offers the least with 7,600 square feet. The River's Edge Convention Center is the only facility without ballroom space. On average, comparable facilities offering ballroom space have approximately 16,500 square feet of ballroom space, with a median of 16,200 square feet.

Total Sellable Space

Exhibit 7 outlines a comparison of the total sellable space (i.e. exhibit, ballroom and breakout meeting space) offered at the comparable facilities reviewed.

Exhibit 7
Comparable Convention/Conference Centers – Total Sellable Space



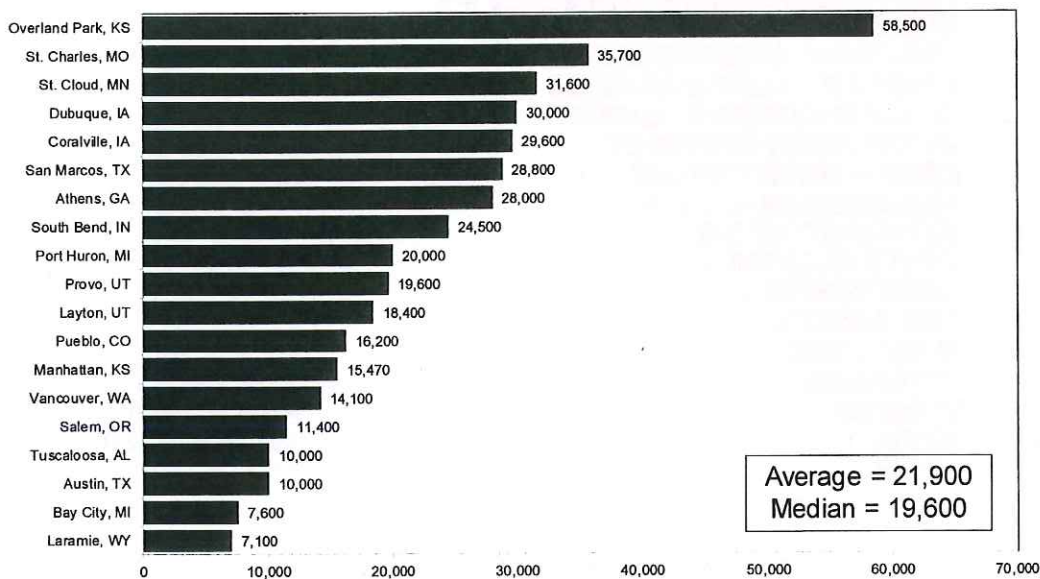
Source: facility floor plans, management, and industry publications, 2014.

The amount of total sellable space (exhibit, ballroom and breakout meeting space) offered at the comparable facilities reviewed averages approximately 42,400 square feet, with a median of 42,300 square feet. Eleven of the facilities reviewed offer between 30,000 and 62,000 square feet. The largest facility in terms of total sellable space is the Overland Park Convention Center, which offers approximately 97,600 total sellable square feet. The University of Wyoming Conference Center in Laramie, Wyoming offers the least amount of total sellable space, with approximately 11,000 square feet.

Largest Contiguous Space

It is also useful to assess the largest contiguous event space within a convention facility, as oftentimes the primary concern of event planners is whether a convention facility has a room sized appropriately to accommodate their specific event, regardless of the floor covering and/or wall treatments. Exhibit 8 outlines a comparison of the largest contiguous space offered at the comparable facilities reviewed, regardless of type of space (i.e. exhibit, ballroom or breakout meeting space).

Exhibit 8
Comparable Convention/Conference Centers – Largest Contiguous Space



Source: facility floor plans, management, and industry publications, 2014.

As shown, the largest contiguous space available among the comparable facilities reviewed ranges from approximately 7,100 square feet at the University of Wyoming Conference Center to 58,500 square feet at the Overland Park Convention Center. The Manhattan Conference Center at the Hilton Garden Inn offers a moderately sized ballroom of approximately 15,500 square feet. Nine out of the 19 reviewed facilities feature a single space that is at least 20,000 square feet. On average, the largest contiguous event space offered at the facilities is 21,900 square feet.

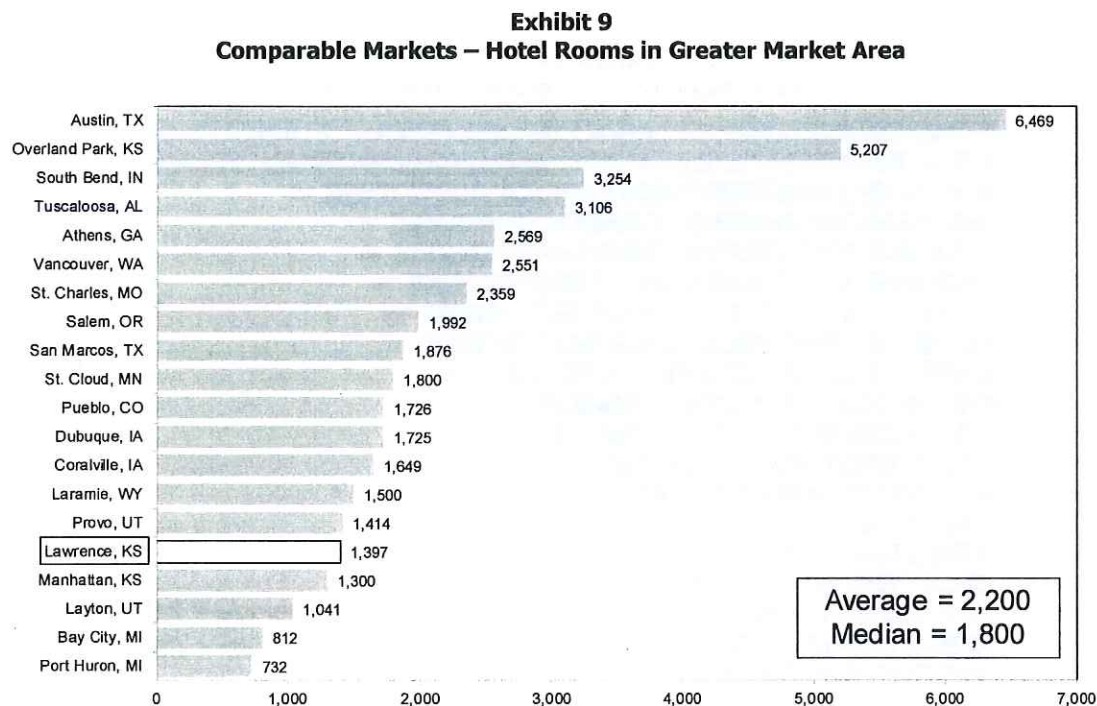
Comparable Market Hotel Inventory Analysis

As previously mentioned, a community's hospitality infrastructure contributes heavily to the potential success of a convention/conference center. The availability of hotel rooms to serve the requirements of the convention industry is a critical factor in the success of a public assembly facility. As such, we have conducted a detailed analysis of hotel room inventory among the comparable markets reviewed. The inventory of hotel rooms in a community is measured in many different ways, including:

- Greater market area hotel rooms; and
- Headquarter hotel rooms;
- Hotel rooms within ½-mile of the convention facility.

Greater Market Area Hotel Rooms

Exhibit 9 details the total number of available hotel rooms in each of the comparable markets.



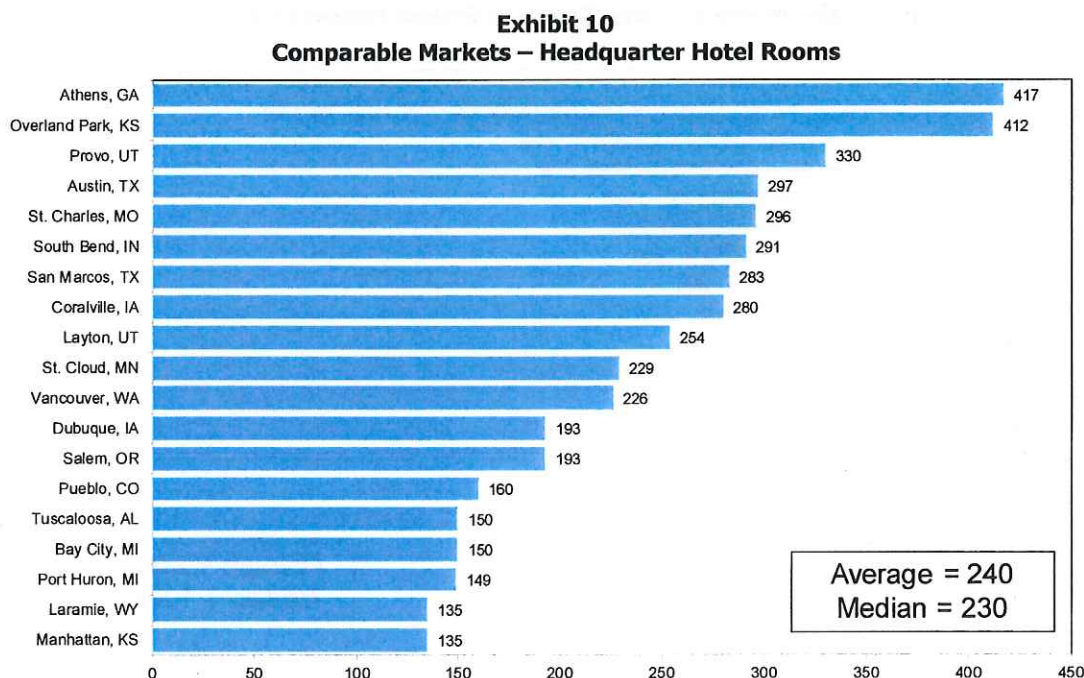
Source: facility floor plans, management, and industry publications, 2014.

As shown in the exhibit, the Austin, Texas market features the largest hotel room inventory among the comparable markets with 6,500 total rooms. The 732 rooms offered in Port Huron, Michigan represent the smallest number of rooms offered within the comparable markets reviewed. The average number of market-wide hotel rooms among the comparable locations is approximately 2,200 while the median is about 1,800. As previously discussed and shown above, the Lawrence market offers approximately 1,400 total sleeping rooms, which ranks 16th among the 20 markets evaluated. It may be important to consider the

development of additional hotel inventory within the Lawrence market to better attract and accommodate events that would consider the use of a Lawrence-based conference facility.

Headquarter Hotel Rooms

From a non-local event planner's perspective, the availability of quality, headquarters hotel support is normally critical when considering a destination. In most cases, the headquarters hotel is considered most desirable if the hotel is physically attached to the convention/conference facility, providing a "seamless" experience for overnight event attendees (i.e., drive into town, park at the hotel, check into the hotel, walk through the hotel lobby into the convention center and attend functions, etc.). The host event facility product and destination becomes less appealing (within the context of competitive destinations) if event attendees are required to either drive or walk long distances to their hotels from the convention/conference center. This becomes intensified in markets with inclement weather such as extreme heat or cold. It is for this reason that most convention/conference centers (particularly those in mid-sized and large markets) have one or more full-service headquarters hotel property physically attached. Exhibit 10 presents the number of hotel rooms attached (either within the same physical structure, or connected via skyway/connection) or directly adjacent to the comparable facilities.



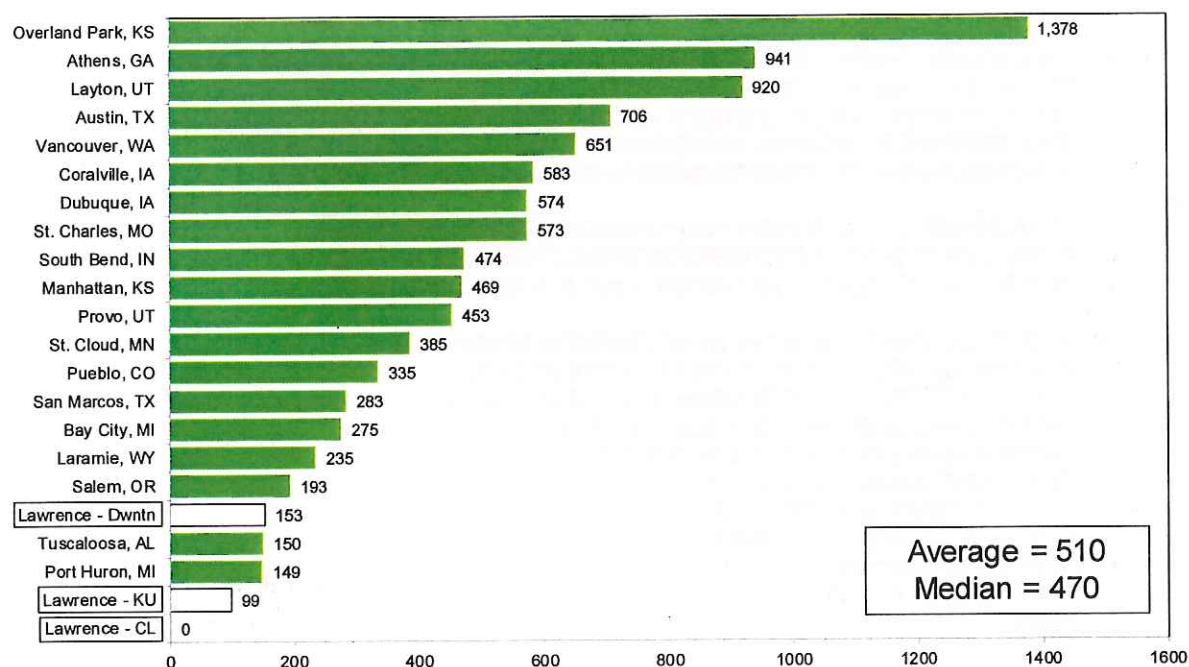
Source: facility floor plans, management, and industry publications, 2014.

As shown, every reviewed market features some kind of headquarter hotel property that specifically serves the clientele at a convention/conference facility. The Classic Center in Athens, Georgia and the Overland Park Convention Center are the only facilities reviewed that offer over 400 headquarter hotel rooms. The Manhattan Conference Center at the Hilton Garden Inn and the University of Wyoming Conference Center in Laramie, Wyoming offer the fewest headquarter hotel rooms with 135 rooms each. The average number of rooms is approximately 240, while the median is 230.

Hotels Rooms within 1/2-Mile of the Convention Facility

While some event planners require their entire room block be accommodated within a single hotel property, other events (especially those with a large number of out-of-town attendees) may stay in multiple hotel properties around the convention/conference center. It is thus advantageous for a facility to have additional hotel support within walking distance from the event facility. Exhibit 11 shows the number of hotel rooms within walking distance (one-half mile) from the comparable event facilities reviewed.

Exhibit 11
Comparable Markets – Hotels within Walking Distance (One-Half Mile)



Note: Lawrence CL denotes proposed facility location near Clinton Lake.
Source: facility floor plans, management, and industry publications, 2014.

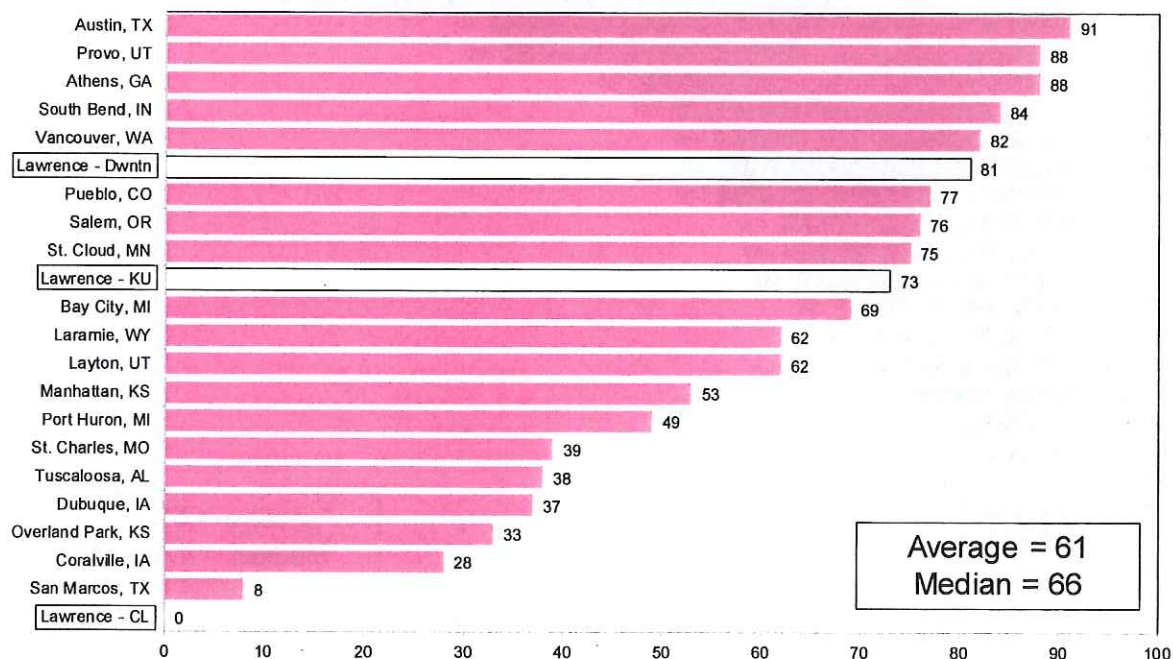
As shown, the Overland Park Convention Center has the greatest number of hotel rooms within walking distance with nearly 1,400 rooms. The average number of rooms within a half-mile is 510, while the median is 470. Interestingly, the proposed convention/conference center location at Clinton Lake would make Lawrence the only market without any hotel room support within one-half mile of its facility. The proposed Downtown location would feature the most such rooms within walking distance, with just over 150 rooms within a half mile of the site.

Additional information related to the location and level of proximate hotel support associated with comparable convention center facilities is presented in Appendix B at the conclusion of this report document.

Local Area Accessibility

Exhibit 12 represents an informal guide to the level of amenities within walking distance of the comparable convention centers reviewed. The Walk Score outlined below measures how pedestrian-friendly an area is, with the highest score of 100 (most pedestrian friendly) and lowest score of zero (least pedestrian friendly). The maximum score is given for amenities within one-quarter mile of the venue, with no points awarded for amenities outside of a one-mile radius. Factors influencing walkability include the presence and quality of footpaths, sidewalks, traffic and road conditions, land use patterns, building accessibility, and safety, proximity to amenities such as restaurants, parks, hotels, schools, etc.

Exhibit 12
Comparable Markets – Walkability Score



Note: Lawrence CL denotes proposed facility location near Clinton Lake.
Source: Walkscore.com, 2014

The AT&T Executive Education and Conference Center in Austin, Texas has the highest walkability score of 91 points, while the area surrounding San Marcos Conference Center received the lowest score of 8 points. The comparable facilities reviewed averaged a score of approximately 61 and produced a median of approximately 66.

It is important to note the variance in scores relating to potential sites for the proposed Lawrence conference center (to be discussed in a subsequent chapter), with the identified Clinton Lake location scoring a zero, the Downtown site scoring highest with an 81 score, and the University of Kansas campus site scoring second with a score of 73. While many other factors come into place when evaluating individuals sites for a new conference center and/or hotel development, this type of metric can be useful in a preliminary assessment of the proximity and density of critical visitor amenities that, in turn, can contribute to the marketability and performance success of a conference center project.

Demographic Benchmarking

A primary component in assessing the success of a potential conference center in Lawrence is the demographic and socioeconomic profile of the local market. To gain an understanding of the relative strength of the Lawrence market area, it is useful to compare various demographic and socioeconomic characteristics among the comparable markets supporting convention/conference centers. Exhibit 13 summarizes the population, average household income, median age and corporate base present within the city, county, 30-minute drive time, 90-minute drive time and 180-minute drive time of the venues in the 19 comparable markets, as well as where Lawrence fits in relative to those comparable markets.

Exhibit 13
Comparable Convention/Conference Facilities – Demographics Summary

	Comparable Markets				Lawrence, KS		
	Low	High	Average	Median	Estimate	% of Avg	Rank (out of 20)
Population							
City	19,200	843,100	124,800	71,600	89,626	72%	10
County	37,500	1,105,600	283,300	179,600	113,576	40%	16
30-Minute Drive	36,500	1,671,700	547,800	349,000	231,341	42%	13
90-Minute Drive	411,800	4,575,200	2,607,400	2,748,100	2,727,792	105%	11
180-Minute Drive	2,756,900	18,747,200	7,305,900	5,754,500	4,868,717	67%	13
Average Household Income							
City	\$40,500	\$101,400	\$58,900	\$56,900	\$61,419	104%	8
County	\$49,000	\$100,600	\$68,700	\$67,500	\$65,986	96%	11
30-Minute Drive	\$55,000	\$83,900	\$66,100	\$65,300	\$66,661	101%	10
90-Minute Drive	\$58,400	\$82,700	\$71,000	\$72,200	\$71,317	100%	12
180-Minute Drive	\$57,300	\$81,700	\$70,700	\$71,500	\$64,922	92%	16
Median Age							
City	23.5	38.5	32.0	33.0	27.5	86%	7
County	24.8	42.4	33.8	34.0	29.1	86%	5
30-Minute Drive	25.2	41.8	34.3	33.6	33.3	97%	10
90-Minute Drive	29.6	40.0	36.3	37.0	36.5	100%	8
180-Minute Drive	29.7	39.4	36.5	37.2	37.0	101%	9
Corporate Base							
City	1,610	84,730	10,310	5,100	5,405	52%	10
County	3,490	111,540	22,230	12,230	7,182	32%	17
30-Minute Drive	6,700	165,840	43,490	21,330	14,775	34%	14
90-Minute Drive	45,540	424,750	204,330	199,190	192,569	94%	12
180-Minute Drive	213,160	1,184,260	545,230	475,650	349,377	64%	17

Source: Esri Business Analyst 2014

As shown, the average population within a 30-minute drive of the 19 comparable facility markets is just under 548,000. Lawrence has a population of approximately 231,300 within a 30-minute drive of the proposed Downtown site along Massachusetts Street, which ranks just below the comparable set's average. Additionally, Lawrence ranks near the middle for city, 90- and 180-minute drive time population sizes among comparable markets. Average household incomes, median age and corporate base are also displayed to help better demonstrate the market conditions of Lawrence relative to the 19 other comparable

facility markets. As reported on the right hand side of Exhibit 13, Lawrence ranks favorably (9th place or better) among the compared markets for five out of the 20 factors measured.

Additional demographic detail regarding the comparable markets can be found in Appendix C at the conclusion of this document.

Conclusions

An analysis was conducted of the various physical characteristics and resources of a set of both competitive and comparable facilities and communities. Throughout the country, public sector investment in convention/conference product development is increasingly targeting both convention/conference facility (bricks/mortar and policies/procedures) and its supporting visitor amenities (hotel, restaurants, entertainment, attractions, etc.)—all geared towards enhancing destination/product attractiveness compared to other competitive destinations. Public and private sector investment in communities of all sizes throughout the country have included expanded or new convention/conference centers, as well as substantial investment in enhancing the convention/conference product's supporting amenity infrastructure, including incentivizing appropriate headquarter hotel products and entertainment/mixed use districts and infrastructure nearby the convention/conference center.

As compared to other states in the country, the amount of competitive convention/conference facility product in Kansas is estimated to be relatively low. Specifically, most of the square footage of convention/conference space in the state is concentrated in the Kansas City Metro Area (which mostly resides in Missouri). There are limitations throughout the remainder of the state with respect to sizeable, modern, state-of-the-industry convention/conference center facility product. These are important issues when considering the market potential for new conference center product in Lawrence and its ability to compete for in-state and regional convention, tradeshow, conference and meeting business.

Overall, the city of Lawrence ranks near the median for many regional demographic characteristics (among the demographic metrics evaluated) relative to those of the host markets of both the competitive/regional and comparable facilities evaluated. Likewise, in comparing the one-hour, two-hour and four-hour drive radiuses of comparative markets, Lawrence similarly ranks near the median across a variety of demographics.

Due to their proximity to the Lawrence market, quality and amount of event space offered, and the type of event business each facility pursues, The Manhattan Conference Center at the Hilton Garden Inn, the Overland Park Convention Center, and large Kansas City area hotels represent the primary competition to a potential new conference in Lawrence. This being said, Lawrence's destination is unique and differentiated from other Kansas and Missouri destinations. Further, extensive conversations with in-state meeting planners (relative to those with planners in other states, as will be discussed in the subsequent chapter of this report) suggest that Kansas events often have more flexibility in their consideration of host destinations and would look forward to a quality option in Lawrence. These are important issues when considering the market potential for a new conference center project in Lawrence and its ability to compete for in-state and regional convention, tradeshow, conference and meeting business.

5.0. MARKET DEMAND ANALYSIS

The purpose of this chapter is to provide an analysis of the estimated market demand for a potential new conference center in Lawrence. The overall market analysis consisted of detailed research and analysis, including a comprehensive set of market-specific information derived from the following:

- ✓ Experience garnered through more than 500 convention/conference facility projects throughout the country.
- ✓ Local market visit at the outset of the project, including community and potential site tours.
- ✓ In-person interviews and meetings with Lawrence area individuals, including City and KU leadership and staff, the Lawrence Convention and Visitors Bureau, the Chamber of Lawrence, the World Company, potential local facility users, management of existing primary local hotel and conference facility venues, and other local visitor industry stakeholders.
- ✓ Research and analysis of local market conditions.
- ✓ Analysis of facility data obtained from nearly 35 competitive and comparable conference center facilities and host community destination marketing organizations (DMOs).
- ✓ Comparative analysis of socioeconomic data from competitive/regional and comparable facility markets.
- ✓ Completed a detailed telephone survey consisting of telephone interviews of representatives of state and regional organizations, collecting data pertaining to more than 100 recurring, rotating conventions, conferences, exhibitions, meetings and other large events that represent Lawrence's primary potential non-local event market.
- ✓ Completed detailed telephone interviews with members of Meeting Planners International, consisting of independent and corporate meeting planners from around the state of Kansas and representing nearly 250 rotating events.

The focus of much of the remainder of this chapter is focused on quantified survey data associated with the two primary groupings of telephone surveys completed for this study: state/regional event planners and Meeting Planners International-affiliated independent and/or corporate event planners. These events would be expected to represent the logical targets for new non-local, economic impact generating activity for a Lawrence convention/conference center. Additional survey data, including extensive verbatim survey responses, is provided at the conclusion of this report in Appendix D.

State and Regional Event Survey Research

The purpose of this section is to provide a summary of the survey research conducted with respect to a potential new conference center in Lawrence. Specifically, detailed telephone interviews were completed with event planners representing key event segments that could use new conference space in Lawrence. This survey-based technique provides a detailed understanding of potential user needs, their willingness to use a potential Lawrence facility, as well as overall perceptions of Lawrence as a potential host community for their event.

Given Lawrence's local market characteristics and the event profiles of other comparable convention/conference facilities in similar markets, it is believed that the primary non-local event markets for a new conference center in Lawrence would be events hosted by state and regional groups. While local events tend to be the largest users of facilities, they generate little new economic impact for host

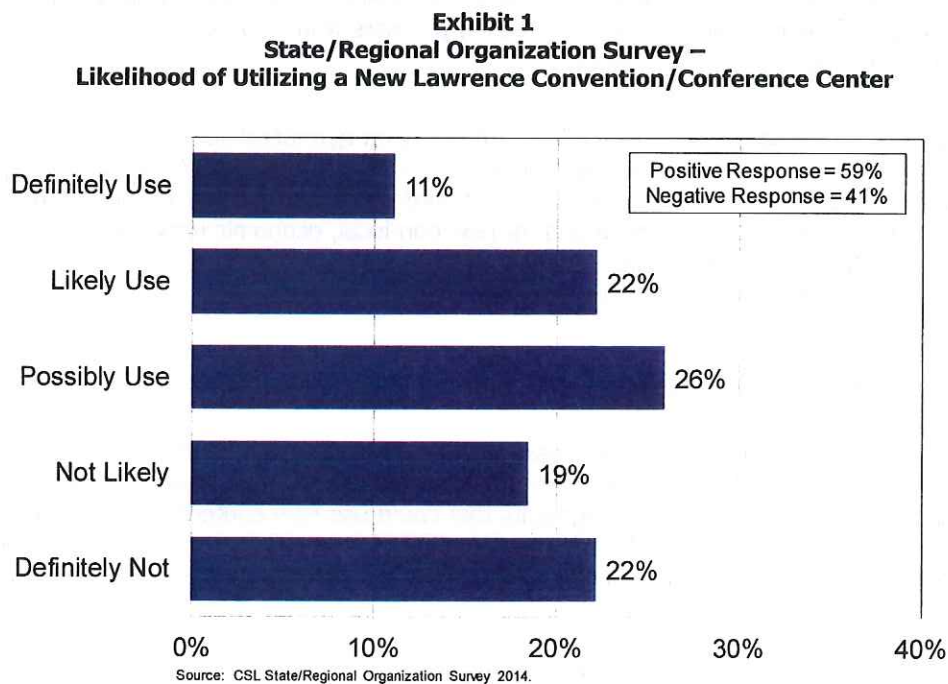
communities (as opposed to the hotel room nights and new spending generated by non-local event attendees and exhibitors). As such, estimation of the market demand associated with non-local state and regional groups is normally of particular interest for communities like Lawrence who are evaluating new conference center development.

In order to test the potential event market for a new conference center in Lawrence, a detailed telephone survey was conducted with planners of state and regional conventions, conferences and tradeshow. The survey resulted in over 55 completed interviews with state and regional planners, representing more than 100 rotating events. Surveyed groups included professional associations, SMERF (social, military, education, religious, fraternal) groups, government groups, nonprofits and other producers of rotating events.

A primary objective of the survey of the state and regional organizations was to ascertain their perceived interest in using a new conference center in Lawrence for one or more future events. The events identified through the state and regional surveys were analyzed in terms of potential for being held in Lawrence and in terms of attributes unique to the individual events. The survey results produced information on the likelihood concerning state and regional organization planners rotating their event(s) to Lawrence, as well as specific event characteristics of those events that represent the potential event markets. Further detail relating to event planners' responses is presented in Appendix D.

Likelihood of Utilizing a New Convention/Conference Center in Lawrence

State and regional organization planners were asked to indicate the likelihood of their organization using a potential new Lawrence conference center, assuming it and the area's hotel inventory meets the needs of their event(s). Responses related to state and regional groups surveyed are presented in Exhibit 1.



The overall positive interest by respondents in rotating one or more events to Lawrence if sufficient facility space and hotel inventory existed is 59 percent. Specifically, 11 percent indicated their group would "definitely" hold an event in Lawrence, 22 percent "likely", 26 percent "possibly", 19 percent "not likely", and 22 percent "definitely not".

Based on other surveys that CSL has completed in recent years, Lawrence's response is characterized as a moderately-strong overall interest level. Exhibit 2 displays Lawrence's interest level in comparison to other similar markets.

Exhibit 2
State/Regional Organization Survey –
Interest Level Comparison with Other Studies

		Past CSL State/Reg. Telephone Surveys 60 Comparable Markets			
		Lawrence, KS			
		AVERAGE	MEDIAN	Low metric	High metric
Interest Levels:					
Definitely Use	11%	10%	8%	0%	33%
Likely Use	22%	13%	12%	3%	29%
Possibly Use	26%	28%	28%	9%	44%
Not Likely Use	19%	25%	25%	7%	48%
Definitely Not Use	22%	23%	23%	0%	48%
Positive Response	59%	51%	49%	21%	86%
Strength of Interest	2.72	2.21	1.91	0.54	4.50
Population Basis	0.81	1.16	1.10	0.38	3.25
Demand Index	2.21	2.43	2.13	0.54	7.82

Ames, IA
Appleton, WI
Arlington, VA
Bellevue, WA
Bemidji, MN
Boise, ID
Boulder, CO
Branson, MO
Carbon County, UT
Charleston, WV
Covington, KY
Cullman, AL
Davis County, UT
Fairbanks, AK
Franklin, KY
Grand Junction, CO
Hammond, LA
Havre, MT
Henderson, NV
Hendersonville, NC
Hendricks Cty., IN
Homer, AK
Hoover, AL
Jackson, MI
Jacksonville, FL
Lansing, MI
Laredo, TX
Lewistown, MT
McAllen, TX

Midland, TX
Moore County, NC
Muskegon, MI
New Braunfels, TX
New Haven, CT
New Iberia, LA
Oklahoma City, OK
Owatonna, MN
Palmer, AK
Park City, UT
Pinehurst, NC
Plainfield, IN
Port Huron, MI
Provo, UT
Richmond, IN
Roseville, CA
Salisbury, NC
Sarasota, FL
Sioux Falls, SD
Slidell, LA
St. Charles, MO
St. Cloud, MN
St. Paul, MN
Stillwater, OK
Temple, TX
Waterbury, CT
Watertown, SD
Wichita, KS
Vermillion, SD

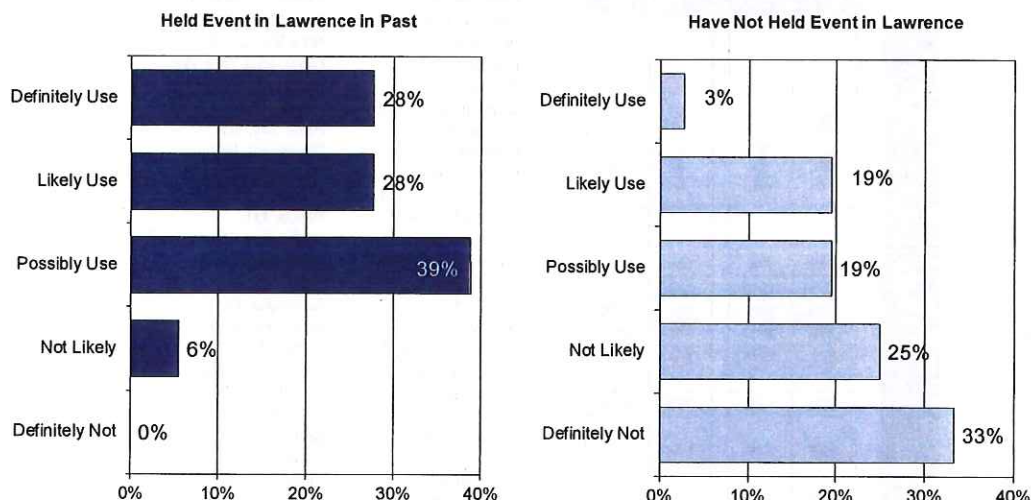
As presented in the exhibit, Lawrence's overall positive response percentage ("definitely," "likely," and "possibly") of 59 percent is higher than the average of the similar study surveys conducted. Further, while the overall positive response percentage is useful in comparatively evaluating the general interest in a particular destination, it is important to recognize differences in the "strength" of specific stated interest. To better assess these variations, a formula was developed to consider the "strength of interest," whereby a weighting system is applied to positive responses. The highest weight is applied to a "definitely use" response, while the lowest weight is applied to a "possibly use" response. Using this method, Lawrence again measures above the average of all surveys included in this comparison in terms of its "strength of interest" score (2.72 versus an average survey score of 2.21 and a median score of 1.91), reflecting stronger than average positive response percentages among the highest weighted categories (i.e., "definitely" and "likely").

As each convention/conference destination has a different population of rotating state/regional events, a "demand index" was formulated. The "demand index" uses the "strength of interest" score for each market

and weights it against the estimated population base of rotating events. The resulting demand index for a potential new conference center is 2.21, which is below the average survey score of 2.43, but above the median, among the telephone surveys completed for comparable projects throughout the country. It is important to note that this analysis is a characterization of comparative gross demand, but does not take into consideration (1) competition from other regional convention/conference facilities, (2) the specific ability of a local community to accommodate this demand through its amenity package and the unique characteristics of the ultimately developed convention/conference center and its site characteristics, and (3) other quantifiable and non-quantifiable cost/benefit justifications for considering facility development.

The level of interest in a new facility in Lawrence varied by those organizations already utilizing Lawrence as a host market compared to those that have not. Exhibit 3 compares the likelihood of past Lawrence event facility users with those that have not previously held an event in Lawrence.

Exhibit 3
State/Regional Organization Survey –
Incremental Market Interest



Note: Percentages do not total to 100 percent due to rounding.
Source: CSL State/Regional Organization Survey 2014.

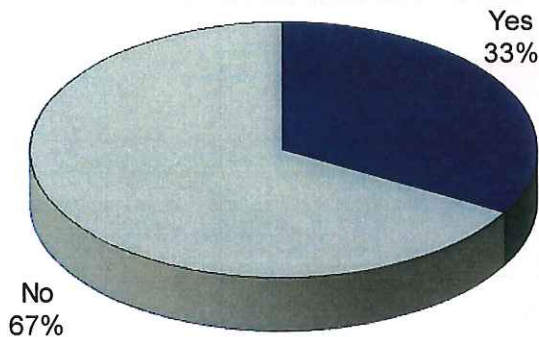
As shown, the interest level is higher for state and regional organizations that have held an event in Lawrence in the past, with a positive response of 95 percent, compared to 41 percent for organizations that have not held an event in Lawrence. This type of result is typical in nearly all surveys of this nature when all the respondents who have indicated using local market facilities for some event in the past are removed. In more than half of past CSL surveys involving comparable projects, the resultant positive response of groups that have never held events locally was less than the 41 percent indicated in Lawrence.

Further, some of the groups expressing positive interest in the left chart (those indicating having held an event in Lawrence at some point in the past) are not presently accommodated by Lawrence facilities (i.e., they have recently outgrown existing facilities or dates were unavailable at existing preferred facilities). An important benefit of a new Lawrence conference facility would be to host a greater number of *concurrent* events than the Oread Hotel, Holiday Inn and Conference Center, the University-focused KU Memorial Unions or other key convention facilities can presently accommodate within their individual facilities at the same time today.

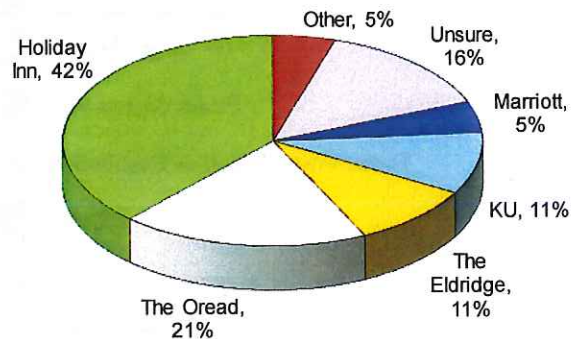
Exhibit 4 shows the facilities used by the surveyed groups that have previously held their event(s) in Lawrence, and where they held their event(s).

Exhibit 4
State/Regional Organization Survey –
Past Lawrence Facility Usage

Has the Organization Been to Lawrence in the Past?



Venue Used



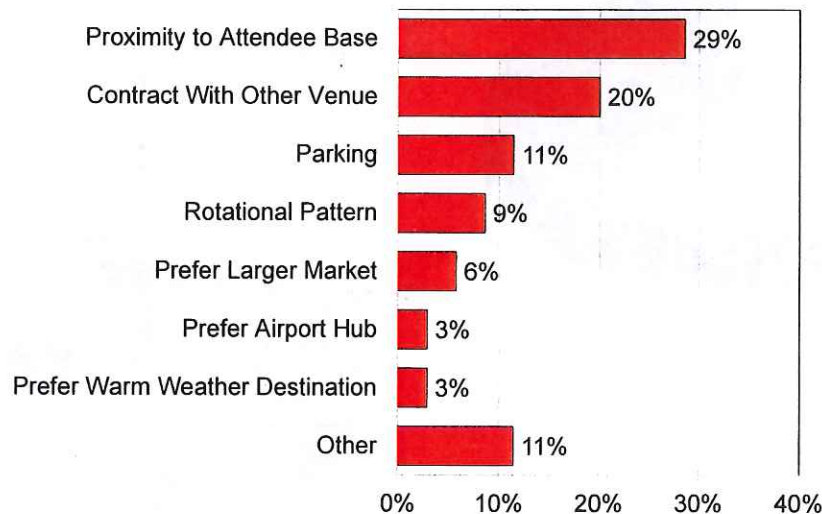
Source: CSL State/Regional Organization Survey 2014.

Of the surveyed groups, 33 percent had previously used Lawrence facilities for their event(s), while 67 had not. Facilities previously used by the surveyed groups include the Holiday Inn and Conference Center, which 42 percent of respondents had used, the Oread Hotel (21 percent), the Eldridge (11 percent) and the KU Memorial Unions (11 percent).

Reasons for Negative Interest in a New Convention/Conference Center in Lawrence

Event planners who indicated that they would not likely use a potential new conference center in Lawrence were asked to expand on their reasons. Based on survey results, reasons for not likely rotating to Lawrence for a future event varied among respondents. A summary of the reasons for not choosing Lawrence are illustrated in Exhibit 5.

Exhibit 5
State/Regional Organization Survey –
Reasons for Negative Interest in a New Conference Center in Lawrence



Note: Of those respondents with a negative interest in Lawrence.
Source: CSL State/Regional Organization Survey 2014.

Most cited reasons for organizations having negative interest include the market's distance to their respective attendee bases, pre-existing contracts with other venues, the lack of parking at the various Lawrence event facilities, and the pre-existing rotational pattern of events that excludes Lawrence as a host destination.

Some comments regarding negative interest included:

- We work with legislators and need to be close to the capital, we have delegates in from all over the state, and likely wouldn't ask them to travel elsewhere.
- Lawrence is not central enough.
- For our Fall meeting, college towns are very busy, and it causes a bit more difficulty logistically.
- Lack of parking availability, no major airport.
- Our attendees do not want to attend events that are too close to home.

Facility Space Requirements

While conducting interviews with various state and regional organizations, those respondents expressing a positive interest in Lawrence indicated their organization's approximate need for square footage according to type of facility space. These space requirements have been separated into the need for exhibit space, ballroom space, meeting space and total sellable space. Additional survey data detail is provided in Appendix D at the conclusion of this report.

An important part of evaluating the feasibility of a new conference center in Lawrence is understanding what portion of Lawrence's measured market demand might represent incremental non-local event activity in the community. This analysis is shown in Exhibit 6 for Lawrence's state/regional market. For contextual purposes, the measured market demand that cannot technically be accommodated by Lawrence's primary (largest) existing traditional conference center product (Holiday Inn and Conference Center) is shown in gray shading below.

Exhibit 6
State/Regional Market Demand Characteristics Versus Existing Supply

	Lawrence State/Regional Market Capture								
	20%	30%	40%	50%	60%	70%	80%	90%	100%
Exhibit Space	0	0	2,400	6,000	8,000	10,400	13,800	19,600	20,000
Ballroom Space (exhibition)	1,100	1,200	1,500	2,300	3,000	3,800	4,500	5,500	10,500
Combined BR/Ex. Space	1,000	1,200	3,000	6,000	8,200	12,200	15,900	22,500	30,500
Meeting Space	800	1,500	1,900	3,300	4,300	5,100	6,500	12,700	22,200
Total Event Space	2,400	4,000	6,300	11,100	14,000	17,900	24,400	31,300	45,500
Total HQ Hotel Rooms	20	30	40	50	70	120	150	230	700
Hotel Rooms w/in Single Property	20	20	30	40	50	60	110	230	400

As shown in the exhibit, if we were to assume that all the state and regional groups with exhibits that are interested in Lawrence were willing to use the 12,900 square feet of ballroom space available between the Brazilian and Regency Ballrooms at the Holiday Inn and Conference Center, these spaces could technically accommodate the entire measured market. However, it is important to recognize that many of these groups have concurrent space needs and many require a ballroom/banquet hall for food functions and/or general assemblies. Examining the measured market's space needs of combined ballroom and exhibit space suggests that the Holiday Inn's multipurpose space could accommodate approximately 70 percent of the market.

In terms of total sellable space, the 13,500 square feet at the Holiday Inn and Conference Center can accommodate only 50 percent of Lawrence's potential market. This percentage decreases slightly primarily due to its lack of existing breakout meeting space (600 square feet) that meets the demand of less than 20 percent of interested state and regional events.

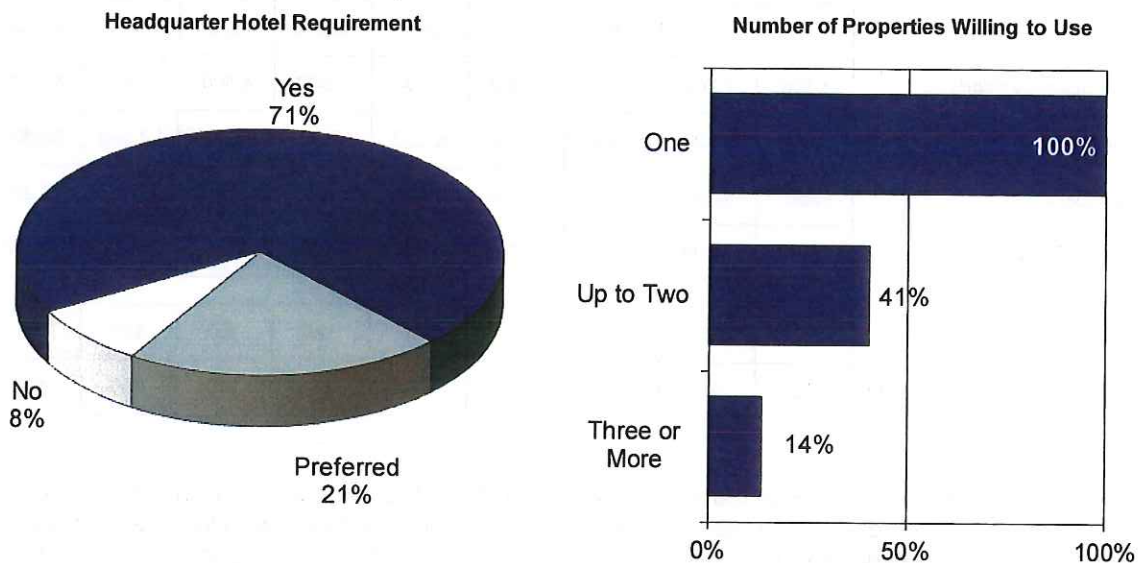
As previously discussed, any new conference center will require the support of a quality headquarters hotel in order to attract non-local events. Ideally, the headquarters hotel would be physically attached to the conference center. An adjacent parcel (without a physical connection) would be next most desirable, but it should not be located any further than practical walking distance.

Hotel Requirements

As discussed throughout this report, one of the most important aspects in attracting conventions and conferences is the availability of committable, convention-quality hotel rooms. "Convention-quality" is a term that varies based on the particular community and type of group considered.

Exhibit 7 below shows a breakdown of survey respondent requirements of an attached headquarter hotel or a hotel property within three blocks of the conference center, as well as the number of hotel properties they are willing to use to accommodate their event.

Exhibit 7
State/Regional Organization Survey –
Hotel Requirements



Note: Of those respondents with a positive interest in Lawrence.
Source: CSL State/Regional Organization Survey 2014.

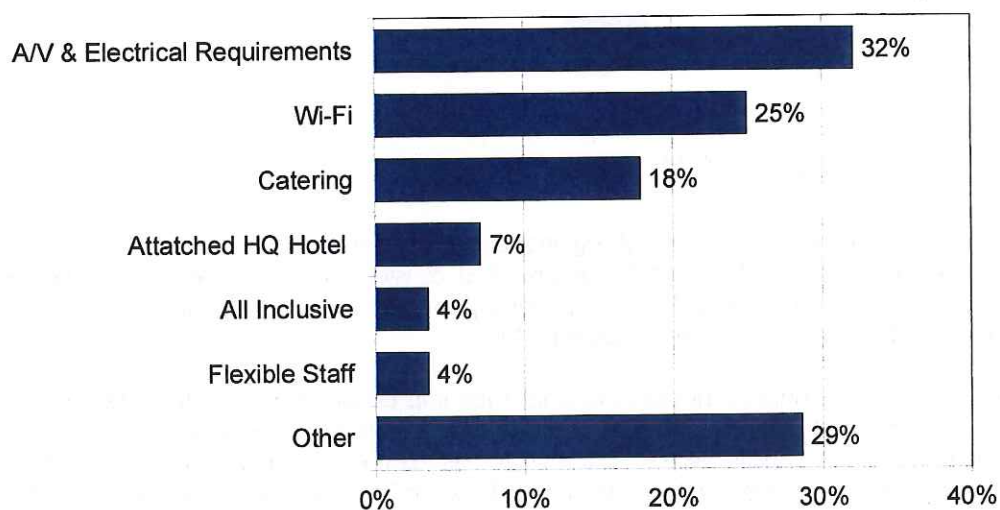
With 71 percent of positive respondents requiring a headquarters hotel and 21 percent indicating strong preference given to venues with a headquarter hotel, the survey data strongly suggest that most of Lawrence's potential state and regional event market would be lost without an appropriate headquarters hotel that is attached, adjacent or within very close walking distance to the conference center.

Although a headquarters hotel may oftentimes be required, state and regional organization events with a larger membership base may also use additional hotel properties in order to achieve their room blocks. As shown in Exhibit 7, approximately 59 percent of the potential state and regional organization market capture for Lawrence requires housing their entire room block within one hotel property, while 41 percent of the market would be willing to assemble a room block in more than one hotel. Should three hotels be required to accommodate the organization's room block, 86 percent of the potential market capture for Lawrence would be lost. Generally, groups with a large delegate attendance use multiple hotel properties, while a smaller group will typically only use one or two properties.

Open-Ended Questions

State and regional event planners were asked open-ended questions pertaining to preferences they have for amenities at a potential conference center. Exhibit 8 displays the most important amenities identified by state and regional event organizers with a potential interest in a new Lawrence conference center.

Exhibit 8
State/Regional Organization Survey –
Convention/Conference Center Amenity Preferences

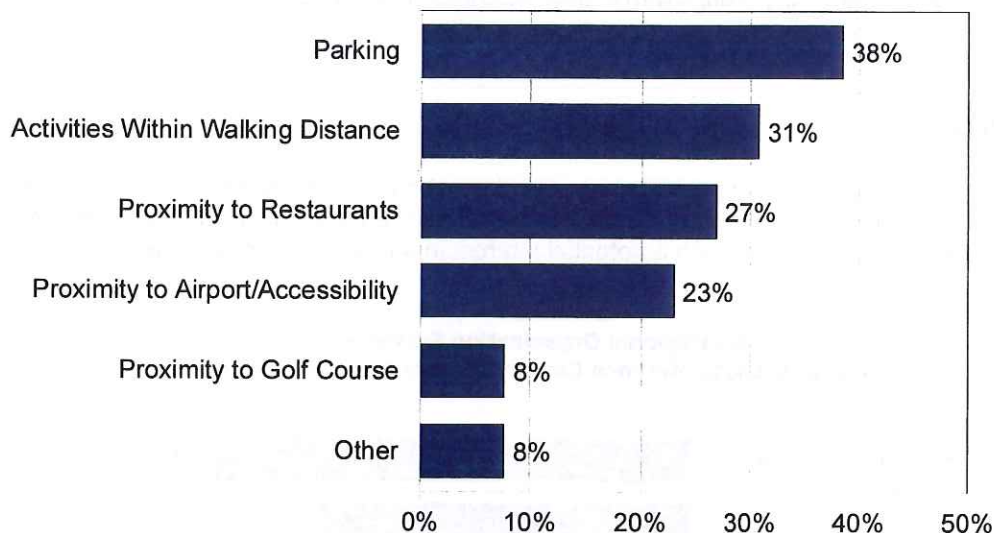


Note: Of those respondents with a positive interest in Lawrence.
Source: CSL State/Regional Organization Survey 2014.

As shown, A/V/electrical and Wi-Fi capabilities are the most important considerations for state and regional event planners when choosing a venue, with 32 and 25 percent respondents citing these features as preferred event venue amenities, respectively. Catering quality and an attached headquarter hotel property are the next two most important characteristics. Other issues of importance include all-inclusive services and a flexible/accommodating event venue staff.

State and regional event planners were also asked to describe the preferences they have for the area surrounding a conference center. Exhibit 9 displays the most important site location preferences as cited by state and regional event organizers.

Exhibit 9
State/Regional Organization Survey –
Convention/Conference Center Site Location Preferences



Note: Of those respondents with a positive interest in Lawrence.
Source: CSL State/Regional Organization Survey 2014.

As illustrated above, 38 percent of state and regional event planners consider a site's parking situation when considering a host venue, the most frequently cited consideration. Planners also indicated that activities/entertainment within walking distance, proximity to restaurant options and accessibility to an airport are important factors for a conference center site.

We also asked state and regional event planners what their impressions were specifically with respect to Lawrence as a potential host market. Shopping, restaurants, a walkable downtown, history, culture and proximity to the University of Kansas were specifically cited as features that add to Lawrence's appeal as a destination. Some meeting planners noted Lawrence's de-centralized location within the state of Kansas as a disadvantage, as well as its relative distance to/from a major airport. Importantly, respondents tended to prefer the downtown site for a potential conference facility as opposed to a location on KU's campus. A sample of the comments collected is presented below:

- Logistics would be easy and Lawrence is a nice market. Out-of-towners would prefer the downtown option rather than on campus. Accessibility and parking would be a big concern on campus, as well as walkability to the Lawrence's best restaurants and bars. We have the business, it is just a matter of finding an affordable, convenient facility and location that is large enough.
- Has a lot of amenities and a lot to offer as a destination.
- Great "little big city" feel. I like the idea of being downtown, but not on campus. It is hilly and confusing, but if located downtown the KU campus would still be accessible. I have mixed emotions, a lot of our guests' only connection with Lawrence is the rivalry between colleges.

- People love it there. A lot of people haven't been there and they always talk about looking forward to going there one day. The lack of airport access hurts them, though.
- Overall, it is a nice place to meet. It is a good location. Sporting events at the school may overcrowd the town some days though, and that may make driving and parking difficult.
- It is an exciting area with wonderful shopping, wonderful restaurants and great bars.

Additional responses to open-ended questions are presented in Appendix D.

Corporate Meeting Planners Survey

Corporate, independent and government meeting planners of nearly 250 annual events throughout the greater Kansas marketplace were also surveyed to ascertain their interest in utilizing a potential new conference center in Lawrence to host their event(s) and to collect pertinent event-related data, should an interest be expressed. Key findings from this research are summarized below:

- Events include: training events, sales conferences, developer conferences, awards banquets, holiday parties, and other such events.
- Planners conduct meetings and events year round, with the heaviest demand in spring and fall months.
- Independent meeting planners were generally interested in planning an event within the Lawrence market specifically for banquet purposes.
- At least 500 available hotel rooms in two or three hotel properties attached to and/or within close walking distance of the proposed facility would be sufficient to accommodate a significant bulk of meeting planner demand.
- A high end banquet space with contiguous space to hold up to 1,000 people is preferred by the largest interested corporate events.
- Other key criteria event planners have for the proposed facility:
 - Quality of nearby hotel properties.
 - Availability of parking.
 - Alcohol policy of KU campus.
 - Extensive WiFi capabilities.
- All interested event planners interviewed preferred a potential downtown location on Massachusetts Street over a University of Kansas campus location. Primary reasons given for this preference included:
 - The higher number of hotel rooms, restaurants, shopping centers and other amenities in downtown Lawrence as compared to the college campus.
 - Availability of parking was also perceived as much higher in the downtown area than on the campus. Planners worried that frequent school year athletic activities would crowd out parking spaces and raise parking rates.
 - The campus's alcohol policy would be a crucial factor in determining the planners' interest in the campus location; if providing alcohol at the facility would be prohibited, planners would most likely not hold their event there.

- An additional downtown hotel property attached to the proposed facility would be preferred.
- A designated parking lot downtown for the facility would be required by every interested event planner.

Conclusions

Given Lawrence's local market characteristics and the event profiles of other comparable convention/conference facilities in similar markets, it is believed that the primary non-local event markets for a new conference center in Lawrence would be events hosted by state and regional associations/organizations and corporate groups. While local events tend to be the largest users of facilities (in terms of the count of events hosted, i.e., hundreds of small meetings, banquets, receptions, etc.), they generate little new economic impact for host communities (as opposed to the hotel room nights and new spending generated by non-local event attendees and exhibitors). As such, estimation of the market demand associated with non-local state, regional, and corporate groups is normally of particular interest for communities like Lawrence who are evaluating new conference center development.

In order to test the potential event market for new conference center development in Lawrence, a detailed telephone survey was conducted with planners of state and regional conventions, conferences, tradeshows, meetings, and other events. The survey resulted in completed interviews with event planners representing nearly 350 potential rotating events, including more than 100 state and regional events and 250 independent and corporate events. Surveyed groups included professional associations, SMERF (social, military, education, religious, fraternal) groups, government groups, academic organizations, youth and amateur sports organizations, nonprofits, various corporations, independent event planners and other producers of rotating events.

Surveys of non-local groups with recurring events suggest moderately-high demand for a potential new conference center in Lawrence. Measured survey interest in Lawrence was higher than average and median interest levels associated with more than 60 telephone surveys conducted by CSL for other comparable facility studies. This measured Lawrence demand exceeds what can be accommodated by existing conference facilities in Lawrence, suggesting unmet market demand exists to support new conference center development. This result in new midweek, shoulder season and off-peak season visitation and generate more hotel room nights.

Importantly, it is believed that KU could be involved in several levels, particularly in terms of sponsorship/recruitment, satellite presence, having expanded/improved local venue to host KU-affiliated or academic events. Moreover, KU facilities have limitations and some incremental internal KU unmet demand exist; however, a greater opportunity is believed to exist for an off-campus project. The concentrated visitor amenity infrastructure on Massachusetts Street is the destination's strongest source of appeal to non-local groups, and the placement of a new conference facility there also ties in with greater downtown master planning principles and long-term revitalization efforts.

Appropriate attached headquarters hotel and proximate ancillary hotel support will be critical for any new conference center project, along with sufficient adjacent/proximate parking. A site that is proximate to support hotel infrastructure that leverages private sector investment could create substantial synergy and cost efficiency.

6.0. ANALYSIS OF PROGRAM, DEVELOPMENT OPTIONS & LOCATION

The purpose of this chapter is to outline a market supportable building program for the proposed new conference center in Lawrence, along with outlining a set of potential development scenarios that could represent options for project implementation.

Additionally, an assessment of potential site locations within Lawrence was conducted to determine what areas and/or sites might be best suited as a host location for the proposed conference center.

Market Supportable Building Program

The estimated conference center market indicated facility program is tied closely to the unique characteristics of the Lawrence market and the current/potential future hotel inventory and other area visitor amenities. Adjustments are made to reflect event segments that require hotel room blocks beyond the expected capacity of the Lawrence area. The resulting market indicated building program focuses on the levels of sellable space that would be necessary to accommodate potential measured convention, conference, meeting, exhibition, and special event demand for a Lawrence conference center.

The market supportable program represents a conference center facility that would be optimized in terms of size and finish to address the majority of Lawrence's measured market demand and to maximize economic impacts. The development scenarios, to be subsequently discussed, includes facility scope, size and model adjustments/variations from the market supportable model that would be necessitated depending on the ultimate framework and funding contribution of public and private participants.

For the market supportable program, support areas, such as lobby, circulation, storage, office and other areas, are not specifically itemized within this analysis; however, based on state-of-the-industry facility development standards, such support spaces normally require square footage roughly equal to the amount of *sellable* square footage incorporated in the building. For example, 30,000 square feet in sellable conference space would roughly require 60,000 square feet of gross facility space. Some efficiencies can be had via a combined hotel/conference center project, in terms of a lower than 2:1 ratio of total facility (gross) space versus total sellable (net) space through shared back-of-house, food service, lobby/circulation, and other such areas.

Based on the previous analyses undertaken, key aspects of a market supportable facility program for a potential Lawrence conference center are presented below.

- Multipurpose Room:
 - 20,000 to 25,000 square feet subdividable, column-free, carpeted, upscale space
 - 30-foot or higher ceiling height
 - Utility floor grids, independent loading/public access, climate control
- Breakout Meeting Rooms:
 - 10,000 to 12,500 square feet of breakout meeting space
 - Subdividable, upscale
- Sufficient pre-function, support and storage space
- Sufficient parking adjacent/proximate to support hotel and conference center (parking spaces = one per hotel room, plus approximately 500 spaces for the conference center)
- 150-room or larger full-service hotel attached, adjacent or closely proximate
- 300 or more hotel rooms in immediate area

Development Scenarios

In most cases throughout the country, the market supportable facility program associated with a convention/conference center product that is optimally sized to address overall non-local demand needs for a given market area significantly exceeds the size and scope of a facility project that a motivated private sector partner (e.g., hotel) would have an interest in participating in as the sole funding participant. Most convention and conference center projects that are large (in relative terms for the particular market) operate at a financial operating deficit (requiring public sector funding participation), and are intended to maximize economic impact. A private partner (typically the headquarters hotel investor/owner) normally is interested only in a conference space product that maximizes its ability to fill hotel room nights in its owned lodging asset. Conference space square footage that is in excess of this level provides hotel room nights that will be displaced to other hotel properties in the marketplace, and therefore, is not incrementally desirable for the private partner, as the lodging asset represents the primary profit center (i.e., "heads in beds") for the private owner.

For illustration of these concepts, Exhibit 1 presents a comparison of Lawrence's market supportable program, as compared to the industry-typical mix of conference/meeting space square footage integrated into various chain scale hotel products and that estimated to be market supportable in Lawrence.

Exhibit 1
Comparison of Lawrence Supportable Program with Industry Typical Private Sector Projects

Hotel Chain Scale:				Lawrence Market Supportable
	Upper-Midscale	Upscale	Upper-Upscale	Upscale or Upper-Upscale
Brand Examples:	Holiday Inn Express, Comfort, Hampton Fairfield, Best Western	Holiday Inn, Springhill Suites, Courtyard Marriott, Hilton Garden Inn	Embassy Suites, Hilton, Marriott, Renaissance, Westin, Hyatt	
Number of Guestrooms:	125	150	200	150-200
Food and Beverage:	Limited to None	Limited to Full Restaurant	Full Rest/ Room Service	Full Rest/ Room Service
Meeting Space (SF):				
Exhibit	0	0	0	0
Ballroom	0	3,000	8,000	20,000-25,000
Meeting	<u>1,500</u>	<u>2,000</u>	<u>10,000</u>	<u>10,000-12,500</u>
Sellable	1,500	5,000	18,000	30,000-37,500

The above chart highlights the differential between the conference space square footage that represents Lawrence's market supportable program and that which is integrated under industry-typical hotel models. The typical range of conference/meeting space square footage for a 200-room full service, upper-upscale chains scale property is approximately 18,000 square feet of carpeted upscale space (through a combination of ballrooms and breakout meeting rooms).

Conference space beyond the typical range of space developed (specifically, beyond the 5,000 square feet and 18,000 square feet of sellable space for the typical Upscale and Upper-Upscale chain scale hotel brands, as outlined above) will tend to increasingly burden the hotel's bottom line (as the space gets larger beyond typical ranges). The larger amount of conference space currently contemplated for the Lawrence conference center project should result in an unacceptable return-on-investment (ROI) for the typical hotel investor, resulting in a feasibility gap that will need to be bridged through other income/funding sources.

Further, the more any new Lawrence conference center project is "private sector-oriented", in terms of upfront capital and/or ongoing operational funding, the greater the need for program adjustments (largely in terms of square footage) in the conference center element. However, shrinking the conference center program significantly from the estimated "market supportable" program (as outlined herein) would be expected to result in lower economic impact generating potential and less differentiation from other local conference/meeting venues.

There are essentially four broad funding approaches to comparable convention/conference facility projects. They include:

1. Public sector led (construction costs and operating subsidies are funded by the public sector)
2. Public/private ongoing (a portion of construction and a portion of operating support is funded by the public sector)
3. Public/private upfront (all or a portion of construction is funded by the public sector, but there is no ongoing operating support required of the public sector partner)
4. Private sector led (construction and operating costs are paid for by the private sector)

In terms of a Lawrence project, if a new conference center project is expected to be operated by the private sector without public sector subsidy, adjustments will likely be required in facility sizing (relative to the previously outlined market supportable program). The adjusted program could approximate:

- Ballroom = 16,000 to 18,000 square feet
- Meeting rooms = 7,000 to 9,000 square feet
- Headquarters Hotel = 130-room or larger full-service or quasi-full-service hotel attached
- Supporting Hotels = 200 or more additional rooms within practical walking distance

For purposes of the remaining quantitative analyses, the following two development scenarios associated with a new Lawrence conference center have been developed.

3. Scenario 1: Stand-Alone Conference Center

- a. Public sector builds and owns conference center, located attached or near unrelated hotel
- b. Private sector manages via contract (i.e., qualified third party private management firm)
- c. Public sector funds operating shortfall
- d. Full market supportable space (30,000 to 37,500 square feet of sellable space)

4. Scenario 2: Public/Private Conference Center

- a. Public sector builds and owns conference center attached to hotel partner
- b. Hotel partner operates via lease agreement (or subcontracts to third party management)
- c. No ongoing public sector operating subsidy
- d. Reduced space (23,000 to 27,000 square feet of sellable space)

Each of these scenarios leverage the private sector's investment in the hotel asset and other planned elements of any larger development plan.

The full market supportable conference center building program is assumed under Scenario 1; however, while a private party would operate the space under contract, the public sector (for instance, the City) would be required to fund any operating shortfall on the conference center. This model would generate the highest economic impacts of the two models.

No public sector operating subsidy would be required under Scenario 2; however, conference center construction would be funded by the public sector partner and it would continue to own the conference center asset, structuring a long-term lease with the hotel partner.

Ownership and Management

Even under public/private partnership models, the large majority of conference center projects that have had all or a majority of their construction funding provided by public sector sources are owned by a public sector entity. While serving to remove the property tax burden from the hotel partner (enhancing the appeal of the business opportunity), the public sector entity maintains leverage in the public/private relationship and retains control of a valuable community asset. Under both Scenario 1 and 2, it is recommended that the City of Lawrence serve as the owner of any new conference center development.

In terms of a management model, a Scenario 1 conference center could be managed by the City or via contract with a qualified private management firm. The private manager could either be a traditional third party convention/conference center private management company or through the hotel management company that is under contract to manage the headquarter hotel. Under Scenario 1, the latter would likely only be viable under a situation where the conference center happens to be physically attached to the headquarters hotel.

Under Scenario 2, the most efficient and beneficial manager would likely be the actual operator of the partner hotel. The hotel is assumed to be a full-service or quasi-full service brand; therefore, a single operator of both the hotel and conference center should realize significant efficiencies in operations. The conference center's food service infrastructure and operation will benefit both the conference center and hotel units. Both units will benefit significantly from shared staffing and overhead. The hotel/conference center operator could operate its own food service in-house, or could contract out to a third-party caterer. The financial operating estimates shown in the subsequent chapter assume the latter, whereby "net" food and beverage revenue is shown (via an assumed 25 percent commission retained by the conference center). If food service was handled in-house, both operating revenues (reflecting gross revenues instead) and expenses (also reflecting associated gross F&B expenses, influenced by in-house food service staff, labor and cost of goods sold) would be proportionately higher.

Site/Location Assessment

The intent of the site/location assessment completed for this engagement is to evaluate advantageous locations within the market for potential investment in conference facility development, so that specific site parcels can be identified for further, more focused consideration. At the initial direction of the City and KU, three general site locations were identified for evaluation: (1) downtown Lawrence, (2) KU campus, and (3) Clinton Lake area.

Exhibit 2
Potential Site Locations for a Lawrence Conference Center



It is suggested that additional analyses be conducted with regard to site acquisition/preparation costs and unique costs associated with architectural and engineering requirements, traffic, infrastructure and other related concerns prior to site selection.

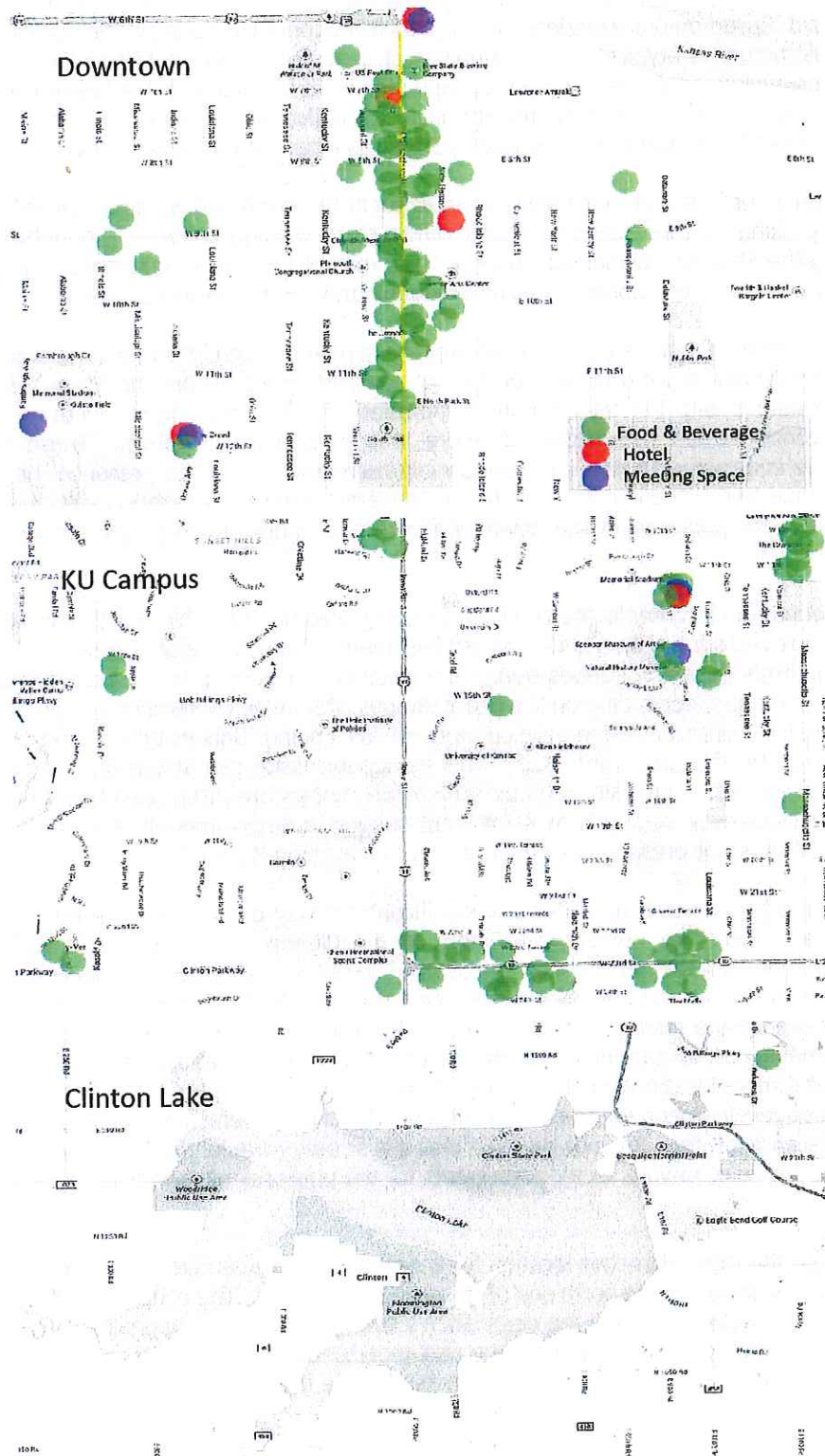
In general, a large number of characteristics and factors are typically important when evaluating the attractiveness of site locations. These include, but are not limited to:

1. Proximity to quality (preferably full-service) hotel inventory
2. Proximity to restaurants, retail, nightlife, entertainment
3. Pedestrian-friendly walking environment
4. Ability to leverage existing facility investment/infrastructure
5. Requirements/preferences of hotel partner (if applicable)
6. Size, cost and ownership complexity of site
7. Parking availability
8. Ingress/egress
9. Site visibility
10. Synergy with other public sector initiatives/master plans
11. Compatibility with surroundings
12. Other considerations

For a conference center project, proximity to quality hotel inventory is the single most important factor. Without a sizeable, quality hotel property that is attached, adjacent or within very close walking distance (i.e., two to three city blocks maximum), a new conference center will be extremely limited in its ability to attract non-local conventions, conferences and tradeshows. Without this type of hotel support, the conference center will function more as a "local" venue, such as a community center or civic center. Without the development of new hotel product, the conference center would not be expected to be feasible from market and cost/benefit perspectives. Therefore, the requirements and preferences of the private hotel partner will have significant influence on the ultimate location.

Exhibit 3 on the following page illustrates the concentration of critical visitor amenities that currently exist within and near the three proposed general site locations/areas.

Exhibit 3 Existing Visitor Amenity Support Near Targeted Site Locations



As shown in the exhibit on the previous page, with respect to a downtown location, a high concentration of food and beverage and retail establishments is clustered along the north end of Massachusetts Street in downtown Lawrence. Based on our experience in markets throughout the country, the quality and density of this visitor infrastructure is atypical for communities of comparable size to Lawrence. Most meeting planners that were surveyed as a part of this study, and who were familiar with the Lawrence destination, noted the attractiveness of the downtown amenity base and indicated an interest in either holding their event in downtown or at least visiting Massachusetts Street as a part of their event visit.

A downtown location on or adjacent to Massachusetts Street at the north end would also leverage both the room supply and parking at three existing hotels within close walking distance (Springhill Suites, the Eldridge Hotel, and the Marriott TownePlace Suites). In a market the size of Lawrence, it is also rare to have the benefit of existing hotel supply of this nature within the central business district.

While there would be some benefits to a KU location for the conference center project, the advantages and attractiveness of a potential downtown location (on or adjacent to Massachusetts Street) is significant. Additionally, conversations with KU representatives indicated that KU could be involved in several ways with a new conference center irrespective of where it is located in Lawrence. These participation opportunities include contracted facility use, sponsorship/recruitment, satellite presence, having a more appropriate local venue to host certain KU-affiliated or academic events. In particular, KU has indicated a desire to open a satellite presence in the downtown core and a downtown project could tie into this objective.

Conversely, a new conference center located on KU's campus would not be within practical walking distance of the downtown's core restaurant, bars and retail establishments. While there are pockets of large parking inventory, there will likely be many periods during the traditional academic year where accessibility and parking could be problematic, depending on the exact campus site. Also, conference centers located on or near campuses of major universities often develop reputations as being "university" meeting facilities, even if they are not owned by the university itself. This perception issue can shape the marketability and performance of such venues. University campus conference centers are often used heavily by university events and activities; however, outreach to KU did not suggest a large amount of pent up demand for conference facilities that is not presently being largely met by existing KU facilities.

Last, a Clinton Lake location would not offer any significant synergy or tie-in to existing Lawrence area visitor infrastructure. There are numerous locations in the Clinton Lake area that offer picturesque surroundings and benefit from the natural setting; however, a conference center that is marketable to non-local groups (that generate new economic impact for host communities) requires nearby visitor amenities that are desired by events and their attendees, including but not limited to appropriate lodging, food and beverage establishments, retail offerings, entertainment/leisure options, and other such items. For a conference center at remote locations, such as a hypothetical location at Clinton Lake, to thrive will require a "resort" approach to development, whereby a complex of infrastructure and amenities are also developed along with the conference center. It is not believed that this strategy would provide a sufficient return on investment to public sector or private sector participants for the purposes of developing a new conference center in Lawrence.

Overall, it is clear that the most attractive location for a new conference center in Lawrence would be one in the downtown on or adjacent to the north end of Massachusetts Street. The concentrated visitor amenity infrastructure on Massachusetts Street is the destination's strongest source of appeal to non-local groups, and the placement of a new conference facility there also importantly ties in with greater downtown master planning principles and long-term revitalization efforts that can be mutually-beneficial.

7.0. ANALYSIS OF UTILIZATION AND COST/BENEFIT

This chapter presents an analysis of estimated utilization and costs/benefits associated with a new conference center in Lawrence.

The ability of a conference facility to generate new spending and associated economic impact in a community is often one of the primary determinants regarding a decision by a public sector entity to participate in investing in the development and/or operation of such facilities. Beyond generating new visitation and associated spending in local communities, convention/conference centers also benefit a community in other important ways, such as providing a venue for events and activities attended and participated in by local community members and drawing new visitation/traffic into downtowns or mixed-use developments.

With regard to the cost/benefit analysis, for purposes of this exercise, only directly-attributable estimated annual economic benefits and costs have been considered and quantified. We have also presented some discussion herein of potential non-quantifiable or intangible benefits and issues that will likely also be important to consider during decision-making concerning the potential new conference center project.

Estimated Event and Use Levels

Exhibit 1 presents a summary of the number of events estimated for a new Lawrence conference center under the two identified scenarios. Estimates are provided for a stabilized year of operations for each scenario (assumed to occur at the fourth full year of operation).

Exhibit 1
Estimated Annual Number of Events –
New Lawrence Conference Center by Scenario

Event Type	SCENARIO 1	SCENARIO 2
	Stand-Alone Conf Center	Public/Private Conf Center
Conventions/Tradeshows	14	12
Conferences/Meetings	135	165
Banquets/Receptions	60	80
Public/Consumer Shows	12	6
Other	<u>30</u>	<u>20</u>
Total	251	283

As shown above, it is estimated that event levels at a new Lawrence conference center, during a stabilized year of operation, would total between 251 and 283 events, depending on the scenario.

Exhibit 2 presents the estimated event days (number of days event attendees/delegates/participants are in attendance at the conference center in Lawrence) under each of the identified scenarios.

Exhibit 2
Estimated Annual Event Days –
New Lawrence Conference Center by Scenario

<u>Event Type</u>	SCENARIO	SCENARIO
	1	2
	Stand-Alone	Public/Private
	Conf Center	Conf Center
Conventions/Tradeshows	35	30
Conferences/Meetings	203	248
Banquets/Receptions	60	80
Public/Consumer Shows	30	15
Other	<u>36</u>	<u>24</u>
Total	364	397

The exhibit begins to illustrate the differences between longer multiday events (such as conventions, tradeshows and public/consumer shows) and other smaller events (such as meetings, banquets and receptions). While fairly small within the context of the total number of events, conventions/tradeshows and conferences represent the primary economic impact-generating events for the conference center and Lawrence community. They tend to be larger events in terms of attendance and space used, with longer durations and a large majority of attendees that do not reside in the local area. A significant portion of these assumed events would represent events that are "new" to the community (i.e., not presently hosted at local Lawrence facilities).

Exhibit 3 presents a summary of the estimated total attendance by development scenario.

Exhibit 3
Estimated Annual Attendance –
New Lawrence Conference Center by Scenario

<u>Event Type</u>	SCENARIO	SCENARIO
	1	2
	Stand-Alone	Public/Private
	Conf Center	Conf Center
Conventions/Tradeshows	14,000	9,750
Conferences/Meetings	42,525	47,025
Banquets/Receptions	15,000	18,000
Public/Consumer Shows	30,000	13,500
Other	<u>18,000</u>	<u>9,600</u>
Total	119,525	97,875

Exhibit 4 presents a summary of the projected annual attendance that is estimated to represent non-local visitors to Lawrence by development scenario.

Exhibit 4
Estimated Annual Non-Local Attendance –
New Lawrence Conference Center by Scenario

<u>Event Type</u>	SCENARIO	SCENARIO
	1	2
	Stand-Alone	Public/Private
	Conf Center	Conf Center
Conventions/Tradeshows	12,600	8,775
Conferences/Meetings	21,263	23,513
Banquets/Receptions	3,000	3,600
Public/Consumer Shows	6,000	2,700
Other	<u>5,400</u>	<u>2,880</u>
Total	48,263	41,468

The non-local attendance estimates represents a mix of overnight and daytrip visitation (i.e., attendees, exhibitors and event participants/guests that do not reside in Lawrence) that represent the basis for the economic impact calculations, to be subsequently presented.

Estimated Economic Impacts

The impact of a conference center is maximized when out-of-town attendees, participants, exhibitors and/or attendee guests spend money in a community while attending an event. This spending by out-of-town attendees represents new money to the community hosting the event. This new money then creates multiplier effects as the initial spending is circulated throughout the local economy.

It is important to note that spending estimates associated with the potential new conference center only represent spending that is estimated to be *new* to the Lawrence area (net new spending), directly attributable to the operation (and existence) of the conference center. The analysis does not consider any assumed displaced spending within the community.

The characteristics of economic impact effects are generally discussed in terms of their *direct, indirect and induced effects* on the area economy:

- **Direct effects** consist principally of initial purchases made by attendees at an event who have arrived from out-of-town. This spending typically takes place in local hotels, restaurants, retail establishments and other such businesses. An example of direct spending is when an out-of-town event attendee pays a local hotel for overnight lodging accommodations.
- **Indirect effects** consist of the re-spending of the initial or direct expenditures. An example of indirect spending is when a restaurant purchases additional food and dining supplies as a result of new dining expenditures through increased patronage. A certain portion of these incremental supply expenditures occurs within the local community (i.e., "indirect spending," the type of which is quantified under this analysis), while another portion leaves the local economy (i.e., "leakage").

- **Induced effects** consist of the positive changes in employment and earnings collections generated by changes in population associated with the direct and indirect expenditures.

The re-spending of dollars in an economy is estimated by using economic multipliers and applying them to the amount of direct, or initial spending. The *multiplier effect* is estimated in this analysis using a regional economic forecasting model provided by the IMPLAN Group, Inc., a private economic modeling company. The IMPLAN system uses an input-output matrix with specific data for multipliers based on regional business patterns from across the country. Financial information for the matrix of multipliers is collected from various sources that include, but are not limited to, the U.S. Department of Labor, as well as state sales and tax reports. The system uses this data to determine the economic independence of specific geographic regions as well as the interdependence that exists between industries in those regions. The systems provide total industry output, personal earnings and employment data for approximately 526 industry groups.

For purposes of this analysis, results of the economic impact analyses are measured in terms of the following categories:

- **Total output** represents the total direct, indirect and induced spending effects generated by the project. This calculation measures the total dollar change in output that occurs in the local economy for each dollar of output delivered to final demand.
- **Personal earnings** represents the wages and salaries earned by employees of businesses associated with or impacted by the project. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.
- **Employment** represents the number of full- and part-time jobs. The employment multiplier measures the total change in the number of jobs in the local economy for each additional \$1.0 million of output delivered to final demand.

The initial spending of new dollars into an economy begins a series in which the dollars are cycled through the economy. The re-spending of the dollars is estimated by using the economic multipliers discussed above and applying them to the amount of direct, or initial, spending. The multiplier illustrates that spending in a defined economy will lead to additional spending until that dollar has completed its cycle through leakage. Leakage represents the portion of a dollar spent in areas outside the designated economy.

As previously mentioned, this analysis only considers "net new" economic impact. This impact is derived solely by visitors attending or participating in conference center events that do not reside in Lawrence. For conservative purposes, our approach to economic impact estimation does not consider any spending by facility attendees/participants if they reside in the Lawrence area. It has been assumed that any spending by these local residents would represent "displaced" spending, that would have otherwise been spent locally on other products and services.

Conference centers tend to have an easily identifiable subset of events where the majority of their attendance consists of overnight visitors (many times requiring overnight accommodations over multiple days). Much of a conference center's attendance, however, is still local in nature (i.e., corporate and civic meetings, banquets, wedding receptions, holiday parties, service club functions, educational seminars, etc.), but it is the relatively small subset of conventions, conferences and tradeshows that often generate the large majority of net new visitation and economic impact for communities. However, there will also be "day-trip" attendance draw, for what would normally be considered "local" events such as meetings, banquets and other/special events, from throughout the regional area that will generate measureable per capita "new" spending levels in Lawrence.

Estimates of per-day spending by non-local attendees, exhibitors and performers are based on the results of a Convention Income Survey performed by Destination Marketing Association International (DMAI), formerly the International Association of Convention and Visitors Bureaus (IACVB). The survey collected data concerning event related expenditures by delegates, exhibitors, associations and convention and event production service contractors. The results of this survey have been adjusted to 2015 dollars and for cost of living levels and the unique characteristics of Lawrence. The estimates of average daily spending on a per delegate basis were applied to estimates of potential future event activity at the potential new conference center under the identified development scenarios, based on the results of the overall market analysis. Adjustments were applied to estimated attendance levels for potential future event activity at the conference center to segregate estimated levels of potential *out-of-town* event attendance directly as a result of the conference center.

Exhibit 5 presents the direct spending by event type associated with the two potential development scenarios.

Exhibit 5
Estimated Annual Direct Spending by Event Type (stabilized year of operations, in 2015 dollars) –
New Lawrence Conference Center by Scenario

<u>Event Type</u>	SCENARIO	SCENARIO
	1	2
	Stand-Alone	Public/Private
	Conf Center	Conf Center
Conventions/Tradeshows	\$3,244,500	\$2,259,563
Conferences/Meetings	3,800,672	4,202,859
Banquets/Receptions	360,000	432,000
Public/Consumer Shows	535,500	240,975
Other	<u>664,200</u>	<u>354,240</u>
Subtotal	\$8,604,872	\$7,489,637
Estimated Percent Net New	65%	60%
Total Net New	\$5,593,167	\$4,493,782

As presented, total annual direct spending associated with a new conference center in Lawrence is estimated to range between \$7.5 million and \$8.6 million (in a stabilized year of operations [assumed year four] in 2015 dollars), depending on the scenario. In terms of direct spending that is new to the Lawrence area (i.e., excluding non-local spending that is associated with events that are already estimated to be accommodated by other existing Lawrence event facilities, such as the Holiday Inn, the Oread, KU facilities, etc.), a new conference center will result in between approximately \$4.5 million and \$5.6 million of net new direct spending, depending on the scenario.

Exhibit 6 presents the direct spending by industry associated with the two potential development scenarios.

Exhibit 6
Estimated Annual Direct Spending by Industry (stabilized year of operations, in 2015 dollars) –
New Lawrence Conference Center by Scenario

	SCENARIO 1	SCENARIO 2
Event Type	Stand-Alone Conf Center	Public/Private Conf Center
Hotel	\$2,729,096	\$2,350,868
Restaurant	3,209,463	2,807,188
Entertainment	434,520	380,486
Retail	1,389,610	1,216,353
Other Industries	<u>842,183</u>	<u>734,742</u>
	\$8,604,872	\$7,489,637
Net New Spending		
Hotel	\$1,773,912	\$1,410,521
Restaurant	2,086,151	1,684,313
Entertainment	282,438	228,291
Retail	903,246	729,812
Other Industries	<u>547,419</u>	<u>440,845</u>
	\$5,593,167	\$4,493,782

As previously mentioned, spending by local Lawrence residents is not included in these figures and spending reductions have been made for a percentage of non-local attendees that would be expected to represent "day-trippers", not requiring overnight accommodations.

As the direct spending flows throughout the local economies, additional rounds of spending, employment and earnings are generated. The total impact generated is estimated by applying specific industry multipliers to the initial expenditure to account for the total economic impact of the re-spending activity. The application of the multipliers involves calculating the product of the estimated amount of direct spending and the multiplier.

The total estimated direct expenditures generate effects on the economy that extend beyond the initial expenditures. Exhibit 7 summarizes the overall estimated new annual economic and fiscal (tax) impacts within Lawrence associated with estimated levels of potential event activity at the conference center, based on the application of the IMPLAN multipliers. Taxes considered for this analysis include City Sales Tax (1.55%), City Hotel Tax (6.0%), County Sales Tax (1.00%), and State Sales Tax (6.50%).

Exhibit 7
Estimated Annual Economic & Tax Impacts (stabilized year of operations, in 2015 dollars) –
New Lawrence Conference Center by Scenario

	SCENARIO 1	SCENARIO 2
	Stand-Alone Conf Center	Public/Private Conf Center
Direct Spending	\$8,604,872	\$7,489,637
Indirect/Induced Spending	<u>5,162,923</u>	<u>4,493,782</u>
Total Output	\$13,767,795	\$11,983,419
Personal Earnings	\$6,969,946	\$6,066,606
Employment (full & part-time jobs)	180	156
City Sales Taxes	\$120,038	\$104,480
City Hotel Taxes	\$155,558	\$133,999
County Sales Taxes	\$77,444	\$67,407
State Sales Taxes	\$503,385	\$438,144
Net New Economic Impacts		
Direct Spending	\$5,593,167	\$4,493,782
Indirect/Induced Spending	<u>3,355,900</u>	<u>2,696,269</u>
Total Output	\$8,949,067	\$7,190,051
Personal Earnings	\$4,530,465	\$3,639,964
Employment (full & part-time jobs)	117	94
City Sales Taxes	\$78,025	\$62,688
City Hotel Taxes	\$101,113	\$80,400
County Sales Taxes	\$50,339	\$40,444
State Sales Taxes	\$327,200	\$262,886

As presented in the exhibit, the estimated total output (direct spending plus indirect/induced spending) for a new conference center in Lawrence is estimated to range between approximately \$12.0 million and \$13.8 million per annum (in 2015 dollars), depending on the scenario. Additionally, this spending is estimated to annually support between \$6.1 million and \$7.0 million in personal income (or "earnings") in the local Lawrence economy, along with between 156 and 180 full and part-time jobs throughout the Lawrence economy.

Accounting for the portion of estimated non-local event activity that is assumed to already be accommodated by existing Lawrence event facilities, a new Lawrence conference center would result in between approximately \$7.2 million and \$8.9 in net new economic impact to the Lawrence area, in addition to between \$3.6 million and \$4.5 million in net new personal earnings and between 94 and 117 net new full and part-time jobs. This level of net new economic activity is estimated to generate between \$184,000

and \$229,000 in new annual City and County sales and hotel tax revenue, as well as between \$263,000 and \$327,000 in new annual States sales tax revenue (approximately one third of these State sales taxes are estimated to be net new to the state of Kansas).

Financial Operations

An analysis of the estimated financial operations of the potential new Lawrence conference center was conducted. As the operations of a conference center under Scenario 2 would be integrated and inextricably tied to the hotel partner, financial operating estimates for this study report are only provided for Scenario 1 (stand-alone conference center operations). Given the smaller conference center program and the assumption of public sector investment in construction, it would be expected that significant operating efficiencies would be possible under Scenario 2 and that return-on-investment considerations by the hotel partner would allow for the hotel partner (via agreement through the actual hotel's management company or via a subcontract with a third party private operator) to operate the conference center without an annual public sector operating subsidy.

This financial operating analysis only considers revenues and expenses generated through the operation of the conference center itself and does not consider other potential ancillary income that may be related to the project (such as incremental tax revenue, parking income, admissions surcharges, interest income, etc.), nor does it consider other non-operating costs, such as construction costs (i.e., debt service) and capital repair/replacement funding.

This analysis is designed to assist project representatives in assessing the financial effects of the potential conference center and cannot be considered a presentation of expected future results. Accordingly, the analysis of potential financial operating results may not be useful for other purposes. The assumptions disclosed herein are not all inclusive, but are those deemed to be significant. Because events and circumstances frequently do not occur as expected, there usually will be differences between estimated and actual results and these differences may be material.

As with all new conference centers, an initial startup period is assumed before event levels are anticipated to stabilize. Financial operating estimates prepared in this section reflect a stabilized year of operation (assumed to occur by the fourth full year of operation), shown in 2015 dollars. This analysis has been developed to reflect "net" operations. For instance, reimbursed event expenses and associated event revenues are not presented, rather, they are assumed to "pass through" the financial operating estimates developed in this section. Per capita revenue and expense assumptions were also developed using comparable facility data and industry experience with similar projects, along with consideration of the unique attributes of the Lawrence marketplace and specific conditions envisioned for the proposed facility.

As in all studies of this type, the estimated results are based on competent and efficient facility management and assume that no significant changes in the various event markets will occur beyond those set forth in this report.

Operating Revenues

The primary sources of operating revenue for a potential new Lawrence conference center include space rental, food and beverage, contract service, and other revenue. For purposes of this financial operating analysis, no parking revenue has been assumed to be retained by the conference center. The assumptions regarding the individual revenue components are also based on a review of the operations of comparable facilities throughout the country and industry trend data.

Space Rental

Space rental revenues include charges for the leasing of facility spaces for event activities. Estimated rental revenues are based on estimates of the number of events within specific event categories, attendance levels, square footage used, assumed future growth rates, rental rates and receipts at comparable facilities, with an emphasis on Kansas facilities.

Food and Beverage

Food and beverage (F&B) revenue consists of the sale of various food service (concessions and catering) items at a potential conference center in Lawrence. Revenue assumptions are based on estimated event and attendance levels and estimated per capita spending for various event types. Estimated food service revenue is presented in terms of net revenue retained by the facility. To calculate gross revenue, the net revenue figure would be divided by 25% (which represents the commission that is assumed to be retained by the conference center as paid by the contracted exclusive food and beverage provider).

Contract Service and Other

Contract service consists of charges to event management and exhibitors for event-related services, such as providing electrical hook-ups and other utilities, leasing of equipment, and providing security and cleaning services. Estimated service and equipment revenue is based on comparable facility financial operations and estimates of the number of events, attendance, square footage used, assumed future growth rates and receipts at comparable facilities. Other revenue includes miscellaneous operating revenue items, including but not limited to advertising and signage revenue, merchandise sales and other such items.

Operating Expenses

The primary sources of operating expenses for a potential new Lawrence conference center include employee salaries, wages and benefits, utilities, repair and maintenance, general and administrative, insurance, materials and supplies, professional fees, and other expenses.

The estimated operating expenses for a potential new Lawrence conference center are based on historical operating expenses of comparable facilities and industry standards. Specifically, comparable facility operating expense data was analyzed on a per square foot basis. Consideration was given to operating efficiencies that could be expected to occur at the potential conference center, as well as cost of goods/services adjustments specific to the Lawrence area and the surrounding region.

In estimating operating expenses, and staffing costs in particular, it is important that high-quality service is provided at a potential conference facility. Otherwise, the facility will not be in a position to attract and retain its market potential of event activity.

Salaries, Wages and Benefits

Estimated salaries, wages and benefits include compensation for full- and part-time employees. Employee benefits include payments for employee hospitalization programs, unemployment compensation, workers' compensation, and FICA. This analysis is based on the financial operations of comparable and competitive facilities, and a potential facility's size and event levels. It has been assumed that the conference center will be staffed with personnel levels similar to that of other similar, well-managed centers. These estimates reflect the assumption that some full-time operations, maintenance, and setup staff will be maintained at the conference center similar to comparable facilities.

Utilities

Utilities expense at a new convention/expo center in Lawrence includes costs for electricity, water, gas and telephone. The estimates are based on industry averages and the assumption that the new facility will include all the current energy-saving components.

Repairs and Maintenance

The analysis assumes that the maintenance costs for a potential conference center in the early years of operation are relatively low. It is likely that such costs will increase incrementally over time as the facility depreciates. It is likely that the repairs and maintenance costs could eventually exceed the base-year estimates presented in this analysis. The establishment of a separate repair and maintenance reserve is recommended to fund future major capital projects.

General and Administrative

General and administrative expenses include various day-to-day costs such as subscriptions, staff training, dues, staff travel, staff tuition reimbursement, licenses and permits, bad debt charges and other such items. This category also includes costs related to administrative business-related expenses such as postage, administrative supplies, administrative furniture and fixtures, auto allowances, administrative travel, memberships and maintenance of the administrative space.

Insurance

Insurance expense includes typical property and liability insurance coverage necessary for the operation of the conference center. The analysis of insurance expense is based on comparable facility expense data, with adjustments for local market conditions.

Materials and Supplies

Costs for materials and supplies for the proposed conference center include those materials, supplies and equipment used for facility operations and its administrative offices. The analysis of materials and supplies expense is based on comparable facility operations and the levels of facility space.

Professional Fees

Professional fees are primarily comprised of costs for services including accounting and legal functions and other non-recurring consulting and advisory services. This also includes contractual services expenses, primarily consisting of costs for professional services including trash removal, cleaning, security and other such items.

Management Fee

Assumed annual cost (Base Fee plus Incentive Fee) associated with a Management Agreement with a qualified and competent private operator.

Summary of Estimated Future Financial Operations

Exhibit 8 below presents a summary of the estimated financial operating results for a conference center under Scenario 1 (independently operated relative to the hotel) in a stabilized year of operation (assumed to occur by the fourth full year of operation) and presented in 2015 dollars. These figures only represent the annual operations of the facilities and do not include construction debt service payments, capital repair/replacement reserve funding obligations, or other non-operating expenses.

Exhibit 8
Estimated Financial Operating Results for a New Lawrence Conference Center
(Scenario 1, stabilized year of operation, in 2015 dollars)

Operating Revenues	
Space Rental	\$480,000
Food Service (net)	610,000
Contract Service & Other	230,000
Total Operating Revenues	<u>\$1,320,000</u>
Operating Expenses	
Salaries, Wages & Benefits	\$670,000
Utilities	225,000
Repair & Maintenance	87,000
General & Administrative	140,000
Insurance	85,000
Materials & Supplies	110,000
Professional Fees	55,000
Management Fee	185,000
Total Operating Expenses	<u>\$1,557,000</u>
Net Operating Deficit	(\$237,000)

As shown in the exhibit, upon stabilization, a new conference center in Lawrence (under Scenario 1) is estimated to generate an operating deficit of approximately \$237,000 per annum (in 2015 dollars). This type of annual operating loss (approximately -\$6.75 deficit per square foot of sellable space) is consistent with or better than comparable facilities throughout the country.

As previously mentioned, the operations of a conference center under Scenario 2 would be integrated and inextricably tied to the partner hotel property. Therefore, a hotel market and financial operating analysis would be required to generate financial operating estimates for a combined hotel and conference center operating unit.

However, assuming a 130 to 150-key upscale chain scale hotel property (i.e., Hilton Garden Inn, Courtyard Marriott, Hyatt Place, Aloft, etc.) represents the subject hotel, its debt obligation is reduced through public funding and public sector ownership of the attached conference center, and a non-onerous management/lease agreement is struck, the reduced Scenario 2 conference center program would be believed to be an attractive investment opportunity for the private hotel partner, allowing it to absorb the operating burden of the conference center at its own risk/gain while, in turn, enhancing its core hotel unit performance through the attraction of new group business.

Cost / Benefit Analysis and Conclusions

The purpose of this section is to present quantified findings in terms of a comparison of costs and benefits by development scenario. We begin with an analysis of hypothetical construction costs. An analysis was conducted of order-of-magnitude hard construction costs pursuant to the supportable building program elements presented earlier herein. Soft costs, including those associated with site acquisition and/or infrastructure costs, are not included in this analysis.

Construction costs tend to vary widely among comparable event facility projects. Many variables exist that influence actual realized construction costs, including type of facility, size, components, level of finish, integrated amenities, costs of goods and services in the local market, location and topography of the site, ingress/egress issues, cost savings related to developing a convention/expo center project and other such aspects. Importantly, a detailed architectural concept, design and costing study would be required to specifically estimate construction costs for a potential Lawrence conference center.

Exhibit 9 presents a summary of assumed construction costs associated with each of the development scenarios considered for this study. It is assumed that a greater degree of cost efficiencies could be realized under Scenario 2 through a single construction contract for both the hotel and attached conference center, along with the sharing of expensive central plant equipment and other back-of-house space.

Exhibit 9
Hypothetical Order-of-Magnitude Construction Costs
for a New Lawrence Conference Center
(in 2015 dollars)

	SCENARIO 1	SCENARIO 2
	Stand-Alone Conf Center	Public/Private Conf Center
Conference Center Sellable SF	35,000	25,000
Conference Center Gross SF	70,000	45,000
Assumed Hard Const. Cost/SF	\$300	\$280
Hypothetical Construction Costs	\$21,000,000	\$12,600,000

It has been assumed that a new stand-alone Lawrence conference center under Scenario 1 could hypothetically cost an estimated \$21.0 million in 2015 dollars, based on current market rates for construction in Kansas and comparable project data. Hypothetical hard construction costs associated with a smaller Scenario 2 program that is integrated with a new hotel are estimated at approximately \$12.6 million.

Exhibit 10 presents a summary comparison of key estimated costs that will need to be borne by the public sector (i.e., City, County or other government or not-for-profit entity) and benefits that would be estimated to accrue to the local Lawrence economy associated with a new conference center by scenario. Benefits have been presented in terms of annual total economic output (a sum of direct, indirect and induced visitor spending) in Lawrence. Importantly, the economic impact of non-conference center room night demand that is induced by virtue of the new hotel product is not included in the estimate. Adjustments have been made based on the amount of visitor-generated economic impact that is estimated to represent "net new" (or incremental) economic activity in Lawrence over activity that is presently being accommodated by other existing venues. Costs have been presented in terms of construction debt service (assuming the entire construction debt would be bonded debt) and operating subsidy needed per scenario. Specifically, a 30-year term and a 3.0 percent annual interest rate have been assumed for the hypothetical debt associated with each scenario.

Exhibit 10
Summary of Estimated Annual Benefits/Costs Associated
with a New Lawrence Conference Center
(2015 dollars, annualized, upon stabilization)

	SCENARIO 1 Stand-Alone Conf Center	SCENARIO 2 Public/Private Conf Center
Conference Center Sellable SF	35,000	25,000
Conference Center Gross SF	70,000	45,000
Assumed Hard Const. Cost/SF	\$300	\$280
Hypothetical Construction Costs	\$21,000,000	\$12,600,000
ANNUAL BENEFITS:		
Total Economic Output	\$13,767,795	\$11,983,419
Assumed "Net New"	65%	60%
Net New Economic Output	\$8,949,067	\$7,190,051
ANNUAL COSTS (borne by Public Sector):		
Construction Debt Service	\$1,071,404	\$642,843
Operating Subsidy	237,000	0
Capital Reserve Funding	105,000	63,000
Total Public Sector Costs	\$1,413,404	\$705,843
Benefit to Cost Ratio	6.33	10.19

As shown, Scenario 2 is estimated to generate the greatest net new benefits-to-costs in Lawrence. Total annual costs assumed to be the responsibility of the public sector (largely construction debt service, should the public sector's contribution be bonded) for Scenarios 1 and 2 are estimated at approximately \$1.4 million and \$706,000, respectively.

Other Benefits

In addition to the quantifiable benefits of the operation of a potential new conference center in Lawrence, there are a number of potential benefits that cannot be quantified. In fact, these qualitative benefits tend to be a critical factor in the consideration of public and private investment in projects of this nature, particularly those involving existing venues with a long history of service in the local community. Some of these potential qualitative benefits for Lawrence from a new conference center that have not been quantified include:

- *Potential Transformative and Iconic Effects* – Major conference and visitor amenity investment projects, like that which is proposed, become statement pieces for the local community/destination, becoming integral components of the community brand and showcased on destination visitor guides for years to come.
- *Mutually Beneficial with Other Community Elements* – Investment in a new conference center will assist in supporting a healthier supporting hotel product, along with enhancing the private sector investment opportunities at and around the site through the attraction of additional local and non-local visitors to the site and Lawrence.
- *New Visitation* – New visitors will be attracted to the area because of an event in the new conference center product. These attendees, in turn, may elect to return to the area later for new business or with their families for a vacation after visiting the area for the first time.
- *Spin-Off Development* – New retail/business tend to invariably sprout up near conference centers spurred by the operations and activities associated with the conference center, representing additions to the local tax base.
- *Community Marketing* – Attendees of certain conference center events (particularly, convention/conference/tradeshows) represent decision-makers and executives from a broad cross-section of industries. This exposure can benefit the area from a long-term business development perspective.
- *Anchor for Revitalization* – New conference center development can oftentimes be the base of community-wide master development plans to enhance and revitalize markets.
- *Reduction in Lost Local Impact* – Physical, functional and site/location limitations of existing Lawrence area event facilities suggests that some level of event activity produced by local area companies and groups may be leaving the community to be held elsewhere where suitable facilities exist. To the extent that these Lawrence-based groups must relocate outside of the local community (despite an interest in hosting events within Lawrence), the spending related to these events effectively represents “lost” economic activity for the local area. Upon completion of the new conference center product, it is possible that many of these lost local events could be recaptured.
- *Construction Period Impacts* – While not specifically quantified herein, there is normally a substantial short-term economic impact (including many jobs created) during the construction phase of major public assembly facility projects of this nature.
- *Intangible Benefits* – There are a number of other intangible benefits of having a major conference center facility in a community that have not been quantified, including: quality of life, community reputation and image, local gathering point and new advertising opportunities for local business.

8.0. REVIEW OF FUNDING ALTERNATIVES

The purpose of this section is to provide a summary of the sources of funding that have been used within the conference facility industry and to discuss their potential for use in the possible development of a new conference center in Lawrence. The intent of the analysis is not to produce a financing plan for facility development, but rather to discuss certain financing vehicles, as well as public and private revenue sources that could be utilized to fund the project.

Typical Public Sector Funding Sources

While there are a variety of public sector funding vehicles and revenue sources that have been used in the financing of public assembly facility projects in communities throughout the country, a large percentage are owned by the public sector and had original or expansion construction funding provided through municipal capital project funding (i.e., transfers from a City's General Fund or Capital Projects Fund, etc.) or through the issuance of General Obligation Revenue bonds. Types of financing/funding vehicles that are commonly used in public assembly projects throughout the country include:

- General Obligation Revenue Bonds
- Tax Increment Financing (TIF)
- Pay-As-You-Go Financing
- Certificates of Participation
- State/Federal Assistance
- Private/Public Equity & Grants

Under situations where bonds have been issued, debt service is often supported by local tax revenue, which has tended to include the following:

- Hotel/motel taxes
- Sales & use taxes
- Property taxes
- Restaurant/food & beverage taxes
- Auto rental/taxicab taxes/fees
- Sin taxes (alcohol, cigarette, etc.)
- Admissions/entertainment taxes
- Gaming license fees and taxes

There are several industries and geographic areas that could benefit directly and indirectly as a result of activity generated by the potential conference center. For example, the hotel/motel industry is directly affected by the room nights, room revenue and other hotel spending, while the restaurant, retail and other industries also stand to benefit directly by the dollars spent by event attendees. Indirect beneficiaries of this spending may include businesses and individuals that support the industries discussed previously, in addition to the "spin-off" impacts on sales, income and employment. Geographically, these direct and indirect impacts may be realized within close proximity to the development, countywide and statewide.

As previously mentioned, hotel taxes are frequently used to fund public facility projects such as conference centers, as the tax is borne by visitors and convention/conference centers are normally considered visitor

industry investment projects. Currently, the total effective hotel tax in Lawrence is 6.0 percent. There has been some recent conversation concerning the potential increase in the hotel tax rate. It is estimated that each 1.0 percent in the Lawrence hotel rate generates approximately \$240,000 per annum. Presently, Overland Park has the highest local hotel tax rate in Kansas at 9.0 percent. Kansas City, Leavenworth, Leawood, and Lenexa impose an 8.0 percent rate. Topeka is at 7.0 percent. Manhattan, Olathe, and Wichita are at Lawrence's current rate of 6.0 percent. While an increase in the hotel tax rate could be considered for the Lawrence conference center project, it would not be expected to be the primary funding source for the project.

Kansas Specific Funding Opportunity – Star Bonds

STAR bond funding is often considered in Kansas for projects of this nature. STAR bonds have been issued for a number of economic and visitor industry development projects throughout the state—a number of them have generated significant improvements in downtown areas, mixed use districts and other areas, providing measurable results and growth. It is suggested that further assessment of the viability of utilizing the STAR bond funding tool be undertaken for a new Lawrence conference center, if concept planning advances.

STAR bonds provide Kansas municipalities the opportunity to issue bonds to finance the development of major commercial entertainment and tourism areas and use City and State sales tax revenue generated by the development to pay off the bonds. In order to be considered a major commercial entertainment and tourism area, a proposed project must be capable of being characterized as a statewide and regional destination, and include a high quality innovative entertainment and tourism attraction, containing unique features which will increase tourism, generate significant positive and diverse economic and fiscal impacts and be capable of sustainable development over time.

Based on information outlined by the Kansas Department of Commerce, the following guidance is offered to applicants seeking to utilize STAR Bond financing as a strategic economic development tool.

In order to be considered a major commercial entertainment and tourism area, a proposed project must be capable of being characterized as a statewide and regional destination, and include a high quality innovative entertainment and tourism attraction, containing unique features which will increase tourism, generate significant positive and diverse economic and fiscal impacts and be capable of sustainable development over time. Public benefits must exceed public costs. As a general rule, STAR Bond financing should constitute less than fifty percent of total project costs. Additionally, retail tenants of projects financed by STAR Bonds must comply with all Kansas laws, including the Kansas "affiliate nexus" law, and collect sales tax on remote sales to Kansas residents.

The following criteria will be evaluated when considering the tourism potential of a proposed project, although the Secretary retains discretion to make exceptions as he may deem appropriate:

1. Visitation:
 - a. Out-of-state visitation from multiple states should represent a significant portion of total annual visitation to be considered a major, unique, destination attraction. For purposes of this subsection 20% shall be considered a significant portion.
 - b. A significant portion of total annual visitation should be drawn from greater than 100 miles distant from the attraction community. For purposes of this subsection 30% shall be considered a significant portion.
 - c. Total annual visitation should compare very favorably to existing attractions in the state, as well as to comparable attractions and markets elsewhere
2. Economic impact:

- a. Direct expenditures: visitor spending that directly supports the jobs and incomes of people and firms that deal directly with visitors.
 - b. Indirect expenditures: changes in sales, incomes or jobs in regional sectors that supply goods and services in support of "direct expenditure" entities.
 - c. Induced expenditures: increased sales within the region from the household spending of the income earned in the "direct" and "indirect" sectors.
 - d. Environmental effects: changes in regional quality-of-life indicators as a result of tourism development that impact other sectors.
 - e. Enabling effects: increasing the ability to attract compatible industries based upon all of the above.
 - f. Direct job creation: the total number of jobs (distinguished as Full-Time or Part-Time) supported by the target attraction.
3. The unique quality of the project, relative to:
 - a. The national destination attraction market, and/or
 - b. A defined regional (multi-state) market area, and/or
 - c. The Kansas destination attraction market, and/or
 - d. The ability of the proposed attraction to leverage or utilize the nature, culture or heritage that is unique to Kansas, and/or
 - e. The ability of the proposed attraction to capture for Kansas a valuable, national market brand identity (i.e. sports organization, consumer product brand, entertainment brand, etc.)
 4. The ability of the project (all things being equal) to capture sufficient market share to:
 - a. Remain profitable past the term of repayment
 - b. Maintain status as a significant market and travel decision driver
 5. Integration and collaboration with other resources and/or businesses, as determined by:
 - a. Creation of overnight stays, and/or
 - b. Collaboration/competition with other available retail and destination experiences, and/or
 - c. The ability of the proposed attraction to leverage and utilize the nature, culture or heritage that is unique to Kansas, and/or
 - d. Short and long-term marketing plans, with emphasis upon cluster, niche and cooperative marketing.
 6. Quality of service and experience provided, as measured against national consumer standards for the specific target market.
 7. Project accountability:
 - a. Any and all of the above should be accountable and verifiable according to best industry or comparative practices.
 - b. Methodologies should be transparent and detailed.
 - c. Third-party verification, wherever possible, is recommended.

Potential Private Sector Participation and Other Revenue Sources

In recent years, a growing number of communities have explored ways in which the private sector can participate in reducing the overall funding burden borne by the public sector. This participation has taken the form of:

- Naming rights
- Sponsorships
- Upfront service provider fees and facility component build-outs
- Exclusive facility use agreements
- Private donations of capital and/or land

Each of these opportunities for private sector participation in funding the facility should be evaluated. Given the potential costs for construction and the annual costs to operate, such private sector participation may be a necessary component of a successful project.

Naming Rights and Sponsorships

Naming rights and other unique sponsorships have been increasingly used in the public assembly industry in recent years. Naming rights agreements typically consist of a local corporation paying a fee upfront and/or over a series of consecutive years in exchange for the use of their company's name for the entire facility or various components of it. Naming rights agreements are much more prevalent with professional sports facilities than with other event facilities such as convention/event centers. This is primarily attributable to typically much greater exposure potential at professional sports facilities (i.e., national broadcast coverage of events, exposure through other forms of media, millions of annual spectators, etc.).

However, a small number of convention/conference centers in small to mid-sized markets have sold naming rights for the entire facility or components of it. These transactions tend to succeed to the extent target companies can identify long-term benefits. These benefits can include: a revenue return, visual exposure for the sponsor, access to the attendees at the facility, sponsorship opportunities with events at the facility and other tangible benefits.

Upfront Service Provider Fees and Facility Component Build-outs

Much of the recent private sector participation in public assembly facility funding has taken the form of upfront capital in exchange for guaranteed exclusive operating rights. For instance, a food service operator may contribute a portion of the costs of constructing the kitchen facilities or providing kitchen equipment in exchange for the right to provide food service in the building (or facility complex).

These provider fees can also include other in-house services, such as: (1) electrical, (2) utilities/environmental control, (3) internet and communications, (4) virtual meetings/satellite, (5) audiovisual, (6) security systems, (7) entertainment; and other such items.

Public assembly facility projects in recent years have increasingly seen private participation in the form of build-outs of various building components. For instance, several communities have partnered with one or more telecommunications firms whereby, in exchange for various advertising and sponsorship opportunities with the project, the firms installed the telecommunications systems (i.e., fiber optic and copper-based wiring, wireless components, equipment, etc.) at their own expense. In addition, the partnering firms may also receive revenue rights as facility users use the technology. Other private sector firms have provided

similar build-outs in exchange for other unique opportunities at the facility, such as an exclusive area within the event facility that is used as a test area or showcase for the firm's products or services.

Exclusive Facility Use Agreements

In certain communities, there may be major corporations or institutions that are heavy users of the event facility. It may be possible to identify these users prior to facility development and negotiate up front funding in exchange for guaranteed use of the facility during certain times of the year. Such corporations or institutions may also be involved in the actual design of the event facility to help ensure that their facility needs are addressed.

Private Donations of Capital and/or Land

Certain communities have succeeded in historical fundraising efforts for various public projects. In these instances, a few high-profile, community-oriented wealthy individuals have provided private donations of capital and/or land to help defray public sector development costs.

Private donations from philanthropic individuals and organizations are often critical in the fundraising efforts for conference, arts and culture facilities. Local capital campaigns (many times via the establishment of a dedicated endowment fund) tend to be instrumental in establishing seed money and demonstrating local interest in a project.

Public/Private Partnership Models

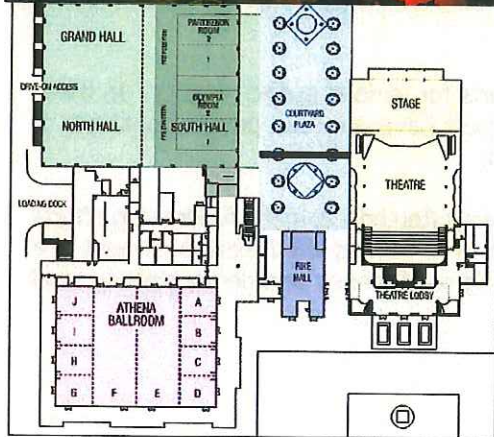
As stand-alone (operations not tied to a hotel facility) convention centers typically are not profitable from a purely financially operational standpoint (i.e., operate with an annual deficit and require some type of public subsidy), the vast majority of these independent facilities are owned by the public sector. Communities throughout the country have been willing to invest public dollars for the construction and annual operations of the facility in exchange for the economic impact (i.e., new tax dollars) generated by facility operations.

Most hotels offer some level of meeting and banquet space. In fact, certain hotels offer greater levels of convention space than some small and medium-sized convention centers. Integrating convention space allows hotels to penetrate into various group segments that they might not otherwise be able to compete for without convention space. Rather than generating a significant amount of additional direct income for the hotel, the presence of the convention space is often intended to generate added room night demand. Additionally, operating synergy (i.e., sharing overhead and personnel costs between the conference space and hotel components), complete control over bookings and rates, and the provision of in-house services (i.e., catering, telecommunications, audiovisual, etc.) often combine to make the hotel/conference center a profitable venture (assuming demand for the hotel and conference center exist).

A number of detailed case studies concerning comparable public/private hotel and conference center projects are provided at the conclusion of this report in Appendix E. These case studies illustrate a variety of approaches to the public/private transaction and specific funding mechanisms and sources utilized.

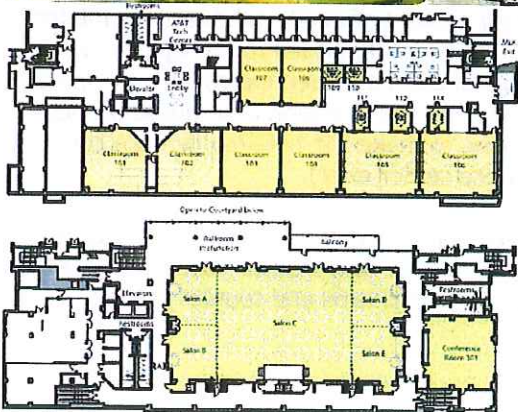
APPENDIX A:

COMPARABLE FACILITY CASE STUDIES



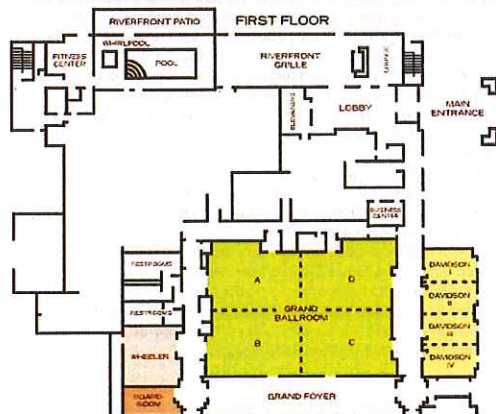
FACILITY:	THE CLASSIC CENTER
City, State:	Athens, Georgia
Owner:	The Classic Center Authority
Operator:	The Classic Center Authority
Facility Specs:	
Exhibit Space:	28,000
Meeting Space:	16,000
Ballroom Space:	17,700
Largest Contiguous Space:	28,000
Performing Arts Theater:	2,053 seats
HQ Hotel Rooms:	185
Hotel Rooms Within ½ Mile:	941

- Notes:**
- The Classic Center, located in downtown Athens, opened in 1995 and consists of two adjoining buildings offering exhibition, ballroom, and meeting space as well as a performing arts theater.
 - The 185-room Hilton Garden Inn Athens Downtown is located adjacent to the Classic Center and is currently undergoing a 52-room expansion expected to complete in 2015. A 180-room, attached Hyatt Place is expected to open in 2016.
 - The Center is publicly owned by The Classic Center Authority, a department under the Athens-Clarke County government, which was created in 1988 for the purpose of overseeing and running the operation of this venue. The Authority is funded by SPLOST (Special Purpose Local Option Sales Tax), a one percent sales tax which was passed in the same referendum that included the recommendation of the Authority. The Authority is governed in accordance to city/county laws and regulations.
 - The Center is also subsidized by the Classic Center Cultural Foundation, a foundation created to support local artists, which provides funds to maintain the Center and grants scholarships to performing arts groups and local students.
 - The facility also offers outdoor event space and an attached 654-stall parking structure.
 - The Center hosts approximately 350 events per year including corporate meetings.



FACILITY:	AT&T EXECUTIVE EDUCATION AND CONF. CENTER
City, State:	Austin, Texas
Owner:	The University of Texas
Operator:	Flik International
Facility Specs:	
Exhibit Space:	0
Meeting Space:	24,300
Ballroom Space:	10,000
Largest Contiguous Space:	10,000
Amphitheater:	300 seats
HQ Hotel Rooms:	297
Hotel Rooms Within ½ Mile:	706

- Notes:**
- Opened in 2008 at the University of Texas at Austin
 - In 2017, Robert B. Rowling Hall is to open as a new 458,000 square foot graduate business facility with a 15,000 square foot ballroom as well as additional meeting and breakout room space. It will cost \$172 million, with \$58.25 million coming from corporate and individual gifts.
 - The Center is also subsidized by the Classic Center Cultural Foundation, a foundation created to support local artists, which provides funds to maintain the Center and grants scholarships to performing arts groups and local students.
 - Around 1,000 events are hosted at this facility annually, including those sponsored both by University of Texas at Austin and outside organizations throughout the Austin area, such as corporations, non-profit groups, and local associations



FACILITY: DOUBLETREE HOTEL AND CONFERENCE CENTER

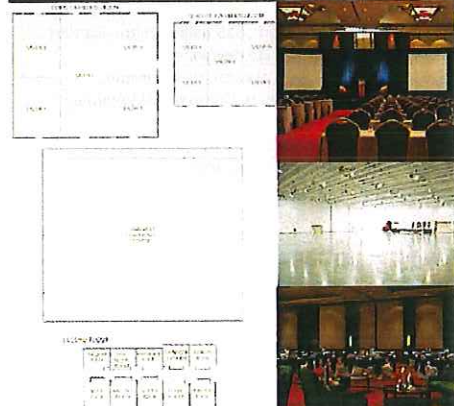
City, State: Bay City, Michigan

Owner: Wenonah Park Properties Group

Operator: Wenonah Park Properties Group

Facility Specs:	Exhibit Space:	0
	Meeting Space:	5,000
	Ballroom Space:	7,600
	Largest Contiguous Space:	7,600
	HQ Hotel Rooms:	150
	Hotel Rooms Within ½ Mile:	275

- Notes:**
- Opened in 2004, the \$35.6 million project was financed with federal and community grants, tax-exempt bonds, and the City's POWER fund (made up of surplus profits from the city's electric utility).
 - The Center is owned by public-private nonprofit Wenonah Park Properties group, which was created by the city to oversee the construction, financing and management of the Center.
 - Group activity accounts for approximately 42 percent of rooms sold at the Hotel.
 - The DoubleTree is accredited with a number of other downtown revitalization efforts that have taken place in the past decade, including a new 100-room Marriott Courtyard set to open in 2015, that is expected to help attract larger conferences.



FACILITY: CORALVILLE MARRIOTT HOTEL & CONF. CTR

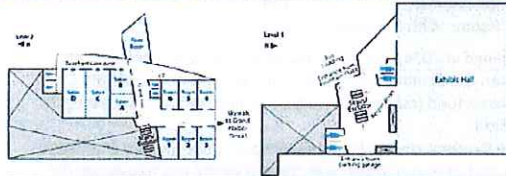
City, State: Coralville, Iowa

Owner: City of Coralville

Operator: Marriott Hotel Services

Facility Specs:	Exhibit Space:	29,600
	Meeting Space:	5,200
	Ballroom Space:	21,900
	Largest Contiguous Space:	29,600
	HQ Hotel Rooms:	280
	Hotel Rooms Within ½ Mile:	583

- Notes:**
- The estimated \$60 million Hotel & Conference Center that opened in 2006 is located along the Iowa River and adjacent to the University of Iowa, and in easy reach of downtown Iowa City and the Eastern Iowa Airport.
 - Constructed as part of the City of Coralville's Iowa River Landing project, the Landing is located on a former site of an industrial park and still undergoing redevelopment. Recently, the project won the United States Environmental Protection Agency's Phoenix Award.
 - The master development plan is envisioned to include space for retail, restaurants, water features, gathering, entertainment and offices. In addition to the Marriott and Conference Center, the Antique Car Museum of Iowa, Johnson County Historical Society and the River Bend commercial and residential complex also are located within the Landing.
 - The project was funded with \$20 million in revenue bonds supported by the hotel tax, \$33 million in taxpayer backed bonds and \$5 million contributed by the State of Iowa. In 2005, the City and Marriott agreed to a 15-year contract for the hotel to manage the Center.



FACILITY: DUBUQUE GRAND RIVER CENTER

City, State: Dubuque, Iowa

Owner: City of Dubuque

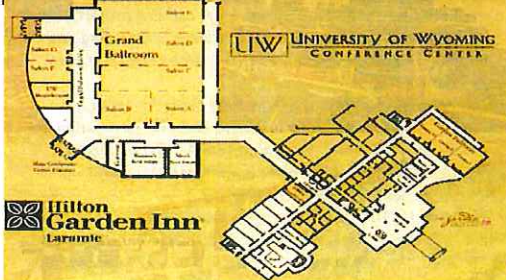
Operator: Platinum Hospitality Group

Facility Specs:

Exhibit Space:	30,000
Meeting Space:	12,000
Ballroom Space:	12,000
Largest Contiguous Space:	30,000
HQ Hotel Rooms:	193
Hotel Rooms Within ½ Mile:	574

Notes:

- The Grand River Center was constructed in 2003.
- The neighboring Grand Resort and Waterpark offers 193 guestrooms and is attached to the Grand River Center via a skywalk. It opened in December 2002, and features Iowa's first 25,000 square foot indoor waterpark, along with a large interactive arcade, fitness center and restaurant.
- The Convention Center and Resort is located along the Mississippi River and is a part of America's River Campus at the Port of Dubuque.
- The \$51.3 million project was part of a \$188 million development initiative spearheaded by public and private enterprises to revitalize and develop the Port of Dubuque.
- Other developments borne from America's River Project along the Port of Dubuque include the National Mississippi River Museum and Aquarium, Diamond Jo Casino, Alliant Energy Amphitheater and Star Brewery, Mystique Casino, and the Mississippi Riverwalk.
- The project was funded publicly and privately with \$51.3 million. Nearly \$20.0 million came in the form of a grant from Vision Iowa, a state fund created to assist projects that provide recreational, cultural, entertainment and educational attractions. The City of Dubuque contributed over \$5.0 million via issued debt and the remaining cost of \$25.0 million was covered by private developer, Platinum Hospitality Group.



FACILITY: UNIVERSITY OF WYOMING CONFERENCE CENTER

City, State: Laramie, Wyoming

Owner: The University of Wyoming Foundation

Operator: Hotel Investment Services

Facility Specs:

Exhibit Space:	0
Meeting Space:	800
Ballroom Space:	10,200
Largest Contiguous Space:	7,100
HQ Hotel Rooms:	135
Hotel Rooms Within ½ Mile:	235

Notes:

- The University of Wyoming Conference Center opened in February of 2008. It cost \$8.2 million to develop, funded largely through donations to the University of Wyoming Foundation. Financing was arranged, in part, by the Wyoming Business Council.
- The Center is attached is a 135-room, \$15 million Hilton Garden Inn branded hotel owned by a private developer.
- Annually, the conference center hosts around 300 events, anything from Association meetings to University of Wyoming business.
- Attendance varies anywhere between 10 people in board meetings to 400 person association meetings.



FACILITY: DAVIS CONF. CTR & HILTON GARDEN INN

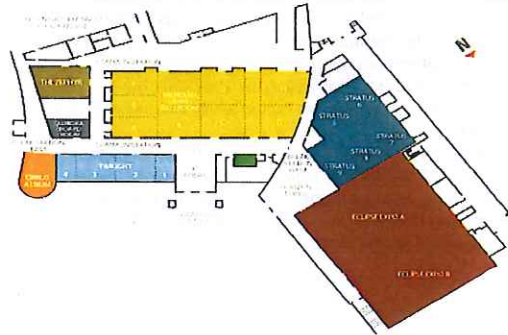
City, State: Layton, Utah

Owner: Davis County

Operator: Western State Lodging

Facility Specs:	Exhibit Space:	18,400
	Meeting Space:	2,700
	Ballroom Space:	22,400
	Largest Contiguous Space:	18,400
	HQ Hotel Rooms:	147
	Hotel Rooms Within ½ Mile:	920

- Notes:**
- Just three years following the Center's 2004 opening, the County broke ground for an expansion that nearly doubled the Center's size. In May 2008, the Center opened a new 18,400-square foot exhibit hall and an additional 7,000-square foot junior ballroom, which have the ability to open into each other.
 - Following the expansion, the facility offers 18,400 square feet of exhibit space, 22,400 square feet of ballroom space and 2,700 square feet of meeting space. Total sellable space is 43,400.
 - The Davis Center is attached to the Hilton Garden Inn which offers 147 sleeping rooms, and additional outdoor event space, including the Solstice Courtyard and Cirrus Atrium.
 - The Conference Center is owned by Davis County, but operated by Western States Lodging, which also owns and operates the attached Hilton Garden Inn. A public/private partnership was established to make the Conference Center and hotel a reality.
 - Since its opening, the Davis Conference Center has hosted an average of 600-700 events per year. Government-related events make up approximately 32% of all events.
 - Typical organizations that hold events at the Davis Conference Center include: Utah State Office of Education Conference, Evergreens and Things, Boy Scouts of America Auction, F-16 Commanders Conference, Layton Christian Academy, Shipley Associates Sales Retreats, US Foods, Pfizer, Avalanche International Karate Tournament, Utah State Insurance and America Online Conference.



FACILITY: HILTON GARDEN INN AND CONFERENCE CENTER

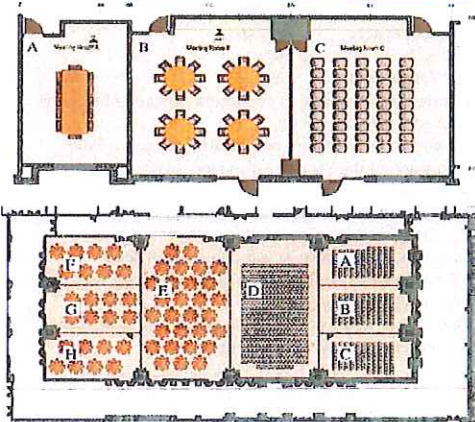
City, State: Manhattan, Kansas

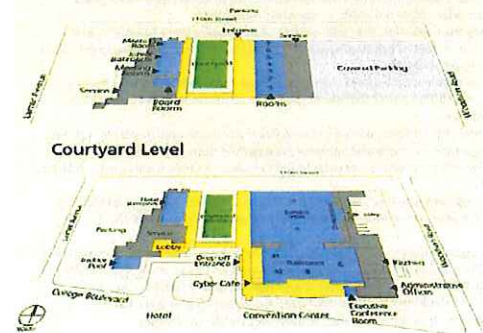
Owner: HCW Development

Operator: Kinseth Hospitality

Facility Specs:	Exhibit Space:	0
	Meeting Space:	1,860
	Ballroom Space:	15,470
	Largest Contiguous Space:	15,470
	HQ Hotel Rooms:	135
	Hotel Rooms Within ½ Mile:	469

- Notes:**
- The Hilton Garden Inn and Conference Center opened in November of 2011 and features 135 sleeping rooms.
 - The Center and hotel is owned by HCW Development for a \$100,000 annual lease agreement paid to the city of Manhattan. A \$2.1 million balloon payment is due to the city in 2041.
 - Kinseth Hospitality manages both the Center and hotel.
 - The city of Manhattan provided funding for the \$9.5 million Conference Center while HCW provided approximately \$12.5 million in funding for the Hilton Garden Inn.
 - The hotel and Conference Center was a part of the Manhattan South End Redevelopment Plan that envisioned to encourage growth in the community and enhance Manhattan as a regional shopping and entertainment area.





FACILITY: OVERLAND PARK CONVENTION CENTER

City, State: Overland Park, Kansas

Owner: City of Overland Park

Operator: Global Spectrum

Facility Specs:	Exhibit Space:	58,500
	Meeting Space:	14,100
	Ballroom Space:	25,000
	Largest Contiguous Space:	58,500
	HQ Hotel Rooms:	412
	Hotel Rooms Within ½ Mile:	1,378

Notes:

- The Center opened in 2002 at a cost of \$46.5 million
- In 2003 the 412-room Sheraton Overland Park Hotel, was completed. The hotel is connected to the Center and provides an additional 18,000 square feet of ballroom space and 3,700 square feet of meeting space.
- The Convention Center hosts approximately 450 events annually, approximately 60 percent of which are meetings and seminars.
- In a recent year of operations, revenue for the Center was estimated at \$4.76 million, while operating expenses totaled \$4.40 million. As a result, the Center ended the year with an operating profit of approximately \$360,000, or \$3.70 per sellable square foot of space.



FACILITY: BLUE WATER CONVENTION CENTER

City, State: Port Huron, Michigan

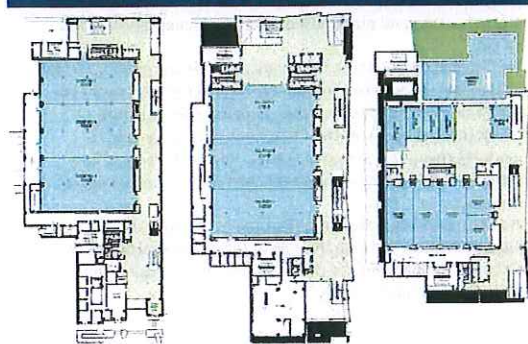
Owner: St. Clair County

Operator: SMG

Facility Specs:	Exhibit Space:	0
	Meeting Space:	4,500
	Ballroom Space:	25,500
	Largest Contiguous Space:	20,000
	HQ Hotel Rooms:	149
	Hotel Rooms Within ½ Mile:	149

Notes:

- The Blue Water Area Convention and Visitor Bureau's offices will also be housed within the Center.
- The public-private development project also included a \$10.5 million renovation of the Thomas Edison Inn, which reopened as a 149-room DoubleTree Headquarter Hotel in August 2013. The hotel includes a restaurant that will service the Convention Center's catering needs.
- The development project also includes a new \$4 million privately funded culinary institute that plans to partner with the Blue Water Convention Center.
- The St. Clair County Board of Commissioners issued \$9 million in bonds to fund construction for the Center.



FACILITY:

City, State:

Owner:

Operator:

Facility Specs:

UTAH VALLEY CONVENTION CENTER

Provo, Utah

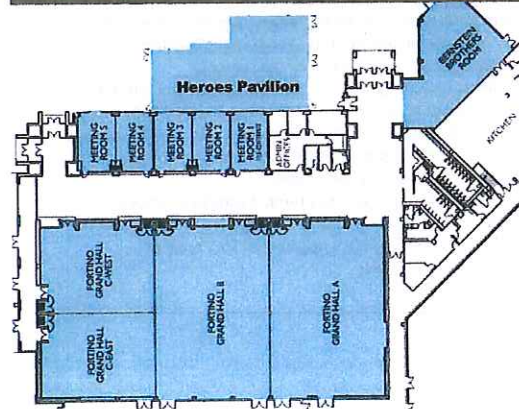
Utah County

Global Spectrum

Exhibit Space:	19,600
Meeting Space:	10,000
Ballroom Space:	16,900
Largest Contiguous Space:	19,600
HQ Hotel Rooms:	330
Hotel Rooms Within ½ Mile:	453

Notes:

- Opened May 2012.
- The \$41 million building is LEED certified and offers complimentary Wi-Fi services as well as on-site catering, electric and A/V services.
- A 330-room Marriott Hotel is located adjacent to the Center, offering over 22,000 square feet of additional event space.
- In 2013, the Center's first operating year, 233 events were held with nearly 110,000 total attendees. This included 15 major conventions that brought in a total of \$450,000 in revenue and \$2.5 million in economic impact.
- Meetings are the most commonly hosted events at the Center, accounting for 49 percent of all events in 2013.
- December was the Center's highest grossing month in 2013 due to the large number of corporate holiday banquets hosted. These parties resulted in \$300,000 of revenue for the Center.
- Total gross revenue for 2013 was nearly \$2.9 million, and the Center finished the year with a net loss of \$77,000.



FACILITY:

City, State:

Owner:

Operator:

Facility Specs:

PUEBLO CONVENTION CENTER

Pueblo, Colorado

Urban Renewal Authority

Global Spectrum

Exhibit Space:	0
Meeting Space:	4,900
Ballroom Space:	16,200
Largest Contiguous Space:	16,200
HQ Hotel Rooms:	160
Hotel Rooms Within ½ Mile:	335

Notes:

- The Center opened in 1997
- Additionally offered at the Center is state-of-the-art technology, including audio-conferencing, multi-media presentation support and wireless internet access.
- The Colorado State University – Pueblo campus is located in close proximity to the Center, as well as other Pueblo attractions, including the El Pueblo Museum, Pueblo Greyhound Park and the Lake Pueblo State Park/Reservoir.
- In a recent year, the Center hosted approximately 544 events, with 70,400 attendees, generating \$1.45 million in gross income. These events consisted of 22 conventions, 12 consumer shows, 116 banquets, 354 meetings, 2 tradeshow and 38 other events.



FACILITY: SALEM CONFERENCE CENTER

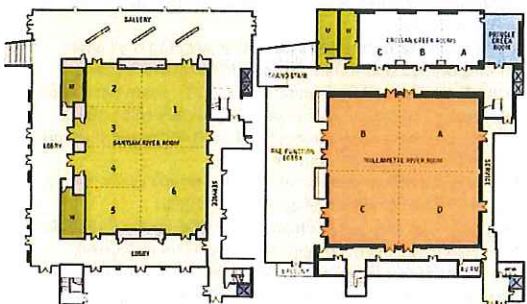
City, State: Salem, Oregon

Owner: City of Salem

Operator: VIP Motors Inn

Facility Specs:	Exhibit Space:	0
	Meeting Space:	12,900
	Ballroom Space:	11,400
	Largest Contiguous Space:	11,400
	HQ Hotel Rooms:	193
	Hotel Rooms Within ½ Mile:	193

- Notes:**
- The full-service Phoenix Grand Hotel and Salem Conference Center opened in March 2005.
 - The Hotel offers 193 guestrooms, each with separate work and living areas, complimentary wired and wireless high speed Internet access and public areas offer complimentary wireless access.
 - The Phoenix Grand Hotel, Conference Center and approximately 400 parking spaces are components of the City of Salem's 290-acre Riverfront-Downtown Urban Renewal Area (RDURA).
 - VIP Motors Inn operates the Center and parking garage. If operating revenues exceed expenses, VIP's will receive 75 percent of the profits, with the remaining 25 percent going to the City.
 - The Center and parking garage portion of the project were publicly financed through the sale of urban renewal bonds and a \$7.2 million loan from the U.S. Department of Housing and Urban Development (HUD).



FACILITY: SAN MARCOS CONFERENCE CENTER

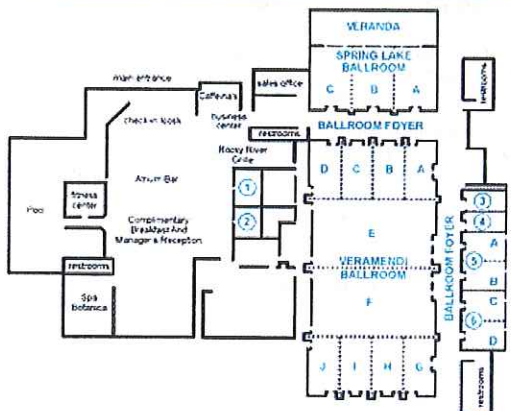
City, State: San Marcos, Texas

Owner: City of San Marcos

Operator: John Q. Hammons

Facility Specs:	Exhibit Space:	0
	Meeting Space:	6,300
	Ballroom Space:	36,000
	Largest Contiguous Space:	28,800
	HQ Hotel Rooms:	283
	Hotel Rooms Within ½ Mile:	283

- Notes:**
- The Embassy Suites San Marcos – Hotel, Spa and Conference Center opened in October 2008
 - Five months prior to opening, facility representatives estimated that the conference center had more than \$700,000 in convention bookings and room reservations.
 - Examples of recent growth in San Marcos tourism infrastructure due to the Center include the estimated 900,000-square foot Stonecreek Crossing retail development, with JC Penney's and Target as anchor tenants, and the estimated 311,000-square foot Red Oak Village development.
 - The \$72.6 million project was funded with \$15.7 million in proceeds from tax-exempt combination tax and revenue certificates of obligation, along with a \$56.9 million contribution from JQH.





FACILITY:

CENTURY CENTER

City, State:

South Bend, Indiana

Owner:

City of South Bend

Operator:

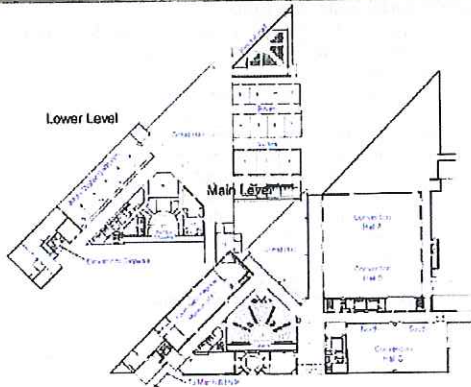
SMG

Facility Specs:

Exhibit Space:	24,500
Meeting Space:	18,000
Ballroom Space:	11,600
Largest Contiguous Space:	24,500
Bendix Theater:	694 seats
Recital Hall:	166 seats
HQ Hotel Rooms:	291
Hotel Rooms Within ½ Mile:	474

Notes:

- The Century Center has served the South Bend, Indiana community for more than 30 years.
- Located on an 11-acre riverfront park, the Century Center is the anchor of the Downtown South Bend Convention District. Within the District, visitors will find the adjacent 291-room DoubleTree by Hilton hotel, College Football Hall of Fame, South Bend Regional Museum of Art and Morris Performing Arts Center.
- The Center hosts, on average, 600 events a year, including an array of state and regional conventions, tradeshows, meetings and banquets. Additionally, the Center welcomes over 250,000 visitors each year.
- In a recent year of operations, the Century Center held 560 events, including:
 - 15 conventions,
 - 12 consumer shows,
 - 362 meetings and conferences,
 - 101 banquets,
 - 13 trade shows, and
 - 57 special events.



FACILITY:

ST. CHARLES CONVENTION CENTER

City, State:

St. Charles, Missouri

Owner:

Saint Charles County Convention and Sports Facilities Authority and the City of Saint Charles

Operator:

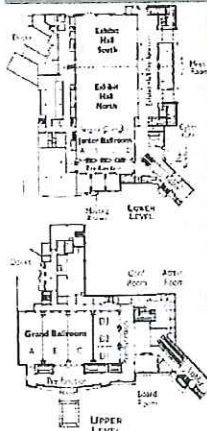
Global Spectrum

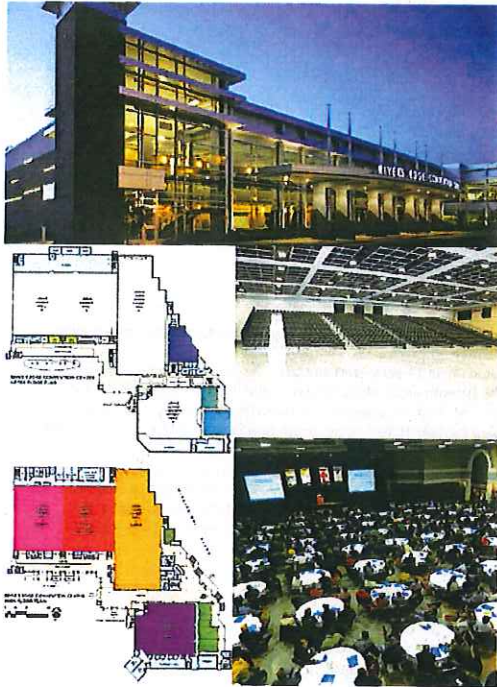
Facility Specs:

Exhibit Space:	27,600
Meeting Space:	7,000
Ballroom Space:	22,200
Largest Contiguous Space:	27,600
HQ Hotel Rooms:	296
Hotel Rooms Within ½ Mile:	573

Notes:

- The Saint Charles Convention Center is a \$35 million multi-functional facility that opened in April 2005.
- In a recent year, the Center hosted 463 events and attracted 190,000 people, generating approximately 20,000 room nights. Specifically, the Center hosted 10 conventions, 25 tradeshows, 19 consumer shows, 98 banquets, 287 meetings and 24 miscellaneous events.
- There are over 2,100 hotel rooms in the greater St. Charles area. Major properties include a 296-room Embassy Suites Hotel that is attached to the Center, which is owned and operated by John Q. Hammons.
- The \$36 million Hotel and Convention Center unite sales and marketing staff to centralize promotions of both facilities.
- Largely viewed as a result of the Center's success, approval for a \$55 million tax increment financing subsidy was recently approved to fund a \$385 million economic development project to be located a few blocks from the Center. This complex is to include an 18-floor residential tower, several condominium buildings with lower-floor shops and restaurants and offices, a 10 to 14-story hotel, a movie theater and an outdoor ice rink.





FACILITY:

RIVER'S EDGE CONVENTION CENTER

City, State:

St. Cloud, Minnesota

Owner:

City of St. Cloud

Operator:

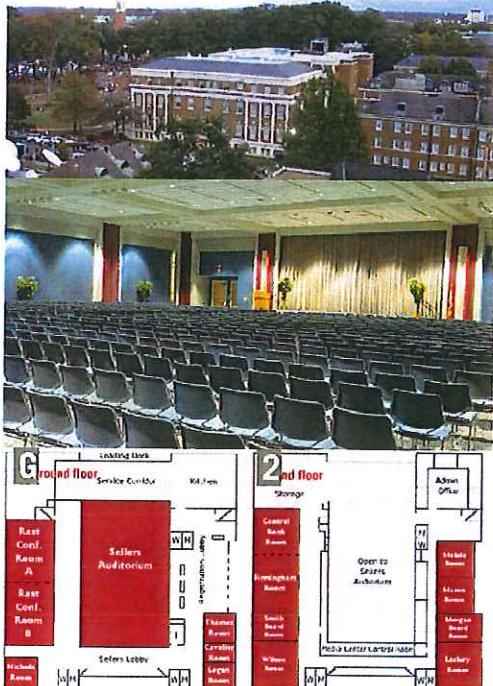
City of St. Cloud

Facility Specs:

Exhibit Space:	73,600
Meeting Space:	13,900
Ballroom Space:	0
Largest Contiguous Space:	31,600
HQ Hotel Rooms:	229
Hotel Rooms Within ½ Mile:	385

Notes:

- Opened in 1989, the Center serves the convention and meeting space needs of St. Cloud and central Minnesota.
- Located in downtown St. Cloud along the Mississippi River, the Center is situated near many local attractions, restaurants shopping and St. Cloud State University campus.
- The Center has averaged 385 events and over 590 utilization days over the past ten years. An typical years consists of approximately 15-20 consumer shows, 160-180 meetings/conferences, 30-35 convention/tradeshows and 95-105 social/entertainment events, drawing approximately 160,000 annual attendees.
- It is estimated that events at the Center generated between \$15 and \$18 million dollars in economic impact for the St. Cloud economy each year. Highlighted events that are held at the Convention Center include: the MN Society of Professional Surveyors, Big Boys Toy's Show, Sport Show, MN Rural Water tradeshow, CMBA Home Show, MN Chiefs of Police, United Methodist state convention and Women's Showcase.



FACILITY:

BRYANT CONFERENCE CENTER

City, State:

Tuscaloosa, Alabama

Owner:

The University of Alabama

Operator:

The University of Alabama

Facility Specs:

Exhibit Space:	0
Meeting Space:	13,900
Ballroom Space:	10,000
Largest Contiguous Space:	10,000
HQ Hotel Rooms:	150
Hotel Rooms Within ½ Mile:	150

Notes:

- The Bryant Conference Center was opened in 1986 and was a part of an expansion plan that also included the attached 150-room Capstone Hotel owned and managed by a private hospitality firm.
- In 2007, the Center was renovated via funding provided by University of Alabama fundraising. The facility was given new paint, modern artwork, state of the industry technical equipment, WiFi service, and various other upgrades.
- The Center was recently approved by the University of Alabama Board of Trustees to receive funding for an additional 10,000 square feet of ballroom space and a two story parking deck.
- Just over 900 events are held at the Center annually, with a majority of the event activity being hosted by University-affiliated organizations.
- The University of Alabama constructed the Bryant Conference Center to serve as a primary meeting space for the University and Alabama alumni. The Center is subsidized by the University should it fail to breakeven for a fiscal year.



FACILITY:

VANCOUVER CONFERENCE CENTER

City, State:

Vancouver, Washington

Owner:

Downtown Redevelopment Authority (DRA)

Operator:

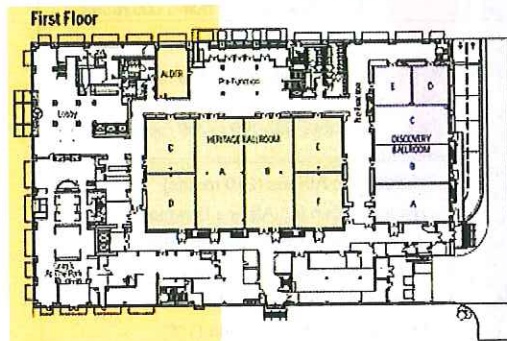
Downtown Redevelopment Authority (DRA)

Facility Specs:

Exhibit Space:	0
Meeting Space:	8,500
Ballroom Space:	21,900
Largest Contiguous Space:	14,100
HQ Hotel Rooms:	226
Hotel Rooms Within ½ Mile:	657

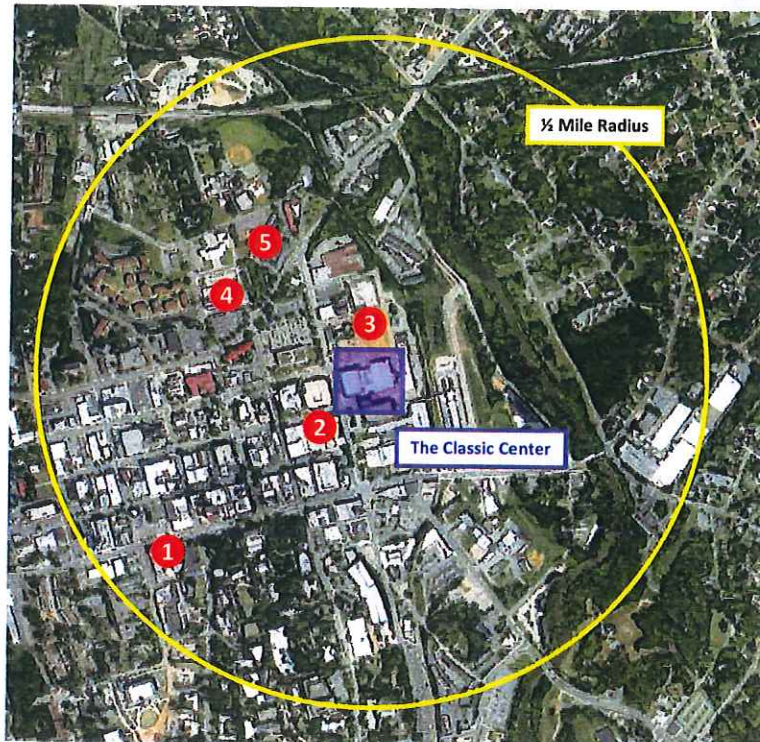
Notes:




- The Vancouver Conference Center and Hilton Vancouver Washington is a multi-functional facility that opened in June 2005 across from Esther Short Park.
- The facility is part of redevelopment and revitalization efforts of the City of Vancouver that began in the early 2000s with the construction of numerous condominium structures surrounding Esther Short Park and around the Uptown Village neighborhood. These include future development of a new library, Marriott hotel and approximately 250 additional condominiums.
- The City of Vancouver and Clark County estimated that they were losing approximately \$500 to \$950 million in retail and entertainment dollars annually to other communities. Therefore, they decided to construct the 226-room Hotel and Center as one vehicle to drive new visitation to the community.
- Approximately \$64.1 million in tax-exempt revenue bonds are the primary funding source for the project. It is estimated that the DRA bonds will be repaid through revenues generated through gross operating revenues of the Center, proceeds from special taxes due to the Center, proceeds of a lodging tax, and investment earnings on amounts in certain funds established under the Indenture.



APPENDIX B: FACILITY HOTEL SUPPORT

The Classic Center Athens, Georgia

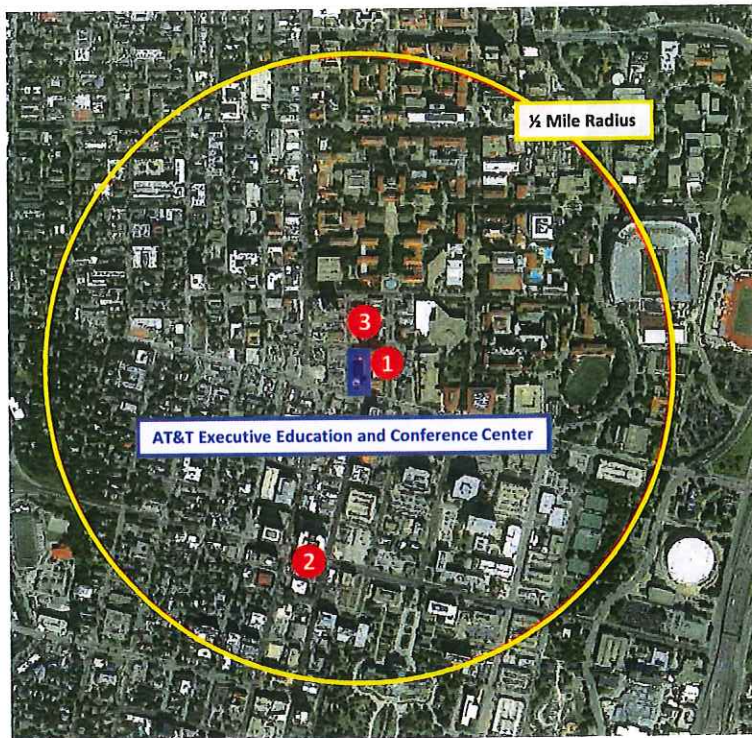


	– 0 hotels with more than 1,000 rooms.
	– 0 hotels with 500 to 999 rooms.
	– 5 hotels with 100 to 499 rooms.

- 1 – Holiday Inn Athens (210 rooms)
- 2 – Hilton Garden Inn Athens Downtown (185) –
52-room expansion opening 2015
- 3 – Hyatt Place (180) – opening 2016
- 4 – Hotel Indigo-Athens (130)
- 5 – Foundry Park Inn and Spa (119)

Overall Hotel Rooms within 1/2 Mile:
941 rooms

AT & T Executive Education and Conference Center Austin, Texas

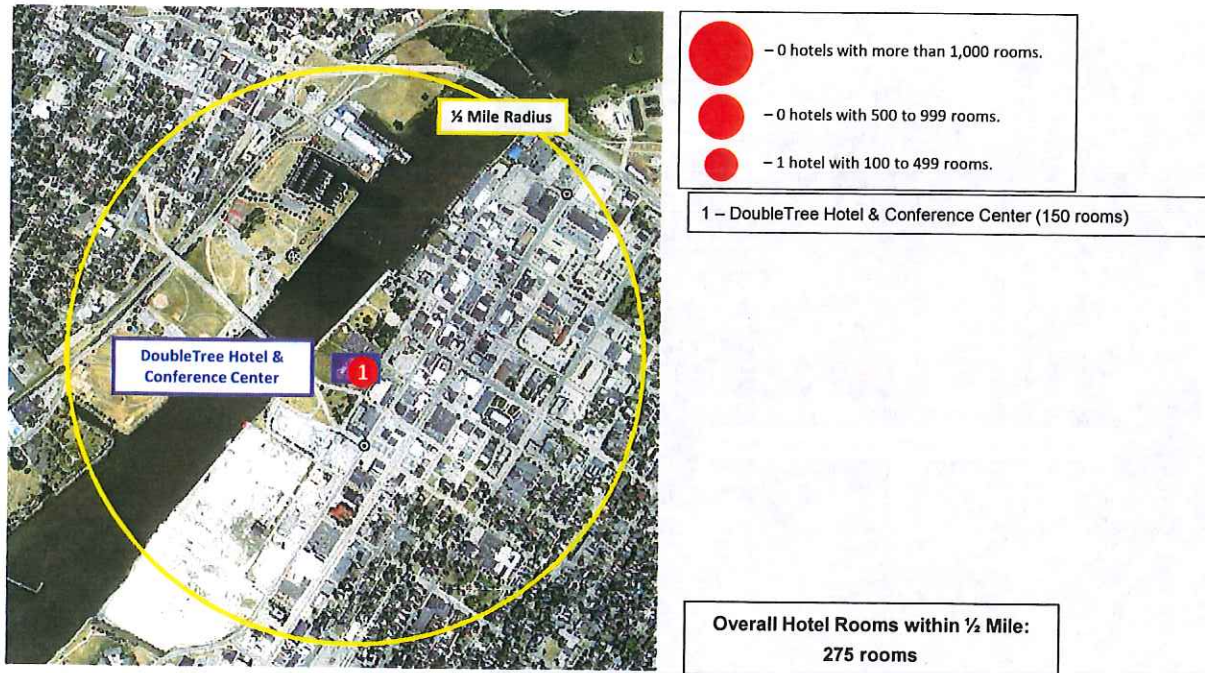


- – 0 hotels with more than 1,000 rooms.
- – 0 hotels with 500 to 999 rooms.
- – 3 hotels with 100 to 499 rooms.

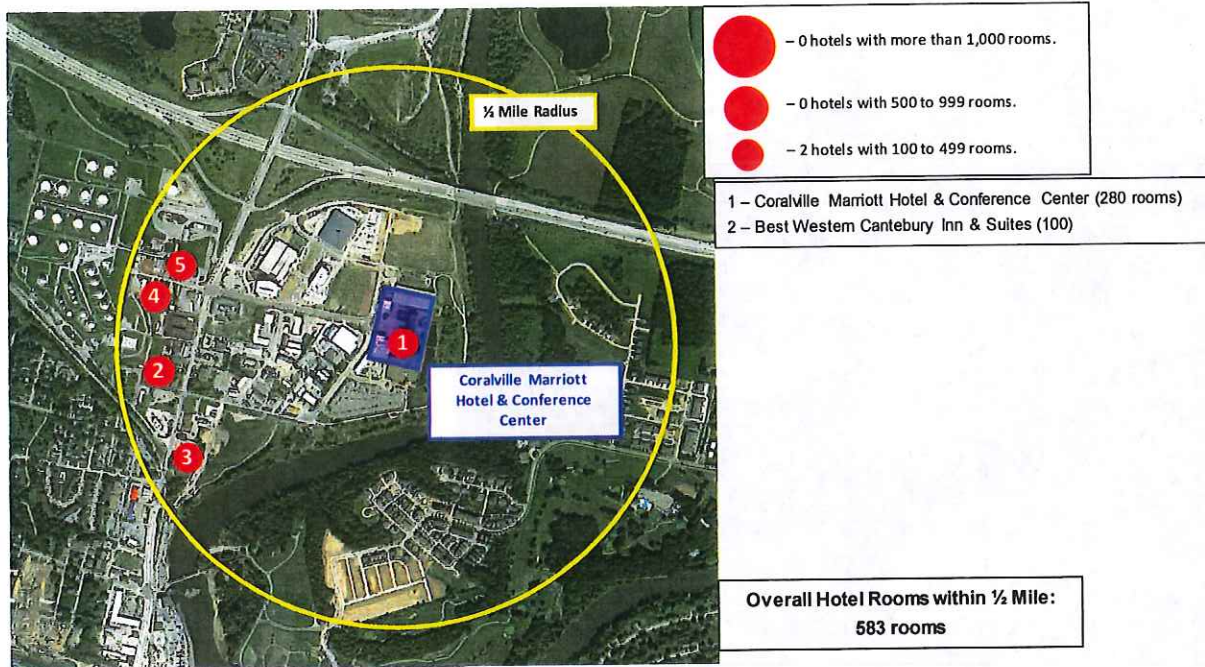
- 1 – Hotel at Conference Center (297 rooms)
- 2 – Doubletree Suites by Hilton Hotel Austin (188)
- 3 – Hampton Inn and Suites Austin (137)

Overall Hotel Rooms within 1/2 Mile:
706 rooms

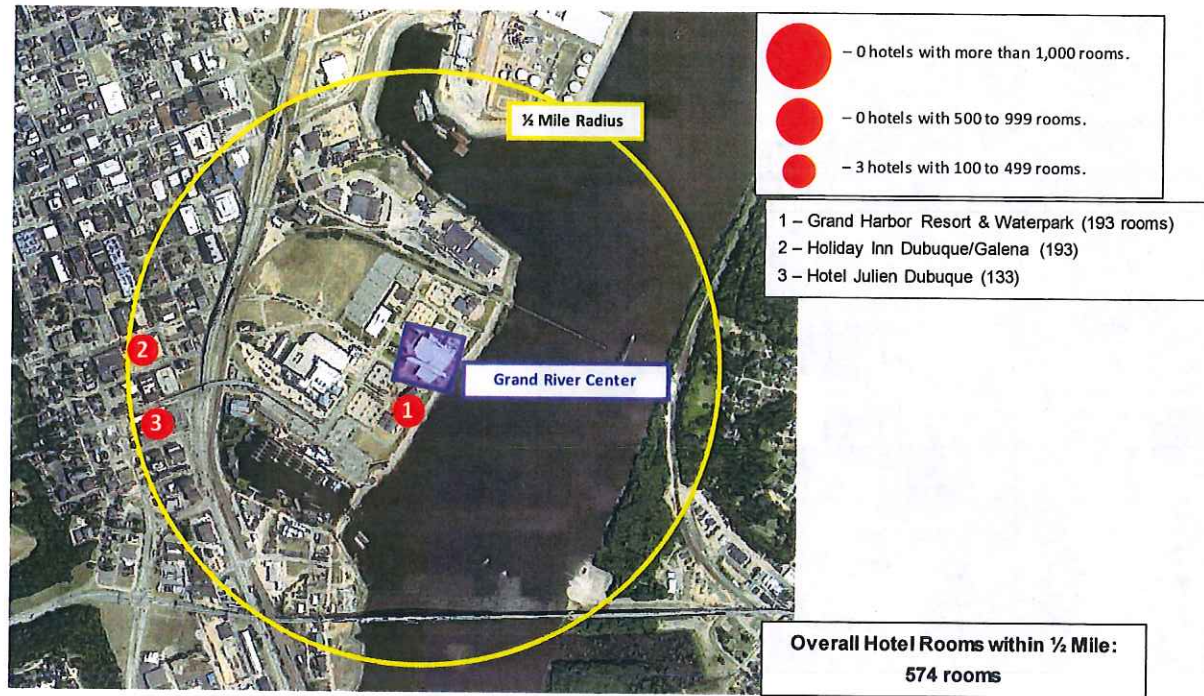
DoubleTree Hotel and Conference Center Bay City, Michigan



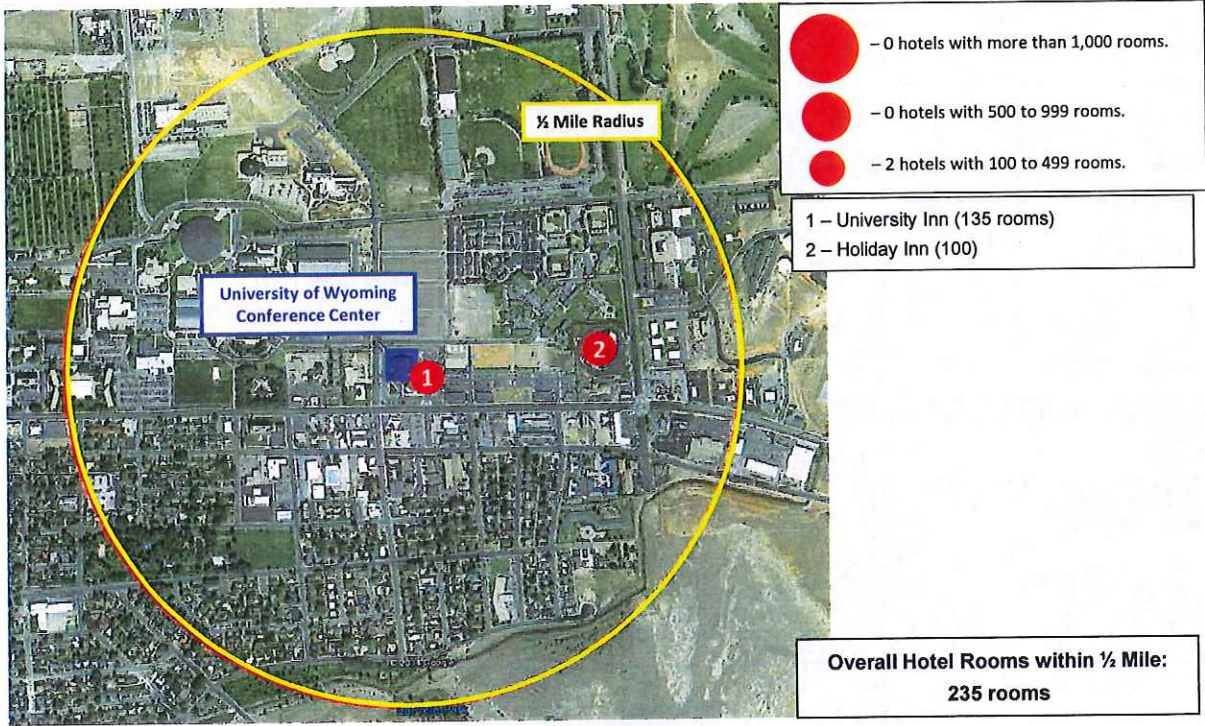
Coralville Marriott Hotel and Conference Center Coralville, Iowa



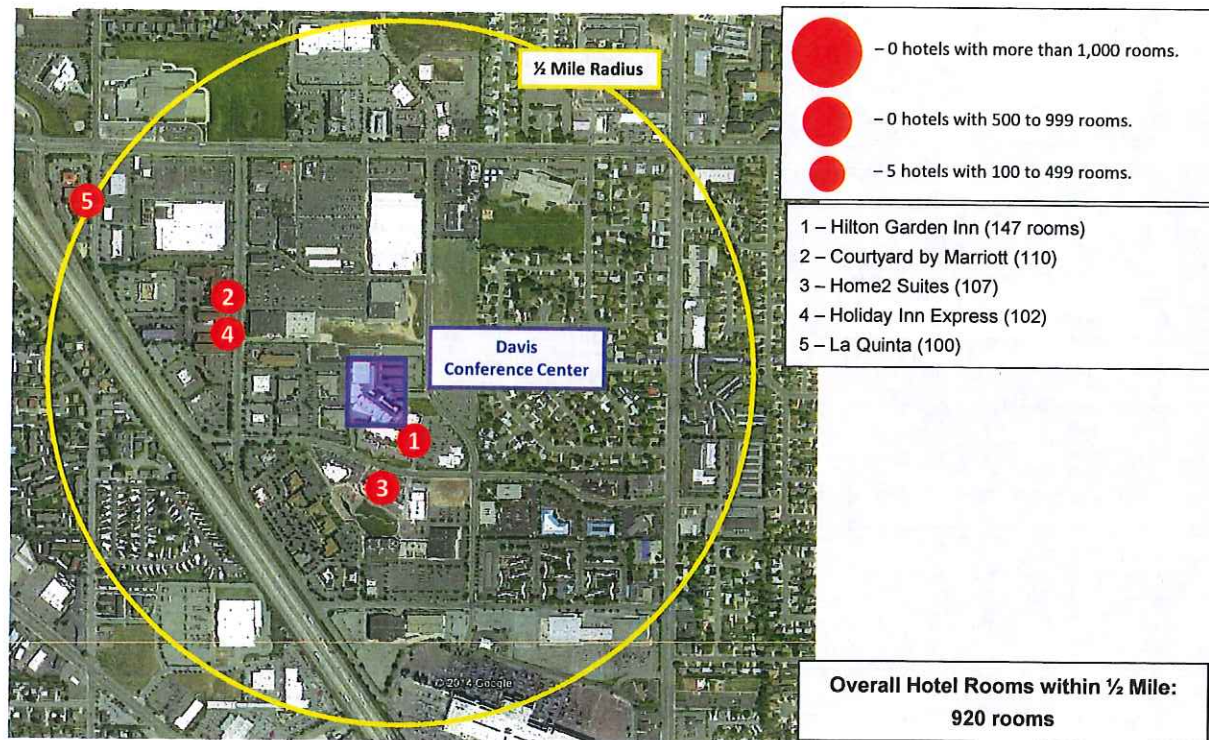
Grand River Center
Dubuque, Iowa



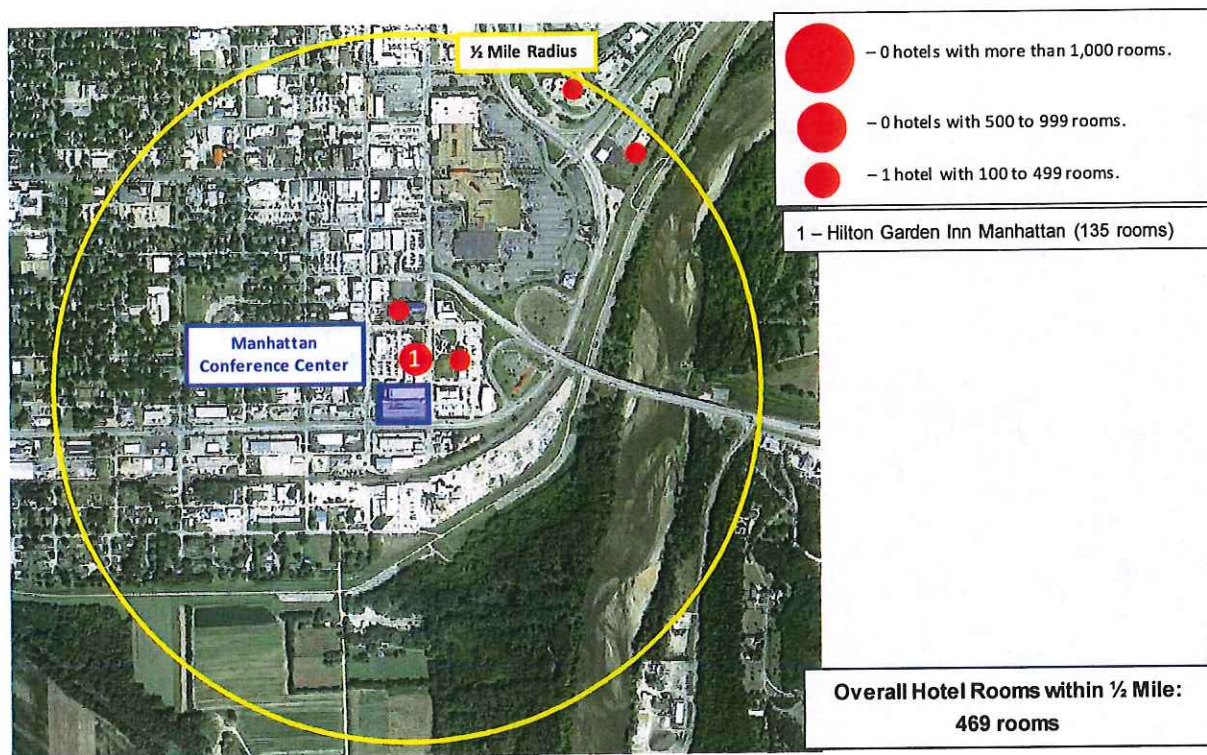
University of Wyoming Conference Center
Laramie, Wyoming



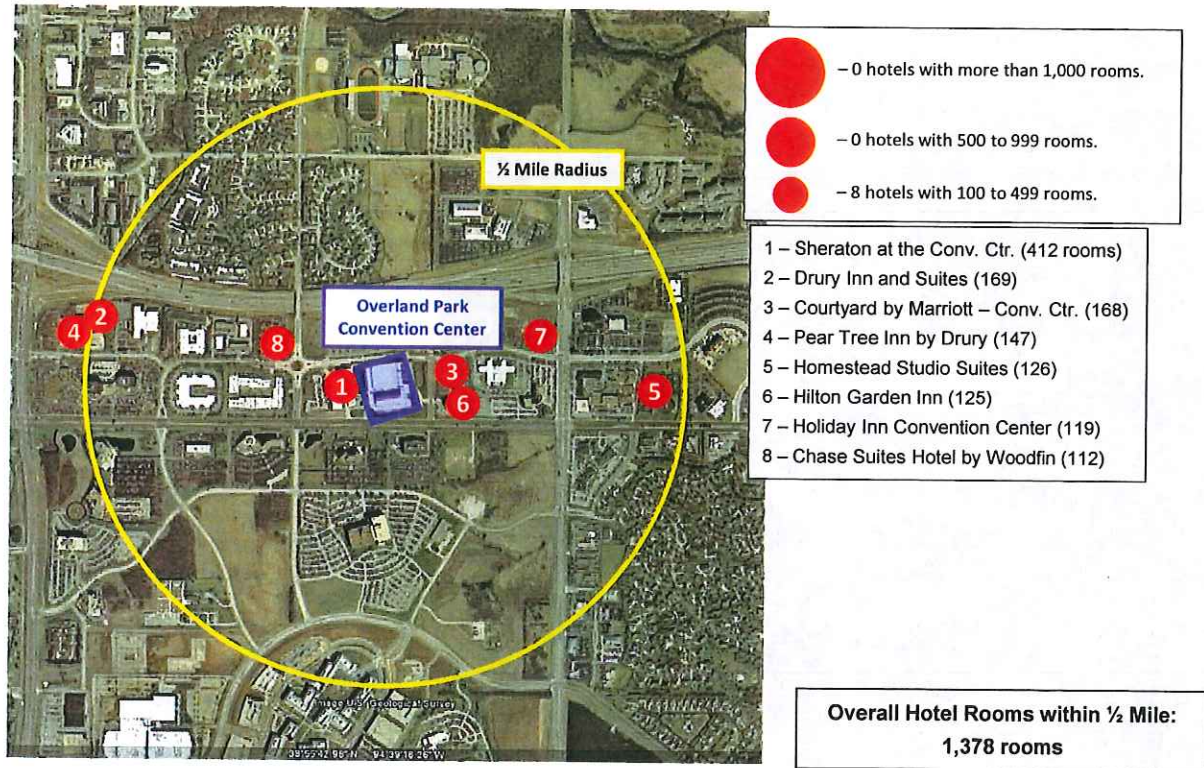
Davis Conference Center
Layton, Utah



Manhattan Conference Center at the Hilton Garden Inn *Manhattan, Kansas*



Overland Park Convention Center Overland Park, Kansas



Blue Water Convention Center
Port Huron, Michigan

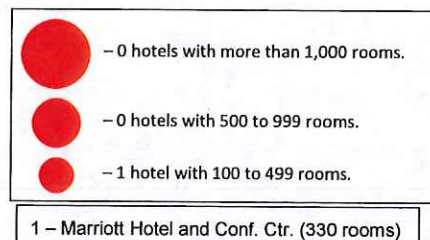
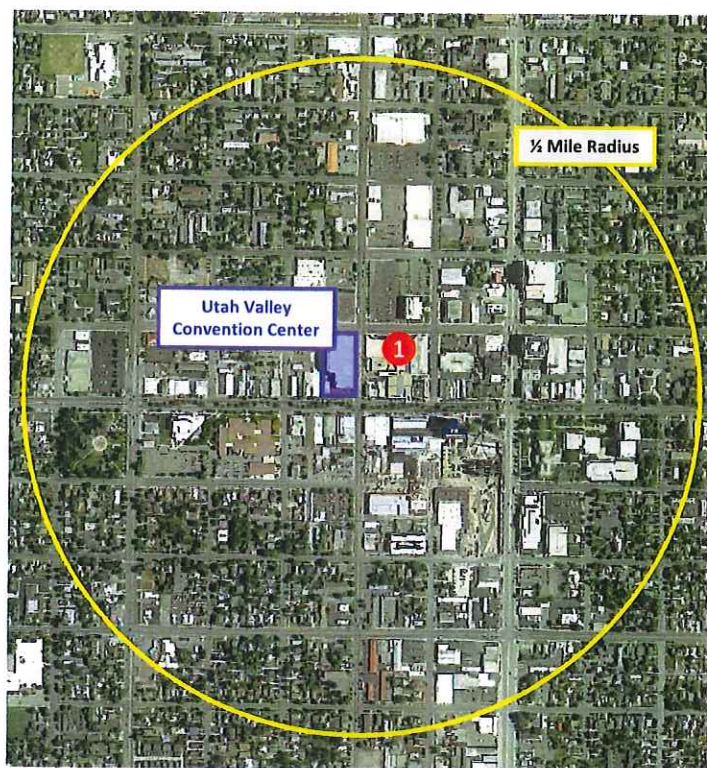


- 0 hotels with more than 1,000 rooms.
- 0 hotels with 500 to 999 rooms.
- 1 hotel with 100 to 499 rooms.

1 – DoubleTree Port Huron (149 rooms)

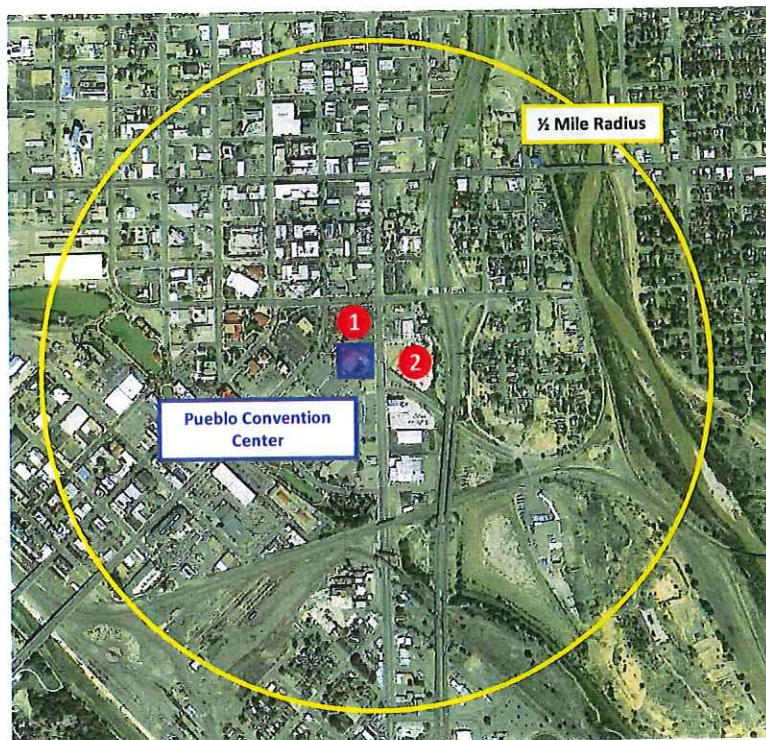
Overall Hotel Rooms within 1/2 Mile:
149 rooms

Utah Valley Convention Center Provo, Utah



Overall Hotel Rooms within 1/2 Mile:
453 rooms

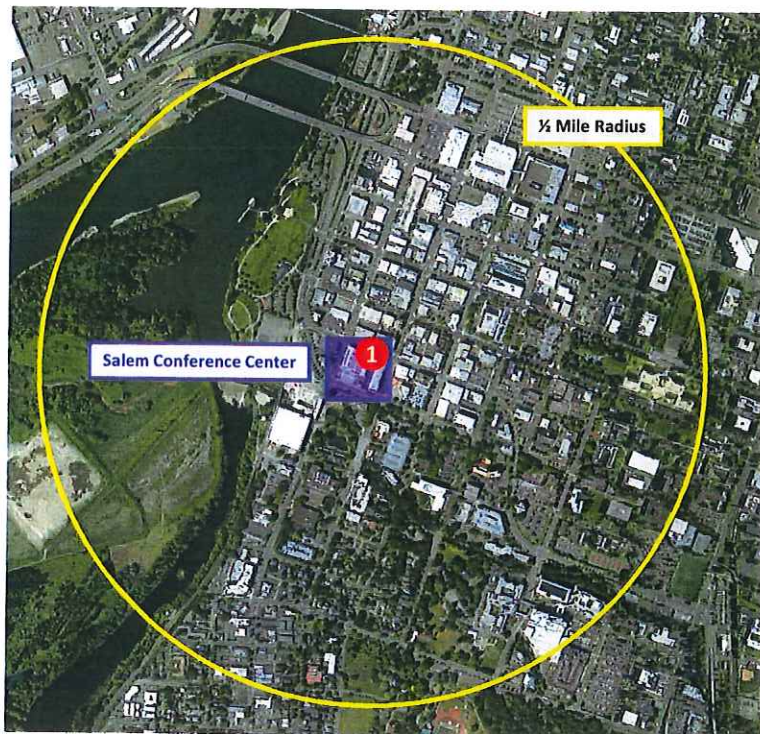
Pueblo Convention Center Pueblo, Colorado



- – 0 hotels with more than 1,000 rooms.
 - – 0 hotels with 500 to 999 rooms.
 - – 2 hotels with 100 to 499 rooms.
- 1 – Courtyard Pueblo Downtown (160 rooms)
2 – SpringHill Suites Downtown (105)

Overall Hotel Rooms within 1/2 Mile:
335 rooms

Salem Conference Center
Salem, Oregon

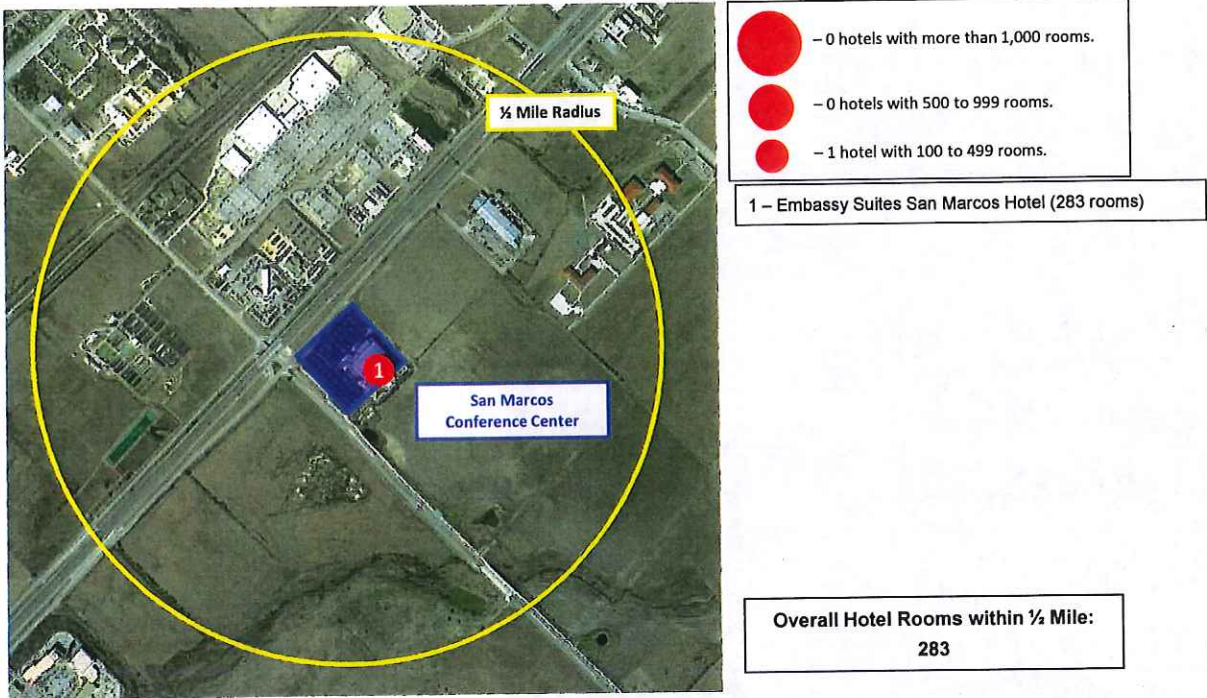


- 0 hotels with more than 1,000 rooms.
- 0 hotels with 500 to 999 rooms.
- 1 hotel with 100 to 499 rooms.

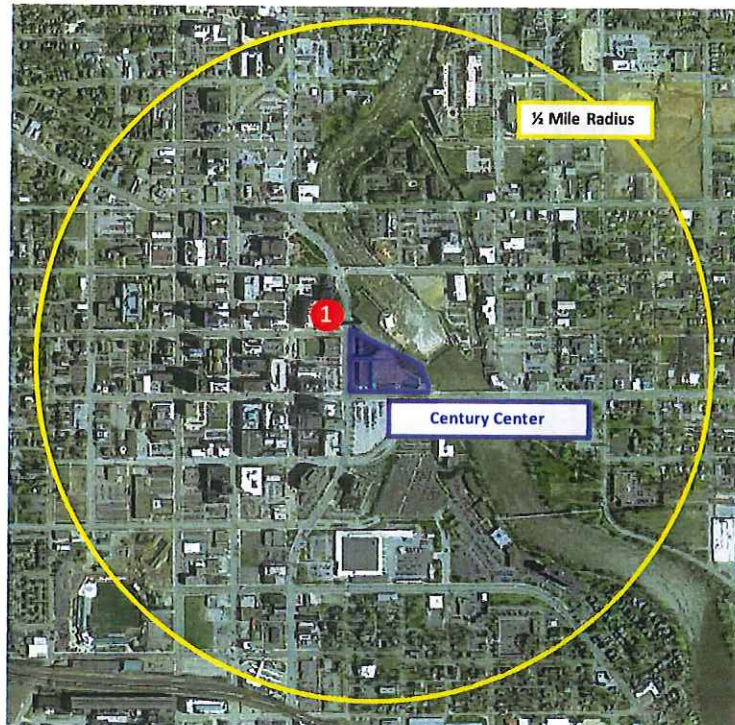
1 – Grand Hotel in Salem (193 rooms)

Overall Hotel Rooms within 1/2 Mile:
193 rooms

San Marcos Conference Center
San Marcos, Texas



Century Center
South Bend, Indiana

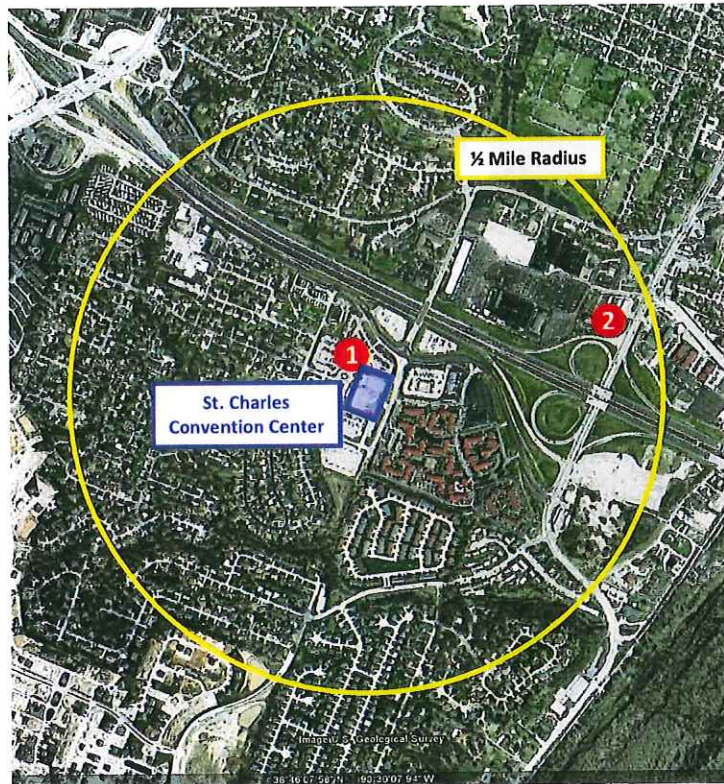


- 0 hotels with more than 1,000 rooms.
- 0 hotels with 500 to 999 rooms.
- 1 hotel with 100 to 499 rooms.

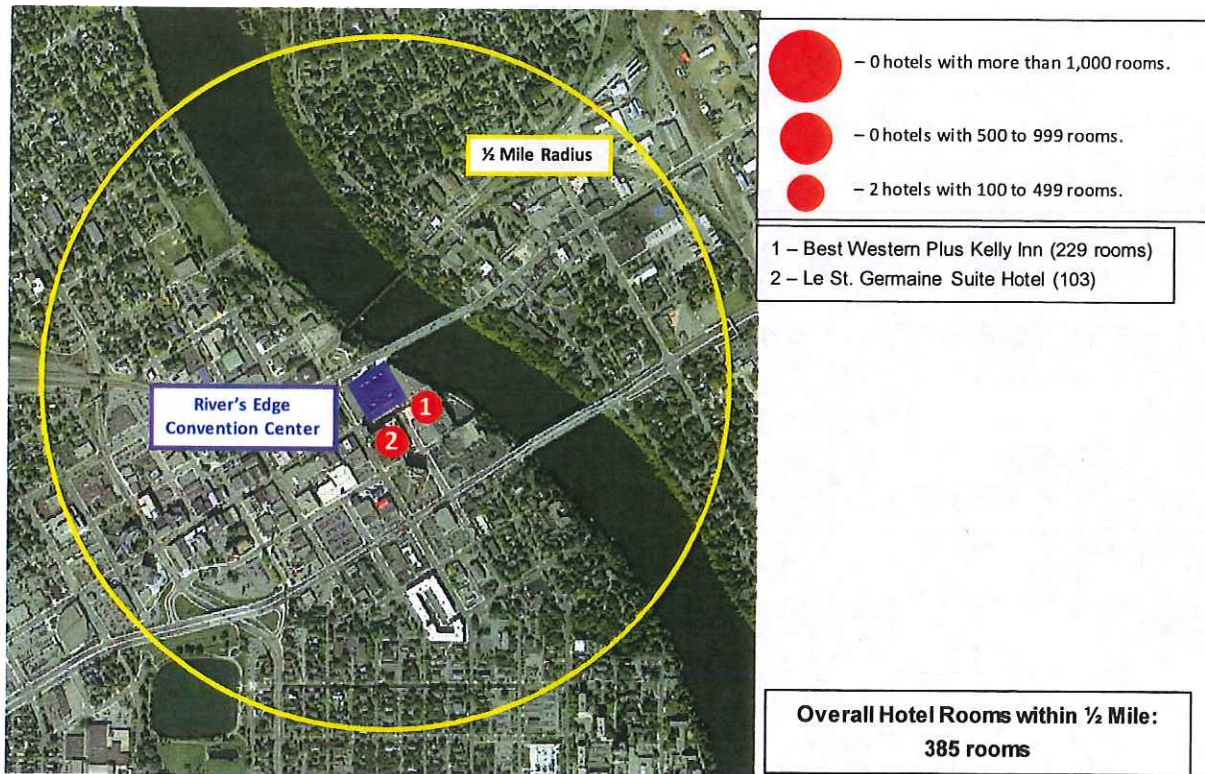
1 - DoubleTree by Hilton South Bend (291 rooms)

Overall Hotel Rooms within 1/2 Mile:
291

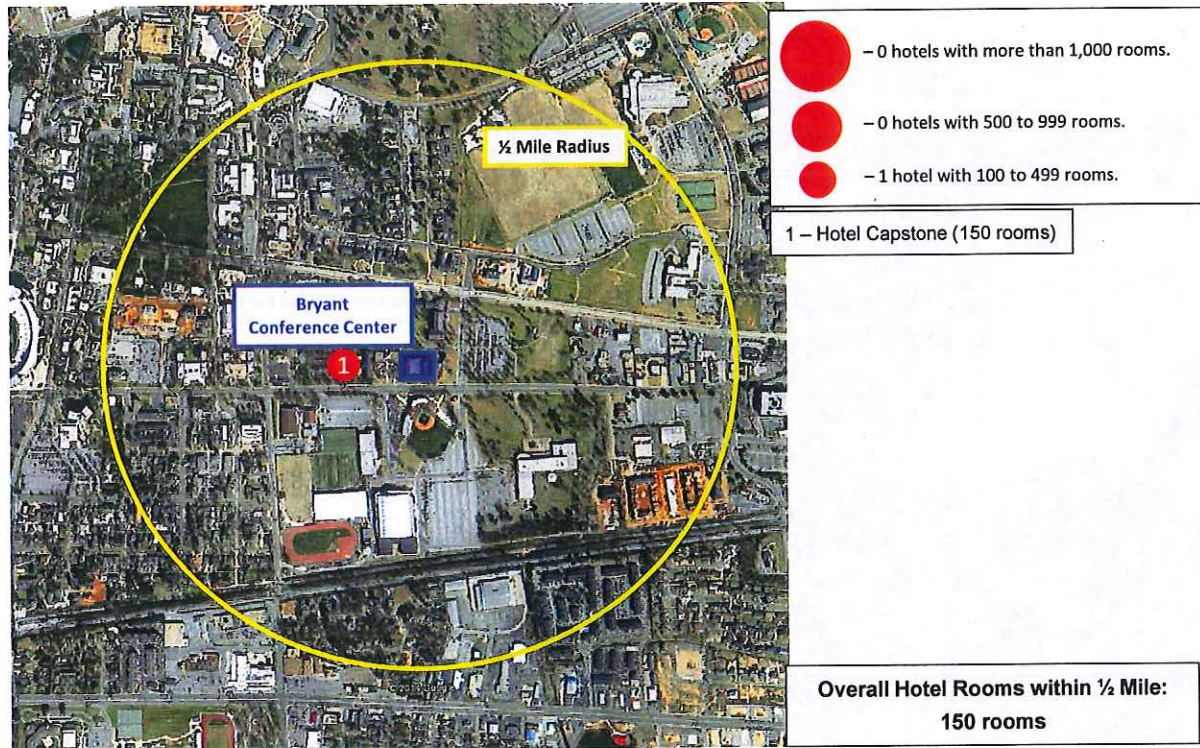
St. Charles Convention Center
St. Charles, Missouri



River's Edge Convention Center
St. Cloud, Minnesota



Bryant Conference Center
Tuscaloosa, Alabama



Vancouver Conference Center *Vancouver, Washington*



- – 0 hotels with more than 1,000 rooms.
- – 0 hotels with 500 to 999 rooms.
- – 3 hotels with 100 to 499 rooms.

- 1 – Hilton Vancouver (226 rooms)
- 2 – Comfort Inn & Suites Downtown (225)
- 3 – Red Lion Hotel at the Quay (160)

Overall Hotel Rooms within 1/2 Mile:
651

APPENDIX C: COMPARABLE MARKET DEMOGRAPHICS

Population

Market	City	County	30-minute	90-minute	180-minute
Vancouver, WA	166,264	440,750	1,671,663	2,985,159	7,027,978
Overland Park, KS	178,690	562,750	1,467,667	2,748,111	5,705,053
Austin, TX	843,140	1,105,557	1,450,852	4,364,932	12,711,868
St. Charles, MO	66,574	374,550	1,446,354	3,059,653	6,074,636
Layton, UT	71,554	324,338	650,127	2,520,098	3,118,907
San Marcos, TX	48,864	179,636	537,653	4,353,810	11,331,249
Provo, UT	116,507	551,093	518,147	2,359,707	2,756,936
South Bend, IN	100,407	267,049	420,720	2,642,903	18,747,191
Salem, OR	158,073	322,332	398,787	3,176,870	4,184,569
Bay City, MI	34,772	107,475	348,996	2,988,557	10,095,235
Athens, GA	121,528	122,764	262,785	4,222,550	11,587,123
Coralville, IA	19,169	136,741	252,462	1,352,045	4,829,393
Lawrence, KS	89,626	113,576	231,341	2,727,792	4,868,717
St. Cloud, MN	66,658	153,212	202,714	3,420,306	5,754,470
Tuscaloosa, AL	94,595	202,955	191,501	1,495,850	5,666,382
Pueblo, CO	106,882	160,022	161,996	1,030,820	4,659,089
Port Huron, MI	29,231	159,839	132,529	4,575,192	8,841,719
Manhattan, KS	56,530	76,218	130,692	662,692	4,581,219
Dubuque, IA	59,009	97,170	125,883	1,170,284	7,192,374
Laramie, WY	31,903	37,500	36,511	411,764	3,946,696
Average (excluding Lawrence)	124,800	283,300	547,800	2,607,400	7,305,900
Lawrence Rank (out of 20)	10	16	13	11	13

Source: Esri Business Analyst 2015

Average Household Income

Market	City	County	30-minute	90-minute	180-minute
Austin, TX	\$74,720	\$81,477	\$83,850	\$74,896	\$75,198
St. Charles, MO	\$68,393	\$86,576	\$77,731	\$70,457	\$63,713
Overland Park, KS	\$101,387	\$100,566	\$75,851	\$70,704	\$63,576
Vancouver, WA	\$62,540	\$76,656	\$74,914	\$73,130	\$76,481
Layton, UT	\$78,579	\$86,345	\$73,552	\$75,800	\$72,636
Provo, UT	\$52,873	\$73,716	\$72,745	\$76,160	\$74,308
San Marcos, TX	\$41,466	\$79,535	\$70,612	\$75,577	\$75,008
St. Cloud, MN	\$59,538	\$67,901	\$69,655	\$82,688	\$77,965
Coralville, IA	\$69,437	\$72,260	\$67,867	\$65,040	\$66,023
Lawrence, KS	\$61,419	\$65,986	\$66,661	\$71,317	\$64,922
Dubuque, IA	\$60,501	\$67,485	\$65,279	\$68,066	\$71,478
Salem, OR	\$61,456	\$61,228	\$62,697	\$72,161	\$69,938
Bay City, MI	\$44,840	\$56,309	\$60,623	\$73,179	\$64,643
South Bend, IN	\$46,577	\$60,569	\$58,693	\$58,419	\$73,450
Manhattan, KS	\$56,914	\$57,923	\$58,562	\$59,872	\$67,666
Port Huron, MI	\$40,523	\$59,423	\$58,552	\$67,694	\$65,646
Athens, GA	\$48,836	\$49,000	\$58,326	\$75,743	\$66,546
Tuscaloosa, AL	\$49,746	\$58,024	\$56,977	\$62,144	\$57,334
Laramie, WY	\$53,000	\$55,687	\$55,018	\$71,875	\$81,671
Pueblo, CO	\$47,018	\$54,653	\$53,972	\$74,933	\$79,588
Average (excluding Lawrence)	\$58,900	\$68,700	\$66,100	\$71,000	\$70,700
Lawrence Rank (out of 20)	8	11	10	12	16

Source: Esri Business Analyst 2015

Median Age

Market	City	County	30-minute	90-minute	180-minute
Port Huron, MI	36.5	42.4	41.8	40.0	39.2
Bay City, MI	36.2	42.4	40.9	40.2	39.4
St. Charles, MO	37.5	37.5	38.6	38.9	38.9
Pueblo, CO	37.7	39.0	38.6	36.7	36.4
Dubuque, IA	38.2	39.1	38.3	39.6	38.6
South Bend, IN	33.8	36.8	37.5	38.0	36.9
Vancouver, WA	36.8	37.5	37.1	37.6	37.8
Overland Park, KS	38.5	37.1	36.7	37.0	37.2
Salem, OR	35.3	35.7	35.8	37.4	38.2
St. Cloud, MN	29.7	34.0	33.6	37.0	37.6
Lawrence, KS	27.5	29.1	33.3	36.5	37.0
San Marcos, TX	24.1	31.0	33.1	34.4	33.9
Coralville, IA	33.0	30.3	32.7	38.5	38.6
Austin, TX	32.1	32.8	32.7	34.0	33.9
Tuscaloosa, AL	26.8	32.3	31.8	37.5	37.7
Athens, GA	26.2	26.3	31.7	35.6	37.1
Layton, UT	29.9	29.8	30.5	29.6	30.1
Laramie, WY	26.7	28.0	27.6	34.7	36.3
Manhattan, KS	24.6	24.8	26.7	34.2	36.7
Provo, UT	23.5	24.9	25.2	29.7	29.7
Average (excluding Lawrence)	32.0	33.8	34.3	36.3	36.5
Lawrence Rank (out of 20)	7	5	10	8	9

Source: Esri Business Analyst 2015

Corporate Base

Market	City	County	30-minute	90-minute	180-minute
Vancouver, WA	13,484	32,955	165,844	271,168	623,223
Austin, TX	84,731	111,539	131,772	332,025	966,964
St. Charles, MO	4,600	24,189	113,529	210,062	405,867
Overland Park, KS	18,403	49,794	112,917	195,560	407,932
Layton, UT	5,095	23,339	46,912	199,192	237,581
Provo, UT	7,659	42,048	40,615	187,116	213,160
San Marcos, TX	3,045	12,234	33,043	331,028	852,843
Salem, OR	12,702	24,795	29,929	290,017	372,839
South Bend, IN	6,214	16,772	26,738	161,261	1,184,263
Bay City, MI	2,077	6,441	21,330	213,588	664,921
Coralville, IA	1,612	9,568	18,679	103,983	358,458
Athens, GA	8,092	8,217	18,562	424,751	933,670
St. Cloud, MN	4,582	12,887	15,824	287,044	475,648
Lawrence, KS	5,405	7,182	14,775	192,569	348,377
Tuscaloosa, AL	5,756	12,101	11,509	99,055	364,570
Pueblo, CO	6,914	11,220	11,242	90,096	479,621
Dubuque, IA	4,379	7,778	10,020	91,402	484,049
Port Huron, MI	1,780	10,367	8,609	308,698	578,724
Manhattan, KS	2,756	3,493	6,697	45,539	334,282
Laramie, WY	2,026	2,608	2,485	40,669	420,786
Average (excluding Lawrence)	10,310	22,230	43,490	204,330	545,230
Lawrence Rank (out of 20)	10	17	14	12	17

Source: Esri Business Analyst 2015

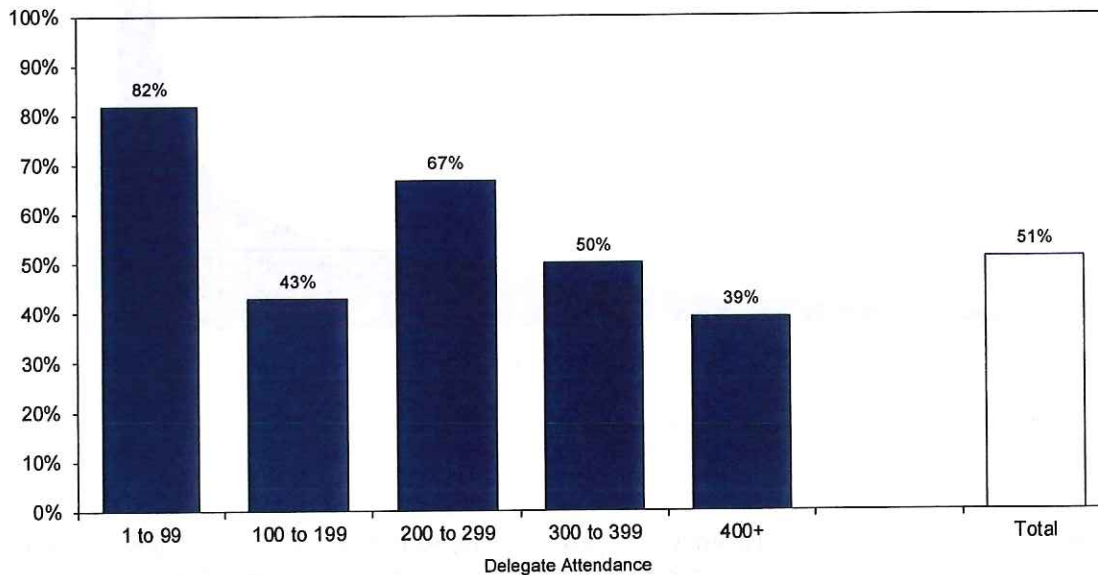
APPENDIX D: ADDITIONAL MARKET SURVEY RESPONSES

State and Regional Survey Respondents

The following section provides further detail regarding survey responses from state and regional event planners:

The exhibit below shows the percentage of positive response by delegate attendance.

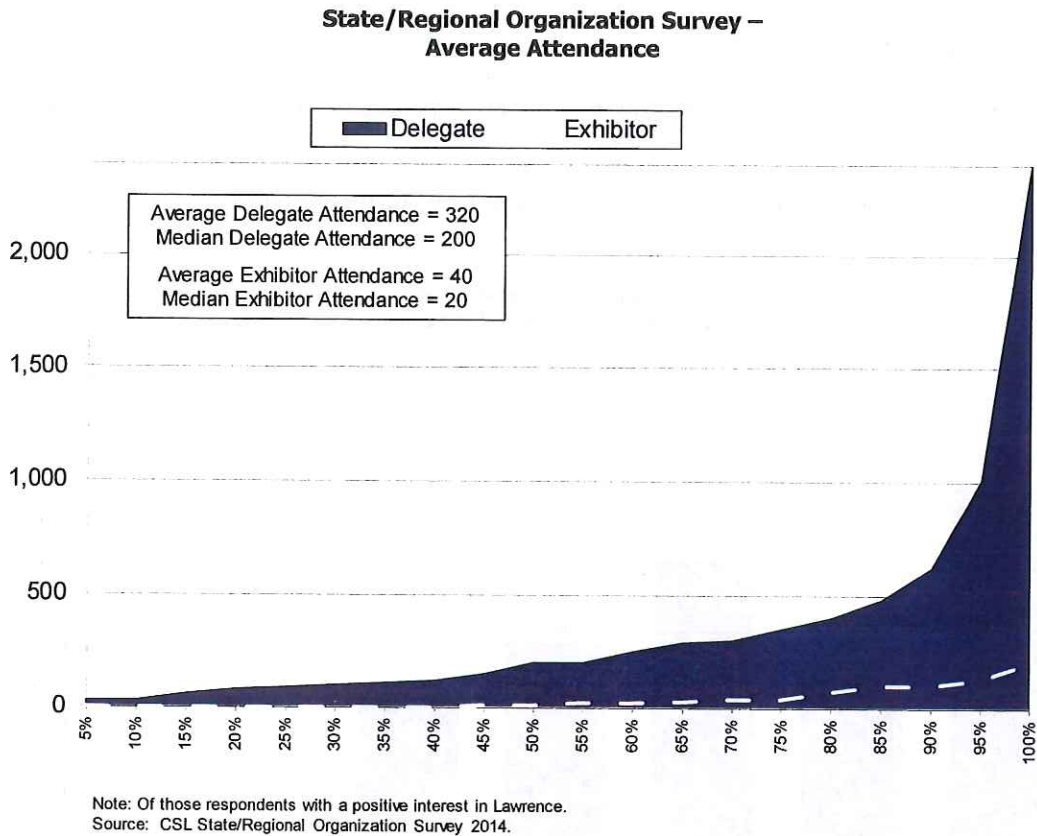
**State/Regional Organization Survey –
Summary of Delegate Attendance**



Note: Of those respondents with a positive interest in Lawrence.
Source: CSL State/Regional Organization Survey 2014.

As shown in the exhibit, events with between 1 and 99 delegate attendees had the highest percentage of positive responses. Moreover, more than half of the surveyed events with 200-299 attendees also had an overall positive response to a potential conference center in Lawrence. Notably, the smaller events with 100-199 and 400+ attendees had the lowest positive response rates of 43 and 39 percent, respectively.

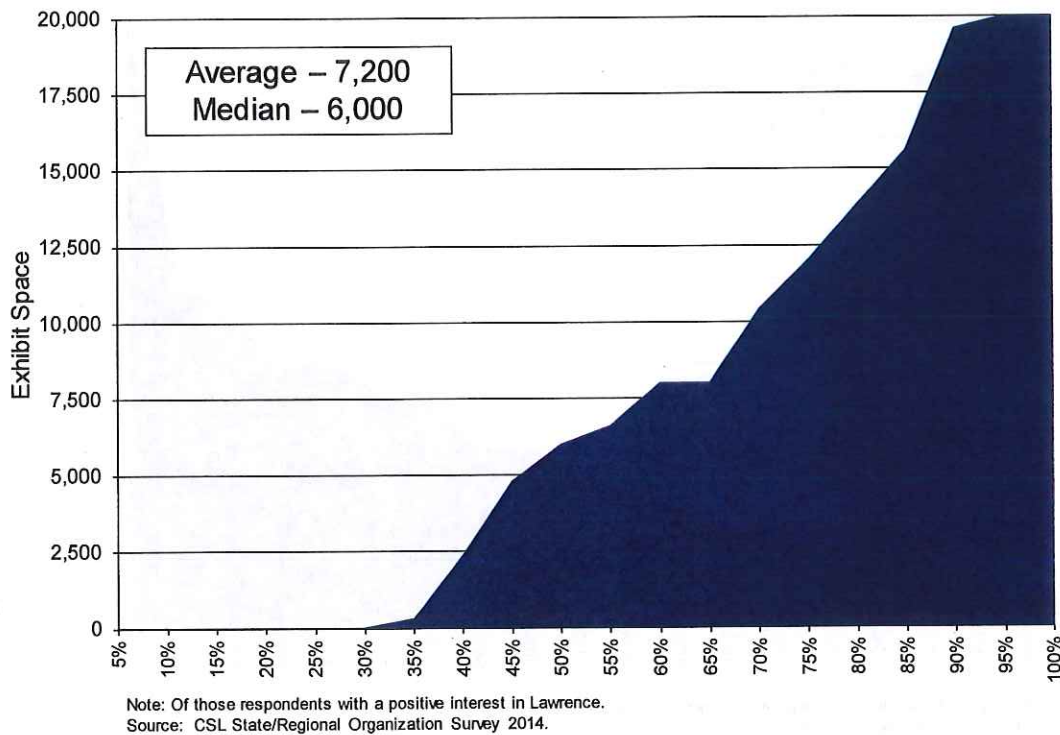
State and regional event planners were asked to estimate the average delegate and exhibitor attendance levels for their event(s). These figures exclude spouses and guests of the event's delegates. Responses are summarized in the exhibit below.



As illustrated, the average state/regional event with a potential interest in Lawrence attracts approximately 320 delegates and 40 exhibiting personnel. Approximately 85 percent of the potential state and regional event market for Lawrence consists of events attracting fewer than 500 delegates and 100 exhibiting personnel.

Event planners were asked to estimate the average amount of exhibit space used for their events, as shown below.

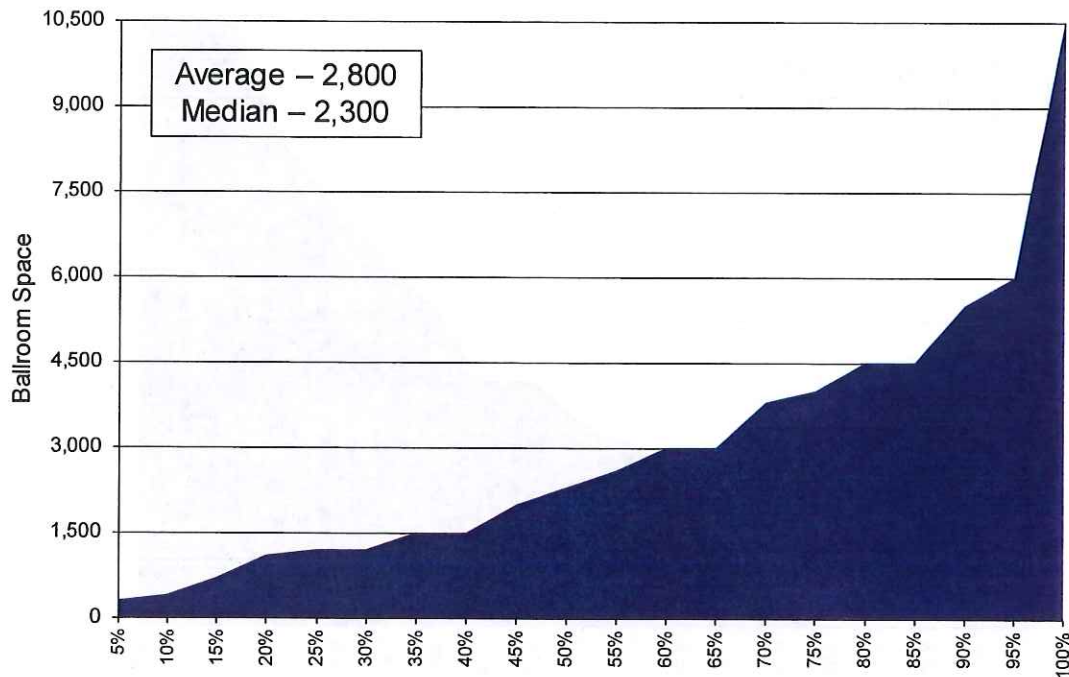
**State/Regional Organization Survey –
Total Exhibit Space Required**



As presented, the average amount of exhibit space utilized by Lawrence's potential state and regional organization market that requires exhibit space is approximately 7,200 square feet. Approximately 85 percent of the potential state and regional organization market for Lawrence could be accommodated with 15,000 square feet of exhibit space, while an estimated 95 percent could be accommodated with 20,000 square feet of space.

Event planners were also asked to estimate the average amount of ballroom space used for their events, as shown below.

State/Regional Convention Center Survey – Total Ballroom Space Required

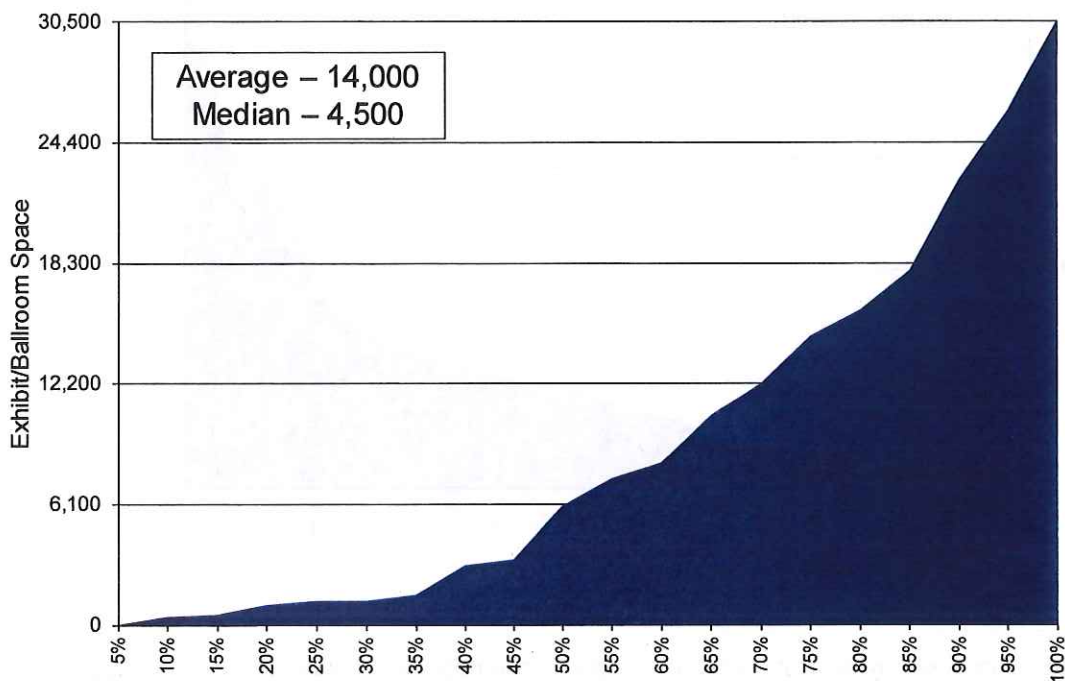


Note: Of those respondents with a positive interest in Lawrence.
Source: CSL State/Regional Organization Survey 2014.

The average ballroom space required by state and regional planners approximates 2,800 square feet, while the median ballroom space needed falls at 2,300 square feet. Approximately 80 percent of the market could be accommodated with 4,500 square feet of ballroom space, and 95 percent of the potential market consists of events requiring no more than 6,000 square feet of ballroom space. It is important to note that ballroom space is the most versatile space offered in most convention/event centers and is often utilized for such functions as banquets, general sessions, keynote speakers and even subdivided to host concurrent smaller events, activities and/or meetings.

Another potential function of ballroom space is as tradeshow or exhibit space. Of positive respondents, 96 percent of those that require exhibit space stated that a carpeted space would suffice for the exhibit portion of their event. As such, it is important to understand the total combined exhibit and ballroom space requirements of events with a potential interest in Lawrence, as outlined below.

**State/Regional Organization Survey –
Total Combined Exhibit and Ballroom Space Required**

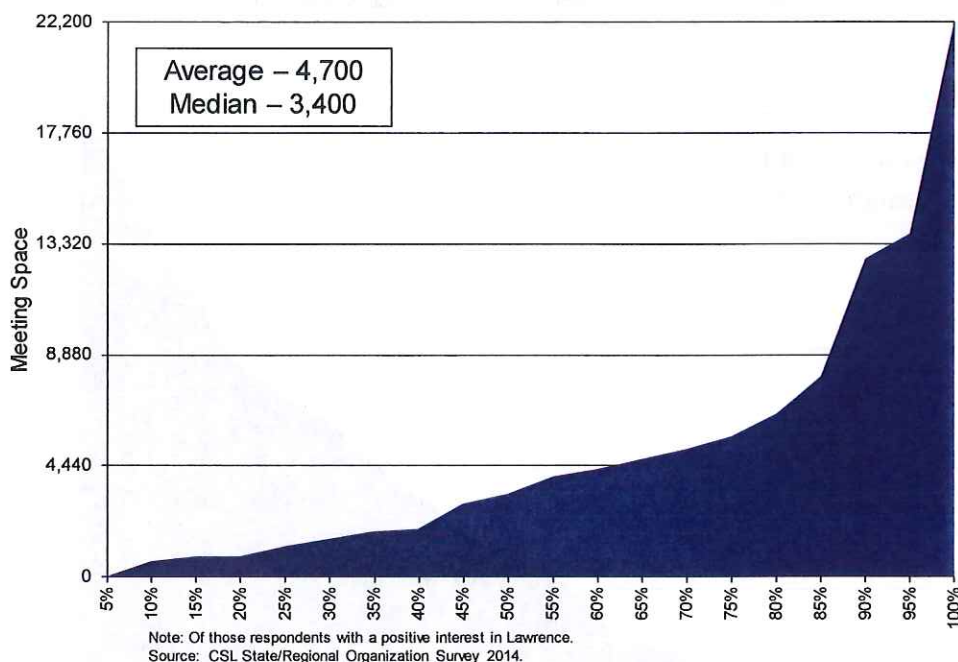


Note: Of those respondents with a positive interest in Lawrence.
Source: CSL State/Regional Organization Survey 2014.

As shown, the average event with a potential interest in Lawrence requires approximately 14,000 square feet of combined exhibit/ballroom space for their tradeshow, banquet, general session and/or other event needs. Approximately 90 percent of the market could be accommodated with 20,000 square feet of contiguous (and most likely subdivisible) space.

The exhibit below presents a summary of the total breakout meeting room space required among state and regional organizations with a potential interest in Lawrence conference facilities.

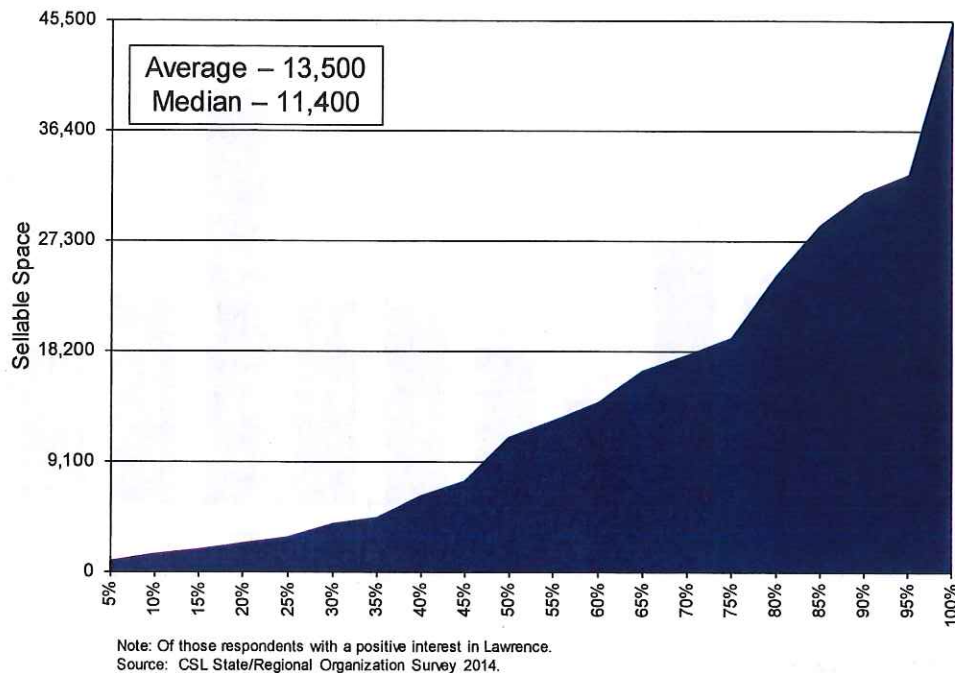
**State/Regional Organization Survey –
Total Breakout Meeting Room Space Required**



As shown, the average square feet of breakout meeting space needed is 4,700 and the median is 3,400 square feet. Approximately 85 percent of Lawrence's potential state and regional organization market requires 9,000 square feet of breakout meeting space or less. However, it is our experience that "breakout meeting space" requirements mentioned by meeting planners through surveys of this nature are often inflated to a degree (i.e., some larger "meeting space" requirements would better be accommodated in a larger ballroom/multipurpose room, etc.).

The exhibit below summarizes the total sellable space levels (exhibit, meeting and ballroom space) associated with the potential state and regional event market expressing an interest in hosting events in Lawrence.

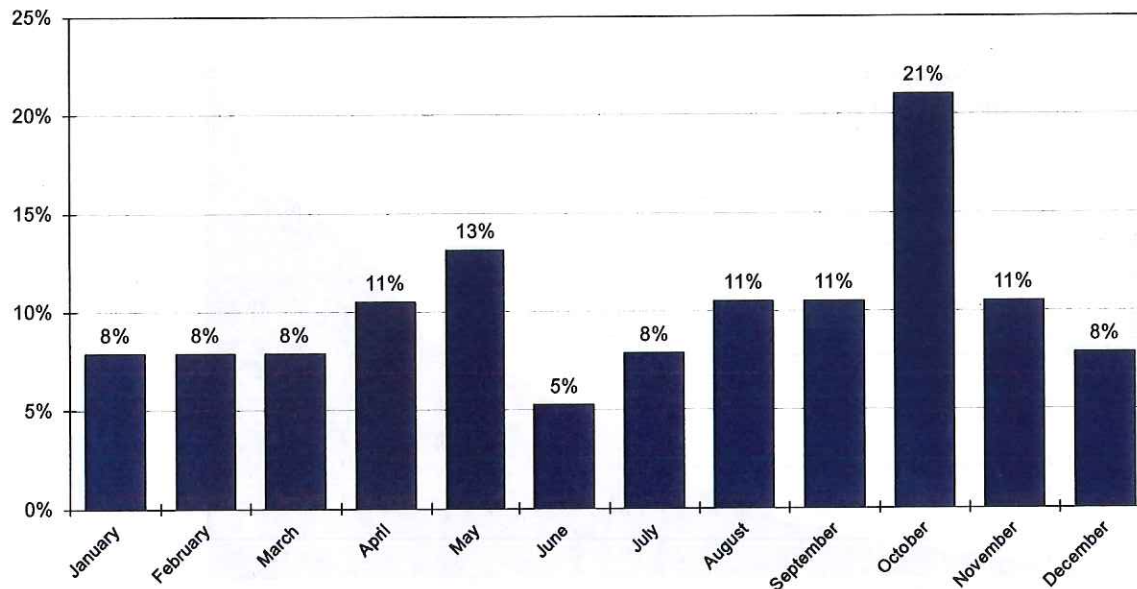
**State/Regional Organization Survey –
Total Sellable Space Required**



The average total sellable space required among state and regional respondents approximates 13,500 square feet. Nearly 75 percent of the potential state and regional events could be accommodated with 20,000 square feet or more of sellable space, while over 90 percent could be accommodated with 30,000 or more.

The exhibit below presents the seasonality patterns for those state and regional events that represent the potential market demand for new conference space in Lawrence.

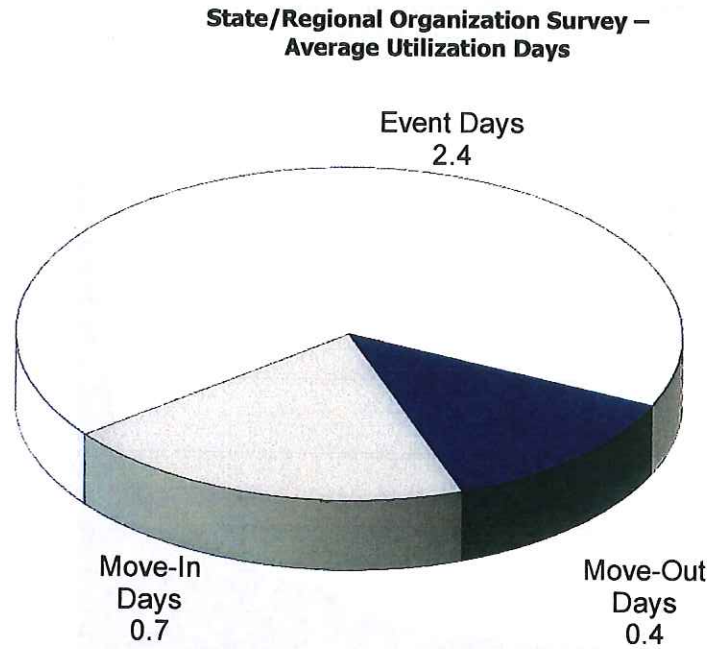
**State/Regional Organization Survey –
Event Seasonality**



Note: Of those respondents with a positive interest in Lawrence.
Source: CSL State/Regional Organization Survey 2014.

As shown, seasonal preferences among state and regional organizations with an interest in new convention space in Lawrence follow a pattern somewhat standard in the industry, specifically with regard to the stronger demand in spring and fall months. Specifically, October has the strongest demand from event planners by a significant margin, with approximately 21 percent of organizations interested in Lawrence as a host site that hold their event(s) during that month, followed by May, which represents 13 percent of the potential demand for conference space in Lawrence. June is the month with the lowest demand, at 5 percent.

The exhibit below shows the average utilization days, including move-in days, event days, and move-out days.

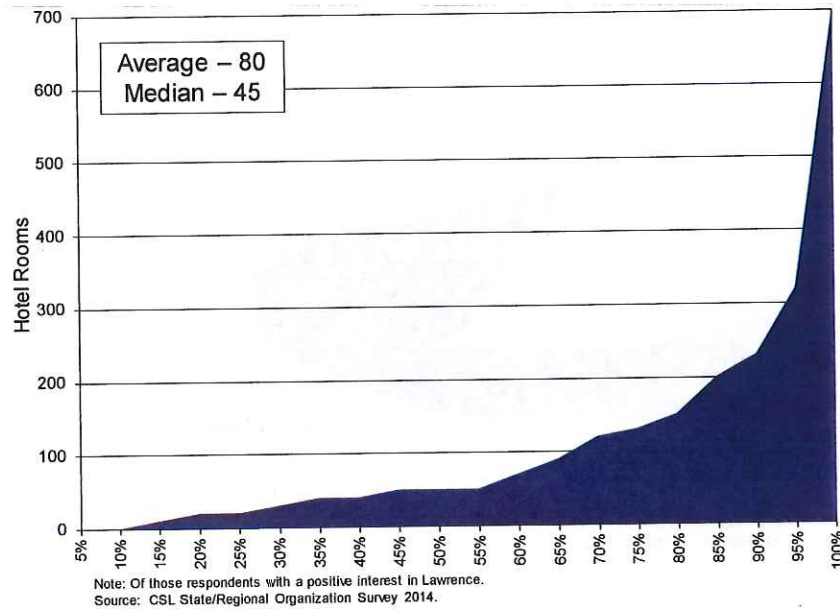


Note: Of those respondents with a positive interest in Lawrence.
Source: CSL State/Regional Organization Survey 2014.

It was found that among state and regional events expressing a positive interest in Lawrence the average number of utilization days approximates 3.5 days, consisting of 2.4 event days, 0.7 move-in days and 0.4 move-out days.

The number of peak hotel rooms required by interested events is shown in the exhibit below.

**State/Regional Organization Survey –
Peak Hotel Rooms Required**



As shown above, 300 available hotel rooms on a single night in Lawrence would accommodate nearly 95 percent of potential state and regional events.

Open-Ended Questions

Event planners were asked open-ended questions pertaining to their potential interest in Lawrence and a new conference center. Verbatim responses from those state and regional respondents is presented below:

Question 6: Are there any particular reasons why your organization is not likely to consider Lawrence as a potential destination/market for your event(s)?

- Affordability is the number one concern, we are a non-profit. The facility in Manhattan is very nice and we would use it, but we cannot afford it. Parking in Lawrence, specifically on campus is very difficult.
- We rotate to all member states, will not be back in Kansas until 2021, and the location choice is all up to the chair.
- It is because 80% of our members are from Texas. We do not have enough people in the Kansas area to do one there. There is no need to travel when the base of attendees are in a different state.
- Accessibility is a main concern. We would not consider the KU location during the fall (due to football). Also cost would be a major factor.
- It is truly a location-based choice. It is not central and we are a member-based organization.
- For our Fall meeting, college towns are very busy, causes a bit more difficulty logistically.
- We work with legislators and need to be close to the capital, we have delegates in from all over the state, and likely would not ask them to travel elsewhere. We are considering a more central location in the future- but that would be Salina or Wichita, not Lawrence.
- State geography is the challenge. A lot of our membership comes from Western Kansas so state geography does not allow us to have it in Lawrence.
- We go to southern United States resort areas because of climate. People like to go to Texas, Florida or any other southern state. We've done that for 30 some years.
- Lack of parking availability, no major airport.
- We hold only very small meetings, and already have a location that works well.
- Campus location – parking.
- We always use the same location.
- We stay in Illinois.
- Lawrence is not central enough.
- Our members are way too concentrated around the Kansas City Metro Area to even consider Lawrence. It'd be out of the way for us.
- We're staying in Overland Park. Our members are all pretty much near Kansas City.
- We rotate between Manhattan, where our headquarters are, and Wichita. We stay in the western part of the state.
- We don't have oil producers in the Lawrence area. We stay in the western part of Kansas.

- We're stuck in a rotation between Branson and Kansas City. I think those areas just offer more entertainment for our membership.
- We have to stay in the immediate Kansas City Metro Area. Our program doesn't have much of a presence in Lawrence.
- We have plenty of students in Lawrence, but we have to stay central around Kansas City since we encompass the north, south, east and west districts around the Metro Area.
- Lawrence is too small of a market for our really big events. It has plenty of students there, but I don't think we could get enough of that demographic interested in a charity event where we actually need to pull in some revenue.
- Our event would just be too big for that market. I like Lawrence, but the availability of parking is limited and there aren't enough hotel rooms concentrated around a particular area anywhere.
- There wouldn't be enough parking for us.
- Wichita will keep our fall event for the long term.
- We're set for meetings and their locations for the next five years or so.
- The legislative event has to stay near the capitol.
- We're staying in Wichita for sure. It's more central to our members. We are from all over the state, but I think about two thirds of us are more north.
- We're locked in at the Topeka Convention Center for at least another four years, plus we like it a lot there.
- We are well taken care of in the events department for probably the next ten years.
- We're contracted to go between Overland Park and Wichita for at least the next four years.
- We rent a lot of equipment from Wichita Public Schools. We require many auditoriums and space. Also, it isn't close to a major airport.

Question 8: What specific preferences or requirements does your group have with respect to the conference center site/location and nearby amenities?

- We like places that are closer to the airport.
- As far as location goes, it is nice if it is close to the airport but that is not required.
- It doesn't have to be close to anything particular for us. The airport could be five minutes away or an hour away, we are not picky.
- Close to activities within walking distance; downtown would be a bit better, but KU would still work.
- We definitely want shopping nearby for our spouse/guest program. We are an organization of men and they bring their wives with so we have to have things to do for their wives and they love shopping, cooking, spas. Being near to an airport is convenient, but it doesn't break our decision on going to a certain destination.
- We like being close to eating and shopping options within walking distance or a five minute driving distance, that's great. It is nice for the airport to be close for speakers but the attendees are coming from in-state so it doesn't matter too much.

- Proximity to activities within walking distance.
- Parking, restaurants within walking distance
- It doesn't matter as long as there's parking.
- We like to be near places or buildings to tour. We're architects, so we like to study an area.
- Parking and highway access are vital.
- Proximity to multiple hotel options and restaurants; we also need nearby or attached gyms or rec center type spaces.
- We like the site to be in walking distance of restaurants and shopping for attending spouses.
- Plenty of outdoor eating facilities need to be available. Shopping options are always nice.
- Adequate parking.
- East highway access would be important for us, and it has to be easy to locate. We need a good parking situation, and free parking would be nice.
- The parking situation is always looked at; oftentimes we pick a spot that minimizes travel for colleges that attend.
- The ease of parking and proximity to golf courses; we also like shopping options.
- If there is a lack of parking, we have a problem. Restaurants and shopping centers are good.
- Bars and restaurants always attract our people. A downtown area would be a nice fit for us.
- We do not have too many needs because we are very self-contained. A nearby golf course is a good thing, as is ample parking for the meeting space.
- A nice restaurant has to be nearby.
- Availability of parking would be our top priority; it is always nice to have restaurants and recreation very close by.
- It is helpful to have plenty of food options available.
- Accessibility to the highway is vital; parking is also very important.
- It must absolutely have sufficient parking space. Everything else is irrelevant because we stay onsite for the entire time we meet.
- Being near restaurants is a plus, as is proximity to a major airport.

Question 20: Do you have any specific requirements or preferences regarding the conference center physical facility, in terms of its space and amenity offerings?

- We want the meetings and exhibits on the main floor.
- We want it to be all inclusive. We want the hotel and meeting space in one area. The town is the chairman's decision. We like the hotel and meeting space to be together and so we look for places that can handle that.
- Wi-Fi throughout is very important because our conference is set up so that attendees can download the lectures while they're being given onto their laptops. Plus they're physicians so they need to be able to stay in contact with their patients. As far as location goes, it is nice if it

is close to the airport but that is not required. We have a limited budget so we prefer to stay under one roof.

- Wi-Fi is about the only thing that our attendees require.
- We have to use fork lifts and three phase electrical systems typical of big venues. We need to be able to have water and a drainage system. We can't have carpeted building. We need to have concrete floors.
- 14,000 square feet of tradeshow space is the key. We need AV whether it's included in our package or not but if the convention center charges us for it, we bring it in. We prefer a hospitality room so there's drinks and they can check their emails. We need some place where they can go that's quieter. Our socials are offsite so some place for us to go is nice, whether it be a restaurant or a place to rent out.
- Flexible staff is important. The event manager has to be able to do anything I ask. In our hotel we need a restaurant inside, a workout facility, pool, etc. I always book suites where you have the living space in the middle and the ends are bedrooms. We need a screen for our presentations, as well as microphones, projectors, etc., but we bring our own laptops. If the equipment can be in a package or priced-in somehow that'd be great.
- Hotel event space attached to the venue meeting space is always nice. That is big.
- Built in A/V and affordable catering.
- We need super high electrical potential for every booth, and each booth is about 25 feet high, so we need very high ceilings. We also need a convenient flow between rooms and to the exits.
- A hotel with a member points system that is associated with where we meet is always preferred. Bathrooms located next to the largest event spaces are needed. WiFi that's available throughout the entire facility is a must. I also like having a very large screen that comes down from the ceiling in a few different meeting rooms
- High quality catering with extensive surround sound audio capabilities; good lighting and wireless capabilities are important as well.
- Internet access is huge. There must be a room with plenty of space for 700 people.
- Every room should be up to date with technology so that they don't have to be retrofitted in the near future. High quality bandwidths in every space are vital. We also need varying breakout room sizes.
- The number of breakout rooms is vital. We absolutely need six different rooms, and there probably needs to be more than that so that other concurrent events can be accommodated. Quality A/V services are important, too. We need a state-of-the-art sound system along with heavily sound-insulated meeting rooms.
- I prefer onsite catering.
- We'd like high value catering. We like generous reception areas. We'd like to bring in our own alcohol.
- The overall price package is the biggest factor, but we also need free internet access that is at least somewhat high in quality.
- We would like to have a 75-person auditorium space.
- We would like a facility to have highly negotiable pricing and meeting packages; we also want highly flexible space with plenty of moveable walls, along with different types of large rooms that vary by size and quality.

- We would like a large bar.
- Our board rooms must be able to seat 30 to 40 people in a U-shaped pattern. The room should be high end and have some creativity in its décor.
- We like nice meeting rooms with sleeping rooms that are also nice and attached to the Center. We would like a restaurant to be inside the Center as well.
- A built-in A/V system is a must.
- We want big monitors next to all doors that run the schedule of events and activities continuously and show sponsors of the event.
- We have enormous space requirements, eight auditoriums are necessary.

Question 21: What are your overall impressions of the Lawrence destination as a potential host for your events?

- Logistics would be easy and Lawrence is a nice market. People from out of town would prefer the downtown option rather than on campus. We have the business; it is just a matter of finding an affordable, convenient facility and location that is large enough.
- We likely wouldn't consider the on-campus option, but downtown possibly.
- People from Kansas would like Lawrence as a market. The downtown option is attractive due to the activities, shops and quaint feel.
- It has a lot of amenities and a lot to offer as a destination
- KU campus has a few drawbacks: It alienates those who are not alumni/KU supporters, there are fewer catering options, more regulations, limited alcohol sales, fewer time options. We really like the town, and have not used it more because there has not been a large enough facility. It is a nice interim location between Topeka and Kansas City and it is easier to get around than a huge city.
- I think it would be a nice option, but many of our members are from the Wichita area.
- There is a supportive park and rec department in Lawrence and there is more to do. Also, Lawrence is as far east as western members will travel.
- It has a great "little big city" feel. I like the idea of being downtown, but not on campus. It is hilly and confusing, but if located downtown the KU campus would still be accessible.
- It is appealing because it's close to our home office in Garnet. It is more appealing than Kansas City because it's not a big city. We like to try to move around the state, and we've never been to Lawrence.
- I think Lawrence is a great city.
- We would absolutely love to come back, we are just waiting for a facility. A similar situation occurred in Manhattan, then they built a facility and we love it.
- We love it. The people are always nice and it would be great to have the University nearby.
- I love Lawrence. There is a lot to do there and it is really unique. Everything is neat and tidy.
- Having the University there would be a good fit for us.

- People love it there. A lot of people haven't been there and they always talk about looking forward to going there one day. I know they currently cancel classes for events, so a conference center onsite would help a lot. The lack of airport access hurts them, though.
- I like Lawrence. I would like for them to book something of mine there.
- Overall, it is a nice place to meet. It is a good location. Sporting events at the school may overcrowd the town on some days, though, and that may make driving and parking difficult.
- It's a great place; I love the downtown area.
- The highway system being worked on there will make it easier for attendees from Kansas City to come.
- I haven't thought much about it, but it would have a nice demographic to reach out to.
- It is not as central as we would like, but I would be good with it. Our director is from there, so it would be a likely possibility.
- I have no problems with it. It has a great atmosphere on game days.
- It is attractive. Our members always ask us when we will be going to Lawrence again.
- It seems progressive and is growing fast. We want to get there soon.
- We love it there. We are huge fans of the Jayhawks and there is usually a great atmosphere there.
- I am not a fan at all because I went to Kansas State. I'm biased, but I do know a lot of people who like it.
- It is fine. I do not have a ton of opinions about it.
- I like it very much myself. It may be a distant drive for some of our members, though. It is an exciting area with wonderful shopping, wonderful restaurants and great bars.
- I think it is a fine place to meet. It has a lot of character and I think a lot of people think it is cool.
- If there was a facility that could accommodate us, we would seriously consider it. However accessibility might be an issue.

APPENDIX E: PUBLIC/PRIVATE PARTNERSHIP CASE STUDIES

Coralville, Iowa

Coralville Marriott Hotel and Conference Center

Facility Overview

The Coralville Marriott Hotel and Conference Center opened August 2006. The Marriott is a full-service property offering 286 guestrooms. The Center offers approximately 56,700 square feet of total sellable space, with approximately 29,600 square feet of exhibit space in the Coralville Conference Center, 21,900 square feet of total ballroom space within the estimated 15,000-square foot Coral Grand Ballroom and the 6,900-square foot Oakdale Junior Ballroom, and 5,200 square feet of meeting space throughout 10 separate rooms.

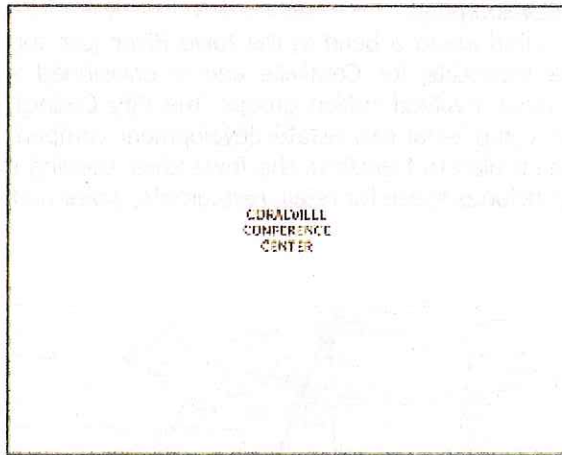
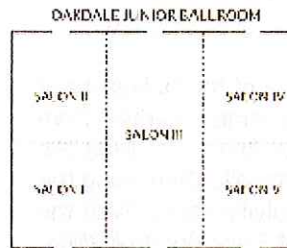
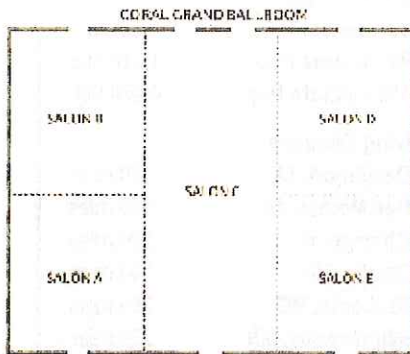
The City of Coralville is currently undertaking the development of the Iowa River Landing, a 180-acre site located at the junction of Interstate Highway 80 and the Iowa River. The Coralville Marriott Hotel and Conference Center was the first major component of the development. The Antique Car Museum of Iowa, Johnson County Historical Society and River Bend commercial and residential complex also are located within the Landing. Future programming designs include the development of a 500,000-square foot lifestyle retail center, office, condominium and entertainment offerings, and an inter-modal transportation facility connecting the Iowa River Landing to downtown Iowa City and the University of Iowa via car, bus, bicycle and light rail.

Year Opened:	2006
Center Ownership:	City of Coralville
Hotel Ownership:	City of Coralville
Management:	Marriott Hotel Svcs.
Hotel Brand:	Marriott
Hotel Type:	Full-Service
Hotel Rooms:	286
Convention Space:	
Exhibition SF:	29,600
Ballroom SF:	21,900
Meeting SF:	5,200
Sellable SF:	56,700

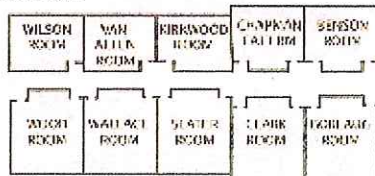


(Facility Overview cont'd)

Coralville Conference Center Floor Plan and Capacity Chart



SECOND FLOOR



	Square Feet	Ceiling Height
First Floor		
Coralville Conference Center	29,600	31'
Salon A	2,756	21'
Salon B	2,756	21'
Salon C	4,922	21'
Salon D	2,756	21'
Salon E	2,756	21'
Coral Grand Ballroom	14,980	21'
Salon I	1,155	21'
Salon II	1,155	21'
Salon III	2,240	21'
Salon IV	1,155	21'
Salon V	1,155	21'
Oakdale Junior Ballroom	6,930	21'
Second Floor		
Benson Room	500	10'
Borlaug Room	625	10'
Chapman Catt Room	500	10'
Clark Room	625	10'
Kirkwood Room	425	10'
"Duke" Slater Room	650	10'
Van Allen Room	425	10'
Wallace Room	650	10'
Wilson Room	384	10'
Wood Room	384	10'
Total Convention Space		
Exhibition Space	29,600	
Ballroom Space	21,900	
Meeting Space	5,200	
Total Sellable Space	56,700	

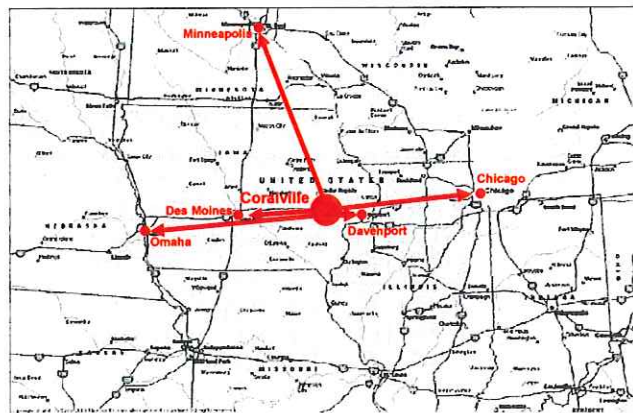
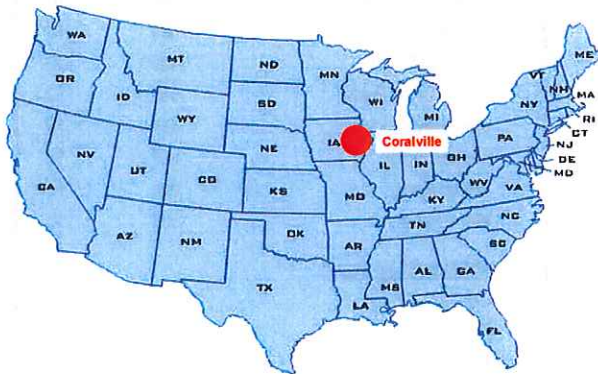
Market Overview

The City of Coralville, Iowa is located in Johnson County approximately 110 miles east of Des Moines, IA and 220 miles west of Chicago, IL. Approximately 19,500 people reside within the City, 139,000 reside within County limits, and 221,300 people live within a 30-minute drive of Coralville. The 2015 income per capita in the City was approximately \$30,700, with the median income for a household just over \$54,400.

Coralville is a northern suburb of Iowa City, the home of the University of Iowa, and rests on the Iowa River. In fact, the City's name is derived from the fossilized coral found in the limestone along the River. In 1958 the United States Army Corps of Engineers completed Coralville Dam along the Iowa River four miles north of the city, creating Coralville Lake. With the exception of the Great Flood of 1993 and the Great Iowa flood of 2008, the dam has helped prevent serious flooding in the city.

As previously discussed, the Coralville Marriott Hotel and Conference Center is the cornerstone of the Iowa River Landing development. Coralville's Iowa River Landing is a former industrial park located along a bend in the Iowa River just south of Interstate 80. The area is seen as a gateway from the Interstate for Coralville and is envisioned as an entertainment, retail, and dining district. Planning efforts have involved citizen groups, the City Council, and consultants with expertise in a variety of areas. A leading commercial real estate development company has worked with a consulting firm to develop a master development plan to transform the Iowa River Landing into a leisure destination for a variety of non-local visitors. The plan includes space for retail, restaurants, water features, gathering, entertainment, and offices.

City, State:	Coralville, IA
City Population:	19,500
County Pop.	139,000
30 - Minute Pop.	221,300
90 - Minute Pop.	1,310,800
180 - Minute Pop.	4,879,900
Driving Distance	
Davenport, IA	60 miles
Des Moines, IA	110 miles
Chicago, IL	220 miles
Omaha, NE	240 miles
St. Louis, MO	265 miles
Minneapolis, MN	275 miles



Development

The Old Industrial Park area adjacent to the Iowa River in Coralville accommodated industrial development in the community throughout the 1900's, but as the economic viability of some of the older industrial uses waned, much of this highly visible area adjacent to Interstate 80 fell into a state of disrepair and underutilized property. The City of Coralville was able to get the area designated as an EPA Brownfields Assessment Demonstration Pilot, providing the City with an opportunity to begin environmental assessments, risk characterization, clean-up and remediation of the area, followed by a comprehensive Land Use Study. The Iowa River Landing concept emerged from the process as a model for the type of mixed use development that could best serve the needs of the community. The net result of the planning process included a framework for future development, general design theme built on the idea of a "riverfront district", architectural design guidelines, and site development guidelines.

Planning efforts have involved citizen groups, the City Council, and consultants with expertise in a variety of areas to develop the concept plan shown below. The plan includes space for retail, restaurants, water features, gathering, entertainment, and offices. The Coralville Intermodal Facility, with park and ride, secure bicycle storage, public ticket access, and transfer points, is also a part of the plan.

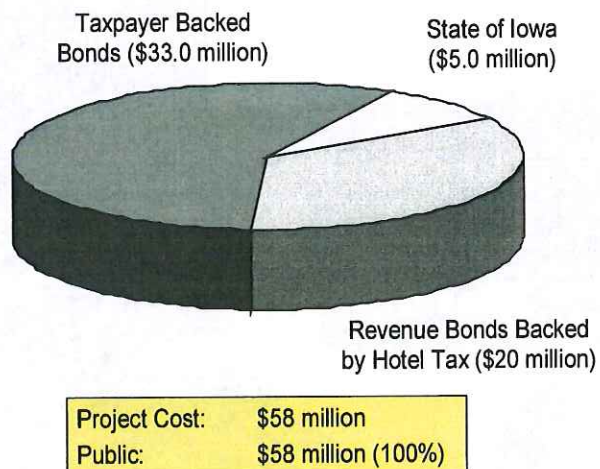


Funding

The City of Coralville established the Highway 6 Urban Renewal Area in 1992, and five years later, created the Mall Urban Renewal Plan Area to finance development of the Coral Ridge Mall. In 2001, the city amended its general plan to include a hotel/convention center to be built in the Highway 6 Urban Renewal Area. However, this area alone would not generate sufficient tax increment financing (TIF) revenue to fund the project. To resolve this problem, the city consolidated the two previously existing urban renewal areas to finance the project. The two areas were connected by Interstate 80. Each of the original urban renewal plans was modified to include the I-80 corridor, a strip of land along the interstate from the Coral Ridge Mall east to Highway 6. The addition of the Interstate 80 corridor to each of the previously existing urban renewal areas physically and visually connected the two urban renewal areas. The city called this newly created area the Mall and Highway 6 Urban Renewal Plan Area (Urban Renewal Area).

To finance the hotel project's construction, the city sold \$33 million in Annual Appropriation General Obligation Capital Loan Notes and \$13 million in Annual Appropriation Urban Renewal Tax Increment Revenue Bonds. The Certificates are to be repaid from the net revenues of the facility (after specific appropriations are made to various facility operation and reserve accounts) and TIF revenues generated within the Urban Renewal Area.

Funding Summary



Management and Operations

Marriott Hotel Services, Inc. ("Marriott") was contracted by the City of Coralville to manage and operate the hotel and conference center for a term of 20 years. As compensation, Hilton received a base management fee of \$374,000 in its first full year of operations, and a nominal fee that increases anywhere from 2.3 percent over the previous year to as much as 16.1 percent over the previous year, for the first five years. In the fifth full year of facility operations, the base management fee is \$507,000. Beginning in the sixth year of operations, the base management fee will be adjusted by a percentage equal to the percentage increase or decrease of the Consumer Price Index.

After funding a Hotel Operating Reserve Account up to \$1.0 million, (see Indenture document upon receipt for more details).



Dubuque, Iowa

Grand River Center and the Grand Harbor Resort and Waterpark

Facility Overview

The Grand River Center and the Grand Harbor Resort and Waterpark are located at the Port of Dubuque on the Mississippi River. The \$71.3 million project was part of a \$188 million development initiative spearheaded by public and private enterprises to revitalize and develop the Port of Dubuque.

The Grand River Center, opened on October 25, 2003, offers 57,900 square feet of total sellable space, including a 30,000 square foot exhibit hall, a 12,000-square foot ballroom that can be divisible into as many as four rooms, and ten breakout meeting rooms totaling 15,900 square feet of breakout meeting space. The Center's most prominent feature is the nearly 2,400 square foot River Room which is made entirely of windows overlooking the Mississippi River.

The Grand Harbor Resort and Waterpark is attached to the Grand River Center via a skywalk. The 193-room hotel opened in December 2002, and features Iowa's first 25,000 square foot indoor waterpark. The facility also offers a large interactive arcade, fitness center and restaurant.

Other developments borne from America's River Project along the Port of Dubuque include the National Mississippi River Museum and Aquarium, Diamond Jo Casino, Alliant Energy Amphitheater and Star Brewery, Mystique Casino, and the Mississippi Riverwalk.

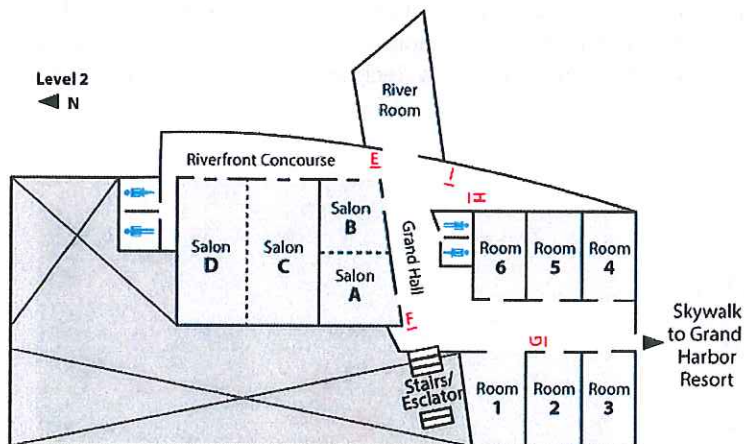
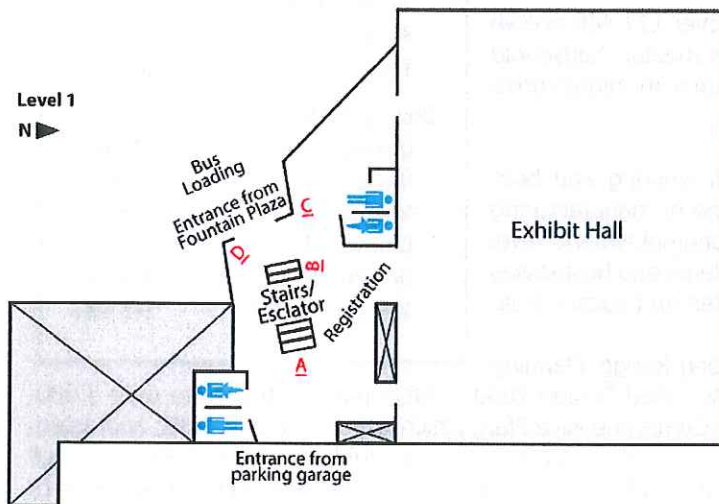


Year Opened:	2002 (Hotel) 2003 (Center)
Center Ownership:	City of Dubuque
Hotel Ownership:	Platinum Hospitality Group
Management:	Platinum Hospitality Group
Hotel Type:	Full-Service
Hotel Rooms:	193
Convention Space:	
Exhibition SF:	30,000
Ballroom SF:	12,000
Meeting SF:	15,900
Sellable SF:	57,900



(Facility Overview cont'd)

Grand River Center Floor Plan and Capacity Chart



GRAND RIVER CENTER

	Square Feet	Ceiling Height
--	------------------------	---------------------------

First Floor

Exhibit Hall	30,000	33'
---------------------	---------------	------------

Second Floor

Salon A	2,306	16'
Salon B	1,935	16'
Salon C	3,964	16'
Salon D	3,910	16'
Ballroom	12,000	16'

Meeting Room 1	2,000	12'
Meeting Room 2	2,000	12'
Meeting Room 3	2,000	12'

Meeting Rooms 1,2,3	6,000	12'
----------------------------	--------------	------------

Meeting Room 1	2,000	12'
Meeting Room 2	2,000	12'
Meeting Room 3	2,000	12'

Meeting Rooms 1,2,3	6,000	12'
----------------------------	--------------	------------

River Room	2,376	
------------	-------	--

GREAT HARBOR RESORT

Platinum A	845	12'
Platinum B	360	12'
Boardroom	300	12'

Total Convention Space

Exhibition Space	30,000
Ballroom Space	12,000
Meeting Space	15,900
Total Sellable Space	57,900

Market Overview

The city of Dubuque is located along the West bank of the Mississippi River in Dubuque County, Iowa. This region is known as the Tri-State Area as it lies at the junction of Wisconsin, Iowa and Illinois. The city sits approximately 180 miles northwest of Chicago, Illinois and 255 miles southeast of Minneapolis, Minnesota. Approximately 59,100 people reside within the city, 97,600 reside within county limits and over 117,400 people live within a 30-minute drive of Dubuque. The city's median household income is just under \$45,500, while the population within a 30-minute drive has a median income of \$51,400.

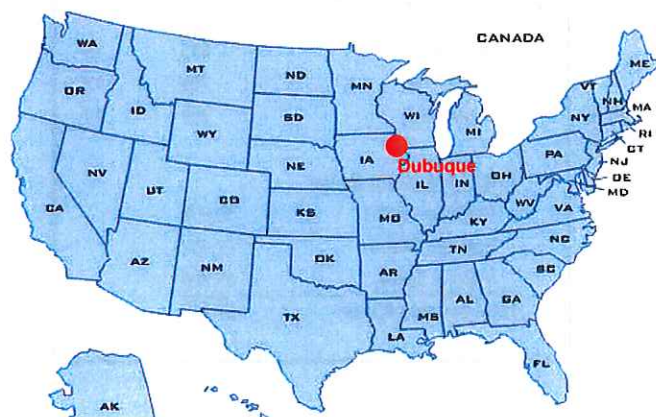
Dubuque flourished as a center for the logging, mill working and boat building industries until the 1980s. But with the decline of manufacturing at the end of the twentieth century, Dubuque's unemployment level skyrocketed to one of the highest in the country. Residents and businesses fled the city, and Downtown Dubuque became a blighted and vacant area.

The City's need for redevelopment prompted the Long-Range Planning Commission to initiate a community rebuilding process called "Vision 2000". After participation from over 5,000 citizens, Vision 2000 prompted the development of the Comprehensive Plan, which was adopted in 1995, and again updated in 2000. From the Comprehensive Plan, a downtown development initiative dubbed *America's River Project* was formed. America's River Project, headed by a number of private and public community leaders and stakeholders, sought to redevelop 90 acres of brownfield property at the Port of Dubuque into place where visitors and citizens could connect with the historical, environmental, educational and recreational majesty of the Mississippi River.

America's River Project, along with other development initiatives taken by the City in the past two decades has completely turned around the decline of Dubuque. The City has experienced rapid growth in tourism, technology, publishing, health care and education sectors. Recently, IBM moved a new technology Center to downtown Dubuque, bringing 1,300 jobs to the region.

City, State:	Dubuque, IA
City Population:	59,100
County Pop.	97,600
30 - Minute Pop.	117,400
90 - Minute Pop.	1,122,300
180 - Minute Pop.	70,778,800

Driving Distance	
Davenport, IA	70 miles
Madison, WI	90 miles
Milwaukee, WI	170 miles
Chicago, IL	180 miles
Des Moines, IA	200 miles
Minneapolis, MN	255 miles



Development

In July 1990, the Dubuque City Council created a Long Range Planning Commission to "coordinate and supervise the preparation and maintenance of the comprehensive plan". This spurred a community planning process that included community meetings, a reactor group session, a citizen input questionnaire and a community validation and assessment survey. The resulting Vision 2000 document spurred the creation of the Comprehensive Plan, which was formally adopted in 1995, and later updated in 2000. *America's River Project* was born with the vision of a completely redeveloping ninety acres of brownfield zone north of the historic Ice Harbor. The initial Project consisted of five anchor components: The Mississippi Riverwalk, the National Mississippi River Museum and Aquarium, the Grand River Center, the Grand Harbor Resort, and the historic Star Brewery complex.

The City Council approved on June 19, 2000 the Development Agreement with Platinum Holdings for the construction of a proposed hotel/waterpark. This agreement leased City-owned property (purchased by the City from Plastic Center, Inc.) to Platinum Holdings for fifty years. The Development Agreement specified that the hotel complex cost no less than \$20.0 million and include 200 guest rooms (of which one percent would be 3-room suites, 5 percent would be two-room suites, and 10 percent would be specialty suites), parking, a 24,000 square foot indoor water park, a restaurant, a lounge and a gift shop. The Grand Harbor Resort and Waterpark, whose construction was financed by private investment from Platinum Holdings, broke ground on September 21, 2001 and opened in December 2002.

The Development Agreement obligated the City of Dubuque to construct a minimum 100,000 square foot conference and education center facility that would be managed by Platinum Holdings, in addition to the Riverwalk improvements laid out in the 2001-2005 Capital Improvement Program. The Grand River Center broke ground on June 24, 2002 and opened on October 25, 2003. At this time, other attractions along the Riverfront were also added, including the River's Edge Plaza (a river side docking port), Heritage Trail, the addition of the outdoor Alliant Amphitheater to the Dubuque Star Brewery, and a paved Riverwalk. The Riverwalk runs ½ mile along the Mississippi river from the Ice Harbor in the south to the Dubuque Rail Bridge and Alliant Energy Amphitheater in the north. The other cornerstone of the Project was the refurbishment of the existing River Museum, which reopened on June 28, 2003 as the National Mississippi River Museum. The overall project was projected to generate 500,000 new visitors a year.

In July 2002, the America's River project partners formed the America's River Corporation to jointly manage the ongoing promotion of the America's River Project. Four of the seven board seats are permanently held by the Executive Director of the Dubuque Area Chamber of Commerce, the Executive Director of the Dubuque County Historical Society, the CEO of Platinum Hospitality and the City Manager for the City of Dubuque.

Phase II of America's River Project included the partnering of Peninsula Gaming LLC and the Dubuque County Historical Society to build a new, \$50 million Diamond Jo Casino and expand the National Mississippi River Museum. The River Museum's expansion, completed on June 26, 2010, included the addition of a 250-seat IMAX-style theater ("RiverMax Theater"), a retail outlet, and a second museum complex ("Great Rivers Center"). The new 35,000-square-foot Diamond Jo Casino, completed in Fall 2008, includes over a thousand slot machines, 17 table games, a poker room, a deluxe 36-lane bowling center, and three dining establishments. Phase II also included the construction of a 1,150 car parking facility that was completed in December 2008 and is owned by the City. The overall Phase-II was projected to attract an additional 732,000 visitors and \$33 million increase in annual visitor spending.



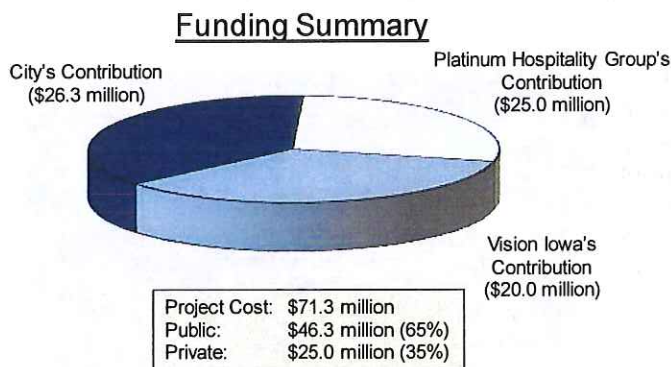
Funding

The Grand River Center and Grand Harbor Resort and Waterpark were a part of the America's River Project and cost a combined \$71.3 million to develop and construct. The Center cost approximately \$41.3 million and the Resort just over \$30.0 million, with public funds covering nearly 65 percent of the total cost.

Platinum Hospitality Group, the private developer, contributed \$25.0 million to develop and construct the Grand River Resort and Water Park. Vision Iowa, a state fund created to assist projects that provide recreational, cultural, entertainment and educational attractions, provided \$20.0 million, which contributed toward the construction of the Grand River Center. The City contributed the remaining \$26.3 million to the Center and Resort projects. The City issued \$12.5 million in General Obligation bonds to cover a portion of their contribution, with the remainder financed through a variety of City funds including gaming revenues, loan repayment, bond issue, a community development block grant fund, and land exchange.

The overall price tag for Phase I of America's River Project was \$188 million, which, in addition to the Grand River Center and Grand Harbor Resort, included \$58.0 million for the revitalization of the National Mississippi Museum and Aquarium, \$20.0 million to construct a new office building for McGraw Hill Higher Education, \$19.0 million allocated to land acquisitions and consolidations, \$11.0 million to restore a former brewery and convert it into an office building, \$8.0 million for the addition of the Alliance Amphitheater to the Star Brewery, and \$2.0 million to build the Mississippi Riverwalk.

In April of 2001, the City of Dubuque and Dubuque County Historical Society was awarded a \$40 million grant from Vision Iowa. In addition, the state granted \$7.5 million in direct appropriations from its general fund. Overall, the City matched State Grant funds by committing over \$47.5 million to the overall project. The community also participated in a number of public fundraising projects resulting in voluntary contributions of over \$8 million to the Project. Additional funding sources included \$50 million from the Dubuque County Historical Society and \$11 million from Federal Government grants.



Management and Operations

The City owns the Conference Center and the land on which it sits. The City also owns the land on which the hotel sits, and leases it to Platinum Hospitality Group for a period of 50 years. Platinum Hospitality Group operates both the hotel and conference center. In the first two years of operation, the City of Dubuque paid approximately \$244,000 and \$251,000 to Platinum Hospitality to capitalize the Operating Account, as well as an additional \$396,000 for start-up facility costs, and any remaining operating deficit for the year. Beginning two years after the Capitalization Date, the City pays 50% of hotel tax collections from the Hotel to help cover operation expenses. Platinum Hospitality pays all remaining expenses and retains all revenues. They are also responsible for marketing activities.

Platinum Hospitality is responsible for day-to-day maintenance and repairs costing less than \$1,000. The City pays for one-time repairs of \$1,000 or more and repairs of \$15,000 in the aggregate over the course of a year. Originally the City budgeted \$50,000 and \$90,000 each year for capital repairs, but found that this amount was insufficient. Additional funds are budgeted for years they expect larger ticket repairs to occur (such as re-carpeting).



Salem, Oregon

Phoenix Grand Hotel and Salem Conference Center

Facility Overview

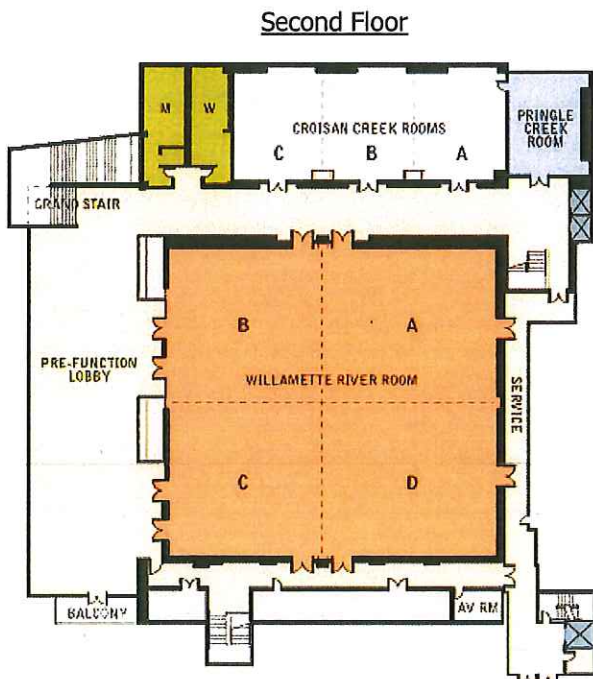
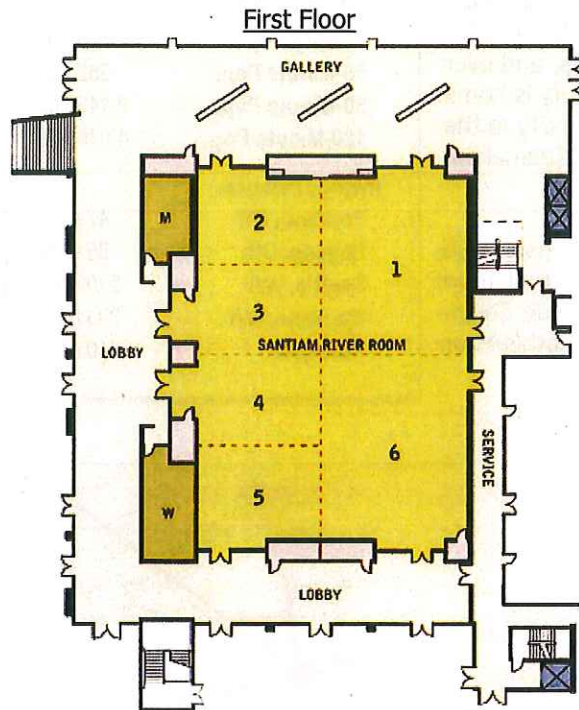
The Phoenix Grand Hotel and Salem Conference Center opened in March 2005. The Phoenix Grand is the largest hotel property in Salem, offering 193 guestrooms, each with separate work and living areas, complimentary wired and wireless high speed Internet access and public areas offer complimentary wireless access. The Center offers approximately 24,300 square feet of total sellable space, with approximately 11,400 square feet of contiguous space in the Willamette River Room (divisible into four separate rooms) and 12,900 square feet of meeting space throughout ten breakout rooms. The Phoenix Grand, Conference Center and approximately 400 parking spaces are components of the City of Salem's 290-acre Riverfront-Downtown Urban Renewal Area (RDURA).

Year Opened:	2005
Center Ownership:	City
Hotel Ownership:	Private
Management:	VIP's Motor Inns
Hotel Brand:	Grand
Hotel Type:	Full-Service
Hotel Rooms:	193
Convention Space:	
Exhibition SF:	0
Ballroom SF:	11,400
Meeting SF:	12,900
Sellable SF:	24,300



(Facility Overview cont'd)

Salem Conference Center Floor Plan and Capacity Chart



<u>First Floor</u>	<u>Square Feet</u>	<u>Ceiling Height</u>
Santiam Room 1	2,300	16'
Santiam Room 2	1,000	16'
Santiam Room 3	1,000	16'
Santiam Room 4	1,000	16'
Santiam Room 5	1,000	16'
Santiam Room 6	2,300	16'
Santiam River Room	8,750	16'
<u>Second Floor</u>		
Willamette River Room A	3,000	24'
Willamette River Room B	2,700	24'
Willamette River Room C	2,700	24'
Willamette River Room D	3,000	24'
Willamette River Room	11,400	24'
Croisan Creek Room A	1,080	15'
Croisan Creek Room B	1,080	15'
Croisan Creek Room C	1,080	15'
Croisan Creek Room	3,240	15'
Pringle Creek Room	900	15'
<u>Total Convention Space</u>		
Exhibition Space	0	
Ballroom Space	11,400	
Meeting Space	12,900	
Total Sellable Space	24,300	

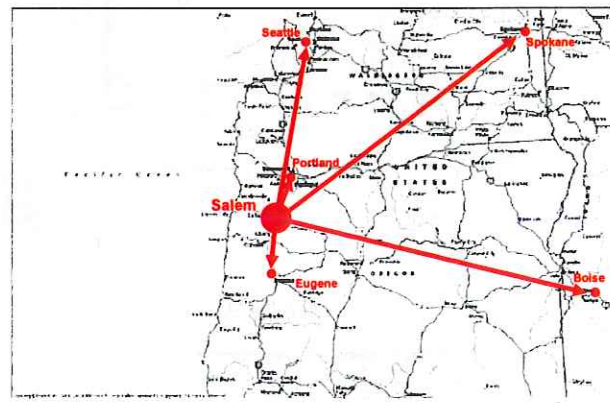
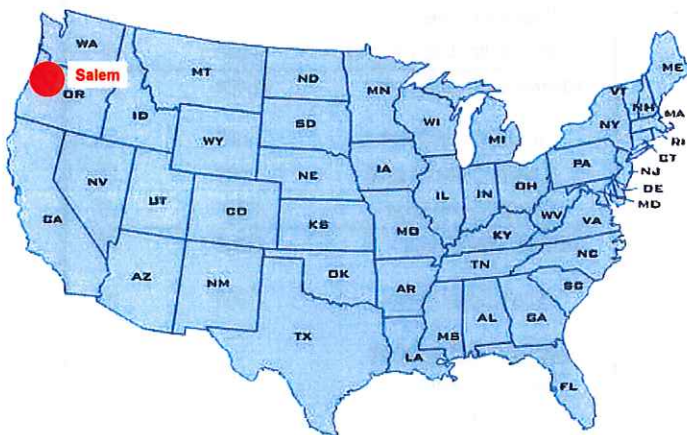
Market Overview

The City of Salem is located in the center of the Willamette River valley, approximately 47 miles from Portland. Salem is the capital city of Oregon, the county seat for Marion County and the second largest city (along with Eugene, which has a comparable population). Approximately 160,400 people reside within the City, 326,000 reside within County limits, and over 3.1 million people live within a 30-minute drive of Salem. The city is home to Willamette University and Corban College, as well as the main city in the Salem-Keizer School District and is home to the main campus of Chemeketa Community College.

State government is Salem's largest employer, but the city also serves as a hub for the area farming communities and is a major agricultural food processing center. The City's top private sector employers include Salem Hospital, Spirit Mountain Casino, T-Mobile, Norpac Foods and Roth's-Your Family Market.

City, State:	Salem, OR
City Population:	160,400
County Pop.	326,000
30-Minute Pop.	382,800
90-Minute Pop.	3,143,300
180-Minute Pop.	4,076,500

Driving Distance	
Portland, OR	47 miles
Eugene, OR	65 miles
Seattle, WA	220 miles
Spokane, WA	395 miles
Boise, ID	440 miles



Development

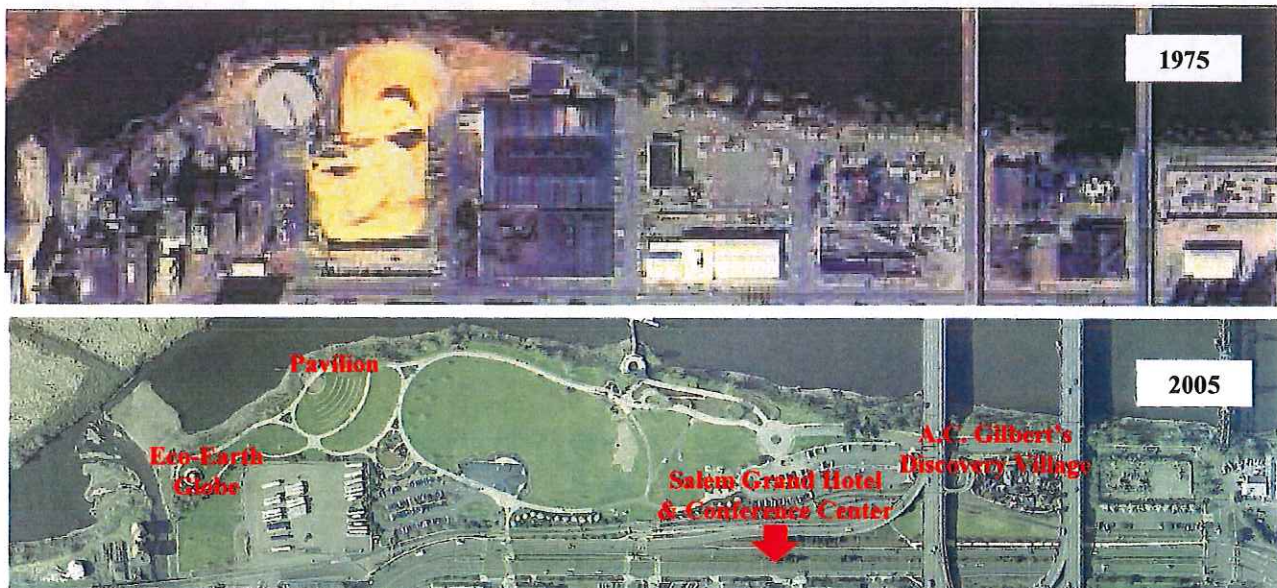
The Mayor and Common Council of the City of Salem found that there existed conditions of blight, deterioration, decline of property values and business vacancies, conflicts between vehicular and railroad traffic and other factors, which constitute a detriment to the health, safety, morals and welfare of residents of the City and people frequenting the RDURA. As such, the Mayor and Common Council found it necessary and in the public interest to implement a plan to improve the overall appearance, condition and function of the RDURA to encourage a variety of river-oriented uses, to sustain and improve the economic vitality of the Central Business District, to relieve traffic congestion and railroad conflicts, to encourage the use of mass transit and preserve and to create natural green belts along existing waterways.

In 1996, the City of Salem prepared the Riverfront/Downtown Core Area Master Plan with the intent of maintaining the character of the Downtown, while providing a vision for the next twenty years of development. The Master Plan focused on the Core Area as the "first step" in updating an earlier Master Plan, prepared in 1972. The outlined vision specifically included the recommendation to construct a new conference center and hotel complex in the downtown core area.

Urban renewal activities in the City of Salem, as well as in various cities throughout Oregon and the country, are funded through tax increment financing. This mechanism relies on the increment of taxes resulting from increased property values during the life of the urban renewal area. Taxing districts continue to collect revenues at a capped level set when the area is formed, until the area closes, at which point the original formula for distribution resumes. If an urban renewal project is successful, property values will increase. The assessed valuation of all the properties is added back into the tax rolls and taxing districts get additional tax revenues that would not have been generated without the urban renewal activity.

When the RDURA was established in 1975, its initial assessed valuation was just under \$43.3 million. In 2007, the valuation had increased to nearly \$221.6 million while just \$91.2 million had been spent to renew the district. Projects have included attracting a mall, which provided a retail anchor, connected by a system of other urban renewal investments in skybridges, weather protection and streetscape improvements, the development of Riverfront Park and the implementation of the Toolbox Program, which provides grants and below market interest rate loans to help renovate, restore and construct improvements on or within historic downtown Salem buildings.

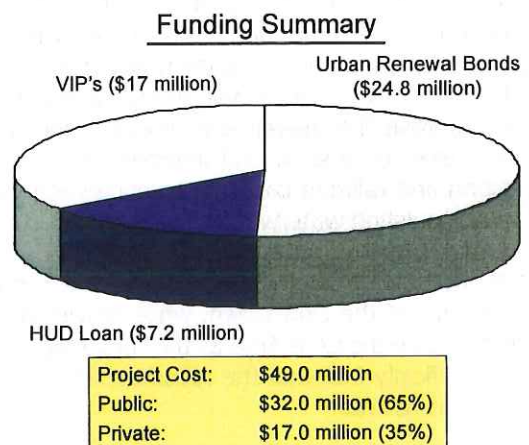
Riverfront Park Aerial View



Funding

The conference center and parking garage portion of the project was publicly financed through the sale of urban renewal bonds and a \$7.2 million loan from the U.S. Department of Housing and Urban Development (HUD). The renewal bonds are being repaid by TIF generated within the urban renewal district, while the federal HUD loan will be repaid by a combination of proceeds generated from loans previously made by the City.

VIP's originally owned the land upon which the facilities were built and, upon the completion of the project, sold to the City the portion of land upon which the conference center and parking structure were built. This purchase price (\$1.5 million) was contributed immediately to the gain-loss reserve. The City will also contribute \$300,000 per year from room tax revenues to the reserve until it has accumulated \$4 million. Further, the City is responsible for funding future capital replacements to the Center and parking garage while VIP's is responsible for funding capital replacements for the hotel.



Management and Operations

All expenses associated with operating the Center and parking facility are paid out of revenues from these respective facilities. There is no management fee paid to VIP's in consideration for operating the Center and parking garage; however, if their operating expenses exceed operating revenues, VIP's will pay a maximum of \$100,000 of the operating loss in each of the first three years, and up to \$300,000 of the operating loss in all subsequent years. The City is responsible for covering any additional operating losses.

Further, if operating revenues exceed expenses, VIP's will receive 75 percent of the profits, with the remaining 25 percent going to the City, until all of VIP's past operational losses are recovered. Upon VIP's reclamation of past losses, any realized profit will be split equally, with the City's portion allocated to a gain-loss reserve, which is used to cover operational losses and to upgrade and maintain the facilities.

VIP's expressed the desire to allocate responsibility and cost of marketing the conference center. Therefore, VIP's has agreed to pay \$50,000 annually to the Salem Convention and Visitor Association, or the City's current contractor, to help cover facility sales and marketing costs.

The public/private partnership between the City and VIP's has already provided some profitable synergies. According to audited operational statements, over the first 16 months of operation, the Center generated operating income of over \$200,000 with gross revenues of nearly \$2.7 million. This is, in part, due to the public-private partnership in which the Center's marketing funds (approximately \$193,000 for fiscal year 2005-06) are supplemented by a hotel tax levied on guests.



Vancouver, Washington

Hilton Vancouver Washington and Vancouver Conference Center

Facility Overview

The Vancouver Conference Center and Hilton Vancouver Washington opened June 2005. The Hilton is a full-service property offering 226 guestrooms. The Center offers approximately 30,400 square feet of total sellable space, with approximately 21,900 square feet of total ballroom space within the estimated 14,100-square foot Heritage Ballroom and the 7,800-square foot Discovery Ballroom, and 8,500 square feet of meeting space throughout nine separate rooms.

The facility is part of redevelopment and revitalization efforts of the City of Vancouver that began in the early 2000s with the construction of numerous condominium structures surrounding Esther Short Park and around the Uptown Village neighborhood. The Conference Center and Hotel were developed shortly thereafter, directly across the street from the Park, and *The Columbian* newspaper recently completed the construction of a new seven-story headquarters building adjacent to the Hotel. Currently, the City is constructing a new shopping complex and there are plans in place for the future development of a new library, Marriott hotel and approximately 250 additional condominiums.

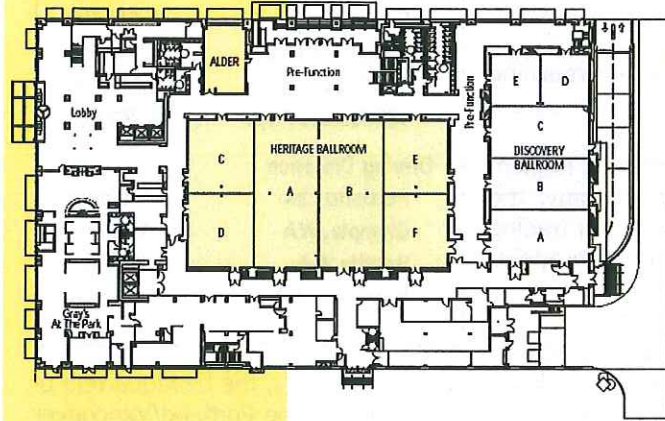
Year Opened:	2005
Center Ownership:	DRA
Hotel Ownership:	DRA
Management:	Hilton Hotels
Hotel Brand:	Hilton
Hotel Type:	Full-Service
Hotel Rooms:	226
Convention Space:	
Exhibition SF:	0
Ballroom SF:	21,900
Meeting SF:	8,500
Sellable SF:	30,400



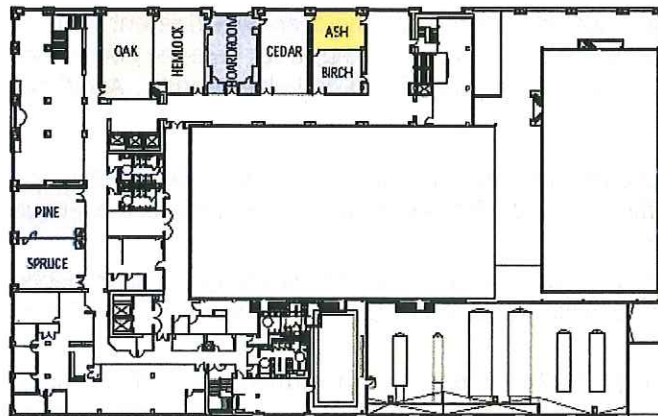
(Facility Overview cont'd)

Vancouver Conference Center Floor Plan and Capacity Chart

First Floor



Second Floor



	Square Feet	Ceiling Height
First Floor		
Heritage A	3,462	18'
Heritage B	3,462	18'
Heritage C	1,771	18'
Heritage D	1,804	18'
Heritage E	1,773	18'
Heritage F	1,802	18'
Heritage Ballroom	14,074	18'
Discovery A	1,918	18'
Discovery B	1,936	18'
Discovery C	1,934	18'
Discovery D	994	18'
Discovery E	994	18'
Discovery Ballroom	7,776	18'
Alder Room	1,052	10'
Second Floor		
Hemlock Room	1,103	10'
Oak Room	1,217	10'
Hemlock & Oak Rooms	2,320	10'
Pine Room	952	10'
Spruce Room	970	10'
Pine & Spruce Rooms	1,922	10'
Cedar Room	1,090	10'
Ash Room	523	10'
Birch Room	581	10'
Board Room	981	10'
Total Convention Space		
Exhibition Space	0	
Ballroom Space	21,900	
Meeting Space	8,500	
Total Sellable Space	30,400	

Market Overview

The city of Vancouver, Washington is located in Clark County approximately nine miles north of Portland, Oregon. Approximately 168,200 people reside within the city, 447,100 reside within county limits, and more than 1.5 million people live within a 30-minute drive of Vancouver. The median income for a household in the city is approximately \$49,700, with the median income for households within a 30-minute drive approaching \$56,300.

Vancouver's economy has largely mirrored that of the Northwest Region, transitioning from a salmon and trade-based indigenous economy, the Hudson's Bay Company pioneered extractive industries such as fur trading and logging. The market later moved into agriculture, growing apples strawberries and prunes for export.

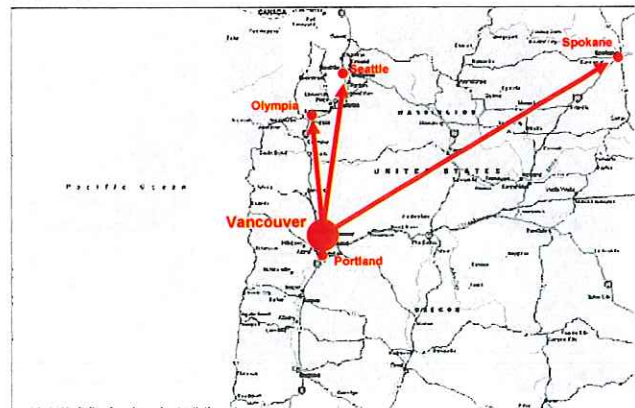
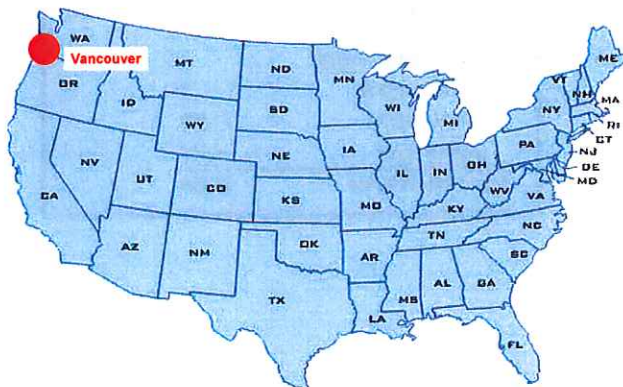
As forests became depleted and heavy industry left the United States, Vancouver's economy has largely shifted to high tech and service industry jobs. Additionally, the headquarters of several large sports-oriented companies such as Nike, Adidas and Jantzen are located in the Portland/Vancouver area.

As previously discussed, the downtown Vancouver area has undergone significant improvements in recent years to develop the area into a more inviting destination. Esther Short Park, located across the street from the Conference Center, was recently restored by installing a new lawn, a band shell, a public plaza and playgrounds. Additional potential future developments in downtown Vancouver include:

- Riverwest – a \$165 million public-private mixed use development including a new civic plaza, 200 multi-family family residences, 100,000 square feet of office space, 17,000 square feet of retail space, a boutique hotel and a 900-stall underground parking garage.
- Esther Short Commons - \$18.6 million development spanning two-square blocks including 160 apartments, 20,000 square feet of retail space, 8,000 square feet of which is occupied by the Vancouver Farmers Market, and 100 parking spaces.
- Waterfront Redevelopment – projected to facilitate \$1.3 billion in private reinvestment and a 30:1 ratio of private to public investment, the development is expected to add 1.0 million square feet of office, retail and hospitality space along 35 acres of land bordering the Columbia River.
- Vancouvercenter – \$100 million mixed-use development offering 200,000 square feet of office space, 128 condominiums and an 800-car underground parking garage.

City, State:	Vancouver, WA
City Population:	168,200
County Pop.	447,100
30-Minute Pop.	1,544,900
90-Minute Pop.	2,911,100
180-Minute Pop.	6,241,600

Driving Distance	
Portland, OR	9 miles
Olympia, WA	105 miles
Seattle WA	165 miles
Spokane, WA	350 miles



Development

In 1993, Identity Clark County (ICC), a 501(c)(3) corporation, was formed to focus corporate leadership on economic expansion and vitality. After reviewing financial, market and site analysis, ICC concluded that a convention center in the core downtown area of Vancouver, accompanied by a headquarter hotel, would be a sustainable asset to the community. The Vancouver City Council approved a two-percent lodging tax in 1998 and dedicated the revenues to support the development of a downtown meeting and event facility. In 1999, the City Council created the Vancouver Public Facilities District (City PFD) as a means of receiving sales tax credit revenues from the State of Washington and to explore the potential development of a event facility. In 2002, Clark County created their own Public Facilities District (County PFD) as a means of receiving additional sales tax credit revenues from the state in support of the special events center.

The City of Vancouver and Clark County estimated that they were losing approximately \$500 to \$950 million in retail and entertainment dollars annually to other communities. Therefore, they decided to construct the estimated \$47.4 million, 226-room Hilton Vancouver Washington and Vancouver Conference Center as one vehicle to drive new visitation to the community. In 2003, the City Council and the Downtown Redevelopment Authority (DRA) agreed on the purchase and sale of various parcels of land to form the facility site, selected Faulkner USA to design and build the special events center, and selected Hilton Hotels Corporation to manage the hotel and conference facility.

The Conference Center's design allows for an estimated 50 percent expansion as demand requires and funds are available.

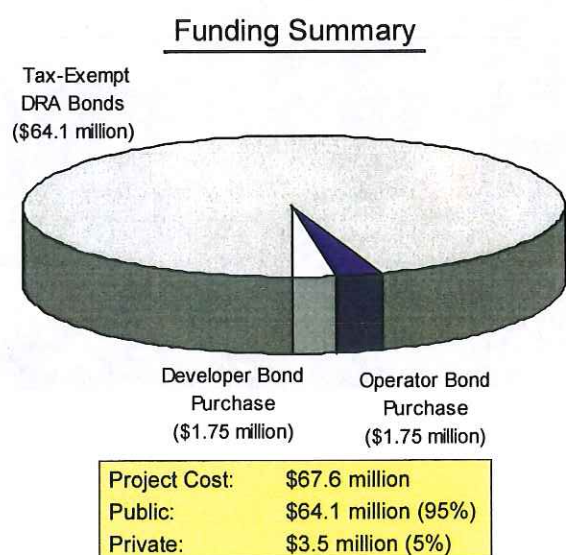


Funding

Approximately \$64.1 million in tax-exempt revenue bonds are the primary funding source for the project. The bonds issued by the DRA covered (i) the development, construction pre-opening and initial marketing costs of the project, (ii) the debt service on the bonds during the pre-opening period and a portion of debt service during the first two operating years, (iii) debt service reserve funds, (iv) financing and other incidental costs, and (v) full funding of a Renewal and Replacement Fund, Operating Reserve Fund and Lockbox Fund. FaulknerUSA (developer/general contractor) and Hilton Hotels (the hotel operator) are each expected to purchase \$1.75 million of these bonds, for a total private contribution of \$3.5 million. It is estimated that the DRA bonds will be repaid through revenues generated through the following means:

- (i) Gross Operating Revenues received by the DRA from the operation of the Project;
- (ii) Certain proceeds of special sales and use taxes imposed by the City PFD and the Clark County Public Facilities District (County PFD) for the development and operation of the Project (Sales Taxes);
- (iii) Certain proceeds of a special lodging tax levied by the City (Lodging Tax);
- (iv) Under circumstances described herein, payments made by the City under and pursuant to a Payment Agreement (City Payment Agreement) between the City and the DRA; and
- (v) Investment earnings on amounts in certain funds and accounts established under the Indenture.

The City, by way of the DRA, was also responsible for the purchase of the land upon which the hotel and conference center sit. The total acquisition price for this parcel of land was nearly \$2.7 million.



<u>TOTAL BUDGET</u>	
Land and Improvements	\$5,268,969
Soft Costs	9,180,684
General Construction	27,287,347
FF&E	5,650,000
Land Acquisition	2,682,421
Total Construction Cost	\$50,069,421
Total Financing Costs	17,537,568
Total Development Cost	\$67,606,989

Management and Operations

Hilton Hotels Corporation (Hilton) was contracted by DRA under a Qualified Management Agreement (since the hotel project was publicly-financed and is publicly-owned) to manage and operate the Center and hotel for a term of 15 years. As compensation, Hilton received a base management fee of \$363,000 in its first full year of operations, and a nominal fee that increases anywhere from 2.7 percent over the previous year to as much as 7.2 percent over the previous year. In the ninth full year of facility operations, the base management fee is \$490,000.

Revenue generated by facility operations and tax collections are transferred to a Trustee to oversee the management of numerous Funds. These Funds cover such items as facility operations expenses, provide for the repayment of the revenue bonds issued for facility construction and provide a safety net for facility operations in the event of economic downturns or less than projected operational revenue generation.

Each Fund has a cap, and beginning with the fourth full year of operations, Hilton has the potential to receive up to a \$158,930 bonus, once the total dollar amount reaches the cap on certain specified Funds. This potential bonus increases by three percent annually. Additionally, beginning with the sixth full year of operations, Hilton has the potential to earn another bonus starting at \$126,457, once additional Fund levels are capped beyond those necessary to qualify Hilton for the first bonus. This potential bonus also increases by three percent annually. Any additional profits from facility operations are remitted to the City PFD and the County PFD.



San Marcos, Texas

Embassy Suites San Marcos – Hotel, Spa and Conference Center

Facility Overview

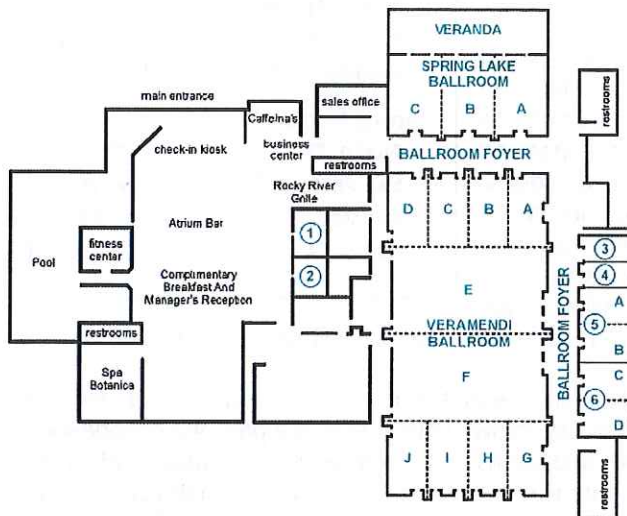
The Embassy Suites San Marcos – Hotel, Spa and Conference Center opened in October 2008 approximately four miles southwest of downtown San Marcos, Texas on Interstate Highway 35. The Embassy Suites is a full-service property offering 283 guestrooms. The Center offers approximately 42,300 square feet of total sellable space, with approximately 28,800 square feet of contiguous space in the Veramendi Ballroom, a junior ballroom in the 7,200-square foot Spring Lake Ballroom and 6,300 square feet of meeting space throughout eight separate rooms.

Year Opened:	2008
Center Ownership:	City of San Marcos
Hotel Ownership:	John Q. Hammons
Management:	JQH Hotels Mgmt.
Hotel Brand:	Embassy Suites
Hotel Type:	Full-Service
Hotel Rooms:	283
Convention Space:	
Exhibition SF:	0
Ballroom SF:	36,000
Meeting SF:	6,300
Sellable SF:	42,300



(Facility Overview cont'd)

San Marcos Conference Center Floor Plan and Capacity Chart



	Square Feet	Ceiling Height
Veramendi Salon A	1,800	24'
Veramendi Salon B	1,800	24'
Veramendi Salon C	1,800	24'
Veramendi Salon D	1,800	24'
Veramendi Salon E	7,200	24'
Veramendi Salon F	7,200	24'
Veramendi Salon G	1,800	24'
Veramendi Salon H	1,800	24'
Veramendi Salon I	1,800	24'
Veramendi Salon J	1,800	24'
Veramendi Ballroom	28,800	24'
Spring Lake A	2,400	24'
Spring Lake B	2,400	24'
Spring Lake C	2,400	24'
Spring Lake Ballroom	7,200	24'
San Marcos River A	1,000	24'
San Marcos River B	1,000	24'
San Marcos River Room	2,000	24'
Chautauqua A	1,000	24'
Chautauqua B	1,000	24'
Chautauqua Room	2,000	24'
Burleson Boardroom	640	24'
JQH Private Dining 1	516	24'
JQH Private Dining 2	516	24'
Placido Boardroom	640	24'
Total Convention Space		
Exhibition Space	0	
Ballroom Space	36,000	
Meeting Space	6,300	
Total Sellable Space	42,300	

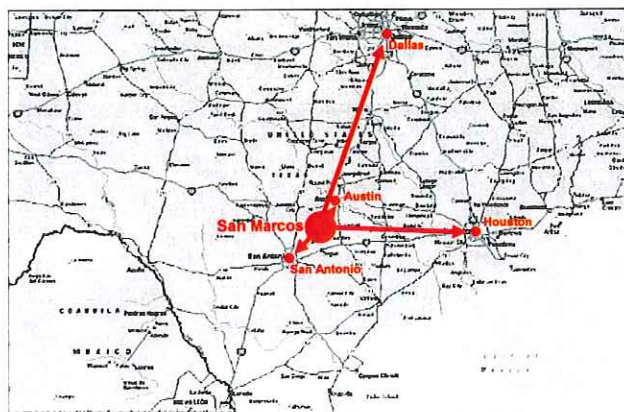
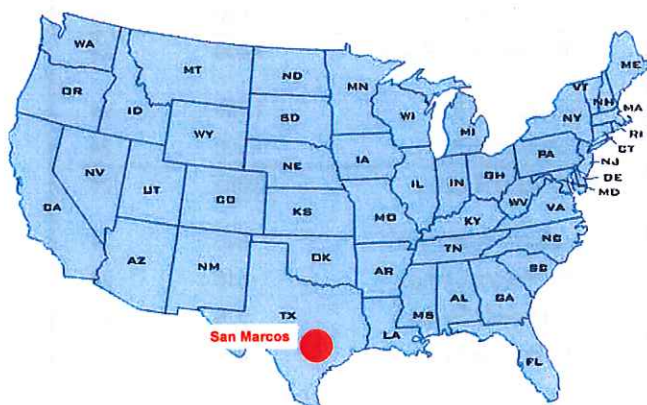
Market Overview

The city of San Marcos is located in Hays County approximately 31 miles southwest of Austin and 50 miles northeast of San Antonio. Approximately 50,100 people reside within the city, 187,600 reside within county limits and over 4.3 million people live within a 90-minute drive of San Marcos. The city's median household income is just over \$29,300.

The city of San Marcos was founded in 1851 when a town center was laid out about a mile southwest of the headwaters of the San Marcos River. In 1899, Southwest Texas State Normal School, now known as Texas State University-San Marcos (TxSU) was established, which now has an enrollment of over 28,000 students. In recent years, major tourist destinations, such as the Prime and Tanger Outlet malls, Wonder World Theme Park, Aquarena Springs, the LBJ Museum, Rio Vista Falls and the San Marcos River have made the city a popular tourist destination year round. In fact, due largely to the success of the outlet malls, which draw an estimated 7 million visitors annually, San Marcos is the third most popular tourist destination in Texas.

City, State:	San Marcos, TX
City Population:	50,100
County Pop.	187,600
30-Minute Pop.	427,400
90-Minute Pop.	4,344,400
180-Minute Pop.	11,028,500
Driving Distance	
Austin, TX	31 miles
San Antonio, TX	50 miles
Houston, TX	165 miles
Dallas, TX	225 miles

In 2006, the City appointed a Downtown Master Plan Task Force with the goal of creating a plan for the reinvigoration of Downtown San Marcos. The City of San Marcos Downtown Master Plan is a part of a decade-long process that began with San Marcos' Horizons efforts in 1996, and stems from even earlier City master planning efforts. In light of extraordinary growth along the Interstate-Highway 35 corridor over the past half-century, the City's Horizons planning document has directed development for positive community growth. The county's population has increased fivefold in that time period, and San Marcos has reaped both benefits and pitfalls as a result. Some feel that development along the I-35 corridor has been positive for San Marcos in that it generates a larger tax base for City use and draws visitors from across the region. Others feel that the corridor growth has shifted too many businesses and patrons away from San Marcos' historic Downtown.

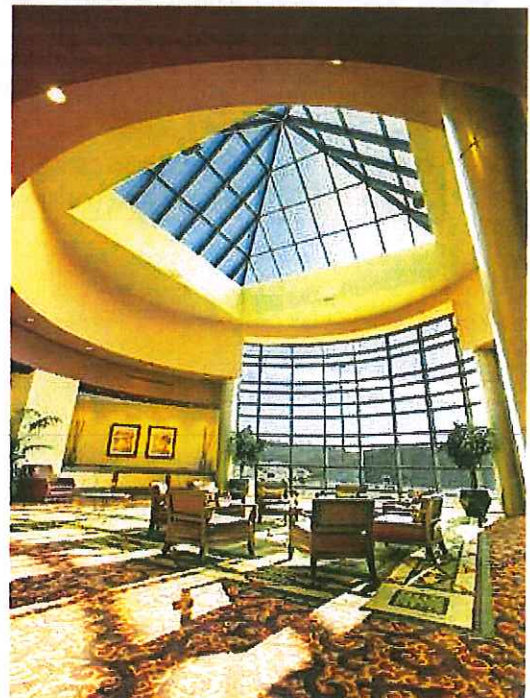


Development

Developer John Q. Hammons (JQH) first approached the City Council regarding the development of a hotel and conference center on a site located northeast of downtown San Marcos in October 2003. The original site of the project, overlooking Spring Lake, drew wide-spread opposition by residents due to its environmental impact. Despite concerns, the City Council signed a Memorandum of Understanding in December 2004 demonstrating an interest in a public-private partnership to develop a hotel and conference center project. The MOU did not establish a commitment to the project, but rather an opportunity for the City Council and staff to review JQH's proposal and conduct further research prior to proceeding. In March 2005, the convention center site was changed to its current 15-acre location on I-35 and McCarty Lane, and in March 2006, the City Council voted and approved a Master Development Agreement for the hotel/conference center property with JQH, establishing a contractual arrangement between the City and JQH.

The hotel/conference center project is expected to help generate a critical mass to the area by attracting new and additional tourism. In-turn, City officials expect a boost in the city's economy through additional developments and the associated incremental sales, use, property and other tax revenue. Examples of recent growth in San Marcos tourism infrastructure include the estimated 900,000-square foot Stonecreek Crossing retail development across the interstate from the hotel/conference center with JC Penney's and Target as anchor tenants, and the estimated 311,000-square foot Red Oak Village development opened in 2006 one exit north of the hotel/conference center with Marshalls, Bed Bath & Beyond, Sam's Club and PetSmart as major tenants.

The conference center is and is expected to continue to attract a wide range of events such as conventions and conferences, exhibitions, graduations, special events, and business meetings of all sizes. Conferences are expected to take place mainly outside of the peak summer period and are estimated to attract mostly association, business, and university events that require break-out rooms. The conference center and hotel are expected to employ a base of full and part-time staff of approximately 180 people, with peak-season employment numbers approaching 250 full-time equivalent employees. Five months prior to opening, facility representatives estimated that the conference center had more than \$700,000 in convention bookings and room reservations.

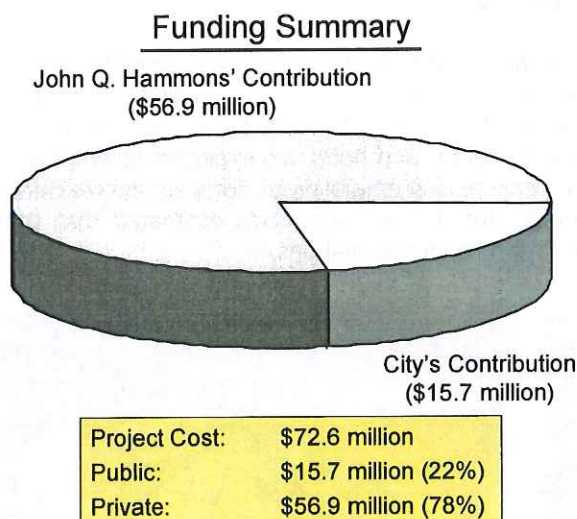


Funding

In order to begin the development the hotel/conference center project process, the City Council loaned \$1.5 million and granted \$500,000 to JQH to purchase the hotel site. The \$1.5 million loan was later converted to a future economic development grant in order to collect taxes from a Tax Increment Reinvestment Zone (TIRZ) created by the City to pledge incremental property tax revenue from the project to reimburse construction expenses and to repay the bonds. In November of 2006, Hays County signed an agreement with the City to participate in the TIRZ.

The San Marcos City Council sold \$22.6 million in a combination of tax and revenue certificates of obligation to finance the construction of the Center. These included approximately \$15.7 million in tax-exempt combination tax and revenue certificates of obligation, for which the City is responsible for repaying through funds generated by the TIRZ. The approximately \$6.9 million of remaining certificates of obligation are taxable and will be repaid by JQH in the form of bi-annual rent payments. JQH is responsible for the entire estimated \$50 million cost to construct the adjacent hotel.

The cost estimates for the Conference Center project were provided by the developer and then adjusted during negotiations between JQH and the City of San Marcos. Because cost estimates exceeded the target amount set by the City of San Marcos, engineers revised the conference center design, allowing the project to move forward.



Management and Operations

The City owns the property upon which the Center sits and leases it to JQH for a period of 25 years. JQH pays approximately \$550,000 in annual rent payments (paying a portion each January and July for the life of the lease) and retains the option to extend the lease for an additional fifteen years. JQH owns the property upon which the hotel sits and operates both facilities. All revenue generated from and associated with the operation of the Center is retained by JQH, except for revenue generated through the sale of naming rights of the facility or any or the components located therein. JQH is also responsible for operation and maintenance expenses associated with the Center; however, the City is responsible for certain capital repair expenses such as roof, foundation, HVAC and interior load-bearing wall repairs.



Manhattan, Kansas

Hilton Garden Inn and Conference Center

Facility Overview

The Manhattan Hilton Garden Inn and Conference Center opened in downtown Manhattan, Kansas in the fall of 2011, and was developed as a part of the city of Manhattan's South End Redevelopment Project. The Center offers 16,200 square feet of sellable space, which includes a 14,500 square foot-Grand Ballroom and 1,700 square feet of meeting space allocated between three breakout meeting rooms. The attached 135-room Hilton Garden Inn property is a limited service property that offers breakfast and dinner to guests, in addition to a bar and lounge.

Local officials spearheaded the Center's development to address the market's need for a larger conference facility. The existing Alumni Center at Kansas State University was turning away event business due to its high occupancy rates and larger events were going elsewhere in Kansas due to the market's lack of sufficient contiguous space.

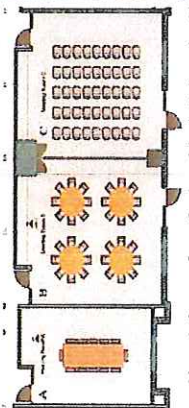
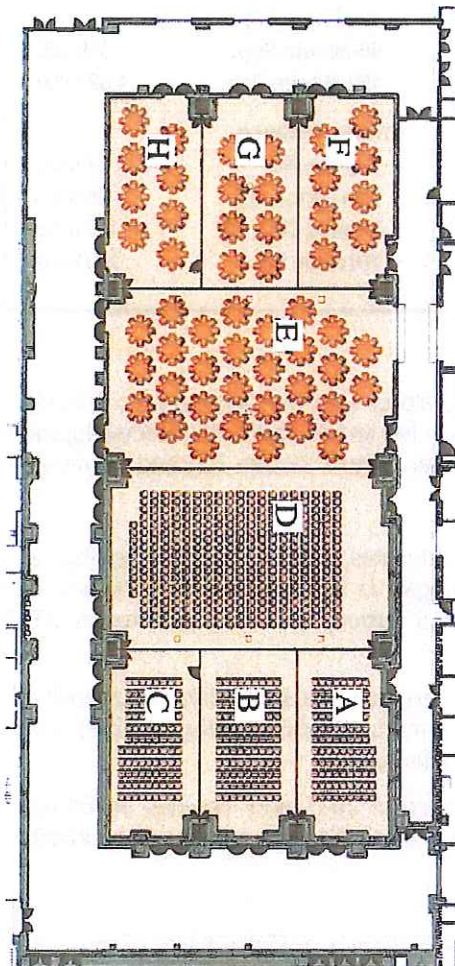
The conference center is also adjacent to a 440-space parking garage. In total, the Center, hotel and parking garage required approximately \$30.8 million to develop and construct. Additionally, local officials are planning further hotel development in proximity to the Redevelopment Project.

Year Opened:	2011
Center Ownership:	Private
Hotel Ownership:	Private
Management:	Kineth Hospitality Companies
Hotel Brand:	Hilton Hotels
Hotel Type:	Limited Service
Hotel Rooms:	135
Convention Space:	
Exhibition SF:	0
Ballroom SF:	14,500
Meeting SF:	1,700
Sellable SF:	16,200



(Facility Overview cont'd)

Manhattan Hilton Garden Inn and Conference Center Floor Plan and Capacity Chart



	<u>Square Feet</u>	<u>Ceiling Height</u>
First Floor		
Flint Hills	1,216	23'
Kings	1,266	23'
Konza Prairie	1,241	23'
McDowell	1,211	23'
Tuttle	1,251	23'
Alcove	1,233	23'
Kaw Nation	3,558	23'
Big Basin	3,536	23'
Manhattan Grand Ballroom	14,500	23'
Little Apple	549	11'
Big Blue River	506	11'
Fort Riley	635	11'
<u>Total Convention Space</u>		
Exhibition Space	0	
Ballroom Space	14,500	
Meeting Space	1,700	
Total Sellable Space	16,200	



Market Overview

Located in Northern Kansas at the intersection of the Kansas and Big Blue Rivers, the city of Manhattan is the seat of Riley County. The city is approximately 60 miles northwest of Topeka, KS and 80 miles west of Lawrence, KS and 120 miles west of Kansas City. Approximately 57,000 people reside within the City, 76,700 reside within County limits, and 129,400 people live within a 30-minute drive of Manhattan. As of the 2010 census, there were an estimated 21,600 households and 9,500 families living within City limits. The median income for a household in the City is approximately \$44,800.

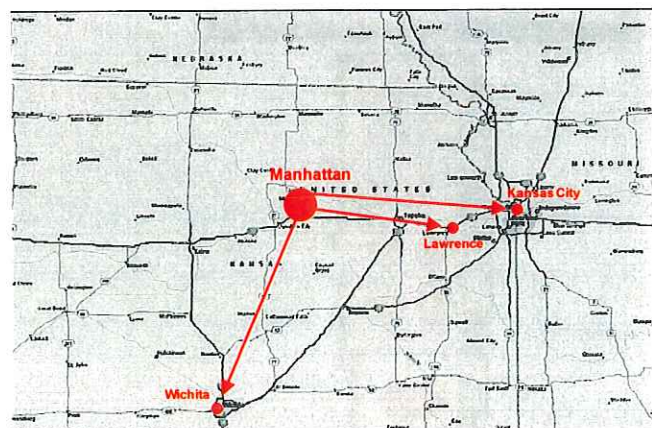
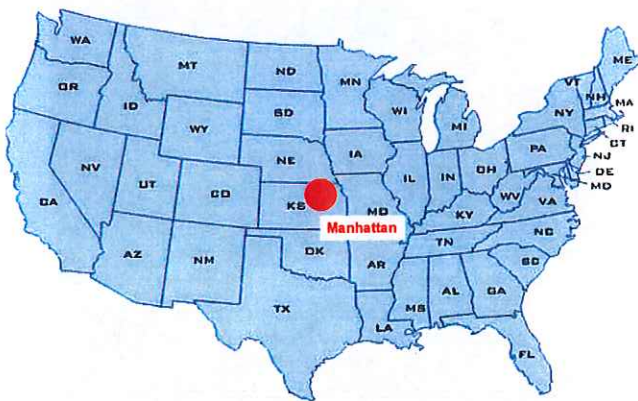
Founded in the 1850's, Manhattan is best known today as being the home of Kansas State University (KSU). Manhattan's economy is heavily reliant on public organizations, as KSU is the largest employer in town. In addition, the school's student body of approximately 25,000 help support the retail and entertainment sectors in the city. Notably, this figure has increased nearly 20 percent since 2010.

City, State:	Manhattan, KS
City Population:	57,000
County Pop.	76,700
30-Minute Pop.	129,400
90-Minute Pop.	649,800
180-Minute Pop.	4,627,900

Driving Distance	
Topeka, KS	57 miles
Lawrence, KS	84 miles
Kansas City, KS	119 miles
Wichita, KS	130 miles

The City of Manhattan began looking at the issue of a conference center, along with the potential for enhanced growth in its retail sector in the late 1990s and early 2000s. This eventually led to the South End Redevelopment Project, a major downtown redevelopment that, in addition to the Manhattan Hilton Garden Inn and Conference Center, included:

- Flint Hills Discovery Center – a state-funded science museum that educates visitors about the geology and ecology of the nearby Flint Hills. Construction of the Museum began in the summer of 2010 and was completed in April of 2012. Construction costs approximated \$24.5 million, and were paid for by STAR bonds.
- Blue Earth Plaza – designed to be the Redevelopment Project's centerpiece, the \$3.0 million Plaza includes a water feature with a display of music-synchronized laminar jets, a monumental warming fireplace, event plaza and seasonal shade structure composed of three large triangular sails.
- Lot 9 – Lot 9, the final development of the Project, was developed in 2015 and includes an 84-room Candlewood Suites hotel, a 78-room Holiday Inn Express, and Blue Earth Place, a mixed-use residential/retail complex.



Development

Due to the market's growing losses in event business and the high usage levels noted at the Kansas State University Alumni Center, local officials determined that Manhattan was in need of a larger, higher quality conference center.

It was also determined that the top two sites for a conference center in Manhattan were either adjacent to the KSU campus or in downtown Manhattan. While a comparison of the two general locations suggested more synergistic benefits and the potential to draw increased events and/or attendance at the Campus site, the determination was made to incorporate the project with the South End Redevelopment in downtown Manhattan (largely due to the incremental cost of land and overall development at the KSU Campus site).

To acquire the necessary land for the South End Redevelopment, the Manhattan City Commission spent three years and \$15.5 million (supported by state-backed Sales Tax Revenue bonds, called "STAR bonds") to acquire acreage. It was announced in 2009 that the City and HCW, LLC, a real estate development company, would partner to construct a new Hilton Garden Inn Hotel and Conference Center in the Downtown Entertainment District of Manhattan, and an associated 400-stall parking garage, all of which was completed in fall of 2011. The City's agreement with the developer gives HCW ownership and operational rights of the hotel and conference center for at least 30 years, with the City retaining ownership of the parking garage.

Additionally, the City funded the construction of South End Redevelopment Project, a nearby open space (the Blue Earth Plaza) and the Flint Hills Discover Center in 2012. Other improvements to the area included landscaping, sidewalks, streetscaping, decorative lighting, and an outdoor water feature. In all, the city of Manhattan invested \$31.0 million into the Project, with \$36.0 million being contributed by three different private developers.

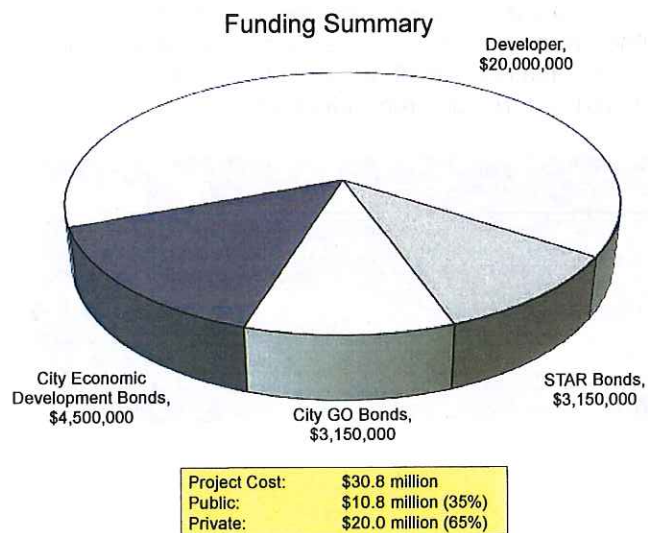


Funding

The \$30.8 million hotel, conference center and parking garage development was funded with nearly two-thirds of the total project cost privately financed. HCW privately financed the \$15.0 million hotel development and received an interest-free loan from the City through Economic Development Funds for their portion of the Conference Center's construction. The loan is repaid with a \$100,000 annual contribution for the first 29 years of the loan, with a balloon payment of \$2.1 million in the thirtieth year.

The City utilized Economic Development Funds for the remaining \$4.0 million to construct the Conference Center. Additionally, the City financed the \$6.3 million parking garage using half STAR bonds and half general obligation bonds.

The City's Economic Development Fund was created in 2002 with identified goals of creating quality jobs, diversifying the property-tax base, investing public funds to create self-sustaining economic development activities and to use public funds to leverage private investment. The city offers assistance through economic development funds (loans or grants), tax abatements and/or industrial revenue bond financing, depending upon the project scope and outcomes. The city's process is primarily based on quality job creation.



Management and Operations

To determine the operator of the Hilton Garden Inn and Conference Center, the City and developer conducted interviews with local minority hotel owners to receive feedback on management candidates. After receiving approval from the City Commission, the developer announced in 2011 that Kinseth Hospitality, an Iowa-based hotel development and management company that already managed Manhattan's Fairfield Inn, would take over management of both the Hilton Garden Inn and the attached Conference Center. It was agreed upon that Kinseth would submit its marketing plan to the City for approval on an annual basis, and such approval shall not be unreasonably withheld. As part of the deal, the operator has to cooperate with the Manhattan Area Chamber of Commerce in the marketing and scheduling of the Conference Center. Further, the City has access to the Center at least once per quarter each year.

It is estimated that the Manhattan Conference Center generates approximately 13,000 to 17,000 incremental room nights for Manhattan. Center representatives reported that the facility hosts approximately 50 events and 3,000 event attendees per month. Of note, the Center hosts two to four events with 2,000 or more attendees annually.



North Bethesda, Maryland

Bethesda North Marriott Hotel and Conference Center

Facility Overview

The Bethesda North Marriott Hotel and Conference Center (BNCC) is located near the confluence of Montrose Parkway, Old Georgetown Road and Rockville Pike, in North Bethesda. The Conference Center is owned jointly by Montgomery County (County) and the State of Maryland (50/50 partnership), while the hotel is owned by the JBG Companies of Chevy Chase. The Conference Center is operated by Marriott under an agreement with the County signed in 2003 with a 20-year term.

The Conference Center offers approximately 39,600 square feet of total sellable space, including a 23,400-square foot Grand Ballroom and 16,200 square feet of meeting space among 13 breakout meeting rooms. The attached Marriott Hotel offers 436 sleeping rooms on 10 floors.

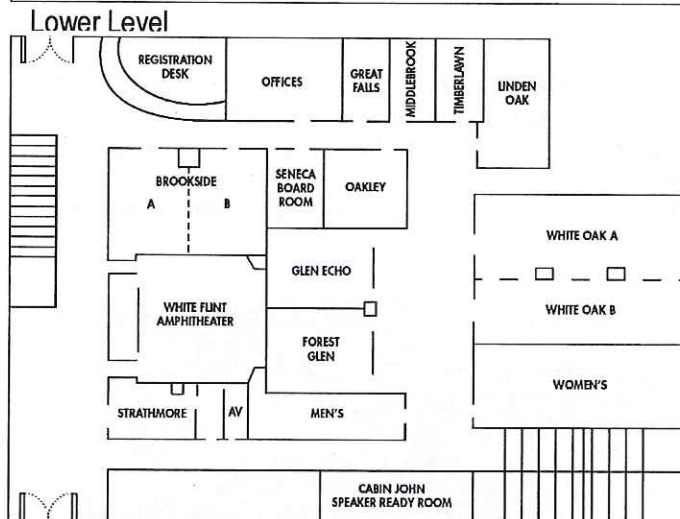
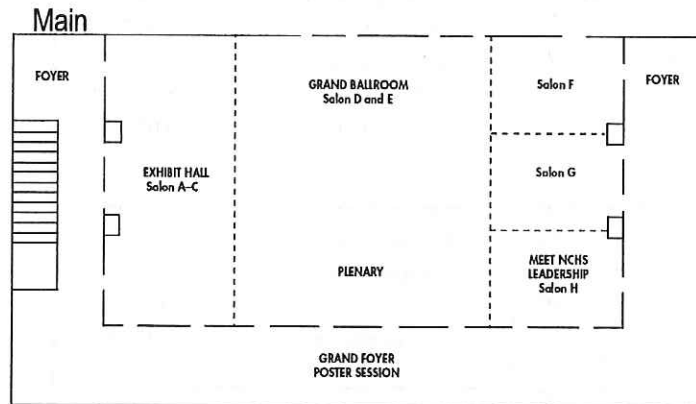
According to Marriott representatives, in a recent year of operations, the Conference Center hosted approximately 1,155 total events, down from approximately 1,200 in a prior year. Approximately 45 percent of the Conference Center events were local (requiring limited, if any, hotel night stays); however, approximately 60 percent of Conference Center sales revenue was generated through local event activity.

Year Opened:	2004
Center Ownership:	County/State
Hotel Ownership:	Private
Management:	Marriott
Hotel Brand:	Marriott
Hotel Type:	Full-Service
Hotel Rooms:	436
Convention Space:	
Exhibition SF:	0
Ballroom SF:	23,400
Meeting SF:	16,200
Sellable SF:	39,600



(Facility Overview cont'd)

The Bethesda North Marriott Hotel and Conference Center (BNCC) Floor Plan and Capacity Chart



	Square Feet	Ceiling Height
<u>Main Level</u>		
Ballroom A	1,924	23'
Ballroom B	1,924	23'
Ballroom C	1,924	23'
Ballroom D	5,824	23'
Ballroom E	5,824	23'
Ballroom F	1,924	23'
Ballroom G	1,924	23'
Ballroom H	1,924	23'
Grand Ballroom	23,400	23'
<u>Lower Level</u>		
White Flint	2,500	13'
Brookside	2,013	13'
Forest Glen	1,271	13'
Glen Echo	1,271	13'
Linden Oak	1,075	13'
Seneca Boardroom	864	13'
Oakley	648	13'
Cabin John	512	13'
Telepresence Studio	512	13'
Timberlawn	486	13'
Middlebrook	486	13'
Great Falls	486	13'
White Oak	4,101	11'
<u>Total Convention Space</u>		
Exhibition Space	0	
Ballroom Space	23,400	
Meeting Space	16,200	
Total Sellable Space	39,600	

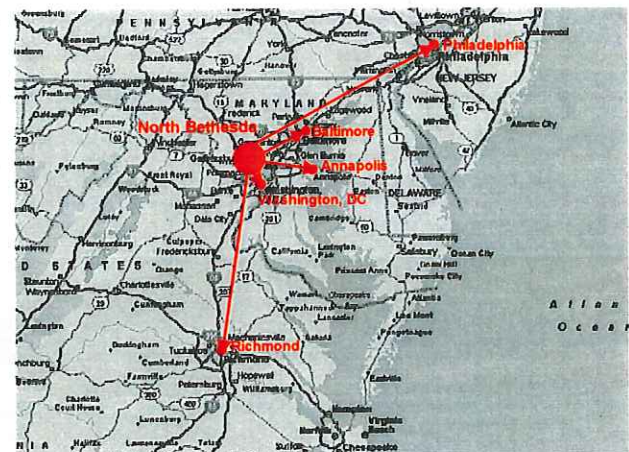
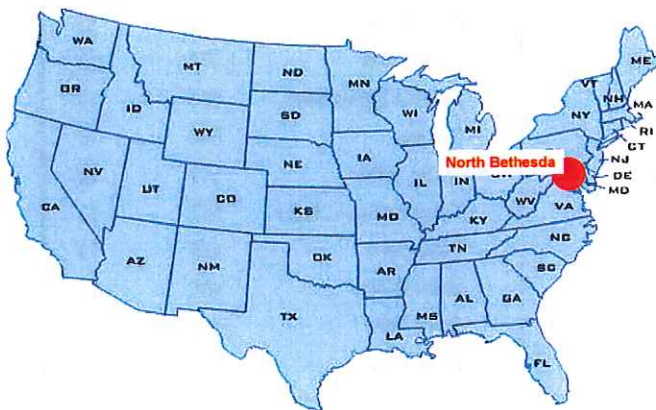
Market Overview

North Bethesda is located in Montgomery County, Maryland just 14 miles northwest of Washington D.C. in one of the largest consolidated metropolitan areas in the country, in terms of population and corporate base. Approximately 46,100 people reside in the city, 887,900 reside within county limits and more than 2 million people live within a 30-minute drive of Bethesda. The median household income in North Bethesda in 2015 is \$93,100, with a large portion of the population employed in management, finance and engineering fields.

In the early 19th century much of the area encompassing Bethesda and Montgomery County was part of a 3,700 acre tobacco plantation. By the later part of the 19th century the area became home to train stops and into the 20th century a trolley service began. This attracted development in the area and a number of wealthy families lived or summered in the area. With the development of the automobile the area was transformed into a commuter suburb of Washington, D.C. and development of houses for the middle class began.

City, State:	North Bethesda, MD
City Population:	46,100
County Pop.	887,900
30-Minute Pop.	2,022,200
90-Minute Pop.	8,813,000
180-Minute Pop.	20,056,700
Driving Distance	
Washington, D.C.	14 miles
Baltimore, MD	40 miles
Annapolis, MD	41 miles
Richmond, VA	120 miles
Philadelphia, PA	173 miles

The development of Bethesda has been guided by a series of Master and Sector Plans which are created through a public process. The North Bethesda/Garrett Park Master Plan was approved and adopted in 1992 which specifically outlines the White Flint Sector area, the area which currently houses the Hotel and Conference Center, as an area that should be developed as the main urban center of North Bethesda. This area is viewed as a prime area for growth in North Bethesda. Proponents of the Conference Center wanted something that would bring economic activity to the area.



Development

In 1996 Montgomery County began developing plans for a new conference center and adjoining hotel. The Maryland General Assembly agreed to partially fund the conference center in Montgomery County and authorized the Maryland Stadium Authority to oversee construction. However, construction was delayed on the Conference Center because of legal constraints, zoning challenges and local resident's concerns of increased traffic in the area. The delay in construction caused the Conference Center's project cost to rise from its original \$60 million budget to \$80 million when construction began in 2003. The adjacent hotel was developed by Quadrangle Development Corporation in association with Marriott Hotels.

The Maryland Stadium Authority was established by the General Assembly in 1986 originally for the purpose of building, managing, and maintain facilities to retain major league baseball and return NFL football to Maryland. However over the past 25 years the Authority's role has evolved to participate in the oversight of facilities other than baseball and football stadiums. This led to their appointed involvement in the North Bethesda Hotel and Conference Center project in which they successfully completed the oversight responsibilities for the design and construction of the facility. The original project was completed with an adjoining 225-room Marriott Hotel.

Three years after the opening of the Hotel and Conference Center, Montgomery County Planners approved an expansion which added over 200 rooms and additional meeting areas. The expansion was needed to balance the amount of hotel rooms to the available meeting space offered. City officials cited the 225 rooms as the reason the Conference Center was unable to attract larger conventions since the facility offers the largest ballroom in the area. The expansion was overseen by the new hotel owner JBG Companies.



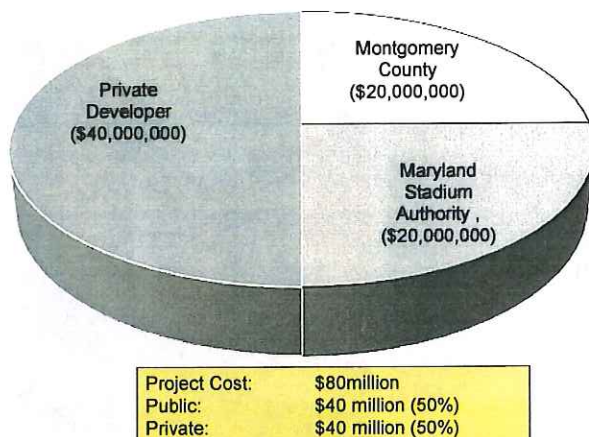
Funding

The County entered into a partnership with the State who appointed the Maryland Stadium Authority (MSA) to oversee construction. The project had a total cost of \$80 million, of which the public sector (Montgomery County and the State of Maryland) contributed approximately \$40.0 million. This included \$7.5 million that Montgomery County contributed to purchase a 12-acre site near the White Flint Metro Station. Both the County and MSA issued lease back revenue bonds to finance the project.

During this time the hotel/motel tax raised from 5 to 7 percent in which the majority of the 2 percent increase would go to the State, theoretically this tax would be able to pay back the bond debt on an annual basis; however, there is no set amount allocated to the debt. Each year the Stadium Authority conducts an economic impact analysis of the Conference Center in order to determine if a portion of the hotel/motel tax base can be used to finance the debt on the Conference Center and so far, since its opening, the tax has been able to cover the bond debt.

The hotel was built and financed separately by Quadrangle Development Corporation using private funding sources of approximately \$40 million. In 2006 the hotel was bought by JGB and a year later they used private funds to expand the hotel.

Funding Summary



Management and Operations

The Conference Center portion of the building is owned by Montgomery County and the Hotel portion was separately built and owned by Quadrangle Development Corporation, which would later sell to JBG Companies. Each party entered into an agreement with Marriott Hotel Services, Inc. in 2003 to manage the facility. Per the Conference Center Management Agreement, the operations of the Conference Center is tracked, allocated and reported separately from the hotel's operations. A board of directors was established by Montgomery County for the purpose of acting as the County's representative, main contact with the manager of the facility, and to oversee the manager's performance.

Marriott is annually paid base and incentive management fees. The County is responsible for any operating shortfalls associated with the Conference Center; however, since its inception, the Conference Center has not required any county subsidy for operations. In a recent year, the facility operated at a net profit of \$2.16 million, with Marriot earning an incentive management fee in excess of \$400,000.

Olathe, Kansas

Embassy Suites and Conference Center – Olathe

Facility Overview

The Olathe Embassy Suites and Conference Center is an all-suite, full-service property offering 200 guestrooms that is opening February 2016. The Center offers approximately 14,300 square feet of total sellable space, with approximately 13,000 square feet of multi-purpose space in its Grand Salon and 1,300 square feet of meeting space distributed across three breakout meeting rooms. The facility offers complimentary hot breakfast and an evening reception, a restaurant, rooftop bar and 24-hour business center.

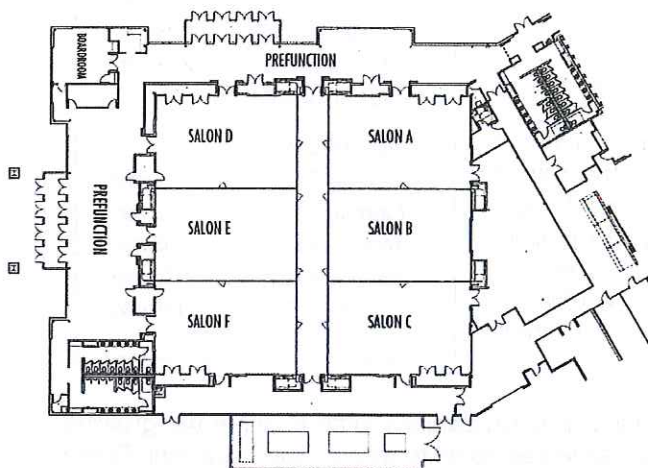
The development was led by Heart of America (HOA), a design, construction and management company operating restaurants, hotels, office space, retail and hospitality space within dozens of properties throughout the Midwest. In addition to the Embassy Suites, HOA developed and is currently operating the Holiday Inn Express and Suites and the Hilton Garden Inn in Olathe.

Year Opened:	2016
Center Ownership:	Heart of America Group
Hotel Ownership:	Heart of America Group
Management:	Heart of America Group
Hotel Brand:	Embassy Suites
Hotel Type:	Full Service
Hotel Rooms:	200
Convention Space:	
Exhibition SF:	0
Ballroom SF:	13,000
Meeting SF:	1,300
Sellable SF:	14,300



(Facility Overview cont'd)

Olathe Embassy Suites and Conference Center Floor Plan and Capacity Chart



	Square Feet	Ceiling Height
<u>First Floor</u>		
Salon A	1,890	24'
Salon B	1,890	24'
Salon C	1,890	24'
Salon D	1,890	24'
Salon E	1,890	24'
Salon F	1,890	24'
Grand Salon	13,038	24'
Executive Board Room	441	16'
JBAR Salon	500	14'
Sante Fe Conference Room	400	14'
<u>Total Convention Space</u>		
Exhibition Space	0	
Ballroom Space	13,000	
Meeting Space	1,300	
Total Sellable Space	14,300	

Market Overview

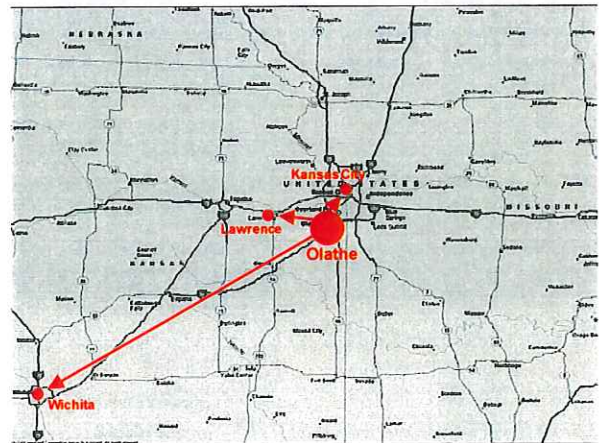
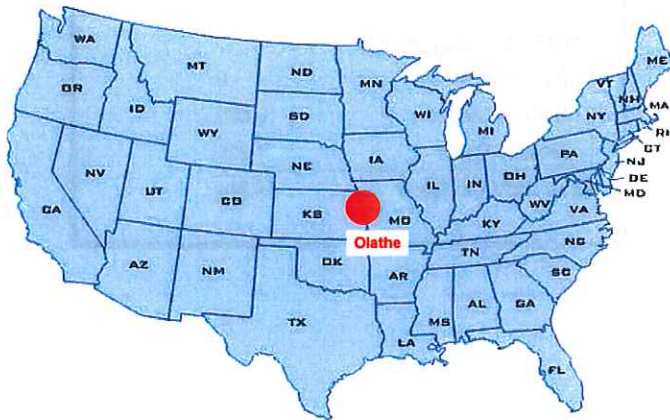
The City of Olathe, Kansas is located in Johnson County approximately 20 miles southwest of Kansas City, Kansas and 175 miles northeast of Wichita. Approximately 132,600 people reside within the City, 568,900 within the County, and nearly 1.4 million people within a 30-minute drive. The 2015 median household income was estimated at \$79,800.

Founded in 1857, Olathe is the fourth most populous city in the state of Kansas. The construction of I-35 in the 1950's established a direct link to nearby Kansas City, and has led to the tremendous residential growth that the area still experiences today, as the City's population surpassed the 100,000 mark in 2001, and has grown by 32 percent in just the last 15 years. In 2008, the US Census Bureau ranked Olathe as the 24th fastest growing city in the nation. The local economy has experienced similar growth, and is bolstered by its commercial and industrial parks, which are home to major offices of notable companies such as Honeywell, ALDI, Garmin and Farmers Insurance Group.

City, State:	Olathe, KS
City Population:	132,600
County Pop.	568,900
30 - Minute Pop	1,351,700
90 - Minute Pop	2,735,000
180 - Minute Pop	5,796,000

Driving Distance	
Kansas City, KS	22 miles
Lawrence, KS	29 miles
Topeka, KS	63 miles
Manhattan, KS	115 miles
Wichita, KS	175 miles

City leaders were eager to develop a hotel and conference center in northeastern Olathe to serve the growing number of major corporations relocating to Corporate Ridge, that serves as home to tenants such as a John Deere sales and marketing center, Farmers Insurance, Garmin International, SEM Materials, Olathe Chamber of Commerce and Terracon Consultants. This office park was completed in August 2008.



Development

Due to projections of rapid population growth in Johnson County and existing demand from the local corporate base, community leaders determined that it was essential to develop a first-class conference facility in Olathe.

The site at Corporate Ridge was chosen to be home to the proposed hotel/conference center because of its accessibility to major employers, local entertainment and attractions and Highway 10, which connects Olathe to Lawrence to the west. It is also near area college/university/vocational-technical institutions, such as Kansas State University-Olathe, Kansas University Edwards Campus, and Johnson County Community College.

In August of 2013, the financing package was approved to fund construction of the Center on a 15-acre site located in Corporate Ridge, and construction of the facility began in April of 2014. The project's cost totaled approximately \$50.6 million, which included the following uses of funds:

Hotel Building	\$32.0 M
Land Acquisition	\$4.7 M
Site Improvements	\$3.6 M
Conference Center Building	\$3.1 M
Construction Overhead/Admin	\$2.4 M
Development Costs (design, architectural, etc.)	\$1.9 M
Financing	\$1.6 M
Working Capital	\$0.7 M
Franchise Fees/Insurance/Legal/Tax/Other	\$0.6 M

Total Project Costs

\$50.6 M

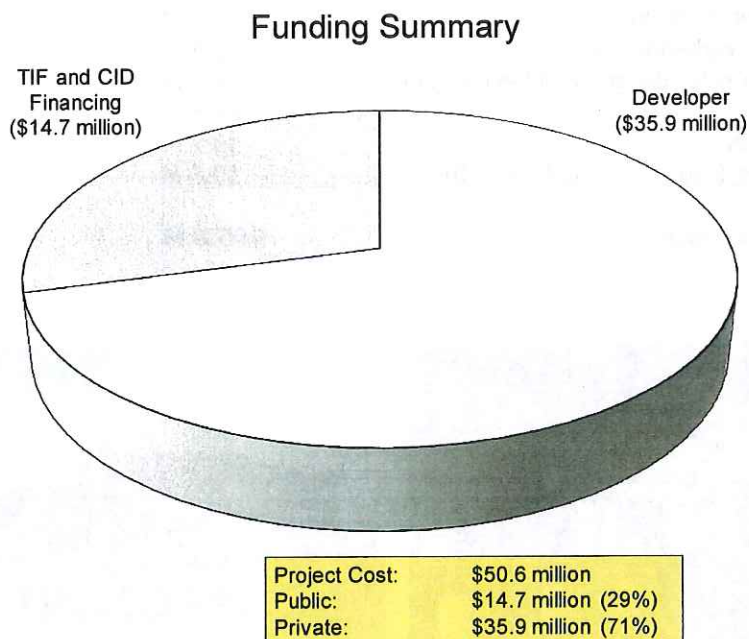


Funding

The \$50.6 million project received partial funding from the City of Olathe in the form of a \$14.7 million incentive package, which included Tax Increment Financing (TIF) and Community Improvement District (CID) funds. The City's TIF and CID contributions were capped at \$14.7 million. Additionally, the City loaned \$4.9 million to HOA to acquire the land. The Developer (HOA) was responsible for financing the remaining \$31.0 million for the project.

The established TIF and CID districts encompass only the Embassy Suites and Conference Center property. HOA is reimbursed for incremental sales, hotel and property tax revenues that are collected by the City within the District. An additional two percent sales tax is levied within the CID district, which also is reimbursed to HOA. The City retains 2.5 percent of both TIF and CID collections as an administrative fee. Both the TIF and CID districts are scheduled to sunset in 20 years.

Additionally, the City provided a \$4.9 million interest free loan to HOA that was used for land acquisition. The loan is scheduled to be repaid within nine months of receiving the loan. The City also issued industrial revenue bonds to finance a portion of granted sales tax exemptions on the developer's building materials and equipment purchases.



Management and Operations

Heart of America retained ownership and operational control of both the Embassy Suites and the Conference Center. They will collect all revenues generated by the hotel, conference center and facility services, and no subsidy will be provided by the City to compensate for any annual operational deficits.

Heart of America Group projected nearly \$11.1 in total revenue between hotel and conference center operations, with \$7.2 million generated by hotel room revenue and \$3.9 million being generated by conference center operations. Local officials expect the hotel's annual occupancy to range between 67 and 71 percent, and to have an Average Daily Rate (ADR) of approximately \$152.



Sugar Land, Texas

Sugar Land Marriott and Sugar Land Conference Center

Facility Overview

The Sugar Land Marriott and Sugar Land Conference Center opened in October 2003 along with a 600-space parking garage. The Marriott is a full-service property offering 300 guestrooms. The Center offers approximately 26,600 square feet of total sellable space, with approximately 15,500 square feet of contiguous space in the Sugar Land Ballroom and 11,100 square feet of meeting space throughout 13 separate rooms.

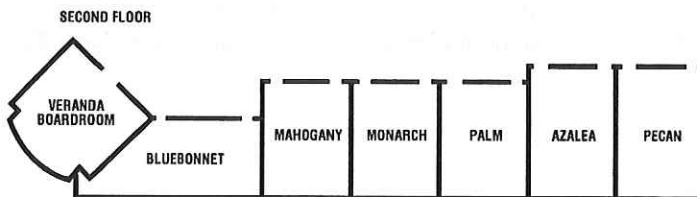
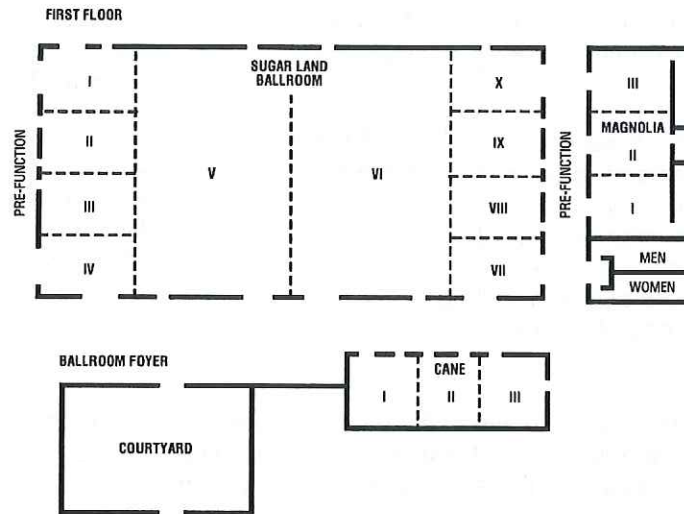
The Marriott, Conference Center and parking garage are prominent components of Sugar Land Town Square, a 32-acre pedestrian-oriented, master-developed, main-street city center and business district. In addition to the Hotel/Conference Center, Town Square includes shops, stores, services, restaurants, sidewalk cafes, entertainment, offices, condominiums and the brand new Sugar Land City Hall.

Year Opened:	2003
Center Ownership:	City
Hotel Ownership:	Private
Management:	Crestline Hotels
Hotel Brand:	Marriott
Hotel Type:	Full-Service
Hotel Rooms:	300
Convention Space:	
Exhibition SF:	0
Ballroom SF:	15,500
Meeting SF:	11,100
Sellable SF:	26,600



(Facility Overview cont'd)

Sugar Land Conference Center Floor Plan and Capacity Chart



	Square Feet	Ceiling Height
First Floor		
Sugar Land I	726	15'
Sugar Land II	726	15'
Sugar Land III	726	15'
Sugar Land IV	726	15'
Sugar Land V	4,840	15'
Sugar Land VI	4,840	15'
Sugar Land VII	726	15'
Sugar Land VIII	726	15'
Sugar Land IX	726	15'
Sugar Land X	726	15'
Sugar Land Ballroom	15,488	15'
Cane I	549	10'
Cane II	506	10'
Cane III	635	10'
Cane	1,804	10'
Magnolia I	641	10'
Magnolia II	616	10'
Magnolia III	641	10'
Magnolia	2,002	10'
Second Floor		
Veranda Boardroom	1,052	n/a
Bluebonnet	1,100	10'
Mahogany	970	10'
Monarch	970	10'
Palm	970	10'
Azalea	1,100	10'
Pecan	1,100	10'
Total Convention Space		
Exhibition Space	0	
Ballroom Space	15,500	
Meeting Space	11,100	
Total Sellable Space	26,600	

Market Overview

The city of Sugar Land is located in Fort Bend County approximately 21 miles southwest of downtown Houston and is one of the fastest growing communities in the State of Texas. Approximately 78,500 people reside within the city, 494,600 reside within county limits, and more than 3.2 million people live within 25 miles of Sugar Land. There is an estimated 22,400 households within city limits, with an average residential value of more than \$262,000 per household.

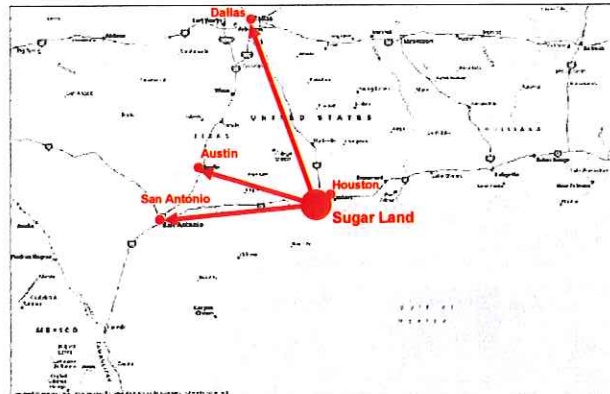
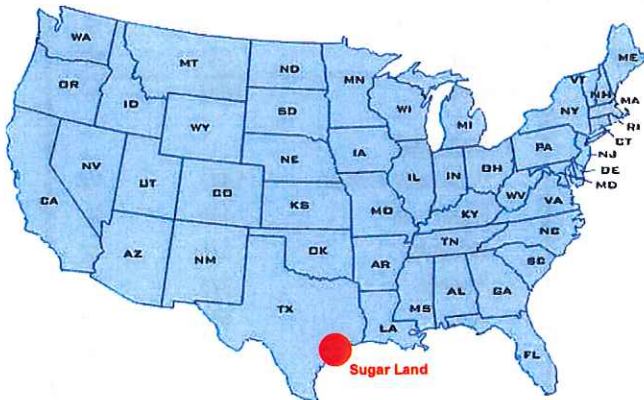
Sugar Land was founded in the 19th century as an agricultural center dedicated to cultivating cotton, corn and sugar. The railroad came to the area in the 1850s, and in 1905, the Imperial Sugar Company was established. Shortly thereafter, a master planned community with the sugar refinery as the core began to grow. Sugar Land has the most master-planned mixed-use developments in Fort Bend County, which is reportedly home to the largest number of such developments in the nation.

Based on 2000 Census data, Sugar Land ranked first in population growth in the greater Houston area. The city's population increased from approximately 24,500 in 1990 to more than 63,300 in 2000, an estimated 158 percent increase. CNN-Money recently rated Sugar Land as the best place to live in the Southwest, and the third best place to live in America.

Over the past ten years, more than 50 companies have relocated to or expanded their facilities in Sugar Land, adding more than 7,000 jobs and \$500 million to the regional economy. Within the southwestern Houston metro area, Sugar Land has become a premier destination for shopping, dining and entertainment, with more than 700 venues for these activities.

City, State:	Sugar Land, TX
City Population:	78,500
County Pop.	494,600
25-mi Pop.	3,221,300
100-mi Pop.	6,325,000
200-mi Pop.	12,631,800

Driving Distance	
Houston, TX	21 miles
Austin, TX	150 miles
San Antonio, TX	180 miles
Dallas, TX	250 miles

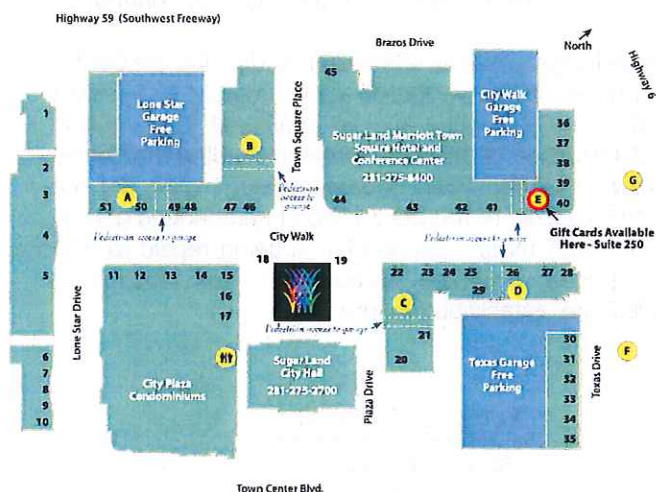


Development

The recently completed Sugar Land Town Square is a 32-acre pedestrian-oriented, master-developed, main-street city center and business district that includes shops, stores, services, restaurants, sidewalk cafes, entertainment, offices, condominiums, the brand new Sugar Land City Hall and the Sugar Land Marriott and Sugar Land Conference Center.

The City's intention with the master development of the Town Square project was to create a downtown atmosphere and a central business district, which features upscale shops, dining, residential space, office facilities, the Sugar Land City Hall and other amenities providing economic, quality-of-life and other benefits to the community. The mixed-use nature of the development and the diversity among Town Square tenants help to ensure that the restaurant, retail and office components of the development balance each other out to continuously draw in a diverse customer base. Sugar Land Town Square is located at the intersection of U.S. 59 and Highway 6, providing accessibility to the greater Houston market and other state and regional markets.

Phase One and Two of Town Square were completed in 2003 and include the 300-room full-service Marriott hotel and conference center, a new 82,000-square foot Sugar Land Town Square City Hall, 167 mid-rise residential condos, 200,000 square feet of office space, 200,000 square feet of retail and restaurants and a 1.4-acre pedestrian plaza. The next phases of development are projected to include an additional 357,000 square feet of Class A office space and 56,000 square feet of retail space and is projected to be complete by 2010. Additionally, a new 214-room Hyatt Place hotel is being constructed adjacent to the Town Square Development site and is scheduled to open in early 2011.



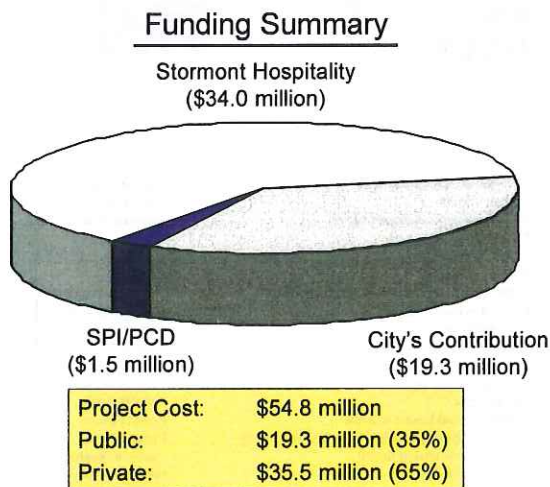
1 P.F. Chang's China Bistro	Food & Drink	30 Olives Martini Bar & Grille	Food & Drink
2 Shiva Indian Restaurant	Food & Drink	31 Cigar Cigar!	Specialty
3 Luggage & Leather	Specialty	32 Christopher's Vintage Shave	Health & Beauty
4 Z Gallerie	Specialty	33 Mi Luna	Food & Drink
5 Swizzle's	Specialty	34 Jamba Juice	Food & Drink
6 Dessert Gallery	Food & Drink	35 Relax the Back	Specialty
7 Sweet & Sassy	Specialty	36 Japaneiro's Sushi Bistro & Latin Grill	Food & Drink
8 Fuzziwig's Candy Factory	Food & Drink	37 An Albert Luiz Salon & Spa	Health & Beauty
9 Jimmy John's	Food & Drink	38 Cafe Express	Food & Drink
10 Chipotle	Food & Drink	39 Baker Street Pub & Grill	Food & Drink
11 Jo's A. Bank	Fashion & Shoes	40 Fish City Grill	Food & Drink
12 Motherhood Maternity	Fashion & Shoes	41 The Burning Pear	Food & Drink
13 Ann Taylor Loft	Fashion & Shoes	42 Starbucks	Food & Drink
14 JoAnn's	Fashion & Shoes	43 Perry's Steakhouse & Grille	Food & Drink
15 I W Marks Jewelers	Specialty	44 Taisho Japanese Grill & Bar (Coming Soon)	Food & Drink
16 Ben & Jerry's	Food & Drink	45 Facelagic (Coming Soon)	Health & Beauty
17 Vineyard on the Square Wine Bar & Bistro	Food & Drink	46 Fleet Feet Sports	Fashion & Shoes
18 A Dog's Life! Luxury Dog Boutique	Specialty	47 Bath Junkie	Health & Beauty
19 House of Blooms (Kiosk on the Plaza)	Specialty	48 Eye Trends	Specialty
20 Amegy Bank	Other	49 Charming Charlie	Fashion & Shoes
21 Steve Fuqua Homes	Other	50 Strasburg Children	Fashion & Shoes
22 Amici	Food & Drink	A Office (16190 City Walk)	
23 Hemline	Fashion & Shoes	B Office (2150 Town Square Place)	
24 Learning Express Toys	Specialty	C Office (2277 Plaza Drive)	
25 Kiss Kiss	Fashion & Shoes	D Office (15999 City Walk)	
26 Swirl Frozen Yogurt	Food & Drink	E Office (15958 City Walk)	
27 Escalante's Fine Tex Mex	Food & Drink	F Office (2245 Texas Drive, Future office & retail)	
28 Sona MedSpa	Health & Beauty	G Office (2185 Texas Drive, Future office & retail)	
29 Loggia.food.sports.music	Food & Drink		

Funding

The land upon which the Center, hotel and parking garage were built was originally owned by Sugarland Properties Incorporated (SPI); SPI eventually changed its name to Planned Community Developers (PCD). SPI/PCD is also the owner and master developer of the remainder of the Town Square project property. SPI/PCD agreed to sell to the City the land upon which the Center and a portion of the parking garage would sit for approximately \$769,000 and \$294,000, respectively. The land upon which the hotel would sit was sold for approximately \$330,000 to Stormont Hospitality Group, LLC (SHG) – which was eventually purchased by Noble Investment, a real estate private equity fund manager and an integrated operating and development organization. These prices were figured at \$10 per-square-foot with a generally agreed upon estimate for total square footage purchased by each respective entity.

The actual cost to develop the entire Center, hotel and parking garage project was an estimated \$54.8 million, and approximately \$1.2 million under the estimated budget of \$56.0 million. The City's \$19.3 million portion of the funding was generated by \$10 million in certificates of obligation, funded by a local hotel occupancy tax, \$1 million generated by a 0.25 cent sales tax targeted toward economic and community development programs and another \$8.3 million of issued debt that is to be paid back by continued collections of the aforementioned sales tax.

SHG contributed approximately \$34 million to develop the Center and adjacent hotel. PCD contributed approximately \$1.5 million to develop the parking garage and an additional \$11.5 million toward the construction of infrastructure surrounding the Center and Hotel as part of the Town Square project (which did not figure into the total cost of the Center, hotel and parking garage project). This \$11.5 million contribution is being repaid to PCD as funds become available through a Tax Increment Reinvestment Zone, established by the City.



TOTAL BUDGET (as of 2/25/02)

Land and Improvements	
Conference Center	\$769,500
Hotel	304,400
Parking Garage	454,400
Total Land and Improvements	\$1,528,300
Soft Costs	
Conference Center	\$1,609,100
Hotel	3,253,900
Parking Garage	429,200
Total Soft Costs	\$5,292,200
General Construction	
Conference Center	\$9,855,300
Hotel	19,339,200
Parking Garage	4,161,700
Total General Construction	\$33,356,200
FF&E	
Conference Center	\$1,928,400
Hotel	4,000,800
Parking Garage	0
Total FF&E	\$5,929,200
Operations Costs	
Conference Center	\$1,132,000
Hotel	2,964,400
Parking Garage	0
Total Operations Costs	\$4,096,400
Other Costs	
Conference Center	\$405,600
Hotel	5,187,200
Parking Garage	204,600
Total Other Costs	\$5,797,400
Total Cost	
Conference Center	\$15,700,000
Hotel	35,050,000
Parking Garage	5,250,000
Total Cost	\$56,000,000

Management and Operations

Crestline Hotels and Resorts, Inc. (Crestline) was contracted by SHG and the City to manage and operate the Center and hotel for a term of 20 years. As compensation, Crestline will receive a base management fee of two percent of gross hotel and conference center revenues during the first year of operations and three percent of gross hotel and conference center revenues for each successive year. Further, Crestline will receive an incentive fee equal to 15 percent of annual operating profit; however, all routine maintenance expenses for the Center and hotel must be paid out of gross revenues.

All additional profits from the hotel, Center and parking garage go to SHG, which rents the Center and parking garage from the City. SHG agrees to pay all applicable state and local sales or use taxes in connection with the lease agreement, with a minimum rent of \$1 per lease year. Further, if the cumulative annual rate of return is greater than 15 percent, SHG will pay the City 36 percent of the net cash flow and net sale proceeds in excess of the amount of that which is necessary to generate a cumulative annual rate of return of 15 percent.

To cover capital expenditures, Crestline will establish a reserve fund for the Center and a separate account for the hotel. The contribution to the Center's fund will escalate from 0.25 percent of gross revenues after the first year of operation to 1.25 percent of gross revenues annually from the 11th year through the end of the term. The hotel's fund will increase from a 0.75 percent contribution of gross revenues during the first year of operations to a 3.75 percent contribution from the 11th year through the end of the term.



