



NEEDS ASSESSMENT AND MARKET STUDY

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# Broward County Convention Center

FORT LAUDERDALE, FL



SUBMITTED TO:

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April 10, 2013

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Re: Broward County Convention Center  
Fort Lauderdale, FL

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New Delhi  
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Singapore

Dear Mr. Puentes:

Pursuant to your request, we herewith submit our Needs Assessment and Market Study of a Broward County Convention Center in Fort Lauderdale, FL.

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

It has been a pleasure working with you. Please let us know if we can provide any additional services.

Sincerely,  
HVS Convention, Sports & Entertainment  
Facilities Consulting

Thomas A Hazinski  
Managing Director

Catherine Sarrett  
Project Manager

Brian Harris  
Director



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# 1. Introduction and Executive Summary

## Nature of the Assignment

The Greater Fort Lauderdale Convention & Visitors Bureau (“GFLCVB”) engaged HVS Convention, Sports & Entertainment Facilities Consulting (“HVS”) to conduct a Needs Assessment and Market Study of the Broward County Convention Center (“BCCC”) in Fort Lauderdale, FL. The purpose of the study is to develop a plan to expand and improve the BCCC in order to increase its effectiveness and allow for better utilization and increased usage. The study also analyzes the introduction of a new headquarters hotel adjacent to the BCCC which would support the expanded BCCC and further enhance the demand potential of the meetings market in Broward County.

## Ownership and Management

Originally opened in 1991 as a 370,000 square foot convention center, the BCCC is publicly owned by Broward County, Florida (“County”). The County has a long-term management agreement with SMG, which is responsible for all aspects of its operation. A \$30 million expansion, completed in 2001, added significant amounts of exhibit, meeting, and ballroom space to the facility, bringing the total gross area of the venue to 600,000 square feet.

## Methodology

In accordance with the Scope of Services, HVS performed the following tasks:

1. Conducted a site visit and client meeting with Thomas Hazinski and Brian Harris travelling to Fort Lauderdale, FL on February 27-28, 2012. During this visit, they toured the facility, performed a site inspection, met with facility management, local hotel managers, and other key industry participants, and gathered relevant data.
2. Analyzed the economic and demographic data that indicate whether, and the extent to which, the local market area is supportive of the BCCC and a potential expansion.
3. Surveyed current and potential users of the BCCC to understand their event needs, their overall impressions of Fort Lauderdale and the BCCC, and the likelihood of booking events in the facility.
4. Reviewed and analyzed historical demand, attendance, and financial data provided by the BCCC,
5. Reviewed and analyzed sales and marketing data provided by the GFLCVB,

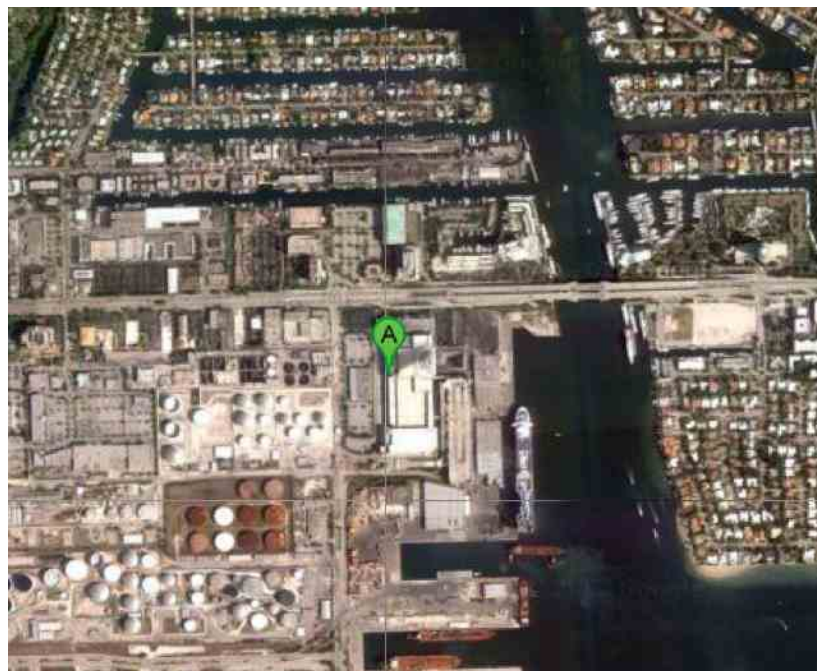
6. Compiled data on 17 competitive and comparable convention centers and integrated resort hotels to inform and test the reasonableness of the building program recommendations.
7. Recommended a conceptual facility program based on the above steps.
8. Prepared event demand and attendance forecasts based on the implementation of the program recommendations.
9. Prepared a hotel market analysis and recommendation for a future headquarters hotel.

HVS collected and analyzed all information contained in this report. HVS sought out reliable sources and HVS deemed information obtained from third parties to be accurate.

#### Description of Existing Facility

The BCCC is the primary public venue for conventions, trade shows, and consumer shows in Broward County. It also hosts stand-alone meetings and banquets, sports competitions, and other community and social events. The BCCC is located at the northern end of Port Everglades, one of the busiest cruise ports in the world. The following image provides an aerial view of the BCCC and surrounding infrastructure.

#### AERIAL VIEW OF BCCC SITE



The following figure provides an overview of the function spaces at the BCCC.  
Photos of the BCCC follow.

**FIGURE 1-1 BCCC CURRENT FACILITY PROGRAM AND CAPACITIES**

Event Space	Total Area (SF)	Capacities			Exhibit Booths (10'x10')
		Theatre	Banquet	Classroom	
Exhibit Hall	199,526	15,230	11,420	8,460	1,087
Sub-Divisions					
Hall A	64,887	5,000	4,500	3,000	348
Hall B	43,018	3,000	2,200	1,500	237
Hall C	42,774	3,000	2,200	1,500	237
Hall D	48,847	4,230	2,520	2,460	265
Ballrooms					
Grand Floridian (Halls A-H)	31,932	3,304	1,950	2,064	
Floridian (Halls A-D)	20,316	2,100	1,580	1,380	
Meeting Rooms					
First Floor Meeting Rooms					
113-114	3,525	366	220	234	
118-119	1,728	133	100	96	
122-123	2,016	183	120	114	
124-125	2,960	290	180	174	
Second Floor Meeting Rooms					
203-204	1,000	110	80	70	
207-208	1,512	160	110	114	
209-210	1,512	160	110	114	
213	572	66	40	39	
216	644	70	40	45	
220-221	2,755	280	180	171	
222-223	2,755	280	180	171	
Palm A/B	9,313	990	630	864	
Third Floor Meeting Rooms					
301-302	1,890	144	120	117	
304-305	4,876	475	320	306	
315-316	5,841	620	396	400	
317-318	1,890	144	120	117	
<b>TOTAL MEETING SPACE</b>	<b>296,563</b>				



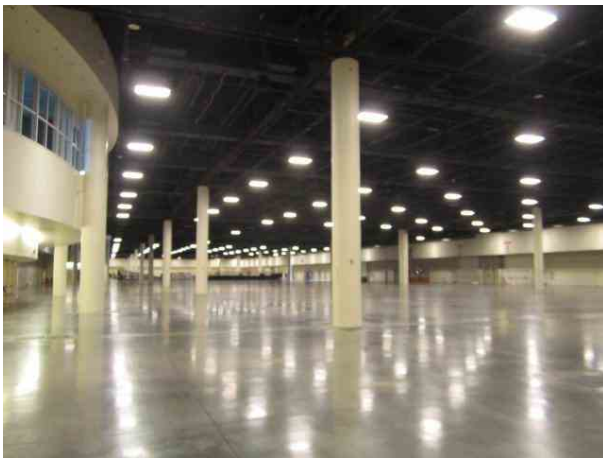
## LOBBY AND BALLROOM PREFUNCTION

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## EXHIBIT HALL

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## GRAND FLORIDIAN AND FLORIDIAN BALLROOMS

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## MEETING ROOMS

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## SERVICE CORRIDOR AND LOADING DOCK

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### Market Area Analysis

After a period of economic expansion, the Broward County area entered into a period of contraction as the local economy began to experience the challenges felt across the nation associated with the recession. Market research reveals that the relatively affluent Broward County economy is recovering. The market benefits from encouraging employment statistics and a well-diversified employment base. The service, information technology, education, and healthcare sectors are strong and continue to remain cornerstones of this market. The outlook for the area is generally positive. As the national economy rebounds and strengthens, the Broward County market should bounce back relatively quickly.

As a convention and meeting option, Broward County has convenient air travel, warm weather, beaches, and other tourism amenities that make it a desirable destination for event attendees.

### User Survey

HVS conducted a survey of event planners to provide a basis for assessing the potential demand for an expanded convention center and headquarters hotel in Broward County. HVS obtained a list of 1,361 event planners from the GFLCVB. 353 respondents took the web-based survey. Of these, 182 completed the survey while 171 partially completed the survey (left one or more questions blank). Respondents included professionals from organizations representing national, regional, state, and local associations, government entities, and corporate and other organizations conducting or planning events. Key results include the following:

- Event planners report that Broward County's greatest strength is its appeal as a destination including warm weather, beaches, and entertainment options.
- A significant percentage of respondents also noted that the relative convenience of air access into Broward County is a positive feature when considering the BCCC for their events.
- Event planners report that Broward County's greatest weakness as a meeting destination is its hotel product, including lack of availability, low quality, and high price.
- Aside from internal or political reasons, the most often cited reason for not selecting Broward County as an event destination was strong competition from other venues and cities.
- The overall destination appeal of the BCCC as an event destination ranks approximately in the middle of competing integrated hotel properties, and well above competing convention centers.
- Availability of event space and hotel rooms are important criteria for meeting planners; however, meeting planners gave Broward County low marks for both.
- Thirty percent of respondents who plan exhibit events feel that the existing hotel product surrounding the BCCC does not adequately serve their needs or is a deterrent to their booking business in the BCCC.
- Eighty percent of respondents who plan exhibit events feel that an exterior pedestrian walkway would serve as an adequate connection to a headquarters hotel.
- The existing BCCC exhibit hall is able to accommodate the majority of the exhibit events described by the survey respondents.
- A significant portion of events require banquet seating for up to 5,000 attendees.
- While the majority of events require 10 or fewer break out meeting rooms, larger events average between 30 and 40 meeting rooms.

## Comparable Venue Assessment

HVS analyzed eight regional integrated hotels (large hotels with integrated hotel and convention facilities) and nine competitive convention centers in similarly sized markets across the United States. This analysis provides a basis for programming recommendations by comparing the function spaces and other amenities in each of the facilities along with other characteristics of the markets that are relevant to the success of the venue. Key findings include the following:

- While not all integrated resort hotels have dedicated exhibit space, many offer multipurpose space that is distinct from their meeting and ballroom space, allowing them to compete with convention centers for exhibit-based conventions and trade shows. In terms of available exhibit space, the BCCC compares favorably with most of the hotels and roughly in the middle of the convention centers. However, the BCCC's exhibit space is well below several venues, including Gaylord Opryland Hotel and convention centers in Miami Beach, FL, Austin, TX, and Charlotte, NC.
- Several of the regional hotel properties have a greater amount of ballroom space than the BCCC. The ballroom space at the BCCC compares favorably to the set of national convention centers in their current configurations, above average and second only to the Charlotte Convention Center. Several markets, including Nashville and Miami Beach have plans to significantly expand ballroom space.
- The BCCC falls roughly in the middle and slightly above average for meeting space when compared to the regional hotel properties. However, fewer meeting divisions make it less flexible than many of the properties. The BCCC has a below average amount of meeting space when compared to the national convention center set, and competitors' expansion plans will push the BCCC further below the average.
- The 589-room Hilton Fort Lauderdale Marina Hotel ("Hilton Marina") is the closest and most convenient hotel for users of the BCCC. While the Hilton Marina was not built for the purpose of serving as the BCCC's headquarters hotel, HVS used the property for the purpose of comparing the BCCC's adjacent room supply with other venues. All of the regional hotel properties have much higher room counts, with the Hilton Marina well below the average of this set. Compared to the comparable national convention centers, the Hilton Marina has an average number of guest rooms. However, several markets are currently developing or planning major convention hotel projects including the 800-room Omni Hotel in Nashville as well as planned convention center hotels in Palm Beach and Miami Beach.

- Broward County's population demonstrates above average size and income level, suggesting that the Broward County market is able to drive a higher level of demand at the convention center and has the public infrastructure necessary to support the meetings market in Fort Lauderdale.
- Broward County compares favorably with respect to the number of business establishments, suggesting a stronger corporate base from which to draw event demand. Broward County is also home to several major corporations, including AutoNation, a Fortune 500 company based in Fort Lauderdale.
- The passenger counts at Fort Lauderdale/Hollywood International Airports indicate a moderate level of capacity for out-of-state travel. However, when considering all three airports which serve the region, annual passenger volumes increase significantly, placing the BCCC as one of the most accessible venues in both competitive sets.
- Business travel costs in the City of Fort Lauderdale fall in the mid-range of the two competitive sets. Business travel in Fort Lauderdale is less expensive than larger metropolitan area, such as Los Angeles, Miami, and Dallas. However, several smaller markets are less expensive and would be more attractive to price-sensitive groups.

An analysis of historical demand indicates that the BCCC is currently hosting a below average number of national conventions as compared to a sampling of its competitors. The venue hosts an above-average number of trade shows that complements exhibit hall usage. However, many of these events have a more local or regional focus, and are, therefore, less likely to produce the room nights and other economic impacts of a national convention. While a number of factors contribute to demand potential, the market analysis and the above comparable analysis indicate that there are no internal market weaknesses in Broward County that would contribute to this demand weakness. The most likely cause is the strong competition that the BCCC faces from larger venues which are augmented by attractive number of integrated hotel rooms. Improvements to the BCCC's meeting package, including larger and more flexible functions spaces and a dedicated headquarters hotel would improve the BCCC competitive position and positively affect event demand.

#### Facility Recommendations

HVS relied on an in-depth event planner survey, analysis of the market economics and demographics, a site inspection, a review of comparable venues, analysis of historical operations at the BCCC, an analysis of lost business, and knowledge of industry practices to recommend a facility program for the BCCC. This facility

program serves as a guide for subsequent physical planning aimed at providing the desired program elements.

HVS program recommendations place the expanded BCCC in the position to serve its existing customer base, to accommodate local demand for meetings, banquets, and civic events, and to attract new state, regional, and national conventions and tradeshow. Given that the BCCC's competes for events against other convention centers as well as large, integrated hotel properties, function space should be multi-functional, capable of accommodating both exhibition and banquet needs. HVS recommends a Phase 1 expansion of the BCCC facility program which includes the following elements.

- A 70,000 square foot carpeted multi-purpose space with a flexible wall system to allow the space to serve as light exhibition, banquet, and meeting space in a variety of configurations,
- A 15,000 square foot junior ballroom with a flexible wall system to allow the space to serve as banquet and meeting space in a variety of configurations,
- Three 9,000 square foot meeting room blocks,
- A headquarters hotel with 700 guest rooms
- A plan for future expansion of the exhibition hall.

Perhaps more important than the amounts of additional function spaces and amenities, the BCCC needs to reinvent itself as a self-contained destination that can effectively compete with integrated resort hotels such as the Gaylord properties and other regional hotels. This integrated hotel and convention center concept would link hotel rooms with the existing and expanded function spaces and include restaurant, entertainment, and specialty retail amenities. Unlike the organization of the existing building, the expansion should take advantage of its waterfront location and provide public gather spaces that can draw local patrons, tourists, as well as convention attendees. The branding and design of the BCCC should create a unique sense of place that distinguishes the BCCC from its competition.

The following figure presents the total amount of proposed function space versus that in the existing venue.

**FIGURE 1-2 PROPOSED VERSUS EXISTING BCCC FUNCTION SPACE**

Function Space	Existing BCCC		Expanded BCCC	
	Size (SF)	Divisions	Size (SF)	Divisions
Exhibit Space	199,526	4	199,526	4
Multi-purpose Space	-		70,000	8
Ballroom Space	52,248	12	67,248	15
Meeting Space	46,282	31	73,282	46

HVS recommends that future, Phase 2, expansion include a new 100,000 to 120,000 SF exhibit hall. The Phase 1 multi-purpose, ballroom, and meeting space would be adequate to successfully support the additional exhibition space.

In addition to the meeting function spaces described above, the expanded BCCC should also contain a variety of public areas which define the BCCC as an attractive, self-contained destination for meeting attendees as well as cruise passengers, other tourists, and local residents. These public areas may include:

- Lounges, plazas, and other designated areas for informal meetings and relaxation,
- Light retail areas for souvenirs, clothing, and essential sundries,
- Casual food and beverage outlets including coffee shops, delis, and desserts,
- Restaurant, bar, and entertainment venues,
- Areas for outdoor entertainment, and
- Direct connection to the waterfront and the Hilton Marina Bay hotel.

A more precise determination of the floor areas would require a concept plan created by a design firm that illustrates how the proposed convention center expansion would fit on the site. The process of concept planning will likely require adjustments to the recommended floor areas.

### Demand Projections

HVS's analysis of historical BCCC demand, an analysis of comparable and competitive venues, and an in-depth user survey suggest that the proposed BCCC expansion and adjacent headquarters hotel should allow Broward County to



significantly expand utilization by national corporations and associations, state associations, local corporations, and other groups. The expansion should allow the venue to not only significantly expand utilization by its existing client base, but also attract a greater share of larger conventions, conferences, and meetings. In developing demand projections, HVS took into account the following key considerations.

- The removal of the security perimeter prior to completion of the BCCC expansion,
- The facility must continue to accommodate several major annual events, including sports competitions, trade shows, and conventions, and
- The loss of the annual ARVO convention and associated impact on average attendance and room night generation.

HVS based demand projections on the completion of the renovations in October 2017. HVS estimates that incremental event demand would ramp up following the completion of the renovation and stabilize in four years in fiscal year 2020-21. Historical demand represents the average utilization over the past four years. The figure below breaks out event projections by type of event.

**FIGURE 1-3 HISTORICAL AND STABILIZED YEAR DEMAND**

	Historical	Stabilized Year after Expansion
<b>Events</b>		
Convention	11	20
Tradeshow	23	23
Consumer Show	17	18
Meetings	64	65
Conferences	-	20
Banquets	31	35
Sports	9	9
Other	26	26
<b>Total</b>	<b>181</b>	<b>216</b>
<b>Average Attendance</b>		
Convention	2,200	2,200
Tradeshow	1,100	1,100
Consumer Show	4,490	4,500
Meetings	310	310
Conferences	-	550
Banquets	490	560
Sports	2,200	2,200
Other	1,000	1,000
<b>Total Attendance</b>		
Convention	24,200	44,000
Tradeshow	25,300	25,300
Consumer Show	76,330	81,000
Meetings	19,840	20,150
Conferences	-	11,000
Banquets	15,190	19,600
Sports	19,800	19,800
Other	26,000	26,000
<b>Total</b>	<b>210,000</b>	<b>250,000</b>

### Room Night Estimates

HVS used available data provided by the GFLCVB on historical room night generation to develop the assumptions regarding the number of room nights generated by each event type. HVS applied these assumptions to the projected demand for the expanded BCCC to arrive at the following room night estimates for the historical and stabilized year's demand.

**FIGURE 1-4 HISTORICAL AND STABILIZED YEAR ROOM NIGHTS**

Type	Historical	Stabilized
Convention	58,600	105,600
Tradeshow	50,100	50,600
Consumer Show	6,400	6,100
Meetings	12,100	14,100
Conferences	0	13,600
Banquets	2,300	2,800
Sports	14,700	11,900
Other	2,900	1,300
<b>Total</b>	<b>147,100</b>	<b>206,000</b>

**Hotel Analysis**

HVS prepared an in-depth analysis of the Greater Fort Lauderdale hotel market to determine the competitive position and future performance of the proposed headquarter hotel. Based on this analysis, HVS has determined a stabilized occupancy level of 69% for the proposed hotel. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given any and all changes in the life cycle of the hotel. The Greater Fort Lauderdale market should enjoy positive rate growth through the near term. The proposed hotel's rate position reflects a high quality facility with strong brand affiliation, with connections to the Port of Everglade and the BCCC.

The following figure presents these figures through stabilization in 2021.

**FIGURE 1-5 FORECASTS OF OCCUPANCY, AVERAGE RATE, AND REVPAR**

Year	Occupancy	Average Rate Before Discount	Discount	Average Rate After Discount	RevPAR
2017/18	60 %	\$173.54	2.0 %	\$170.06	\$102.04
2018/19	64	178.74	1.0	176.95	113.25
2019/20	67	184.10	0.0	184.10	123.35
2020/21	69	189.63	0.0	189.63	130.84

**Convention Center  
Financial Projections**

HVS analyzed historical operations of the BCCC over the past four years and applied a series of revenue and expense assumptions regarding facility utilization and operations to develop comprehensive operating financial statements for the expanded venue. The figure below presents the financial projections for the proposed expansion of the BCCC through stabilized demand. The projections are in

inflated dollars and reflect the opening of the expanded BCCC in October 2017. HVS projects that demand will stabilize in fiscal year 2020-21, four years following the completion of the BCCC expansion.

**FIGURE 1-6 FORECAST OF BCCC REVENUES AND EXPENSES**

	Expansion 2017/18	2018/19	2019/20	Stabilized 2020/21
<b>OPERATING REVENUE</b>				
Facility Rental	\$4,815,000	\$5,187,000	\$5,702,000	\$6,109,000
Food & Beverage Gross Profit	5,462,000	6,045,000	6,883,000	7,524,000
Event Services (Gross)	3,483,000	3,800,000	4,248,000	4,595,000
Event Labor	2,392,000	2,554,000	2,775,000	2,952,000
Parking (Net)	70,000	74,000	80,000	85,000
Other Revenue	421,000	431,000	442,000	453,000
<b>Total</b>	<b>\$16,643,000</b>	<b>\$18,091,000</b>	<b>\$20,130,000</b>	<b>\$21,718,000</b>
<b>OPERATING EXPENSES</b>				
Salaries & Benefits	\$5,810,000	\$6,059,000	\$6,369,000	\$6,636,000
Food & Beverage Overhead	2,731,000	3,023,000	3,441,000	3,762,000
Event Services Costs	3,134,000	3,420,000	3,823,000	4,136,000
Contractual Services	1,586,000	1,677,000	1,798,000	1,898,000
Administrative & General	678,000	695,000	713,000	731,000
Repair & Maintenance	499,000	543,000	604,000	652,000
Supplies & Equipment	333,000	362,000	403,000	434,000
Utilities	1,659,000	1,731,000	1,822,000	1,900,000
Insurance	90,000	93,000	95,000	97,000
Other Expense	250,000	271,000	302,000	326,000
<b>Total</b>	<b>\$16,770,000</b>	<b>\$17,874,000</b>	<b>\$19,370,000</b>	<b>\$20,572,000</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(\$127,000)</b>	<b>\$217,000</b>	<b>\$760,000</b>	<b>\$1,146,000</b>
<b>NON-OPERATING EXPENSES</b>				
Management Fee	\$427,000	\$441,000	\$456,000	\$471,000
Incentive Fee	107,000	110,000	114,000	118,000
<b>Total</b>	<b>\$534,000</b>	<b>\$552,000</b>	<b>\$570,000</b>	<b>\$589,000</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>(\$662,000)</b>	<b>(\$334,000)</b>	<b>\$190,000</b>	<b>\$557,000</b>

## Conclusion

Because of the BCCC's waterfront location and proximity to cruise ship terminals, HVS recommends that the planning and design of the BCCC and the headquarters hotel should help create a sense of place as a destination. The BCCC should not only support event attendees and hotel guests, but also draw other tourism traffic and local resident visits to the site, thus creating a lively destination even when there are no major events taking place at the BCCC.

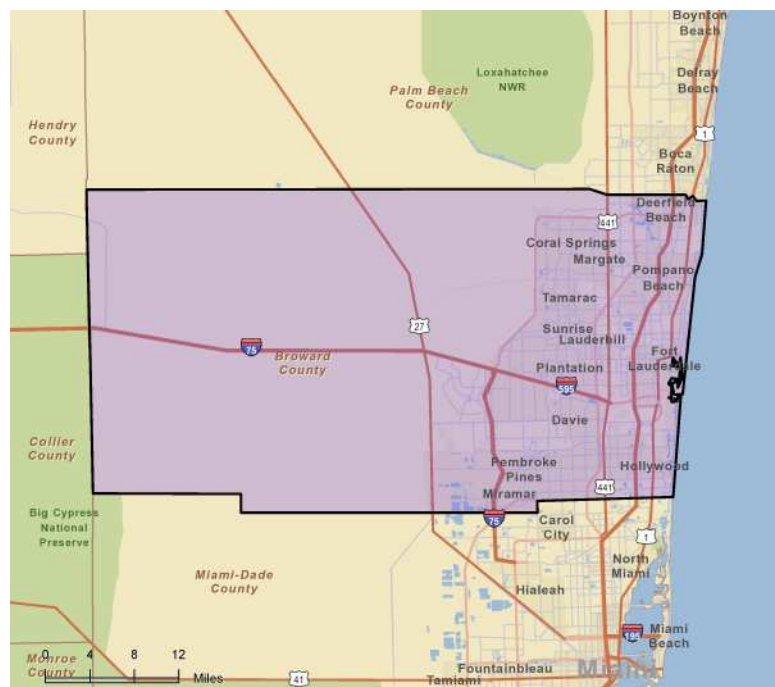
## 2. Market Area Overview

This market area analysis reviews economic and demographic data that describe the overall condition of the local economy in Broward County Florida. The characteristics of the area economy and trends that indicate growth or decline provide indicators of the performance of the Broward County Convention Center ("BCCC") and the attached hotel. HVS analyzed the following indicators: population, income, sales, work force characteristics, employment levels, major businesses, airport access, transportation, and tourism attractions.

### Market Area Definition

The market area consists of the geographical region that offers transportation access, lodging, and other amenities to users of the BCCC and hotel. For the purposes of this study, HVS defined the market area as Broward County, Florida, which includes the cities and towns of Fort Lauderdale, Coral Springs, Hollywood, Pembroke Pines, Pompano Beach, and several others. The following map shows the market area.

### BROWARD COUNTY SITE MAP



Created in 1915, Broward County is currently the second most populated county in the State of Florida. At its inception, Broward County was a leader in agriculture products and services within the State of Florida. Fort Lauderdale, also known as the "Venice of America," is the county seat in the Broward County economic base. Fort Lauderdale remains a popular tourism and yachting destination in the South Florida region, upon which the local economy is heavily reliant. Due to Fort Lauderdale's vast waterway system, the area boasts a strong marine manufacturing base. It generates nearly one-third of Florida's marine sales and is home to the world's largest boat show. Fort Lauderdale attributes its popularity to the city's warm tropical climate, its coastal setting, and popular nightlife.

Located in the southeastern U.S., Florida spans approximately 58,560 square miles. The state is bordered by the Atlantic Ocean to the east, Georgia and Alabama to the north, and the Gulf of Mexico to the west. Sunshine is one of the state's most important resources, as Florida's comfortable climate has lured vacationers for more than a century. The interstate highway system provides easy access along both the inter-coastal areas and the coastline cities.

#### **Economic and Demographic Review**

A primary source of economic and demographic statistics used in this analysis is the Complete Economic and Demographic Data Source published by Woods & Poole Economics, Inc. – a well-regarded forecasting service based in Washington, D.C. Using a database containing more than 900 variables for each county in the nation, Woods & Poole employs a sophisticated regional model to forecast economic and demographic trends. Historical statistics are based on census data and information published by the Bureau of Economic Analysis. Projections are formulated by Woods & Poole, and all dollar amounts have been adjusted for inflation, thus reflecting real change.

These data are summarized in the following table.



**FIGURE 2-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY**

					Average Annual		
					Compounded Change		
	2000	2010	2012	2020	2000-10	2010-12	2012-20
Resident Population (Thousands)							
Broward County	1,631.7	1,791.2	1,840.7	2,045.0	0.9 %	1.4 %	1.3 %
Miami-Fort Lauderdale-Pompano Beach, FL MSA	5,025.8	5,621.9	5,772.2	6,392.5	1.1	1.3	1.3
State of Florida	16,047.1	18,813.3	19,365.6	21,637.8	1.6	1.5	1.4
United States	282,172.0	310,009.2	316,047.2	341,251.7	0.9	1.0	1.0
Per-Capita Personal Income*							
Broward County	\$34,767	\$35,614	\$36,576	\$40,667	0.2	1.3	1.3
Miami-Fort Lauderdale-Pompano Beach, FL MSA	35,403	37,037	37,949	42,189	0.5	1.2	1.3
State of Florida	32,391	33,646	34,440	38,186	0.4	1.2	1.3
United States	33,770	35,336	36,248	39,928	0.5	1.3	1.2
W&P Wealth Index							
Broward County	105.5	104.3	104.3	104.9	(0.1)	0.0	0.1
Miami-Fort Lauderdale-Pompano Beach, FL MSA	107.7	108.7	108.7	109.4	0.1	(0.0)	0.1
State of Florida	99.3	99.7	99.6	100.1	0.0	(0.1)	0.1
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Broward County	\$2,291	\$2,779	\$2,856	\$3,208	1.9	1.4	1.5
Miami-Fort Lauderdale-Pompano Beach, FL MSA	6,832	8,361	8,621	9,666	2.0	1.5	1.4
State of Florida	20,541	26,020	26,855	30,342	2.4	1.6	1.5
United States	341,525	409,983	419,702	459,266	1.8	1.2	1.1
Total Retail Sales (Millions)*							
Broward County	\$26,011	\$27,322	\$29,277	\$34,292	0.5	3.5	2.0
Miami-Fort Lauderdale-Pompano Beach, FL MSA	74,155	80,417	86,145	100,801	0.8	3.5	2.0
State of Florida	223,684	253,823	272,224	319,862	1.3	3.6	2.0
United States	3,613,909	3,880,980	4,122,972	4,684,036	0.7	3.1	1.6

\* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

**Workforce  
Characteristics**

Population growth in Broward County has been consistent with the State of Florida, slightly stronger than the U.S. as a whole. Consistent with the rest of the country, strong growth in per capital income is anticipated, resulting in strong food beverage and other retail sales in the County

The characteristics of an area's workforce provide an indication of the type and amount of transient visitation likely to be generated by local businesses. Sectors such as finance, insurance, and real estate (FIRE); wholesale trade; and services produce a considerable number of visitors who are not particularly rate sensitive. The government sector often generates transient room nights, but per-diem reimbursement allowances often limit the accommodations selection to budget and mid-priced lodging facilities. Contributions from manufacturing, construction, transportation, communications, and public utilities (TCPU) employers can also be important, depending on the company type.

The following table shows the Broward County workforce distribution by business sector.

**FIGURE 2-2 HISTORICAL AND PROJECTED EMPLOYMENT (000s)**

Industry	2000	Percent of Total	2010	Percent of Total	2012	Percent of Total	2020	Percent of Total	Average Annual Compounded Change		
									2000-2010	2010-2012	2012-2020
Farm	0.9	0.1 %	0.9	0.1 %	0.9	0.1 %	1.0	0.1 %	(0.3) %	1.1 %	0.3 %
Forestry, Fishing, Related Activities And Other	0.8	0.1	0.7	0.1	0.8	0.1	0.8	0.1	(0.4)	1.3	0.5
Mining	0.6	0.1	1.0	0.1	1.0	0.1	1.0	0.1	5.0	0.8	0.0
Utilities	1.2	0.1	1.6	0.2	1.7	0.2	1.9	0.2	2.8	2.4	1.6
Construction	54.7	6.5	44.8	4.6	46.8	4.6	52.5	4.5	(2.0)	2.2	1.5
Manufacturing	38.0	4.5	28.7	2.9	29.2	2.9	29.6	2.5	(2.8)	0.9	0.2
Total Trade	144.7	17.2	155.1	15.9	161.8	15.8	180.4	15.4	0.7	2.1	1.4
Wholesale Trade	39.8	4.7	48.8	5.0	50.4	4.9	54.3	4.6	2.1	1.7	0.9
Retail Trade	104.9	12.5	106.4	10.9	111.3	10.9	126.1	10.8	0.1	2.3	1.6
Transportation And Warehousing	22.3	2.7	31.0	3.2	32.7	3.2	38.1	3.3	3.3	2.7	1.9
Information	23.4	2.8	21.7	2.2	22.9	2.2	26.5	2.3	(0.8)	2.7	1.9
Finance And Insurance	47.4	5.6	54.1	5.6	56.3	5.5	62.2	5.3	1.3	2.0	1.3
Real Estate And Rental And Lease	36.8	4.4	63.7	6.5	66.9	6.5	76.7	6.5	5.6	2.5	1.7
Total Services	376.7	44.8	460.4	47.3	486.4	47.6	571.8	48.8	2.0	2.8	2.0
Professional And Technical Services	55.0	6.5	75.8	7.8	80.8	7.9	98.5	8.4	3.3	3.2	2.5
Management Of Companies And Enterprises	5.3	0.6	5.6	0.6	5.9	0.6	6.5	0.6	0.6	2.2	1.4
Administrative And Waste Services	95.4	11.4	85.5	8.8	90.2	8.8	105.5	9.0	(1.1)	2.7	2.0
Educational Services	12.2	1.5	28.3	2.9	30.5	3.0	38.4	3.3	8.8	3.7	2.9
Health Care And Social Assistance	71.8	8.5	102.2	10.5	108.6	10.6	130.6	11.1	3.6	3.1	2.3
Arts, Entertainment, And Recreation	17.6	2.1	18.5	1.9	19.0	1.9	19.8	1.7	0.5	1.3	0.5
Accommodation And Food Services	59.1	7.0	69.8	7.2	72.9	7.1	81.5	7.0	1.7	2.2	1.4
Other Services, Except Public Administration	60.3	7.2	74.8	7.7	78.7	7.7	91.1	7.8	2.2	2.6	1.8
Total Government	92.7	11.0	109.3	11.2	114.3	11.2	128.8	11.0	1.7	2.3	1.5
Federal Civilian Government	7.7	0.9	7.9	0.8	8.3	0.8	9.1	0.8	0.3	2.1	1.3
Federal Military	3.8	0.5	3.7	0.4	3.8	0.4	3.7	0.3	(0.3)	0.6	(0.2)
State And Local Government	81.2	9.7	97.6	10.0	102.3	10.0	116.0	9.9	1.9	2.3	1.6
<b>TOTAL</b>	<b>840.4</b>	<b>100.0 %</b>	<b>973.0</b>	<b>100.0 %</b>	<b>1,021.6</b>	<b>100.0 %</b>	<b>1,171.4</b>	<b>100.0 %</b>	<b>1.5 %</b>	<b>2.5 %</b>	<b>1.7 %</b>
MSA	2,746.2	—	3,112.6	—	3,258.3	—	3,694.6	—	1.3 %	2.3 %	1.6 %
U.S.	165,371.0	—	174,062.6	—	180,704.8	—	197,896.7	—	0.7	1.9	1.1

Source: Woods & Poole Economics, Inc.

**Major Business and  
Industry**

Broward County has mainly a service-based economy with almost 50 percent of employment in the service sector. Healthcare and social services posted the strongest gains in employment in recent years. The trade sector, including wholesale and retail trade, remains a major source of employment but has shown only moderate growth as compared to the service and information sectors.

Providing additional context for understanding the nature of the regional economy, the following table presents a list of the major employers in the market area.

**FIGURE 2-3 MAJOR EMPLOYERS**

Rank	Firm	Number of Employees
1	American Express	3,000
2	Nova Southeastern University	3,971
3	Kaplan Higher Education	2,800
4	PRC	3,000
5	The Answer Group	2,800
6	Interbond Corporation of America	2,600
7	Motorola	1,400
8	JM Family Enterprises	1,400
9	Spirit Airlines	1,450
10	Citrix Systems	1,428
11	SFN Group	1,208
12	Sun Sentinel Co.	1,133
13	DHL Express	1,075

Source: The Broward Alliance, 2012

The Broward County economy is composed of a diverse group of service providers, education systems, information technology, and transportation companies. A significant number of major companies across a broad range of business sectors indicate a strong and stable corporate presence and may serve as a potential source of demand for convention center spaces.

**Unemployment  
Statistics**

Unemployment statistics provide a measure of the health of the local economy and comparisons to state and national trends. The following table presents historical unemployment rates for the market area.

**FIGURE 2-4 UNEMPLOYMENT STATISTICS**

Year	County	MSA	State	Country
2001	4.5 %	5.3 %	4.7 %	4.7 %
2002	5.8	6.2	5.7	5.8
2003	5.4	5.7	5.3	6.0
2004	4.5	5.1	4.7	5.5
2005	3.6	4.2	3.8	5.1
2006	3.0	3.6	3.3	4.6
2007	3.4	4.1	4.0	4.6
2008	5.3	6.0	6.3	5.8
2009	8.9	10.0	10.4	9.3
2010	10.1	11.5	11.3	9.6
<i>Recent Month - December</i>				
2010	10.2 %	11.8 %	10.9 %	9.4 %
2011	8.6	9.6	9.7	8.5

Like the rest of the country, the local population in Broward County experienced a spike in unemployment. Slightly higher than the national average, Broward County's peak unemployment rate was lower than rates experienced by both the Miami-Fort Lauderdale MSA and the State of Florida as a whole. In December 2011, the local unemployment rate had fallen to 8.6 percent, consistent with national unemployment rates.

### Airport Traffic

Since airport access is an important consideration for event planners, airport passenger counts provide an indication of the ability of a market to support convention events. Trends showing changes in passenger counts also reflect local business activity and the overall economic health of the area.

Fort Lauderdale-Hollywood International Airport ("FLL") consists of four passenger terminals with 57 gates, restaurants, gift shops, and business centers. FLL is serviced by many major airlines that provide non-stop service to cities across the U.S. and internationally to Canada, the Bahamas, the Caribbean, Mexico, Latin America, and South America. In 2010, over \$52 million in improvements were completed at the airport, including an expansion of the baggage system, ramp rehabilitation, north gate security enhancements, and climate-control-system upgrades. An elevated taxiway and bridge was also part of the redesign. The airport closed its north runway from May to July 2011 in order to complete critical construction projects and install safety enhancement features. A major runway extension and an associated taxiway and bridge are scheduled for

completion in 2014. Broward County is also conveniently served by the Miami International and Palm Beach International airports.

The following table illustrates recent operating statistics for all three airports serving the BCCC's attendees.

**FIGURE 2-5 COMBINED AIRPORT STATISTICS**

Year	Passenger Traffic	Percent Change*	Percent Change**
2002	52,581,164	—	—
2003	53,547,512	1.8 %	1.8 %
2004	57,521,752	7.4	4.6
2005	60,412,975	5.0	4.7
2006	60,728,550	0.5	3.7
2007	63,358,768	4.3	3.8
2008	63,161,334	(0.3)	3.1
2009	60,940,762	(3.5)	2.1
2010	63,998,375	5.0	2.5
2011	67,433,807	5.4	2.8

\*Percent change from the previous year

\*\*Compounded percent change from first year of data

Source: Respective Airports

The three airports serving Broward County experienced growth in the number of passengers boarded between 2002 through 2007. As is common across the country, they experienced the greatest decline in passenger volume in 2009. Gains in 2010 erased 2009 losses and continued growth through 2011 has resulted in the highest passenger volumes to date.

## Tourist Attractions

The market benefits from a variety of tourist and leisure attractions in the area. This area benefits from a high amount of leisure demand throughout the year as visitors from the north travel south during the winter. Port Everglades is one of the busiest cruise ports in the world. Throughout the year, weekend demand also comprises travelers passing through en route to other destinations, people visiting friends or relatives, and other similar weekend demand generators. Primary attractions in the area include the following:

- Fort Lauderdale boasts more than seven miles of beaches that offer residents and visitors premier opportunities for recreation, relaxation, and enjoyment. The city's award-winning wave-wall and signature beachfront promenade



highlight Fort Lauderdale's world famous coastline, which is punctuated by an array of shops, restaurants, sidewalk cafés, and entertainment venues. Beachgoers can participate in a wide range of activities from boating, wind surfing, jet skiing, and volleyball to snorkeling, scuba diving, deep-sea fishing, and rollerblading.

- The Jungle Queen Riverboat, a Fort Lauderdale tradition for more than 50 years, sails nightly from the Bahia Mar Yacht Club Wharf on the Intracoastal Waterway. Carrying up to 519 passengers, this classic riverboat provides the perfect leisure setting for some of south Florida's best sightseeing.
- Gulfstream Park – Racing & Casino offers Las Vegas-style gaming with slot machines, video poker, and no-limit poker. The racetrack features world-class thoroughbred racing and year-round simulcast. The venue also features fine-dining options and live entertainment throughout the year.
- Butterfly World is the first park of its kind in the Western Hemisphere and the largest butterfly park in the world. Many years of research, combined with careful planning and control, have created the right conditions for thousands of butterflies to fly, court, feed, and bask in the sunlight, as visitors walk among them.

#### **BUTTERFLY WORLD – COCONUT CREEK, FLORIDA**

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#### **Conclusion**

This section discussed a wide variety of economic indicators for the pertinent market area. After a period of economic expansion, the market area entered into a period of contraction as the local economy began to experience the challenges felt across the nation associated with the recession. Market research reveals that the relatively affluent Broward County economy is recovering. The market benefits from encouraging employment statistics and a well-diversified employment base. The service, information technology, education, and healthcare sectors are strong and continue to remain cornerstones of this market. The outlook for the area is

generally positive. As the national economy rebounds and strengthens, the Broward County market should bounce back relatively quickly. As a convention and meeting option, Broward County has convenient air travel, warm weather, beaches, and other tourism amenities that make it a desirable destination for event attendees.

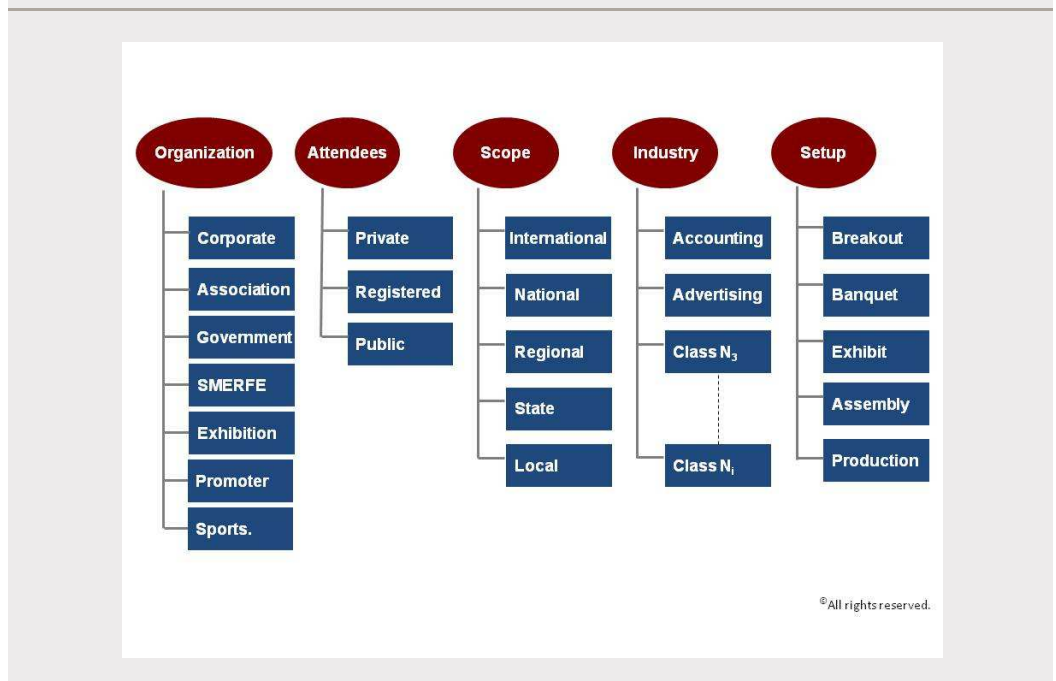
### 3. Industry Trends

In this section, HVS presents an analysis of the convention, tradeshow and meeting industry, including trends in the supply and demand of meeting and convention facilities, as well as trends in expenditures and meeting planner preferences. The purpose of this trends analysis is to provide background information necessary to assess the potential for a convention center expansion in Fort Lauderdale, FL. This section of the report also provides definitions of industry terms used throughout the remainder of this report.

#### OASIS® Event Classification System

Convention centers measure their performance by tracking event activity, but the definition and classification of events lacks consistency throughout the industry. Each convention center or marketing organization has their own way of classifying and measuring event demand. HVS has developed a proprietary method of event classification called OASIS Event Classification Method® or OASIS®, which is a convenient acronym for five criteria of event categorization: Organization, Attendees, Scope, Industry, and Set-up. See the figure below.

**FIGURE 3-1 OASIS EVENT CLASSIFICATION SYSTEM**



Following are definitions of the criteria in the OASIS Event Classification Method® and descriptions of the categories within each.

**ORGANIZATION**—the organization that sponsors or owns the event provides an important area of classification and can be described in five mutually exclusive categories:

- **Corporations**—corporations, or private business interests, are responsible for organizing the majority of events. The event organizers may be internal to the business or professional meeting planners.
- **Associations**—associations are usually membership organizations centered on specific business types, professions or political purposes.
- **Government**—international, national, state or local government organizations sponsor events. This category is particularly important in markets with a large government office presence.
- **Exhibition Company**—exhibiting organizations are companies or subsidiaries of companies established for the purpose of owning and promoting exhibiting events, such as trade and consumer shows.
- **Event Promoter**—event promoters are organizations that exist for the purpose of promoting concerts, entertainment and other types of live events that require production set-up.
- **Sports Enterprise**—sports enterprises are companies or subsidiaries of companies that exist for the purpose of owning and promoting sporting events.
- **Social, Military, Educational, Religious, Fraternal and Ethnic (“SMERFE”)**—although similar to associations, this category includes the types of organizations described in the title. Sometimes called “affinity groups” SMERFE represents a distinct category because members of these organizations use personal disposable income for membership dues and event attendance and therefore tend to be more price-sensitive than associations with professional memberships.

The organization criterion is most useful to marketing and sales organizations that rely on this information to make decisions on the allocation of staff and resources according to the type of organization sponsoring the event. Other industry participants, such as destination management companies and venue operators, also need to understand the type of organizations active in sponsoring events and value personal relationships with the event planners that represent them.

**ATTENDEES**—Event attendees can be placed in three distinct categories that distinguish among the ways in which attendees gain access to events:

- **Private**—attendees come to the event by invitation only and do not pay a registration or admission fee. Private attendees may be individually asked to attend, as to a wedding, or invited by virtue of belonging to a certain group, such as company employees or shareholders.
- **Registered**—attendees do not necessarily need an invitation, but typically pay an advance registration fee to attend the event. Registered attendees are often called delegates or qualified buyers and they usually attend an event for multiple days.
- **Public**—the event is open to the general public. Attendees may need to purchase a ticket for admission such as at a consumer show. Other civic events may be free of charge.
- **Combination**—combination shows typically have an initial period of attendance by registered attendees only, and later by the public.

This category is particularly important to venue operators and industry analysts. Understanding the type of attendee is critical for assessing the impact on convention center operations and projecting the economic impact of events. The length of stay of attendees and their spending patterns varies considerably among the types of attendees.

**SCOPE**—this category refers to the geographic origin of the attendees. Events are classified accordingly if a significant proportion of the attendees come from the indicated geographic region surrounding the convention center. Five categories capture all the potential geographic scopes and are self-explanatory:

- International
- National
- Regional
- State/Provincial
- Local

Understanding the origin of attendees is critical to event planners and in the estimation of the economic impact of events. Events that draw attendees from larger geographic regions tend to have higher new spending associated with the event. The allocation of marketing and sales resources may also break down according to the geographic scope of events.

**INDUSTRY**—in North America, HVS recommends relying on the North American Industry Classification System (“NAICS”) which replaced the previously used U.S. Standard Industrial Classification (“SIC”) system. NAICS was developed jointly by

the U.S., Canada and Mexico to provide new comparability in statistics about business activity across North America. Other economic regions and countries have similar industrial classification systems that are widely used and can be adopted for the purposes of classifying events by industry.

NAICS has hundreds of categories but these categories are organized hierarchically in five levels. All categories can be rolled up into twenty of the top levels in the hierarchy. However, not all top level industry classifications are useful for event classification because little or no event activity is associated with them. Other top level categories, such as Manufacturing, are too broad to provide meaningful information, and level two or three categories can be used to form a useful breakdown of events.

The choice of industry classifications should result in a reasonable share of events falling into each category. According to the Tradeshow Week data book, the leading industries that are represented by conventions, tradeshows and exhibition include:

- Medical and Health Care
- Home Furnishings and Interior Design
- Sporting Goods and Recreation
- Apparel
- Building and Construction
- Landscape and Garden Supplies
- Computers and Computer Applications
- Education
- Gifts
- Associations

Use of the NAICS codes allows for the orderly roll-up of industrial classifications across different events and venues, regardless of the categories or the hierarchical levels that different people may choose to use. Industrial classification information is useful for those planning to develop new events and for other analysts that need to understand how trends in economic health of the underlying industries affect the success of particular events and venues.

**SPACE SETUP**—this final criterion provides for the categorization of events by set-up of the function spaces they utilize. These categories are not mutually



exclusive as events may use any combination of the five primary types of event set-up.

- **Breakout**—typically involves the use of meeting rooms, boardrooms or other multi-purpose spaces for meeting functions in a classroom or meeting setting. This set-up may involve some catering services such as coffee breaks or lunches.
- **Banquet**—includes the set-up for catered banquets events such as a wedding and may include some staging for presentations such as at a general session event.
- **Exhibit**—includes the set-up displays in exhibition halls or other multi-purpose spaces. Concession services and buffet lunches are often a component of this set-up.
- **Assembly**—includes set-up in theater style seating in plenary halls and fixed seat theaters or other multi-purposes spaces that are used primarily for assemblies and general sessions.
- **Production**—includes the set-up for concerts, entertainment, sporting events and other types of events that require significant staging, lighting, and other live-event related set-up.

## Event Types

Application of the OASIS® system can provide precise definitions of commonly used event classifications. All commonly used terms for event types can be defined by a combination of three OASIS® categories: organization, attendees and space set-up.

- **Conventions**—associations, government, and SMERFE organizations register attendees for multi-day events. Facility set up includes breakout, banquet and exhibit space set-up and may include plenary sessions. Typically, the primary purpose of a convention is information exchange.
- **Tradeshows**—provide a means for wholesalers and retailers to transact business with industry buyers. Like conventions, tradeshows offer a forum for exchanging industry ideas. In order to clearly differentiate conventions from tradeshows, HVS assumes that only corporations and enterprises can sponsor and produce tradeshows. Similar to conventions, tradeshows require registered attendees. While they also require exhibit space set-up, they only sometimes require banquet, plenary, and/or breakout space set-up.
- **Combination Shows**—are either corporate or enterprise produced, typically with have an initial period of attendance by registered attendees only, and later by the public. Always requiring exhibit set-up, they sometimes require plenary, banquet and/or breakout set-up for additional portions of their show.

- **Consumer Shows**—are public, ticketed events featuring the exhibitions of merchandise for sale or display. Exhibition companies produce consumer shows, as they provide a means of product distribution and advertising. They only require exhibit space set-up.
- **Conferences**—require a mix of banquet and breakout space set-up as well as occasional assembly space, but do not require any exhibit set-up. Conferences can be conducted by any organization type, but always require attendees to be registered.
- **Meetings**—only require breakout space set-up. Like conferences, they can be produced from any of the organization types, but unlike conferences, they are private events to which one must be invited.
- **Banquets**—only require a banquet set-up for food and beverage meal service. These events also can be produced by any organizational type, and are either are held privately or require guests to register.
- **Assemblies**—usually involve a ceremony, a speech, or another similar activity that attracts a crowd of spectators. Produced by any type of organization, assemblies are always public events. Additionally, assemblies only require a plenary set-up.
- **Fairs**—usually involve an exhibit booth set-up for a public event in which a number of organizations or companies represent themselves and/or a product or service, with a similar theme or purpose uniting the event. Corporations, associations, governments or SMERFE groups may present a fair.
- **Concert/Entertainment**—usually a concert or some form of live entertainment, owned and organized by an event promoter for the public. Entertainment events only require a production set-up.
- **Sports/Amateur Sports**—require only a production set-up. Attendees to sporting events, which are always organized by sports enterprises, may be public or registered. Some sporting events have both a registered and public aspect to the event over the span of a few days.

## Trends

The purpose of this section is to describe the convention and meeting industry and analyze trends in the number of events, attendance, and the supply of meeting and exposition facilities.

## Supply Trends

The convention center industry experienced significant year-over-growth in supply from 2000 through 2006. Since 2007, the rate of growth in supply has slowed, but remained positive. As the majority of convention and meeting facilities involve public funding, economic conditions affect the level of public investment in

convention and meeting facilities that are intended to stimulate economic activity. As poor economic conditions continue to constrain public budgets nationwide, lack of available funding for convention and meeting facilities will continue to limit supply growth in the near future. As the economy improves, supply growth will likely remain low as convention venue projects have long lead times due to planning, financing and construction requirements.

A number of major convention centers will be undergoing expansions in the next few years, as described below.

**TABLE 3-1 FUTURE FACILITY EXPANSIONS UNDER CONSTRUCTION**

Year	Project
2012	Moscone Convention Center <ul style="list-style-type: none"> <li>o \$70 million in facility improvements</li> </ul>
2012	Dallas Convention Center <ul style="list-style-type: none"> <li>o 1,000-room headquarter hotel</li> </ul>
2013	Anaheim Convention Center <ul style="list-style-type: none"> <li>o Adding 100,000-sq ft outdoor plaza</li> </ul>
2013	Cobo Convention Center <ul style="list-style-type: none"> <li>o Modest expansion/facility remodeling</li> </ul>
2013	Washington Convention Center <ul style="list-style-type: none"> <li>o 1,175-room headquarter hotel</li> </ul>
2013	Music City Center (Nashville) <ul style="list-style-type: none"> <li>o New 500,000+ sq ft center &amp; 800-room hotel</li> </ul>
2013	McCormick Place - Chicago <ul style="list-style-type: none"> <li>o Expansion of headquarters hotel to 1,259 rooms</li> </ul>
2013	Owensboro Kentucky <ul style="list-style-type: none"> <li>o New Convention Center</li> </ul>
2015	Palm Beach County Convention Center <ul style="list-style-type: none"> <li>o New 400-room headquarters hotel</li> </ul>
TBD	San Antonio Texas <ul style="list-style-type: none"> <li>o Convention Center Renovation &amp; Expansion</li> </ul>
TBD	Miami Beach Convention Center <ul style="list-style-type: none"> <li>o New ballroom and headquarter hotel</li> </ul>
TBD	San Diego Convention Center <ul style="list-style-type: none"> <li>o 500-room hotel &amp; 350,000 sq ft of function space</li> </ul>
TBD	Kansas City Convention Center <ul style="list-style-type: none"> <li>o 1,000-room headquarter hotel</li> </ul>

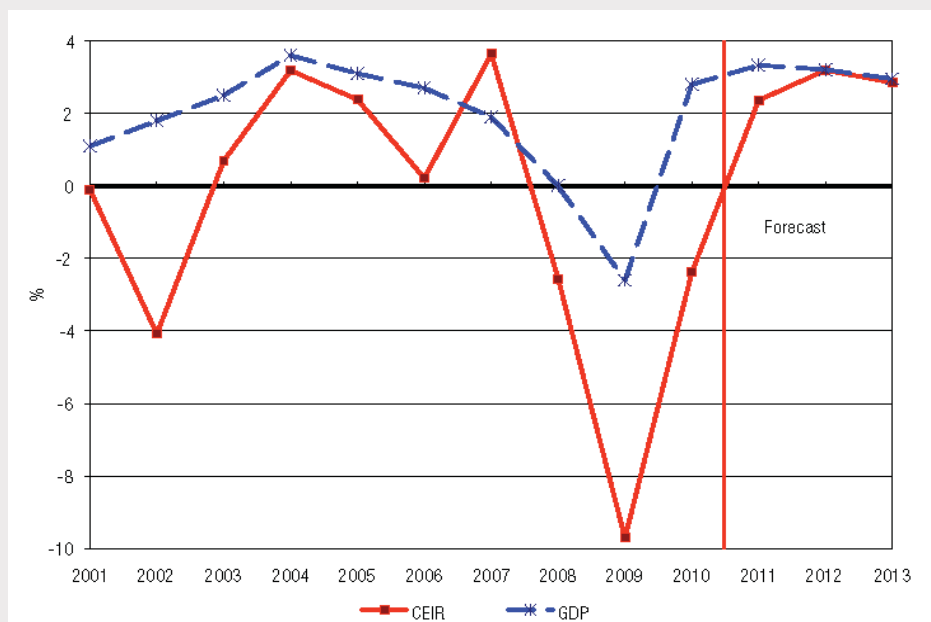
As evidenced in the above facility expansions, the type of supply growth has transformed in recent years to meet planners' needs. Meeting and breakout sessions have become more common during large conventions, thus increasing the need for additional meeting space and/or flexible function space. As the industry has matured, meeting planner expectations for quality have increased, including proximity of full-service hotels to event facilities.

The addition of a 400-room headquarters hotel in Palm Beach and the proposed expansion of the Miami Beach Convention Center with the addition of a headquarters hotel, will improved the product of two of BCCC's direct competitors.

### Demand Trends

The Center for Exhibition Industry Research (CEIR) has created an index of "total" demand in the convention and meeting industry and compared the demand index to the United States GDP. The following figure demonstrates how the combined or "Total" demand index shown in the above chart moves in step with the U.S. GDP.

**FIGURE 3-2 GROWTH IN EXHIBITION DEMAND VS. GDP GROWTH (% CHANGE)**



Source: Center for Exhibition Industry Research

As limited funding mechanisms have slowed supply growth, the struggling budget situations of corporations, associations, and governmental entities decreased total demand for convention and meeting space in 2009. The year 2010 saw growth in GDP as well as the beginnings of a recovery in the exhibition industry.

Event planners are reporting a more optimistic outlook in coming years as the U.S. economy continues to recover. The following figure provides snapshot of how meeting planners have predicted that their business levels would change over the past three years.

**FIGURE 3-3 EVENT PLANNER OUTLOOK**



Source: Meeting Planners International

As compared to predictions for 2010, meeting planners are more optimistic on the improvement in their meeting business for 2011.

The future trends in demand, according to data from Future Watch 2010 and 2011, show increased number of events and attendance, but decreases in meeting length and expenditures. The following table chart shows the average projected change for 2011 in these four demand indicators.

**TABLE 3-2 DEMAND INDICATORS**

Demand Indicator	2010 Predictions		2011 Predictions	
Number of Meetings	↑	2.8%	↑	8.0%
Projected Attendance	↑	4.5%	→	2.0%
Average Meeting Length	→	-0.4%	→	0.0%
Average Expenditure Per Meeting	→	-0.4%	↑	5.0%

Source: Future Watch

In November of 2010, Red 7 Media conducted a survey of large convention and tradeshow producers on their top criteria for site selection.

**FIGURE 3-4 SITE SELECTION CRITERIA FOR PLANNERS**

Source: Future Watch

In addition to actual facility size, the survey indicates that site selection is largely based on two important amenities - hotels and airports. This reaffirms the changing dynamic of the convention and meeting industry that is now focused on reducing costs for the hosting organization and its attendees as well as maximizing accessibility.

### Convention and Meeting Trends for the Future

Over the past few decades, the meeting and convention industry has evolved dramatically from a budding industry to a more mature one that has become an important driver of the national economy. As an established industry, the rapid growth of the last four decades has been followed by a slowdown in supply growth in the late 2000s. As the economic recession continues to affect the level of demand and available budgets for conventions and meetings, the industry continues to evolve.

**Changes in Demand and Supply Transformation:** As discussed earlier, the maturity of the industry has sharply increased competitiveness. Nearby or attached quality hotel rooms, flexible meeting space, as well as price points at convention centers and hotels, and airport capacity and rates continue to drive site selection, and, therefore, dictate how supply changes over time. Quality of convention facilities and hotels, in addition to size, price, and proximity, continue to be important factors in site selection.

**Travel Costs:** Organizations hosting and planning events continue to work with tightened budgets, as do attendees. Recent increases in travel costs have decreased the desire to travel for some attendees and exhibitors. In the long run, expansions in the transportation system and continued innovations, as well as improved economic conditions, which reduce costs and increase the ease and affordability of travel, are likely to support the growth of the meeting industry.

**Electronic Meetings:** In recent years, industry experts have speculated that improvements in telecommunications technology would supplant the need for face-to-face meetings. While data indicates that some meetings and events have been replaced by webinars or other electronic forms of meetings, in the long run, electronic meetings act a demand generator for future meeting growth as it expands the networks and interactions of businesses and organizations. Further advancements in communications technology will be necessary before electronic meeting became a realistic substitute for face-to-face meetings.

**Mixed-Use Developments:** For many cities, states, areas and developers convention centers have become an opportunity to spawn a mixed-use attraction, an area often including hotels, retail, dining, sports venues, and entertainment options, in addition to a housing a convention center. Convention centers have become the center of their own “districts” offering almost everything a delegate, event organizer or exhibitor could want in one area. The growth of mixed-use developments, particularly after economic conditions have improved, will continue to change the meeting and convention industry as supply transforms.

### Implications for Broward County

As the meetings industry rebounds, meeting planners and attendees will continue to focus on reducing costs which include facility and hotel related costs as well as air fare and other costs of travel. As an established tourism destination, Fort Lauderdale and Broward County is well-positioned to capture a greater share of national meetings through the proper mix of convention center and hotel amenities. The following sections of this report study Broward County’s event demand potential in the meetings industry and the meeting infrastructure required to realize that potential.



## 4. Survey Findings

### Overview

HVS conducted a survey of event planners to provide a basis for assessing the potential demand for an expanded convention center and headquarters hotel and help define the building program that will best need event needs. The purpose of this survey was to gather information from professional event planners about their event needs and event destination preferences.

HVS obtained a list of 1,361 event planners from the Greater Fort Lauderdale Convention and Visitors Bureau (“GFLCVB”). HVS sent three emails and the GFLCVB sent one to each survey subject. The emails introduced the proposed expansion project and requested their participation in a web-based survey. Responses included the following:

- 353 event planners responded. Of these, 182 completed the survey while 171 partially completed the survey (left one or more questions blank).
- 62 bad email addresses
- 35 requests to unsubscribe
- 27 percent of valid email addresses responded to the survey.

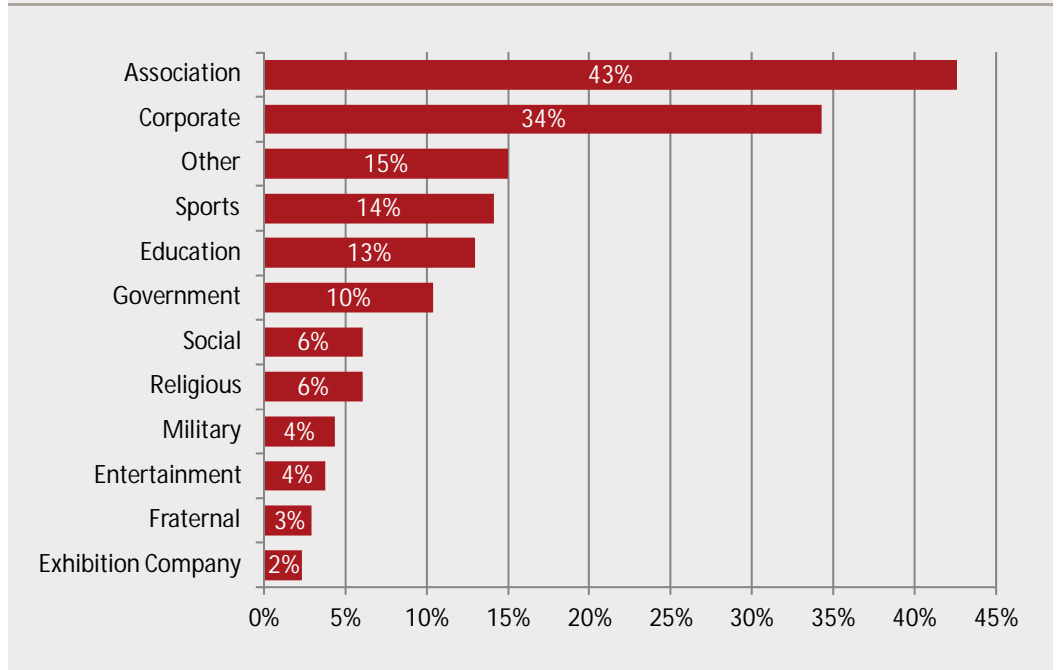
Respondents included professionals from organizations representing national, regional, state, and local associations, government entities, corporate and other organizations conducting or planning events.

This section highlights key results that indicate the required programming and potential performance of the expanded convention center and headquarters hotel.

### Survey Respondents

In order to gain understanding of the type and size of the organizations responding to the survey, HVS asked respondents a series of questions which describe the organization they represent. Respondents may represent more than one type of organization. The figure below indicates the type of organizations which responded to the survey.

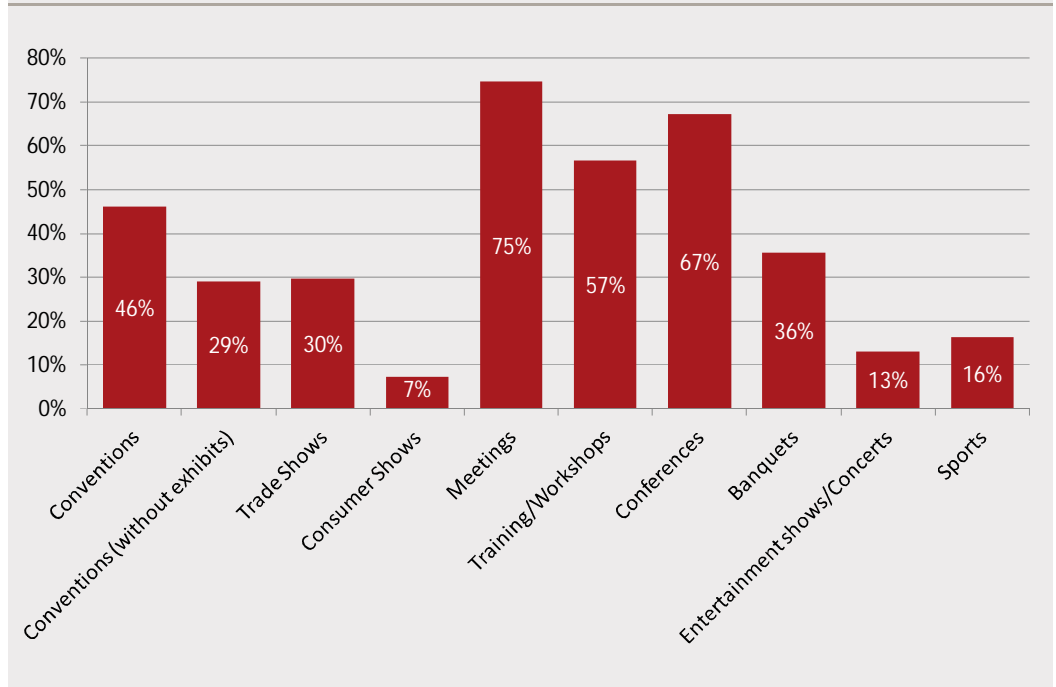
FIGURE 4-1 RESPONDING ORGANIZATION TYPE



Event planners representing associations make up nearly half of the sample, followed by corporate event planners, representing one-third of the sample.

HVS asked event planners to identify all types of events that they regularly plan and host. The following figure presents the percentage of respondents who plan each type of event.

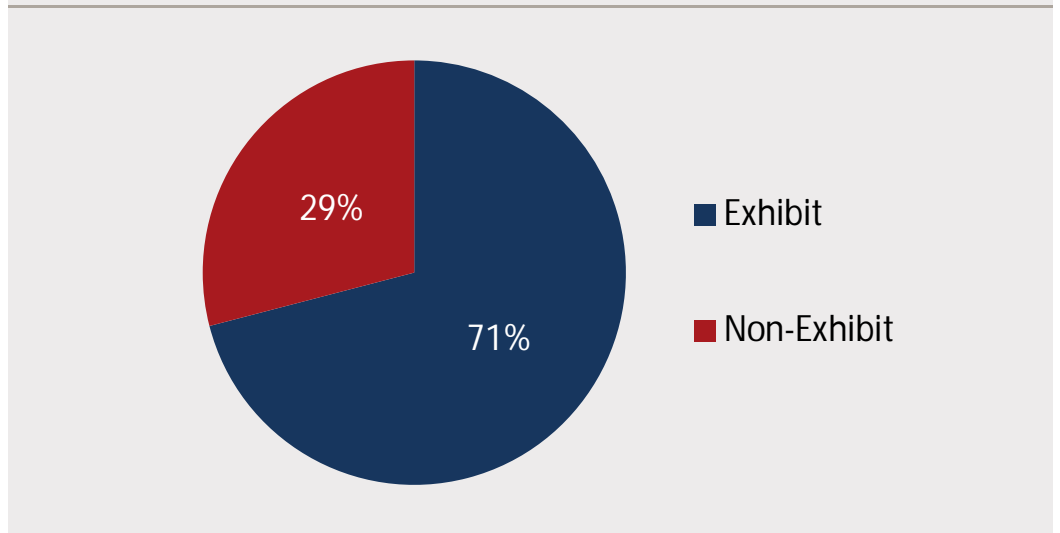
FIGURE 4-2 EVENT TYPES



Most event planners who responded to the survey plan or host a variety of meetings and other events throughout the year. Three-quarters of respondents plan meetings for their organizations. Over two-thirds of respondents plan conferences and almost half of the respondents plan conventions with an exhibit component.

As shown in the following figure, HVS segregated these responses into two broad categories, event planners who host events with which use an exhibit hall and those who plan events which use only meeting and ballroom spaces. Exhibit hall events include conventions, trade shows, consumer shows, sports, and entertainment events. Non-exhibit hall events include meetings, conferences, workshops, and banquets.

FIGURE 4-3 EVENT TYPES

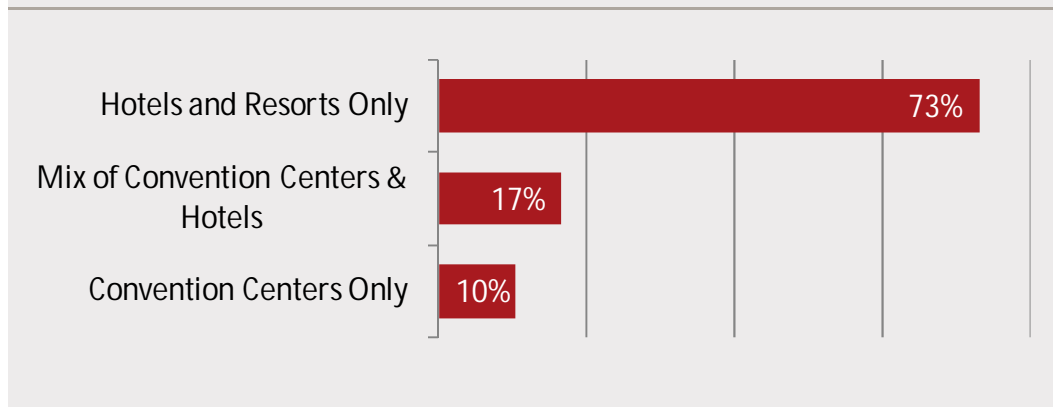


The majority of responding meeting planners, 71 percent, plan at least one event with an exhibit hall component.

#### Historical Event Locations

HVS asked meeting planners to list three venues in which they have held event in recent years. HVS summarized these responses into broad venue categories as presented in the figure below.

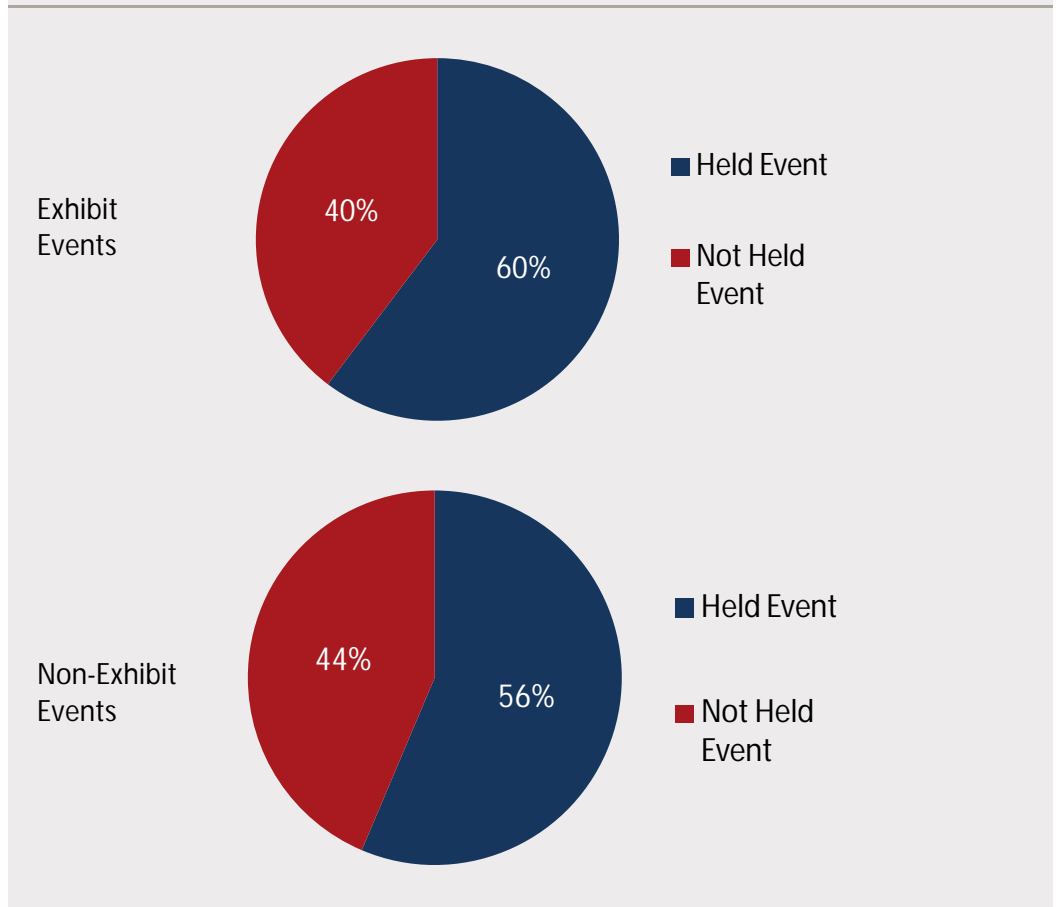
FIGURE 4-4 RECENT VENUES



Almost three-quarters of the respondent listed only hotel properties and integrated resorts as past venues. Approximately one-quarter of the respondents listed at least one convention or conference center as a recently used venue.

HVS also asked event planners whether they had hosted an event in Fort Lauderdale within the past three years. The following figure presents these results segregated by whether the survey respondents host exhibit hall events or solely host non-exhibit hall events.

FIGURE 4-5 EVENT HELD IN FORT LAUDERDALE WITHIN THREE YEARS



Of those who host exhibit hall events, 60 percent have held at least one event in Fort Lauderdale within the past three years. A slightly lower percentage, but still a majority of non-exhibit event planners have hosted in Fort Lauderdale.

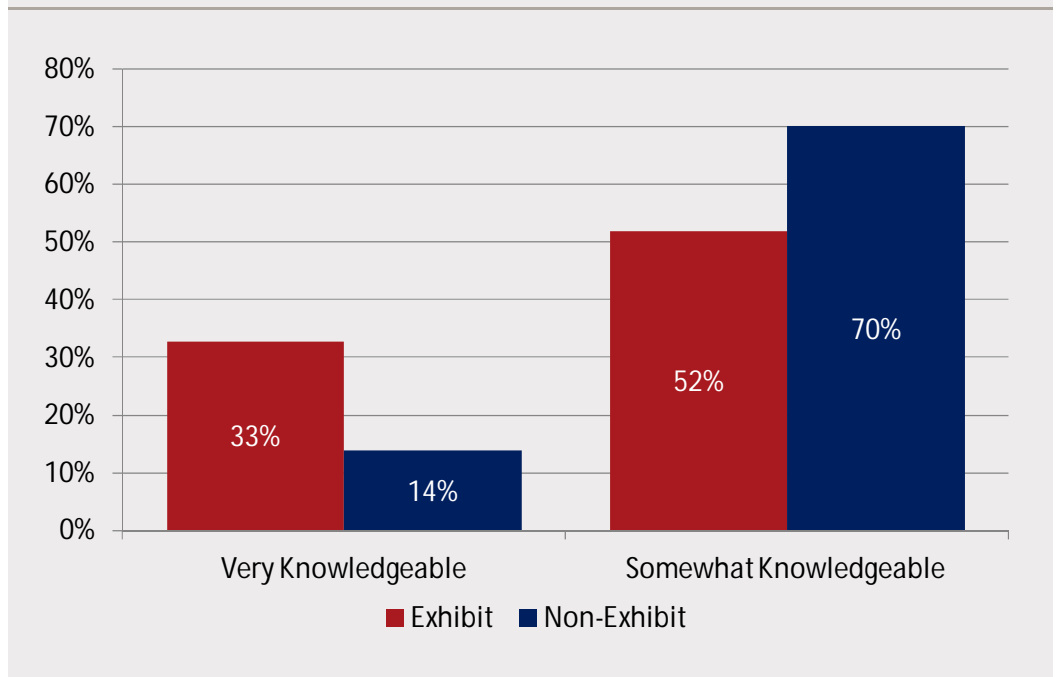
#### Meeting Planner Perceptions and Preferences

Before responding to a series of question regarding their perception of Fort Lauderdale and the BCCC as a group event location, meeting planners were asked to identify their level of knowledge about the Broward County area and the venue. The majority of meeting planners, approximately 85 percent responded that they

are either “very knowledgeable” or “somewhat knowledgeable” about Broward County as an event destination.

The following figure presents these results segregated by whether the survey respondents host exhibit hall events or solely host events which do not use an exhibit hall.

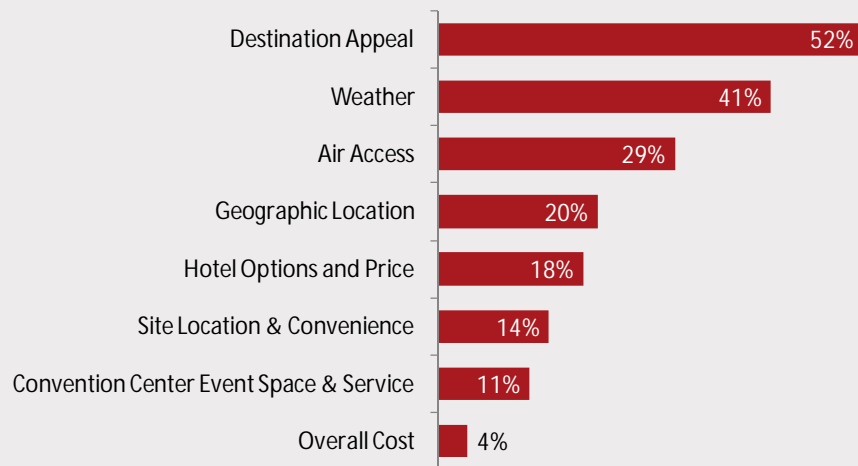
FIGURE 4-6 KNOWLEDGE OF FORT LAUDERDALE AND THE BCCC



A higher percentage of meeting planners who plan exhibit-hall events have a stronger knowledge of Broward County and the BCCC.

HVS asked meeting planners to list their perceived strengths and weaknesses of Fort Lauderdale and the BCCC. The following figures summarize their responses.

FIGURE 4-7 PERCEIVED STRENGTHS



In the free response format, more than half of the meeting planners cited the factors which make up overall destination appeal most often. These factors include beaches, entertainment options, cleanliness, and safety. Warm weather and convenient air access also ranked high.

FIGURE 4-8 PERCEIVED WEAKNESSES

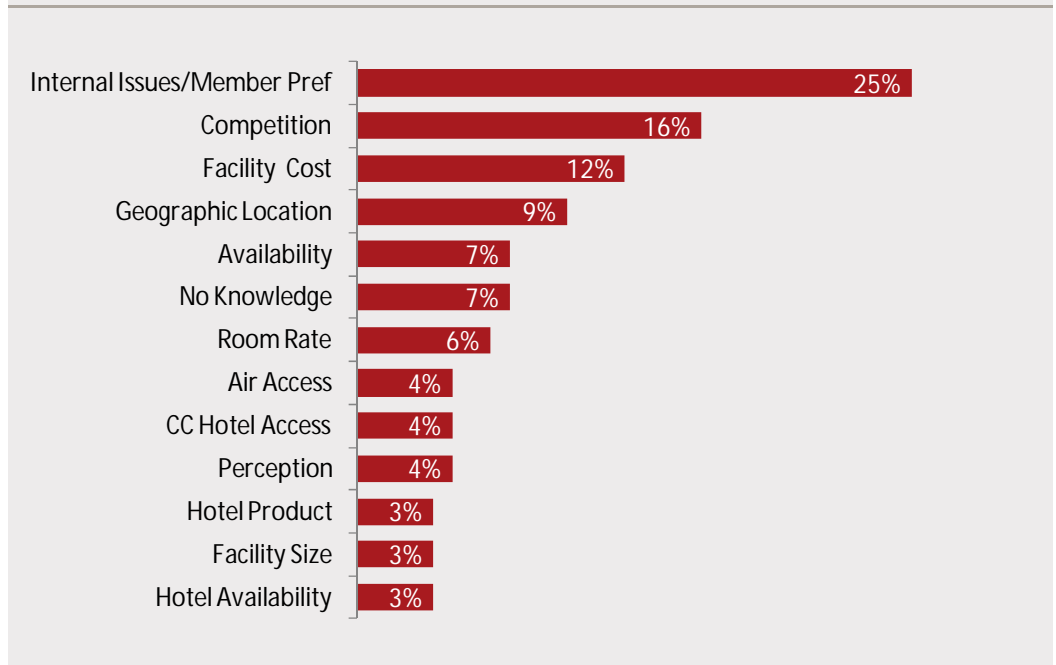




Nearly one-quarter of the respondents noted that hotel availability and price is a major weakness of Fort Lauderdale's meetings business. Several meeting planners also view Fort Lauderdale's destination appeal as a negative, referring to its image as a "party city", the lack of quality dining and entertainment options, and the overall inconvenience of getting around in the city. Sixteen percent of meeting planners noted the lack of a proximate convention center hotel as a major weakness.

To further clarify which of these perceived weaknesses are actually a detriment to Fort Lauderdale's ability to secure events, HVS asked meeting planners to specifically identify the reasons for not hosting in Fort Lauderdale. The following figure summarizes these open-ended responses.

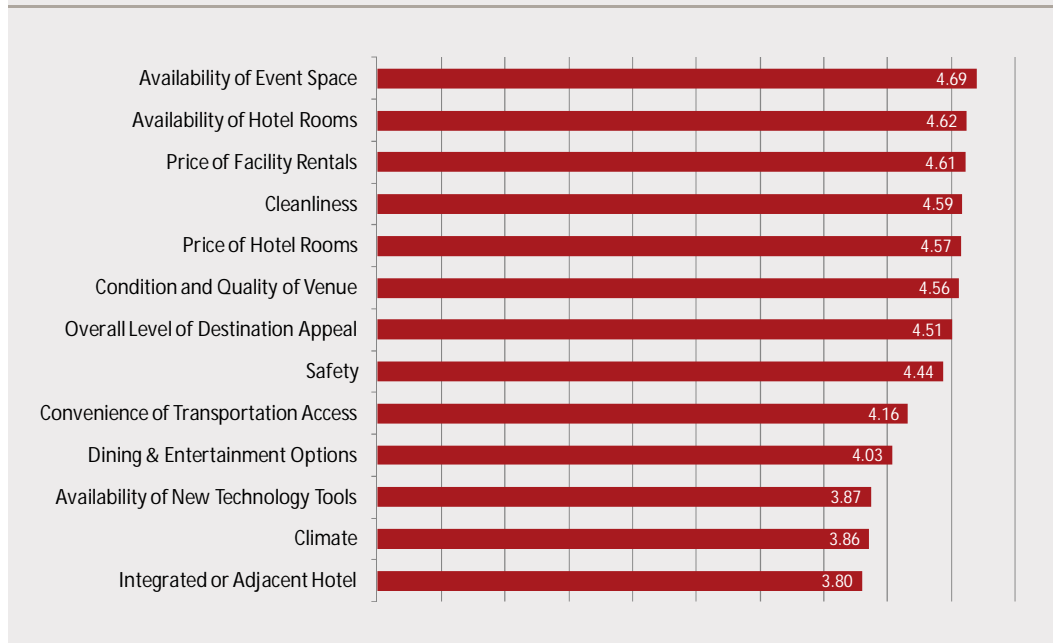
FIGURE 4-9 REASONS FOR NOT HOSTING IN FORT LAUDERDALE



Many of the most often cited reasons for not hosting an event in Fort Lauderdale are those that are outside of the control Broward County. Internal issues, membership preference, competition from other cities, and the geographic location of Fort Lauderdale cannot be remedied by a marketing or building program. Of the remaining reasons, those involving pricing and availability rank highest. The data also suggests that there is some work to be done in making sure that event planners are aware of Broward County as a potential meeting destination and in portraying a more positive image for the area.

Meeting planners were then asked the relative importance of various market characteristics when selecting a destination for their events. In the following figure, a score of 5 represents very important and a score of 1 represents not important at all.

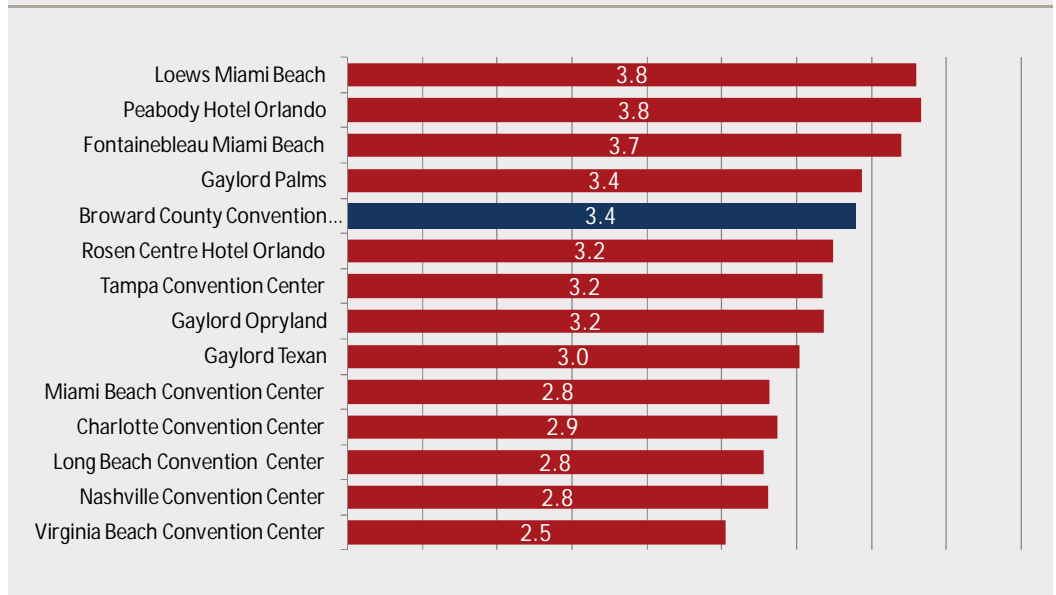
FIGURE 4-10 IMPORTANCE OF MARKET CHARACTERISTICS



According to the meeting planners, the characteristics involving the pricing and availability of meeting space and hotel rooms are the most important.

To assess the relative strength of the BCCC against a sampling of its competitors, HVS asked meeting planners to rank the BCCC along with several other convention centers and hotel properties as an overall event destination. In the following figure, a score of 5 represents a very high level of destination appeal and a score of 1 represents a very low level of destination appeal.

FIGURE 4-11 OVERALL DESTINATION APPEAL



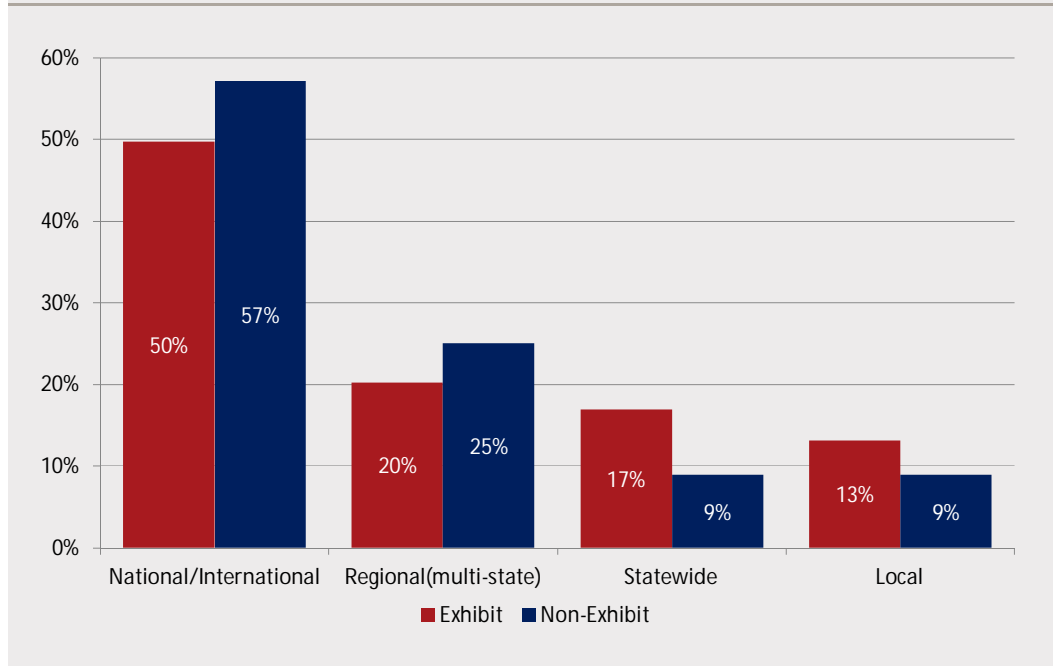
Integrated hotel properties, such as Loews Miami Beach and the Peabody Hotel in Orlando received the highest rankings for overall appeal. However, the BCCC ranks favorably against the other convention centers surveyed.

#### Event Characteristics and Facility Requirements

In order to obtain information about the scope, size, length, space utilization and other event characteristics, respondents were asked about their most typical or important event.

Participants were asked to identify the scope (geographic origin of attendees) of their most important or typical event. Respondents were asked which of the terms—local, statewide, regional (multi-state), or national/international—best describes the origin of attendees for the event. The following figure presents these results segregated by those event planners that plan exhibit hall events and those who solely plan non-exhibit hall events.

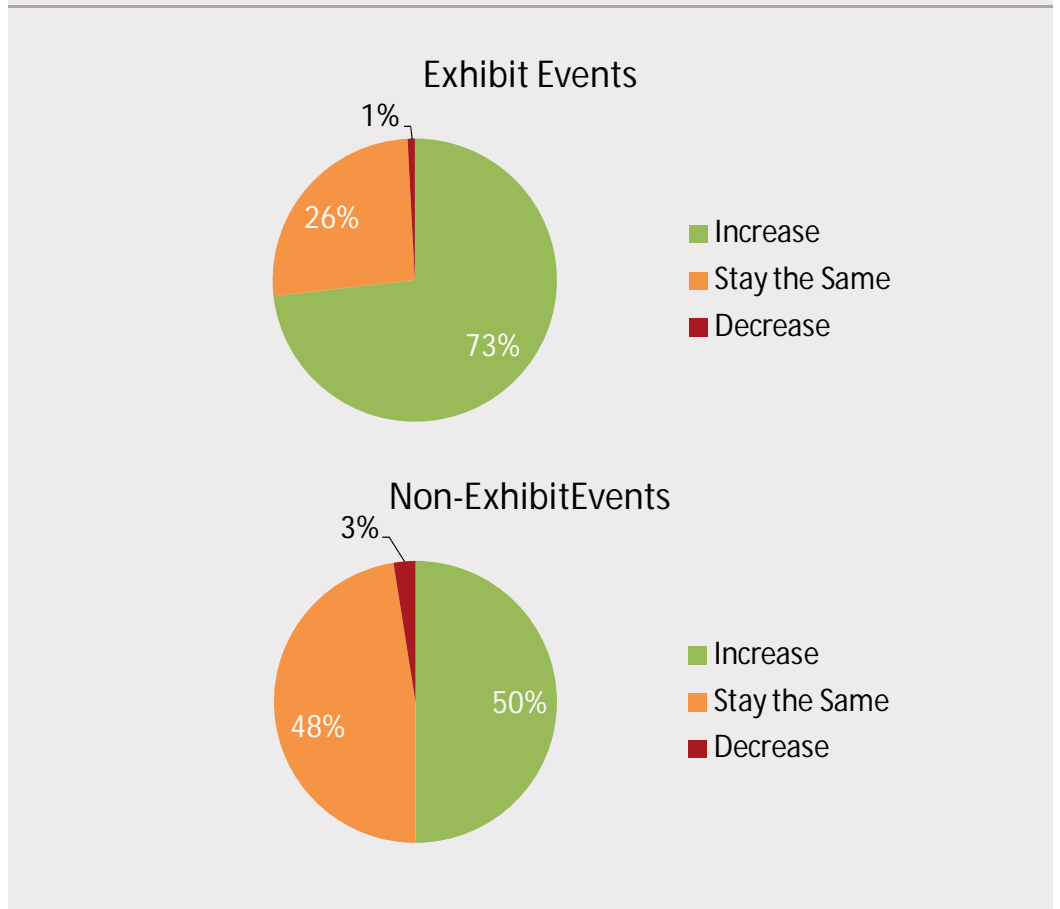
FIGURE 4-12 GEOGRAPHIC ORIGIN



A significant majority of both exhibit and non-exhibit meeting planners represent events with national or international-based attendees, however, all geographic scopes are represented in the survey.

Respondents were asked whether they believe the attendance at their most typical or important event will increase, stay the same, or decrease over the next five years. The next figure illustrates these responses again segregated by exhibit hall and non-exhibit hall events.

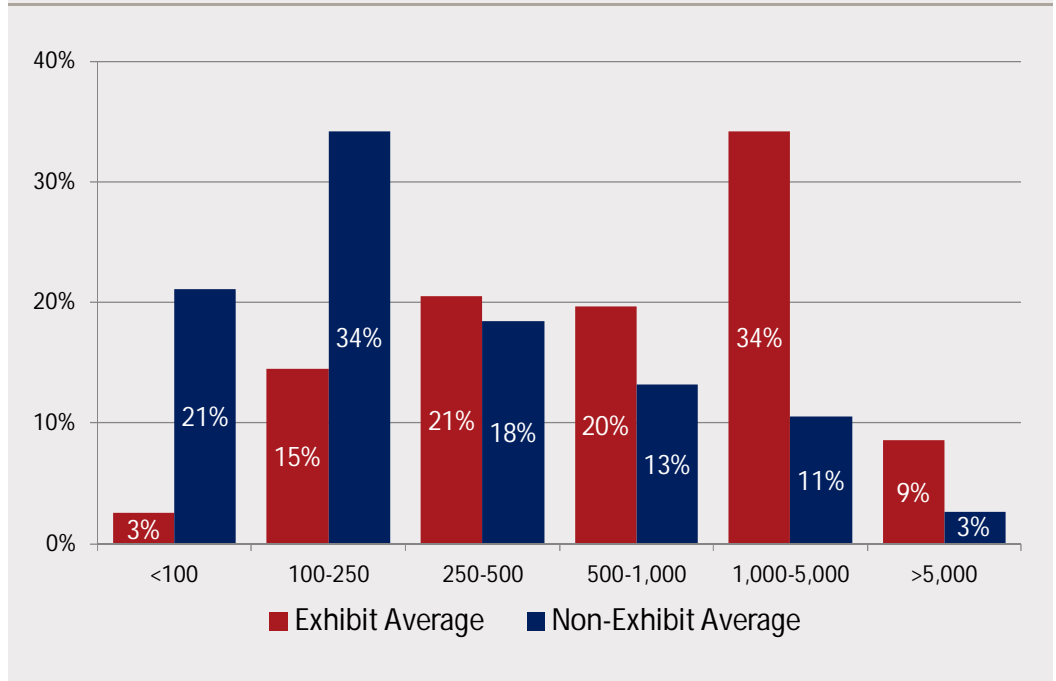
FIGURE 4-13 FUTURE ATTENDANCE



Event planners have a positive outlook about the future growth of attendance at their events. This outlook reflects a general expectation for recovery from the recession which caused prior decrease in event attendance. Nearly all meeting planners predict a stable or growing attendee base for their events. A greater majority of planners of exhibit events expect attendance to increase in the coming years.

Meeting planners were then asked a series of questions regarding the size and facility requirements for a typical or most important event. The following figures present the results of this analysis.

FIGURE 4-14 NUMBER OF ATTENDEES



The greatest percentage of exhibit hall events is in the 1,000 to 5,000 attendance range. Non-exhibit hall events are significantly smaller with the greatest percentage of events in the 100 to 250 attendee range.

The following figure presents the average exhibit space required for those event types which require an exhibit hall.

FIGURE 4-15 AVERAGE EXHIBIT HALL SPACE REQUIRED BY EVENT TYPE

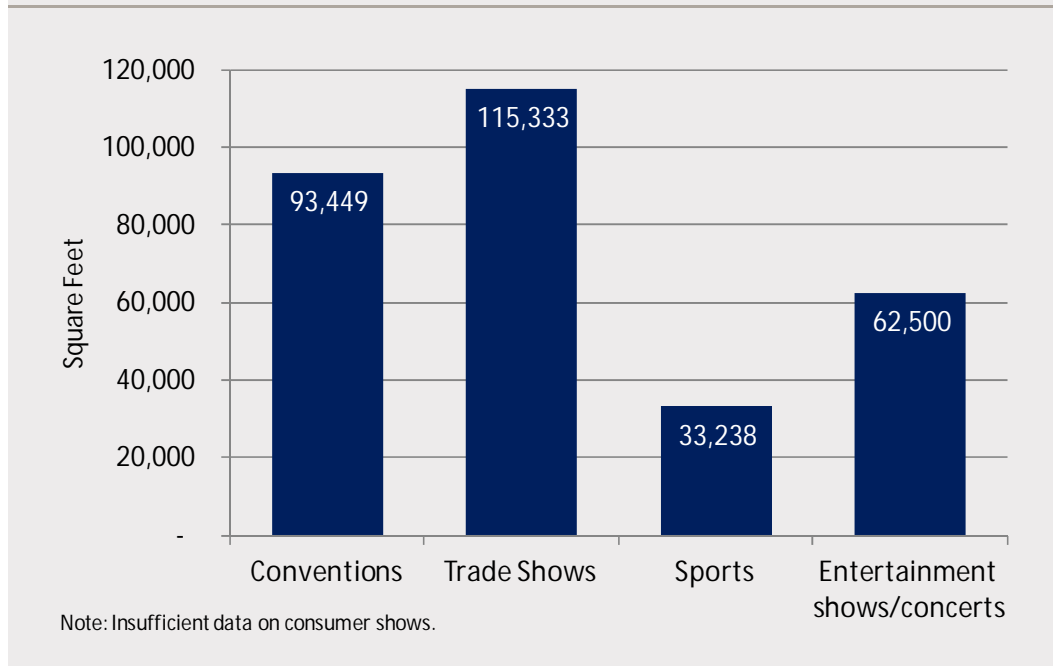


Exhibit-based events, such as conventions and trade shows have the greatest flat floor space requirements. Sports and entertainment events often use an exhibit hall as a playing surface and/or spectator seating. Space requirements for these events are less than for exhibit events.

Many events, including conventions, trade shows, and conferences have a banquet component in additions to their exhibit and meeting space requirements. Banquets can be held in a venue's ballroom or in a portion of an exhibit or multipurpose hall depending on the seating required. The following figure presents the banquet seating required for exhibit hall and non-exhibit hall events.



FIGURE 4-16 BANQUET SEATING REQUIRED

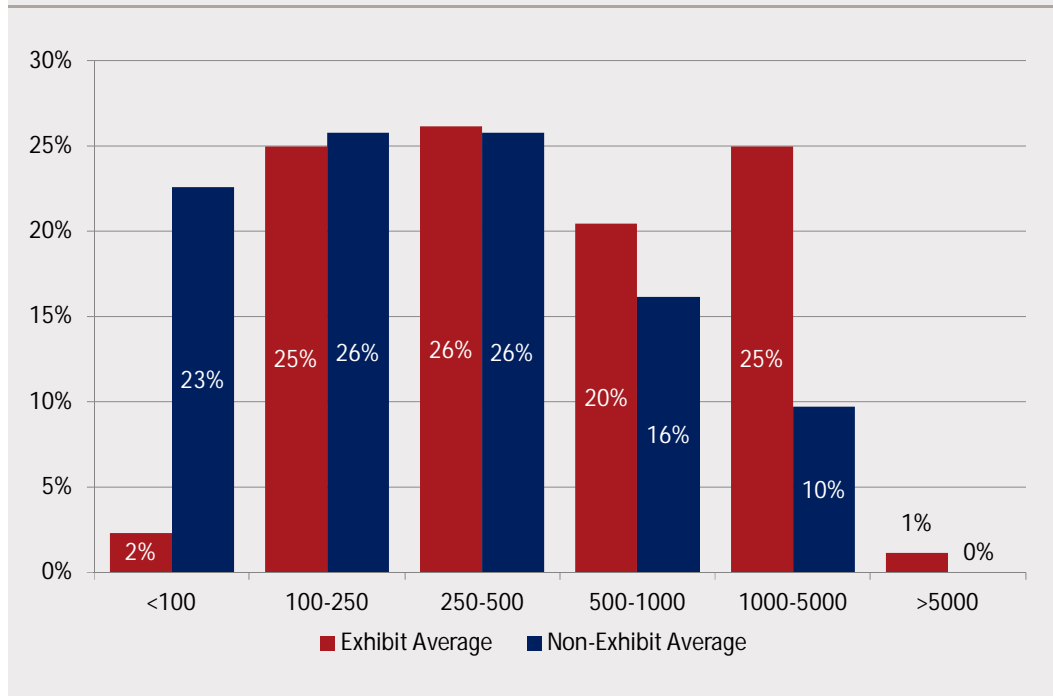
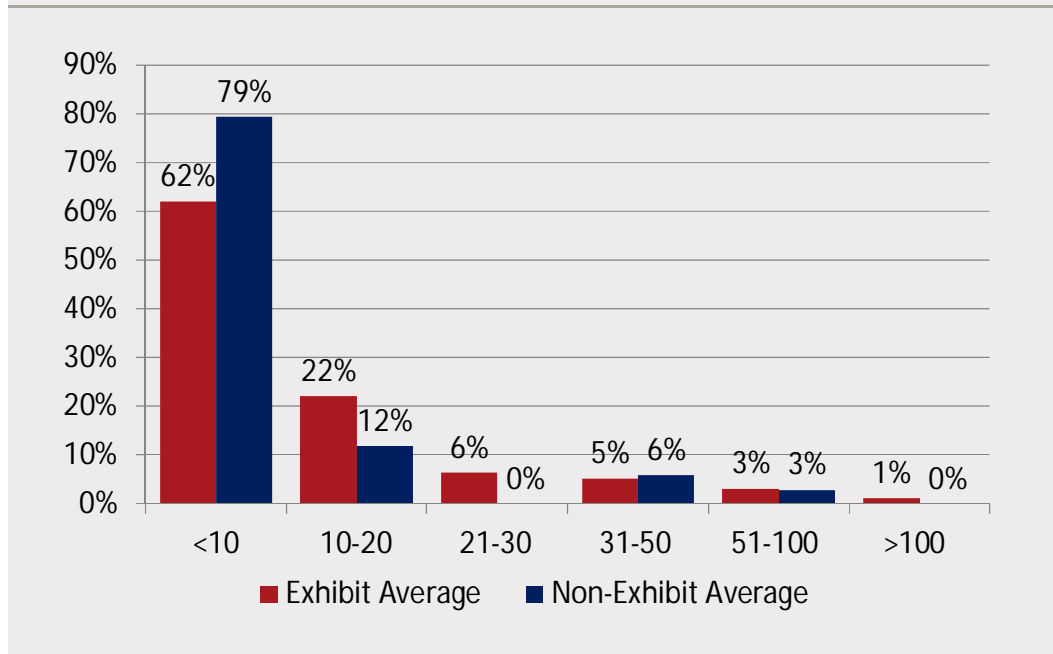


Exhibit hall events require a wide range of banquet seating with a significant percentage requiring seating for up to 5,000 attendees. Non-exhibit hall events, which tend to have lower attendance, also have a much lower banquet seating requirement with most events requiring seating for less than 500 attendees.

For many venues, break out meeting spaces are the most frequently utilized function spaces. Conventions, trade shows, conferences, meetings all require flexible meeting space in various configurations. The following figure presents the number of meeting rooms required for exhibit hall and non-exhibit hall events.

FIGURE 4-17 NUMBER OF BREAK OUT MEETING ROOMS REQUIRED

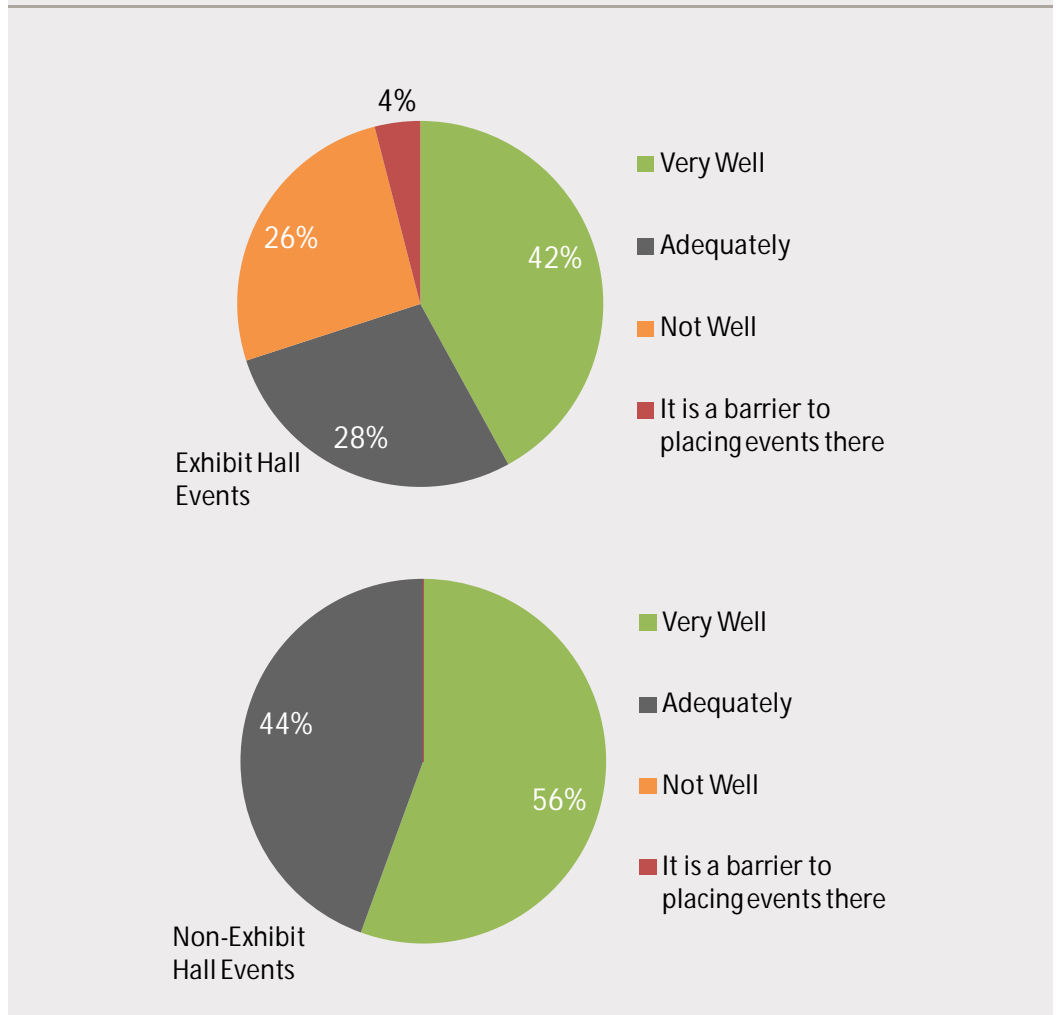


The majority of events require less than ten break out meeting rooms, however, almost one-quarter of larger, exhibit hall events need up to 20 rooms for their events.

#### Hotel Perceptions and Requirements

Given that the availability and price of hotel rooms is a key selection criterion for event planners, HVS asked the survey respondents questions regarding their hotel room requirements and their perceptions of the hotel market in Fort Lauderdale. Planners first provided their thoughts on whether the existing hotel supply surrounding the BCCC adequately serves the events hosted at the venue. The following figure presents these results. HVS includes on those responses from event planners that have knowledge of the Broward County market and have held past events in the market.

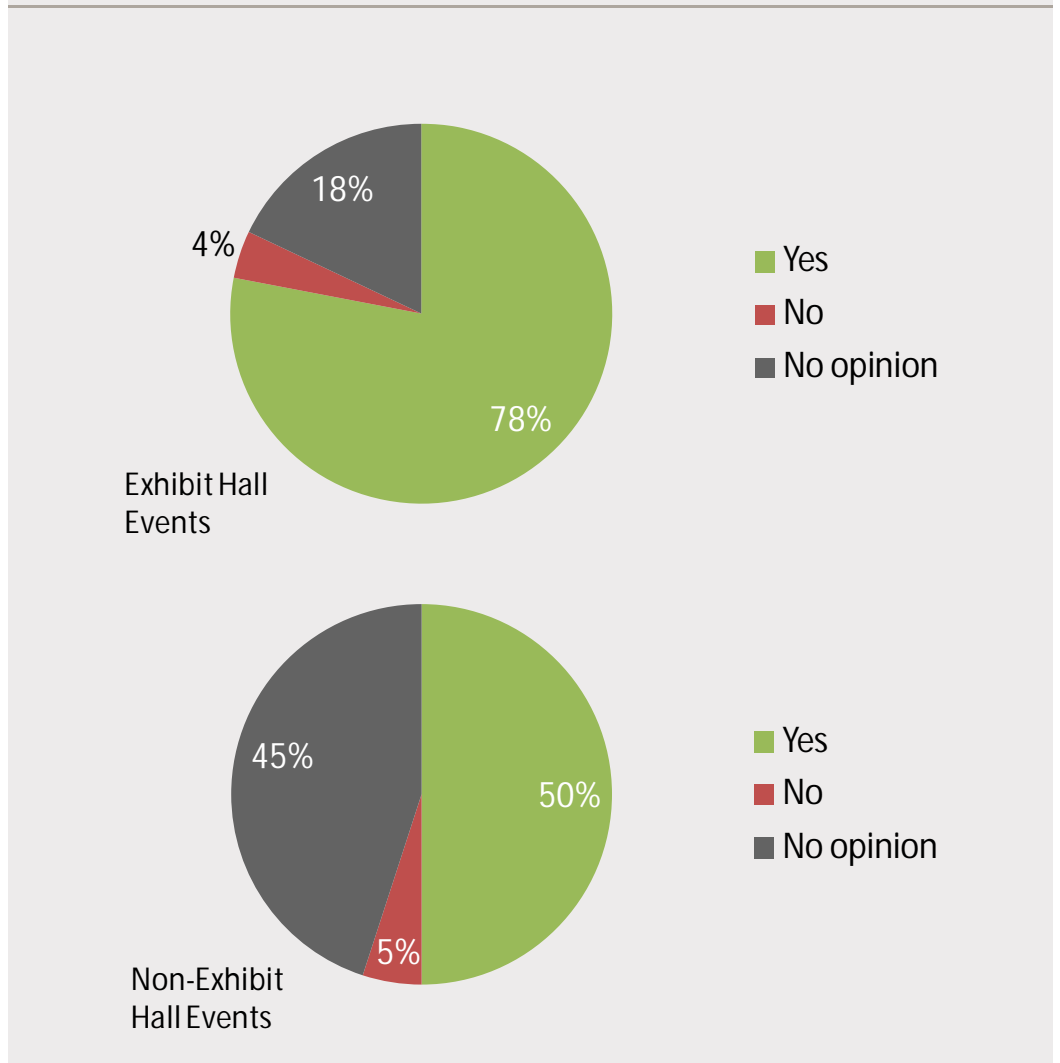
FIGURE 4-18 ADEQUACIES OF HOTEL ROOMS SURROUNDING THE BCCC



The above results indicate that there is a difference in perception between event planners who host exhibit hall events and those that solely host events without an exhibit component. While all respondents who host non-exhibit hall events believe the hotel room supply to be at least adequate, 30 percent of those who host exhibit hall events feel that the current hotel room supply does not serve the needs of events at the BCCC or consider the supply to be a major hindrance.

Event planners were then asked whether an outdoor pedestrian walkway would serve as an appropriate connection to an adjacent headquarter hotel. The following figure presents these results.

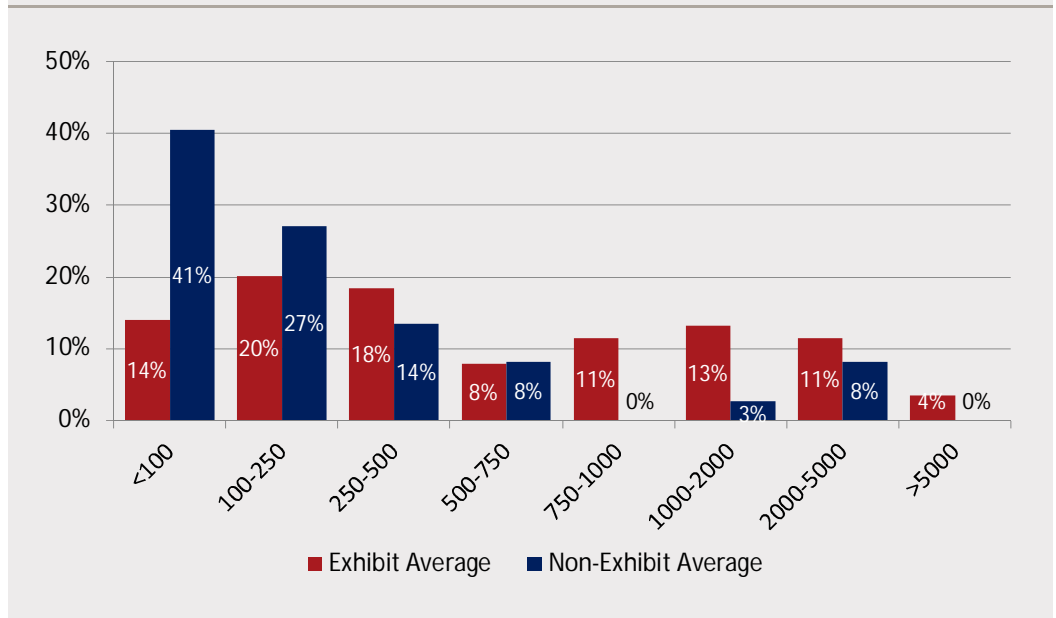
FIGURE 4-19 OUTDOOR WALKWAY TO HQ HOTEL APPROPRIATE?



This question resulted in only a small percentage of negative responses, indicating that an outdoor pedestrian connection in lieu of an interior connection between the BCCC and an adjacent hotel would be acceptable to most event planners

Referring again to the event planner's typical or largest event, HVS also asked planners to identify the hotel room block requirements for that event. The following figure presents the hotel room block required for exhibit hall and non-exhibit hall events.

FIGURE 4-20 HOTEL ROOM BLOCK REQUIREMENTS

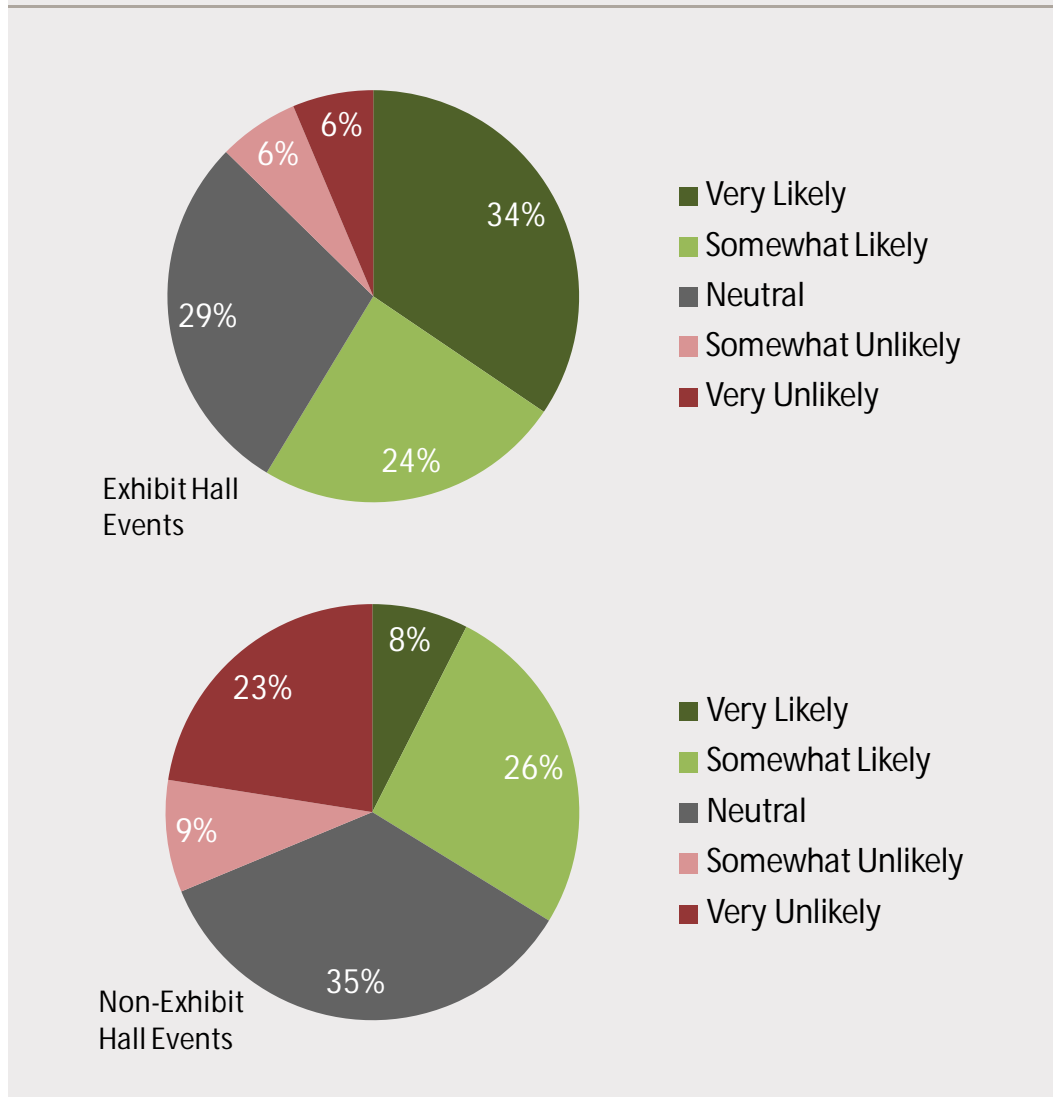


Non-exhibit hall events typically require smaller room blocks with the greatest percentage needing fewer than 100 hotel rooms. The hotel needs of exhibit hall events are more evenly distributed with over one-quarter of the events requiring hotel room blocks of more than 1,000 rooms.

#### Demand Potential for Expanded Facility

HVS asked event planners how likely they would be to host an event in Broward County given an expanded BCCC which satisfies their event needs and the addition of an adjacent headquarter hotel. The following figures present these results for exhibit hall and non-exhibit hall events.

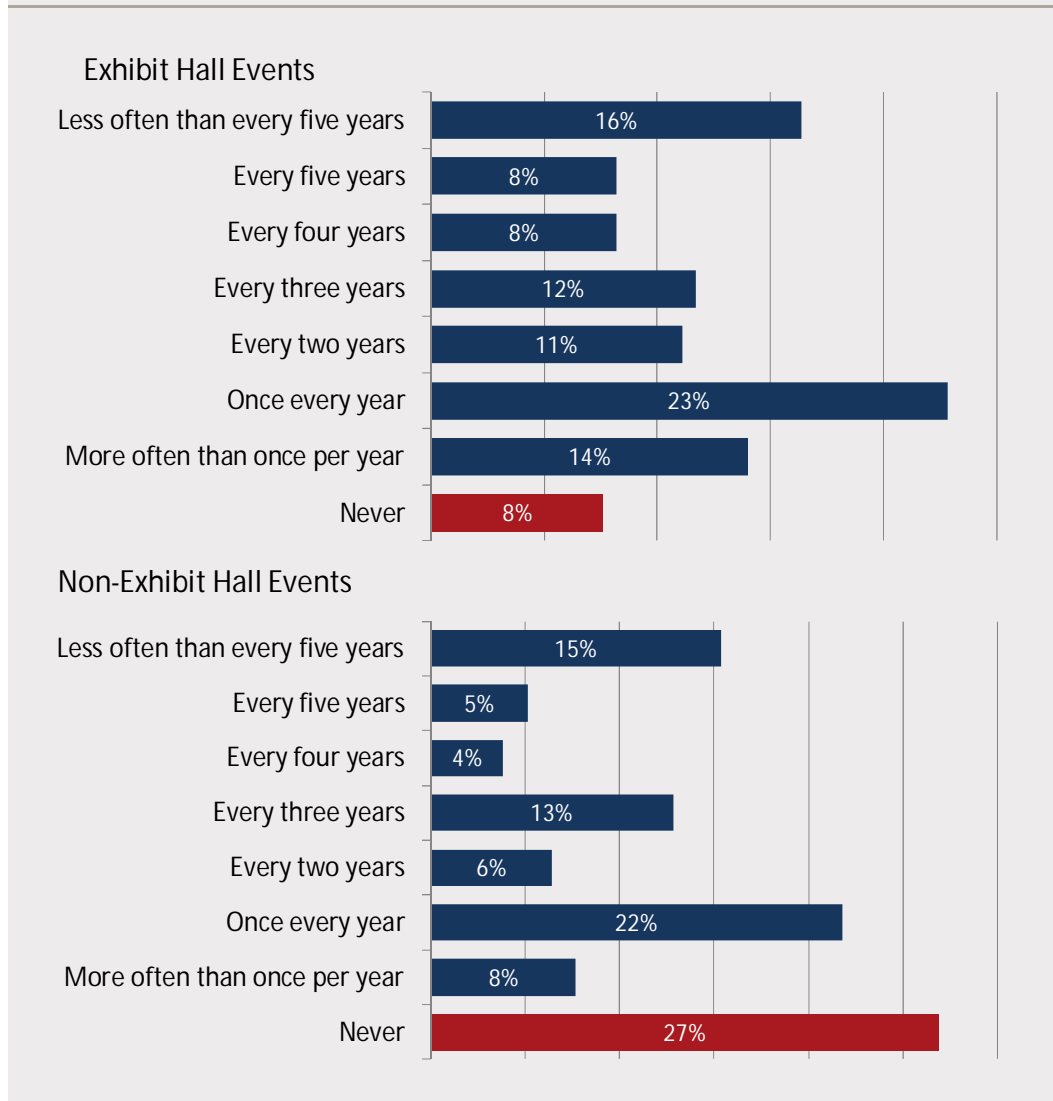
FIGURE 4-21 LIKELIHOOD OF HOSTING IN EXPANDED BCCC



The majority of event planner who plan exhibit hall events, 58 percent, report that they would be “likely” to host an event at an expanded BCCC. Only a small percentage, 12 percent, would be “unlikely”. These percentage shift for planners who plan non-exhibit hall events to only 34 percent “likely” and 32 percent “unlikely”.

To assess the potential demand, HVS asked meeting planners the frequency they would host events at the expanded BCCC. The following figures present these results for exhibit hall and non-exhibit hall events.

FIGURE 4-22 FREQUENCY OF HOSTING EVENTS AT EXPANDED BCCC



For those meeting planners who would host events at the expanded BCCC, most would book one event per year. A large percentage, however, would only consider the BCCC less often than every five years.

#### Implications for Proposed Convention Center Expansion

The survey of event planners provides insight into the needs of event planners and the size and other characteristics of events that would likely fill the expanded facility. It also highlights the strengths and weaknesses of Broward County as an event destination from the perspective of its current and future clients. Key implications and conclusions include the following:



- Survey respondents included event planners for a variety of event types, sizes, and facility needs.
- The survey results provided sufficient data to indicate the type, size, and frequency of potential demand for an expanded BCCC.
- Just over half of the survey respondents had planned an event in Broward County over the past three years.
- Event planners report that Broward County's greatest strength is its appeal as a destination including warm weather, beaches, and entertainment options.
- A significant percentage of respondents also noted that the relative convenience of air access into Broward County is a positive feature when considering the BCCC for their events.
- Event planners report that Broward County's greatest weakness as a meeting destination is its hotel product, including lack of availability, low quality and high price.
- Aside from internal or political reasons, the most often cited reason for not selecting Broward County as an event destination was strong competition from other venues and cities.
- The overall destination appeal of the BCCC as an event destination ranks approximately in the middle of competing integrated hotel properties, and well above competing convention centers.
- Availability of event space and hotel rooms are important criteria for meeting planners; however, meeting planners gave Broward County ranks low marks for both.
- Thirty percent of respondents who plan exhibit events feel that the existing hotel product surrounding the BCCC does not adequately serve their needs or is a deterrent to their booking business in the BCCC.
- Eighty percent of respondents who plan exhibit events feel that an exterior pedestrian walkway would serve as an adequate connection to a headquarter hotel.
- The existing BCCC exhibit hall is able to accommodate the majority of the exhibit events described by the survey respondents.

- A significant portion of events require banquet seating for up to 5,000 attendees.
- While the majority of events require 10 or fewer break out meeting rooms, larger events average between 30 and 40 meeting rooms.
- Despite current economic conditions, a majority of event planners have a positive outlook on the growth of future events.

Meeting planners perceive Broward County as an attractive event destination with many desirable features, including warm weather and convenient access. Unlike many convention centers across the U.S., the BCCC faces strong competition for events from several integrated hotel properties, many of which are located in South Florida. In order to compete effectively against these properties, the BCCC must be able to offer event planners a similar event package, including large, flexible, and multi-functional spaces which can be used as meeting, banquet, and exhibit space as needed. The ability to offer event planners large hotel room blocks in a single hotel property is also an important feature that Broward County should pursue in its BCCC expansion plans. Survey results indicate that, given Broward County's existing amenities, an attractive venue and hotel program can have a strong positive impact on event demand.

## 5. Comparable Venues

This analysis of comparable venues provides a basis for forecasts of event demand and financial operations. The analysis compares the function spaces, adjacent hotel capacities, and characteristics of the markets that are relevant to the success of the venues. It concludes with an assessment of the relative strengths and weaknesses of Broward County.

The BCCC competes directly with other cities in the state of Florida and across the U.S. for a share of the national meetings market. Event planners select host cities for their events based the overall package that a city may offer. Several factors determine a city's overall strength and potential in the meetings market. These factors include the attributes of the convention facilities, lodging supply, the economic and demographic profile of the community, transportation access, tourism amenities, and overall destination appeal.

HVS analyzed two sets of venues:

- Regional integrated resorts (large hotels with integrated hotel and convention facilities) that compete with the Broward County Convention Center for national business and
- Convention Centers in similarly sized markets throughout the U.S that compete with the BCCC for national business.

HVS analyzed competitive venues shown in the figure below.

**FIGURE 5-1 COMPARABLE VENUES**

Name of Venue	Location		Total Function Space
Regional Hotel Properties			
Gaylord Opryland	Nashville	TN	474,000 sf
Gaylord Palms	Orlando	FL	276,600
Gaylord Texan	Grapevine	TX	286,250
Rosen Centre Hotel	Orlando	FL	106,000
The Peabody Orlando	Orlando	FL	201,893
Westin Diplomat Resort & Spa	Hollywood	FL	122,555
Fontainebleau Miami Beach	Miami Beach	FL	95,940
Loews Miami Beach	Miami Beach	FL	42,973
Harbor Beach Marriott Resort and Spa	Fort Lauderdale	FL	28,121
Bonaventure Resort and Spa	Weston	FL	32,327
Comparable National Convention Centers			
Charlotte Convention Center	Charlotte	NC	406,875 sf
Cobb Galleria Centre	Atlanta	GA	189,000
Long Beach Convention Center	Long Beach	CA	340,569
Miami Beach Convention Center	Miami	FL	647,848
Nashville Convention Center	Nashville	TN	167,376
Tampa Convention Center	Tampa	FL	278,767
Virginia Beach Convention Center	Virginia Beach	VA	208,893
Austin Convention Center	Austin	TX	364,439
Palm Beach County Convention Center	Palm Beach	FL	140,575
Broward County Convention Center	Fort Lauderdale	FL	298,056 sf

### Exhibition Space Assessment

Exhibition space is critical for several types of events such as conventions, tradeshow, and consumer shows. The amount and quality of exhibition space determines the size and types of events that the venue can accommodate. A comparison of the exhibition space available at each of the selected comparable facilities provides an indication of the amount of space that is appropriate for BCCC.

FIGURE 5-2 EXHIBITION SPACE IN COMPARABLE VENUES

Regional Hotel Properties		
	sf	# halls
Gaylord Opryland	289,000	9
Broward County Convention Center	199,526	4
Gaylord Texan	179,280	6
Gaylord Palms	178,000	6
Westin Diplomat Resort & Spa	50,002	6
Rosen Centre Hotel	0	0
The Peabody Orlando	0	0
Fontainebleau Miami Beach	0	0
Loews Miami Beach	0	0
Harbor Beach Marriott Resort and Spa	0	0
Bonaventure Resort and Spa	0	0
* Average	179,162	6
Comparable National Convention Centers		
	sf	# halls
Miami Beach Convention Center	502,848	31
Charlotte Convention Center	280,000	4
Austin Convention Center	246,097	5
Long Beach Convention Center	224,000	5
Tampa Convention Center	200,000	3
Broward County Convention Center	199,526	4
Virginia Beach Convention Center	150,012	4
Cobb Galleria Centre	144,000	4
Nashville Convention Center	118,675	3
Palm Beach County Convention Center	99,300	4
Average	216,446	7
*Average includes only venues with exhibition space.		
Source: Respective Venues		

While not all hotel properties have dedicated exhibit space, the Gaylord properties and the nearby Westin Diplomat offer exhibit space that allows them to compete with convention centers for exhibit-based conventions and trade shows. In terms of available exhibit space, the BCCC compares favorably with most of the hotels, but falls well below space available at the Gaylord Opryland Hotel. As compared to the national convention centers, the BCCC falls near the median, but is well below average due to the much larger Miami Beach Convention Center. When Nashville's new Music City Center opens in 2013, it will house approximately 350,000 square feet of exhibit space. Miami Beach also has expansion plans to add roughly 200,000 square feet of exhibit space. These two projects will push the amount of exhibit space at the BCCC even further below the average of several competing venues.

Ballroom Space  
Assessment

Banquet space is important for convention centers as facility operators attempt to grow food service revenues at their facilities and event planners seek a higher level of service for their attendees. In addition to social events (such as weddings and fundraisers) that host banquets, several other types of events, such as conventions and tradeshow, typically require food services in a ballroom setting. General assemblies at conventions and tradeshow are held in a ballroom and with a theater or banquet set-up. Consequently, the size of the ballroom can determine a venue's event size capacity. The figure below compares of available banquet space in the comparable venues.

FIGURE 5-3 BALLROOM SPACE IN COMPARABLE VENUES

Regional Hotel Properties	sf	# divisions
The Peabody Orlando	133,880	26
Gaylord Opryland	119,000	5
Fontainebleau Miami Beach	62,349	13
Gaylord Texan	59,370	9
Gaylord Palms	56,800	9
Broward County Convention Center	52,248	12
Rosen Centre Hotel	49,375	7
Westin Diplomat Resort & Spa	49,323	13
Loews Miami Beach	34,320	8
Bonaventure Resort and Spa	23,495	11
Harbor Beach Marriott Resort and Spa	22,930	19
Average	60,281	12
Comparable National Convention Centers	sf	# divisions
Charlotte Convention Center	75,289	4
Austin Convention Center	63,928	7
Broward County Convention Center	52,248	12
Tampa Convention Center	36,000	4
Long Beach Convention Center	33,746	5
Virginia Beach Convention Center	31,029	3
Cobb Galleria Centre	25,000	6
Palm Beach County Convention Center	21,978	2
Nashville Convention Center	17,877	3
Miami Beach Convention Center	0	0
Average	39,677	5

Several of the regional hotel properties have more ballroom space than the BCCC. Overall, the ballroom capacity at the BCCC is below average. The ballroom space at the BCCC compares favorably to the set of national convention centers in their current configurations, above average and second only to the Charlotte Convention Center. However, future plans for the Miami Beach Convention Center call for 81,600 square feet of ballroom space, and the new Music City Center will increase Nashville's ballroom space to 75,000 square feet.

Meeting/Break-out  
Room Assessment

Meeting rooms can accommodate sub-groups as they break out of larger general sessions at conventions and tradeshow. Additionally, these smaller rooms can accommodate self-contained meetings, training sessions, seminars, classes, and a variety of small meeting functions. A facility's meeting rooms are often its most frequently used function spaces. Generally, convention centers should offer meeting space that is proportionate to the amount of exhibition and ballroom space available at the facility. However, the optimum amount of meeting space can vary depending on a facility's target market.

The following figure presents a comparison of available meeting space.

**FIGURE 5-4 MEETING SPACE IN COMPARABLE VENUES**

Regional Hotel Properties		sf	# rooms
The Peabody Orlando		68,013	77
Gaylord Opryland		66,000	57
Rosen Centre Hotel		56,625	26
Gaylord Texan		47,600	60
Broward County Convention Center		46,282	31
Gaylord Palms		41,800	52
Fontainebleau Miami Beach		33,591	45
Westin Diplomat Resort & Spa		23,230	42
Bonaventure Resort and Spa		8,832	14
Loews Miami Beach		8,653	14
Harbor Beach Marriott Resort and Spa		5,191	10
Average		36,892	39
Comparable National Convention Centers		sf	# rooms
Miami Beach Convention Center		145,000	72
Long Beach Convention Center		82,823	34
Austin Convention Center		54,414	48
Charlotte Convention Center		51,586	37
Broward County Convention Center		46,282	31
Tampa Convention Center		42,767	40
Nashville Convention Center		30,824	27
Virginia Beach Convention Center		27,852	21
Cobb Galleria Centre		20,000	24
Palm Beach County Convention Center		19,297	18
Average		52,085	35

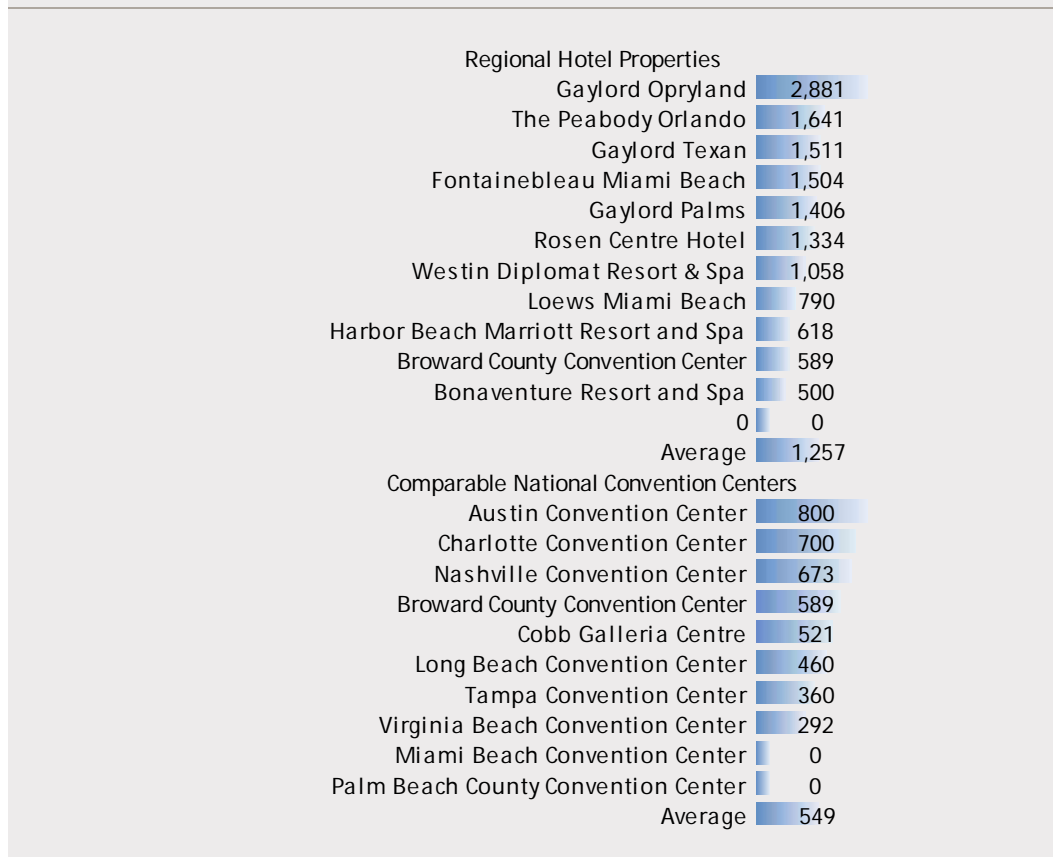
Compared to regional hotel properties, the BCCC has a median and slightly above average amount of meeting space. Fewer meeting divisions make it less flexible than many of the properties. The BCCC falls below average when compared to the national convention centers, mainly due to the much larger Miami Beach Convention Center which has plan to add over 100,000 square feet of additional

Adjacent Hotel  
Capacity

meeting space. The Music City Center will increase Nashville's meeting space to 90,000 square feet.

The quality and proximity of hotel supply has increasingly become one of the most important selection factors for facility users in recent years. To attract out-of-town groups, an adequate supply of nearby hotel rooms should support the lodging needs of delegates, exhibitors, and other attendees. Proximity and connectivity are critical factors that event planners consider in evaluating overall hotel packages available in competing communities. Generally, the number of rooms offered at one or more hotels that are adjacent or connected to the convention center is the key point of comparison. Other factors that can be important are hotel brands, service levels, building ages, management, and available meeting and banquet spaces in these hotels.

**FIGURE 5-5 ADJACENT OR INTEGRATED HOTEL CAPACITY**



The 589-room Hilton Fort Lauderdale Marina Hotel ("Hilton Marina") is the closest and most convenient hotel for users of the BCCC. While the Hilton Marina was not



built for the purpose of serving as the BCCC's headquarters hotel, HVS used the property for the purpose of comparing the BCCC's adjacent room supply with other venues. All of the regional hotel properties have much higher room counts, with the Hilton Marina well below the average of this set. Compared to the comparable national convention centers, the Hilton Marina has an average number of guest rooms. However, several markets are currently developing or planning major convention hotel projects including the 800-room Omni Hotel in Nashville as well as planned convention center hotels in Palm Beach and Miami Beach.

### Market Population and Income

Local area population data can provide evidence of a community's overall economic size and ability to support public services and visitor amenities that are important for convention center users. Because most convention centers primarily target out-of-town users, local area population figures rarely have an indirect correlation with overall demand potential. However, population and income data can provide a basis for understanding a community's ability to support and sustain a convention center, the surrounding neighborhood and market. Additionally, demand potential for certain types of events such as locally generated meetings, banquets, religious events, graduation ceremonies, and consumer shows can be linked to population.

The following figure present county wide population and median household income data for the two competitive sets.

**FIGURE 5-6 COUNTY POPULATION OF COMPETITIVE MARKETS**

		2011 County Population	Median Household Income (\$)
<b>Regional Hotel Properties</b>			
Fontainebleau Miami Beach	Miami-Dade County FL	2,509,994	39,114
Loews Miami Beach	Miami-Dade County FL	2,509,994	39,114
Gaylord Texan	Tarrant County TX	1,836,199	55,312
Broward County Convention Center	Broward County FL	1,740,258	47,530
Westin Diplomat Resort & Spa	Broward County FL	1,740,258	47,530
Harbor Beach Marriott Resort and Spa	Broward County FL	1,740,258	47,530
Bonaventure Resort and Spa	Broward County FL	1,740,258	47,530
Gaylord Palms	Orange County FL	1,155,950	47,959
Rosen Centre Hotel	Orange County FL	1,155,950	47,959
The Peabody Orlando	Orange County FL	1,155,950	47,959
Gaylord Opryland	Davidson County TN	634,152	44,432
	<b>AVERAGE</b>	<b>1,792,124</b>	<b>46,620</b>
<b>Comparable National Convention Centers</b>			
Long Beach Convention Center	Los Angeles County FL	9,854,218	51,080
Miami Beach Convention Center	Miami-Dade County FL	2,509,994	39,114
Broward County Convention Center	Broward County FL	1,740,258	47,530
Virginia Beach Convention Center	Virginia Beach MSA VA	1,672,984	52,384
Palm Beach County Convention Center	Palm Beach County FL	1,320,134	53,242
Tampa Convention Center	Hillsborough county FL	1,240,476	47,131
Austin Convention Center	Travis County FL	1,047,498	56,472
Charlotte Convention Center	Mecklenburg County NC	937,422	57,716
Cobb Galleria Centre	Fulton County CA	934,858	51,358
Nashville Convention Center	Davidson County TN	634,152	44,432
	<b>AVERAGE</b>	<b>2,189,199</b>	<b>50,046</b>

Source: ESRI

The Broward County population base is slightly above average and has an above average median household income when compared to the market surrounding the regional hotel properties. The large Los Angeles County population skews the average upward. Removing Los Angeles County from the calculation causes the average population drop to approximately 1.3 million, well below Broward County's population of 1.7 million. Overall, Broward County's population demonstrates above average size and income level, suggesting that the Broward County market is able to drive a higher level of demand at the convention center and has the public infrastructure necessary to support the meetings market in Fort Lauderdale.

### Corporate Comparison

The density and breadth of a city's corporate base is a good indicator of potential in the meetings industry. Business generates demand for conventions, conferences, training, and other industry-specific events. The following figures

demonstrate how Broward County compares with its current competitors in terms of the total number of business establishments and the number of larger business establishments with over 500 employees.

**FIGURE 5-7 NUMBER OF BUSINESS ESTABLISHMENTS IN COMPETITIVE MARKETS**

		Total Number of Business Establishments	Total Number of Business Establishments over 500 Employees
<b>Regional Hotel Properties</b>			
Fontainebleau Miami Beach	Miami-Dade County FL	72,673	7,670
Loews Miami Beach	Miami-Dade County FL	72,673	7,670
Broward County Convention Center	Broward County FL	55,289	7,054
Westin Diplomat Resort & Spa	Broward County FL	55,289	7,054
Harbor Beach Marriott Resort and Spa	Broward County FL	55,289	7,054
Bonaventure Resort and Spa	Broward County FL	55,289	7,054
Gaylord Texan	Tarrant County TX	36,935	8,414
Gaylord Palms	Orange County FL	31,481	6,920
Rosen Centre Hotel	Orange County FL	31,481	6,920
The Peabody Orlando	Orange County FL	31,481	6,920
Gaylord Opryland	Davidson County TN	18,338	4,484
	<b>AVERAGE</b>	<b>51,822</b>	<b>7,312</b>
<b>Comparable National Convention Centers</b>			
Long Beach Convention Center	Los Angeles County CA	245,523	29,038
Miami Beach Convention Center	Miami-Dade County FL	72,673	7,670
Broward County Convention Center	Broward County FL	55,289	7,054
Palm Beach County Convention Center	Palm Beach County FL	41,763	5,222
Virginia Beach Convention Center	Virginia Beach MSA VA	37,907	7,998
Cobb Galleria Centre	Fulton County GA	33,026	7,511
Tampa Convention Center	Hillsborough County FL	31,710	6,544
Charlotte Convention Center	Mecklenburg County NC	27,889	7,106
Austin Convention Center	Travis County TX	27,776	5,273
Nashville Convention Center	Davidson County TN	18,338	4,484
	<b>AVERAGE</b>	<b>59,189</b>	<b>8,790</b>

Source: U.S. Census

Broward County compares favorably in the number of business establishments, suggesting a stronger corporate base from which to draw event demand. With the outlier of Los Angeles County removed from the calculation, Broward County corporate presence is above average for both competitive sets. In addition to its broad corporate base, Broward County is also home to several major corporations, including AutoNation, a Fortune 500 company based in Fort Lauderdale. Major regional headquarters include Microsoft Latin America in Fort Lauderdale,

Western Union Latin America in Hollywood, General Motors and Alcatel-Lucent in Miramar, DHL Latin America in Plantation, and Marriott International in Weston.

## Air Service Capacity

Transportation linkages, including airports, can play a critical role in the success of convention centers that target regional and national user groups. One of the best indicators of an airport's ability to enhance a convention center's draw is its service capacity, generally measured as total annual passenger volume, or traffic. An airport with relatively high annual passenger volumes generally is more convenient and has a wider draw than an airport with relatively low annual passenger volumes. The following figure presents 2010 passenger traffic data for the primary airports serving the competitive sets as well as the traffic for all major airports which could serve convention center users. In the case of the BCCC, other airports include Miami International and Palm Beach International airports.

**FIGURE 5-8 AIR SERVICE AT PRIMARY AIRPORTS IN COMPETITIVE SET**

			Primary Airport 2010 Passengers	All Airports 2010 Passengers
Regional Hotel Properties				
Gaylord Texan	Dallas Fort Worth International Airport		56,886,843	64,847,652
Westin Diplomat Resort & Spa	Miami International Airport		35,698,025	63,998,375
Fontainebleau Miami Beach	Miami International Airport		35,698,025	63,998,375
Loews Miami Beach	Miami International Airport		35,698,025	63,998,375
Gaylord Palms	Orlando International Airport		34,877,899	36,043,334
Rosen Centre Hotel	Orlando International Airport		34,877,899	36,043,334
The Peabody Orlando	Orlando International Airport		34,877,899	36,043,334
Broward County Convention Center	Fort Lauderdale/Hollywood International Airport		22,412,627	63,998,375
Harbor Beach Marriott Resort and Spa	Orlando International Airport		22,412,627	63,998,375
Bonaventure Resort and Spa	Dallas Fort Worth International Airport		22,412,627	63,998,375
Gaylord Opryland	Nashville International Airport		9,032,850	9,032,850
	AVERAGE		31,353,213	51,454,614
Comparable National Convention Centers				
Cobb Galleria Centre	Hartsfield-Jackson Atlanta International Airport		89,331,622	89,331,622
Long Beach Convention Center	Los Angeles International Airport		59,069,409	79,980,699
Charlotte Convention Center	Charlotte Douglas International Airport		38,254,207	38,254,207
Miami Beach Convention Center	Miami International Airport		35,698,025	63,998,375
Broward County Convention Center	Fort Lauderdale/Hollywood International Airport		22,412,627	63,998,375
Tampa Convention Center	Tampa International Airport		16,645,765	18,754,532
Nashville Convention Center	Nashville International Airport		9,032,850	9,032,850
Austin Convention Center	Austin-Bergstrom International Airport		8,693,708	8,693,708
Palm Beach County Convention Center	Palm Beach International Airport		5,887,723	63,998,375
Virginia Beach Convention Center	Norfolk International Airport		3,332,466	4,394,473
	AVERAGE		28,835,840	44,043,722

Source: Respective Airports, HVS

The passenger counts at Fort Lauderdale/Hollywood International indicate a moderate level of capacity for out-of-state travel. However, when considering all three airports which serve the region, annual passenger volumes increase significantly, placing the BCCC as one of the most accessible venues in both competitive sets. Furthermore, the BCCC enjoys the advantage of being within a ten-minute drive from its primary airport--closer than any other competitive venue.

### Travel Costs Comparison

Travel costs associated with attending a convention center event can contribute to a facility's overall ability to attract delegates, exhibitors, and attendees. High travel costs can become a deterrent for certain types of groups in a facility's potential market whereas low travel costs can be a competitive advantage in attractive certain price-sensitive groups. The following figure evaluates three primary travel expense categories that include costs associated with hotel accommodations, meals, and car rentals.

**FIGURE 5-9 COMPARISON OF ESTIMATED TRAVEL COSTS**

				Per Diem Rates				
				Hotel	Car	Food	Total	
Regional Hotel Properties								
Fontainebleau Miami Beach	Miami	FL	<div><div></div></div> 173.91	<div><div></div></div> 46.27	<div><div></div></div> 105.74	<div><div></div></div> 325.92		
Loews Miami Beach	Miami	FL	<div><div></div></div> 173.91	<div><div></div></div> 46.27	<div><div></div></div> 105.74	<div><div></div></div> 325.92		
Gaylord Texan	Dallas	TX	<div><div></div></div> 146.49	<div><div></div></div> 55.49	<div><div></div></div> 99.20	<div><div></div></div> 301.18		
Broward County Convention Center	Fort Lauderdale	FL	<div><div></div></div> 156.27	<div><div></div></div> 47.47	<div><div></div></div> 80.55	<div><div></div></div> 284.29		
Harbor Beach Marriott Resort and Spa	Fort Lauderdale	FL	<div><div></div></div> 156.27	<div><div></div></div> 47.47	<div><div></div></div> 80.55	<div><div></div></div> 284.29		
Westin Diplomat Resort & Spa	Fort Lauderdale	FL	<div><div></div></div> 156.27	<div><div></div></div> 47.47	<div><div></div></div> 80.55	<div><div></div></div> 284.29		
Gaylord Opryland	Nashville	TN	<div><div></div></div> 132.65	<div><div></div></div> 52.63	<div><div></div></div> 76.30	<div><div></div></div> 261.58		
Gaylord Palms	Orlando	FL	<div><div></div></div> 129.95	<div><div></div></div> 49.12	<div><div></div></div> 74.45	<div><div></div></div> 253.52		
Rosen Centre Hotel	Orlando	FL	<div><div></div></div> 129.95	<div><div></div></div> 49.12	<div><div></div></div> 74.45	<div><div></div></div> 253.52		
The Peabody Orlando	Orlando	FL	<div><div></div></div> 129.95	<div><div></div></div> 49.12	<div><div></div></div> 74.45	<div><div></div></div> 253.52		
Bonaventure Resort and Spa	Weston	FL		na				
AVERAGE			<div><div></div></div> \$148.56	<div><div></div></div> \$49.04	<div><div></div></div> \$85.20	<div><div></div></div> \$282.80		
Comparable National Convention Centers								
Long Beach Convention Center	Los Angeles	CA	<div><div></div></div> 183.68	<div><div></div></div> 52.88	<div><div></div></div> 108.42	<div><div></div></div> 344.98		
Miami Beach Convention Center	Miami	FL	<div><div></div></div> 173.91	<div><div></div></div> 46.27	<div><div></div></div> 105.74	<div><div></div></div> 325.92		
Austin Convention Center	Austin	TX	<div><div></div></div> 157.89	<div><div></div></div> 57.04	<div><div></div></div> 92.75	<div><div></div></div> 307.68		
Cobb Galleria Centre	Atlanta	GA	<div><div></div></div> 152.05	<div><div></div></div> 57.57	<div><div></div></div> 96.26	<div><div></div></div> 305.88		
Broward County Convention Center	Fort Lauderdale	FL	<div><div></div></div> 156.27	<div><div></div></div> 47.47	<div><div></div></div> 80.55	<div><div></div></div> 284.29		
Charlotte Convention Center	Charlotte	NC	<div><div></div></div> 144.69	<div><div></div></div> 54.27	<div><div></div></div> 80.44	<div><div></div></div> 279.40		
Tampa Convention Center	Tampa	FL	<div><div></div></div> 143.45	<div><div></div></div> 45.52	<div><div></div></div> 77.39	<div><div></div></div> 266.36		
Nashville Convention Center	Nashville	TN	<div><div></div></div> 132.65	<div><div></div></div> 52.63	<div><div></div></div> 76.30	<div><div></div></div> 261.58		
Virginia Beach Convention Center	Norfolk	VA	<div><div></div></div> 126.92	<div><div></div></div> 44.25	<div><div></div></div> 73.37	<div><div></div></div> 244.54		
Palm Beach County Convention Center	West Palm Beach	FL		na				
AVERAGE			<div><div></div></div> \$152.39	<div><div></div></div> \$50.88	<div><div></div></div> \$87.91	<div><div></div></div> \$291.18		

Source: Business Travel News 2011 Corporate Travel Index

Business travel costs in the City of Fort Lauderdale fall in the mid-range of the two competitive sets. Business Travel in Fort Lauderdale is less expensive than larger metropolitan area, such as Los Angeles, Miami, and Dallas. However, several smaller markets are less expensive and would be more attractive to price-sensitive groups.

### Comparison of Event Demand

The following figure presents an historic event demand comparison between the BCCC and a sampling of comparable venues. Based on the above comparative analysis, the BCCC's event demand should fall roughly in the middle of the competitive sets, less than the demand at cities with larger venues and more diverse economies, such as Austin, TX, and more than the demand at cities with smaller venues and less diverse economies such as Virginia Beach, VA.

FIGURE 5-10 COMPARISON OF EVENT DEMAND

	Austin Convention Center	Cobb Galleria Centre	Nashville Convention Center	Tampa Convention Center	Virginia Beach Convention Center	Average*	Broward County Convention Center
<b>Number of Events</b>							
Conventions	41	21	28	19	17	23	12
Tradeshows	5	39	15	1	11	14	24
Consumer Shows	11	34	8	4	30	18	12
Banquets	24	164	9	4	75	55	25
Meetings & Conferences	50	761	71	15	134	172	65
* Other	36	54	59	15	62	77	39
<b>Total</b>	<b>167</b>	<b>1,073</b>	<b>202</b>	<b>58</b>	<b>329</b>	<b>319</b>	<b>177</b>

\* Other events includes assemblies, sports, entertainment, and other community events

### Conclusions and Implications for Broward County

While no single facility or market represents an exact comparable to the BCCC and Fort Lauderdale, the above analysis indicates that the BCCC is currently hosting a below average number of national conventions as compared to a sampling of its competitors. An above-average number of trade shows complements exhibit hall usage. However, many of these events have a more local or regional focus, and are, therefore, less likely to produce the room nights and other economic impacts of a national convention. Similarly, the number of stand-alone meetings and conferences are also well below the comparable average. While a number of factors contribute to demand potential, the Section 2 Market Analysis and the above comparable analysis indicate that there are no internal market weaknesses in Broward County that would contribute to this demand weakness. The most likely cause is the strong competition that the BCCC faces from larger venues

which are augmented by attractive number of integrated hotel rooms. Improvements to the BCCC's meeting package, including larger and more flexible functions spaces and a dedicated headquarter hotel would improve the BCCC competitive position and positively impact event demand.

## 6. Building Program Recommendations

The building program recommendations presented herein describe the floor areas of various types of function spaces, the number hotel rooms and its function space and other important convention center amenities. To formulate these recommendations for expansion of the BCCC, HVS relied on a site inspection, a user survey, an analysis of hotel and meeting space programming in competitive venues and comparable markets, a thorough review of historical operations at the BCCC, lost business reports provided by the GFLCVB, other market research, and knowledge of standard industry practices. This facility program should serve as a guide for subsequent physical planning aimed at providing the desired expanded facility program elements.

Currently, the BCCC is a valuable resource to Broward County, hosting variety of events including conventions and trade shows, consumer shows, local meetings and social events, and sporting events. The BCCC's demand profile comprises a number of events which book the facility annually. As presented in Section 4, user surveys clearly indicate several key factors which influence meeting planners' selection process when considering the BCCC as an event destination.

- Strong competition for other venues and markets
- Hotel availability, quality, and price
- BCCC facility costs
- The lack of a hotel property proximate to the BCCC
- BCCC event space and quality

### Customer Advisory Panel

On April 15, 2012, the GFLCVB hosted a Customer Advisory Panel bringing current and potential users of the BCCC together to discuss meeting needs and market perceptions. Fifteen event planners represented organizations that organize or sponsor a variety of event types ranging from small meetings to large conventions and sporting events. An HVS representative participated in the portion of this meeting devoted to discussion of the BCCC. The views of event planners helped to highlight some of the strengths and weakness of the BCCC and Fort Lauderdale as a convention destination.

The noted strengths included:

- Air access and proximity to the airport



- A desirable location in central Florida for drive in access
- Appeal of good climate
- A strong supporting destination

A discussion of weaknesses centered on the facilities rather than the destination and included the following:

- Lack of a headquarters hotel
- Insufficient breakout meeting space
- The BCCC's poor visibility and connection to the surrounding neighborhood
- The utilitarian feel of the BCCC facilities and the absence of social spaces within the venue
- Lack of connection to restaurants and entertainment venues

When asked to prioritize expansion needs, event planners unanimously stated that a new headquarters hotel was most important to them. The need for more meeting space and improvement of the overall convention center environment was more important to most than the addition of exhibition space. The input from these event planners was generally consistent with the HVS survey results.

#### Phase 1 Program Recommendations

HVS program recommendations would place the expanded BCCC in the position to serve its existing customer base, to accommodate local demand for meetings, banquets, and civic events, and to attract new state, regional, and national conventions and tradeshow.

Perhaps more important than the amounts of additional function spaces and amenities, the BCCC needs to reinvent itself as a self-contained resort destination that can effectively compete with integrated resort hotels such as the Gaylord properties and other regional hotels. This resort concept would link hotel rooms with the existing and expanded function spaces and include restaurant, entertainment, and specialty retail amenities. Unlike the organization of the existing building, the expansion should take advantage of its waterfront location and provide public gather spaces that can draw local patrons, tourists, as well as convention attendees. The branding and design of the BCCC should create a unique sense of place that distinguishes the BCCC from its competition.

Given that the BCCC's competes for events against other convention centers as well as large, integrated hotel properties, function space should be multi-functional, capable of accommodating both exhibition and banquet needs. Functionality requirements revolve around the principal that the convention center must host simultaneous events with different venue needs, such as trade shows that use exhibition space and corporate meetings that use meeting and banquet space. Banquet and meeting space should be large enough to accommodate large, national conventions with flexible divisions that can also serve as meeting and banquet space for smaller association and corporate events. Back of house spaces, including the loading dock and storage areas should be able to serve multiple events without hindering the efficiency of another event's operation.

HVS recommends a phased approach to expansion that reflects the priority of potential customers. Phase 1 expansion would include the following elements.

- A 70,000 square foot carpeted multi-purpose space with a flexible wall system to allow the space to serve as light exhibition, banquet, and meeting space in a variety of configurations,
- A 15,000 square foot junior ballroom with a flexible wall system to allow the space to serve as banquet and meeting space in a variety of configurations,
- Three 9,000 square foot meeting room blocks,
- A headquarters hotel with 700 guest rooms and potential expansion of up to 1,000 rooms in the same or a second hotel property (details of the hotel recommendations are provided in section 8 of this report),
- On site restaurant, retail and entertainment venues,
- A building program concept that creates a self-contained resort destination that effectively leverages the convention center's proximity to the waterfront,
- A plan for future expansion of the exhibition hall, and
- On-site parking, which is a combination of existing and new parking development that is sufficient to accommodate operations of the BCCC and the headquarters hotel.

The following site map identifies the existing components of the proposed BCCC expansion.

## SITE MAP OF PROPOSED BCCC EXPANSION

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The following figure shows the recommended amounts and capacities of event function spaces in the proposed BCCC Phase 1 expansion.

**FIGURE 6-1 FACILITY EXPANSION PROGRAM RECOMMENDATIONS**

Event Space	Total Area (SF)	Capacities			Exhibit Booths (10'x10')
		Theatre	Banquet	Classroom	
Multi-purpose Space	70,000	7,780	4,000	4,830	400
Sub-Divisions					
Division 1	17,500	1,940	1,000	1,210	
Sub-division 1a	5,833	650	330	400	
Sub-division 1b	5,833	650	330	400	
Sub-division 1c	5,833	650	330	400	
Division 2	17,500	1,940	1,000	1,210	
Division 3	17,500	1,940	1,000	1,210	
Division 4	17,500	1,940	1,000	1,210	
Sub-division 4a	5,833	650	330	400	
Sub-division 4b	5,833	650	330	400	
Sub-division 4c	5,833	650	330	400	
Junior Ballroom	15,000	1,670	860	1,030	90
Sub-Divisions					
Division 1	5,000	560	290	340	
Division 2	5,000	560	290	340	
Division 3	5,000	560	290	340	
Meeting Rooms	27,000				
Meeting Room Block 1	9,000				
Large	3,000	330	210	210	
Small (4)	1,500	170	100	100	
Meeting Room Block 2	9,000				
Large	3,000	330	210	210	
Small (4)	1,500	170	100	100	
Meeting Room Block 3	9,000				
Large	3,000	330	210	210	
Small (4)	1,500	170	100	100	
Board Rooms (2)	500				
<b>TOTAL MEETING SPACE</b>	<b>113,000</b>				

The above multi-purpose, ballroom, and meeting spaces would complement and support the exhibit hall and other function spaces currently housed in the BCCC. The new BCCC function spaces could, therefore, function as an independent center for certain event or support the entire BCCC complex for larger events. The following figure presents the total amount of proposed function space versus that in the existing venue.

**FIGURE 6-2 PROPOSED VERSUS EXISTING BCCC FUNCTION SPACE**

Function Space	Existing BCCC		Expanded BCCC	
	Size (SF)	Divisions	Size (SF)	Divisions
Exhibit Space	199,526	4	199,526	4
Multi-purpose Space	-		70,000	8
Ballroom Space	52,248	12	67,248	15
Meeting Space	46,282	31	73,282	46

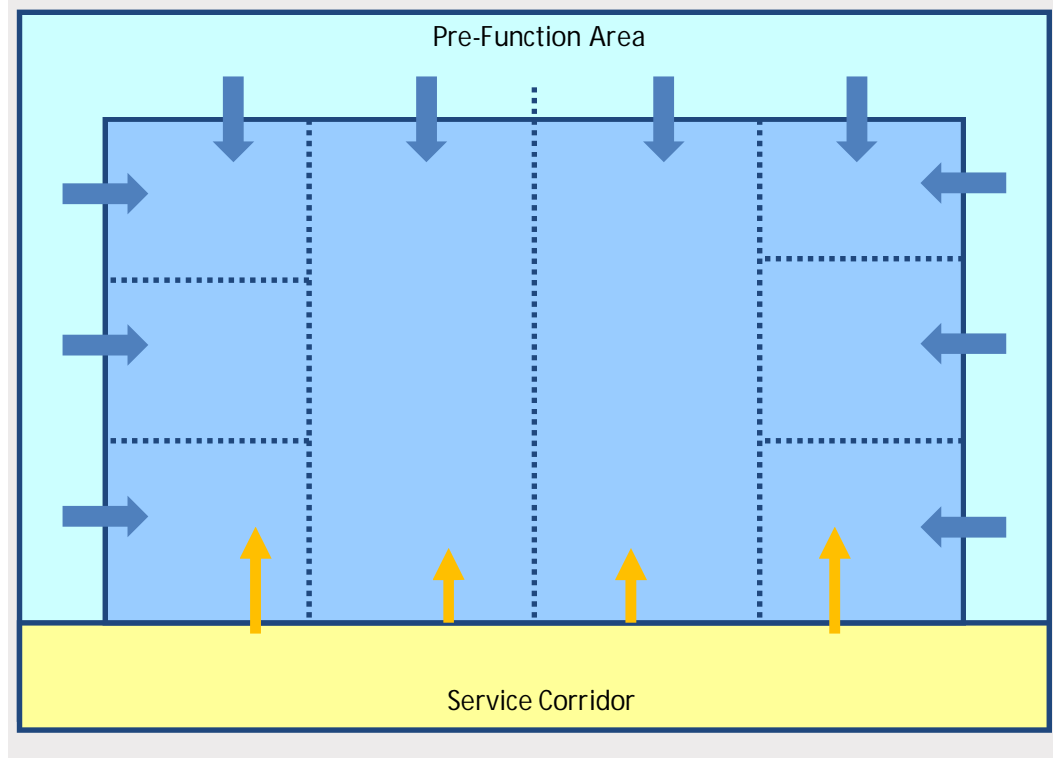
## Phase 2 Program Recommendations

HVS recommends that future, Phase 2, expansion include a new 100,000 to 120,000 SF exhibit hall. The Phase 1 multi-purpose, ballroom, and meeting space would be adequate to successfully support the additional exhibition space. The exhibit hall should be configured such that linkages between it and the existing BCCC and the Phase 1 expansion are convenient to both event attendees and service staff. The demand and financial projections presented in the following sections of this report reflect the Phase 1 expansion only. HVS assumes that the Phase 2 exhibit hall expansion would occur beyond the ten-year projection term.

## Multi-Purpose Hall

While site constraints and other design issues will affect the final layout of the multi-purpose hall, HVS recommends that it be situated adjacent to the existing exhibit hall so that the spaces may be made contiguous for large exhibit events. To allow for maximum flexibility as meeting and banquet space, the multi-purpose hall should be carpeted with minimal wall finishes and ceilings heights suitable for exhibit and sporting events. Multi-purpose hall should have convenient access to a main lobby and other pre-function spaces which are either stand-alone or shared with other function spaces. Service access should be such that each division of the multi-purpose hall has independent rear access allowing an event to take place in one division while another is being serviced for a separate event. The following figure provides of conceptual plan of the proposed multi-purpose hall.

FIGURE 6-3 MULTI-PURPOSE HALL LAYOUT



### Meeting and Ballroom Spaces

Meeting and ballroom space is essential to provide breakout space for larger conference and convention events and to support stand-alone meetings as well as food and beverage functions. Many events require banquet space which is separate and distinct from a meeting room block. HVS recommends that the existing Grand Floridian Ballroom remain as a main banquet space supporting the existing exhibit hall. While site constraints and other design issues will affect the final layout of these functional spaces Configuration of the new junior ballroom and meeting room blocks should be such that they conveniently support the new multi-purpose hall or support the entire BCCC complex for larger events. HVS recommends that the new meeting and ballroom space be located in flexible blocks in areas which are conveniently accessible for attendees and efficiently serviced by event staff.

### Event Support and Service Spaces

In addition to the function spaces provided above, the gross floor area of the BCCC expansion would include the following elements:

- **Lobby and Pre-function Areas** – A well-appointed lobby and pre-function areas provide meeting planners areas for greeting and registration, social gatherings, and well-defined public access to the

multipurpose hall, junior ballroom, and meeting rooms. This space is also appropriate for stand-alone receptions, meals, and other community events.

- **Circulation** – Circulation space provides for the movement of attendees into and through the BCCC. These areas would include hallways, connecting walkways, and bridges as required. Depending on the concept plan, these areas could also include vertical circulation (stairwells, elevators, and escalators).
- **Service access** – Service corridors provide non-public access to the event hall and meeting rooms as well as connection to the facility's loading docks, mechanical rooms, and storage.
- **Drop-off zone** – The BCCC expansion should have a well-defined vehicular drop-off area and pedestrian access solely for the use of event attendees.
- **Loading areas** – Service access that is separate from the drop-off zone, truck docks, and waste disposal areas necessary to support the BCCC expansion.
- **Kitchen** – Further investigation should determine whether the main BCCC production kitchen would also serve the needs of the new multipurpose hall and other spaces. At a minimum, a new pantry kitchen should be incorporated into the expansion space.
- **Storage** – Adequate and convenient equipment storage is important to the efficient operation of the facility.
- **Facility Operations** – Spaces needed to support facility's physical plant, including HVAC, plumbing, electrical and fire protection systems.

## Public Spaces

In addition to the meeting function spaces described above, the expanded BCCC should also contain a variety of public areas which define the BCCC as an attractive, self-contained destination for meeting attendees as well as cruise passengers, other tourists, and local residents. These public areas may include:

- Lounges, plazas, and other designated areas for informal meetings and relaxation,
- Outdoor entertainment areas that for small concerts, receptions or other convention center related functions.

- Light retail areas for souvenirs, clothing, and essential sundries,
- Casual food and beverage outlets including coffee shops, delis, and desserts, and
- Waterfront views and access.

A more precise determination of the floor areas would require a concept plan created by a design firm that illustrates how the proposed convention center expansion would fit on the site. The process of concept planning will likely require adjustments to the recommended floor areas.



## 7. Convention Center Demand Analysis

HVS based event demand projections at the expanded Broward County Convention Center (“BCCC”) on the following research and analysis:

- The general program recommendations presented Section 4 of this report,
- Historical BCCC demand data,
- An in-depth user survey,
- Discussions at a Customer Advisory Panel focus group,
- Industry data and trends reports,
- Key market and economic indicators outlined in Section 2,
- Comparable venue program and demand data, and
- Discussions with representatives from the current BCCC management and the Greater Fort Lauderdale Convention and Visitors Bureau (“GFLCVB”).

In developing the demand projections, HVS assumes that all recommendations throughout this report are completed by October 1, 2017. Since historical convention center data is reported on a fiscal year, HVS projections also follow the fiscal year. HVS estimates that event demand would stabilize in the fourth year of operation—fiscal year 2020-21. Demand projections also assume the continued presence of a highly qualified, professional sales and management team for the BCCC.

For the purpose of this analysis, event demand projections include those which would take place in the in both the renovated and the existing meeting and convention spaces at the BCCC.

### Historical Demand

The BCCC provided HVS with a summary of the number of events and corresponding total attendance that occurred at the facility from fiscal year 2002-03 through 2011-12. The following figures present the event and attendance history at the BCC for the past ten fiscal years. The following attendance figures indicate attendee-days by event type. A single convention attendee who attends a 3-day convention would be counted as 3 attendee-days.

**FIGURE 7-1 BCCC HISTORICAL EVENTS BY TYPE**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Type										
Conventions	15	21	23	17	13	23	14	13	12	8
Trade Shows	26	18	15	18	19	18	25	22	24	24
Consumer Shows	20	22	23	20	21	22	20	13	12	13
Meetings	77	71	89	120	121	114	68	56	65	69
Banquets	51	45	54	57	64	57	34	28	25	36
Sports	10	14	21	27	21	9	9	10	10	9
Other	40	45	46	37	32	24	27	27	29	47
Total	239	236	271	296	291	267	197	169	177	206

Source: Broward County Convention Center

**FIGURE 7-2 BCCC HISTORICAL ATTENDEE-DAYS BY TYPE**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Type										
Conventions	29,900	40,845	45,115	38,325	31,400	72,333	122,600	95,976	101,178	97,610
Trade Shows	45,703	31,450	23,400	26,650	32,950	27,850	48,187	45,350	54,700	53,283
Consumer Shows	142,162	139,399	103,600	79,500	83,405	75,719	59,220	68,357	52,484	85,134
Meetings	29,352	31,485	31,531	52,177	53,969	37,234	36,047	18,507	44,190	33,675
Banquets	31,591	28,979	31,328	26,765	26,893	20,774	17,866	14,344	11,444	16,338
Sports	16,550	26,100	20,850	25,350	22,008	5,126	37,657	21,158	24,892	32,735
Other	39,631	39,855	35,239	60,039	40,213	40,708	23,058	31,399	28,211	49,102
	334,889	338,113	291,063	308,806	290,838	279,744	344,635	295,091	317,099	367,877

Source: Broward County Convention Center

The demand profile for the BCCC consists of a variety of exhibit-based and other group functions. Over half of the attendees at the BCCC participated in an exhibit event – a convention, trade show, or consumer show. Other events including stand-alone meetings, banquets, exams, workshops, and training sessions make up roughly 30 percent of attendees.

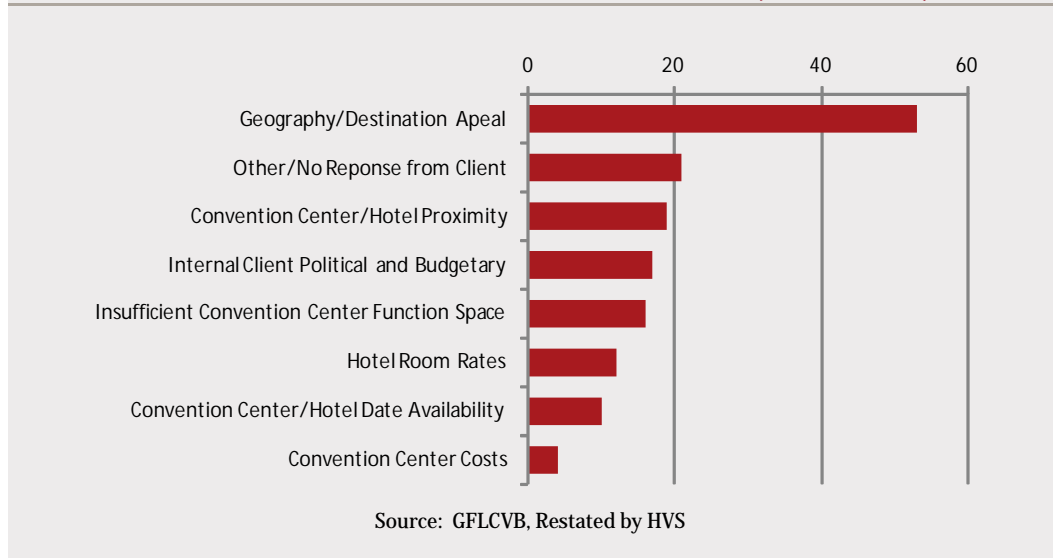
Following a peak in fiscal year 2008, the number of conventions at the BCCC has declined in recent years to its lowest level. Trade shows have had consistent demand and attendance at these events has grown. Sports demand has declined in recent years, however, martial arts competitions and testing are consistent demand and attendance generators.

## Lost Business Analysis

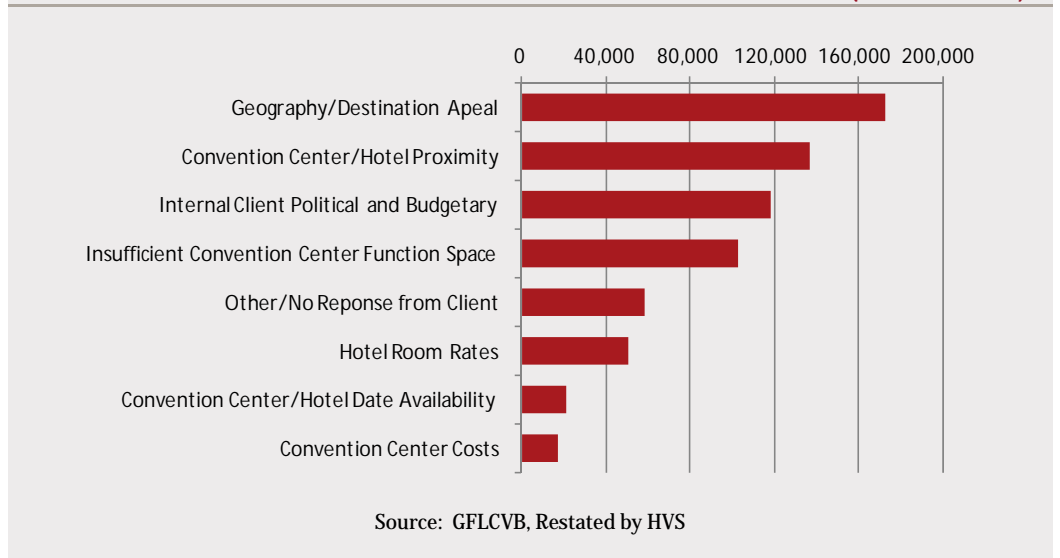
The Greater Fort Lauderdale Convention and Visitors Bureau (“GFLCVB”) provided HVS with a summary of lost convention center business for events occurring from 2007 through 2020. The data contains the name of the events and the event sponsors, the dates of the events, and as the projected peak and total room nights. The GFLCVB also indicated the primary reasons for meeting planners not selecting

the BCCC as the host venue for their events. HVS reviewed this data and categorized the lost business into eight categories. The following figure present the number of events lost in each category followed by the number of room nights lost by category.

**FIGURE 7-3 NUMBER OF EVENTS LOST BY CATEGORY (2007 – 2020)**



**FIGURE 7-4 NUMBER OF ROOM NIGHTS LOST BY CATEGORY (2007 – 2020)**



As is typical in the industry, most events and subsequent room nights are lost because the rotational pattern of the event location is not suited to the BCCC (“geographical reasons”) or due to a meeting planner preference for another destination. Modification of Broward County’s meeting and hotel infrastructure would not lessen these losses, but improving its destination appeal could influence event planner decisions. The lack of proximity between of the BCCC to an adequate hotel supply is the second most common cause of lost business. Meeting planners cited both the lack of an integrated hotel as well as the distance to the hotel property as the primary reason for selecting another city in 19 lost events for a total of 137,000 lost room nights. Insufficient convention center function space ranks fourth as the primary reason for Broward County’s loss of 16 events and 103,000 room nights.

The following demand projections assume that an expanded BCCC and concurrent development of the 700-room headquarters hotel would dramatically improve the competitive position of Fort Lauderdale and the BCCC against its formidable competition from integrated hotel properties and other convention centers.

### Demand Projections

HVS’s analysis of historical BCCC demand, an analysis of comparable and competitive venues, and an in-depth user survey suggest that the proposed BCCC expansion and adjacent headquarters hotel should allow Broward County to significantly expand utilization by national corporations and associations, state associations, local corporations, and other groups. The expansion should allow the venue to expand utilization by its existing client base and attract a greater share of larger conventions, conferences, and meetings. In developing demand projections, HVS took into account the following key considerations.

- The removal of the security perimeter prior to completion of the BCCC expansion,
- The facility must continue to accommodate several major annual events, including sports competitions, trade shows, and conventions, and
- The loss of the annual ARVO convention and associated impact on average attendance and room night generation.

HVS projects the following demand for the expanded BCCC. HVS based demand projections on the completion of the renovations in October 2017. HVS estimates that incremental event demand would ramp up following the completion of the renovation and stabilize in four years in fiscal year 2020-21. The figure below breaks out event projections by type of event. Total and average attendance figures represent individual event attendees.

**FIGURE 7-5 BCCC DEMAND PROJECTIONS**

	Control Point	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Events</b>						
Convention	11	13	15	18	20	20
Tradeshow	23	23	23	23	23	23
Consumer Show	17	18	18	18	18	18
Meetings	64	65	65	65	65	65
Conferences	-	13	15	18	20	20
Banquets	31	35	35	35	35	35
Sports	9	9	9	9	9	9
Other	26	26	26	26	26	26
<b>Total</b>	<b>181</b>	<b>202</b>	<b>206</b>	<b>212</b>	<b>216</b>	<b>216</b>
<b>Average Attendance</b>						
Convention	2,200	2,200	2,200	2,200	2,200	2,200
Tradeshow	1,100	1,100	1,100	1,100	1,100	1,100
Consumer Show	4,490	4,500	4,500	4,500	4,500	4,500
Meetings	310	310	310	310	310	310
Conferences	-	550	550	550	550	550
Banquets	490	560	560	560	560	560
Sports	2,200	2,200	2,200	2,200	2,200	2,200
Other	1,000	1,000	1,000	1,000	1,000	1,000
<b>Total Attendance</b>						
Convention	24,200	28,600	33,000	39,600	44,000	44,000
Tradeshow	25,300	25,300	25,300	25,300	25,300	25,300
Consumer Show	76,330	81,000	81,000	81,000	81,000	81,000
Meetings	19,840	20,150	20,150	20,150	20,150	20,150
Conferences	-	7,150	8,250	9,900	11,000	11,000
Banquets	15,190	19,600	19,600	19,600	19,600	19,600
Sports	19,800	19,800	19,800	19,800	19,800	19,800
Other	26,000	26,000	26,000	26,000	26,000	26,000
<b>Total</b>	<b>210,000</b>	<b>230,000</b>	<b>230,000</b>	<b>240,000</b>	<b>250,000</b>	<b>250,000</b>

A brief description of the event types and explanation of demand projections follows.

**Conventions—** Conventions are events that require a combination of exhibition, banquet, and meeting space. The existing exhibit hall could be divided and set up in various configurations to accommodate these events. If needed, the new multi-purpose hall could provide additional exhibition space. Meeting and ballroom

space is also used to accommodate the break out meetings and meals which are typically part of these multi-day events. The source of conventions would be primarily national and regional associations with some state groups booking as well. Religious and other SMERF groups that would rotate to Fort Lauderdale for their annual events are also included in this demand category.

**Tradeshows**—Tradeshows provide a means for wholesalers and retailers to transact business with industry buyers. As such, tradeshows are typically exhibit-oriented events in which products are displayed and demonstrated. Tradeshows require some meeting and meal space; however, these space requirements are much lower than that of conventions. The source of additional tradeshow demand would primarily be the expansion of existing shows produced by regional corporations and enterprises. HVS projects that the average BCCC trade show would modestly increase in both exhibit size and attendance.

**Consumer Shows**—Consumer shows are ticketed, public events that attract local and regional attendees, such as home and garden shows and car shows. The existing exhibit hall would remain the main exhibit space for vendors. Some meeting space would also be necessary for these events as support and back of house uses. Food and beverage services would be limited to concessions. HVS projects consumer show demand to be consistent with historical levels.

**Meetings**—Meetings are events that require breakout-meeting space but would not use banquet or exhibit space. Food service is limited to coffee breaks, breakfasts, or luncheons that are in meeting rooms. Civic organizations, local corporations, state associations, religious groups, and government agencies all host meetings. Although the size of the meetings ranges from 10 to over 1,000 persons, most meetings and conferences are small events that have fewer than 100 attendees and take place in breakout meeting space. The multi-purpose hall and ballrooms could also handle larger meetings or several smaller simultaneous meetings as needed. HVS projects that the improved meeting space and reduced conflicts would moderately increase overall demand for meetings.

**Conferences**—Conferences are multi-day events which are similar to meetings, however, conferences typically have a banquet component. Conferences require a mix of banquet and breakout space set-up as well as occasional assembly space, but do not require any exhibit set-up. With the introduction of the multi-purpose hall and the additional ballroom and breakout meeting space, HVS incorporated this new event category into the BCCC demand projections. Similar to conventions, conference demand would primarily be from national and state associations and corporations.

**Banquets**—Banquets are stand-alone social events, luncheons, and other meals typically booked by local corporations, social and civic organizations, and private clients. The flexibility of the ballroom and pre-function spaces would allow for a variety of banquet sizes and multiple simultaneous events. Since the ballrooms must also accommodate the needs of the venues convention clients, this flexibility is crucial to operate the facility with minimal scheduling conflicts.

**Sports**—The BCCC currently hosts a variety of sporting events including volleyball and martial arts competitions. The existing exhibit hall floor is the main venue for sporting events. The introduction of the multi-purpose hall would provide another potential venue for certain events, such as cheerleading, wrestling, and martial arts. Given the recent declines in sports demand, HVS projects that sport demand would remain consistent with historical levels and slightly above the demand from recent years.

**Other**—Other events include a variety of local-oriented facility rentals which include such events as exams, charity events, press conferences, radio/television satellite broadcasts, blood drives, and other civic uses. HVS projects that the demand for these other events would remain consistent with historical levels.

### Comparable Analysis

While the primary indicator of demand is the ability to expand a venue's established base of business, a good test for the reasonableness of these demand projections is an analysis of demand at comparable facilities and markets. In order to evaluate the demand projections for the expanded BCCC effectively, HVS expanded its comparable analysis to include a much broader selection of markets with conference center venues of similar size to that proposed for Broward County. The following figure compares the average convention and meeting demand for several years of recent historical demand of five venues with similar sized function spaces. These venues represent a wide range of markets with a mix of population size, economic breadth, and destination appeal. Because of the unique operating characteristics of exhibit and meeting facilities, no single facility or market can be considered a direct comparable to Broward County and the BCCC. The averages from a large set of event data do provide evidence for the reasonableness of the projections for the BCCC. For comparison purposes, average event data from the existing BCCC operations is also presented.

**FIGURE 7-6 COMPARABLE CONVENTION CENTER EVENT DEMAND**

	Austin Convention Center	Baltimore Convention Center	Charlotte Convention Center	Duke Energy Convention Center	Greater Richmond Convention Center	Average*	Historical BCCC	Expanded BCCC
<b>Number of Events</b>								
Conventions & Tradeshows	44	58	33	32	28	39	34	38
Consumer Shows	15	31	21	16	23	21	17	18
Banquets	28	14	0	35	41	30	31	35
Meetings & Conferences	90	82	159	63	95	98	64	80
<b>Total</b>	<b>176</b>	<b>185</b>	<b>213</b>	<b>146</b>	<b>187</b>	<b>187</b>	<b>146</b>	<b>171</b>

\*Average the only available data.

Sources: Event Data from Respective Facilities as Classified by HVS

Taking historical performance and market factors into consideration, the demand projections for the expanded BCCC are consistent with event demand currently found in similar sized venues throughout the U.S.

### Room Night Projections

HVS calculated the potential generation of room nights by the expanded BCCC. These room nights represent new, induced demand into the Broward County market as a direct result of the expansion of the BCCC. In order to calculate incremental room nights, HVS first estimated the room nights generated by existing BCCC operations. The following figure presents the assumptions used to generate room night estimates, both before after the proposed expansion.

**FIGURE 7-7 ASSUMPTIONS FOR HISTORICAL ROOM NIGHTS**

Type of Event	Length of Stay	Rooms per Attendee
Convention	2.50	80%
Tradeshow	2.50	80%
Consumer Show	1.00	8%
Meetings	1.50	40%
Conferences	na	na
Banquets	1.00	14%
Sports	2.00	30%
Other	1.00	5%



**FIGURE 7-8 ASSUMPTIONS FOR POST-EXPANSION ROOM NIGHTS**

Type of Event	Length of Stay	Rooms per Attendee
Convention	3.00	80%
Tradeshow	2.50	80%
Consumer Show	1.00	8%
Meetings	1.75	40%
Conferences	2.20	56%
Banquets	1.00	14%
Sports	2.00	30%
Other	1.00	5%

The introduction of the expanded BCCC would result in a greater number of higher impact conventions and conferences in Broward County. Larger conferences would bring a greater number of out-of-town visitors who require lodging. Meetings and conferences would similarly bring a greater percentage of attendees from outside the local market. The following figure presents the resulting room night generation through fiscal year 2020-21, the first year of stabilized demand. The estimated room nights from fiscal year 2011-12 are provided for reference.

**FIGURE 7-9 ROOM NIGHT ESTIMATES**

Type	Control Point	2017/18	2018/19	2019/20	2020/21
Convention	58,600	68,600	79,200	95,000	105,600
Tradeshow	50,100	50,600	50,600	50,600	50,600
Consumer Show	6,400	6,100	6,100	6,100	6,100
Meetings	12,100	14,100	14,100	14,100	14,100
Conferences	0	8,800	10,200	12,200	13,600
Banquets	2,300	2,800	2,800	2,800	2,800
Sports	14,700	11,900	11,900	11,900	11,900
Other	2,900	1,300	1,300	1,300	1,300
Total	147,100	164,200	176,200	194,000	206,000

In a stabilized year, HVS estimates that the expanded BCCC would generate approximately 206,000 room nights in the local area market, an increase of approximately 59,000 room nights from the room night generated in fiscal year 2011-12. Some of these room nights would result from contract blocks with groups and others would result from individual hotel reservations.

HVS demand projections are intended to show the expected levels of event numbers and attendance. Projections show smooth growth over time. However, event demand and booking cycles are not always smooth. Business can be affected by unpredictable local and national economic factors. Event demand is often cyclical, based on rotation patterns and market conditions. Therefore, HVS recommends interpreting the demand projections as a mid-point of a range of possible outcomes and over a multi-year period rather than relying on projections for any one specific year.

## 8. Hotel Market Analysis

HVS performed a hotel market analysis for a 700-room headquarters hotel property that would be constructed concurrently with the BCCC expansion. HVS assessed the current hotel room night demand and average daily room rates in a set of complete hotels properties. HVS incorporated its forecast of new hotel room night demand induced by the expanded BCCC into the analysis of market occupancy and room rates and market growth in room night demand assuming that the proposed hotel would be added to the market. Through a penetration analysis, HVS projected the rate and occupancy of the subject hotel. Using data on the financial operations of comparable hotel properties, HVS generated a ten-year pro forma of hotel operations, which shows the amounts of net operating income that would be available to repay debt or provide a return on equity investment in the hotel.

### Description of the Proposed Hotel

The hotel project and the BCCC expansion should be connected to, and integrated with, the BCCC, the public spaces, and the waterfront as described in Section 6 of this report. While the branding of the hotel has not been determined, for the purposes of this report, HVS assumes that the hotel would conform to the brand standards of major nationally branded full-service products. We assume that all property management and guestroom technology would be appropriately installed for the effective management of hotel operation. It would contain an appropriate mix of room types (king, double, suites, etc.) and should offer the highest quality hotel amenities available in this neighborhood.

Under a full-service, upscale scope, the proposed hotel should offer a significant amount of modern and technologically-advanced meeting space. We have assumed the integration of a fully divisible 40,000 square-foot grand ballroom, a 15,000 square-foot junior ballroom, and 25,000 square feet of primary meeting space. The hotel would also contain a full-service restaurant, a short-order food outlet, and a bar/lounge facility. Other amenities of a full-service branded hotel would include a pool, whirlpool, fitness center, business center, gift shop and well-appointed lobby area. Valet parking would be available as well as dedicated self-parking spaces for hotel guests through an operating agreement that should make use of the existing parking structure.

For the purposes of this analysis, we assume that the hotel would be financed sometime in 2014 and after a three-year design and construction period, the hotel would open in October 1, 2017.

We assume that the property would be built according to all pertinent codes and brand standards. Moreover, we assume its construction would not create any environmental hazards (such as mold) and that the property would fully comply with the Americans with Disabilities Act.

Overall, the subject property should offer a well-designed, functional layout of support areas and guestrooms. All typical and market-appropriate features and amenities should be included in the hotel's design. We assume that the building would be fully open and operational on the assumed opening date and would meet all local building codes and brand standards. Furthermore, we assume that the hotel staff would be adequately trained to allow for a successful opening and that pre-marketing efforts would have introduced the product to major local accounts at least six months in advance of the opening date.

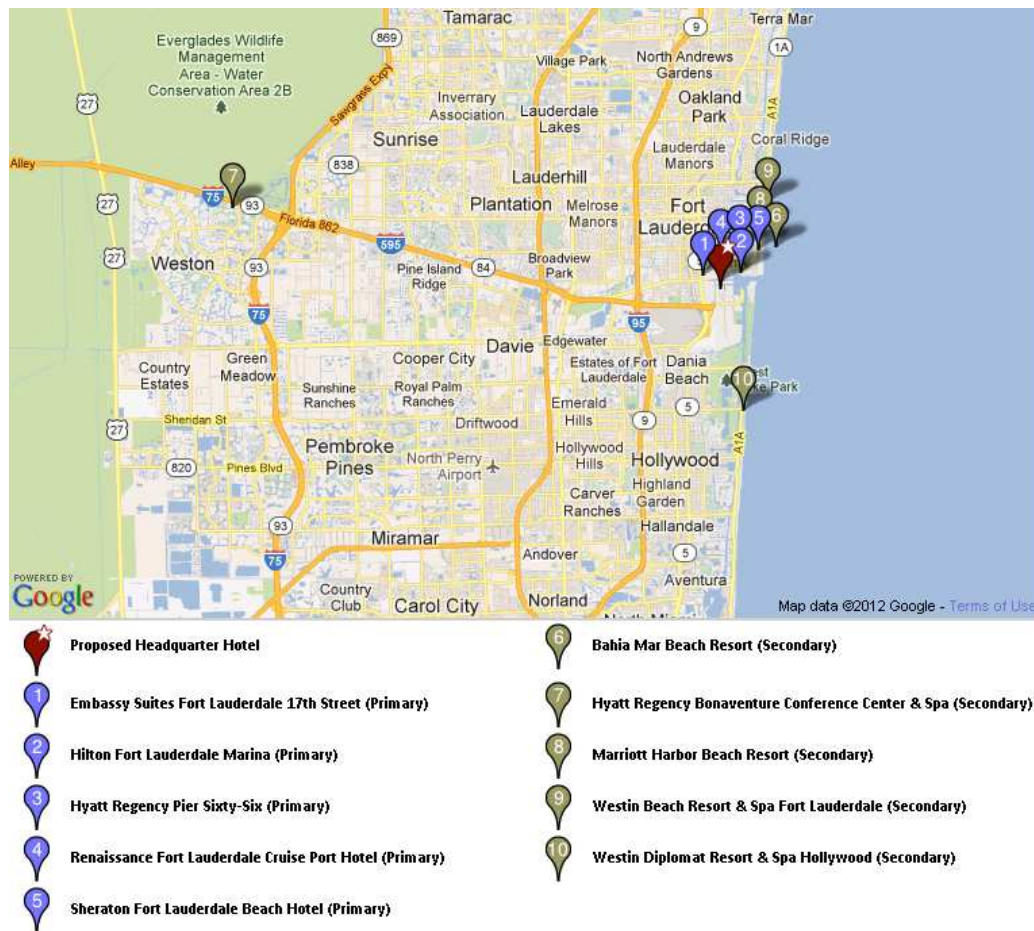
#### **Capital Expenditures**

Our analysis assumes that, after its opening, the hotel would require ongoing upgrades and periodic renovations in order to maintain its competitive level in this market. These costs should be adequately funded by the forecasted reserve for replacement, as long as a successful, ongoing preventive-maintenance program is employed by hotel staff.

#### **Historical Supply and Demand Data**

HVS obtained Smith Travel Research ("STR") data on the historical supply and demand for a set of hotel properties deemed to be competitive with the proposed hotel. The following map illustrates the locations of the proposed subject property and its future competitors.

## MAP OF COMPETITION



The following figure shows market-wide occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

**FIGURE 8-1 HISTORICAL SUPPLY AND DEMAND TRENDS**

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2001	3,938	1,437,520	—	928,044	—	64.6 %	\$145.68	—	\$94.05	—
2002	4,929	1,799,172	25.2	1,120,237	20.7	62.3	145.70	0.0	90.72	(3.5)
2003	5,014	1,830,110	1.7	1,218,919	8.8	66.6	147.04	0.9	97.94	8.0
2004	5,014	1,830,110	0.0	1,297,147	6.4	70.9	148.85	1.2	105.50	7.7
2005	5,014	1,830,110	0.0	1,234,239	(4.8)	67.4	161.73	8.7	109.07	3.4
2006	5,014	1,830,110	0.0	1,160,813	(5.9)	63.4	181.95	12.5	115.41	5.8
2007	4,675	1,706,514	(6.8)	1,184,285	2.0	69.4	188.57	3.6	130.86	13.4
2008	4,765	1,739,184	1.9	1,140,468	(3.7)	65.6	191.18	1.4	125.36	(4.2)
2009	4,645	1,695,373	(2.5)	1,016,860	(10.8)	60.0	169.07	(11.6)	101.41	(19.1)
2010	4,994	1,822,688	7.5	1,209,027	18.9	66.3	162.38	(4.0)	107.71	6.2
2011	4,994	1,822,810	0.0	1,289,922	6.7	70.8	162.35	(0.0)	114.89	6.7
2012	4,994	1,822,810	0.0	1,349,523	4.6	74.0	163.38	0.6	120.96	5.3

Hotels Included in Sample	Number of Rooms	Year Affiliated	Year Opened
Hyatt Regency Pier 66	384	Dec-94	Jun 1957
Sheraton Hotel Ft Lauderdale Beach Resort	487	Jan-10	Jun 1959
Westin Beach Resort & Spa Fort Lauderdale	432	Mar-09	Jun 1966
Doubletree Fort Lauderdale Bahia Mar Hotel	296	Dec-11	Jun 1966
Hilton Fort Lauderdale Marina	589	Mar-09	Dec 1980
Bonaventure Resort & Spa	501	Sep-12	Jan 1982
Marriott Harbor Beach Resort & Spa	650	Oct-84	Oct 1984
Embassy Suites Fort Lauderdale 17th Street	361	Dec-95	Dec 1986
Westin Diplomat Resort Golf & Spa	998	Feb-02	Mar 2000
Renaissance Fort Lauderdale Cruise Port Hotel	236	May-01	May 2001
<b>Total</b>	<b>4,934</b>		

Source: STR Global

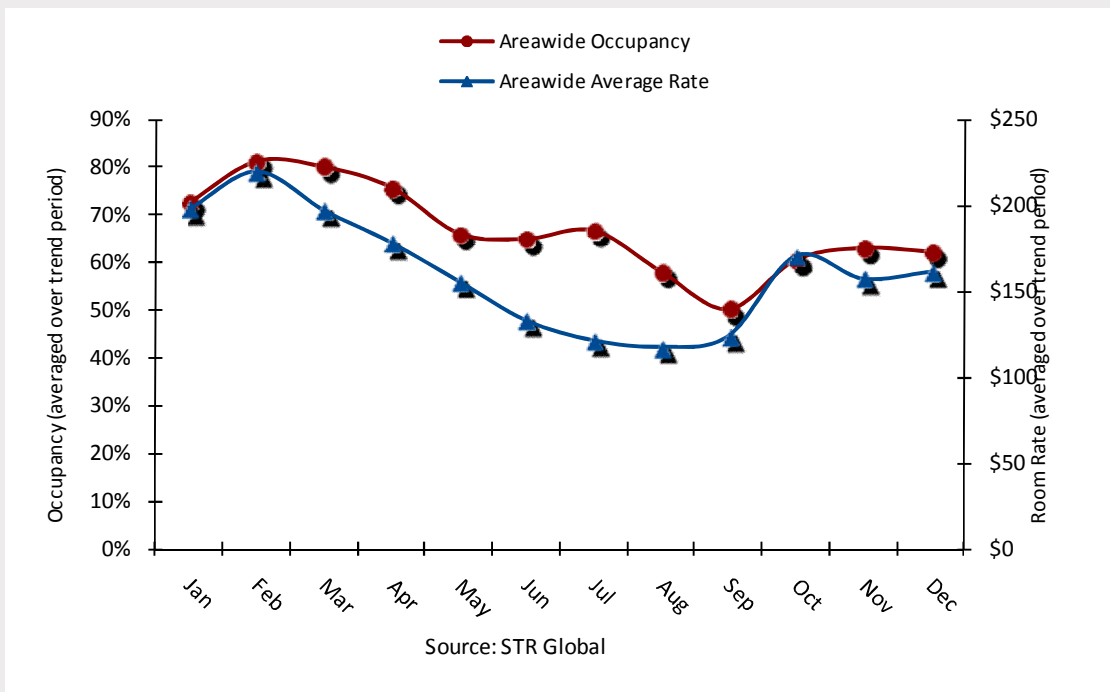
STR data has some limitations. Hotels are occasionally added to or removed from the sample and not every property reports data in a consistent and timely manner; these factors can influence the overall quality of the information by skewing the results. These inconsistencies may also cause the STR data to differ from the results of our competitive survey. Nonetheless, STR data provide the best indication of aggregate growth or decline in existing supply and demand; thus, these trends have been considered in our analysis.

These data reflect an overall market occupancy level of 74.0% in 2012, which compares to 70.8% for 2011. The overall average occupancy level for the calendar years presented equates to 67.8%. Lodging trends in this area have been relatively stable, with local employers, weekend highway travelers, and vacationers serving as consistent sources of demand. New supply entered the market several years ago and has been largely absorbed, which has allowed the hotels to establish more consistent penetration levels over the course of the last year. The economic downturn of 2008 and 2009 resulted in lower demand and occupancy rates in the market. Occupancy has steadily increased since 2009 and this trend is expected to continue as the area grows, assuming that the economy continues to improve.

An overall market average rate level of \$163.38 in 2012 compares to \$162.35 for 2011. The average rate across all calendar years presented for average rate equates to \$172.39 and has fluctuated over the past decade from the mid-\$130s to the mid \$180s, with 2008 being the strongest year. The entrance of new, high-quality select-service hotels and renovations to existing hotels allowed local hotel operators to increase average rates through 2007. In 2009, average rate growth concluded the year on a negative note, and this downward trend continued through 2011. The greater market area also experienced a significant amount of new limited-service supply, mostly located just south of the airport. Consequently, this new supply offered deeply discounted rates in order to attract demand during the shoulder seasons and slower months, impacting the competitive set's average rates. Information obtained from local hotel managers indicates that average daily rates bottomed out in 2011. Rates have been modestly increasing from the beginning of 2012. These occupancy and average rate trends resulted in a RevPAR level of \$120.96 in 2012.

## Seasonality

Monthly occupancy and average rate trends are presented in the following figures.

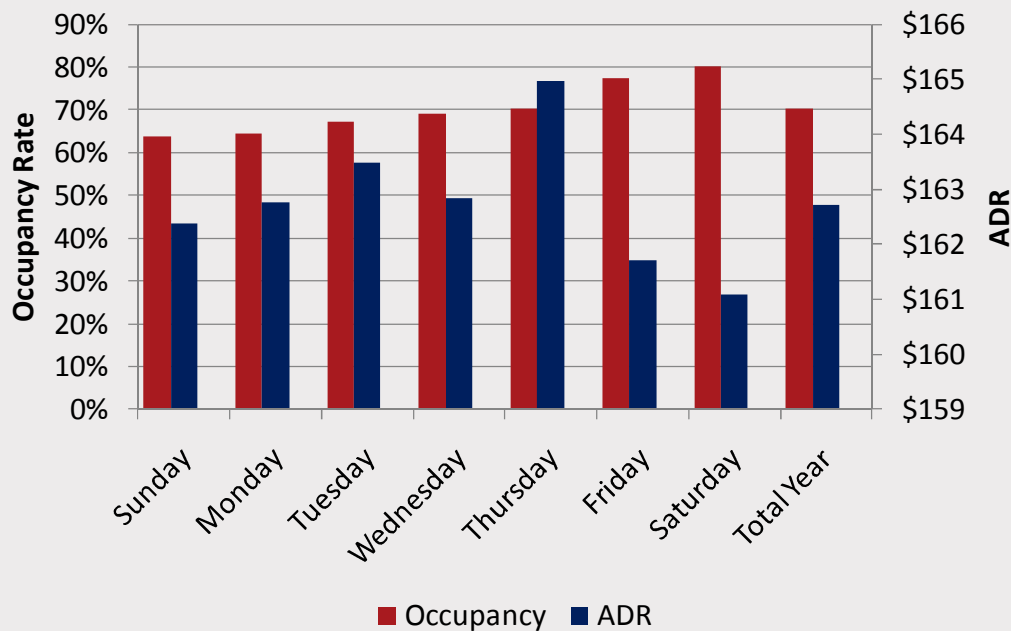
**FIGURE 8-2 SEASONALITY GRAPH**

Leisure travel drives the highest rates and occupancies during the winter months, with the peak month of February.

### Patterns of Demand

A review of the trends in occupancy, average rate, and RevPAR by the night of the week over the past three fiscal years provides some insight into the impact that the current economic conditions have had on the competitive lodging market. The data, as provided by Smith Travel Research, is set forth in the following figure.



**FIGURE 8-3 OCCUPANCY, AVERAGE RATE AND REVPAR BY DAY OF WEEK**

Leisure travelers and non-business-related groups generate peak occupancy on Friday and Saturday nights. Peak rate is not generated on Friday and Saturday nights, which is atypical for hotel markets.

### Supply

The subsection summarizes the important operating characteristics of the future primary competitors and the aggregate secondary competitors. This information was compiled from personal interviews, inspections, lodging directories, and our in-house library of operating data. The subsection also sets forth each property's penetration factors; penetration is the ratio between a specific hotel's operating results and the corresponding data for the market. Occupancy penetration is the ratio of a hotel's occupancy to the market occupancy. Yield penetration is the ratio of a hotel's RevPAR to market RevPAR. If the penetration factor is greater than 100%, the property is performing better than the market as a whole; conversely, if the penetration is less than 100%, the hotel is performing at a level below the market-wide average.

### Primary Competitors

Five properties will compete with the subject property on a primary basis and five properties will compete with the proposed subject property on a secondary basis. The room count of each secondary competitor has been weighted based on its assumed degree of competitiveness in the future with the proposed subject

property. The following figures set forth the pertinent operating characteristics of the primary and secondary competitors.

**FIGURE 8-4 COMPETITORS – OPERATING PERFORMANCE**

Property	Number of Rooms	Est. Segmentation				Weighted Annual Room Count	Estimated 2012					
		Convention	Meeting and Group	Leisure	Commercial		Occ.	Average Rate	RevPAR	RevPAR Change	Occupancy Penetration	Yield Penetration
Embassy Suites Fort Lauderdale 17th Street	361	18 %	20 %	42 %	20 %	361	82 %	\$135.00	\$110.70	5.9 %	108.9 %	93.4 %
Hilton Fort Lauderdale Marina	589	20	30	40	10	589	78	128.00	99.84	4.8	103.6	84.2
Hyatt Regency Pier Sixty-Six	384	10	10	60	20	384	67	149.00	99.83	5.4	89.0	84.2
Renaissance Fort Lauderdale Cruise Port Hotel	236	15	15	50	20	236	93	118.00	109.74	5.4	123.6	92.6
Sheraton Fort Lauderdale Beach Hotel	487	7	20	50	23	487	73	131.00	95.63	5.1	97.0	80.7
<b>Sub-Totals/Averages</b>	<b>2,057</b>	<b>14 %</b>	<b>21 %</b>	<b>47 %</b>	<b>18 %</b>	<b>2,057</b>	<b>77.2 %</b>	<b>\$132.00</b>	<b>\$101.88</b>	<b>5.3 %</b>	<b>102.6 %</b>	<b>86.0 %</b>
Secondary Competitors	2,877	5 %	55 %	30 %	10 %	1,687	72.9 %	\$190.38	\$138.84	5.0 %	96.9 %	117.1 %
<b>Totals/Averages</b>	<b>4,934</b>	<b>10 %</b>	<b>36 %</b>	<b>40 %</b>	<b>14 %</b>	<b>3,744</b>	<b>75.3 %</b>	<b>\$157.49</b>	<b>\$118.53</b>	<b>5.1 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

**FIGURE 8-5 SECONDARY COMPETITORS – OPERATING PERFORMANCE**

Property	Number of Rooms	Est. Segmentation				Total Competitive Level	Estimated 2012			
		Convention	Meeting and Group	Leisure	Commercial		Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Bahia Mar Beach Resort	296	5 %	20 %	70 %	5 %	65 %	192	56 %	\$128.00	\$71.68
Hyatt Regency Bonaventure Conference Center & Spa	501	0	51	30	19	50	251	52	131.00	68.12
Marriott Harbor Beach Resort	650	8	50	32	10	65	423	76	210.00	159.60
Westin Beach Resort & Spa Fort Lauderdale	432	5	15	55	25	40	173	73	166.00	121.18
Westin Diplomat Resort & Spa Hollywood	998	5	75	15	5	65	649	84	211.00	177.24
<b>Totals/Averages</b>	<b>2,877</b>	<b>5 %</b>	<b>55 %</b>	<b>30 %</b>	<b>10 %</b>	<b>59 %</b>	<b>1,687</b>	<b>72.9 %</b>	<b>\$190.38</b>	<b>\$138.84</b>

### Supply Changes

Based on primary research, HVS assumes that nearly 1,200 new rooms will enter the market, including the proposed hotel. See the figure below.

**FIGURE 8-6 NEW SUPPLY**

<b>Proposed Property</b>	<b>Number of Rooms</b>	<b>Total Competitive Level</b>	<b>Estimated Opening Date</b>
Proposed Headquarter Hotel	700	100 %	October 1, 2017
Former Trump Hotel & Tower	298	70	January 1, 2014
Full Service Hotel	200	75	January 1, 2016
<b>Totals/Averages</b>	<b>1,198</b>		

The former Trump International Hotel & Tower, at 551 North Fort Lauderdale Beach Boulevard, which is partly constructed, entered bankruptcy and the Sun Sentinel reports that Corus Construction Venture LLC, which holds the property loan, purchased the loan from a Chicago bank for \$100 plus the \$165.6 million debt in 2012. Currently, the expectation is that the property would emerge from bankruptcy and open as a standard hotel. Due to the Fort Lauderdale Beach location and expected upper upscale product type, this property has been weighted secondarily competitive.

HVS also assumed that a 200-room full-service hotel would open in January of 2016. Given the level of rate and occupancy in the market, some new hotel development is likely to occur before the opening of the proposed headquarters hotel. This property has been weighted secondarily competitive.

While we have taken reasonable steps to investigate proposed hotel projects and their status, due to the nature of real estate development, it is impossible to determine with certainty every hotel that will be opened in the future. Future improvement in market conditions will raise the risk of increased competition. Our forecasts reflect this risk.

## Demand

The following figure presents the most recent trends for the competitive set. HVS estimated performance results and in some cases weighted data on secondary competitors. In this respect, this information differs from the previously presented STR data.

**FIGURE 8-7 HISTORICAL MARKET TRENDS**

Year	Accommodated		Room Nights		Market			Market	
	Room Nights	% Change	Available	% Change	Occupancy	Market ADR	% Change	RevPAR	% Change
Est. 2010	892,895	—	1,364,023	—	65.5 %	\$150.43	—	\$98.47	—
Est. 2011	983,122	10.1 %	1,364,023	0.0 %	72.1	156.46	4.0 %	112.77	14.5 %
Est. 2012	1,028,521	4.6	1,366,524	0.2	75.3	157.49	0.7	118.53	5.1
Avg. Annual Compounded									

### Demand Analysis Using Market Segmentation

For the purpose of the demand analysis, the overall market is divided into four segments based on the nature of travel. Based on our fieldwork and knowledge of the local lodging market, we estimate the 2012 distribution of accommodated room night demand as shown in the figure below.

**FIGURE 8-8 ACCOMMODATED ROOM NIGHT DEMAND**

Market Segment	Marketwide	
	Accommodated Demand	Percentage of Total
Convention	107,066	10 %
Meeting and Group	366,064	36
Leisure	408,189	40
Commercial	147,202	14
<b>Total</b>	<b>1,028,521</b>	<b>100 %</b>

Convention demand (10%) is generated by BCCC events. Meeting and group demand (36%) is from events that occur only within hotels and include group tours. Leisure demand (40%) consists of individual travelers and includes cruise ship passengers staying in hotels before and after cruises. Commercial demand (14%) includes individuals traveling for business purposes, which is a relatively weak source of demand in this market.

Based on historical growth rates and on interviews with hotel managers, HVS assumed growth rates in room night demand for each market segment as shown in the figure below.

**FIGURE 8-9 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES**

Market Segment	Annual Growth Rate								
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Convention	2.0 %	1.5 %	1.5 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %
Meeting and Group	2.0	1.5	1.5	1.3	1.3	1.3	1.3	1.3	1.3
Leisure	2.0	1.5	1.5	1.3	1.3	1.3	1.3	1.3	1.3
Commercial	2.0	1.5	1.5	1.3	1.3	1.3	1.3	1.3	1.3
<b>Base Demand Growth</b>	<b>2.0 %</b>	<b>1.5 %</b>	<b>1.5 %</b>	<b>1.2 %</b>	<b>1.3 %</b>	<b>1.3 %</b>	<b>1.3 %</b>	<b>1.3 %</b>	<b>1.3 %</b>

The baseline growth in convention demand does not include the induced demand that could be generated by the BCCC expansion (see below for a further discussion of induced demand).

#### Latent Demand

Latent demand reflects potential room night demand that has not been realized by the existing competitive supply; this type of demand can be divided into unaccommodated demand and induced demand.

#### Unaccommodated Demand

Unaccommodated demand refers to individuals who are unable to secure accommodations in the market because all the local hotels are filled. These travelers must defer their trips, settle for less desirable accommodations, or stay in properties located outside the market area. Because this demand did not yield occupied room nights, it is not included in the estimate of historical accommodated room night demand. If additional lodging facilities are expected to enter the market, it is reasonable to assume that these guests will be able to secure hotel rooms in the future, and it is therefore necessary to quantify this demand.

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not average in excess of 70%, the market sells out many nights during the year. The following figure presents our estimate of unaccommodated demand in the subject market.

**FIGURE 8-10 UNACCOMMODATED DEMAND ESTIMATE**

<b>Market Segment</b>	<b>Accommodated Room Night Demand</b>	<b>Unaccommodated Demand Percentage</b>	<b>Unaccommodated Room Night Demand</b>
Convention	107,066	2.9 %	3,121
Meeting and Group	366,064	3.4	12,342
Leisure	408,189	3.5	14,401
Commercial	147,202	2.3	3,446
<b>Total</b>	<b>1,028,521</b>	<b>3.2 %</b>	<b>33,310</b>

Based upon an analysis of monthly and weekly peak demand and sell-out trends, we estimate that 3.2% of the base-year demand is unaccommodated.

### Induced Demand

Induced demand represents the additional room nights that are expected to be attracted to the market following the introduction of a new demand generator. Situations that can result in induced demand include the opening of a new manufacturing plant, the expansion of a convention center, or the addition of a new hotel with a distinct chain affiliation or unique facilities.

The expansion of the BCCC creates a large demand generator which will induce new demand into the local market. The creation of an integrated convention destination and construction of the ballroom and meeting space associated with the proposed hotel will induce new demand into the local market. The following figure summarizes our estimate of induced demand.

**FIGURE 8-11 INDUCED DEMAND CALCULATION**

<b>Market Segment</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Convention	4,275	20,100	33,550	49,900	58,900
Meeting and Group	1,500	6,000	6,000	6,000	6,000
Leisure	1,800	7,200	7,200	7,200	7,200
Commercial	600	2,400	2,400	2,400	2,400
<b>Total</b>	<b>8,175</b>	<b>35,700</b>	<b>49,150</b>	<b>65,500</b>	<b>74,500</b>

Accordingly, we have incorporated approximately 75,000 room nights into our analysis, phased-in over a five year ramp-up period.



**Accommodated  
Demand and Market-  
wide Occupancy**

The following figure details our projection of lodging demand growth for the subject market, including the total number of occupied room nights and any residual unaccommodated demand in the market, provided that the BCCC undergoes expansion.

**FIGURE 8-12 FORECAST OF MARKET OCCUPANCY**

	2017	2018	2019	2020	2021
<b>Convention</b>					
Base Demand	115,338	116,838	118,357	119,895	121,454
Unaccommodated Demand	3,362	3,405	3,450	3,495	3,540
Induced Demand	4,275	20,100	33,550	49,900	58,900
Total Demand	122,975	140,343	155,356	173,290	183,894
Growth Rate	4.9 %	14.1 %	10.7 %	11.5 %	6.1 %
<b>Meeting and Group</b>					
Base Demand	394,348	399,475	404,668	409,928	415,258
Unaccommodated Demand	13,296	13,469	13,644	13,821	14,001
Induced Demand	1,500	6,000	6,000	6,000	6,000
Total Demand	409,144	418,944	424,312	429,750	435,259
Growth Rate	1.6 %	2.4 %	1.3 %	1.3 %	1.3 %
<b>Leisure</b>					
Base Demand	439,727	445,444	451,235	457,101	463,043
Unaccommodated Demand	15,514	15,716	15,920	16,127	16,336
Induced Demand	1,800	7,200	7,200	7,200	7,200
Total Demand	457,041	468,359	474,354	480,427	486,579
Growth Rate	1.7 %	2.5 %	1.3 %	1.3 %	1.3 %
<b>Commercial</b>					
Base Demand	158,576	160,637	162,725	164,841	166,984
Unaccommodated Demand	3,712	3,761	3,810	3,859	3,909
Induced Demand	600	2,400	2,400	2,400	2,400
Total Demand	162,888	166,798	168,935	171,100	173,293
Growth Rate	1.6 %	2.4 %	1.3 %	1.3 %	1.3 %
<b>Totals</b>					
Base Demand	1,107,989	1,122,393	1,136,984	1,151,765	1,166,738
Unaccommodated Demand	35,884	36,351	36,823	37,302	37,787
Induced Demand	8,175	35,700	49,150	65,500	74,500
Total Demand	1,152,048	1,194,444	1,222,957	1,254,567	1,279,025
less: Residual Demand	24,313	0	0	0	2,937
Total Accommodated Demand	1,127,736	1,194,444	1,222,957	1,254,567	1,276,088
<b>Overall Demand Growth</b>	2.0 %	5.9 %	2.4 %	2.6 %	1.7 %
<b>Market Mix</b>					
Convention	10.7 %	11.7 %	12.7 %	13.8 %	14.4 %
Meeting and Group	35.5	35.1	34.7	34.3	34.0
Leisure	39.7	39.2	38.8	38.3	38.0
Commercial	14.1	14.0	13.8	13.6	13.5
<b>Existing Hotel Supply</b>	3,744	3,744	3,744	3,744	3,744
<b>Proposed Hotels</b>					
Proposed Headquarter Hotel	<sup>1</sup> 176	700	700	700	700
Former Trump Hotel & Tower	<sup>2</sup> 209	209	209	209	209
Full Service Hotel	<sup>3</sup> 150	150	150	150	150
Available Rooms per Night	1,561,813	1,752,913	1,752,913	1,752,913	1,752,913
Nights per Year	365	365	365	365	365
<b>Total Supply</b>	4,279	4,803	4,803	4,803	4,803
Rooms Supply Growth	4.3 %	12.2 %	0.0 %	0.0 %	0.0 %
<b>Marketwide Occupancy</b>	<b>72.2 %</b>	<b>68.1 %</b>	<b>69.8 %</b>	<b>71.6 %</b>	<b>72.8 %</b>

<sup>1</sup> Opening in October 2017 of the 100% competitive, 700-room Proposed Headquarter Hotel

<sup>2</sup> Opening in January 2014 of the 70% competitive, 298-room Former Trump Hotel & Tower

<sup>3</sup> Opening in January 2016 of the 75% competitive, 200-room Full Service Hotel



These room night projections for the market area will be used in forecasting the proposed subject property's occupancy and average rate later in this report section.

### Projections of Occupancy and Average Rate

Along with average rate results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources (such as food, beverages, and telephone income) are driven by the number of guests, and many expense levels also vary with occupancy. To a certain degree, management can manipulate the level of occupancy. For example, hotel operators may choose to lower rates in an effort to maximize occupancy. Our forecasts reflect an operating strategy that we believe would be implemented by a typical, professional hotel management team to achieve an optimal mix of occupancy and average rate.

### Penetration Rate Analysis

The subject property's forecasted market share and occupancy levels are based upon its anticipated competitive position within the market, as quantified by its penetration rate. The penetration rate is the ratio of a property's market share to its fair share.

### Historical Penetration Rates by Market Segment

In the following figure, the penetration rates attained by the primary competitors and the aggregate secondary competitors are set forth for each segment for the base year.

**FIGURE 8-13 HISTORICAL PENETRATION RATES**

Property	Convention	Meeting and Group	Leisure	Commercial	Overall
Embassy Suites Fort Lauderdale 17th Street	188 %	61 %	115 %	152 %	109 %
Hilton Fort Lauderdale Marina	199	87	104	72	104
Hyatt Regency Pier Sixty-Six	86	25	135	124	89
Renaissance Fort Lauderdale Cruise Port Hotel	178	52	156	173	124
Sheraton Fort Lauderdale Beach Hotel	65	55	122	156	97
Secondary Competition	49	150	73	67	97

The Hilton Fort Lauderdale Marina achieved the highest penetration rate within the convention segment. The highest penetration rate in the meeting and group segment was achieved by the secondary competition, while the Renaissance Fort Lauderdale Cruise Port Hotel led the market with the highest leisure penetration rate.

**Forecast of Subject  
Property's Occupancy**

Because the supply and demand balance for the competitive market is dynamic, there is a circular relationship between the penetration factors of each hotel in the market. The performance of individual new hotels has a direct effect upon the aggregate performance of the market, and consequently upon the calculated penetration factor for each hotel in each market segment.

A hotel's penetration factor is calculated as its market share of demand divided by its fair share of demand. Thus, if one hotel's penetration performance increases, thereby increasing its achieved market share, this leaves less demand available in the market for the other hotels to capture and the penetration performance of one or more of those other hotels consequently declines (other things remaining equal). This type of market share adjustment takes place every time there is a change in supply, or a change in the relative penetration performance of one or more hotels in the competitive market.

Our projections of penetration, demand capture, and occupancy performance for the subject property account for these types of adjustments to market share within the defined competitive market. Consequently, the actual penetration factors applicable to the subject property and its competitors for each market segment in each projection year may vary somewhat from the penetration factors delineated in the previous figures.

HVS forecast the following market penetration rates by market segment for the proposed headquarters hotel.

**FIGURE 8-14 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY**

	2017	2018	2019	2020	2021
Convention	31 %	30 %	32 %	34 %	35 %
Meeting and Group	40	40	40	38	38
Leisure	23	25	23	23	22
Commercial	6	5	5	5	5
<b>Total</b>	100 %	100 %	100 %	100 %	100 %

Using the estimated penetration rates, HVS calculated the room night demand and occupancy of the proposed hotel as shown in the figure below.

**FIGURE 8-15 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY (STABALIZATION)**

Market Segment	2017	2018	2019	2020	2021
<b>Convention</b>					
Demand	120,631	140,343	155,356	173,290	183,492
Market Share	9.6 %	33.0 %	33.9 %	33.9 %	33.9 %
Capture	11,557	46,373	52,591	58,662	62,116
Penetration	232 %	227 %	232 %	232 %	232 %
<b>Meeting and Group</b>					
Demand	400,224	418,944	424,312	429,750	434,247
Market Share	3.8 %	14.8 %	15.5 %	15.5 %	15.5 %
Capture	15,207	62,127	65,583	66,423	67,118
Penetration	92 %	102 %	106 %	106 %	106 %
<b>Leisure</b>					
Demand	446,755	468,359	474,354	480,427	485,450
Market Share	2.0 %	8.2 %	8.2 %	8.2 %	8.2 %
Capture	8,828	38,224	38,714	39,209	39,619
Penetration	48 %	56 %	56 %	56 %	56 %
<b>Commercial</b>					
Demand	160,125	166,798	168,935	171,100	172,898
Market Share	1.3 %	4.9 %	4.9 %	4.9 %	4.9 %
Capture	2,078	8,242	8,348	8,455	8,543
Penetration	31 %	34 %	34 %	34 %	34 %
<b>Total Room Nights Captured</b>	<b>37,671</b>	<b>154,966</b>	<b>165,235</b>	<b>172,749</b>	<b>177,397</b>
Available Room Nights	64,399	255,500	255,500	255,500	255,500
<b>Subject Occupancy</b>	<b>58 %</b>	<b>61 %</b>	<b>65 %</b>	<b>68 %</b>	<b>69 %</b>
Marketwide Available Room Nights	1,561,813	1,752,913	1,752,913	1,752,913	1,752,913
<b>Fair Share</b>	<b>4 %</b>	<b>15 %</b>	<b>15 %</b>	<b>15 %</b>	<b>15 %</b>
Marketwide Occupied Room Nights	1,127,736	1,194,444	1,222,957	1,254,567	1,276,088
<b>Market Share</b>	<b>3 %</b>	<b>13 %</b>	<b>14 %</b>	<b>14 %</b>	<b>14 %</b>
<b>Marketwide Occupancy</b>	<b>72 %</b>	<b>68 %</b>	<b>70 %</b>	<b>72 %</b>	<b>73 %</b>
<b>Total Penetration</b>	<b>81 %</b>	<b>89 %</b>	<b>93 %</b>	<b>94 %</b>	<b>95 %</b>

The stabilized occupancy rate of 69% reflects the anticipated results of the property over its remaining economic life, given any and all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. The subject

property may operate at occupancies above or below this stabilized level in any given year.

### Average Rate Analysis

Average rate is calculated by dividing the total rooms revenue achieved during a specified period by the number of rooms sold during the same period. Although the average rate analysis presented here follows the occupancy projection, these two statistics are highly correlated; in reality, one cannot project occupancy without making specific assumptions regarding average rate. This relationship is best illustrated by revenue per available room (RevPAR), which reflects a property's ability to maximize rooms revenue. The following figure summarizes the historical average rate and the RevPAR of the subject property's future primary competitors.

**FIGURE 8-16 BASE YEAR AVERAGE RATE AND REVPAR OF THE COMPETITORS**

Property	Estimated 2012 Average Room Rate	Average Room Rate Penetration	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
Embassy Suites Fort Lauderdale 17th Street	\$135.00	85.7 %	\$110.70	93.4 %
Hilton Fort Lauderdale Marina	128.00	81.3	99.84	84.2
Hyatt Regency Pier Sixty-Six	149.00	94.6	99.83	84.2
Renaissance Fort Lauderdale Cruise Port Hotel	118.00	74.9	109.74	92.6
Sheraton Fort Lauderdale Beach Hotel	131.00	83.2	95.63	80.7
Average - Primary Competitors	\$132.00	83.8 %	\$101.88	86.0 %
Average - Secondary Competitors	190.38	120.9	138.84	117.1
<b>Overall Average</b>	<b>\$157.49</b>		<b>\$118.53</b>	

The primary competitors realized an overall average rate of \$132.00 in the 2012 base year, improving from the 2011 level of \$130.95. The Hyatt Regency Pier Sixty-Six achieved the highest estimated average rate in the local competitive market, by a significant margin, because of its strong brand, extensive meeting space and waterfront location. Other important rate aspects of this market include strong winter season and the premium from beach front properties. The selected rate position for the proposed subject property, in base-year dollars, takes into consideration factors such as Port Everglades location, connection to the BCCC and expected brand affiliation. We have selected the rate position of \$145.00, in base-year dollars, for the proposed property, which is above the average of the primary competitors but below the top performer.

Based upon our research and analysis, rates bottomed out near the low \$130s during the 2011 time frame and then began a modest upward climb. We anticipate modest rate growth to continue as the economy continues to recover from the downturn.

Based on these considerations, the following figure illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied a base underlying inflation rate of 2.5% annually throughout our projection period.

**FIGURE 8-17 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST**

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	75.3 %	—	\$157.49	—	—	\$145.00	92.1 %
2013	75.8	4.0 %	163.79	—	4.0 %	150.80	92.1
2014	74.3	3.0	168.70	—	3.0	155.32	92.1
2015	75.3	2.5	172.92	—	2.5	159.21	92.1
2016	73.9	2.5	177.24	—	2.5	163.19	92.1
2017	72.2	2.5	181.67	58.0 %	2.5	167.27	92.1
2018	68.1	2.5	186.21	61.0	2.5	171.45	92.1
2019	69.8	2.5	190.87	65.0	2.5	175.73	92.1
2020	71.6	2.5	195.64	68.0	2.5	180.13	92.1
2021	72.8	2.5	200.53	69.0	2.5	184.63	92.1

As illustrated above, a 4.0% rate of change is expected for the subject property's positioned 2012 room rate in 2013. This is followed by growth rates of 3.0% and 2.5% in 2014 and 2015, respectively. The proposed subject property's rate position should reflect growth similar to market trends because of the proposed hotel's new facility, strong brand affiliation, Port of Everglade location, and connection to the BCCC. The proposed subject property's average rate penetration rate is forecast to reach 92.1% by the stabilized period.

A new property must establish its reputation and a client base in the market during its ramp-up period; as such, the proposed subject property's average rates in the initial operating period have been discounted to reflect this likelihood. We forecast 2.0% and 1.0% discounts to the proposed subject property's forecast room rates in the first two operating years, which would be typical for a new operation of this type.

The following occupancies and average rates will be used to project the subject property's rooms revenue; this forecast reflects years which begin October 1, 2017 and correspond with our financial projections.

**FIGURE 8-18 FORECAST OF OCCUPANCY, AVERAGE RATE, AND REVPAR**

Year	Occupancy	Average Rate		Average Rate		RevPAR
		Before Discount	Discount	After Discount		
2017/18	60 %	\$170.39	2.0 %	\$166.99		\$100.19
2018/19	64	174.65	1.0	172.91		110.66
2019/20	67	179.02	0.0	179.02		119.94
2020/21	69	183.50	0.0	183.50		126.61

### Projections of Income and Expense

HVS used its forecast of room night demand and average rates to calculate the subject property's room revenue. HVS forecast the income and expenses for the proposed subject property. We assume operation would begin in October 1, 2017.

The forecast of income and expense is expressed in current dollars for each year. The stabilized year reflects the anticipated operating results of the property over its remaining economic life, given any or all applicable stages of build-up, plateau, and decline in the life cycle of the hotel. Thus, income and expense estimates from the stabilized year forward exclude from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusual revenues or expenses. The ten-year period reflects the typical holding period of large real estate assets such as hotels.

### Comparable Operating Statements

The projection of income and expense for the proposed subject property rely on sample comparable operating statements from the HVS database of hotel statistics. The comparable financial statements were carefully selected based on similarities with the subject property including: room count, property type, location in resort markets, amounts of function space, occupancy rates, and average daily room rates.

All financial data is presented according to the three most common measures of industry performance: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense.

**FIGURE 8-19 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2010/11	2010/11	2010/11	2010/11	2011	2012
Number of Rooms:	730 to 910	680 to 840	850 to 1050	570 to 710	550 to 680	700
Days Open:	365	365	365	365	365	365
Occupancy:	72%	60%	56%	71%	70%	69%
Average Rate:	\$135	\$125	\$152	\$160	\$166	\$151
RevPAR:	\$97	\$75	\$85	\$113	\$115	\$104
<b>REVENUE</b>						
Rooms	61.4 %	64.2 %	62.8 %	56.2 %	52.4 %	64.3 %
Food & Beverage	34.8	30.4	34.1	36.7	44.9	30.9
Other Operated Departments	1.3	3.8	1.2	7.1	1.8	3.0
Rentals & Other Income	2.5	1.7	1.9	0.0	0.9	1.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
<b>DEPARTMENTAL EXPENSES*</b>						
Rooms	23.6	28.9	23.9	28.1	19.3	25.0
Food & Beverage	54.2	77.5	76.1	66.6	60.8	68.0
Other Operated Departments	64.8	8.1	96.6	39.2	83.9	55.0
Other Expenses	7.1	69.3	0.0	0.0	0.0	0.0
Total	34.4	43.6	42.2	43.0	38.9	38.8
<b>DEPARTMENTAL INCOME</b>	65.6	56.4	57.8	57.0	61.1	61.2
<b>OPERATING EXPENSES</b>						
Administrative & General	7.0	5.9	8.2	9.4	7.0	8.0
Marketing	7.9	4.6	8.1	7.0	9.2	7.3
Franchise Fee	0.0	4.8	0.0	0.0	0.0	0.0
Property Operations & Maintenance	4.0	4.3	5.1	5.0	3.5	4.6
Utilities	3.1	4.7	5.1	4.7	3.4	5.4
Total	22.1	24.4	26.6	26.1	23.1	25.3
<b>HOUSE PROFIT</b>	43.5	32.0	31.2	30.9	38.0	36.0
Management Fee	3.0	2.5	2.5	1.0	2.7	3.0
<b>INCOME BEFORE FIXED CHARGES</b>	40.5	29.6	28.8	29.9	35.3	33.0

\* Departmental expense ratios are expressed as a percentage of departmental revenues

**FIGURE 8-20 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2010/11	2010/11	2010/11	2010/11	2011	2012
Number of Rooms:	730 to 910	680 to 840	850 to 1050	570 to 710	550 to 680	700
Days Open:	365	365	365	365	365	365
Occupancy:	72%	60%	56%	71%	70%	69%
Average Rate:	\$135	\$125	\$152	\$160	\$166	\$151
RevPAR:	\$97	\$75	\$85	\$113	\$115	\$104
<b>REVENUE</b>						
Rooms	\$35,426	\$27,217	\$30,933	\$41,293	\$42,106	\$37,930
Food & Beverage	20,100	12,885	16,790	26,963	36,109	18,216
Other Operated Departments	741	1,590	612	5,186	1,445	1,796
Rentals & Other Income	1,428	713	930	0	759	1,026
Total	57,694	42,406	49,266	73,441	80,419	58,967
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	8,350	7,878	7,399	11,610	8,125	9,482
Food & Beverage	10,890	9,988	12,777	17,953	21,953	12,387
Other Operated Departments	480	128	591	2,034	1,212	988
Other Expenses	101	494	0	0	0	0
Total	19,821	18,489	20,768	31,598	31,290	22,857
<b>DEPARTMENTAL INCOME</b>	<b>37,873</b>	<b>23,917</b>	<b>28,498</b>	<b>41,844</b>	<b>49,129</b>	<b>36,111</b>
<b>OPERATING EXPENSES</b>						
Administrative & General	4,029	2,498	4,052	6,902	5,661	4,737
Marketing	4,571	1,937	3,988	5,156	7,362	4,278
Franchise Fee	0	2,044	0	0	0	0
Property Operations & Maintenance	2,333	1,843	2,527	3,637	2,782	2,725
Utilities	1,816	2,011	2,516	3,476	2,756	3,158
Total	12,749	10,332	13,083	19,170	18,560	14,898
<b>HOUSE PROFIT</b>	<b>25,124</b>	<b>13,585</b>	<b>15,415</b>	<b>22,674</b>	<b>30,569</b>	<b>21,212</b>
Management Fee	1,730	1,041	1,231	715	2,161	1,769
<b>INCOME BEFORE FIXED CHARGES</b>	<b>23,395</b>	<b>12,544</b>	<b>14,184</b>	<b>21,959</b>	<b>28,407</b>	<b>19,443</b>



**FIGURE 8-21 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER OCCUPIED ROOM**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2010/11	2010/11	2010/11	2010/11	2011	2012
Number of Rooms:	730 to 910	680 to 840	850 to 1050	570 to 710	550 to 680	700
Days Open:	365	365	365	365	365	365
Occupancy:	72%	60%	56%	71%	70%	69%
Average Rate:	\$135	\$125	\$152	\$160	\$166	\$151
RevPAR:	\$97	\$75	\$85	\$113	\$115	\$104
<b>REVENUE</b>						
Rooms	\$135.36	\$125.31	\$151.64	\$160.15	\$165.56	\$150.60
Food & Beverage	76.80	59.33	82.31	104.57	141.98	72.33
Other Operated Departments	2.83	7.32	3.00	20.11	5.68	7.13
Rentals & Other Income	5.45	3.28	4.56	0.00	2.98	4.07
Total	220.45	195.24	241.51	284.83	316.21	234.14
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	31.90	36.27	36.27	45.03	31.95	37.65
Food & Beverage	41.61	45.99	62.64	69.63	86.32	49.18
Other Operated Departments	1.83	0.59	2.90	7.89	4.76	3.92
Other Expenses	0.39	2.27	0.00	0.00	0.00	0.00
Total	75.74	85.13	101.81	122.54	123.03	90.76
<b>DEPARTMENTAL INCOME</b>	144.71	110.12	139.70	162.28	193.17	143.38
<b>OPERATING EXPENSES</b>						
Administrative & General	15.40	11.50	19.86	26.77	22.26	18.81
Marketing	17.47	8.92	19.55	20.00	28.95	16.99
Franchise Fee	0.00	9.41	0.00	0.00	0.00	0.00
Property Operations & Maintenance	8.91	8.48	12.39	14.10	10.94	10.82
Utilities	6.94	9.26	12.34	13.48	10.84	12.54
Total	48.71	47.57	64.14	74.35	72.98	59.16
<b>HOUSE PROFIT</b>	96.00	62.55	75.57	87.94	120.20	84.23
Management Fee	6.61	4.79	6.04	2.77	8.50	7.02
<b>INCOME BEFORE FIXED CHARGES</b>	89.39	57.76	69.53	85.16	111.70	77.20

We will refer to the comparable operating data in the following discussion of each line item.

### Fixed and Variable Component Analysis

HVS uses a fixed and variable component model to project a lodging facility's revenue and expense levels. This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. A projection can be made by taking a known level of revenue or expense and calculating its fixed and variable components. The fixed component is then increased in tandem with the underlying rate of inflation, while the variable component is adjusted for a specific measure of volume such as total revenue.

The following figure illustrates the revenue and expense categories that can be projected using this fixed and variable component model. These percentages show the portion of each category that is typically fixed and variable; the middle column describes the basis for calculating the percentage of variability, while the last column sets forth the fixed percentage that has been utilized in this valuation.

**FIGURE 8-22 RANGE OF FIXED AND VARIABLE RATIOS**

Category	Percent Fixed	Percent Variable	Index of Variability	Selected Fixed Ratio
<b>Revenues</b>				
Food	25 - 50 %	50 - 75 %	Occupancy	15 %
Beverage	0 - 30	70 - 100	Occupancy	0
Other Operated Departments	10 - 40	60 - 90	Occupancy	10
Rentals & Other Income	30 - 70	30 - 70	Occupancy	10
<b>Departmental Expenses</b>				
Rooms	50 - 70	30 - 50	Occupancy	60
Food & Beverage	35 - 60	40 - 65	Food & Beverage Revenue	55
Other Operated Departments	40 - 60	40 - 60	Other Operated Departments Revenue	70
Rentals & Other Expenses	30 - 70	30 - 70	Rentals & Other Income	70
<b>Undistributed Operating Expenses</b>				
Administrative & General	65 - 85	15 - 35	Total Revenue	75
Marketing	65 - 85	15 - 35	Total Revenue	75
Prop. Operations & Maint.	55 - 75	25 - 45	Total Revenue	75
Utilities	75 - 95	5 - 25	Total Revenue	75
Management Fee	0	100	Total Revenue	0
<b>Fixed Expenses</b>				
Property Taxes	100	0	Total Revenue	100
Insurance	100	0	Total Revenue	100
Reserve for Replacement	0	100	Total Revenue	0

Our fixed and variable projection model is based upon variables that we input for each revenue and expense item for a “base year,” which in this case is the year 2012. The base-year forecast sets forth the ratios to revenue, amounts per available room, or amounts per occupied room that we believe can be achieved at the stated base-year average rate and occupancy. Our input variables are derived from the comparable hotel statements. The model then calculates a base-year forecast of income and expense in these base-year dollars.

The actual forecast is derived by adjusting each year’s revenue and expense by the amount fixed (the fixed expense multiplied by the inflated base-year amount) plus the variable amount (the variable expense multiplied by the inflated base-year amount) multiplied by the ratio of the projection year’s occupancy to the base-year occupancy (in the case of departmental revenue and expense) or the ratio of the

projection year's revenue to the base year's revenue (in the case of undistributed operating expenses). Fixed expenses remain fixed, increasing only with inflation. Our discussion of the revenue and expense forecast in this report is based upon the output derived from the fixed and variable model. This forecast of revenue and expense is accomplished through a step-by-step approach, following the format of the *Uniform System of Accounts for the Lodging Industry*. Each category of revenue and expense is estimated separately and combined at the end in the final statement of income and expense.

### **Inflation Assumption**

A general rate of inflation must be established that will be applied to most revenue and expense categories. The following figure shows inflation estimates made by economists at some noted institutions and corporations.

**FIGURE 8-23 INFLATION ESTIMATES**

Name	Firm	Previous Projections	Projected Increase in Consumer Price Index (Annualized Rate Versus 12 Months Earlier)			
		for December 2012 in June 2012	December 2013	June 2014	December 2014	June 2015
Paul Ashworth	Capital Economics	1.5 %	1.8 %	2.0 %	2.0 %	2.0 %
Nariman Behraves	IHS Global Insight	1.2	1.6	1.9	1.6	1.5
Richard Berner/ David Greenlaw	Morgan Stanley	—	1.3	1.5	1.6	—
Ram Bhagavatula	Combinatorics Capital	2.8	2.8	3.0	2.8	2.8
Jay Brinkmann	Mortgage Bankers Association	2.3	2.1	2.1	2.2	2.4
Michael Carey	Credit Agricole CIB	1.6	1.7	1.5	1.9	—
Joseph Carson	AllianceBernstein	2.5	2.5	2.7	3.0	3.0
Julia Coronado	BNP Paribas	2.0	2.1	2.1	2.3	2.2
Mike Cosgrove	Econoclast	2.0	2.3	2.5	2.5	2.5
Lou Crandall	Wrightson ICAP	2.1	2.3	2.1	2.2	2.3
J. Dewey Daane	Vanderbilt University	2.5	2.0	2.5	2.5	2.5
Douglas Duncan	Fannie Mae	1.7	1.5	1.9	2.0	2.0
Robert Dye	Comerica Bank	1.3	1.7	2.3	2.3	2.3
Maria Fiorini Ramirez/Joshua Shapiro	MFR, Inc.	1.5	1.6	1.6	1.8	—
Ethan Harris	Bank of America Securities- Merrill Lynch	1.4	1.8	1.9	1.5	—
Maury Harris	UBS	1.6	1.9	2.5	2.5	—
Jan Hatzius	Goldman, Sachs & Co.	1.8	2.0	1.6	1.8	2.0
Tracy Herrick	Avidbank	2.6	3.6	3.8	4.9	5.5
Stuart Hoffman	PNC Financial Services Group	1.9	2.4	2.5	2.5	2.4
Gene Huang	FedEx Corp.	1.8	2.2	2.3	2.3	2.4
William B. Hummer	Wintrust Wealth Management	2.0	2.0	1.9	2.1	2.1
Bruce Kasman	JP Morgan Chase & Co.	1.4	1.4	1.7	1.7	—
Joseph LaVorgna	Deutsche Bank Securities, Inc.	2.2	2.5	2.5	2.5	2.8
Edward Leamer/David Shulman	UCLA Anderson Forecast	1.7	1.5	2.0	2.4	—
Don Leavens/Tim Gill	NEMA Business Information Services	1.4	1.3	1.9	1.8	1.7
John Lonski	Moody's Investors Service	1.7	1.9	2.1	2.2	2.0
Dean Maki	Barclays Capital	2.0	2.6	2.5	2.5	—
Aneta Markowska	Societe Generale	1.4	1.8	1.8	1.9	2.0
Jim Meil/Arun Raha	Eaton Corp.	1.7	1.9	2.2	2.0	1.9
Michael P. Niemira	International Council of Shopping Centers	2.0	3.2	3.2	3.2	3.0
Jim O'Sullivan	High Frequency Economics	—	2.5	2.6	2.7	2.7
Nicholas S. Perna	Perna Associates	1.8	2.0	2.1	2.1	2.2
Dr. Joel Prakken/ Chris Varvares	Macroeconomic Advisers	2.0	1.5	1.8	1.8	—
John Ryding/Conrad DeQuadros	RDQ Economics	1.9	2.5	—	—	—
Ian Shepherdson	Pantheon Macroeconomic Advisors	2.4	2.2	2.5	2.5	2.5
John Silvia	Wells Fargo & Co.	1.6	2.0	2.1	2.2	2.4
Allen Sinai	Decision Economics, Inc.	2.2	2.6	2.5	2.8	3.0
James F. Smith	Parsec Financial Management	1.0	1.0	0.8	1.0	1.1
Sean M. Snaith	University of Central Florida	0.9	1.6	1.9	1.8	1.7
Sung Won Sohn	California State University	1.4	1.8	1.9	2.2	2.1
Neal Soss	CSFB	1.2	1.7	2.1	2.2	—
Stephen Stanley	Pierpont Securities	1.7	2.5	2.7	2.9	3.2
Susan M. Sterne	Economic Analysis Associates Inc.	3.0	2.7	2.5	2.4	2.6
Diane Swonk	Mesirow Financial	1.7	1.4	1.8	1.9	2.0
Carl Tannenbaum	The Northern Trust	—	1.7	1.8	1.8	—
Bart van Ark	The Conference Board	1.6	2.1	2.2	2.3	2.4
Brian S. Wesbury/ Robert Stein	First Trust Advisors, L.P.	2.5	2.8	3.0	3.3	3.5
William T. Wilson	Skolkovo Institute for Emerging Market Studies	1.2	1.5	1.8	2.0	2.0
Lawrence Yun	National Association of Realtors	—	2.9	3.6	4.1	3.3
Ellen Zentner	Nomura Securities International	1.4	1.6	1.6	1.6	—
		1.8 %	2.0 %	2.2 %	2.3 %	2.4 %
Actual Inflation for 2012:		1.7 %				

Source: wsj.com, January 21, 2013

As the preceding table indicates, the financial analysts who were surveyed in January of 2013 anticipated inflation rates ranging from 1.0% to 3.6% (on an annualized basis) for December 2013; the average of these data points was 2.0%. The same group expects a slightly higher annualized 2.2% inflation rate for June 2014. These rates are lower than the inflation rate averages for December 2014 and June 2015, shown at 2.3% and 2.4%, respectively.

As a further check on these inflation projections, we have reviewed historical increases in the Consumer Price Index (CPI-U). Because the value of real estate is predicated on cash flows over a relatively long period, inflation should be considered from a long-term perspective.

**FIGURE 8-24 NATIONAL CONSUMER PRICE INDEX (ALL URBAN CONSUMERS)**

Year	National Consumer Price Index	Percent Change from Previous Year
2002	179.9	—
2003	184.0	2.3 %
2004	188.9	2.7
2005	195.3	3.4
2006	201.6	3.2
2007	207.3	2.8
2008	215.3	3.8
2009	214.5	-0.4
2010	218.1	1.6
2011	224.9	3.1
2012	229.6	2.1
Average Annual Compounded Change		
	2002 - 2012:	2.5 %
	2007 - 2012:	2.1
Source: Bureau of Labor Statistics		

Between 2002 and 2012, the national CPI increased at an average annual compounded rate of 2.5%; from 2007 to 2012, the CPI rose by a slightly lower average annual compounded rate of 2.1%. In 2012, the CPI noted a change of 2.1%, a decrease from the level of 3.1% recorded in 2011.

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied an underlying inflation rate of 2.5% in 2017/18, 2.5% in 2018/19, and 2.5% in 2019/20 and thereafter. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and below this level

## Summary of Projections

during the projection period. Any exceptions to the application of the assumed underlying inflation rate are discussed in our write-up of individual income and expense items.

The following figure presents a detailed forecast through the fifth projection year, including amounts per available room and per occupied room. The second figure illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years beginning October 1, 2017 and are expressed in inflated dollars for each year.

**FIGURE 8-25 DETAILED FORECAST OF INCOME AND EXPENSE**

	2017/18 Begins October				2018/19				2019/20				Stabilized				2021/22			
Number of Rooms:	700				700				700				700				700			
Occupancy:	60%				64%				67%				69%				69%			
Average Rate:	\$166.99				\$172.91				\$179.02				\$183.50				\$188.08			
RevPAR:	\$100.19				\$110.66				\$119.94				\$126.61				\$129.78			
Days Open:	365				365				365				365				365			
Occupied Rooms:	153,300	%Gross	PAR	POR	163,520	%Gross	PAR	POR	171,185	%Gross	PAR	POR	176,295	%Gross	PAR	POR	176,295	%Gross	PAR	POR
<b>REVENUE</b>																				
Rooms	\$25,599	63.4 %	\$36,570	\$166.99	\$28,274	63.8 %	\$40,391	\$172.91	\$30,646	64.2 %	\$43,780	\$179.02	\$32,349	64.3 %	\$46,213	\$183.49	\$33,158	64.3 %	\$47,369	\$188.08
Food	10,840	26.8	15,485	70.71	11,726	26.5	16,752	71.71	12,493	26.2	17,847	72.98	13,129	26.1	18,755	74.47	13,457	26.1	19,224	76.33
Beverage	1,987	4.9	2,839	12.96	2,150	4.9	3,071	13.15	2,290	4.8	3,272	13.38	2,407	4.8	3,438	13.65	2,467	4.8	3,524	13.99
Other Operated Departments	1,255	3.1	1,793	8.19	1,363	3.1	1,947	8.33	1,455	3.1	2,079	8.50	1,532	3.0	2,188	8.69	1,570	3.0	2,243	8.91
Rentals & Other Income	717	1.8	1,025	4.68	779	1.8	1,112	4.76	832	1.7	1,188	4.86	875	1.7	1,250	4.96	897	1.7	1,282	5.09
Total Revenues	40,399	100.0	57,712	263.53	44,292	100.0	63,274	270.87	47,716	100.0	68,166	278.74	50,292	100.0	71,845	285.27	51,549	100.0	73,642	292.40
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	7,118	27.8	10,169	46.43	7,475	26.4	10,678	45.71	7,799	25.4	11,141	45.56	8,087	25.0	11,553	45.87	8,290	25.0	11,842	47.02
Food & Beverage	9,321	72.7	13,315	60.80	9,777	70.5	13,967	59.79	10,192	68.9	14,561	59.54	10,564	68.0	15,092	59.92	10,828	68.0	15,469	61.42
Other Operated Departments	755	60.1	1,078	4.92	786	57.7	1,123	4.81	815	56.0	1,165	4.76	842	55.0	1,203	4.78	863	55.0	1,234	4.90
Total	17,193	42.6	24,562	112.16	18,037	40.7	25,768	110.31	18,806	39.4	26,866	109.86	19,494	38.8	27,849	110.58	19,981	38.8	28,545	113.34
DEPARTMENTAL INCOME	23,205	57.4	33,150	151.37	26,255	59.3	37,507	160.56	28,910	60.6	41,300	168.88	30,798	61.2	43,997	174.69	31,568	61.2	45,097	179.06
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	3,625	9.0	5,179	23.65	3,774	8.5	5,391	23.08	3,914	8.2	5,592	22.87	4,040	8.0	5,771	22.92	4,141	8.0	5,916	23.49
Marketing	3,274	8.1	4,677	21.36	3,408	7.7	4,869	20.84	3,536	7.4	5,051	20.65	3,649	7.3	5,213	20.70	3,740	7.3	5,343	21.22
Prop. Operations & Maint.	2,085	5.2	2,979	13.60	2,171	4.9	3,101	13.28	2,252	4.7	3,217	13.15	2,324	4.6	3,320	13.18	2,382	4.6	3,403	13.51
Utilities	2,417	6.0	3,452	15.76	2,516	5.7	3,594	15.38	2,610	5.5	3,728	15.24	2,693	5.4	3,848	15.28	2,761	5.4	3,944	15.66
Total	11,401	28.3	16,287	74.37	11,868	26.8	16,955	72.58	12,311	25.8	17,588	71.92	12,707	25.3	18,152	72.08	13,024	25.3	18,606	73.88
HOUSE PROFIT	11,804	29.1	16,863	77.00	14,386	32.5	20,552	87.98	16,598	34.8	23,712	96.96	18,091	35.9	25,844	102.62	18,544	35.9	26,491	105.19
Management Fee	1,212	3.0	1,731	7.91	1,329	3.0	1,898	8.13	1,431	3.0	2,045	8.36	1,509	3.0	2,155	8.56	1,546	3.0	2,209	8.77
INCOME BEFORE FIXED CHARGES	10,592	26.1	15,132	69.09	13,058	29.5	18,654	79.85	15,167	31.8	21,667	88.60	16,582	32.9	23,689	94.06	16,997	32.9	24,282	96.41
<b>FIXED EXPENSES</b>																				
Insurance	1,392	3.4	1,988	9.08	1,427	3.2	2,038	8.72	1,462	3.1	2,089	8.54	1,499	3.0	2,141	8.50	1,536	3.0	2,195	8.71
Reserve for Replacement	808	2.0	1,154	5.27	1,329	3.0	1,898	8.13	1,909	4.0	2,727	11.15	2,012	4.0	2,874	11.41	2,062	4.0	2,946	11.70
Total	2,200	5.4	3,142	14.35	2,755	6.2	3,936	16.85	3,371	7.1	4,815	19.69	3,510	7.0	5,015	19.91	3,598	7.0	5,140	20.41
NET INCOME	\$8,392	20.7 %	\$11,989	\$54.75	\$10,302	23.3 %	\$14,718	\$63.00	\$11,796	24.7 %	\$16,852	\$68.91	\$13,072	25.9 %	\$18,674	\$74.15	\$13,399	25.9 %	\$19,141	\$76.00

\*Departmental expenses are expressed as a percentage of departmental revenues.

**FIGURE 8-26 TEN-YEAR FORECAST OF INCOME AND EXPENSE**

	2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/25		2025/26		2026/27	
Number of Rooms:	700		700		700		700		700		700		700		700		700		700	
Occupied Rooms:	153,300		163,520		171,185		176,295		176,295		176,295		176,295		176,295		176,295		176,295	
Occupancy:	60%		64%		67%		69%		69%		69%		69%		69%		69%		69%	
Average Rate:	\$166.99	% of	\$172.91	% of	\$179.02	% of	\$183.50	% of	\$188.08	% of	\$192.79	% of	\$197.61	% of	\$202.55	% of	\$207.61	% of	\$212.80	% of
RevPAR:	\$100.19	Gross	\$110.66	Gross	\$119.94	Gross	\$126.61	Gross	\$129.78	Gross	\$133.02	Gross	\$136.35	Gross	\$139.76	Gross	\$143.25	Gross	\$146.83	Gross
<b>REVENUE</b>																				
Rooms	\$25,599	63.4 %	\$28,274	63.8 %	\$30,646	64.2 %	\$32,349	64.3 %	\$33,158	64.3 %	\$33,987	64.3 %	\$34,837	64.3 %	\$35,708	64.3 %	\$36,600	64.3 %	\$37,515	64.3 %
Food	10,840	26.8	11,726	26.5	12,493	26.2	13,129	26.1	13,457	26.1	13,793	26.1	14,138	26.1	14,492	26.1	14,854	26.1	15,225	26.1
Beverage	1,987	4.9	2,150	4.9	2,290	4.8	2,407	4.8	2,467	4.8	2,529	4.8	2,592	4.8	2,657	4.8	2,723	4.8	2,791	4.8
Other Operated Departments	1,255	3.1	1,363	3.1	1,455	3.1	1,532	3.0	1,570	3.0	1,609	3.0	1,649	3.0	1,691	3.0	1,733	3.0	1,776	3.0
Rentals & Other Income	717	1.8	779	1.8	832	1.7	875	1.7	897	1.7	920	1.7	943	1.7	966	1.7	990	1.7	1,015	1.7
Total	40,399	100.0	44,292	100.0	47,716	100.0	50,292	100.0	51,549	100.0	52,838	100.0	54,159	100.0	55,513	100.0	56,901	100.0	58,323	100.0
<b>DEPARTMENTAL EXPENSES*</b>																				
Rooms	7,118	27.8	7,475	26.4	7,799	25.4	8,087	25.0	8,290	25.0	8,497	25.0	8,709	25.0	8,927	25.0	9,150	25.0	9,379	25.0
Food & Beverage	9,321	72.7	9,777	70.5	10,192	68.9	10,564	68.0	10,828	68.0	11,099	68.0	11,377	68.0	11,661	68.0	11,953	68.0	12,251	68.0
Other Operated Departments	755	60.1	786	57.7	815	56.0	842	55.0	863	55.0	885	55.0	907	55.0	930	55.0	953	55.0	977	55.0
Total	17,193	42.6	18,037	40.7	18,806	39.4	19,494	38.8	19,981	38.8	20,481	38.8	20,993	38.8	21,518	38.8	22,056	38.8	22,607	38.8
<b>DEPARTMENTAL INCOME</b>	23,205	57.4	26,255	59.3	28,910	60.6	30,798	61.2	31,568	61.2	32,357	61.2	33,166	61.2	33,996	61.2	34,845	61.2	35,716	61.2
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	3,625	9.0	3,774	8.5	3,914	8.2	4,040	8.0	4,141	8.0	4,245	8.0	4,351	8.0	4,459	8.0	4,571	8.0	4,685	8.0
Marketing	3,274	8.1	3,408	7.7	3,536	7.4	3,649	7.3	3,740	7.3	3,834	7.3	3,930	7.3	4,028	7.3	4,129	7.3	4,232	7.3
Prop. Operations & Maint.	2,085	5.2	2,171	4.9	2,252	4.7	2,324	4.6	2,382	4.6	2,442	4.6	2,503	4.6	2,565	4.6	2,630	4.6	2,695	4.6
Utilities	2,417	6.0	2,516	5.7	2,610	5.5	2,693	5.4	2,761	5.4	2,830	5.4	2,900	5.4	2,973	5.4	3,047	5.4	3,123	5.4
Total	11,401	28.3	11,868	26.8	12,311	25.8	12,707	25.3	13,024	25.3	13,350	25.3	13,684	25.3	14,026	25.3	14,376	25.3	14,736	25.3
<b>HOUSE PROFIT</b>	11,804	29.1	14,386	32.5	16,598	34.8	18,091	35.9	18,544	35.9	19,007	35.9	19,483	35.9	19,970	35.9	20,468	35.9	20,980	35.9
Management Fee	1,212	3.0	1,329	3.0	1,431	3.0	1,509	3.0	1,546	3.0	1,585	3.0	1,625	3.0	1,665	3.0	1,707	3.0	1,750	3.0
<b>INCOME BEFORE FIXED CHARGES</b>	10,592	26.1	13,058	29.5	15,167	31.8	16,582	32.9	16,997	32.9	17,422	32.9	17,858	32.9	18,304	32.9	18,761	32.9	19,230	32.9
<b>FIXED EXPENSES</b>																				
Insurance	1,392	3.4	1,427	3.2	1,462	3.1	1,499	3.0	1,536	3.0	1,575	3.0	1,614	3.0	1,654	3.0	1,696	3.0	1,738	3.0
Reserve for Replacement	808	2.0	1,329	3.0	1,909	4.0	2,012	4.0	2,062	4.0	2,114	4.0	2,166	4.0	2,221	4.0	2,276	4.0	2,333	4.0
Total	2,200	5.4	2,755	6.2	3,371	7.1	3,510	7.0	3,598	7.0	3,688	7.0	3,780	7.0	3,875	7.0	3,972	7.0	4,071	7.0
<b>NET INCOME</b>	\$8,392	20.7 %	\$10,302	23.3 %	\$11,796	24.7 %	\$13,072	25.9 %	\$13,399	25.9 %	\$13,734	25.9 %	\$14,078	25.9 %	\$14,430	25.9 %	\$14,790	25.9 %	\$15,159	25.9 %

\*Departmental expenses are expressed as a percentage of departmental revenues.



**Forecast of Income and Expense**

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take four years for the subject property to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject property's operating budget and comparable income and expense statements. Our forecast is based upon fiscal years beginning October 1, 2017 and is expressed in inflated dollars for each year.

**Rooms Revenue**

Rooms revenue is determined by two variables: occupancy and average rate. We projected occupancy and average rate in a previous section of this report. The subject property is expected to stabilize at an occupancy level of 69% with an average rate of \$183.50 in 2020/21. Following the stabilized year, the subject property's average rate is projected to increase along with the underlying rate of inflation.

**Food and Beverage Revenue**

Food and beverage revenue is generated by a hotel's restaurants, lounges, coffee shops, snack bars, banquet rooms, and room service. In addition to providing a source of revenue, these outlets serve as an amenity that assists in the sale of guestrooms. With the exception of properties with active lounges or banquet facilities that draw local residents, in-house guests generally represent a substantial percentage of a hotel's food and beverage patrons. In the case of the Proposed Headquarters Hotel, the food and beverage department will include a restaurant and lounge; moreover, banquet space is expected to span 80,000 square feet.

Although food and beverage revenue varies directly with changes in occupancy, the portion generated by banquet sales and outside capture is relatively fixed. The comparable statements illustrated food and beverage revenue between 47.3% to 85.8% of rooms revenue, or \$59.33 and \$141.98 per occupied room.

The proposed subject property's food and beverage operation is expected to be an important component of the hotel. Therefore, based upon our review of comparable operating statements, we have positioned an appropriate revenue level given the hotel's planned facility and price point. We would expect future moderate growth to occur within this category after the hotel's opening. We project food and beverage revenue to be \$70.71 and \$12.96 per occupied room, respectively, in the first projection year, or respectively 42.3% and 7.8% of rooms revenue. These per-occupied-room amounts increase to \$74.47 and \$13.65 for hotel food service by the stabilized year, or respectively 40.6% and 7.4% of rooms revenue.

**Other Operated Departments Revenue Including the Garage**

According to the Uniform System of Accounts, Other Operated Departments include any major or minor operated department other than rooms, food, and beverage. These departmental revenues and expenses are presented in the Other

Operated Department revenue and expense line items on a Summary Operating Statement, with sub-schedules setting forth the individual departmental revenues and expenses in more detail. An Other Operated Department revenue and expense may be presented in the summary statement if it is considered a significant factor in the hotel operation. Telephone revenue and expense is now considered a component of Other Operated Departments and is being reported as a separate line item more infrequently now that telephone revenue has become so inconsequential.

The proposed subject property's other operated departments revenue sources are expected to be generated primarily from the hotel's telephone charges, parking operation, and gift shop. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject property. We forecast the proposed subject property's other operated departments revenue to stabilize at 3.0% of rooms revenue or \$8.69 per occupied room by the stabilized year, 2020/21. The comparable operating statements illustrate Other Operated Departments Revenue ranging from 1.2 % to 7.1 % of revenue and \$2.83 to \$20.11 per occupied room.

#### **Rentals & Other Income**

Rentals & other income is derived from sources other than guestrooms, food and beverage, and the other operated departments. The subject property will received lease rental income on the restaurant that will be operated by an independent operator. Rentals & other income revenue for the comparables ranged 1.8% to 4.0% of rooms revenue or \$2.98 to \$5.45 on a per-occupied-room basis. Changes in this revenue item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy. We forecast the proposed subject property's rentals & other income to stabilize at \$4.96 per occupied room by the stabilized year, 2020/21.

#### **Rooms Expense**

Rooms expense consists of items related to the sale and upkeep of guestrooms and public space. Salaries, wages, and employee benefits account for a substantial portion of this category. Although payroll varies somewhat with occupancy and managers can generally scale the level of service staff on hand to meet an expected occupancy level, much of a hotel's payroll is fixed. A base level of front desk personnel, housekeepers, and supervisors must be maintained at all times. As a result, salaries, wages, and employee benefits are only moderately sensitive to changes in occupancy.

Commissions and reservations are usually based on room sales, and thus are highly sensitive to changes in occupancy and average rate. While guest supplies vary 100% with occupancy, linens and other operating expenses are only slightly affected by volume.

The comparables illustrated rooms expense ranging between 19.3% and 28.9% of rooms revenue; on a per-occupied-room basis, the range was between \$31.90 and \$45.03. We have projected rooms expense for the subject at 27.8% in the first year (or \$46.43 per occupied room), stabilizing at 25.0% in 2020/21 (or \$45.87 per occupied room). The proposed subject property's rooms department expense has been positioned based upon our review of the comparable operating data and our understanding of the hotel's future service level and price point.

#### **Food and Beverage Expense**

Food and beverage departmental expenses consist of items necessary for the primary operation of a hotel's food and banquet facilities. Most of the cost of food and beverage sales and related payroll vary with the level of food revenues; however, this departmental operation has a fixed component.

The comparables illustrate food and beverage expense ranging between 54.2% and 77.5% of food and beverage revenue. We have projected a stabilized expense ratio of 68.0% in 2020/21 for hotel food & beverage. The proposed subject property's food and beverage operation is expected to be efficiently managed and operate at an expense level that is in line with other comparable operations.

#### **Other Operated Departments Expense**

Other operated departments expense includes all expenses reflected in the summary statements for the divisions associated in these categories previously discussed in this chapter. The comparables illustrated other operated departments expense ranging between \$0.59 and \$7.89 per occupied room. The comparables illustrated other operated departments expense as a percentage of other operated departments revenue ranging between 8.1 % and 96.6 %. We have projected a stabilized expense ratio of 55.0% in 2020/21.

#### **Administrative and General Expense**

Administrative and general expense includes the salaries and wages of all administrative personnel who are not directly associated with a particular department. Expense items related to the management and operation of the property are also allocated to this category.

Most administrative and general expenses are relatively fixed. The exceptions are cash overages and shortages; commissions on credit card charges; provision for doubtful accounts, which are moderately affected by the number of transactions or total revenue; and salaries, wages, and benefits, which are very slightly influenced by volume.

On a percentage of total revenue basis, the comparable operations indicate an administrative and general expense range from 5.9% to 9.4%, or \$2,498 to \$6,902 per available room. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject property, we have positioned the administrative and general expense level at a market- and

property-supported level. In the first projection year, we have projected administrative and general expense for the proposed subject property to be \$5,179 per available room, or 9.0% of total revenue. By the 2020/21 stabilized year, these amounts change to \$5,771 per available room and 8.0% of total revenue.

### **Marketing Expense**

Marketing expense consists of all costs associated with advertising, sales, and promotion; these activities are intended to attract and retain customers. Marketing can be used to create an image, develop customer awareness, and stimulate patronage of a property's various facilities.

The marketing category is unique in that all expense items, with the exception of fees and commissions, are totally controlled by management. Most hotel operators establish an annual marketing budget that sets forth all planned expenditures. If the budget is followed, total marketing expenses can be projected accurately.

Marketing expenditures are unusual because although there is a lag period before results are realized, the benefits are often extended over a long period. Depending on the type and scope of the advertising and promotion program implemented, the lag time can be as short as a few weeks or as long as several years. However, the favorable results of an effective marketing campaign tend to linger, and a property often enjoys the benefits of concentrated sales efforts for many months.

On a percentage of total revenue basis, the comparable operations indicate a marketing expense range from 4.6% to 9.2%, or \$1,937 to \$7,362 per available room. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject property, we have positioned the marketing expense level at a market- and property-supported level. In the first projection year, we have projected marketing expense for the proposed subject property to be \$4,677 per available room, or 8.1% of total revenue. By the 2020/21 stabilized year, these amounts change to \$5,213 per available room and 7.3% of total revenue.

### **Franchise Fee**

As previously discussed, the subject is expected to be brand operated; as such, no franchise agreement will exist and no franchise fees are expected to be required throughout the ten-year forecast period.

### **Property Operations and Maintenance**

Property operations and maintenance expense is another expense category that is largely controlled by management. Except for repairs that are necessary to keep the facility open and prevent damage (e.g., plumbing, heating, and electrical items), most maintenance can be deferred for varying lengths of time.

Maintenance is an accumulating expense. If management elects to postpone performing a required repair, they have not eliminated or saved the expenditure; they have only deferred payment until a later date. A lodging facility that operates with a lower-than-normal maintenance budget is likely to accumulate a considerable amount of deferred maintenance.

The age of a lodging facility has a strong influence on the required level of maintenance. A new or thoroughly renovated property is protected for several years by modern equipment and manufacturers' warranties. However, as a hostelry grows older, maintenance expenses escalate. A well-organized preventive maintenance system often helps delay deterioration, but most facilities face higher property operations and maintenance costs each year, regardless of the occupancy trend. The quality of initial construction can also have a direct impact on future maintenance requirements. The use of high-quality building materials and construction methods generally reduces the need for maintenance expenditures over the long term.

On a percentage of total revenue basis, the comparable operations indicate a property operations and maintenance expense range from 3.5% to 5.1%, or \$1,843 to \$3,637 per available room. We expect the proposed subject property's maintenance operation to be well managed, and expense levels should stabilize at a typical level for a property of this type. Changes in this expense item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy. In the first projection year, we have projected property operations and maintenance expense for the proposed subject property to be \$2,979 per available room, or 5.2% of total revenue. By the 2020/21 stabilized year, these amounts change to \$3,320 per available room and 4.6% of total revenue.

### Utilities Expense

The utilities consumption of a lodging facility takes several forms, including water and space heating, air conditioning, lighting, cooking fuel, and other miscellaneous power requirements. The most common sources of hotel utilities are electricity, natural gas, fuel oil, and steam. This category also includes the cost of water service.

Total energy cost depends on the source and quantity of fuel used. Electricity tends to be the most expensive source, followed by oil and gas. Although all hotels consume a sizable amount of electricity, many properties supplement their utility requirements with less expensive sources, such as gas and oil, for heating and cooking.

On a percentage of total revenue basis, the comparable operations indicate a utilities expense range from 3.1% to 5.1%, or \$1,816 to \$3,476 per available room.

The changes in this utilities line item through the projection period are a result of the application of the underlying inflation rate and projected changes in occupancy. In the first projection year, we have projected utilities expense for the proposed subject property to be \$3,452 per available room, or 6.0% of total revenue. By the 2020/21 stabilized year, these amounts change to \$3,848 per available room and 5.4% of total revenue.

### Management Fee

Management expense consists of the fees paid to the managing agent contracted to operate the property. Some companies provide management services and a brand-name affiliation (first-tier management company), while others provide management services alone (second-tier management company). Some management contracts specify only a base fee (usually a percentage of total revenue), while others call for both a base fee and an incentive fee (usually a percentage of defined profit). Basic hotel management fees are almost always based on a percentage of total revenue, which means they have no fixed component. While base fees typically range from 2% to 4% of total revenue, incentive fees are deal specific and often are calculated as a percentage of income available after debt service and, in some cases, after a preferred return on equity. Total management fees for the subject property have been forecast at 3.0% of total revenue.

### Property Taxes

Property (or ad valorem) tax is one of the primary revenue sources of municipalities. Based on the concept that the tax burden should be distributed in proportion to the value of all properties within a taxing jurisdiction, a system of assessments is established. Theoretically, the assessed value placed on each parcel bears a definite relationship to market value, so properties with equal market values will have similar assessments and properties with higher and lower values will have proportionately larger and smaller assessments.

For purposed of this analysis it has been assumed that property taxes will not be owed due to government ownership of the site.

### Insurance Expense

The insurance expense category consists of the cost of insuring the hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. General insurance costs also include premiums relating to liability, fidelity, and theft coverage. Insurance rates are based on many factors, including building design and construction, fire detection and extinguishing equipment, fire district, distance from the firehouse, and the area's fire experience. Insurance expenses do not vary with occupancy.

Based on comparable data and the structural attributes of the proposed project, we project the proposed subject property's insurance expense at \$2,141 per available room by the stabilized year (positioned at \$1,725 on a per-available-



## Reserve for Replacement

room basis in base-year dollars). This forecast equates to 3.0% of total revenue on a stabilized basis. In subsequent years, this amount is assumed to increase in tandem with inflation.

Furniture, fixtures, and equipment are essential to the operation of a lodging facility, and their quality often influences a property's class. This category includes all non-real estate items that are capitalized, rather than expensed. The furniture, fixtures, and equipment of a hotel are exposed to heavy use and must be replaced at regular intervals. The useful life of these items is determined by their quality, durability, and the amount of guest traffic and use.

Periodic replacement of furniture, fixtures, and equipment is essential to maintain the quality, image, and income-producing potential of a lodging facility. Because capitalized expenditures are not included in the operating statement but nevertheless affect an owner's cash flow, a forecast of income and expense should reflect these expenses in the form of an appropriate reserve for replacement.

The International Society of Hospitality Consultants ("ISHC") undertook a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent findings of the study were published in a report in 2007. Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year, and depend upon both the actual and effective age of a property. The results of this study showed that hotel lenders and investors are requiring reserves for replacement ranging from 4% to 5% of total revenue.

Based on the results of this study, our review of the subject asset and comparable lodging facilities, and our industry expertise, we estimate that a reserve for replacement of 4% of total revenues is sufficient to provide for the timely and periodic replacement of the subject property's furniture, fixtures, and equipment. This amount is ramped up during the initial projection period.

## Conclusion

In conclusion, our analysis reflects a profitable operation, with net income expected to total 25.9% of total revenue by the stabilized year. The stabilized total revenue comprises primarily rooms and food and beverage revenue, with a secondary portion derived from other income sources. On the cost side, departmental expenses total 38.8% of revenue by the stabilized year, while undistributed operating expenses total 25.3% of total revenues; this assumes that

the property will be operated competently by a well-known hotel operator. After a 3.0% of total revenues management fee, and 7.0% of total revenues in fixed expenses, a net income ratio of 25.9% is forecast by the stabilized year.



## 9. Convention Center Financial Analysis

HVS uses a proprietary financial operating model to estimate revenues and expenses at conventions centers. This model quantifies the key variables and operating ratios that determine revenue potential and expenses levels. Unless otherwise indicated, the model assumes an annual inflation rate of 2.5 percent applies to both revenues and expenses.

The convention center industry does not use a standardized set of accounting principles for reporting financial performance. Convention center operators employ a variety of accounting methods. Financial statements from different convention centers organize revenues and expenses differently. However, a few major revenue and expense categories are common to most convention facilities. HVS developed a financial operating model that organizes financial operations according to these primary revenue and expense categories. Therefore, the financial operating projections presented below are organized differently than the historical financial operating statements for the BCCC.

### Historical Financial Operations

HVS obtained data on historical BCCC operations for the fiscal years 2009 through 2012 and restated that information into line items organized into three categories: 1) operating revenues, 2) operating expenses, and 3) non-operating expenses. HVS uses this same categorization of revenue and expense for the financial projections to follow. The following figure presents the historical financial operations as restated by HVS.

**FIGURE 9-1 BCCC HISTORICAL FINANCIAL OPERATIONS**

	2008/09		2009/10		2010/11		2011/12	
	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total
<b>OPERATING REVENUE</b>								
Facility Rental	3,069,229	25.6%	\$2,790,278	25.0%	\$2,659,044	26.1%	\$2,404,687	22.5%
Food & Beverage Gross Profit	4,204,941	35.0%	3,719,572	33.3%	3,205,372	31.5%	3,822,707	35.8%
Event Services (Gross)	2,193,250	18.3%	2,324,342	20.8%	2,131,141	20.9%	2,381,393	22.3%
Event Labor	1,997,044	16.6%	1,970,058	17.7%	1,762,468	17.3%	1,753,374	16.4%
Parking (Net)	47,661	0.4%	46,873	0.4%	57,927	0.6%	45,098	0.4%
Other Revenue	489,524	4.1%	307,321	2.8%	363,113	3.6%	273,314	2.6%
<b>Total</b>	<b>\$12,001,649</b>	<b>100.0%</b>	<b>\$11,158,444</b>	<b>100.0%</b>	<b>\$10,179,065</b>	<b>100.0%</b>	<b>\$10,680,573</b>	<b>100.0%</b>
<b>OPERATING EXPENSES</b>								
Salaries & Benefits	3,984,254	33.2%	\$3,870,222	34.7%	\$3,662,368	36.0%	\$3,771,002	35.3%
Food & Beverage Overhead	1,968,718	16.4%	1,754,279	15.7%	1,649,946	16.2%	1,769,077	16.6%
Event Services Costs	2,115,810	17.6%	2,027,265	18.2%	1,892,171	18.6%	1,895,461	17.7%
Contractual Services	1,006,902	8.4%	1,006,005	9.0%	987,394	9.7%	987,848	9.2%
Administrative & General	456,224	3.8%	322,951	2.9%	458,014	4.5%	462,452	4.3%
Repair & Maintenance	364,261	3.0%	345,680	3.1%	341,278	3.4%	336,166	3.1%
Supplies & Equipment	250,150	2.1%	216,514	1.9%	197,817	1.9%	234,173	2.2%
Utilities	1,070,372	8.9%	933,595	8.4%	745,732	7.3%	663,316	6.2%
Insurance	61,554	0.5%	61,417	0.6%	59,585	0.6%	70,439	0.7%
Other Expense	190,820	1.6%	200,275	1.8%	166,686	1.6%	211,480	2.0%
<b>Total</b>	<b>\$11,469,065</b>	<b>95.6%</b>	<b>\$10,738,203</b>	<b>96.2%</b>	<b>\$10,160,991</b>	<b>99.8%</b>	<b>\$10,401,414</b>	<b>97.4%</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$532,584</b>	<b>4.4%</b>	<b>\$420,241</b>	<b>3.8%</b>	<b>\$18,074</b>	<b>0.2%</b>	<b>\$279,159</b>	<b>2.6%</b>
<b>NON-OPERATING EXPENSES</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>	
Management Fee	\$380,689	3.2%	\$355,959	3.2%	\$351,050	3.4%	\$361,942	3.4%
Incentive Fee	95,172	0.8%	88,990	0.8%	87,763	0.9%	90,485	0.8%
<b>Total</b>	<b>\$475,861</b>	<b>4.0%</b>	<b>\$444,949</b>	<b>4.0%</b>	<b>\$438,813</b>	<b>4.3%</b>	<b>\$452,427</b>	<b>4.2%</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>\$56,723</b>	<b>0.5%</b>	<b>(\$24,708)</b>	<b>-0.2%</b>	<b>(\$420,739)</b>	<b>-4.1%</b>	<b>(\$173,268)</b>	<b>-1.6%</b>

Source: Broward County Convention Center, restated by HVS

For the purposes of this financial analysis, HVS assumes that the BCCC would continue to be owned by Broward County and operated by a third party venue management firm. The BCCC revenues and expenses described in this section refer to all direct event and non-event revenues and expense line items attributed to BCCC events as detailed in Section 7.

## Operating Revenues

BCCC revenue line items include facility rental, food and beverage sales, event services, event labor, and parking fees. The model uses a series of revenue assumptions based on attendance, floor area utilization, or occupied days. Attendance is measured in delegate-days, the average daily attendance times the

number of event days. Floor area utilization is measured in Gross Square Foot Days (“GSFD”)—the amount of floor area rented times the number of days it is rented including move-in and move-out days. Occupied days only include those days in which attendees are present.

To formulate the revenue assumptions, HVS relied on historical operations data, industry information, knowledge of the performance of comparable venues, and information on price levels from local area sources. We adjusted the assumptions for inflation and other anticipated trends in price levels.

The figure below summarizes the departmental income assumptions for the proposed BCCC by type of event. A brief description of the each revenue item follows.

**FIGURE 9-2 REVENUE ASSUMPTIONS**

Type	Facility Rental per Delegate-Days	Food & Beverage Gross Profit per Delegate-Days	Event Services (Gross) per Delegate-Days	Event Labor per GSFD	Parking (Net) per Occupied Day	Other Revenue per Fixed Amt
Convention	\$ 10.50	\$ 19.00	\$ 9.50	\$ 0.03	\$ 172.00	\$ 363,000.00
Tradeshow	12.60	10.50	7.10	0.03	190.00	-
Consumer Show	8.50	2.65	4.00	0.03	225.00	-
Meetings	7.60	10.40	7.30	0.01	-	-
Conferences	8.00	12.50	7.90	0.02	-	-
Banquets	0.40	28.90	8.80	0.02	-	-
Sports	7.20	8.40	8.50	0.01	-	-
Other	6.90	-	4.50	0.01	-	-

**Facility Rental**—Facility rental revenue includes the revenue the BCCC receives from clients that reserve one or more function areas in the facility. Despite having published rates, convention centers typically charge rental fees based on negotiated daily rental fees. Not all events are charged a facility rental fee. A facility may reduce or waive the exhibit rental charges in order to book an event that has a strong economic impact on the local market. The above rates are based on the number of delegate-days, consistent with historic BCCC operations.

**Food and Beverage**—Most events that use the BCCC’s function space will also arrange for food service for their attendees during their events. This food service includes catering which can range from coffee breaks associated with a meeting to

a full dinner associated with a convention or banquet. Consumer shows, sporting events, and other events may generate concessions revenue. Most conventions and conferences generate demand for multiple meals during the course of these multi-day events. Meetings and banquets generally include a single meal or refreshment services. HVS projects estimated gross food and beverage revenues on a per delegate-day basis depending on the type of event. Events like conventions and tradeshow typically spend the most per attendee. Consumer shows have lower per capita spending.

**Event Services**—Event Services include the fees charged to tenants for services that could include business services, audio and video technical assistance, set-up and take down of function spaces, cleaning services, security services, electricity and other utilities, commissions from decorators and other services provided by third-party contractors at events. Many events also require audio, video, communications and internet services. Banquets and other upscale events can often require elaborate decorating services. Almost all events require cleaning services; cleaning of common areas may be complimentary for most events while cleaning services offered to individual exhibitors can represent a significant source of revenue. Service charges vary by type of event. Some of these services may be included in the rental charges for using the facility, but others will be add-on service charges. The HVS model estimates event services revenues based on the number of delegates consistent with historical BCCC operations.

**Event Labor**—Event labor represents the labor costs associated with providing the above detailed event services that the BCCC recoups from events. Event labor revenues are based on historical operations and estimated facility utilization levels by event type.

**Parking**—Parking revenue represents the self-parking charges collected by the BCCC at certain events. An analysis of historical revenues indicates that conventions, trade shows, and consumer shows generate a significant amount of parking revenue. The HVS model estimates parking revenues based on number of occupied days by event type.

**Other**—The HVS model estimates other revenue as a lump sum based on historical operations. Other revenue may include advertising revenue, damages billed to tenants, interest income, special fees, and other non-recurring ancillary income.

## Operating Expenses

HVS estimated operating expenses as a blend of fixed costs and variable percentage of operating revenues as summarized in the figure below. HVS based these fixed and variable assumptions on multiple years of historical revenue and expense data and other industry standards. HVS modified certain fixed expenses to

reflect operating changes necessary due to the proposed BCCC expansion. An explanation of these modifications and a brief description on each expense line item follows.

**FIGURE 9-3 BCCC EXPENSE ASSUMPTIONS (2012 DOLLARS)**

Expenditure	Percentage Revenue	Fixed Expense
Operating Expense		
Salaries & Benefits	10.0% of Total Operating Rev	\$3,575,000
Food & Beverage Overhead	50.0% of Food & Beverage Gross Profit	
Event Services Costs	90.0% of Event Services (Gross)	
Contractual Services	5.0% of Total Operating Rev	650,000
Administrative & General		585,000
Repair & Maintenance	3.0% of Total Operating Rev	
Supplies & Equipment	2.0% of Total Operating Rev	
Utilities	3.0% of Total Operating Rev	1,000,000
Insurance		78,000
Other Expense	1.5% of Total Operating Rev	
Non-Operating Expense		
Management Fee		357,800
Incentive Fee	25.0% of Management Fee	

**Salaries & Benefits**—Based on existing staffing level and BCCC salary & benefit expenses, HVS estimated the salaries and associated benefits for permanent full and part-time employees dedicated to administration, marketing, building operations, and other functions. This category does not include part time food & beverage staffing, which is included in vendor costs. The proposed salary and benefit levels reflect maintaining the current organization structure at the BCCC with an increase in staffing due to the proposed expansion.

**Food & Beverage Costs**—HVS assumes that the food and beverage operation would be operated by an in-house food service operator. Costs of food service include the raw costs of food and beverages sold as well as the labor associated with food preparation and service. HVS used historical margins based on total food and beverage revenue as the basis for these costs.

**Event Services Costs**—Event services costs are the costs incurred by the facility for client reimbursed expenses such as audio visual set-up, security, cleaning, and event set-up. HVS estimated event services costs as a percentage of gross event services based on historical BCCC operations.

**Contractual Services**—Contractual services include any outsourced operations and maintenance services as well as professional services in conducting venue operations such as legal, accounting, tax, consulting or other advice. HVS assumes that the fixed expense portion increases by 30 percent due to the proposed expansion.

**Administrative & General**—Office and administrative operations incur day-to-day facility expenses. Such expenses typically include travel, telephone, printing, permits, and other miscellaneous services. HVS assumes that the fixed expense portion increases by 25 percent due to the proposed expansion.

**Repair & Maintenance**—This category includes both routine and one-time facility maintenance expenses that are primarily the responsibility of in-house facility operations personnel. It also includes more specialized activities, such as HVAC system maintenance, electrical work, and maintenance of other mechanical systems often contracted out to third parties.

**Supplies & Equipment**—This category includes items such as computers, office machines, furniture, consumables, and chemicals that are required to support and maintain the operations of the facility.

**Utilities**—Utilities, including electricity, gas, water, and other charges often represent one of the largest expenses incurred by facility operators. HVS assumes that the fixed expense portion doubles due to the proposed expansion.

**Insurance**—Insurance costs include property insurance and other liability insurance required for facility operations. HVS assumes that the fixed expense portion increases by 30 percent due to the proposed expansion.

**Other Expenses**—Other expenses could include expenses such as miscellaneous operations costs, legal costs, special training expenses, collection costs, credit losses, bank fees, and other small miscellaneous expenses.

**Management & Incentive Fees**—HVS assumes that Broward County would continue to pay management fees for the operation of the BCCC. HVS based these fees on the current agreement in which the base management fee increases by 0.3 percent each year and the incentive fee is 25 percent of the base fee.

## Operating Pro Forma

The figure below presents the five-year financial projections for the proposed BCCC including the expanded multi-purpose hall, banquet and meeting spaces. The projections are in inflated dollars beginning October 1, 2017, the projected opening of the proposed expansion.

**FIGURE 9-4 BCCC PROJECTED FIVE YEAR FINANCIAL OPERATIONS**

	Expansion 2017/18	2018/19	2019/20	Stabilized 2020/21	2021/22
<b>OPERATING REVENUE</b>					
Facility Rental	\$4,815,000	\$5,187,000	\$5,702,000	\$6,109,000	\$6,261,000
Food & Beverage Gross Profit	5,462,000	6,045,000	6,883,000	7,524,000	7,712,000
Event Services (Gross)	3,483,000	3,800,000	4,248,000	4,595,000	4,710,000
Event Labor	2,392,000	2,554,000	2,775,000	2,952,000	3,026,000
Parking (Net)	70,000	74,000	80,000	85,000	87,000
Other Revenue	421,000	431,000	442,000	453,000	465,000
<b>Total</b>	<b>\$16,643,000</b>	<b>\$18,091,000</b>	<b>\$20,130,000</b>	<b>\$21,718,000</b>	<b>\$22,261,000</b>
<b>OPERATING EXPENSES</b>					
Salaries & Benefits	\$5,810,000	\$6,059,000	\$6,369,000	\$6,636,000	\$6,802,000
Food & Beverage Overhead	2,731,000	3,023,000	3,441,000	3,762,000	3,856,000
Event Services Costs	3,134,000	3,420,000	3,823,000	4,136,000	4,239,000
Contractual Services	1,586,000	1,677,000	1,798,000	1,898,000	1,945,000
Administrative & General	678,000	695,000	713,000	731,000	749,000
Repair & Maintenance	499,000	543,000	604,000	652,000	668,000
Supplies & Equipment	333,000	362,000	403,000	434,000	445,000
Utilities	1,659,000	1,731,000	1,822,000	1,900,000	1,948,000
Insurance	90,000	93,000	95,000	97,000	100,000
Other Expense	250,000	271,000	302,000	326,000	334,000
<b>Total</b>	<b>\$16,770,000</b>	<b>\$17,874,000</b>	<b>\$19,370,000</b>	<b>\$20,572,000</b>	<b>\$21,086,000</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(\$127,000)</b>	<b>\$217,000</b>	<b>\$760,000</b>	<b>\$1,146,000</b>	<b>\$1,175,000</b>
<b>NON-OPERATING EXPENSES</b>					
Management Fee	\$427,000	\$441,000	\$456,000	\$471,000	\$483,000
Incentive Fee	107,000	110,000	114,000	118,000	121,000
<b>Total</b>	<b>\$534,000</b>	<b>\$552,000</b>	<b>\$570,000</b>	<b>\$589,000</b>	<b>\$604,000</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>(\$662,000)</b>	<b>(\$334,000)</b>	<b>\$190,000</b>	<b>\$557,000</b>	<b>\$571,000</b>

HVS financial projections are intended to show the expected levels of revenues and expense. Projections show smooth growth over time. However, event demand and booking cycles are not always smooth. Business can be affected by unpredictable local and national economic factors. Event demand is often cyclical, based on rotation patterns and market conditions. Therefore, HVS recommends interpreting the financial projections as a mid-point of a range of possible outcomes and over a multi-year period rather than relying on projections for any one specific year.

## 10. Statement of Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature.
3. We have not considered the presence of potentially hazardous materials on the proposed site, such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyls, pesticides, or lead-based paints.
4. We have made no survey of the property, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the land and improvements is within the boundaries of the property described, and that there is no encroachment or trespass unless noted.
5. All information, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
6. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
7. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
8. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per diem fees and travel costs are paid prior to the appearance.
9. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
10. We take no responsibility for any events or circumstances that take place subsequent to the date of our field inspection.
11. The quality of a convention center facility's on-site management and organization that market the facility have a direct effect on a center's economic viability. The forecasts presented in this analysis assume responsible



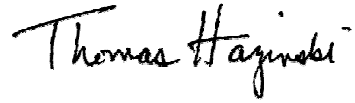
ownership, competent management and effective marketing and sales. Any departure from this assumption may have a significant impact on the projected operating results.

12. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
13. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting, a division of HVS Global Hospitality Services. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of these two organizations, as employees, rather than as individuals.
14. HVS researched the market and other data included in this report during early 2012, the original start date of the project. Following subsequent project delays, initiated by the client, this data has not been updated.
15. This report is set forth as a market study of the subject project; this is not an appraisal report.

## 11. Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. that the statements of fact presented in this report are true and correct to the best of our knowledge and belief;
2. that the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. that we have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved;
4. that we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. that our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. that this report sets forth all of the limiting conditions (imposed by the terms of this assignment) affecting the analyses, opinions, and conclusions presented herein;
7. that the fee paid for the preparation of this report is not contingent upon our conclusions, or the occurrence of a subsequent event directly related to the intended use of this report;
8. that Thomas Hazinksi and Brian Harris personally inspected the property described in this report and these consultants and Catherine Sarrett prepared analysis and conclusions contained in this report; and
9. that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this market study.

A handwritten signature in black ink, reading "Thomas Hazinski".

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Thomas Hazinski  
Managing Director

A handwritten signature in black ink, reading "Catherine Sarrett".

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Catherine Sarrett  
Project Manager

A handwritten signature in black ink, reading "Brian Harriss".

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Brian Harriss  
Director