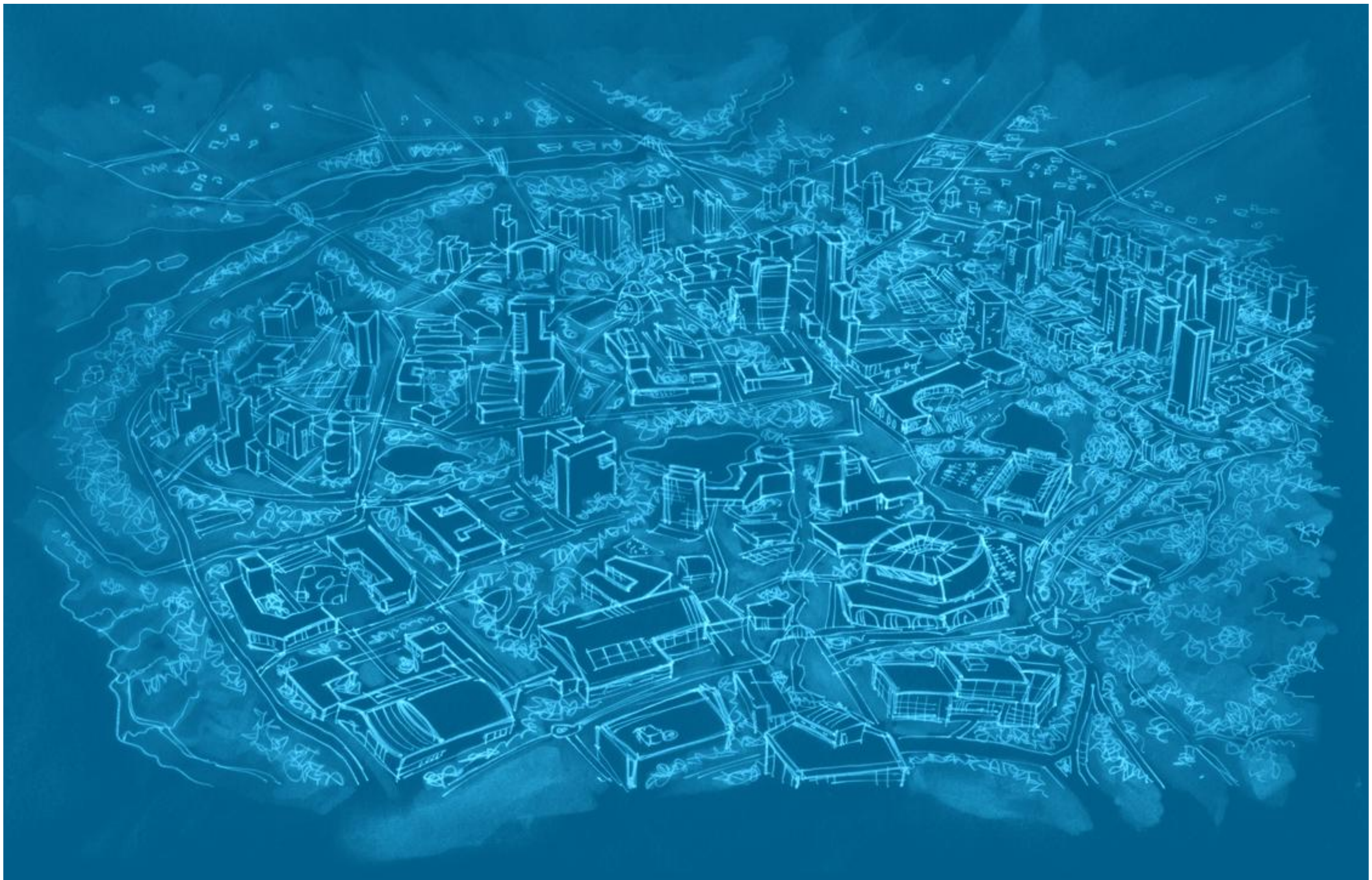

Feasibility Study Update
South Padre Island Convention Centre

SUBMITTED TO
City of South Padre Island

SUBMITTED BY
C.H. Johnson Consulting, Incorporated

April 11, 2013
DRAFT

Experts in Convention, Hospitality, Sport and Real Estate Consulting.

TABLE OF CONTENTS

SECTION I

TRANSMITTAL LETTER

April 11, 2013

Ms. Joni Clarke
City Manager
City of South Padre Island
4601 Padre Blvd
South Padre Island, TX 78597
JClarke@MySPI.org

Re: DRAFT Feasibility Study Update – South Padre Island Convention Centre

Dear Ms. Clarke and Members of the Convention and Visitor's Transition Board:

Johnson Consulting is pleased to submit this draft report to the City of South Padre Island regarding potential improvements to, and an expansion of, the South Padre Island Convention Centre. Pursuant to Johnson Consulting's engagement, this draft report provides an analysis of the economic and demographic characteristics of South Padre Island and the broader region; reviews trends in the convention and meetings industry; identifies and analyzes key characteristics of competitive and comparable venues; summarizes key observations from current user surveys; provides facility program recommendations; and provides an assessment of the feasibility of the expanded facility, including demand and financial projections.

Johnson Consulting has no responsibility to update this report for events and circumstances occurring after the date of this report. The findings presented herein reflect analyses of primary and secondary sources of information. Johnson Consulting used sources deemed to be reliable, but cannot guarantee their accuracy. Moreover, some of the estimates and analyses presented in this study are based on trends and assumptions, which can result in differences between the projected results and the actual results. Because events and circumstances frequently do not occur as expected, those differences may be material. This report is intended for the clients' internal use and cannot be used for project underwriting purposes without Johnson Consulting's written consent.

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

Sincerely,

C.H. JOHNSON CONSULTING, INC.

DRAFT

CHARLES H. JOHNSON IV, PRESIDENT

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SECTION II

INTRODUCTION AND EXECUTIVE SUMMARY

INTRODUCTION

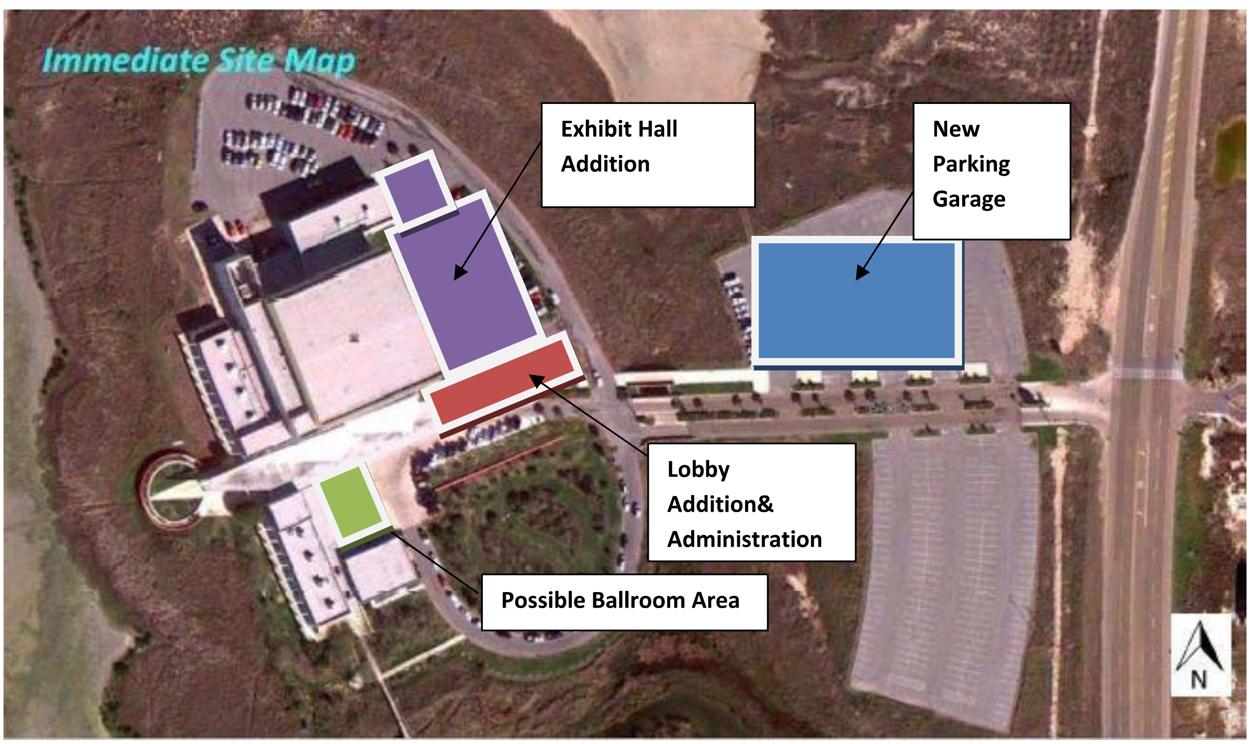
The South Padre Island Convention Centre (SPICC), which was constructed in 1992, is located approximately three miles north of downtown South Padre. SPICC offers 22,500 square feet of exhibit hall space and 11,692 square feet of meeting space, along with 500 car parking spaces.

PROJECT DESCRIPTION AND VISION

In 2005, the South Padre Island Convention and Visitors' Bureau (CVB) engaged Johnson Consulting to undertake a comprehensive feasibility and masterplan study to evaluate the South Padre Island Convention Centre (SPICC). Our study presented numerous findings and recommendations pertaining to the facility itself, as well as the broader market, including recommended improvements to, and an expansion of, the SPICC to better enhance its competitive position in the marketplace. As the City, CVB and community continue to consider a proposed expansion to the SPICC, an up-to-date feasibility study is warranted.

The following figure provides the preliminary facility plan for an improved and expanded SPICC, as prepared by Broaddus and Associates (as at February 2013).

Figure 2 - 1



The proposed building program includes the following program elements:

- **Exhibit Hall:** 40,500 square feet of flexible space, representing an 18,000 SF addition to the existing Exhibit Hall.
- **Ballroom:** A new 10,000 square foot ballroom.
- **Meeting Rooms:** 11,692 square feet of meeting and breakout space, representing no additional space over and above existing meeting and breakout space at the SPICC.
- **Support Space:** An additional 3,000 square feet of administration space, 6,000 square feet of lobby circulation/ pre-function space, and 2,000 square feet of restroom and support services space.
- **New Parking Garage.**
- **Proposed Hotel:** There are also many locations for a hotel on site, one of which is connected to the SPICC on its north edge.

METHODOLOGY

In order to complete the analysis required for this project, Johnson Consulting performed the following tasks:

1. Examined and projected regional economic and demographic trends that may influence demand for an expanded facility.
2. Analyzed current and expected future trends in the convention and meetings industry, including locations, event types, and event attributes.
3. Reviewed current operations at SPICC and identified and examined relevant competitive and comparable facilities, regionally and nationally.
4. Reviewed the proposed size and mix of spaces for the expanded SPICC, and opined on their appropriateness.
5. Projected future demand for an expanded SPICC, in terms of annual events and attendance.
6. Utilized proven local, regional, and national formulas to forecast revenue and expense models.

EXECUTIVE SUMMARY

The City of South Padre Island has many of the key characteristics and requirements necessary to support an expansion to the SPICC. These include steady population growth and expansion, an economy geared towards the accommodation and food services industry, and a limited supply of convention centers and other public assembly facilities in South Padre Island, which means that events are often lost to other cities throughout the region. Like many destination communities, South Padre Island faces challenges in establishing a greater basis for year-round tourism and permanent residents and businesses. An improved and expanded SPICC would further add to the appeal of South Padre Island as a national tourist destination, and a destination for meeting and event planners looking to host their events in an attractive environment with a desirable climate.

INDICATED FACILITIES

The following table summarizes the key attributes of the existing SPICC and comparable facilities and locations identified as part of this analysis.

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Table 2 - 1

Key Characteristics of Comparable Facilities and Markets	South Padre Island Convention Centre	Monona Terrace Community & Convention Center	Pueblo Colorado Convention Center	Lake Terrace Convention Center	Grand Wayne Convention Center	Coralville Marriott Hotel and Conference Center	St. Charles Convention Center	San Marcos Conference Center	Meydenbauer Center
Location									
Location	South Padre Island, TX	Madison, WI	Pueblo, CO	Hattiesburg, MS	Fort Wayne, IN	Coralville, IA	St. Charles, MO	San Marcos, TX	Bellevue, WA
Metropolitan Area	Brownsville-Harlingen	Madison	Pueblo	Hattiesburg	Fort Wayne	Iowa City	St. Louis	Austin-Round Rock	Seattle-Tacoma-Bellevue
Demographic Characteristics (2012)									
Metropolitan Area Population	420,312	583,124	161,575	147,489	422,120	156,873	2,823,258	1,830,020	3,547,333
Median Household Income	$33,459	$63,256	$42,624	$39,089	$52,772	$52,775	$54,402	$58,694	$67,910
Hotel									
# Guest Rooms	-	-	Courtyard 163 rooms	-	Hilton 246 rooms Courtyard 250 rooms	Marriott 286 rooms	Embassy Suites 296 rooms	Embassy Suites 283 rooms	-
Meeting Space (SF)									
Exhibit Space	Existing: 22,500 Proposed: 40,500	37,200	16,200	14,755	48,480	29,596	27,600	-	36,000
Ballroom	Proposed: 10,000	20,364	-	-	15,974	21,910	22,225	36,000	-
Meeting Room(s)	Existing: 11,692 Proposed: 11,692	5,266	4,900	7,936	9,819	5,168	7,024	4,000	13,390
Other	Existing: Theatre (2,633 SF)	21,540 SF; 50,590 SF (Outdoor Terrace)	Pavilion (2,990 SF)	2 Outdoor Spaces	Gallery (9,819 SF)	-	-	-	-
Total Exhibit Space (SF)		**84,370**	**24,090**	**22,691**	**75,953**	**56,674**	**56,849**	**40,000**	**49,390**
Events and Attendance									
# Events (per annum)	Existing: 66 Proposed: See Projections	630	463	841	400	15*	311	1,015	301
Total Attendance (per annum)	Existing: 65,975 Proposed: See Projections	231,301	49,360	222,000	N/A	18,000	271,817	98,000	146,867
Revenue and Expenses									
Net Income (Loss) ($'000s) - Most Recent Year	Existing: $507,935 Proposed: See Projections	($2,964,133)	($501,569)	($1,221,278)	($200,000)	($3,507,736)	$173,858	N/A	($784,426)
Locational Attributes									
# Hotel Rooms Citywide	2,080	5,874	1,377	2,013	3,358	2,015	1,828	1,040	4,429
# Hotels within 1 mile of Facility	6	9	2	11	2	8	8	1	15
# Hotel Rooms within 1 mile of Facility	662	1,571	263	1,054	494	1,115	1,258	283	3,208
Air Service	3: Brownsville South Padre Island International Airport (BRO), Valley International Airport (HRL), and McAllen International Airport (MFE)	1: Dane County Regional Airport (MSN)	2: Pueblo Memorial Airport (PUB) and Colorado Springs Airport (COS)	1: Hattiesburg - Laurel Regional Airport (PIB)	1: Fort Wayne International Airport (FWA)	2: Eastern Iowa Airport (CID) and Quad City International Airport (MLI)	1: Lambert–St. Louis International Airport (STL)	2: Austin-Bergstrom International Airport (AUS) and San Antonio International Airport (SAT)	1: Seattle–Tacoma International Airport (SEA)
Annual Passengers†	BRO: 85,244 HRL: 359,166 MFE: 332,706	741,365	PUB: 22,470 COS: 828,516	16,095	272,796	CID: 431,874 MLI: 412,470	6,159,090	AUS: 4,436,661 SAT: 3,992,304	15,971,676
Convention and Visitor Bureau Budget	$4,771,891	$3,670,000	$1,486,306**	$2,008,604	$1,500,000	$335,000	$2,606,189	$1,013,650	$200,921***

** Only related to conventions/ conferences - many other social events are held at the facility.*

*** Reflects the budget of the Greater Pueblo Chamber of Commerce, who is the primary marketer and solicitor of Pueblo for conventions.*

**** This program is in development stages, thus is lower than comparable organizations.*

† Excludes arrival and through passengers.

Source: Relevant Facilities, Demographics Now, Johnson Consulting

Each of the facilities profiled in our study were developed in response to a community's desire to generate significant benefits for local and regional economies, to stimulate tourism, to serve local corporations and universities, and for urban renewal purposes. Although there is variation in the size, orientation, operating approach, and role that each of these facilities play in their communities, each facility demonstrates how a convention center can serve as a catalyst to stimulate the economy, grow and support the local hotel community, and provide a valuable asset for local residents and businesses. A number of the case studies also highlight the positive impact of locating convention facilities in an attractive setting.

Within Texas, large metropolitan areas are generally favoured as meeting destinations, reflecting, in part, the geographic size of the State and the higher level of accessibility enjoyed by centralized locations. This can be seen through various development projects such as the Holiday Inn and Suites near the McAllen Convention Center and a similar hotel development currently being considered in proximity to Harlingen Convention Center, although no additional information is available at this time on this project. However, as illustrated by many of the case studies, smaller and less accessible destinations have proven to attract a sufficient number of events, and generate sufficient economic benefits, to justify their continued operations and, in many cases, subsidization by their respective communities.

The drawing power of SPICC's strategic location is a factor that should not be overlooked. If the somewhat isolated, secondary markets included in the above case studies can successfully draw events, then SPICC, given the right mix of marketing and appropriately improved and expanded facilities, should be able to compete effectively with destinations throughout the region and beyond.

FACILITY PROGRAM CONFIRMATION/ RECOMMENDATIONS

Based upon our assessment of the market opportunity for an expanded SPICC, as well as our analysis of competitive and comparable facilities, we agree with the amount of exhibit and ballroom space that is being proposed. It is, however, our opinion that the masterplan should include more meeting and breakout space (13,000-17,000 square feet) to support the expanded Exhibit Hall. It is our experience that meeting and ballroom space is often undersized and venues that have it always use it. Because this space is more always more expensive, it is often the first element to be reduced or eliminated from master plans.

From a strategy standpoint, it is our belief that a headquarters hotel could be built that offers additional meeting space. Targeting a +/- 250-room property is suggested, with 13,000-17,000 square feet of meeting and ballroom space. However, taking into account budget considerations, and the likely time lag associated with the development of a headquarters hotel, we recommend that the lobby of the SPICC be reconfigured to make it wide enough to accommodate functions with food service. We also suggest consideration of carpeting all or part of the Exhibit Hall and using soft goods to make at least one section appear as a ballroom.

DEMAND PROJECTION

An expanded SPICC will be designed to be sufficiently flexible to accommodate the needs of numerous diverse entities. The following table shows current demand for 2012 and summarizes the projected event schedule, by event type, for an expanded SPICC over a 10-year period from 2015, which is assumed to be the first full year of operation of the expanded facility. It is noted that we have reclassified the Special Events currently held at the SPICC into Specialty Shows, Seminars, Entertainment Events and 'Other'. All other event categories remain unchanged.

Table 2 - 2

Current & Projected Events at Expanded SPICC

Event Type	2012 (Actual)*	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Exhibit Events											
Conventions/ Trade Shows	25	27	28	29	30	31	31	31	31	31	31
Consumer Shows/ Specialty Shows	3	4	5	6	7	8	8	8	8	8	8
Sub-total Exhibit Events	28	31	33	35	37	39	39	39	39	39	39
Cultural and Social Events											
Meetings	6	8	9	10	11	12	12	12	12	12	12
Banquets/ Seminars	5	18	24	30	36	42	42	42	42	42	42
Entertainment/ Sports Events	15	18	19	20	21	22	22	22	22	22	22
Other	12	10	11	12	13	14	14	14	14	14	14
Sub-total Cultural and Social Events	38	54	63	72	81	90	90	90	90	90	90
Total	**66**	**85**	**96**	**107**	**118**	**129**	**129**	**129**	**129**	**129**	**129**

** SPICC's Special Events dispersed across Specialty Shows, Seminars, Entertainment, and Other event categories.*
Source: Johnson Consulting

The expanded SPICC is projected to host 85 events in 2015 (Year 1), of which 31 events are projected to be Exhibit Events and 54 events are projected to be Cultural and Social Events. The most substantial increase over current demand, by event type, is projected in the Banquets and Seminars category, reflecting the addition of the Ballroom space. We also expect increases in the number of Convention and Trade Shows, and Entertainment and Sporting events, reflecting the expansion of the Exhibit Hall.

The following table shows estimated current and projected attendance at the expanded SPICC from 2015 through 2024. It is noted that our estimated figures for 2012 are based upon the total number of events and estimated annual attendance figures for the venue.

Table 2 - 3

Current & Projected Attendance at Expanded SPICC											
Event Type	**2012 (Estimated)***	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Exhibit Events											
Conventions/ Trade Shows	31,800	42,600	43,200	45,000	47,800	50,700	51,800	52,800	53,900	55,000	56,000
Consumer Shows/ Specialty Shows	6,600	9,600	11,800	17,000	17,300	19,900	20,300	20,800	21,200	21,600	22,100
Sub-total Exhibit Events	38,400	52,200	55,000	62,000	65,100	70,600	72,100	73,600	75,100	76,600	78,100
Cultural and Social Events											
Meetings	1,800	2,400	2,700	3,000	3,400	3,800	4,000	4,100	4,200	4,300	4,400
Banquets/ Seminars	1,600	7,200	9,600	12,000	14,800	17,600	18,100	18,500	18,900	19,300	19,700
Entertainment/ Sports Events	20,500	28,400	30,200	32,000	34,600	37,200	38,000	38,800	39,600	40,400	41,200
Other	3,600	2,000	2,200	2,400	2,600	2,800	2,800	2,800	2,800	2,800	2,800
Sub-total Cultural and Social Events	27,500	40,000	44,700	49,400	55,400	61,400	62,900	64,200	65,500	66,800	68,100
Total	**65,900**	**92,200**	**99,700**	**111,400**	**120,500**	**132,000**	**135,000**	**137,800**	**140,600**	**143,400**	**146,200**

** SPICC's Special Events dispersed across Specialty Shows, Seminars, Entertainment, and Other event categories.*

Source: Johnson Consulting

Total attendance is projected to be 92,200 persons in 2015, increasing to 132,000 persons in 2019. Attendance is projected to increase with increases in the number of events, as shown in the previous table, but average attendance at individual events is also projected to increase year-on-year. As such, when the event schedule remains steady, as is assumed beyond year 2019 (Year 5), total attendance is still projected to increase slightly. Our figures do not include people days, or attendees that come to the venue on multiple days for one event, which may be included in visitor counts at other venues.

OPERATING PROJECTION

The following table presents a summary of the projected operating statement for the first 10 full years of operation of the expanded SPICC, based upon the demand projections as described above. Revenues include all revenues that can be used for operations. SPICC's revenues and expenses are included in the City of South Padre Island's Convention Center Fund and the Hotel/Motel Tax Fund. We have utilized the same line items and categories included in the two Funds' current budgets for our projections. All revenues and expenses are inflated at a 2.5 percent annual rate.

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Table 2 - 4

Expanded SPICC - Pro Forma Operating Statement of Revenue and Expenses (Inflated Dollars)											
	2012 (Actual)	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Convention Center Fund Revenue											
Rental Fees	$174,075	$372,700	$393,320	$434,280	$488,349	$533,456	$546,777	$557,654	$568,828	$580,167	$591,727
Net Food and Beverage	16,360	206,550	222,220	244,848	271,586	301,473	315,646	330,339	345,569	361,366	377,737
Equipment Rental	1,949	74,540	80,631	91,253	105,180	117,767	123,726	129,341	135,232	141,375	147,797
Event Services	645	1,491	1,613	1,825	2,104	2,355	2,475	2,587	2,705	2,828	2,956
Advertising Revenue	-	6,750	6,919	7,092	7,269	7,451	7,637	7,828	8,024	8,224	8,430
Other Revenue	-	50,000	50,000	51,250	52,531	53,845	55,191	56,570	57,985	59,434	60,920
Sub-Total Operating Revenue	$193,028	$712,031	$754,702	$830,548	$927,019	$1,016,346	$1,051,451	$1,084,319	$1,118,341	$1,153,394	$1,189,567
Hotel/Motel Fund Revenue											
Ticket Sales	$9,448	$9,684	$9,926	$10,174	$10,429	$10,690	$10,957	$11,231	$11,511	$11,799	$12,094
Event Fees	24,853	$25,474	$26,111	$26,764	$27,433	$28,119	$28,822	$29,542	$30,281	$31,038	$31,814
Sub-Total Operating Revenue	$34,301	$35,158	$36,037	$36,938	$37,862	$38,808	$39,779	$40,773	$41,792	$42,837	$43,908
Total Operating Revenue	$227,329	$747,189	$790,739	$867,486	$964,881	$1,055,155	$1,091,229	$1,125,092	$1,160,133	$1,196,231	$1,233,475
Suuporting Revenues											
Hotel/ Motel Occupancy Tax	$2,049,804	$2,101,049	$2,153,576	$2,207,415	$2,262,600	$2,319,165	$2,377,145	$2,436,573	$2,497,487	$2,559,925	$2,623,923
Other Non-Property Taxes	11,076	$11,353	$11,637	$11,928	$12,226	$12,532	$12,845	$13,166	$13,495	$13,832	$14,178
Grant Revenue	22,118	$22,671	$23,238	$23,819	$24,414	$25,025	$25,650	$26,292	$26,949	$27,623	$28,313
Miscellaneous Revenue	8,120	$8,323	$8,531	$8,745	$8,963	$9,187	$9,417	$9,652	$9,894	$10,141	$10,395
Sub-Total Supporting Revenue	$2,091,119	$2,143,397	$2,196,982	$2,251,906	$2,308,204	$2,365,909	$2,425,057	$2,485,683	$2,547,825	$2,611,521	$2,676,809
Total Revenue	$2,318,448	$2,890,586	$2,987,721	$3,119,393	$3,273,085	$3,421,064	$3,516,286	$3,610,775	$3,707,959	$3,807,752	$3,910,284
Expenses											
Personnel Services	$430,796	648,750	664,969	681,593	698,633	716,099	734,001	752,351	771,160	790,439	810,200
Goods and Supplies	34,831	37,270	40,315	45,627	52,590	58,884	61,863	64,671	67,616	70,688	73,899
Repairs and Maintenance	302,791	310,000	317,750	325,694	333,836	342,182	350,737	359,505	368,493	377,705	387,148
Miscellaneous Services	537,459	585,000	599,625	614,616	629,981	645,731	661,874	678,421	695,381	712,766	730,585
Other Expenses	44,264	21,490	22,110	22,843	23,638	24,436	25,098	25,784	26,474	27,198	27,937
Total Expenses	$1,350,140	$1,602,510	$1,644,769	$1,690,371	$1,738,678	$1,787,331	$1,833,572	$1,880,731	$1,929,123	$1,978,795	$2,029,768
Net Income (Deficit)	**$968,308**	**$1,288,076**	**$1,342,952**	**$1,429,021**	**$1,534,407**	**$1,633,733**	**$1,682,714**	**$1,730,044**	**$1,778,836**	**$1,828,957**	**$1,880,516**
Reserve for Replacement	$426,069	$436,721	$447,639	$458,830	$470,300	$482,058	$494,109	$506,462	$519,124	$532,102	$545,404
Net Income (Deficit) Before Debt Service	**$542,239**	**$851,355**	**$895,313**	**$970,192**	**$1,064,107**	**$1,151,675**	**$1,188,604**	**$1,223,582**	**$1,259,712**	**$1,296,855**	**$1,335,112**

Source: Johnson Consulting

As shown, the expanded SPICC is expected to operate at a net income throughout the projection period, taking into account its supporting revenue streams, which include approximately $2.0 million in hotel/ motel occupancy tax revenues. The expanded SPICC is projected to operate at a net income of $1,288,076 in 2015, improving to $1,633,733 in 2019.

These projections are in line with comparable facilities, from both a demand and operating statement perspective, and are considered to be fair and reasonable. There are a myriad of policy, management and operating decisions to be made from this point forward. Many of these are material and could affect demand and financial performance of the SPICC.

SECTION III

ECONOMIC AND DEMOGRAPHIC ANALYSIS

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ECONOMIC AND DEMOGRAPHIC ANALYSIS

In order to analyze the market opportunity for an expansion to the South Padre Island Convention Centre (SPICC), Johnson Consulting undertook a comprehensive review of market conditions in the City of South Padre Island and Cameron County, relative to the broader metropolitan area, as well as State and national averages. The key objectives of this analysis were to identify structural factors, and opportunities and weaknesses that may affect the market's ongoing competitive situation, and to gauge the level of support that exists for an expansion to the SPICC.

While characteristics such as population, employment, and income are not strict predictors of the performance of public assembly facilities, they provide insight into the capacity of a market to provide ongoing support for facilities and activities. In addition, the size and role of a marketplace, its civic leadership, proximity to other metropolitan areas, transportation concentrations, and the location of competing and/or complementary attractions, directly influence the scale and quality of facilities that can be supported within that particular market.

MARKET OVERVIEW

Located in the Rio Grande Valley, which is the southernmost tip of Texas (comprised of Cameron, Hidalgo, Starr, and Willacy counties), South Padre Island is a city within Cameron County. Situated between the Gulf of Mexico and Laguna Madre Bay, South Padre Island's subtropical climate provides it with natural amenities and makes it a popular vacation destination. The City was incorporated in 1973, although its history as a resort destination dates back to the mid-nineteenth century. It was not until the completion of the Queen Isabella Causeway, which connects South Padre Island to mainland Texas, in 1954 that the area became a developed tourist destination.

SPICC, which was constructed in 1992, is located approximately three miles north of downtown South Padre. SPICC offers 22,500 square feet of exhibit hall space and 11,692 square feet of meeting space, along with 500 car parking spaces.

The following figure provides a map of South Padre Island, highlighting the location of SPICC.

Image 3 - 1

Source: South Padre Island Chamber of Commerce

CURRENT POPULATION

In 2012 the City of South Padre Island had an estimated resident population of 2,860 persons, representing less than 1 percent of the population of Cameron County (which is coextensive with the Brownsville-Harlingen Metropolitan Statistical Area). Between 2000 and 2012, the population of the City increased at an average annual rate of 0.4 percent, which was lower than the rates of growth recorded throughout Cameron County and Texas (both 1.9 percent) and the U.S. (0.9 percent).

Table 3 - 2

Historic & Current Population - City of South Padre Island (2000-2012) ('000s)				
	2000	2012	% Growth 2000-2012	CAGR* 2000-2012
U.S.	281,303	313,860	2.9%	0.9%
Texas	20,850	26,081	25.1%	1.9%
Cameron County	335	420	25.4%	1.9%
City of South Padre Island	**3**	**3**	**4.5%**	**0.4%**

* Compounded Annual Growth Rate

Source: Demographics Now, Johnson Consulting

PROJECTED POPULATION GROWTH

Population projections prepared by the U.S. Census Bureau indicate that the population of the City of South Padre Island will reach 2,943 persons in 2017, representing an average annual rate of growth of 1.5 percent over 2012. This rate of growth outpaces the projected growth rates in Cameron County (0.9 percent), Texas (1.1 percent), and the U.S. (0.6 percent).

Table 3 - 3

Projected Population - City of South Padre Island (2012-2017) ('000s)				
	2012	2017	% Growth 2012-2017	CAGR* 2012-2017
U.S.	313,860	323,926	3.2%	0.6%
Texas	26,081	27,572	5.7%	1.1%
Cameron County	420	440	4.8%	0.9%
City of South Padre Island	**3**	**3**	**7.6%**	**1.5%**

* Compounded Annual Growth Rate

Source: Demographics Now, Johnson Consulting

Longer-term projections for Texas indicate that the State's population will increase at an average annual rate of 1.5 percent between 2020 and 2030, reaching 33.3 million people in 2030. This is faster than the rate of growth projected throughout the U.S. (0.8 percent), reflecting long-term growth rates in the State.

Table 3 - 4

Population Projection - Texas (2020-2030) ('000s)				
	2020	2025	2030	CAGR* 2020-2030
U.S.	335,805	349,439	363,584	0.8%
Texas	28,635	30,865	33,318	1.5%

Source: U.S. Census Bureau, Johnson Consulting

AGE CHARACTERISTICS

The age characteristics of South Padre Island differ from those of Cameron County, Texas, and the U.S., primarily on the basis of a higher concentration of older residents aged 55 years and older, reflecting the presence of retirees as the City is a State-designated Certified Retirement Community. In 2012, more than half of residents of the City (55.3 percent) were 55 years or older. This is more than double the proportion of residents in this age bracket recorded throughout Cameron County (20.7 percent), Texas (21.3 percent), and the U.S. (25.6 percent).

South Padre Island has a relatively small concentration of working-aged residents, aged between 15 and 54 years, representing 35.9 percent of the population of the City compared 52.0 percent of residents of the County, 56.1 percent of the State, and 54.7 percent of the population of the U.S. Additionally, the City's population of youth aged 14 and under (8.8 percent) is substantially smaller than the those recorded in Cameron County (27.2 percent), Texas (22.7 percent), and U.S. (19.6 percent).

Table 3 - 5

Age Distribution - City of South Padre Island (2012)								
Age Group (Years)	City of South Padre Island		Cameron County		Texas		U.S.	
	No.	%	No.	%	No.	%	No.	%
0-4	72	**2.5%**	37,081	**8.8%**	1,982,510	**7.6%**	20,253,371	**6.5%**
5-14	181	**6.3%**	77,434	**18.4%**	3,928,906	**15.1%**	41,291,509	**13.2%**
15-19	99	**3.5%**	36,282	**8.6%**	1,908,127	**7.3%**	21,714,726	**6.9%**
20-24	94	**3.3%**	28,733	**6.8%**	1,901,750	**7.3%**	22,261,146	**7.1%**
25-34	203	**7.1%**	52,870	**12.6%**	3,749,926	**14.4%**	42,082,329	**13.4%**
35-44	241	**8.4%**	53,758	**12.8%**	3,552,711	**13.6%**	40,909,237	**13.0%**
45-54	390	**13.6%**	47,016	**11.2%**	3,509,141	**13.5%**	45,012,315	**14.3%**
55-64	563	**19.7%**	39,677	**9.4%**	2,786,337	**10.7%**	38,415,729	**12.2%**
65-74	602	**21.0%**	26,091	**6.2%**	1,575,614	**6.0%**	22,850,899	**7.3%**
75-84	345	**12.1%**	15,866	**3.8%**	857,429	**3.3%**	13,266,641	**4.2%**
85+	70	**2.5%**	5,504	**1.3%**	328,755	**1.3%**	5,801,661	**1.9%**
TOTAL	**2,860**		**420,312**		**26,081,206**		**313,859,562**	

Source: Demographics Now, Johnson Consulting

MEDIAN AGE

In 2012 the median age of residents of the City of South Padre Island was 58.0 years, which was substantially higher than figures recorded for Cameron County (31.0 years), Texas (34.0 years), and the U.S. (37.0 years). Between 2000 and 2012, the median age of residents of South Padre increased by 5.6 percent, which was lower than the rate of increase recorded in Cameron County (6.9 percent per annum), but slightly higher than the rates of growth in Texas and the U.S. (both 4.9 percent per annum). This reflects the broader demographic shift towards an aging population, as well as the relatively large concentration of retirees in South Padre Island.

Table 3 - 6

Median Age - City of South Padre Island (2000-2017)					
	2000	2012	2017	Growth 2000-2012	Growth 2012-2017
U.S.	35.3	37.0	37.0	4.8%	0.0%
Texas	32.4	34.0	34.0	4.9%	0.0%
Cameron County	29.0	31.0	31.0	6.9%	0.0%
City of South Padre Island	54.9	58.0	58.0	5.6%	0.0%

Source: Demographics Now, Johnson Consulting

The age characteristics of a local population are an important consideration when analyzing long-term demand for a public assembly facility, as these characteristics could impact demand for certain types of public events, and would likely influence the types of events that promoters would bring to the area.

EDUCATIONAL ATTAINMENT

The population of the City of South Padre is reasonably well educated, with 38.9 percent of residents holding a Bachelor's degree or higher. This figure is higher than those recorded across the County (15.2 percent), State (26.7 percent), and the U.S. (28.7 percent). The largest proportion of South Padre Island residents (26.9 percent) attended some college but did not receive a degree, with a further 20.5 percent having graduated high school. This is generally consistent with the educational attainment characteristics of Cameron County, Texas, and the U.S.

Table 3 - 7

Educational Attainment - City of South Padre Island (2012)								
	City of South Padre Island		Cameron County		Texas		U.S.	
	No.	%	No.	%	No.	%	No.	%
Less than High School	117	4.9%	78,747	34.2%	2,836,938	17.7%	27,301,374	13.3%
High School Graduate	492	20.5%	58,421	25.4%	4,161,737	25.9%	59,043,925	28.7%
Some College, No Degree	645	26.9%	44,162	19.2%	3,728,775	23.2%	44,289,212	21.5%
Associates Degree	214	8.9%	14,094	6.1%	1,043,105	6.5%	15,931,068	7.7%
Bachelor's Degree	440	18.3%	25,382	11.0%	2,851,437	17.8%	37,095,074	18.0%
Graduate Degree	494	20.6%	9,578	4.2%	1,422,229	8.9%	21,908,953	10.7%
TOTAL	2,402		230,384		16,044,221		205,569,606	

Source: Demographics Now, Johnson Consulting

EMPLOYMENT

In 2011, which is the most current data available, the predominant industry of employment in Cameron County was Services (46.7 percent of employed residents aged 15 years and older), predominantly Health Care and Social Assistance, and Accommodation and Food Services, followed by Government (18.3 percent), and Retail Trade (11.7 percent). Between 2009 and 2011, growth in employment was recorded across all industries in Cameron County, except the Construction and Manufacturing sectors, which experienced declines of 8.6 percent and 6.8 percent per annum, respectively, and the Retail Trade sector, which remained stable. The largest increases were recorded in the Transport and Utilities (3.5 percent per annum) and Fire, Insurance and Real Estate (3.0 percent) sectors.

Table 3 - 8

Non-Farm Employment by Industry - Cameron County (2009-2011)

	2009	2010	2011	CAGR* 2009-2011
Construction	8,985	8,059	7,513	(8.6%)
% of Total	5.3%	4.7%	4.4%	
FIRE**	11,554	11,728	12,250	3.0%
% of Total	6.8%	6.9%	7.1%	
Government	30,736	31,844	31,639	1.5%
% of Total	18.2%	18.7%	18.3%	
Manufacturing	7,021	6,219	6,095	(6.8%)
% of Total	4.1%	3.6%	3.5%	
Retail Trade	20,275	19,808	20,259	(0.0%)
% of Total	12.0%	11.6%	11.7%	
Services	77,535	79,269	80,494	1.9%
% of Total	45.8%	46.5%	46.7%	
Transport & Utilities	6,848	7,166	7,333	3.5%
% of Total	4.0%	4.2%	4.3%	
TOTAL	**169,196**	**170,644**	**172,514**	**1.0%**

* Compounded Annual Growth Rate
** Finance, Insurance & Real Estate
Source: BEA, Johnson Consulting

UNEMPLOYMENT

The following table shows the annual unemployment rates for Cameron County, relative to Texas and the U.S., for the period of 2000-2012 (note that unemployment data is not available at the city level for cities with a population of less than 25,000 people).

Table 3 - 9

Unemployment Rate - Cameron County (2000-2012)						
	Cameron County		Texas		U.S.	
	Rate	Change	Rate	Change	Rate	Change
2000	7.0%	-	4.4%	-	4.0%	-
2001	7.9%	**0.9**	5.0%	**0.6**	4.7%	**0.7**
2002	9.0%	**1.1**	6.4%	**1.4**	5.8%	**1.1**
2003	9.5%	**0.5**	6.7%	**0.3**	6.0%	**0.2**
2004	8.8%	**(0.7)**	6.0%	**(0.7)**	5.5%	**(0.5)**
2005	7.6%	**(1.2)**	5.4%	**(0.6)**	5.1%	**(0.4)**
2006	6.6%	**(1.0)**	4.9%	**(0.5)**	4.6%	**(0.5)**
2007	6.0%	**(0.6)**	4.4%	**(0.5)**	4.6%	**0.0**
2008	6.8%	**0.8**	4.9%	**0.5**	5.8%	**1.2**
2009	9.6%	**2.8**	7.5%	**2.6**	9.3%	**3.5**
2010	11.3%	**1.7**	8.2%	**0.7**	9.6%	**0.3**
2011	11.8%	**0.5**	7.9%	**(0.3)**	8.9%	**(0.7)**
2012	10.7%	**(1.1)**	6.8%	**(1.1)**	8.1%	**(0.8)**

Source: Bureau of Labor Statistics, Johnson Consulting

Between 2000 and 2012 the unemployment rate in Cameron County has consistently remained above the State and national averages. In 2012, the unemployment rate in Cameron County was 10.7 percent, which was substantially higher than that recorded for Texas (6.8 percent), as well as the U.S. (8.1 percent).

HOUSEHOLD INCOME

In 2012 the median household income in the City of South Padre Island was $55,701 per annum, which was significantly higher than Cameron County ($33,459) and slightly higher than the State ($51,093) and national ($53,535) medians. Between 2000 and 2012, the median household income in the City increased at an average annual rate of 1.7 percent, which was slightly lower than the rates of growth recorded across Cameron County (2.0 percent per annum), Texas (2.1 percent), and the U.S. (2.0 percent).

Table 3 - 10

Median Household Income - City of South Padre Island (2000-2017)					
	2000	2012	2017	CAGR* 2000-2012	CAGR* 2012-2017
U.S.	$42,253	$53,535	$60,898	2.0%	2.2%
Texas	$39,928	$51,093	$56,463	2.1%	2.1%
Cameron County	$26,236	$33,459	$37,054	2.0%	2.1%
City of South Padre Island	**$45,468**	**$55,701**	**$57,743**	**1.7%**	**1.4%**

* Compounded Annual Grow th Rate

Source: Demographics Now, Johnson Consulting

Going forward, growth in median household incomes in the City of South Padre Island is expected to slow slightly, relative to 2000-2012 (1.4 percent between 2012 and 2017), with a projected median household income of $57,743 in 2017. This figure is lower than the national forecast ($60,898 per annum), generally in line with the projected median household income in Texas ($56,463), and substantially higher than the forecast for Cameron County ($37,054).

CORPORATE PRESENCE

A strong corporate and business presence can be an important factor in the success of a public assembly facility, because local businesses can attract residents to an area, provide disposable income, and support facilities through donations, advertising, and their requirement for event space. The following table shows the largest public and private employers throughout the City of South Padre Island. As shown, the City's largest employers are concentrated within the Accommodation and Food Services industries, with the largest single employer being Schlitterbahn Beach Resort (354 employees).

Table 3 - 11

Major Employers - South Padre Island (2012)		
Company	**Industry**	**Employees**
Schlitterbahn Beach Water Park	Arts, Entertainment, and Recreation	354
City of South Padre Island	Government	250
Pearl Beach Resort	Accommodation and Food Services	242
Isle Grand Resort	Accommodation and Food Services	207
Blackbeard's Restaurant	Accommodation and Food Services	176
Hilton Garden Inn	Accommodation and Food Services	150
Louie's Backyard	Accommodation and Food Services	130
La Quinta Inn and Suites	Accommodation and Food Services	120
Sea Ranch Enterprises (includes Pier 19)	Accommodation and Food Services	120
La Coupa Inn	Accommodation and Food Services	110

Source: South Padre Island Economic Development Corporation, Johnson Consulting

UNIVERSITY AND COLLEGE PRESENCE

Although South Padre Island is not home to any higher education institutions, it is within driving distance of three colleges:

- **University of Texas at Brownsville (UTB) and Texas Southmost College (TSC):** Located in Brownsville, Texas, UTB and TSC is a publicly-supported higher education institution offering certificates and associate, bachelor's, and graduate degrees in Liberal Arts, the Sciences, and Professional Programs. In 2012, enrollment at UTB and TSC totaled 6,212 full-time and 6,807 part-time students.

- **University of Texas Pan-American (UTPA):** UTPA is a publicly-supported higher education institution located in Edinburg, Texas. It offers undergraduate and graduate degree programs, with a 2011 enrollment of 16,631 undergraduate and 2,403 graduate students. UTPA's Coastal Studies Laboratory is located in Isla Blanca Park on South Padre Island. The Coastal Studies Laboratory focuses on research of costal ecosystems of southern Texas and northern Mexico.

- **Texas State Technical College (TSTC):** The TSTC System includes four colleges, including a campus located in Harlingen, Texas, with a 2012 enrollment of 5,853 students. TSTC is the only publicly-supported technical college system in Texas. It offers associate degrees and certificates in many areas, including Agriculture, Food & Natural Resources, Health Sciences, Hospitality & Tourism, Information Technology, Manufacturing, Transportation, and Distribution & Logistics.

ACCESSIBILITY

South Padre Island is a barrier island, which limits its connectivity with mainland Texas to State Route 100, via the Queen Isabella Memorial Causeway. However, there are a variety of transportation options to access South Padre Island:

- **Airports:** Three airports service the South Padre Island area:
  - Brownsville South Padre Island International Airport (BRO), which is situated approximately 20 miles (35-minute drive time) southwest of South Padre Island. BRO is a city-owned, public-use airport. AeroMexico, American Airlines and United Airlines provide regular passenger service into BRO.
  - Valley International Airport (HRL) is located approximately 30 miles (1-hour drive time) west of South Padre Island. HRL is operated by the City of Harlingen. Southwest Airlines, SunCountry Airlines and United Airlines provide regular passenger service into HRL.
  - McAllen International Airport (MFE), which is located 75 miles (1.5- hours drive time) west of South Padre Island offers services operated by Aeromar, Allegiant Air, American Airlines, and United Airlines. MFE is a public-use airport, operated by the City of McAllen, Texas.
- **Road:** South Padre Island is connected to mainland Texas via Texas State Route 100, which continues west to Harlingen and Brownsville where it meets U.S. Route 77/83. Texas State Route 48 also links to Texas State Route 100 near the City of Port Isabel.
- **Buses:** South Padre Island offers a free shuttle bus system -"The Wave" - which services visitors coming in through the City of Port Isabel, as well as visitors across South Padre Island. "The Wave" operates regular daily services between 7:00 AM and 9:00 PM.

TOURISM

With over five million visitors annually, including an estimated 50,000 every March for the college spring break season, tourism is a key driver of the City of South Padre Island's economy. Seasonality of visitation to South Padre Island generally mirrors trends throughout Texas and the U.S., with peak season being from September through December. South Padre Island also experiences high levels of visitation during late Winter and early Spring.

The following table provides a list of events held in South Padre Island in 2012.

Table 3 - 12

Special Events - South Padre Island (2012)	
Month	**Event**
January	South Padre Island Polar Bear DIP
	Longest Causeway Run & Wellness Walk
	South Padre Island Kite Fest
February	Winter Texan Snowbird Extravaganza
	South Padre Island Chili Expo (S.P.I.C.E.)
	South Padre Island Chamber Surf Fishing Tournament
	Winter Texan Adopt-A-Beach Clean-up
	Isle Ditter Dog
	Surfrider Adopt-A-Beach Clean-up
	Laguna Madre Art League Show
March	Heat Wave Car & Audio Show
	Spring Break PSI - Texas Week
April	Beach-N-Biker Fest
	South Padre Island Splash
	Texas Adopt-A-Beach Clean-up
	Texas Gulf Surfing Association(TGSA) Surfing Championship
May	South Padre Island Kiteboarding Round-up
	Pedal to Padre
	Turtle Days
	Memorial Day Fireworks Over the Bay
July	4th of July Fireworks Over the Bay
	Beachcomber's Art Show
August	Texas International Fish Tournament (TIFT)
	Ladies Kingfish Tournament (LKT)
September	South Padre Island Beach Volleyball Tournament
	Labor Day Fireworks Over the Bay
	Texas Adopt-A-Beach Clean-up
	Ruffrider Regatta
	South Padre Island Dive Week
October	South Padre Island Splash
	South Padre Island Bikefest 2012
	25th Annual Sandcastle Days
	Women's Tip-O-Texas Golf Classic
November	Kites, Kids & Kandy Festival
	World Championship Shrimp Cook-off
	Annual Holiday Lighting of the Island
	Division I Men's Basketball Tournament
December	Holiday Lighted Boat Parade
	Island Holiday Street Parade

Source: South Padre Island Chamber of Commerce and Johnson Consulting

In addition to a number of annual events, the City also offers a variety of recreational activities such as golfing, fishing, and surfing, as well as attractions including the World Birding Center and Schlitterbahn Beach Waterpark. One of the South Padre Island's main attractions is its sandy beaches, which are often named by associations and magazines as being among the nation's best.

HOTEL INVENTORY

As a resort community, South Padre Island has developed facilities to accommodate visitors, including a strong service industry and a large inventory of hotels and other lodging facilities. The following table shows the City's largest hotel properties (50 or more rooms). As shown, the City's hotel inventory is comprised of almost 2,000 guest rooms and over 31,000 square feet of meeting space, with the largest hotel being the 251-room Pearl South Padre (formerly Sheraton Hotel South Padre Island Beach). The Isla Grand Beach Resort has the largest meeting and conference space offerings of any hotel throughout the City (10,797 square feet).

Table 3 - 13

Inventory of Lodging Facilities (Hotels) South Padre Island (2013)		
Hotel	**Guest Rooms**	**Meeting Space (SF)**
Pearl South Padre	251	8,500
Schlitterbahn Beach Resort	221	
Hilton Garden Inn Beach Resort	155	9,163
Travelodge	150	1,176
La Copa Inn & Suites	147	5,394
La Quinta Inn & Suites Beach Resort	147	3,972
Isla Grand Beach Resort	128	10,797
Holiday Inn Express Hotel & Suites	104	1,400
Padre South Hotel	94	-
Suites at Sunchase	91	3,000
The Inn at South Padre	91	588
Comfort Suites South Padre Island	74	600
BeachSide Inn	67	-
Super 8 South Padre Island	66	-
Island Inn	63	-
WindWater Hotel	61	-
Days Inn South Padre Island	57	-
Total	**1,967**	**40,402**

Source: South Padre Island Convention and Visitors Bureau, Mpoint, and Johnson Consulting

REGIONAL FACILITIES

The following table provides an overview of existing meeting and conference facilities throughout the Rio Grand Valley region.

Table 3 - 14

Regional Meetings Facilities - Rio Grande Valley			
Facility	**Square Feet**	**Facility**	**Square Feet**
Brownsville Events Center	**14,734**	**McAllen Convention Center**	**174,000**
Casa de Amistad	**13,000**	**Oil Mill Pavilion**	**19,000**
Casa Del Sol	**10,000**	**Rancho Viejo Resort & Country Club**	**12,000**
Casa Los Ebanos & Los Ebanos Preserve	**1,105**	**Residence Inn by Marriott Brownsville**	**618**
Echo Hotel & Conference Center	**6,522**	**Ringgold Civic Pavillion**	**9,000**
Harlingen Community Center	**10,626**	**South Padre Island Convention Center**	**45,000**
Harlingen Municipal Auditorium	**18,286**	**The University of Texas at Brownsville**	**12,000**
Holiday Inn Brownsville	**5,700**	Jacob Brown Memorial Center	10,944
Homewood Suites by Hilton Brownsville	**630**	Stillman Town Hall	1,710
La Sierra Event Center	**12,000**	**Victoria Palms (Suites & Conference Center)**	**12,000**

Source: Johnson Consulting

As shown, the largest meeting and event space in the Rio Grande Valley is the McAllen Convention Center, a 174,000 square feet facility with over 60,000 square feet of exhibit hall space. Located in Hidalgo County, McAllen Convention Center is approximately 75 miles (one and half hour drive) from South Padre Island.

IMPLICATIONS

The City of South Padre Island has many of the key characteristics and requirements necessary to support an expansion to the SPICC. These include steady population growth and expansion, an economy geared towards the accommodation and food services industry, and a limited supply of convention centers and other public assembly facilities in South Padre Island, which means that events are often lost to other cities throughout the region. Like many destination communities, South Padre Island faces challenges in establishing a greater basis for year-round tourism and permanent residents and businesses. An improved and expanded SPICC would further add to the appeal of South Padre Island as a national tourist destination, and a destination for meeting and event planners looking to host their events in an attractive environment with a desirable climate.

SECTION IV

MEETINGS AND EVENT INDUSTRY TRENDS

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MEETINGS AND EVENTS INDUSTRY TRENDS

Virtually all categories of meeting activities have experienced rapid worldwide growth since the early 1970s, with moderate downturns and rebounds reflective of national and international economic shifts. Notwithstanding the most recent global recession, the economic efficiency of using tradeshows to sell products, and for the pursuit of education and commerce, has fueled the creation of new events and the growth of existing events, in terms of both size and attendance. Cities throughout the world have responded and are still responding, albeit at a subdued pace, to this demand, along with efforts to bolster trade and development, by supplying millions of square feet of new or renovated exhibition and meeting space in both small and large markets.

In order to understand the long-term market demand for public assembly facilities, an analysis of entertainment, social event, and meeting industry trends is important. This subsection provides a general overview of the types of meeting facilities that exist in the industry, as well as the types of events that are commonly hosted. Also discussed are the general requirements that meeting planners look for in a prospective location, as well as an overview of current and likely future market trends, focusing on the impact of broader economic conditions on the meetings and events industry.

TYPES OF FACILITIES

Each event type has unique facility needs. Certain events require large amounts of contiguous space, while others require many smaller meeting rooms. Often a single meeting will use many different types of spaces, such as large exhibit halls, banquet facilities, breakout meeting rooms, and theater seating.

As societies mature and become more sophisticated, so too does the meetings market. The diverse nature of the meetings industry, and the characteristics of various event types, necessitates a variety of alternative facilities.

The main types of public assembly facilities are summarized as follows:

- **Hotel and Meeting Room Facilities:** Many markets have developed a multipurpose or small convention or conference center complex within or adjacent to a hotel, as a means of improving the lure of the hotel and subsidizing its operations. These facilities, which have been undertaken in markets of varying sizes, are frequently developed through public-private partnerships whereby the public sector may assemble land, build parking, and fund meeting space components as a way to execute a project. Often the various project elements are developed as a joint project, in terms of timing, but in some markets, the public elements have been built first with the hotel coming later.

- **Conference Centers:** Conference centers provide a specialized combination of meeting spaces, high-tech amenities, and services in support of training and education initiatives. Most conference centers are operated in conjunction with a hotel, although some are part of a university and a small number operate as stand-alone venues.

- **Convention Centers:** On a larger scale, convention centers combine the meeting capabilities of a conference center with exhibit space. These facilities are designed to meet the broad needs of the Meetings, Incentive, Convention, and Exhibition (M.I.C.E.) industry and primarily serve as economic development enterprises for the community. Their mission is to bring outside visitors and associated spending into the community, although they may also host large locally oriented consumer events.

- **Exposition Halls:** These facilities focus exclusively on product and consumer shows that require little meeting space. Pure exposition halls generally exist in markets that have other convention and/or meeting venues available or in situations where the private sector has responded to a lack of supply by developing an inexpensive facility. Fairgrounds also offer facilities that are exposition-oriented.

- **Trademarts:** Trademarts or merchandise marts typically combine an exhibit facility, permanent display space that is occupied by businesses under long-term lease agreements, and specialized office space. These facilities provide space for the wholesale distribution of products in specific industries, including furniture, clothing, sporting goods, and computers. These facilities occur in large cities that serve as regional wholesale and marketing centers.

- **Fairgrounds:** Fairgrounds combine a number of assembly and exposition elements on a large campus. Facilities may include one or more exhibition halls, along with arena and meeting hall functions, although little meeting space is usually offered on the property. Typically located away from downtown areas, fairgrounds provide acres of parking for large events.

- **Events Centers:** Events centers, or arenas, are used as multi-purpose facilities to host a wide range of events, from small to mid-size conventions, and trade shows, to sporting events, concerts, and banquets. These facilities typically host many more locally oriented events than dedicated exhibit and ballroom space within convention centers. Events centers also incorporate breakout and meeting rooms, and often have a full commercial kitchen to cater banquet events.

TYPES OF EVENTS

As outlined above, the events industry is comprised of various different types of events, including:

- **Conventions or Congresses:** These are privately held meetings of professional groups and associations that commonly take place in hotels, convention centers, or civic centers. These meetings attract association members and/or affiliates wishing to meet similar professionals and share ideas.

A convention can consist of a single meeting or a number of concurrent meetings during the event period, and are increasingly featuring exhibits to communicate ideas. These types of conventions are known as "conventions with exhibits."

The term "convention" is generally used in North America, and "congress" is used in Europe, and sometimes in Asia, to describe the same type of events. However, conventions typically use more exposition space and have a more social nature than congresses, but this distinction is narrowing as congresses are becoming more like North American-style conventions.

Conventions are generally "high-impact" events since attendees normally stay several nights in the host city, generating hotel room nights. In addition to hotel expenditures, attendees purchase other goods and services while in the city such as food and beverage, souvenirs, and transportation that not only contribute to local business but also increase local and state tax revenues.

- **Temporary Expositions and Trade Shows:** These events are designed to bring buyers and sellers of industry-specific products together. Trade shows usually cater to a specific industry, however, multi-industry "trade fairs" also occur. Most trade show events are not open to the public.

  Like conventions, trade shows offer a forum for exchanging industry ideas. They differ from conventions, however, because they are more product-and sales-oriented. Tradeshows are exhibit-intensive, and exhibitors prefer column-free, single-story, open-space facilities in which they construct temporary custom booths for product display. Tradeshows typically attract a large number of attendees, who originate from outside the host city but tend to have a shorter average stay than convention attendees.

  The event programs run for a period of three to six days, with equal or slightly less time allocated to setting up and tearing down the event booths. Therefore, individual attendees may have less impact on the host city's economy than a convention attendee.

  Temporary exposition events are increasing the number of meetings held during an exhibition in an attempt to educate buyers about products, and as a result, are becoming more like "conventions with exhibits" (see previous point). However, in comparison to more formal conventions with exhibits, temporary expositions tend to maintain higher attendance figures, but a shorter average length of stay for attendees.

  The following table displays the most frequent event categories for conventions with exhibits and trade shows.

Table 4 - 1

Top Event Categories - Conventions with Exhibits & Trade Shows		
Aerospace & Aviation	Energy & Mining	Police & Fire Fighters
Agriculture & Farming	Facilities, Engineering & Maintenance	Printing & Graphics
Apparel & Fashion	Food & Beverage	Radio, TV & Cable
Art & Architecture	Forest Products	Religious
Associations	Funeral Industry	Safety & Security
Building & Construction	Government	Sanitation & Waste Management
Business & Finance	Home & Garden Furnishings & Supplies	Science
Chemicals	Libraries	Stores & Store Fittings
Communications	Manufacturing & Industrial	Textiles
Computers & Computer Applications	Medical & Health Care	Transportation
Education	Military	Travel Industry
Electrical & Electronics	Ocean Supplies & Equipment	Veterinary

Source: Red7 Media

- **Assemblies:** These are largely association, fraternal, or religious events that require a large plenary hall, arena, or stadium. Similar to conventions, they are characterized by large numbers of attendees originating from outside the host city.

- **Conferences:** These are smaller convention-type events and are typically held in meeting rooms and ballrooms or in formal conference centers. Like conventions and congresses, they are often sponsored by associations and corporations, and address current issues and information. Attendees and users typically demand high-quality facilities and most originate from out of town.

- **Incentive Meetings:** The corporate market uses incentive meetings as a way to reward employees, combine recreation and business meetings, or to mix employees and clients in a business and recreational setting. Product launches, key account conferences, and award events are all-important aspects of this type of event.

- **Consumer Shows:** These are public, ticketed events featuring exhibitions of merchandise, such as clothing, food, and antiques. These events are typically held in public assembly facilities such as hotels, convention centers, and exposition centers. They normally attract large numbers of attendees, and depending upon the size, location, and type of merchandise being displayed, these shows normally attract primarily local residents.

The following table displays a summary of the most prevalent types of consumer shows.

Table 4 - 2

Top Event Categories - Consumer Shows		
Antique	Golf	RV & Camping
Art	Health & Beauty	Sewing & Needlework
Auto	Holiday	Sports Goods & Guns
Boat	Home & Garden	Super Sale
Computer	Jewelry & Gem	Toys & Hobbies
Ethnic	Jobs, Career & College	Travel
Film	Motorcycle	Weddings
Flower	Outdoor Sports	Woodworking
Gift & Craft	Pets	

Source: Red7 Media

- **Entertainment Events:** Including performing arts, concerts, sporting events, and circuses that can be accommodated by a variety of facilities. Although entertainment facilities will typically be dedicated to one or more specific uses, multipurpose venues, such as convention centers, can accommodate a large variety of events, especially if they are designed appropriately. Entertainment event promoters require unobstructed space to arrange the performance and to allow attendees to view the show.

- **Permanent Expositions:** Permanent expositions are designed to promote commerce by establishing permanent exhibit areas for manufacturers. Although these facilities cater primarily to businesses, the general public is usually allowed to enter. Show promoters, however, discourage public attendance, as the primary intent of the exhibition is to promote wholesale trade. Permanent expositions use three types of product promotions:

  - **Sample Showcases:** These are small advertising displays of various new products. While company representatives do not staff the permanent facility of the showcase, personnel are usually available to provide buyers with information regarding the companies and their products.

  - **Export Marts:** These are facilities with staffed booths displaying domestic manufactured products. Export marts are typically arranged by industries and are meant to be one-stop-shops for prospective domestic and international buyers. The display areas are typically 200 to 600 square feet in size and are staffed with three to five people. In industries such as fashion, where seasonal sales patterns occur, booths are only staffed during peak sales periods, despite the fact that annual rents are collected for the space.

  - **Import Marts:** Foreign manufacturers use these to display their products to domestic buyers. Like export marts, they are typically arranged by industries, are 200 to 600 square feet in size, and are sometimes staffed (only during buying seasons). Often, trade associations representing mart tenants sponsor temporary expositions, thereby creating a regional draw for the mart. If significant exposition space is provided, these events can become the dominant industry event in the country or region.

EVENT SPONSORS

The meetings industry includes a wide variety of event types that are sponsored by different types of businesses and organizations, including:

- **Corporations:** Business meetings are an integral part of the meetings industry. They represent the majority of meetings held throughout the world, and topics can be as wide-ranging as the industries themselves. For the purposes of this report, corporate meetings will refer to off-site conferences, sales, and incentive meetings, such as the events that are often held at hotels.

- **Associations:** Trade and business associations represent certain industries and strive to keep members informed about current issues related to their industry. Associations sponsor meetings and conventions to serve this educational and informational purpose, and also assist in marketing efforts by holding trade shows where members can display and sell their products.

- **Educational Institutions:** Universities are increasingly recognizing that more continuing education occurs at meetings, rather than in classroom settings, and are becoming an important player in developing and sponsoring continuing education activities and conferences.

- **Government:** All levels of government hold meetings for the purpose of education, discussion of issues, and policy deliberation. In many countries, governments also create and sponsor trade shows in order to support sectors of the economy.

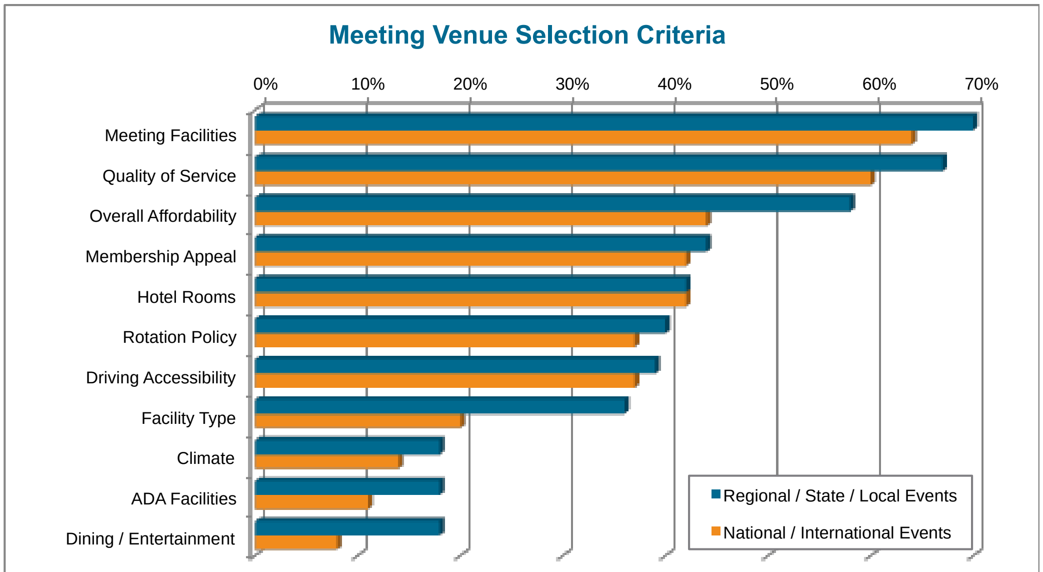
- **Independent Show Organizers, Incentive Houses, and Publishing Companies:** The meetings industry has grown so large that it now supports a growing number of organizations that specialize in the business of producing meeting events. These businesses may work on behalf of corporations and associations, and handle all aspects of a meeting, from booking attendees to event operations. Many publishing companies have trade show and convention management divisions, while incentive houses not only work for their corporate and association clientele, but may also develop programs and conferences as moneymaking ventures.

- **Social, Military, Education, Religious, Fraternal, and Ethnic (SMERFE) Organizations:** These organizations typically sponsor convention or assembly events that are not always business-related and tend to be geared more towards social networking and discussion of issues.

MEETING PLANNER SELECTION CRITERIA

The American Society of Association Executives (ASAE), which is a membership organization of more than 22,000 association executives in 50 countries throughout the world, recently surveyed its members regarding their criteria for selecting a convention center destination. These executives are responsible for selecting destination(s) for a variety of events, ranging from small meetings to large exhibitions. The following figure illustrates the average responses of members who placed events in convention centers, including both regional and local events, as well as national and international events.

Figure 4 - 1



Source: ASAE, Johnson Consulting

The survey respondents gave a high level of importance to the following criteria when selecting a convention center for either a regional, state or local event, or a national or international event:

- Availability and size of meeting facilities,
- Quality of service,
- Overall affordability,
- Membership appeal, and
- Availability of hotel rooms.

Meeting planners considered climate, ADA facilities, and dinning/entertainment options as least important when selecting a venue.

In situations where there are only a limited number of cities with sufficient exhibit space to meet a planner's requirements, data from TradeShow Week, indicates that the most important selection criteria relates to hotel supply. More specifically, the top five criteria when selecting a city, as opposed to a venue, are:

- Hotel room prices and quality (69 percent of respondents);
- Open Dates (66 percent);
- Number of Hotel Rooms and Capacity (60 percent);
- Hotel Block Attrition Rates and Issues (56 percent), and
- Labor Costs and Service Issues (43 percent).

A competitive advantage for cities is gained by having an established and effective tourism and hospitality industry that provides event producers and attendees with high quality experiences and encourages interest in returning for subsequent events and meetings.

IMPACT OF RECENT ECONOMIC CONDITIONS

A recent survey of event planners, conducted by Red 7 Media, indicates that 75 percent of respondents have changed their site selection process due to the recent recession. Perhaps the most significant, and expected, change is that more than 50 percent of planners are now looking for value locations and lower costs for venues, hotels and services, with 46 percent of respondents stating that they are also now booking smaller hotel blocks.

The top five criteria currently used for selecting a city for an event are:

- Hotel Room Prices (72 percent of respondents);
- Convention Center and Exhibition Hall Size (66 percent);
- Airport Capacity and Airfares (64 percent);
- Hotel Room Availability (60 percent), and
- Availability of Open Dates (57 percent).

When compared to the Tradeshow Week data discussed previously, it is apparent that hotels continue to play an important role in differentiating cities. Concurrently, the importance of airlift has grown significantly, reflecting restricted travel budgets for many organizations, along with service and capacity cuts by many airlines. Approximately 64 percent of planners who have changed their selection criteria believe that the changes will remain in place for at least the next two years.

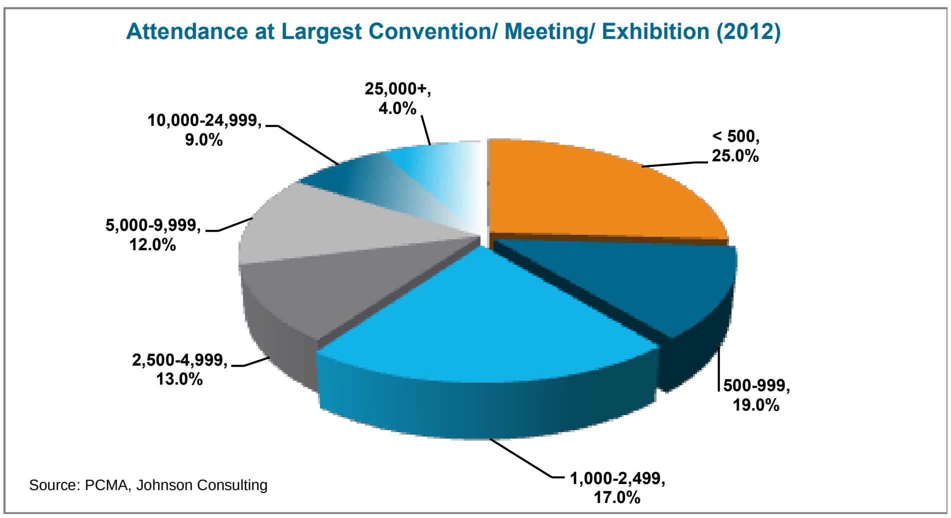
EVENT ATTRIBUTES

The following analysis of event attributes is based primarily upon data obtained from the Professional Convention Management Association's (PCMA) 2013 survey.

NUMBER OF ATTENDEES

An important element to consider in terms of the appropriate size and scope of meeting facilities is the size distribution of the events it will pursue. Based on the PCMA's 2013 survey, 39 percent of respondents hosted less than 1,000 persons at their largest convention, meeting or exposition in 2012. The following figure shows the distribution of attendees based on the PCMA's survey responses.

Figure 4 - 2

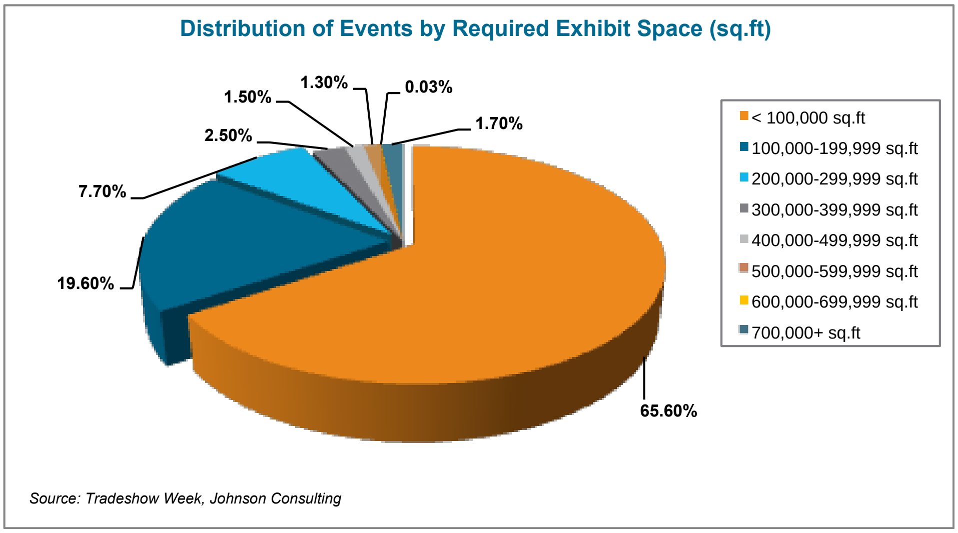


Between 2011 and 2012, 42 percent of survey respondents saw an increase in the number of attendees at their largest convention, meeting or exhibition, with average attendance increasing to 5,442 persons per event from 4,164 person per event in 2011, reflecting continued improvements in economic conditions. It is worth noting, however, that attendance is not always negatively impacted by an economic downturn because attendees seek different things from events during periods of economic growth versus periods of decline. More specifically, during a period of economic prosperity, attendees are typically motivated to attend a convention, meeting or exhibition by a desire to gain new industry information and technology that may give them an advantage over their competitors. During periods of economic downturn and recession, attendees are motivated by a desire to understand what is happening in their market and stay abreast of the latest opportunities and challenges facing their industry. This means that key personnel will continue to attend what they consider to be their industry's most important conventions, trade shows and meetings, even during periods of economic decline. In 2013, more than half of PCMA survey respondents (52 percent) expect attendance to remain the same, while 36 percent expect attendance at their events to increase.

EVENT SPACE REQUIREMENTS

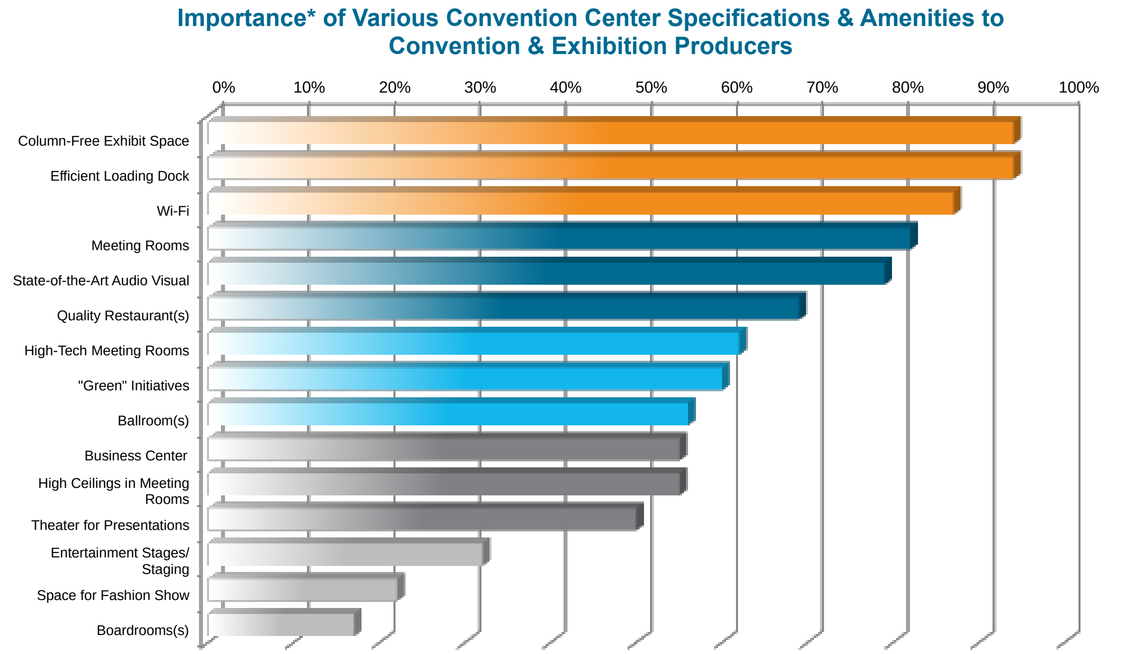
The following figure highlights the distribution of shows by required exhibit space. As shown, the majority of events (nearly 66 percent) utilize less than 100,000 square feet of space.

Figure 4 - 3



The following figure presents the importance of various specifications and amenities of event space to convention and exhibition producers based upon data from a recent Red 7 Media study. As shown, the most important factors relate to column-free exhibit space (94 percent of respondents), efficient loading dock facilities (94 percent), Wi-Fi (87 percent), meeting rooms (82 percent), state-of-the-art audio-visual capabilities (79 percent), and quality restaurants (69 percent).

Figure 4 - 4



** "Essential" or "Very Important"*
Source: ASAE, Johnson Consulting

SEASONALITY

Meetings occur throughout the year. However, just as the number of people taking vacations displays distinct seasonal patterns, so does the level of meeting activity vary from month-to-month. Since 2000, the first and fourth quarters have generally seen the most stable growth. Second and third quarters saw contraction during the beginning of the decade but growth in the past several years, with demand fluctuating much more during the second and third quarters as opposed to the first and fourth.

LENGTH

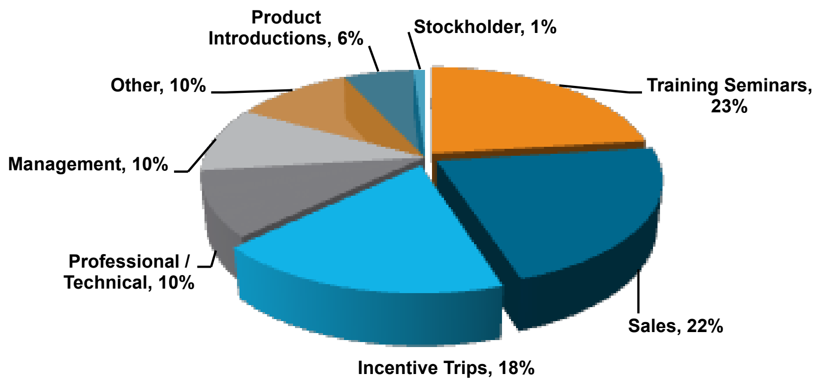
The average length of events recorded by the Union of International Associates (UIA) is four days. The increasing trend in meeting events is to concentrate activities into a shorter period of time. However, the UIA's criterion of a minimum of three days causes its data to exclude a growing number of shorter meeting events from its analysis.

PURPOSE OF EVENTS

Corporate activity is responsible for a large share of overall meeting events, with demand often being generated from the local region, although cities and regions that are particularly attractive as destinations can attract meeting attendees from a much broader area. The following figure displays the distribution of corporate meeting types by purpose of meeting.

Figure 4 - 5

Purpose of Corporate Meeting Events



Source: Tradeshow Week, Johnson Consulting

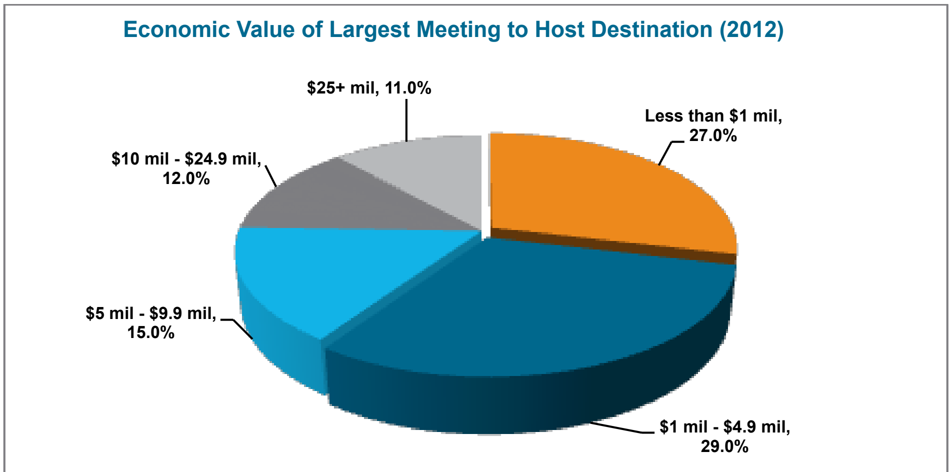
Training seminars, sales meetings, and incentive trips account for the largest share of overall meeting attendees. As shown, the meeting industry is diversified, with no single meeting type accounting for over 25 percent of overall attendees, and seven distinct categories of meetings all contributing significant volumes of attendees. This diversification helps to stabilize overall event demand, as the demand from each individual sub-sector of meeting events ebbs and flows with changes in business cycles and technology.

Overlaying and adding to this is the university training and conference sectors. There are hundreds of conference centers internationally that are affiliated with four year and community college institutions. They host some of the above events, but also create a huge volume of business in their own right.

ECONOMIC IMPACT

The PCMA's 2013 survey indicates that the average economic impact of respondents' largest convention, meeting or exposition was $3.8 million to the host destination in 2102, up from $3.4 million in 2011. The following figure shows the economic value of survey respondents' meetings to host communities in 2012.

Figure 4 - 6

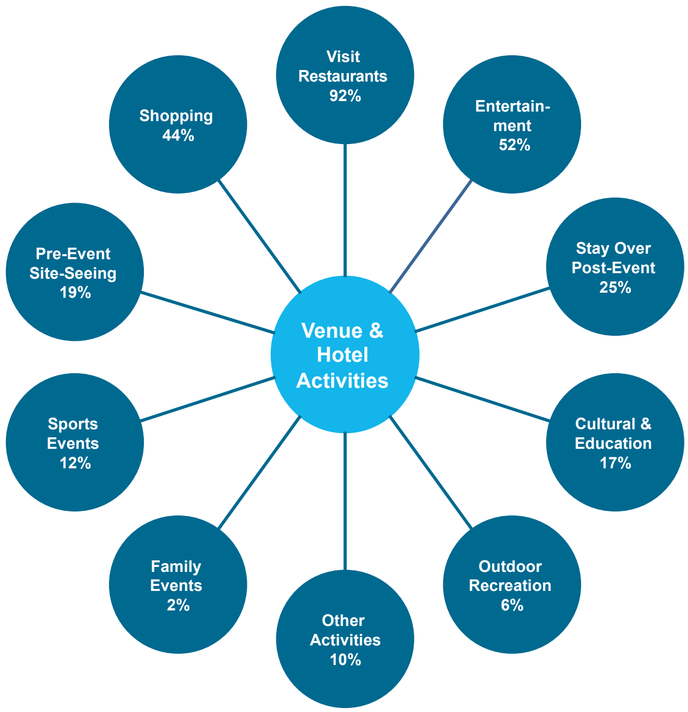


Source: PCMA, Johnson Consulting

Generally, association conventions generate the greatest economic impact, reflecting high levels of attendance and associated hotel, restaurant, retail and transportation spending. Exhibitors and corporate sponsors also contribute significantly to the overall impact of an event.

The following figure shows the 'Convention and Meetings Eco-System' as defined by Tradeshow Week, which identifies the activities that attendees will typically engage in outside of the convention center and hotel.

Figure 4 - 7



Source: TradeShow Week, Red 7 Media, Johnson Consulting

MARKET CONDITIONS

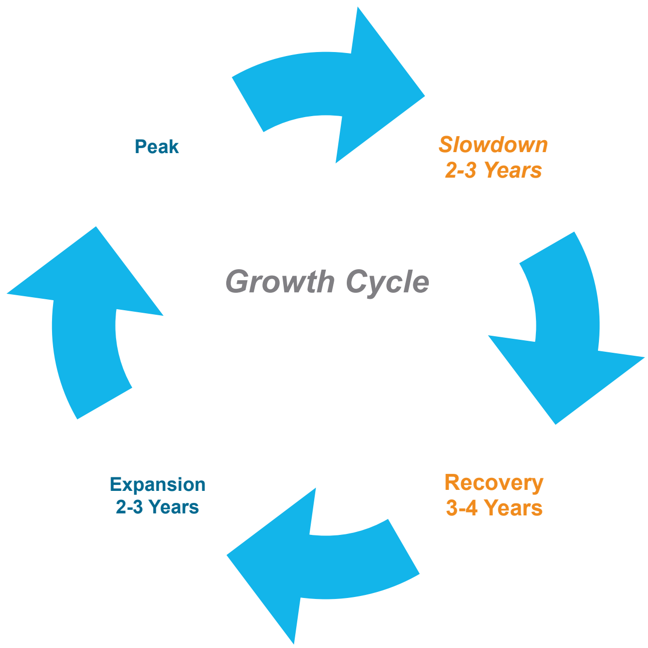
RECENT TRENDS

As a whole, the meeting industry has experienced sporadic growth in the past ten years, dipping slightly in the early 2000's, then experiencing a significant period of growth followed by another wave of decline over recent years, reflecting broader economic conditions and the negative publicity associated with hosting meetings in upscale or resort destinations.

The impact of the recession on the global meetings industry was widespread - new hotel and meeting facility construction was delayed, and in many cases abandoned, corporations and associations dramatically reduced their meetings and events budgets, attendance levels fell sharply, and negative perceptions of the value of face-to-face meetings prevailed across governments, media and the general public.

Conditions in North America's convention and meetings industry generally remained flat through 2011, in line with the broader economy, however 2012 saw the transition of the industry towards recovery. The following figure shows the typical recovery and growth cycle experienced in the convention and meetings industry.

Figure 4 - 8



Source: Red 7 Media, Johnson Consulting

While new construction in the global convention center market remains subdued, some new development is beginning to emerge and renovations are increasing, with the recent AIPC survey revealing that 60 percent of respondents having a new building or expansion project currently underway or in the planning stages. In North America, 59 percent of survey respondents are currently considering an expansion, refurbishment or development project. Client demand and competitive pressure, including increasing investment by hotels in properties with quality exhibition and meeting space, is driving development in the industry.

OUTLOOK

Key indicators of improvement in the industry include:

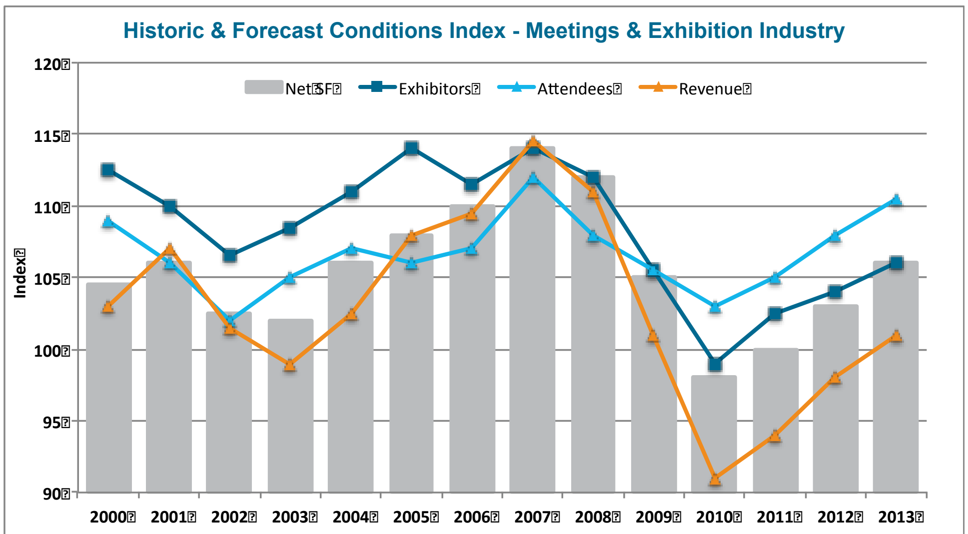
- **Consumer spending:** 70 percent of business events serve markets in which consumers ultimately purchase the products and services.
- **Attendance vs. Exhibitors:** Attendance is continuing to perform better than exhibitor participation, which is a good sign. In 2012, PCMA data indicates that attendance increased by 3.7 percent over 2011, with exhibitor participation increasing at a slower rate of 2.5 percent.
- **Budget:** Increased by 2.3 percent in 2012, according to PCMA data, compared to a 0.8 percent increase in 2011.

- **Hotel rates:** Revenue per Available Room (RevPAR) increased in 2012, driven initially by a surge in demand. Smith Travel Research (STR) date indicates that in the later part of 2012, continued revenue growth was influenced by increased rates, as opposed to occupancy increases, with moderate rate increases expected to continue throughout 2013.

- **Corporate events market:** There is potentially significant pent-up demand, as 50 percent of major global convention center managers consider meetings to be the second strongest sector, after associations, for near-term growth. PCMA survey responses indicate that 22 percent of corporate meeting planners expect their total number events to increase in 2013, while almost three-quarters of respondents (72 percent) expecting their number of meetings to remain the same. A key issue identified by PCMA respondents relates to a negative perception of corporate events being too expensive.

The following figure shows recent and forecast trends in the meetings and exhibition industry, based on the Center for Exhibition Industry Research (CEIR) 2010 Index Report. The Index considers utilization (net square footage), number of exhibitors, number of attendees, and revenue and shows positive momentum beginning in mid-2009 and increasing through 2013 (the end of the forecast period).

Figure 4 - 9



Source: CEIR, Johnson Consulting

The continued emergence of positive indicators within the market, along with improvement in the broader economy, is driving a recovery in North America's convention and meetings market. Industry forecasts indicate that the market will return to pre-recession levels by 2015.

SUMMARY

There are literally millions of conventions, tradeshows, and meetings happening annually throughout North America and around the world. Although 2011 was a flat year and there may have been a slight structural change in meeting formats, and hence volume, the convention market saw signs of stabilization since the downturn in 2008-2009. In 2012 the market showed increased momentum, with the majority of meeting planners and event organizers maintaining or increasing event levels and anticipating event attendance to remain consistent or improve going forward. Furthermore, the rationale for meetings and associations still exists and will continue to do so.

SECTION V

INDICATED FACILITIES ANALYSIS

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INDICATED FACILITIES ANALYSIS

In order to understand the market opportunity for an expansion to South Padre Island Convention Centre (SPICC) this section presents case study profiles of a set of analogue and comparable facilities, including an overview of the existing SPICC. The key operating characteristics of these facilities are provided in the following profiles, and include:

- Size and character of facility program spaces.
- Recent and/ or planned expansions.
- A demand and financial profile, including the number and types of events and operating revenues and expenses, where available.

Information about event demand and the financial performance of indicated facilities provides insight into the general parameters within which an expanded SPICC can reasonably expect to operate.

The following table summarizes the key attributes of the facilities identified as part of this analysis.

JOHNSON CONSULTING

Table 5 - 1

Key Characteristics of Comparable Facilities and Markets	South Padre Island Convention Centre	Monona Terrace Community & Convention Center	Pueblo Colorado Convention Center	Lake Terrace Convention Center	Grand Wayne Convention Center	Coralville Marriott Hotel and Conference Center	St. Charles Convention Center	San Marcos Conference Center	Meydenbauer Center
Location									
Location	South Padre Island, TX	Madison, WI	Pueblo, CO	Hattiesburg, MS	Fort Wayne, IN	Coralville, IA	St. Charles, MO	San Marcos, TX	Bellevue, WA
Metropolitan Area	Brownsville-Harlingen	Madison	Pueblo	Hattiesburg	Fort Wayne	Iowa City	St. Louis	Austin-Round Rock	Seattle-Tacoma-Bellevue
Demographic Characteristics (2012)									
Metropolitan Area Population	420,312	583,124	161,575	147,489	422,120	156,873	2,823,258	1,830,020	3,547,333
Median Household Income	$33,459	$63,256	$42,624	$39,089	$52,772	$52,775	$54,402	$58,694	$67,910
Hotel									
# Guest Rooms	-	-	Courtyard 163 rooms	-	Hilton 246 rooms Courtyard 250 rooms	Marriott 286 rooms	Embassy Suites 296 rooms	Embassy Suites 283 rooms	-
Meeting Space (SF)									
Exhibit Space	Existing: 22,500 Proposed: 40,500	37,200	16,200	14,755	48,480	29,596	27,600	-	36,000
Ballroom	Proposed: 10,000	20,364	-	-	15,974	21,910	22,225	36,000	-
Meeting Room(s)	Existing: 11,692 Proposed: 11,692	5,266	4,900	7,936	9,819	5,168	7,024	4,000	13,390
Other	Existing: Theatre (2,633 SF)	21,540 SF; 50,590 SF (Outdoor Terrace)	Pavilion (2,990 SF)	2 Outdoor Spaces	Gallery (9,819 SF)	-	-	-	-
Total Exhibit Space (SF)		**84,370**	**24,090**	**22,691**	**75,953**	**56,674**	**56,849**	**40,000**	**49,390**
Events and Attendance									
# Events (per annum)	Existing: 66 Proposed: See Projections	630	463	841	400	15*	311	1,015	301
Total Attendance (per annum)	Existing: 65,975 Proposed: See Projections	231,301	49,360	222,000	N/A	18,000	271,817	98,000	146,867
Revenue and Expenses									
Net Income (Loss) ($'000s) - Most Recent Year	Existing: $507,935 Proposed: See Projections	($2,964,133)	($501,569)	($1,221,278)	($200,000)	($3,507,736)	$173,858	N/A	($784,426)
Locational Attributes									
# Hotel Rooms Citywide	2,080	5,874	1,377	2,013	3,358	2,015	1,828	1,040	4,429
# Hotels within 1 mile of Facility	6	9	2	11	2	8	8	1	15
# Hotel Rooms within 1 mile of Facility	662	1,571	263	1,054	494	1,115	1,258	283	3,208
Air Service	3: Brownsville South Padre Island International Airport (BRO), Valley International Airport (HRL), and McAllen International Airport (MFE)	1: Dane County Regional Airport (MSN)	2: Pueblo Memorial Airport (PUB) and Colorado Springs Airport (COS)	1: Hattiesburg - Laurel Regional Airport (PIB)	1: Fort Wayne International Airport (FWA)	2: Eastern Iowa Airport (CID) and Quad City International Airport (MLI)	1: Lambert–St. Louis International Airport (STL)	2: Austin-Bergstrom International Airport (AUS) and San Antonio International Airport (SAT)	1: Seattle–Tacoma International Airport (SEA)
Annual Passengers†	BRO: 85,244 HRL: 359,166 MFE: 332,706	741,365	PUB: 22,470 COS: 828,516	16,095	272,796	CID: 431,874 MLI: 412,470	6,159,090	AUS: 4,436,661 SAT: 3,992,304	15,971,676
Convention and Visitor Bureau Budget	$4,771,891	$3,670,000	$1,486,306**	$2,008,604	$1,500,000	$335,000	$2,606,189	$1,013,650	$200,921***

** Only related to conventions/ conferences - many other social events are held at the facility.*
*** Reflects the budget of the Greater Pueblo Chamber of Commerce, who is the primary marketer and solicitor of Pueblo for conventions.*
**** This program is in development stages, thus is lower than comparable organizations.*
† Excludes arrival and through passengers.

Source: Relevant Facilities, Demographics Now, Johnson Consulting

EXISTING SOUTH PADRE ISLAND CONVENTION CENTRE SOUTH PADRE ISLAND, TEXAS

FACILITIES: As previously noted, the existing South Padre Island Convention Centre (SPICC) comprises 22,500 square feet of exhibit space and 11,692 square feet of meeting space. The following figure provides a breakdown of existing space at the SPICC.

Table 5 - 2

South Padre Island Convention Centre
Summary of Exhibit and Meeting Space

	Size (SF)		Capacity (# of Persons)		
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet
Exhibit Halls					
Exhibit Hall	-	22,500	2,200	1,552	1,440
Subtotal Exhibit Hall SF		22,500			
Meeting Rooms					
Number of Rooms	9	-	-	-	-
Smallest Room	302	-	50	21	24
Largest Room	-	2,165	250	125	170
Subtotal Meeting Room SF		9,059			
Other					
Theater	-	2,633	230	150	180
Subtotal Theater SF		2,633			
Total		**34,192**			

Source: South Padre Island Convention Centre, Johnson Consulting

The following figure provides a pictorial overview of facilities at the SPICC.

Figure 5 - 1

DEMAND SCHEDULE: Between FY 2004 and 2012, SPICC hosted 750 events, attracting in excess of 564,000 attendees. During this period, the number of events held at SPICC on an annual basis ranged from a high of 112 events in 2007 to a low of 56 events in 2004, with an average of 83 events held at the facility each year. In 2008, Hurricane Dolly caused damage across the City, including SPICC. No events were held in August and September 2008 because of repairs. Since Hurricane Dolly the total number of events held at the SPICC has continued to steadily decline. In its most recent operating year (FY 2012), SPICC held 66 events.

While there have been fewer events held at the SPICC in recent years, the total number of attendees has remained relatively steady. In FY 2010, the number of attendees peaked at 78,500 and in its most recent full operating year (2012), the number of attendees was nearly 66,000. These attendance figures are higher than the nine-year average of 62,682 attendees.

The following table summarizes the demand schedule for SPICC during FY 2004-2012.

Table 5 - 3

South Padre Island Convention Centre
Demand Schedule (FY 2004 - FY 2012)

Event Type	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
Conventions	23	33	30	37	34	37	23	25	22	264
Meetings	0	25	33	34	24	24	13	0	6	159
Box Office	2	2	1	3	5	2	0	0	0	15
Trade Shows	6	7	8	4	6	5	2	1	3	42
Functions	0	1	0	0	0	0	0	0	0	1
Special Events	13	12	12	18	3	3	28	21	22	132
Sports	12	15	19	16	13	20	17	12	13	137
Total Events	**56**	**95**	**103**	**112**	**85**	**91**	**83**	**59**	**66**	**750**
Total Attendance	**58,525**	**69,575**	**67,850**	**61,760**	**50,550**	**56,200**	**78,500**	**55,200**	**65,975**	**564,135**

Source: SPICC, Johnson Consulting

As shown, the predominant event type held at SPICC is Conventions, followed by Meetings, Sports, and Special Events. In 2012, SPICC hosted 22 Conventions, which was substantially lower than the average recorded between FY 2004 and FY 2011, when the facility hosted 30 Conventions annually. Similarly to Conventions, the number of Meetings at SPICC has declined in recent years with no Meetings in FY 2011 and only 6 in FY 2012. In contrast, Special Events increased between FY 2010 and FY 2012, with over 20 special events held in each of the three years. The volume of Functions and Sports events has remained steady throughout the period.

The following table lists SPICC's preliminary demand schedule for FY 2013-FY2015. SPICC's future bookings reflect the predominance of Conventions as its primary event type, with 23 Conventions scheduled between FY 2013 and FY 2015. Special Events and Sports also represent a large proportion of future bookings, with 11 and 8 events scheduled for FY 2013, respectively.

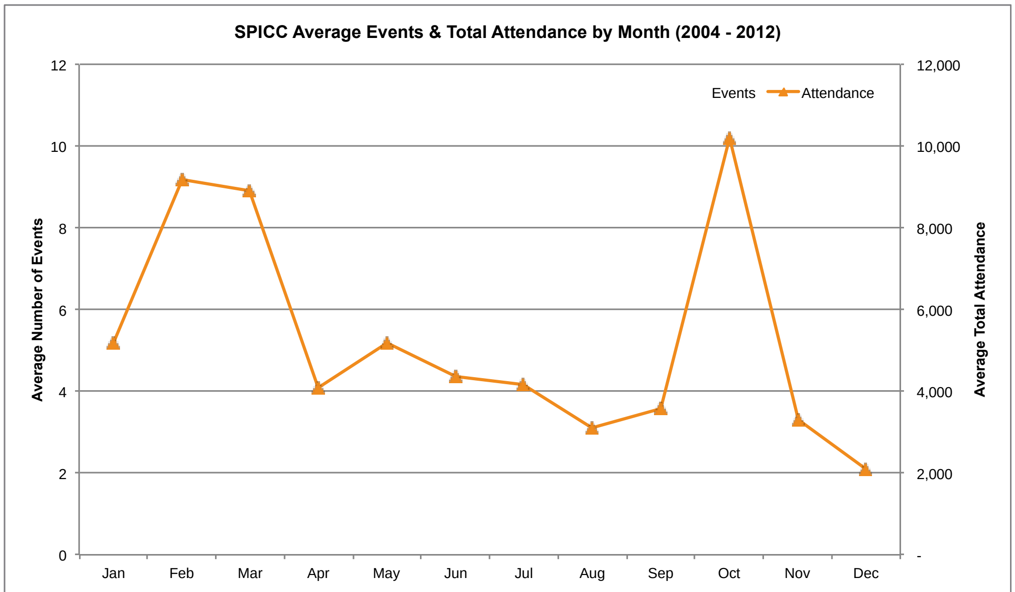
Table 5 - 4

South Padre Island Convention Centre Current Demand Schedule (FY 2013 - FY 2015)				
Event Type	**2013**	**2014**	**2015**	**Total**
Conventions	16	4	3	23
Meetings	1	0	0	1
Box Office	0	0	0	0
Trade Shows	3	0	0	3
Functions	0	0	0	0
Special Events	11	2	2	15
Sports	8	3	3	14
Total Events	**39**	**9**	**8**	**56**
Total Attendance	**39,880**	**5,200**	**4,800**	**49,880**

Source: SPICC, Johnson Consulting

SPICC's demand schedule also shows seasonal variations. The following figure shows the average number of events and attendance by month for FY 2004 through FY 2012. On average, February represents the busiest month in terms of number of events held (average of 10.5 events), while October represents the busiest month in terms of attendees (over 10,200 attendees). The mid- to late-summer months (July, August, and September), as well as late to early winter months (November and December), have a significantly smaller volume of events and attendees compare to the rest of the year.

Figure 5 - 2



Source: SPICC, Johnson Consulting

REVENUE & EXPENSES: SPICC's revenues and expenditures are included for within the City of South Padre Island's Hotel/ Motel Fund and Convention Center Fund. The following table shows a summary of revenue and expenses associated with the two funds for FY 2011-12.

Table 5 - 5

City of South Padre Island - Hotel/ Motel Fund and Convention Center Fund (FY 2011-12)		
	Hotel/ Motel Fund	**Convention Centre Fund**
Revenue		
Convention Center Revenue	$34,301	$193,028
Non-Property Taxes	4,106,114	2,060,880
Fees and Services	17,421	22,118
Intergovernmental	0	8,120
Miscellaneous	931	0
Total Revenue	$4,158,767	$2,284,147
Expenses		
Convention Center	$0	$1,776,209
Visitors Bureau	327,162	0
Sales & Administration	2,665,424	0
Events Marketing	477,372	0
Total Expenses	$ 3,469,958	$ 1,776,209
Net Income (Deficit)	**$ 688,809**	**$ 507,938**

Source: City of South Padre Island, Johnson Consulting

As shown, the City's Hotel/ Motel Tax Fund recorded $4.2 million in revenues in FY 2011-12, of which $34,301 related to SPICC revenue. During the same period, the Hotel/ Motel Tax Fund incurred $3.5 million in expenditures, resulting in a net income of $688,809. The City's Convention Centre Fund recorded $2.3 million in revenues, and incurred $1.8 million in expenditures, resulting in a net income of $507,938.

The following table provides a detailed breakdown of the Convention Centre Fund revenues between FY 2009-10 through FY 2011-12.

Table 5 - 6

SPICC - Convention Center Fund			
	2009-10	**2010-11**	**2011-12**
Revenue			
Convention Center Revenue			
Rental Fees	$185,778	$131,712	$174,075
Concession Commissions	62,275	85,587	2,539
Catering Commissions	9,779	17,536	13,821
Equipment Rental	6,351	13,032	1,949
WI-FI Rental	400	0	0
Ticket sales	660	0	0
Event Electric Fees	2,549	1,909	645
Sub-Total Convention Center Revenue	$267,792	$249,777	$193,028
Non-Property Taxes			
Hotel/ Motel Occupancy Tax	$896,069	$1,795,119	$2,049,804
Penalties	9,613	8,401	10,935
Interest	837	124	677
Refund Overpaid Taxes	(635)	(159)	(536)
Sub-Total Non-Property Taxes Revenue	$905,884	$1,803,484	$2,060,880
Intergovernmental			
Grant Revenue	$0	$0	$22,118
Sub-Total Intergovernmental Revenue	$0	$0	$22,118
Miscellaneous			
Interest Revenue	$6,445	$15,605	$4,824
Miscellaneous Revenue	11,301	8,823	3,297
Sub-Total Miscellaneous Revenue	$17,745	$24,428	$8,120
Other Financing Sources			
Bond Roceeds	$830,000	$0	$0
Sub-Total Other Financing Sources Revenue	$830,000	$0	$0
Total Revenue	$2,021,421	$2,077,689	$2,284,147

Source: City of South Padre Island, Johnson Consulting

As shown, SPICC operations achieved $193,028 in revenues in FY 2011-12, representing a steady decline since 2009-10. Operations are subsidized by Hotel/ Motel Occupancy Tax revenues, which amounted to $2.0 million in FY 2011-12, up from $1.8 million in the preceding year.

The following table provides a detailed breakdown of the Convention Centre Fund expenditures between FY 2009-10 and 2011-12.

Table 5 - 7

SPICC - Convention Center Fund			
	2009-10	**2010-11**	**2011-12**
Expenses			
Personnel Services			
Sub-Total Personnel Services Expenses	$475,251	$456,349	$430,796
Goods and Supplies			
Sub-Total Goods and Supplies Expenses	$ 77,701	$ 75,004	$ 34,831
Repairs and Maintenance			
Sub-Total Repairs and Maintenance Expenses	$ 87,903	$ 319,768	$ 302,791
Miscellaneous Services			
Sub-Total Miscellaneous Services Expenses	$ 554,752	$ 480,661	$ 537,459
Equipment (> $5,000 Outlay)			
Sub-Total Equipment Expenses	$ 197,756	$0	$ 29,689
Interfund Transfers			
Sub-Total Interfund Transfers Expenses	$ 820,144	$427,964	$ 426,069
Other Services			
Sub-Total Other Services Expenses	$0	$0	$ 14,575
Misc. Adjustments			
Sub-Total Misc. Adjustments Expenses	$0	$1,020	$0
Total Expenses	$ 2,213,507	$ 1,760,765	$ 1,776,209

Source: City of South Padre Island, Johnson Consulting

As shown, Miscellaneous Services, which include utilities and insurance, among other expenses, accounted for the largest expenditures in FY 2011-12 ($537,459), followed by Personnel Services ($420,796). The reserve for replacement fund (Interfund Transfers) also accounted for a large portion of the Convention Centre Funds expenses in FY 2011-12.

MONONA TERRACE COMMUNITY AND CONVENTION CENTER **MADISON, WISCONSIN**

LOCATION: Situated on Lake Monona, the Monona Terrace Community and Convention Center (MTCC), which was originally planned and designed by Frank Lloyd Wright, opened in 1938.

OWNERSHIP/ MANAGEMENT: The MTCC is owned and operated by the City of Madison.

FACILITIES: The MTCC is comprised of 84,370 square feet of function space, including a 37,200 square foot exhibit hall, a 13,524 square foot ballroom, a 6,840 square foot hall/ junior ballroom, and 5,266 square feet of meeting rooms. The following table provides a breakdown of meeting space at the MTCC.

Table 5 - 8

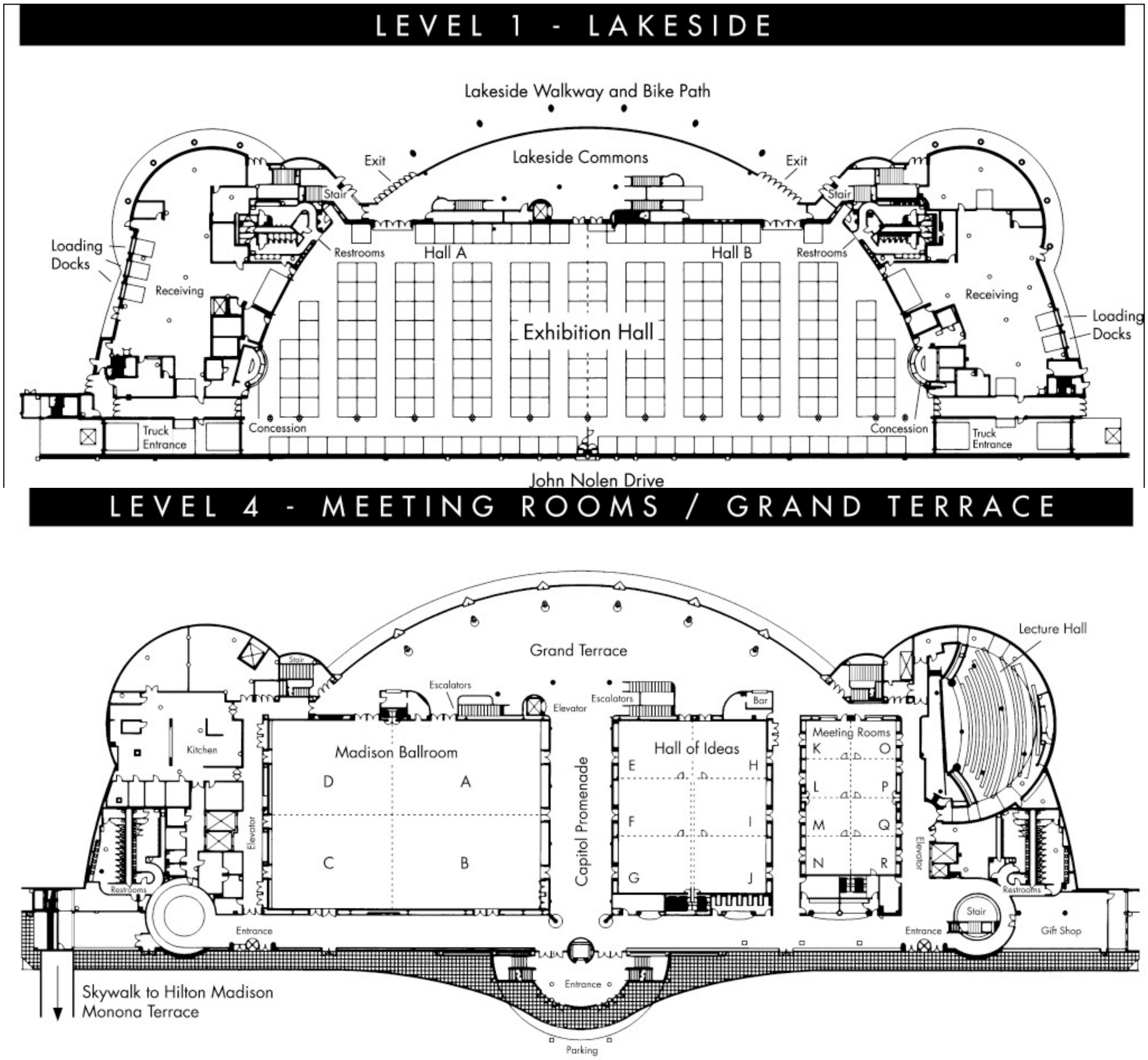
Monona Terrace Community and Convention Center
Summary of Exhibit and Meeting Space

	Size (SF)		Capacity (# of Persons)			
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet	Exhibits (# Booths)
Exhibit Halls						
Exhibit Hall	-	37,200	3,300	1,856	2,000	212
A	18,600	-	1,600	928	1,000	115
B	18,600	-	1,600	928	1,000	115
Subtotal Exhibit Hall SF		37,200				
Ballroom						
Madison Ballroom	-	13,524	1,518	832	936	84
A	3,822	-	418	224	234	23
B	3,822	-	418	224	234	23
C	2,940	-	330	176	180	18
D	2,940	-	330	176	180	18
Subtotal Ballroom SF		13,524				
Hall of Ideas	-	6,840	792	448	450	32
A	1,140	-	112	72	72	-
B	1,140	-	112	72	72	-
A	1,140	-	112	72	72	-
B	1,140	-	112	72	72	-
C	1,140	-	112	72	72	-
D	1,140	-	112	72	72	-
Subtotal Ballroom SF		6,840				
Meeting Rooms						
Number of Rooms	11	4	-	-	-	-
Smallest Room	460	-	40	21	27	-
Largest Room	-	3,680	380	210	192	15
Subtotal Meeting Room SF		5,266				
Other						
Lecture Hall	-	5,540	315	-	-	-
Lakeside Commons	-	3,500	-	-	200	-
Community Terrace	-	5,500	-	-	324	-
Grand Terrace	-	7,000	-	-	405	28
Subtotal Other SF		21,540				
Total		**84,370**				
Rooftop Terrace (Outdoor)						
West Circle	-	5,430	250	-	225	-
Easet Circle	-	5,430	250	-	255	-
Center	-	34,730	2,070	-	1,323	-
Olin Terrace (Outdoor)	-	5,000	-	-	96	-

Source: Monona Terrace Community and Convention Center, Johnson Consulting

The following figure provides a pictorial overview of facilities at the MTCC.

Figure 5 - 3



DEMAND SCHEDULE: In 2011, which is the most current data available, the MTCC hosted 630 events and attracted 231,301 attendees. This is consistent with figures recorded for 2010, when the MTCC hosted 622 events and attracted 213,701 attendees. The predominant event type has consistently been Banquets and Meetings, accounting for 37 and 32 percent of events in 2011, respectively, followed by Community Events (11 percent of events), with Banquets consistently attracting the highest overall attendance (26 percent of total attendees in 2011), followed by Consumer Shows (18 percent), Community Events (17 percent), and Meetings (16 percent). The University of Wisconsin is a significant demand generator for MTCC. The following table provides a breakdown of events and attendance, by event type, for 2010 and 2011.

Table 5 - 9

Monona Terrace Community and Convention Center
Demand Schedule (2010 - 2011)

Event Type	Events		Attendance	
	2010	2011	2010	2011
Banquets	231	210	54,530	49,805
Meetings	206	207	33,023	36,535
Conventions	26	30	30,242	31,151
Conferences	36	32	10,659	9,725
Consumer Shows	19	23	40,930	41,368
Entertainment	30	30	13,457	9,045
Community Events	61	82	30,608	35,345
Community Meetings	13	16	252	327
TOTAL	**622**	**630**	**213,701**	**213,301**

Source: Monona Terrace Community and Convention Center, Johnson Consulting

REVENUE & EXPENSES: The following table provides the MTCC's revenue and expense statement for the 2011, which is the most current data available.

Table 5 - 10

Monona Terrace Community and Convention Center Revenue & Expense Statement (2011)	
	2011
Revenues	
Facility Rental	$1,205,043
Equipment	836,993
Labor	148,786
Catering Commission	1,393,167
Utilities	131,105
Parking	84,024
Business Center	1,127
Telecommunications	101,810
Other Commissions	545
Other Outside Revenue	18,480
Ancillary	242,620
Total Revenues	$4,163,700
Expenditures	
Repair & Maintenance	$1,110,104
Personnel Expenses	4,278,142
Event Service Expenses	630,096
Promotion & Advertising	332,553
All Other indirect	467,938
PILOT (Payment in Lieu of Taxes)	309,000
Total Expenditures	$7,127,833
Net Operating Income (Loss) Before Subsidy	**($2,964,133)**
Operating Subsidy	3,042,395
Net Operating Income (Loss)	**$78,262**

Source: Monona Terrace Community and Convention Center, Johnson Consulting

As shown, the MTCC operated at a net deficit of $2.9 million in 2011, before other financing sources. The major revenue sources are Catering Commission ($1.3 million) and Facility Rental ($1.2 million), while the main expenditures relate to Personnel Expenses ($4.3 million). The building incurs significantly higher operating costs than a typical convention center because it is open seven days a week, regardless of whether it is hosting an event, reflecting its role as a community center and tourist destination. In 2011, the MTCC received $3.0 million in operating subsidies, generated primarily from hotel/ motel tax revenues, resulting in a net operating income of $78,262.

FUNDING: Development of the $67.1 million MTCC was funded by multiple sources, including the State of Wisconsin, Dane County, the City, and private contributions. The City's share of project costs was funded through a combination of referendum-approved general obligation bonds and lease revenue bonds issued by the City's Community Development Authority. Hotel/ motel tax revenues fund the debt serve.

OBSERVATIONS: MTCC not only serves as a convention center, but also as a community center and a tourist destination. Although its public ownership and operation allow it to operate at a loss, the demand for conference and convention space from the community, along with the quality of the MTCC facility, has ensured that it maintains its success on a bookings and attendance basis.

The compelling aspect of MTCC rests in its continued support, despite large operating losses. The number of events and in turn, the visitors and economic benefits that MTCC brings to the community, more than outweigh its annual operating subsidy. MTCC also illustrates the success with which experienced staff can readily market a publically owned and operated facility to full capacity.

PUEBLO COLORADO CONVENTION CENTER PUEBLO, COLORADO

LOCATION: Located approximately 40 minutes (drive time) from Colorado Springs Airport, the Pueblo Colorado Convention Center (PCCC) opened in 1997.

OWNERSHIP/ MANAGEMENT: The PCCC is owned by the Urban Renewal Authority of Pueblo and privately managed by Global Spectrum.

FACILITIES: The PCCC is comprised of a 16,200 square foot exhibit hall, 4,900 square feet of meeting space and the Heroes Pavilion, which comprises 2,990 square feet. The following table provides a breakdown of meeting space at the PCCC.

Table 5 - 11

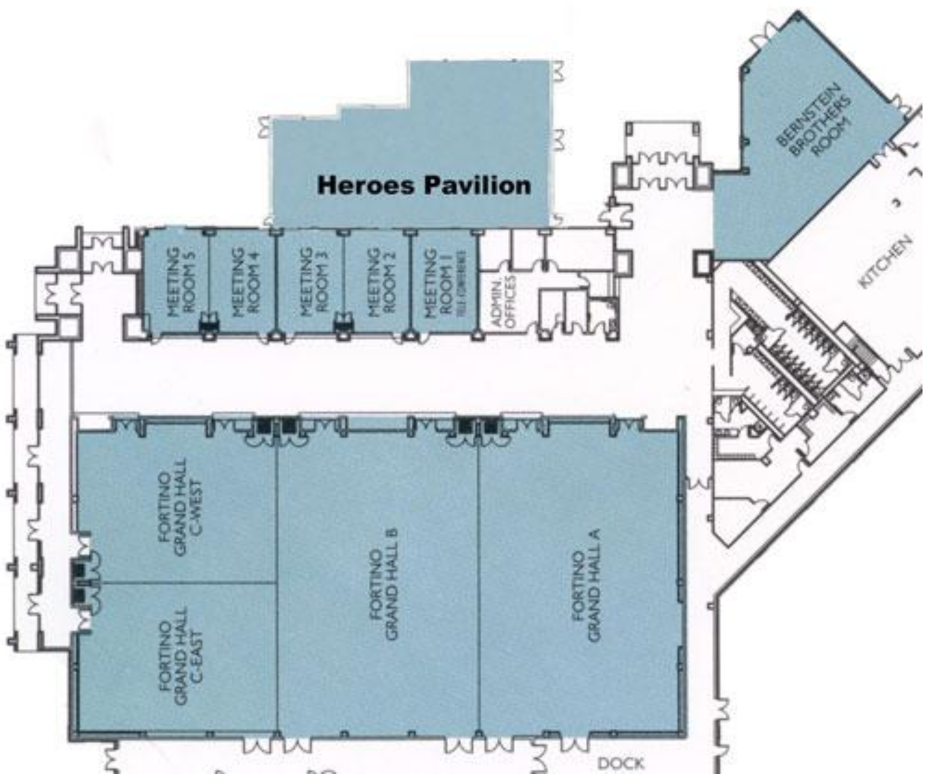
Pueblo Colorado Convention Center Summary of Exhibit and Meeting Space						
	Size (SF)		Capacity (# of Persons)			
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet	Exhibits (# Booths)
Exhibit Hall						
Grand Hall*	-	16,200	1,620	1,240	1,080	100
Hall A	5,400	-	540	400	360	66
Hall B	5,400	-	540	400	360	66
Hall C-East	2,700	-	270	200	280	33
Hall C-West	2,700	-	270	200	280	33
Subtotal Exhibit Hall SF		16,200				
Meeting Rooms						
Number of Rooms	6	4				
Smallest Room	580	-	40	30	30	-
Largest Room	-	2,000	85	60	90	17
Subtotal Meeting Room SF		4,900				
Other						
Heroes Pavilion	-	2,990	140	100	100	-
Subtotal Other SF		2,990				
Total		**24,090**				

** Other combinations available.*

Source: Pueblo Colorado Convention Center, Johnson Consulting

The following figure provides a pictorial overview of facilities at the PCCC.

Figure 5 - 4



In January 2013 a 41,000 square foot expansion to the PCCC was announced, including a multi-use arena that will be utilized as a bull-riding school by the Professional Bull Riders' Association. The Colorado Economic Development Commission has awarded the expansion project the first ever tourism development grant, as part of a $43 million fund that will support up to $137 million in renovation projects along Pueblo's Riverfront over the next 25 years. The PCCC expansion project is scheduled to commence in January 2014.

The PCCC adjoins the 163-room Courtyard Pueblo hotel, which offers 4 additional meeting rooms totaling 2,890 square feet. The following table provides a breakdown of meeting space within the hotel.

Table 5 - 12

Courtyard Pueblo Summary of Exhibit and Meeting Space	Size (SF)		Capacity (# of Persons)		
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet
Meeting Rooms					
Number of Rooms	4	4	-	-	-
Smallest Room	504	-	50	20	40
Largest Room	-	1,120	80	38	80
Subtotal Meeting Room SF		2,890			
Total		**2,890**			

Source: Courtyard Pueblo, Johnson Consulting

DEMAND SCHEDULE: In 2011, which is the most current data available, the PCCC hosted 463 events, of which the majority (60 percent) related to Meetings/ Seminars, followed by Banquets/ Receptions (26 percent). Events at the PCCC attracted a total of 49,360 attendees in 2011. The following table provides a breakdown of events by event type.

Table 5 - 13

Pueblo Colorado Convention Center Demand Schedule (2011)	Events	
Event Type	#	%
Trade Shows	0	0%
Consumer Shows	19	4%
Conventions	19	4%
Banquets/ Receptions	120	26%
Meetings/ Seminars	278	60%
Miscellaneous	28	6%
TOTAL	**463**	
Attendance	**49,360**	

Source: Pueblo Colorado Convention Center, Johnson Consulting

REVENUE & EXPENSES: The following table provides the PCCC's revenue and expense statement for the 2011, which is the most current data available.

Table 5 - 14

Pueblo Colorado Convention Center Revenue & Expense Statement (2011)	
	2011
Revenues	
Gross Revenue	$1,452,774
Other Income	14,254
Total Revenues	$1,467,028
Expenditures	
Direct Event Expenses	$553,877
Indirect Expenditure	1,414,720
Total Expenditures	$1,968,597
Net Operating Income (Loss)	**($501,569)**

Source: Pueblo Colorado Convention Center, Johnson Consulting

As shown, the PCCC recorded total revenues of $1.5 million and incurred expenses of $2.0 million in 2011, resulting in a net operating deficit of $501,569.

The following table provides a breakdown of gross revenues, by event type, for 2011.

Table 5 - 15

Pueblo Colorado Convention Center Gross Revenue by Event Type (2011)		
Event Type	$	%
Trade Shows	$14,670	1%
Consumer Shows	$102,692	7%
Conventions	$293,406	20%
Banquets/ Receptions	$674,833	46%
Meetings/ Seminars	$293,406	20%
Miscellaneous	$88,022	6%
Total Revenues	$1,467,028	

Source: Pueblo Colorado Convention Center, Johnson Consulting

As shown, the greatest revenue generator in 2011 was Banquets/ Receptions, accounting for 30 percent of PCCC's gross revenues, followed by Conventions and Meetings/ Seminars (both 20 percent of gross revenues).

FUNDING: The PCCC was financed using bonds secured through Tax Increment Finance (TIF) money and a sales tax/ vendor fee.

OBSERVATIONS: The PCCC entered a market with no previous identity as a meetings destination but has developed into such a robust business that an expansion has been deemed necessary. Although South Padre Island does have an identity within the meetings market, other metropolitan areas in the region overshadow it. The strategy employed at the PCCC was to nurture growth by marketing to drive-in regional business at first (state association and regional corporate users), then expand when the user base could reasonably be extended.

LAKE TERRACE CONVENTION CENTER HATTIESBURG, MISSISSIPPI

LOCATION: Located to the northwest of downtown Hattiesburg, at the intersection of Interstate 59 and U.S. Highway 49, Lake Terrace Convention Center (LTCC) opened in 1998. The site comprises 32-acres of parkland and incorporates a 2-acre lake.

OWNERSHIP/ MANAGEMENT: The LTCC is operated by the Hattiesburg Convention Commission (HCC), which was formed by legislative mandate in 1991 to develop the LTCC and other tourism-related facilities.

FACILITIES: The LTCC offers 14,755 square feet of exhibit space, 7,936 square feet of meeting space, and 6,100 square feet of outdoor event space, along with pre-function space, a full-service kitchen, and administrative space. The following table provides a breakdown of meeting space at the LTCC.

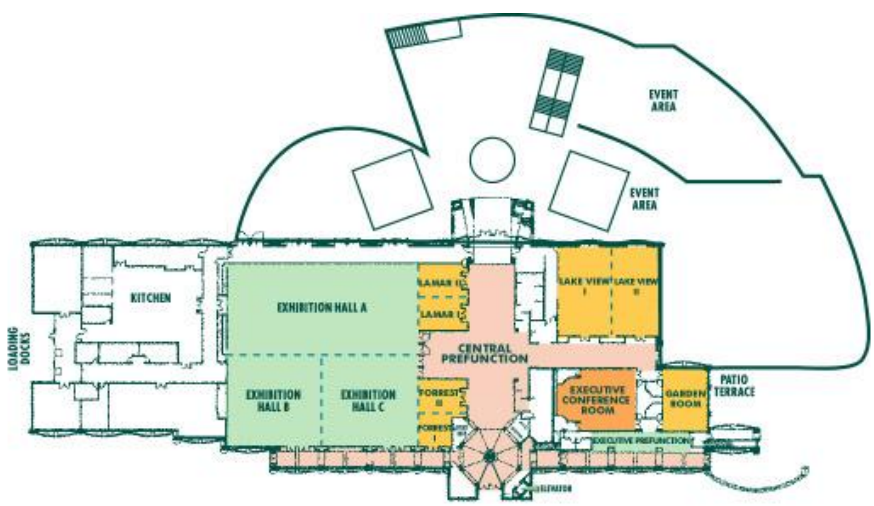
Table 5 - 16

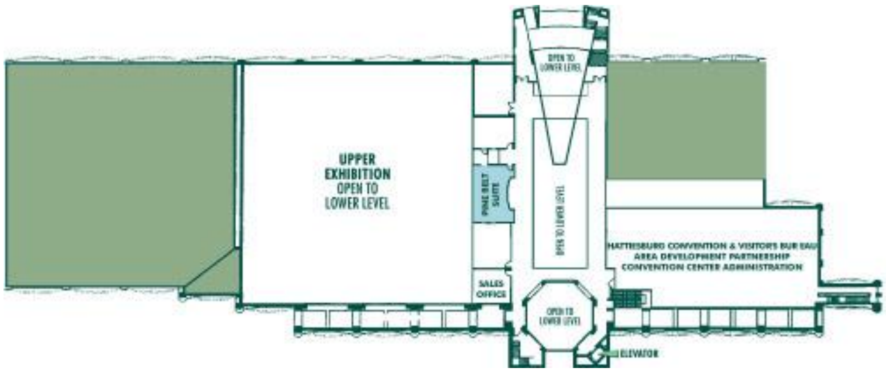
Lake Terrace Convention Center Summary of Exhibit and Meeting Space	Size (SF)		Capacity (# of Persons)			
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet	Exhibits (# Booths)
Exhibit Halls						
Hattiesburg Exhibition Hall	-	14,755	1,500	600	1,000	78
Exhibit A	7,380	-	700	300	500	40
Exhibit B	3,690	-	400	150	240	20
Exhibit C	3,690	-	400	150	240	20
Subtotal Exhibit Hall SF		14,755				
Meeting Rooms						
Number of Rooms	8	5				
Smallest Room	360	-	50	21	24	-
Largest Room	-	3,350	389	180	168	18
Subtotal Meeting Room SF		7,936				
Total		**22,691**				
Lake Terrace (Outdoor)	-	5,120	-	-	-	-
Courtyard Patio (Outdoor)	-	980	-	-	-	-

Source: Lake Terrace Convention Center, Johnson Consulting

The following figure provides a pictorial overview of facilities at the LTCC.

Figure 5 - 5





Over the last several years, the LTCC has been contemplating expansion and attempting to lure a hotel to the property. The original design included an additional 17,000 square feet of exhibit and meeting space but was reduced due to public opposition to the cost of the project. Although costs estimates have not been prepared for an expansion of the facility, it is understood that the current expansion plan contemplates an additional 22,000 square feet of rentable space.

DEMAND SCHEDULE: The LTCC has emerged as an important economic resource for the community. The community is a center for medical services for the region and the location of the University of Southern Mississippi. On an annual basis, the LTCC hosts an average of 800 events, attracting around 225,000 attendees, indicating a high level of utilization and generating around 20,000 room nights annually. In 2010 which is the most current data available, the LTCC attracted over 222,000 attendees to 1,283 event days. This represents a slight decrease in total attendance over 2009 (225,000 attendees) but an increase in total event days (1,247 event days in 2009). The following table provides a breakdown of the LTCC's event and attendance data for 2010, by event type.

Table 5 - 17

Lake Terrace Convention Center
Estimated Demand Schedule (2010)

	# Events	# Event Days	Attendance	Average Attendance Per Event
Conferences/ Conventions	76	141	24,283	355
Meetings	423	506	30,841	73
Trade Shows	13	27	57,393	4,529
Banquets	137	141	29,805	217
Consumer Shows	2	4	1,979	937
Miscellaneous	42	69	5,458	129
Performances/ Sports	81	302	58,638	721
Receptions	65	92	13,603	208
TOTAL	**841**	**1,283**	**222,000**	**264**

Source: Lake Terrace Convention Center, Johnson Consulting

At times, demand for the LTCC has been so robust that staff has been forced to make creative use of the entire event grounds by converting the public plaza space outside the facility into active space through the employment of temporary structures, such as pop-up tents.

REVENUE & EXPENSES: The following table provides the LTCC's revenue and expense statement for the most recent year.

Table 5 - 18

Lake Terrace Convention Center Revenue & Expense Statement (Most Recent Year)	Most Recent Year
Revenues	
Exhibit & Convention Rents	$257,659
Ticket Revenues	52,720
Food & Beverage	834,026
Interest	12,631
Miscellaneous	13,778
Total Revenues	$1,170,814
Expenditures	
Salaries & Wages (including Benefits)	$1,077,182
Food & Beverage	367,046
Building & Equipment Maintenance	372,128
Utilities	255,232
Professional & Management Fees	95,065
Insurance	76,004
Advertising & PR	42,104
Other	107,331
Total Expenditures	$2,392,092
Net Operating Income (Loss) Before Other Financing Sources	**($1,221,278)**
Other Financing Sources (Special Sales Tax & MDOT Grant)	$3,340,278
Excess of Revenues & Other Financing Sources over Expenditures	**$2,119,000**

Source: Lake Terrace Convention Center, Johnson Consulting

As shown, the LTCC operated at a net deficit of $1.2 million, before other financing sources. The facility receives special taxes and other revenue sources that allow it to operate with a positive cash flow on an annual basis. In the most recent year, the facility recorded an excess of revenues and other financing sources of $2.1 million over expenditures.

FUNDING: The LTCC was constructed at a total cost of $14.0 million, with an additional $910,000 spent to acquire the site. The facility was funded through a 2 percent tax on City restaurant and liquor sales, and a $6.5 million general obligation bond issue. The City of Hattiesburg also has a 2 percent Tourism Promotion Tax, which helps fund the operations of the Hattiesburg CVB.

OBSERVATIONS: Among the myriad of objectives of the LTCC is to serve as a generator of economic activity by attracting group meetings, conventions, and social activities. While a significant target market is non-resident or out-of-town groups, the LTCC also serves as a vital resource to Lamar and Forrest County businesses, organizations, and residents by providing high quality event, meeting and ballroom space.

The LTCC was built in response to growing demand for meeting space and to attract new dollars and add room nights to the area. Since opening, the LTCC has earned a reputation as a high quality, service-focused convention and civic center. This service distinction, the environment and setting of the Center, and affordability of the Hattiesburg market have allowed the CVB and LTCC staff attract a high volume of events and provide a strong contribution to the local economy. Like SPICC, the success of the LTCC is only limited by its small size, with a moderate expansion having been considered for several years as a mechanism to help mitigate lost business.

GRAND WAYNE CONVENTION CENTER FORT WAYNE, INDIANA

LOCATION: Situated in downtown Fort Wayne, the Grand Wayne Convention Center (GWCC) originally opened in 1985. The GWCC underwent a significant upgrade and expansion in 2005, becoming the center of a larger downtown redevelopment project that includes a minor league baseball stadium, a 250-room Marriott hotel, and a 900-space parking garage. This redevelopment transformed the City of Fort Wayne, attracting new businesses and a thriving arts culture.

OWNERSHIP/ MANAGEMENT: The GWCC is owned and operated by the Fort Wayne-Allen County Convention and Tourism Authority (CTA).

FACILITIES: The GWCC is comprised of a 48,480 square foot exhibit hall, two ballrooms of 9,924 and 6,050 square feet, and nine meeting rooms totaling 9,819 square feet. The following table provides a breakdown of meeting space at the GWCC.

Table 5 - 19

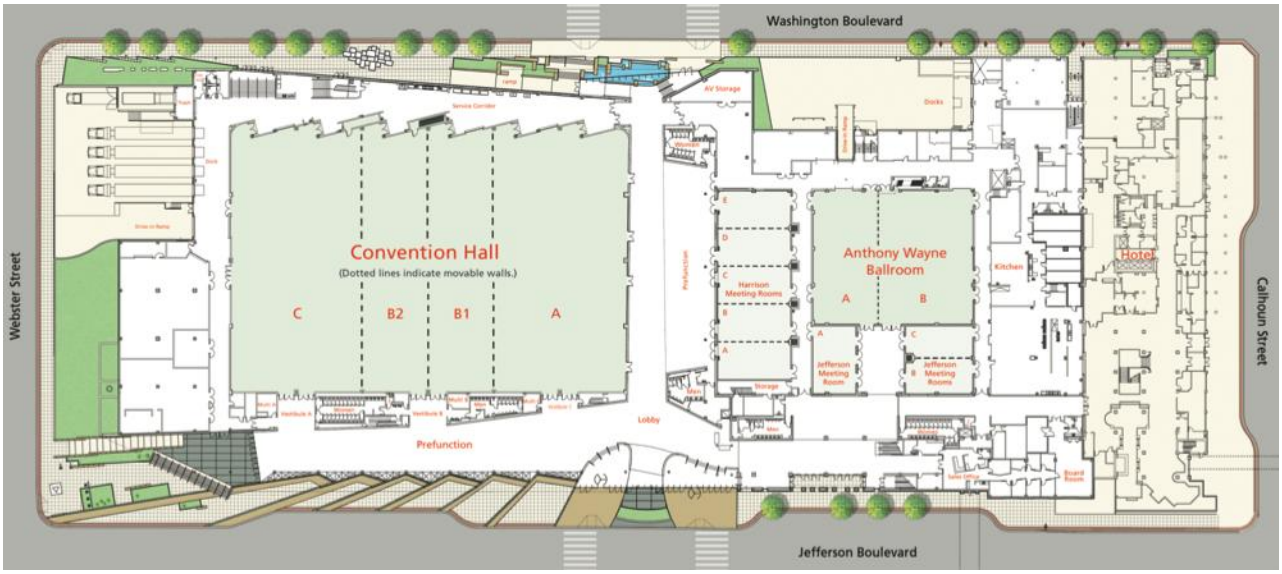
Grand Wayne Convention Center Summary of Exhibit and Meeting Space						
	Size (SF)		Capacity (# of Persons)			
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet	Exhibits (# Booths)
Exhibit Hall						
The Convention Hall*	-	48,480	3,080	2,880	4,000	264
Hall A	16,000	-	980	900	1,344	85
Hall B1	8,240	-	520	540	840	35
Hall B2	8,240	-	520	540	840	35
Hall C	16,000	-	980	900	1,344	85
Subtotal Exhibit Hall SF		48,480				
Ballroom*						
Anthony Wayne Ballroom	-	9,924	630	540	1,152	45
A	4,033	-	210	180	384	15
B	5,891	-	350	360	672	25
Subtotal Ballroom SF		9,924				
Calhoun Ballroom	-	6,050	350	360	660	32
A	2,400	-	160	126	200	-
B	2,400	-	160	126	200	-
C	625	-	40	27	50	-
D	625	-	40	27	50	-
Subtotal Ballroom SF		6,050				
Meeting Rooms						
Number of Rooms	9	3				
Smallest Room	1,014	-	70	63	80	-
Largest Room	-	1,278	80	63	100	-
Subtotal Meeting Room SF		9,819				
Other						
Gallery	-	1,680	110	90	150	10
Subtotal Other SF		1,680				
Total		**75,953**				

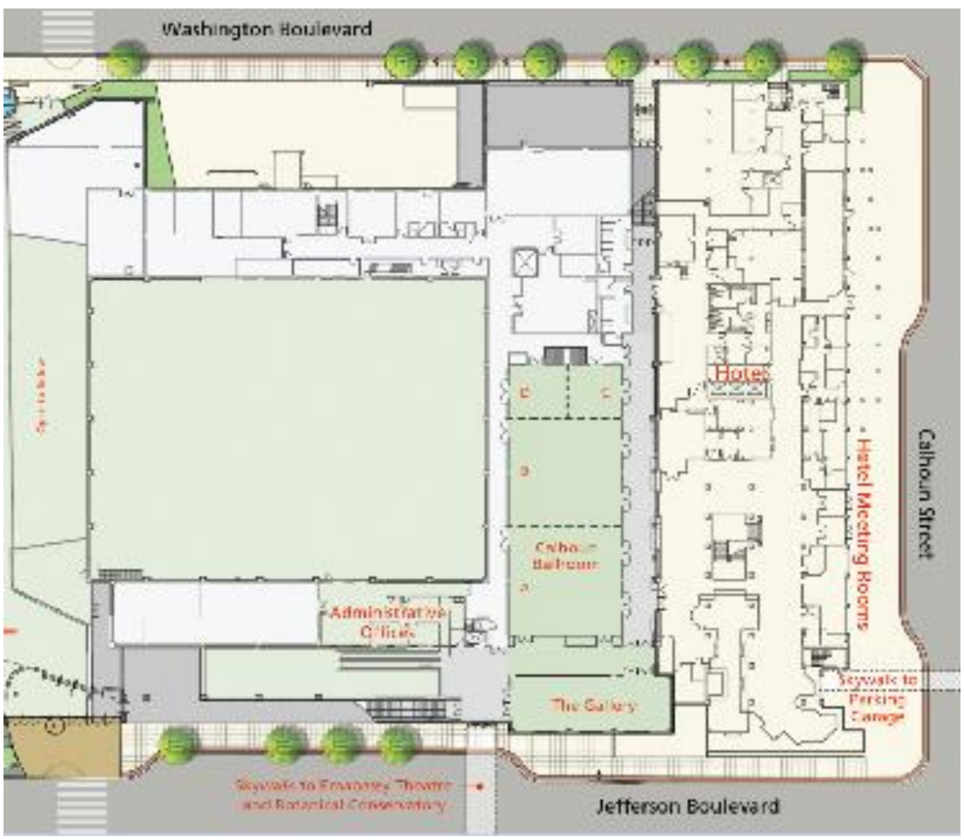
** Other combinations available.*

Source: Grand Wayne Convention Center, Johnson Consulting

The following figure provides a pictorial overview of facilities at the GWCC.

Figure 5 - 6


Washington Boulevard
Webster Street
Convention Hall
(Dotted lines indicate movable walls.)
C
B2
B1
A
Anthony Wayne Ballroom
A
B
Hotel
Calhoun Street
Prefunction
Lobby
Jefferson Boulevard


Washington Boulevard
Hotel
Hotel Meeting Rooms
Calhoun Street
Administrative Offices
The Gallery
Jefferson Boulevard

In addition to the meeting space offered at the GWCC, the adjacent 246-room Hilton Hotel offers 7 meeting rooms, totaling 7,590 square feet and a 3,020 square foot atrium. Meeting space at the Hilton is summarized in the following table.

Table 5 - 20

Hilton Fort Wayne at Grand Wayne Convention Center
Summary of Exhibit and Meeting Space

	Size (SF)		Capacity (# of Persons)		
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet
Meeting Rooms					
Number of Rooms	7	-	-	-	-
Smallest Room	540	-	30	21	30
Largest Room	-	1,400	150	90	100
Subtotal Meeting Room SF		7,590			
Other					
Atrium	-	3,022	-	-	180
Subtotal Other SF		3,022			
Total		**10,612**			

Source: Hilton Fort Wayne at Grand Wayne Convention Center, Johnson Consulting

The 250-room Courtyard by Marriott Fort Wayne Downtown, which forms part of the broader redevelopment district surrounding the GWCC, offers an additional 5,992 square feet of meeting space, and including a 3,969 square foot ballroom. Meeting space at the Courtyard is summarized in the following table.

Table 5 - 21

Courtyard Fort Wayne Downtown at Grand Wayne Convention Center Summary of Exhibit and Meeting Space	Size (SF)		Capacity (# of Persons)		
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet
Ballroom					
Legacy Ballroom	-	3,969	450	225	250
Salon A	1,323	-	140	60	90
Salon B	1,323	-	140	60	90
Salon C	1,323	-	140	60	90
Subtotal Ballroom SF		3,969			
Meeting Rooms					
Number of Rooms	4	3	-	-	-
Smallest Room	322	-	-	14	-
Largest Room	-	1,134	125	68	80
Subtotal Meeting Room SF		2,023			
Total		**5,992**			

Source: Courtyard Fort Wayne Downtown at Grand Wayne Convention Center, Johnson Consulting

DEMAND SCHEDULE: The GWCC hosts, on average, 400 events per annum. Of these, 35 percent typically relate to conventions, 25 percent are large corporate events, 24 percent are local business events, and the remaining 16 percent are community-oriented events, such as fundraisers and charity events.

REVENUE & EXPENSES: The GWCC's approved 2013 budget allows for $4.7 million in revenues and $4.9 in expenditures, which is generally consistent with historic operations. Revenues comprise rental fees, hotel taxes, sales taxes on food and beverages, and the Professional Sports and Convention Development Areas tax. Most of these revenue streams have remained steady over recent years, although hotel tax revenue has increased by 9 percent, largely attributed to improving economic conditions and a number of new large events.

Operating expenses account for the largest proportion of expenditures, although approximately 30 percent is apportioned to lease payments on the building and bond payments, with $250,000 per annum also being allocated to the adjacent hotel and parking garage.

FUNDING: Original construction of the GWCC cost $15.5 million, with the 2005 expansion costing an additional $30.0 million. The GWCC and its improvements were funded by a 7 percent hotel occupancy tax.

OBSERVATIONS: The GWCC provides an example of a facility whose success was significantly enhanced following its expansion in 2005. Although the GWCC has a relatively small ratio of meeting and ballroom space to exhibit space, its Exhibit Hall is carpeted, meaning that it can be used as supplemental ballroom and meeting space when required. This greatly enhances the overall flexibility of the facility's space and is something that could be considered for SPICC. The following image shows the GWCC's Exhibit Hall.

Figure 5 - 7

CORALVILLE MARRIOTT HOTEL AND CONFERENCE CENTER **CORALVILLE, IOWA**

LOCATION: Located in northwest Iowa City, approximately 1 mile to the north of the University of Iowa, the $60 million Coralville Marriott Hotel and Conference Center (CMHCC) opened in 2006. The CMHCC anchors the Iowa River Landing, which is a 180-acre mixed-use development on the site of a former industrial park. The site also incorporates a wetlands park.

OWNERSHIP/ MANAGEMENT: The CMHCC is owned by the City of Coralville and operated by the Marriott hotel chain. Tax-exempt bonds were used for the entire complex, and these bonds are supported by a sales tax in the City.

FACILITIES: The CMHCC offers 286 guest rooms and 6 suites, along with 60,000 square feet of conference and meeting space. The following table provides a breakdown of conference and meeting space at the CMHCC.

Table 5 - 22

Coralville Marriott Hotel and Conference Center Summary of Exhibit and Meeting Space	Size (SF)		Capacity (# of Persons)		
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet
Exhibit Hall					
Exhibit Hall	-	29,596	2,500	2,400	2,850
Subtotal Exhibit Hall SF		29,596			
Ballroom					
Coral Ballroom*	-	14,980	1,200	700	1,000
Salon A	2,756	-	200	90	120
Salon B	2,756	-	200	90	120
Salon C	4,922	-	400	150	240
Salon D	2,756	-	200	90	120
Salon E	2,756	-	200	90	120
Oakdale Ballroom*	-	6,930	600	300	350
Salon I	1,155	-	100	50	50
Salon II	1,155	-	100	50	50
Salon III	2,240	-	200	120	140
Salon IV	1,155	-	100	50	50
Salon V	1,155	-	100	50	50
Subtotal Ballroom SF		21,910			
Meeting Rooms					
Number of Rooms	10	10			
Smallest Room	384	-	35	20	30
Largest Room	-	650	44	20	30
Subtotal Meeting Room SF		5,168			
Total		**56,674**			

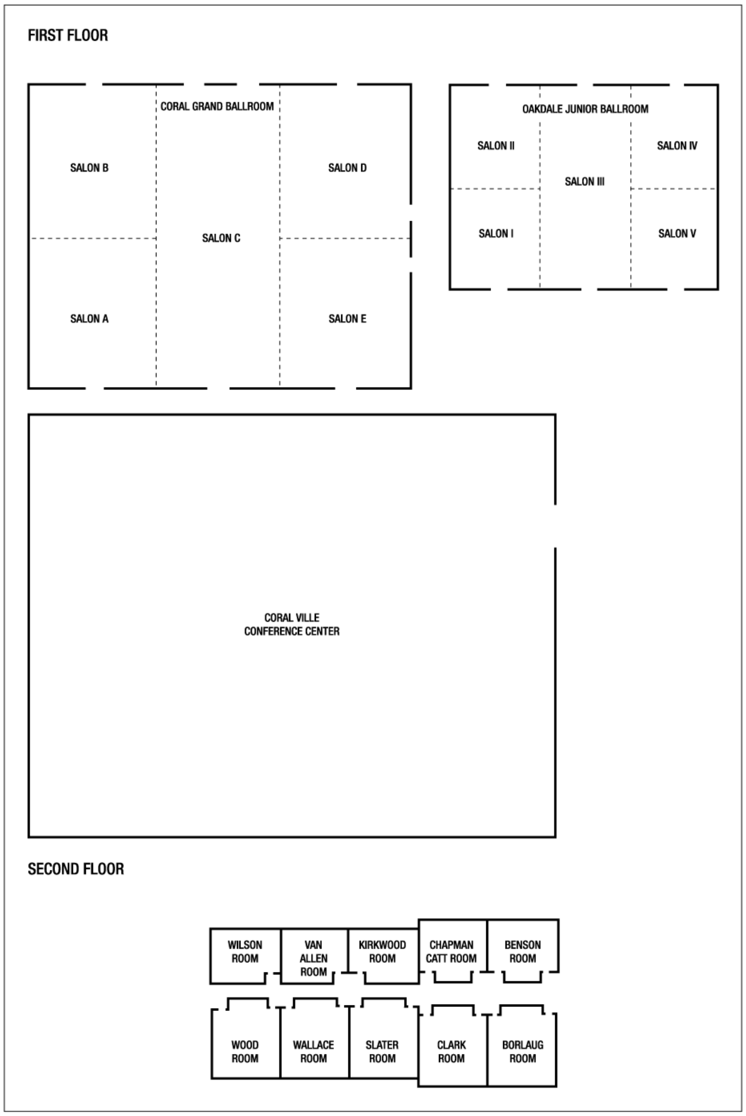
** Various combinations of subsections available*

Source: Coralville Marriott Hotel and Conference Center, Johnson Consulting

An analysis of the meeting space ratio at the CMHCC indicates that there is 104 square feet of exhibit space per guest room, plus 95 square feet of combined ballroom and meeting space per key. This indicates that the meeting space is extraordinarily sized for the number of hotel rooms.

The following figure provides a pictorial overview of facilities at the CMHCC.

Figure 5 - 8



The following figure shows the location of the CMHCC.

Figure 5 - 9

DEMAND SCHEDULE: Since opening, the CMHCC has hosted an average of 15 events per annum, attracting between 800 and 1,600 attendees per event. The facility is attracting some State association business, previously held almost exclusively in Des Moines, Iowa, along with a small number of trade shows. However, the 15 reported events in the demand calendar only relate to events that use all aspects of the facility. Marriott does not report total usage to the City. Discussions with the facility's asset manager indicate that there are, in fact, hundreds of events that occur at the facility annually.

Hotel occupancy has consistently remained in the range of 60 to 65 percent, averaging 63 percent since the CMHCC opened. The ADR is currently $100.00 per room per night.

Some additional benchmarks relating to demand at the CMHCC include:

- 26,000 group room nights annually.
- $6 million in gross food and beverage revenue, $500,000 of which occurs at the on-site restaurant.
- An overall $15 million business entity that did not exist before.

REVENUE & EXPENSES: The following table provides the CMHCC's revenue and expense statements for 2009 and 2010, which is the most current information available.

Table 5 - 23

Coralville Marriott Hotel and Conference Center Revenue & Expense Statement (2009-2010) ($'000s)	2009	2010
Operating Revenues		
Charges for Sales & Services	$14,208	$13,072
Total Operating Revenues	14,208	13,072
Operating Expenses		
Contractual Services	9,840	2,950
Commodoties	2,725	8,725
Depreciation	2,854	2,854
Total Operating Expenses	15,419	14,529
Operating Income (Loss)	(1,211)	(1,457)
Non-Operating Revenue (Expenses)		
Interest Revenue	$16	$8
Interest Expenses	(2,308)	(2,291)
Increase in Beneficial Interest in a Trust	237	231
Total Non-Operating Revenue (Expenses)	(2,055)	(2,051)
Income (Loss) Before Transfers	(3,266)	(3,508)
Transfers In	$3,467	$1,173
Transfers Out	(2,751)	(30)
Net Income (Loss)	(2,550)	(2,364)

Source: Coralville Marriott Hotel and Conference Center, Johnson Consulting

As shown, the CMHCC operated at a net deficit of $3.5 million in 2010, before transfers. This represents a slightly higher deficit than recorded in 2009, when the facility operated at a loss of $3.3 million. When transfers are accounted for, the CMHCC operated at a loss of $2.4 million 2010, which represents a slight improvement over 2009, when the facility recorded a loss of $2.5 million. Note that debt service for the conference center is included in the facility's proforma.

FUNDING: To finance construction, the City entered into an agreement to lease the site, which it owns, to Bankers Trust Company as trustee, and subsequently leased it back for 99 years for a total lease payment of $1 per annum. The City and Bankers Trust Company further entered into a lease purchase agreement that requires $45.5 million in payments by the City for the proceeds that Bankers Trust Company obtained by selling Certificates of Participation in the lease to investors. The Certificates of Participation were issued in 2007, at a premium of $1.2 million. These additional proceeds were also used to fund the project.

The Iowa River Landing, which is home to the CMHCC, forms part of the Mall/Highway 6 Urban Renewal Area (URA), which is a designated Tax Increment Financing (TIF) district. The City leverages substantial sales tax TIF revenue from Coral Ridge Mall, which is used to finance projects at Iowa River Landing. In

2010, the CMHCC received $498,748 in special revenues from the Mall/Highway 6 TIF, and $674,700 in debt service from governmental funds.

OBSERVATIONS: Like many other conference and convention centers, the deficit incurred by the CMHCC is justified on the basis of the return on investment and economic impact that it creates for the City. Although the facility is generating sufficient revenue to meet interest and principal payments, it has required some level of subsidy since opening, and will continue to do so for the foreseeable future. Pertinent to SPICC, the CMHCC serves a relatively small market and competes with other, better-positioned markets throughout the State.

ST. CHARLES CONVENTION CENTER ST. CHARLES, MISSOURI

LOCATION: Situated in St. Charles, Missouri, directly across the Missouri River from St. Louis and approximately 8 miles to the west of Lambert-St. Louis International Airport, the St. Charles Convention Center (SCCC) opened in April 2005.

OWNERSHIP/ MANAGEMENT: The SCCC is owned by the City of St. Charles and privately managed by Global Spectrum.

FACILITIES: The SCCC is comprised of a 27,600 square foot exhibit hall, which can also be used in conjunction with the adjoining junior ballroom, to create 35,700 square feet of contiguous space. The SCCC also offers a 16,200 square foot ballroom and seven meeting rooms, totaling 7,024 square feet. The following table provides a breakdown of meeting space at the SCCC.

Table 5 - 24

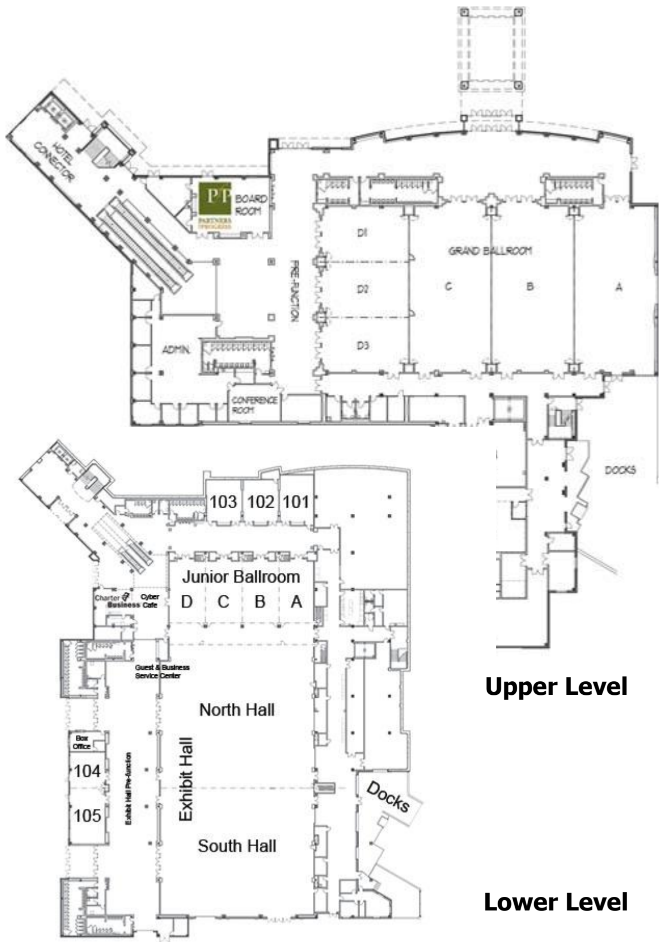
St. Charles Convention Center Summary of Exhibit and Meeting Space	Size (SF)		Capacity (# of Persons)			
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet	10' x 10' Booths
Exhibit Hall	-	27,600	3,168	1,632	1,940	136
North Hall	14,500	-	1,604	808	980	67
South Hall	13,100	-	1,490	720	820	59
Subtotal Convention Center SF		27,600				
Ballroom*						
Grand Ballroom	-	16,200	1,676	880	1,000	74
A	4,010	-	418	180	200	-
B	4,010	-	418	176	200	-
C	4,010	-	420	188	200	-
D	4,170	-	411	192	200	-
Subtotal Ballroom SF		16,200				
Junior Ballroom	-	6,025	746	340	360	32
A	1,450	-	156	60	80	-
B	1,530	-	168	60	80	-
C	1,530	-	168	60	80	-
D	1,515	-	150	60	80	-
Subtotal Ballroom SF		6,025				
Meeting Rooms						
Number of Rooms	7	7	-	-	-	-
Smallest Room	504	-	-	18	-	-
Largest Room	-	1,310	136	56	60	-
Subtotal Meeting Room SF		7,024				
Total		**56,849**				

** Other combinations available.*

Source: St. Charles Convention Center, Johnson Consulting

The following figure provides a pictorial overview of facilities at the SCCC.

Figure 5 - 10



The SCCC was built in conjunction with the adjoining 296-room Embassy Suites hotel, which offers 6,312 square feet of additional meeting space. The following table provides a breakdown of meeting space within the hotel.

Table 5 - 25

Embassy Suites St. Louis-St. Charles Summary of Exhibit and Meeting Space	Size (SF)		Capacity (# of Persons)		
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet
Meeting Rooms					
Number of Rooms	8	7	-	-	-
Smallest Room	300	-	10	-	-
Largest Room	-	2,800	300	170	160
Subtotal Meeting Room SF		6,312			
Total		**6,312**			

Source: Embassy Suites St. Louis-St. Charles, Johnson Consulting

DEMAND SCHEDULE: In 2011, which is the most current data available, the SCCC hosted 311 events and attracted 271,817 attendees. This represents a slight increase over 2010, when the SCCC hosted 305 events and attracted 253,361 attendees. The predominant event type has consistently been Meetings, accounting for 50 percent of events in 2011, followed by Banquets (19 percent of events). Consumer Shows consistently attracti the highest overall attendance, with 131,680 people attending the 30 Consumer Shows at SCCC in 2011, which represents an average attendance of 4,390 per event. The following table provides a breakdown of events and attendance, by event type, for 2010 and 2011.

Table 5 - 26

St. Charles Convention Center Demand Schedule (2010 - 2011)	Events		Attendance	
Event Type	2010	2011	2010	2011
Meetings	151	155	36,824	33,444
Banquets	61	64	17,087	20,199
Consumer Shows	29	30	118,400	131,680
Conventions	12	10	29,542	28,035
Trade Shows	27	24	23,325	21,962
Special Events	25	28	28,183	36,497
TOTAL	**305**	**311**	**253,361**	**271,817**

Source: St. Charles Convention Center, Johnson Consulting

REVENUE & EXPENSES: The following table provides a breakdown of the SCCC's revenues and expenses for 2010 and 2011, which is the most current data available.

Table 5 - 27

St. Charles Convention Center Revenue & Expense Statement (2010-2011)		
	2010	2011
Revenues		
Rental	$1,069,889	$1,078,022
Service	549,632	609,856
Ancillary	3,189,539	3,833,955
Other	100,428	96,262
Total Revenues	$4,909,488	$5,618,095
Expenditures		
Event	$1,240,594	$1,491,514
Personnel	2,520,133	2,503,502
Operating	1,287,556	1,449,221
Total Expenditures	$5,048,283	$5,444,237
Net Operating Income (Loss)	**($138,795)**	**$173,858**

Source: St. Charles Convention Center, Johnson Consulting

As shown, the SCCC recorded a net operating income of $173,858 in 2011, representing an improvement over 2010, when the facility operated at a slight net deficit of $138,795. The major revenue streams are Ancillary revenues and Rental income, while the predominant expense relates to Personnel.

The following table provides a breakdown of gross revenues, by event type, for 2011.

Table 5 - 28

St. Charles Convention Center Gross Revenue by Event Type (2011)		
Event Type	$	%
Meetings	$1,663,012	30%
Banquets	1,031,612	19%
Consumer Shows	900,791	16%
Conventions	941,011	17%
Trade Shows	584,054	11%
Special Events	401,352	7%

Source: St. Charles Convention Center, Johnson Consulting

As shown, the greatest revenue generator in 2011 was Meetings, accounting for 30 percent of SCCC's gross revenues, followed by Banquets (19 percent of gross revenues), Conventions (17 percent) and Consumer Shows (16 percent).

FUNDING: Development of the $32 million SCCC was funded through St. Charles County lodging tax collections, as well as contributions from the City, and proceeds from $29.7 million in Certificates of Participation issued in 2003. The adjacent Embassy Suites hotel was privately funded.

OBSERVATIONS: The success of the SCCC is underpinned by the collective efforts of several entities to market the facility. These include the City, Global Spectrum, John Q. Hammons (which manages the hotel), and the St. Charles CVB, all of which work together to attract convention and meetings business and maximize occupancy.

SAN MARCOS CONFERENCE CENTER SAN MARCO, TEXAS

LOCATION: Located in San Marcos, Texas, the San Marcos Conference Center (SMCC) is within 40-minutes (drive time) of both the San Antonio International and Austin Bergstrom Airports. Opened in October 2008, the SMCC is part of an Embassy Suites Hotel and Spa.

OWNERSHIP/ MANAGEMENT: The SMCC is owned by the City of San Marcos and operated by John Q. Hammons Hotels and Resort through a 25-year lease with the City. John Q. Hammons Hotels and Resort owns and manages the adjoining Embassy Suites Hotel and Spa.

FACILITIES: The SMCC is comprised of 40,000 square feet of meeting space, including a 28,800 square foot ballroom, a 7,200 square foot junior ballroom, and 4,000 square feet of meeting rooms. The following table provides a breakdown of meeting space at SMCC.

Table 5 - 29

San Marcos Conference Center
Summary of Meeting Space

	Size (SF)		Capacity (# of Persons)			
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet	10' x 10' Booths
Ballroom*						
Veramendi Ballroom	-	28,800	3,000	1,500	2,300	160
A	1,800		195	110	100	-
B	1,800		195	110	100	-
C	1,800		195	110	100	-
D	1,800		195	110	100	-
E	7,200	-	790	400	580	36
F	7,200	-	790	400	580	36
G	1,800		195	110	100	-
H	1,800		195	110	100	-
I	1,800		195	110	100	-
J	1,800		195	110	100	-
Spring Lake Ballroom	-	7,200	750	400	500	36
A	2,400	-	260	135	190	-
B	2,400	-	260	135	190	-
C	2,400	-	260	135	190	-
Subtotal Ballroom SF		36,000				
Meeting Rooms						
Number of Rooms	4	2	-	-	-	-
Smallest Room	1,000	-	75	40	50	-
Largest Room	-	2,000	200	100	150	-
Subtotal Meeting Room SF		4,000				
Total		**40,000**				

** Other combinations available.*

Source: San Marcos Conference Center, Johnson Consulting

The following figure provides a pictorial overview of facilities at the SMCC.

Figure 5 - 11

DEMAND SCHEDULE: In 2012, the SMCC hosted 1,015 events and attracted approximately 98,000 attendees. There are currently five events, totaling 12 events days, scheduled at the SMCC for 2013, of which the majority of event days relate to Conventions. The following table provides a breakdown of the number of event days by event type for 2013.

Table 5 - 30

San Marcos Conference Center 2013 Events	
Event Type	Number of Days
Conventions	8
Special Events	2
Concert	1
Consumer Shows	1

Source: San Marcos Convention and Visitor Bureau, Johnson Consulting

REVENUE & EXPENSES: Revenue and expense data is not available for SMCC. However, it is understood that in 2010 the Embassy Suites San Marcos was the highest performing hotel in the City with over $8.3 million in revenue.

FUNDING: The City of San Marcos, in partnership with John Q. Hammons Hotels and Resort, financed the SMCC. John Q. Hammons Hotels and Resort provided 30 percent, with the City financing 70 percent of the total cost through $23 million in tax and revenue certificates of obligations. To repay the bond obligations, the City established a Tax Increment Investment Zone (TIF) for the area surrounding the SMCC. The incremental property tax revenue generated from this zone is used strictly for debt repayment related to the construction of the SMCC. An additional reserve fund to help offset SMCC's debt payments is financed through a 2 percent venue tax. The City established this Hotel/Motel Fund in 2008.

OBSERVATIONS: The SMCC is an example of a facility that has significant public support. The public buy-in to the facility largely reflects the economic stimulus that the SMCC brings to the community by attracting tourism dollars. The area surrounding the facility is also viewed as an economic catalyst, thus the City established the TIF zone to capture incremental property tax revenue.

MEYDENBAUER CENTER BELLEVUE, WASHINGTON

LOCATION: Located in Bellevue, Washington, the Meydenbauer Center (MC) is within 9 miles of Seattle. The $29.4 million facility opened in 1993 and has undergone renovations, including upgrades to the exhibit hall in 2007. This renovation enabled the MC to meet the needs of an expanding downtown and the Eastside neighborhood.

OWNERSHIP/ MANAGEMENT: The MC is publicly owned and operated by the Bellevue Convention Center Authority (BCCA).

FACILITIES: The MC comprises the 36,000 square foot Center Hall, which may be divided into two 18,000 square foot spaces. Renovations to the Center Hall in 2007 enhanced the features of the space with ceiling and acoustical wall treatments, light and decorative elements, and carpeting. It is now one of the largest carpeted event venues in the Pacific Northwest. The MC also offers a 3,400 square foot (410-seat) slope theatre and 13,390 square feet of meeting room space. The table below provides a breakdown of available meeting space at MC.

Table 5 - 31

Meydenbauer Center Summary of Exhibit and Meeting Space	Size (SF)		Capacity (# of Persons)			
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet	Exhibits (# Booths)
Exhibit Hall						
Center Hall	-	36,000	3,500	2,400	-	200
Hall A	18,000	-	1,750	1,200	-	100
Hall B	18,000	-	1,750	1,200	-	100
Subtotal Exhibit Hall SF		36,000				
Meeting Rooms						
Number of Rooms	12	6				
Smallest Room	280	-	-	-	-	-
Largest Room	-	6,000	600	360	-	35
Subtotal Meeting Room SF		13,390				
Other						
Theatre	-	3,400	410	-	-	-
Subtotal Other SF		3,400				
Total		**52,790**				
Rainier Vista Terrace (Outdoor)	-	2,080		-	-	-

Source: Meydenbauer Center, Johnson Consulting

The following figure provides a pictorial overview of facilities at the MC.

Figure 5 - 12

DEMAND SCHEDULE: In 2011 the MC hosted 301 events, attracting 146,867 attendees. Approximately 30,000 hotel room nights were associated to state and national conventions held at the MC. A summary of the events hosted at the MC is shown below for 2009, which is the most current data available broken down by event type.

Table 5 - 32

Meydenbauer Center Demand Schedule (2009)			
Event Type	Number	Attendance	Revenues
Conventions	15	17,530	1,297,016
Meetings	201	55,660	1,944,426
Tradeshows	4	2,400	166,248
Consumer Shows	6	10,800	249,379
Events/Other	16	19,929	634,432
Banquets	69	30,834	1,989,168
TOTAL	**311**	**137,153**	**$6,280,669**

Source: Meydenbauer Center, Johnson Consulting

As shown, the highest proportion of events related to Meetings, with the MC hosting 201 Meetings that attracted in excess of 55,000 attendees. Banquets generated the most revenue for the MC, at nearly $2 million, followed by Meetings ($1.9 million) and Conventions ($1.3 million).

The MC also plays a role in community development. It serves as a venue for the community, hosting community, school, and non-profit fundraisers. On average, it hosts 34 community events per annum attended by nearly 17,000 individuals. In 2011, the MC's theatre hosted 159 performances, attracting 39,308 individuals.

REVENUE & EXPENSES: The MC operated at a deficit of ($784,426) in 2011, which is the most current data available, before contributions and transfers. This represents a significant improvement over 2010, when the MC operated at a deficit of $1.2 million. Including contributions and transfers, the MC operated at a loss of $777,426 in 2011. The table below summarizes revenues and expenditures for 2010 and 2011.

Table 5 - 33

Meydenbauer Center Revenue & Expense Statement (2010-2011)	2010	2011
Operating Revenues		
Food & Beverage	$3,480,170	$4,210,862
Event Services	1,256,051	1,649,570
Rent	1,492,126	1,514,716
Rent Credit	(503,075)	(613,816)
Parking	586,534	580,571
Theatre	255,583	294,685
Other	15,522	56,655
Total Operating Revenues	$6,582,911	$7,693,243
Operating Expenditures		
Personnel	$3,486,085	$3,842,094
Contract Labor	51,957	70,212
Other Administrative and General	524,223	548,525
Cost of Goods and Services	1,584,362	1,945,539
Marketing	395,681	499,412
Utilities and Maintenance	608,233	722,594
Parking	217,652	129,162
Theatre Operating Expenses	385,759	399,938
Depreciation	1,441,020	1,410,437
Amortization	38,934	39,179
Total Operating Expenditures	$8,733,906	$9,607,092
Operating Income (Loss)	($2,150,995)	($1,913,849)
Non-Operating Revenues (Expenses)		
From Transient Occupancy Tax	4,798,124	5,474,765
Leasehold Income	37,575	0
Interest Income	17,133	8,061
Interest Expense	(4,317,237)	(4,333,133)
Other Non-Operating Expense	(12,270)	(20,270)
Total Non-Operating Revenues (Expenses)	$523,325	$1,129,423
Income (Loss) Before Contributions and Transfers	(1,627,670)	(784,426)
Capital Contribution	$8,000	$7,000
Transfers Out	(115,441)	0
Net Income (Loss)	(1,735,111)	(777,426)

Source: Meydenbauer Center, Johnson Consulting

FUNDING: The BCCA issued $29.4 million in Special Obligation Revenue Bonds to finance the construction of MC. Additional bonds were issued in 1995 and 2002 by the City of Bellevue on behalf of the MC. In 1995 $5.1 million was raised through the bond issuance to finance capital projects, including design work associated with its expansion. The $10.5 million generated from the 2002 issuance was used to purchase land adjacent to the MC for future expansion.

OBSERVATIONS: The MC is an example of a successful facility that underwent expansion to meet the needs of its users. It has a strong presence in the City of Bellevue as an economic driver and community supporter. This helps strengthen support for public investment in the facility. Although, it competes with larger facilities, including the nearby Washington State Convention Center in Seattle, the BCCA recognizes that it must maintain and enhance the MC to remain competitive. Similarly to GWCC in Fort Wayne, the carpeted Center Hall at the MC greatly enhances the overall flexibility of the facility's space and is something that could be considered for SPICC. The following figure shows the MC's Center Hall in a banquet setting.

Figure 5 - 13

CONCLUSIONS

Each of the facilities profiled above were developed in response to a community's desire to generate significant benefits for local and regional economies, to stimulate tourism, to serve local corporations and universities, and for urban renewal purposes. Although there is variation in the size, orientation, operating approach, and role that each of these facilities play in their communities, each facility demonstrates how a convention center can serve as a catalyst to stimulate the economy, grow and support the local hotel community, and provide a valuable asset for local residents and businesses. A number of the case studies also highlight the positive impact of locating convention facilities in an attractive setting.

Within Texas, large metropolitan areas are generally favoured as meeting destinations, reflecting, in part, the geographic size of the State and the higher level of accessibility enjoyed by centralized locations. This can be seen through various development projects such as the Holiday Inn and Suites near the McAllen Convention Center and a similar hotel development currently being considered in proximity to Harlingen Convention Center, although no additional information is available at this time on this project. However, as illustrated by many of the case studies, smaller and less accessible destinations have proven to attract a sufficient number of events, and generate sufficient economic benefits, to justify their continued operations and, in many cases, subsidization by their respective communities.

The drawing power of SPICC's strategic location is a factor that should not be overlooked. If the somewhat isolated, secondary markets included in the above case studies can successfully draw events, then SPICC, given the right mix of marketing and appropriately improved and expanded facilities, should be able to compete effectively with destinations throughout the region and beyond.

SECTION VI

SURVEY RESULTS AND LOST BUSINESS ANALYSIS

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SURVEY RESULTS AND LOST BUSINESS ANALYSIS

In order to gauge overall interest in an improved and expanded South Padre Island Convention Centre (SPICC), and assist in substantiating the attributes that will make the venue most appealing to current and potential users, Johnson Consulting conducted a survey of members of the meetings and event planning industry. Survey recipients included current, and repeat, users of SPICC. This section presents a summary of feedback provided to Johnson Consulting.

CURRENT USERS SURVEY

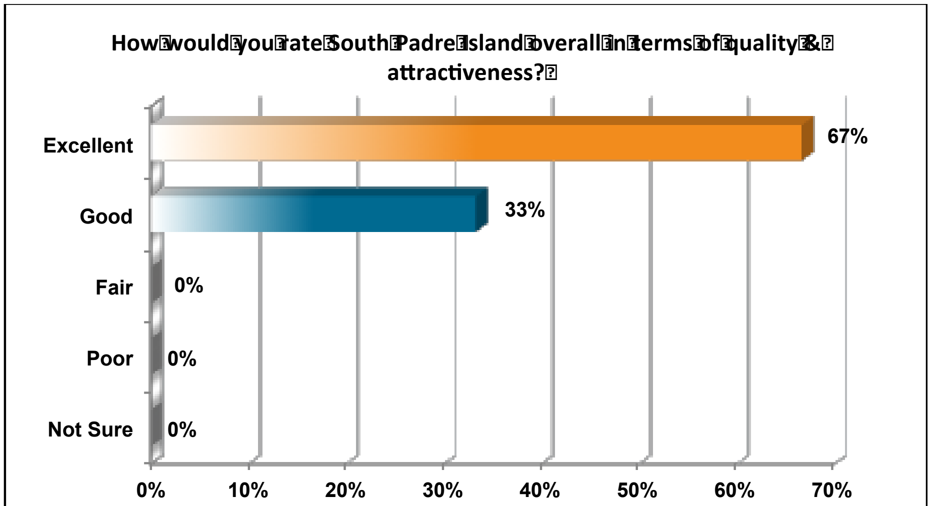
Our survey instrument was developed utilizing a web-based program and was distributed electronically. The survey sent to each recipient was identical. The survey remained 'active' for a period of three weeks, during which time recipients were sent multiple survey reminders.

We achieved a response rate of 60 percent. Industry standards dictate that a 10 percent response rate is generally outstanding for this type of analysis. As such, our sample size is considered to be statistically sound.

QUALITY AND ATTRACTIVENESS

The following figure provides a breakdown of the ratings assigned to South Padre Island, by survey respondents, when asked to rate the destination in terms of quality and attractiveness, from an event planner's perspective.

Figure 6 - 1



Source: Johnson Consulting

As shown, all survey respondents rate South Padre Island as 'Good' or better in terms of attractiveness from an event planner's perspective. More than two-thirds of respondents (67 percent) rate South Padre Island as 'Excellent'.

The following observations were made with regard to specific elements of South Padre Island's quality and attractiveness:

- **Image:** More than half of respondents consider South Padre Island's image to be 'Excellent' (56 percent), with all other respondents (44 percent) identifying South Padre Island's image as 'Good'.
- **Destination Appeal:** More than three-quarters of respondents (78 percent) classified South Padre Island's destination appeal as 'Excellent', with all other respondents (22 percent) stating that the location's appeal is 'Good'.
- **Hotel Room Availability:** Equal proportions of respondents (44 percent) consider South Padre Island's hotel room availability to be 'Excellent' or 'Good', with the remaining 12 percent of respondents identifying the location's hotel room availability as being 'Fair'.
- **Quality of Hotel Inventory:** The predominant response was 'Good' (56 percent), followed by 'Excellent' (33 percent). The remaining 11 percent of respondents consider the quality of South Padre Island's hotel inventory to be 'Fair'.
- **Quality of Food and Beverage:** The predominant response was 'Good' (56 percent), followed by 'Excellent' (33 percent). The remaining 11 percent of respondents consider the quality of South Padre Island's food and beverage offerings to be 'Fair'.
- **Safety/ Security:** Equal proportions of respondents (44 percent) rate South Padre Island's as 'Excellent' or 'Good' in terms of safety and security. The remaining 11 percent of respondents stated that they were unsure about South Padre Island's safety and security.
- **Accessibility:** The predominant response was 'Good' (44 percent), followed by 'Excellent' (33 percent). A further 11 percent of respondents consider South Padre Island to be 'Fair' in terms of accessibility, with the same proportion of respondents stating that they were unsure.
- **Affordability:** More than half of respondents consider South Padre Island to be 'Excellent' (56 percent) in terms of affordability, with the next highest proportion of respondents (33 percent) stating that it is 'Fair'. All other respondents (44 percent) identified South Padre Island's affordability as 'Good'.
- **Air Travel/ Car Travel:** The predominant response was 'Good' (44 percent), followed by 'Excellent' (33 percent). A further 11 percent of respondents consider South Padre Island to be 'Fair' in terms of air and car travel, with the same proportion of respondents stating that they were unsure.

- **Entertainment/ Nightlife:** Equal proportions of respondents (44 percent) consider South Padre Island's entertainment and nightlife offering to be 'Excellent' or 'Good', with the remaining 12 percent of respondents identifying the location's entertainment and night life as being 'Fair'.
- **Appropriateness for Events you Manage:** Equal proportions of respondents (50 percent) consider South Padre Island's appropriateness for their events to be 'Excellent' or 'Good'.

Overall, South Padre Island rated very highly across all measures of quality and attractiveness. Perhaps the largest discrepancy in responses was observed with regard to affordability, with more than half of respondents rating South Padre Island as 'Excellent' but a further one-third of respondents classifying it as 'Fair' with respect to affordability.

SELECTION CRITERIA

Survey respondents were asked to rate the importance of various factors in selecting a destination and venue as 'Not Important', 'Somewhat Important', 'Important', 'Very Important', or 'Extremely Important'. Key observations relating to survey responses are summarized as follows:

- **Image:** The predominant response was 'Very Important' (44 percent), followed by 'Important' (33 percent). The remaining 23 percent of respondents classified image as being 'Extremely Important' in the selection of a destination for their event, indicating that more than two-thirds of respondents consider image to be 'Very Important' or higher.
- **Destination Appeal:** The predominant response was 'Extremely Important' (44 percent), followed by Very important (33 percent). The remaining 23 percent of respondents consider destination appeal to be 'Somewhat Important' when selecting a destination.
- **Hotel Room Availability:** More than half of respondents (56 percent) stated that hotel room availability is 'Extremely Important' when selecting a destination, with equal proportions of respondents (22 percent) identifying hotel room availability as being 'Very important' or 'Important'.
- **Quality of Hotel Inventory:** The predominant response was 'Very Important' (44 percent), followed by 'Extremely Important' (33 percent). A further 11 percent identified the quality of the hotel inventory as being 'Important', with the same proportion of respondents stating that it is 'Not Important'.
- **Quality of Food and Beverage:** The predominant response was 'Extremely Important' (44 percent), followed by 'Very Important' (33 percent). A further 11 percent identified the quality of the food and beverage offerings as being 'Important', with the same proportion of respondents stating that it is 'Not Important'.
- **Safety/ Security:** Approximately two-thirds of respondents (67 percent) stated that safety and security is 'Extremely Important' when selecting a destination. A further 22 percent of respondents consider

safety and security to be 'Very Important', with the remaining 12 percent considering it to be 'Important'.

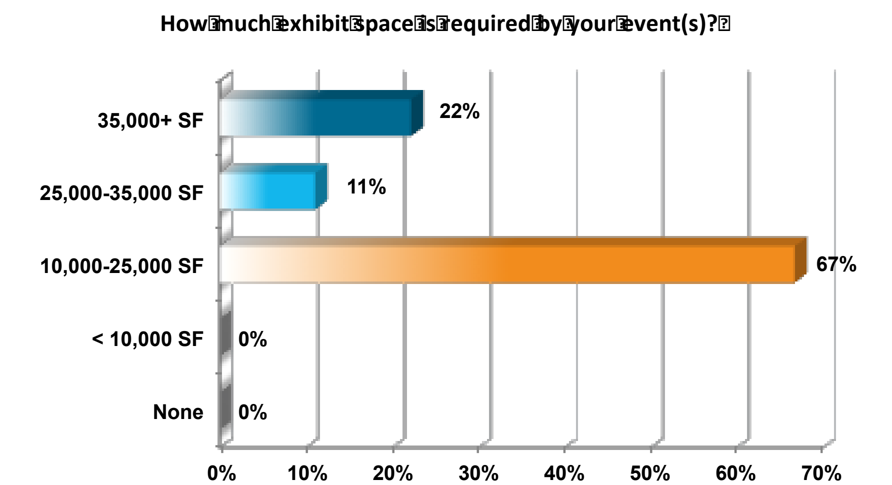
- **Accessibility:** More than half of respondents (56 percent) classify accessibility as being 'Extremely Important', with a further 33 percent classifying it as 'Very Important', indicating that 89 percent of respondents consider accessibility to be 'Very Important' or higher when selecting a destination. The remaining 11 percent of respondents consider accessibility to be 'Important'.
- **Affordability:** Approximately two-thirds of respondents (67 percent) stated that affordability is 'Extremely Important' when selecting a destination. The remaining 33 percent of respondents consider affordability to be 'Very Important'.
- **Air Travel/ Car Travel:** More than half of respondents (56 percent) classify air and car travel as being 'Extremely Important'. A further 33 percent classify it as 'Very Important', with the remaining 11 percent of respondents stating that air and car travel is 'Somewhat Important' when selecting a destination.
- **Entertainment/ Nightlife:** The predominant response was 'Very Important' (44 percent), followed by equal proportions of respondents (22 percent) who consider entertainment and nightlife to be 'Extremely Important' and 'Important'. The remaining 11 percent of respondents stated that entertainment and nightlife offerings are 'Not Important' when selecting a destination.
- **Technology at Facility:** The predominant response was 'Extremely Important' (37 percent), followed by 'Very Important' (25 percent). Equal proportions of respondents (13 percent) consider technology to be 'Important', 'Somewhat Important', or 'Not Important'.

In summary, the factors considered by survey respondents to be most important in selecting a destination are safety and security and affordability, followed by availability of hotel rooms, accessibility, and air and car travel. In the preceding analysis, it was revealed that survey respondents perceive South Padre Island to fair highly with respect to all quality and attractiveness indicators, although it was noted that respondents had mixed opinions and perceptions of South Padre Island's affordability.

FACILITY AND HOTEL REQUIREMENTS

The following figure provides a breakdown of the exhibit space requirements of the events hosted by survey respondents.

Figure 6 - 2

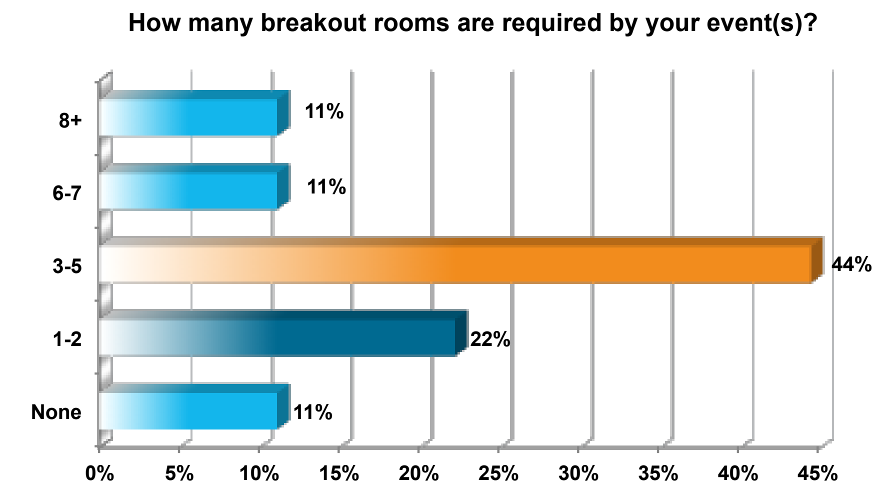


Source: Johnson Consulting

As shown, approximately two-thirds of respondents' (67 percent) events require between 10,000 and 25,000 square feet of exhibit space. This matches the current exhibit space offerings at SPICC (22,500 square feet). The remaining 33 percent of respondents all stated that their events typically require a larger exhibit space, with 11 percent of respondents indicating that their events require between 25,000 and 35,000 square feet, and 22 percent indicating that their events require in excess of 35,000 square feet. This suggests that an expansion to SPICC's Exhibit Hall could better accommodate these events.

The following figure provides a breakdown of the breakout and meeting room requirements of the events hosted by survey respondents.

Figure 6 - 3

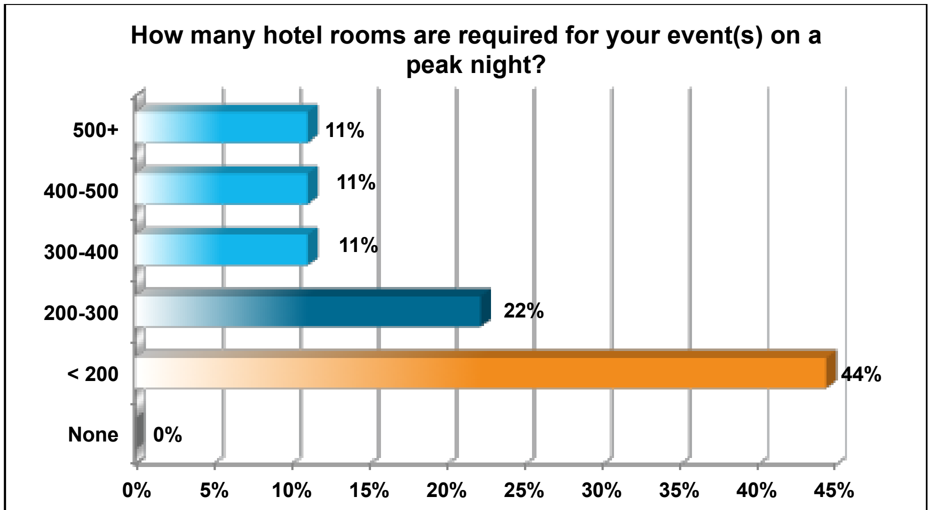


Source: Johnson Consulting

As shown, 44 percent of respondents require between 3 and 5 breakout rooms to accommodate their events. A further 22 percent of respondents require between 1 and 2 rooms, while equal proportions require 6 to 7 rooms and 8 or more rooms. SPICC currently offers 7 meeting rooms, indicating that it meets the needs of 89 percent of survey respondents. It is, however, noted that it is our experience that meeting space is often undersized and venues that have it always use it.

Respondents were asked to indicate the required hotel room block for their events. The following figure provides a breakdown of the typical hotel room requirements of the events hosted by survey respondents, on a peak night.

Figure 6 - 4



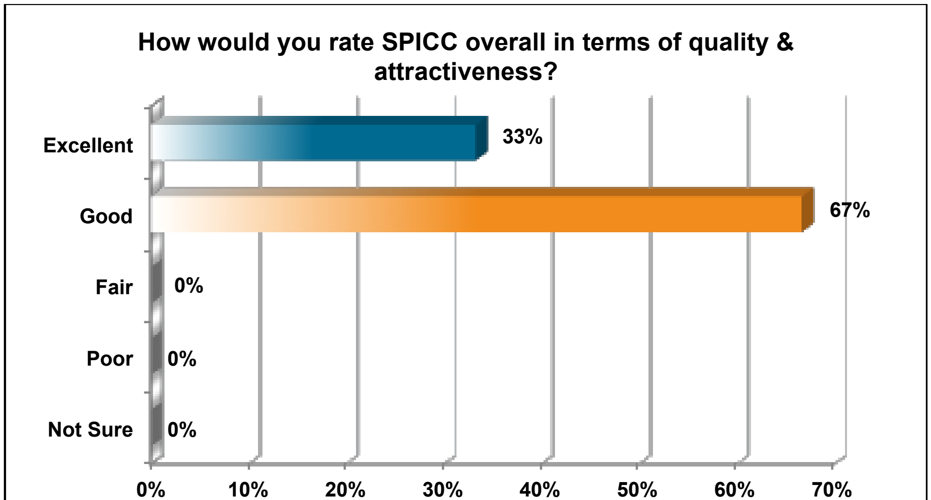
Source: Johnson Consulting

As shown, 44 percent of respondents require a room block of less than 200 rooms. A further 22 percent of respondents require between 200 and 300 rooms, with equal proportions of respondents (11 percent) requiring between 300 and 400 rooms, 400 to 500 rooms, and in excess of 500 rooms.

SPICC QUALITY AND ATTRACTIVENESS

The following figure provides a breakdown of the ratings assigned to SPICC, by survey respondents, when asked to rate the facility in terms of quality and attractiveness, from an event planner's perspective.

Figure 6 - 5



Source: Johnson Consulting

As shown, all survey respondents rate SPICC as 'Good' or better in terms of attractiveness from an event planner's perspective. More than two-thirds of respondents (67 percent) rate South Padre Island as 'Good'.

The following observations were made with regard to specific elements of SPICC's quality and attractiveness:

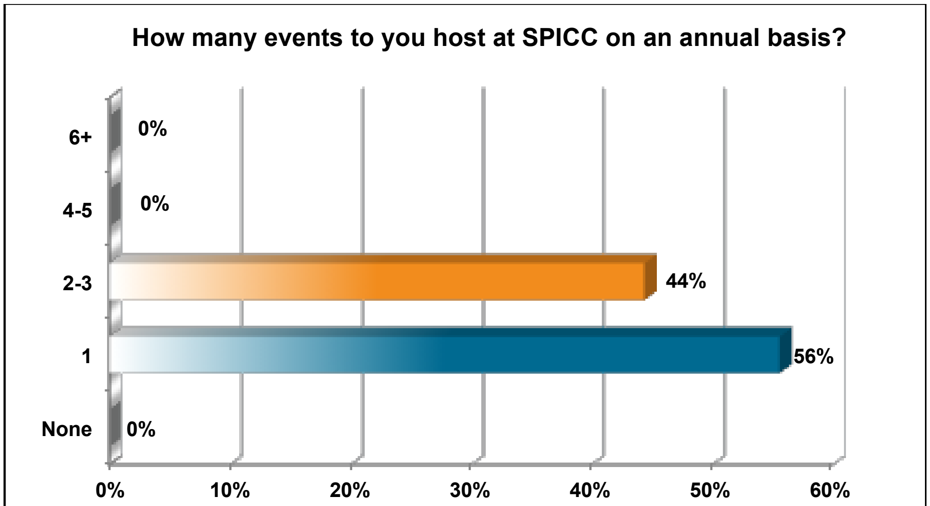
- **Overall Quality:** Equal proportions of respondents (50 percent) consider SPICC's overall quality to be 'Excellent' or 'Good'.
- **Size of Exhibit Hall:** The vast majority of respondents (89 percent) consider the size of SPICC's Exhibit Hall to be 'Good', with the remaining 11 percent stating that it is 'Excellent'.
- **Ratio of Exhibit to Meeting Space:** Close to two-thirds of respondents (63 percent) consider SPICC's ratio of exhibit to meeting space to be 'Good', with the remaining 37 percent stating that it is 'Excellent'.
- **Flexibility of Space:** More than half of respondents (56 percent) consider SPICC's flexibility of space to be 'Good', with a further 33 percent stating that it is 'Excellent'. The remaining 11 percent of respondents identified the flexibility of space as being 'Fair'.
- **Ease of Load In/ Load Out:** More than half of respondents (56 percent) consider the ease of load in and load out at SPICC to be 'Good', with a further 33 percent stating that it is 'Excellent'. The remaining 11 percent of respondents identified the ease of load in and load out as being 'Fair'.
- **Technology:** Approximately two-thirds of respondents (67 percent) consider technology at SPICC to be 'Good', with the next highest proportion of respondents (22 percent) stating that it is 'Fair' and the remaining 11 percent identifying it as 'Excellent'.
- **Affordability:** Approximately two-thirds of respondents (67 percent) consider SPICC's affordability to be 'Excellent', with the remaining 33 percent of respondents stating that it is 'Good', indicating that all respondents rate SPICC as 'Good' or higher in terms of affordability.
- **Date Availability:** Approximately two-thirds of respondents (67 percent) consider SPICC's date availability to be 'Excellent', with a further 22 percent of respondents stating that it is 'Good', and the remaining 11 percent identifying it as 'Fair'.
- **Hotel Availability:** Approximately two-thirds of respondents (67 percent) consider hotel availability in proximity to SPICC to be 'Good', with the remaining 11 percent identifying it as 'Excellent'.
- **Availability of Parking Space:** One-third of respondents (33 percent) stated that the availability of parking at SPICC is 'Good', with equal proportions (22 percent) identifying it as 'Excellent', 'Fair' or 'Poor'.

Overall, SPICC rated highly across all measures of quality and attractiveness with the exception of the availability of parking, which returned varied results, ranging from 'Poor' to 'Excellent'.

SPICC UTILIZATION

The following figure shows the number of events hosted by survey respondents at SPICC, on an annual basis.

Figure 6 - 6



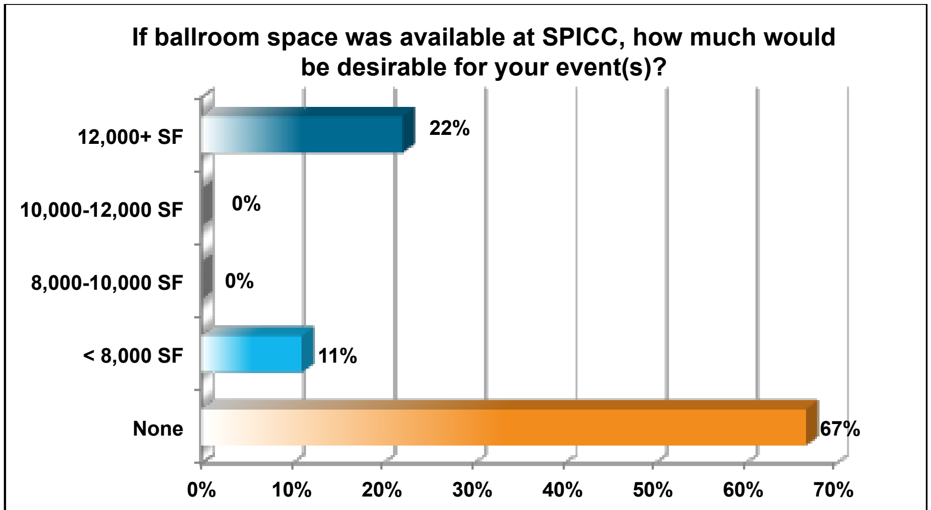
Source: Johnson Consulting

As shown, the majority of respondents (56 percent) host 1 event at SPICC on an annual basis, with the remaining 44 percent of respondents hosting between 2 and 3 events.

ATTRACTIVENESS OF PROPOSED EXPANSION

Survey recipients were asked how much ballroom space would be desirable for their events if a ballroom were to be included in an expansion to SPICC. The following figure provides a breakdown of survey responses.

Figure 6 - 7

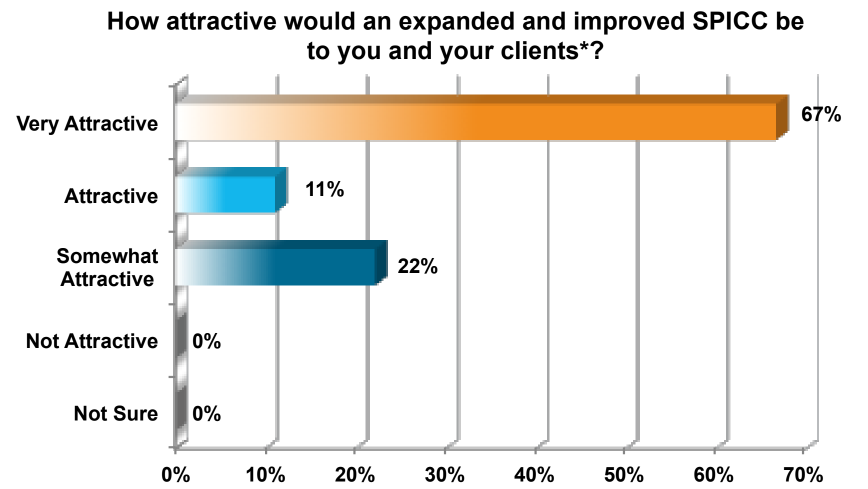


Source: Johnson Consulting

As shown, approximately two-thirds of respondents do not require ballroom space for their events, reflecting in part that all survey respondents are current, and repeat, users of SPICC. Their repeat business suggests that the facility generally suits their needs. A further 22 percent of respondents would have the desire for 12,000 or more square feet of ballroom space, with the remaining 11 percent desiring less than 8,000 square feet, which could likely be accommodated in meeting and breakout space.

The following figure provides a breakdown of responses when survey recipients were asked how attractive an expanded SPICC, including 40,500 square feet of exhibit space, a 10,000 square foot ballroom, and 11,692 square feet of meeting and breakout space, would be to them and their clients.

Figure 6 - 8

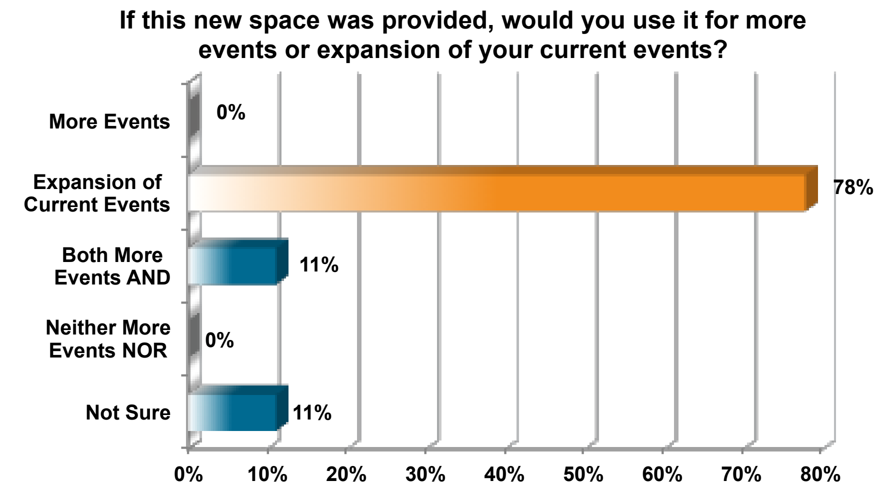


** 40,500 SF exhibit space, 10,000 SF ballroom, 11,692 SF meeting and breakout space*
Source: Johnson Consulting

As shown, approximately two-thirds of respondents (67 percent) stated an expanded SPICC, as proposed, would be 'Very Attractive'. The next highest concentration of respondents (22 percent) stated that it would be 'Somewhat Attractive', with the remaining 11 percent stating that it would be 'Attractive'. This indicates that all respondents are in favor of the proposed expansion.

The following figure provides a breakdown of responses when recipients were asked whether they would use the new space, if provided, for more events or an expansion of their current events.

Figure 6 - 9



Source: Johnson Consulting

As shown, more than three-quarters of respondents (78 percent) stated that they would expand their current events if the new space, as described above, was offered at SPICC. A further 11 percent of respondents stated that they would expand their current events and add new events at SPICC. The remaining 11 percent of respondents were unsure what impact an expansion to SPICC would have on their events.

Survey respondents were asked to rate the importance of various design and operational improvements in encouraging their continued business at SPICC. Key observations relating to survey responses are summarized as follows:

- **More Exhibit Space:** The predominant response was 'Extremely Important' (44 percent), followed by 'Very Important' (33 percent). The remaining 23 percent of respondents identified the need for more exhibit space as being 'Not Important' to encouraging their repeat business.
- **More Meeting Space:** The predominant response was 'Not Important' (33 percent), with equal proportions of respondents (22 percent) identifying the need for more meeting space as 'Extremely Important', 'Very Important' or 'Important'. This indicates that two-thirds of respondents consider additional meeting space to be necessary to encourage their repeat business.
- **Ballroom Space:** More than half of respondents (56 percent) stated that ballroom space is 'Not Important', with the next highest concentration of respondents (22 percent) stating that it is 'Important'. A further 11 percent of respondents identified ballroom space as being 'Extremely Important' in encouraging their repeat business, with the same proportion being unsure.

- **Flexibility of Space:** The predominant response was 'Extremely Important' (44 percent). Equal proportions of respondents stated that flexibility of space is 'Important' or 'Not Important', with the remaining 11 percent stating that it is 'Very Important' in terms of encouraging their repeat business.
- **Ease of Load In/ Load Out:** The predominant response was 'Extremely Important' (44 percent). Equal proportions of respondents stated that flexibility of space is 'Very Important' or 'Important', with the remaining 11 percent stating that it is 'Not Important' in terms of encouraging their repeat business.
- **Utility Connections:** The predominant response was 'Extremely Important' (44 percent). Equal proportions of respondents stated that utility connections are 'Very Important' or 'Not Important', with the remaining 11 percent stating that it they are 'Important' in terms of encouraging their repeat business.
- **Technology:** The predominant response was 'Extremely Important' (44 percent), followed by 'Not Important' (33 percent). Equal proportions of respondents (11 percent) stated that technology is 'Very Important' or 'Important' in encouraging their repeat business.
- **More Date Availability:** Equal proportions of respondents (33 percent) stated that more date availability was 'Extremely Important', 'Very Important' or 'Not Important' in encouraging their repeat business.
- **More Hotel Rooms:** Approximately two-thirds of respondents (67 percent) stated that additional hotel rooms are 'Very Important' in attracting their repeat business, with the remaining 33 percent of respondents stating that it is 'Not Important'.
- **Headquarters Hotel:** Equal proportions of respondents (33 percent) stated that a headquarters hotel is 'Very Important' or 'Not Important' in encouraging their repeat business. The next highest concentration of respondents (22 percent) stated that a headquarters hotel is 'Important', with the remaining 11 percent stating that it is 'Extremely Important'.
- **More Parking Spaces:** The predominant response was 'Extremely Important' (44 percent), followed by equal proportions of respondents (22 percent) who consider more parking spaces to be 'Very Important' or 'Important'. The remaining 11 percent of respondents stated that more parking spaces are 'Not Important' in encouraging their repeat business.

In summary, the factors considered by survey respondents to be most important in an expanded and improved SPICC are affordability, followed by more exhibit space, more parking spaces, ease of load in and load out, and utility connections, along with technology and flexibility of space.

ADDITIONAL COMMENTS

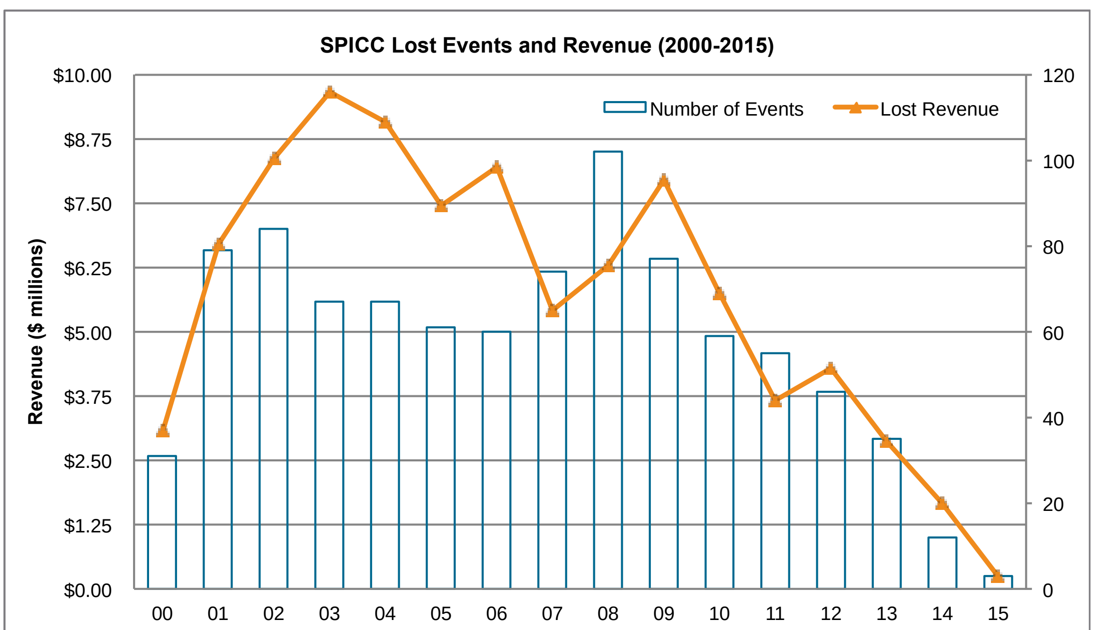
At the conclusion of the survey, respondents were invited to offer any additional feedback deemed appropriated (note: this was an open ended question). Key issues raised by respondents is provided are summarized:

- SPICC staff are extremely professional, accommodating and helpful.
- Shortage of parking spaces is a major issue, with the problem exacerbated by parking space being used for storage.
- Technology enhancements are required (Wi-Fi, PA system, etc.)
- Load in/ load out is sometimes difficult because space is used for storage.
- Flying into South Padre Island can be challenging, but exhibitors and attendees find the destination to be highly desirable.

LOST BUSINESS ANALYSIS

Between 2000 and 2012, SPICC reported a total of 860 events that were lost from the facility, representing an average of 66 lost events per annum. The revenue potential of these events totaled in excess of $85.5 million, and averaged $6.6 million per annum. The following figure shows annual lost business, and associated revenue, between 2000 and 2012, as well as preliminary figures through 2015.

Figure 6 - 10



Source: SPICC, Johnson Consulting

Business lost from SPICC peaked at 102 events in 2008, driven primarily by the global recession, before trending downwards steadily. In 2012, SPICC reported 46 lost events, representing an improvement over 2011 when 55 events were lost from the facility, and a substantial decrease (-55 percent) from the 2008 peak.

Lost revenue associated with lost events has generally trended downwards since a peak of $9.6 million in 2003, with the exception of 2008 and 2009 when lost revenues trended upwards, primarily in response to a spike in lost events. In 2012 total revenue associated with lost business was estimated at $4.3 million, representing a slight increase over 2011 ($3.6 million in total revenue) but a substantial improvement since the 2003 and 2009 peaks.

The following table summarizes the reported reasons for business lost from SPICC between 2000 and 2013.

Table 6 - 1

SPICC Lost Business (2000-2013)

Reason	Number of Events
Hotels*	157
Event Cancelled	122
Board/Committee Decision	120
Chose Another Destination	107
Lack of Interest	65
Economy/Budget	61
Insufficient Meeting Space	56
Transportation	52
Weather	40
Did Not Identify Reason	29
Date Change	22
Planning Logistics	18
Bridge Collapse	16
Overall Cost	14
Unavailable Dates	14
National Events	11
Attraction	4
Construction	2
Laws/Regulations	2

*Common concerns with hotels were hotel rates, sizes, and quality.

Source: SPICC, Johnson Consulting

As shown, the most common reason event organizers cited related to hotels. Specifically, the majority found hotels rates to be too high, with other common reasons including that hotels were too small to accommodate large room blocks and a lack of luxury or full service hotels. Aside from common event planning decisions and organizations' budget constraints, insufficient meeting space ranked highly as a reason that event organizers opted to choose another destination. This suggests a high level of latent demand, which refers to business that cannot be accommodated because of a lack of suitable facilities (either in terms of size, configuration and/ or quality).

Some event organizers shared the location that they ultimately selected, where greater meeting space was offered. Of the other locations selected, Galveston, Texas was the most popular. Other destinations were concentrated in Texas, and included San Antonio, Corpus Christi, McAllen, and Austin, all of which have facilities that SPICC competes with. The following table shows the top 15 destinations that are selected over South Padre Island.

Table 6 -2

Top 15 Selected Alternative Destinations (2000-2013)

Destination	Number of Events
San Antonio, TX	48
Corpus Christi, TX	38
McAllen, TX	27
Austin, TX	25
Galveston, TX	25
Dallas, TX	17
Brownsville, TX	8
El Paso, TX	5
Florida	5
Forth Worth, TX	5
Houston, TX	5
Kerrville, TX	5
New Orleans, LA	4
Orlando, FL	4
Palm Springs, CA	4

Source: SPICC, Johnson Consulting

SUMMARY

The general consensus among survey respondents is that improvements to, and an expansion of, the SPICC are warranted, if designed appropriately. South Padre Island, and the SPICC itself, generally rank very highly in terms of attractiveness from an event planner's perspective. Additional space at the SPICC would encourage the expansion of current events and the addition of new events. One of the major issues with existing facilities relates to a lack of available parking.

Tuned away business from SPICC includes a considerable amount of latent demand. There are currently a number of quality offerings in Texas and, in order to compete effectively, South Padre Island needs to offer a solid package of quality hotel and meeting/ convention options. If quality and quantity at SPICC were improved, this latent demand would likely be attracted to South Padre Island.

SECTION VII

FACILITY PROGRAM RECOMMENDATIONS

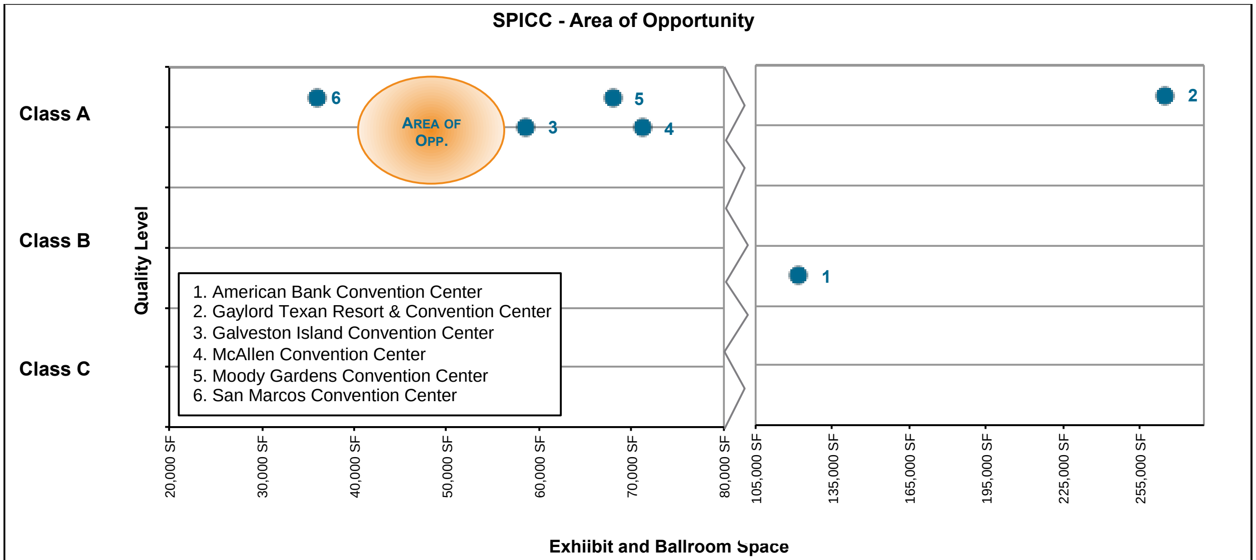
FACILITY PROGRAM RECOMMENDATIONS

Johnson Consulting has developed broad recommendations relating to potential improvements to, and an expansion of, the South Padre Island Convention Centre (SPICC), based upon the research and analyses presented in prior sections of this report, along with prior recommendations presented in Johnson Consulting's 2005 report. Our recommendations provide an independent review of the preliminary program recommendations prepared by Broaddus and Associates.

AREA OF OPPORTUNITY

The following figure presents the assessed area of opportunity for an expanded SPICC, based upon the quality and size of existing facilities throughout the region and including both the exhibit and ballroom space offerings.

Figure 7 - 1



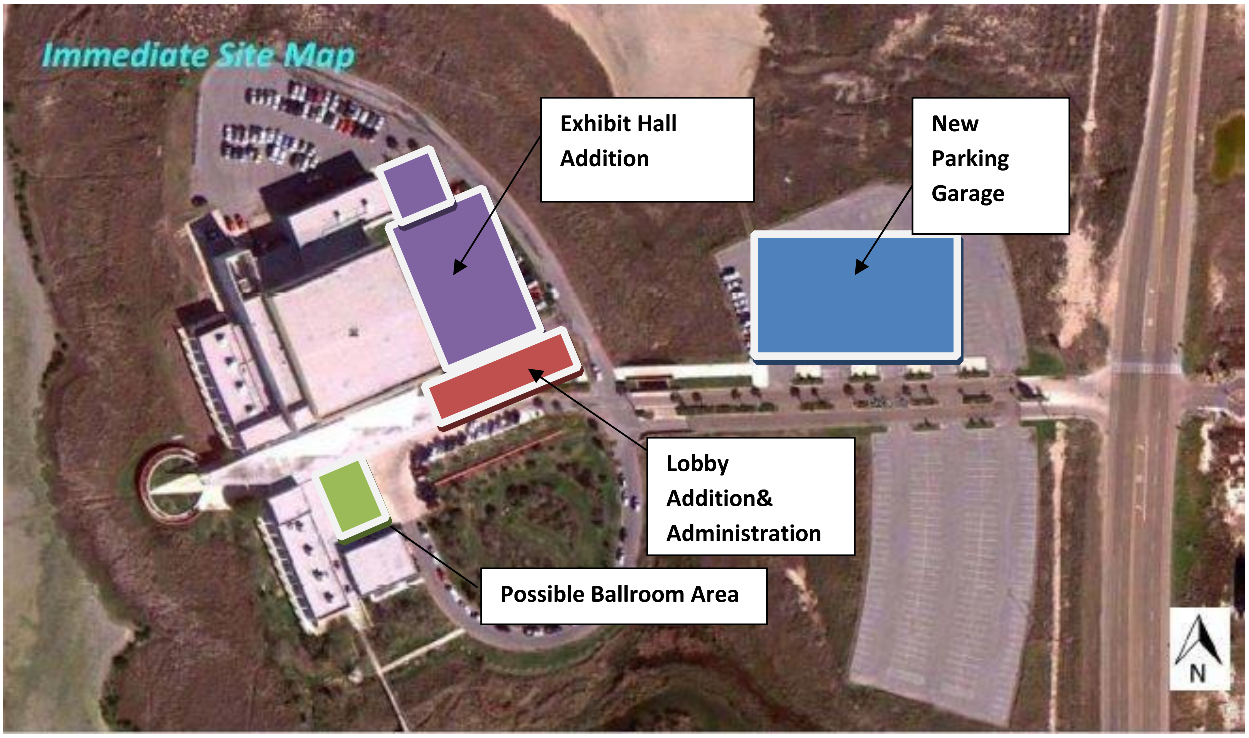
Source: Johnson Consulting

As shown, the we have identified an opportunity for an expanded SPICC in the Class A category, and offering in the range of 50,000 to 55,000 square feet of combined exhibit and ballroom space. A facility of this size will be better positioned to compete effectively in the regional marketplace, by bringing its space offerings in closer alignment with many of its main competitors including the McAllen Convention Center and the two facilities in Galveston.

FACILITY RECOMMENDATIONS

As previously discussed, the existing SPICC comprises 22,500 square feet of exhibit space and 11,692 square feet of meeting space. The following figure provides the preliminary facility plan for an improved and expanded SPICC, as prepared by Broaddus and Associates (as at February 2013).

Figure 7 - 2



The proposed building program includes the following program elements:

- **Exhibit Hall:** 40,500 square feet of flexible space, representing an 18,000 SF addition to the existing Exhibit Hall.
- **Ballroom:** A new 10,000 square foot ballroom.
- **Meeting Rooms:** 11,692 square feet of meeting and breakout space, representing no additional space over and above existing meeting and breakout space at the SPICC.
- **Support Space:** An additional 3,000 square feet of administration space, 6,000 square feet of lobby circulation/ pre-function space, and 2,000 square feet of restroom and support services space.
- **New Parking Garage.**
- **Proposed Hotel:** There are also many locations for a hotel on site, one of which is connected to the SPICC on its north edge.

COMPARISON OF EXHIBIT TO MEETING SPACE RATIOS

The following table provides a breakdown of the ratio of exhibit hall to meeting and ballroom space at SPICC compared to the comparable facilities profiled in Section 5 of this report.

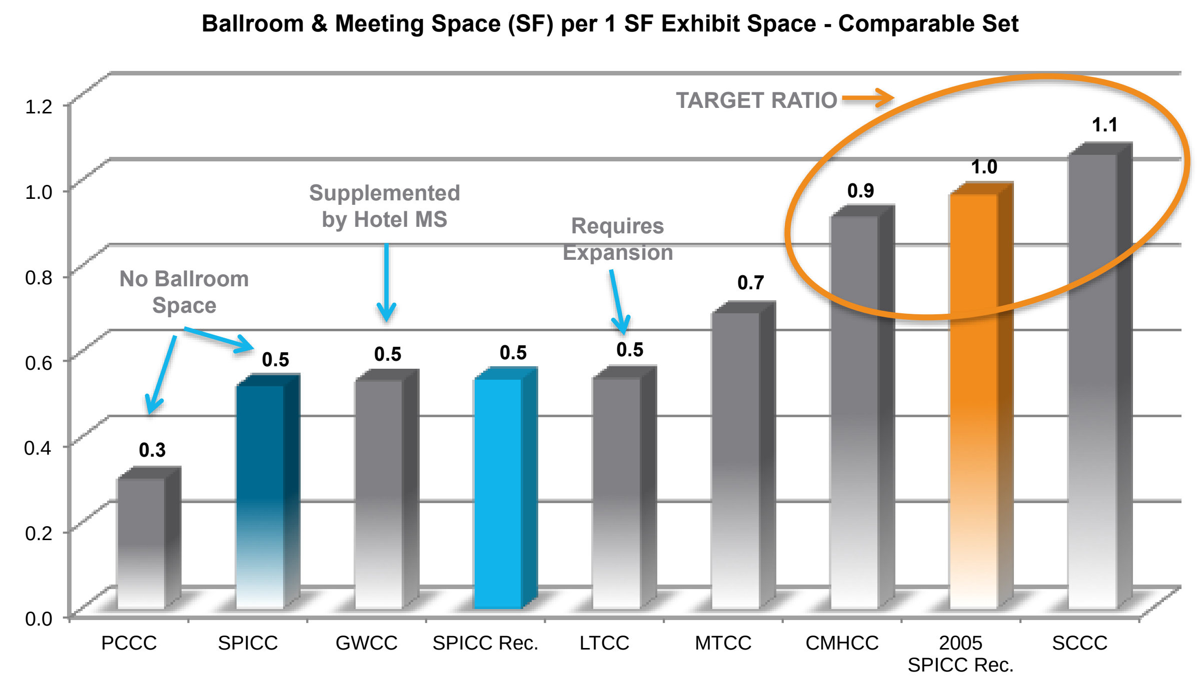
Table 7 - 1

Ratio of Exhibit Space to Ballroom & Meeting Space - Comparable Set			
	Exhibit Space (SF)	Ballroom & Meeting Space (SF)	Ballroom & Meeting Space (SF) per 1 SF Exhibit Space
South Padre Island Convention Centre			
Existing	22,500	11,692	0.5
2005 CHJC Recommendation	30,000	29,000	1.0
Current Recommendation	40,500	21,692	0.5
Monona Terrace Community & Convention Center	37,200	25,630	0.7
Pueblo Colrado Convention Center	16,200	4,900	0.3
Lake Terrace Convention Center	14,755	7,936	0.5
Grand Wayne Convention Center	48,480	25,793	0.5
Coralville Marriott Hotel and Conference Center	29,596	27,078	0.9
St. Charles Convention Center	27,600	29,249	1.1

Source: Relevant Facilities, Demographics Now, Johnson Consulting

As shown, the proposed expansion program maintains the same ratio of exhibit to ballroom and meeting space (0.5 square feet of ballroom space to every 1 square foot of exhibit space) as currently exists at the SPICC. However, the proposed expansion program includes absolute increases in the amount of exhibit and ballroom space. The following figure further demonstrates the how the proposed expansion fits among the comparable set of peer facilities.

Figure 7 - 3



Source: Relevant Facilities, Johnson Consulting

CONCLUSION

Based upon our assessment of the market opportunity for an expanded SPICC, as well as our analysis of competitive and comparable facilities, we agree with the amount of exhibit and ballroom space that is being proposed. It is, however, our opinion that the masterplan should include more meeting and breakout space (13,000-17,000 square feet) to support the expanded Exhibit Hall. It is our experience that meeting and ballroom space is often undersized and venues that have it always use it. Because this space is more always more expensive, it is often the first element to be reduced or eliminated from master plans.

From a strategy standpoint, it is our belief that a headquarters hotel could be built that offers additional meeting space. Targeting a +/- 250-room property is suggested, with 13,000-17,000 square feet of meeting and ballroom space. However, taking into account budget considerations, and the likely time lag associated with the development of a headquarters hotel, we recommend that the lobby of the SPICC be reconfigured to make it wide enough to accommodate functions with food service. We also suggest consideration of carpeting all or part of the Exhibit Hall and using soft goods to make at least one section appear as a ballroom. Examples of this strategy were discussed in Section 5 of this report.

SECTION VIII

DEMAND AND OPERATING PROJECTIONS

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DEMAND AND OPERATING PROJECTIONS

Johnson Consulting has developed demand and operating projections for an expanded South Padre Island Convention Centre (SPICC), pursuant to the proposed facility program described in the preceding Section of this report.

PROJECTED EVENTS

An expanded SPICC will be designed to be sufficiently flexible to accommodate the needs of numerous diverse entities. The following table shows current demand for 2012 and summarizes the projected event schedule, by event type, for an expanded SPICC over a 10-year period from 2015, which is assumed to be the first full year of operation of the expanded facility. It is noted that we have reclassified the Special Events currently held at the SPICC into Specialty Shows, Seminars, Entertainment Events and 'Other'. All other event categories remain unchanged.

Table 8 - 1

Current & Projected Events at Expanded SPICC

Event Type	2012 (Actual)*	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Exhibit Events											
Conventions/ Trade Shows	25	27	28	29	30	31	31	31	31	31	31
Consumer Shows/ Specialty Shows	3	4	5	6	7	8	8	8	8	8	8
Sub-total Exhibit Events	28	31	33	35	37	39	39	39	39	39	39
Cultural and Social Events											
Meetings	6	8	9	10	11	12	12	12	12	12	12
Banquets/ Seminars	5	18	24	30	36	42	42	42	42	42	42
Entertainment/ Sports Events	15	18	19	20	21	22	22	22	22	22	22
Other	12	10	11	12	13	14	14	14	14	14	14
Sub-total Cultural and Social Events	38	54	63	72	81	90	90	90	90	90	90
Total	**66**	**85**	**96**	**107**	**118**	**129**	**129**	**129**	**129**	**129**	**129**

** SPICC's Special Events dispersed across Specialty Shows, Seminars, Entertainment, and Other event categories.*
Source: Johnson Consulting

The expanded SPICC is projected to host 85 events in 2015 (Year 1), of which 31 events are projected to be Exhibit Events and 54 events are projected to be Cultural and Social Events. The most substantial increase over current demand, by event type, is projected in the Banquets and Seminars category, reflecting the addition of the Ballroom space. We also expect increases in the number of Convention and Trade Shows, and Entertainment and Sporting events, reflecting the expansion of the Exhibit Hall. The projected demand calendar is summarized as follows:

- **Conventions and Tradeshows:** Generally held by associations, professional groups, and other membership organizations. SPICC is South Padre Island's only facility capable of accommodating large conventions or tradeshows. A larger, higher quality facility will enhance SPICC's ability to compete for such events. In 2015, the expanded SPICC is projected to host 27 conventions and tradeshows. In 2019 (Year 5), conventions and tradeshows are projected to stabilize at 30 events.

- **Consumer and Specialty Shows:** Generally larger events than tradeshows, in terms of average attendance. South Padre Island is somewhat limited in its ability to host consumer shows given its small year-round population. Consumer and specialty shows are projected to account for 4 events at the expanded venue 2015, and stabilize at 8 events in 2019.

- **Meetings:** Generally require less space and attract fewer attendees than events in exhibition halls. It is projected that the venue will host 8 in 2015, increasing to 12 meetings in 2019. We have projected a modest increase in the number of meetings reflecting the fact that no additional meeting space, other than the Ballroom, is included in the expansion masterplan.

- **Banquets and Seminars:** Banquets are generally smaller events that differ from meetings because they may feature catered meals and relate primarily to gatherings such as luncheons and award dinners. Seminars include corporate meetings and events that require high quality facilities, along with catering. With a higher quality, and larger, program of spaces at SPICC, the facility will be able to attract larger banquets and seminars. It is projected that the venue will host 18 banquets and seminars in 2015, increasing to 42 banquets and seminars in 2019.

- **Sports and Entertainment Events:** Sports and entertainment events, including touring concerts, family, cultural festivals, and other similar events, are projected to total 18 events in 2015, and stabilize at 22 events in 2019.

- **'Other' Events:** These are events that are not considered to be part of the categories discussed above and may include, for example, community events such as graduations, school functions, and other public events that are not consumer shows. It is projected that the venue will host 10 'other' events in 2015, increasing to 14 'other' events in 2019. The projected decrease in 'other' events from current levels reflects the reclassification of events, as described above.

PROJECTED ATTENDANCE

The following table shows estimated current and projected attendance at the expanded SPICC from 2015 through 2024. It is noted that our estimated figures for 2012 are based upon the total number of events and estimated annual attendance figures for the venue.

Table 8 - 2

Current & Projected Attendance at Expanded SPICC											
Event Type	**2012 (Estimated)***	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Exhibit Events											
Conventions/ Trade Shows	31,800	42,600	43,200	45,000	47,800	50,700	51,800	52,800	53,900	55,000	56,000
Consumer Shows/ Specialty Shows	6,600	9,600	11,800	17,000	17,300	19,900	20,300	20,800	21,200	21,600	22,100
Sub-total Exhibit Events	38,400	52,200	55,000	62,000	65,100	70,600	72,100	73,600	75,100	76,600	78,100
Cultural and Social Events											
Meetings	1,800	2,400	2,700	3,000	3,400	3,800	4,000	4,100	4,200	4,300	4,400
Banquets/ Seminars	1,600	7,200	9,600	12,000	14,800	17,600	18,100	18,500	18,900	19,300	19,700
Entertainment/ Sports Events	20,500	28,400	30,200	32,000	34,600	37,200	38,000	38,800	39,600	40,400	41,200
Other	3,600	2,000	2,200	2,400	2,600	2,800	2,800	2,800	2,800	2,800	2,800
Sub-total Cultural and Social Events	27,500	40,000	44,700	49,400	55,400	61,400	62,900	64,200	65,500	66,800	68,100
Total	**65,900**	**92,200**	**99,700**	**111,400**	**120,500**	**132,000**	**135,000**	**137,800**	**140,600**	**143,400**	**146,200**

** SPICC's Special Events dispersed across Specialty Shows, Seminars, Entertainment, and Other event categories.*

Source: Johnson Consulting

Total attendance is projected to be 92,200 persons in 2015, increasing to 132,000 persons in 2019. Attendance is projected to increase with increases in the number of events, as shown in the previous table, but average attendance at individual events is also projected to increase year-on-year. As such, when the event schedule remains steady, as is assumed beyond year 2019 (Year 5), total attendance is still projected to increase slightly. Our figures do not include people days, or attendees that come to the venue on multiple days for one event, which may be included in visitor counts at other venues.

Projected attendance by event type is summarized as follows:

- **Conventions and Tradeshows:** In 2015, attendance at the venue's conventions and tradeshows is projected to total 42,600 people, representing an average approximately 1,580 persons per event. This is consistent with the type and size of convention and tradeshow events that the facility is expected to accommodate. Exhibitors will be in the market for several days, while buyers may come for a day or two, unless there is an educational curriculum associated with the event. The schedule of events is projected to stabilize in 2019, with average attendance projected to be approximately 1,640 persons per event.

- **Consumer and Specialty Shows:** Average attendance at consumer shows is projected to be 2,400 persons per event in 2015, increasing to 2,490 persons per event in 2019. This equates to a total attendance of 9,600 persons in 2015, increasing to 19,900 persons in 2019.

- **Meetings:** In 2015 average attendance at meetings held at the expanded SPICC is estimated at 300 persons per event, totaling 2,400 attendees. The demand schedule for meetings is projected to stabilize in 2019, with attendance averaging 320 persons per event and totaling 3,800 persons across all meetings. This is consistent with meeting attendance observed at comparable venues.

- **Banquets and Seminars:** In 2015, the 18 banquets and seminars projected at the expanded SPICC are expected to attract a total of 7,200 attendees, representing an average attendance of 400 people per event. Attendance at banquets and seminars in projected to increase to 17,600 people in 2019, representing an average of 420 persons per event.

- **Sports and Entertainment Events:** The 18 sports and entertainment events projected in 2015 are expected to attract a total of 28,400 attendees, representing an average of 1,580 spectators per event. The demand schedule for sports and entertainment events is projected to stabilize at 22 events in 2019, with attendance averaging 1,690 persons per event.

- **'Other' Events:** In 2015, 'other' events at the convention center are projected to attract 2,000 attendees, representing an average attendance of approximately 200 people per event. Total attendance at 'other' events is projected to increase to 2,800 persons in 2019.

DEMAND SUMMARY

In summary, the expanded SPICC is projected to host 85 events in 2015 (Year 1), attracting a total of 92,200 attendees. The event schedule is projected to stabilize at 129 events in 2019 (Year 5), with a total attendance of 132,000 people. These demand projections are in line with comparable facilities.

OPERATING PROJECTION

The following table presents a summary of the projected operating statement for the first 10 full years of operation of the expanded SPICC, based upon the demand projections as described above. Revenues include all revenues that can be used for operations. SPICC's revenues and expenses are included in the City of South Padre Island's Convention Center Fund and the Hotel/Motel Tax Fund. We have utilized the same line items and categories included in the two Funds' current budgets for our projections. All revenues and expenses are inflated at a 2.5 percent annual rate.

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Table 8 - 3

Expanded SPICC - Pro Forma Operating Statement of Revenue and Expenses (Inflated Dollars)											
	2012 (Actual)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Convention Center Fund Revenue											
Rental Fees	$174,075	$372,700	$393,320	$434,280	$488,349	$533,456	$546,777	$557,654	$568,828	$580,167	$591,727
Net Food and Beverage	16,360	206,550	222,220	244,848	271,586	301,473	315,646	330,339	345,569	361,366	377,737
Equipment Rental	1,949	74,540	80,631	91,253	105,180	117,767	123,726	129,341	135,232	141,375	147,797
Event Services	645	1,491	1,613	1,825	2,104	2,355	2,475	2,587	2,705	2,828	2,956
Advertising Revenue	-	6,750	6,919	7,092	7,269	7,451	7,637	7,828	8,024	8,224	8,430
Other Revenue	-	50,000	50,000	51,250	52,531	53,845	55,191	56,570	57,985	59,434	60,920
Sub-Total Operating Revenue	$193,028	$712,031	$754,702	$830,548	$927,019	$1,016,346	$1,051,451	$1,084,319	$1,118,341	$1,153,394	$1,189,567
Hotel/Motel Fund Revenue											
Ticket Sales	$9,448	$9,684	$9,926	$10,174	$10,429	$10,690	$10,957	$11,231	$11,511	$11,799	$12,094
Event Fees	24,853	$25,474	$26,111	$26,764	$27,433	$28,119	$28,822	$29,542	$30,281	$31,038	$31,814
Sub-Total Operating Revenue	$34,301	$35,158	$36,037	$36,938	$37,862	$38,808	$39,779	$40,773	$41,792	$42,837	$43,908
Total Operating Revenue	$227,329	$747,189	$790,739	$867,486	$964,881	$1,055,155	$1,091,229	$1,125,092	$1,160,133	$1,196,231	$1,233,475
Suuporting Revenues											
Hotel/ Motel Occupancy Tax	$2,049,804	$2,101,049	$2,153,576	$2,207,415	$2,262,600	$2,319,165	$2,377,145	$2,436,573	$2,497,487	$2,559,925	$2,623,923
Other Non-Property Taxes	11,076	$11,353	$11,637	$11,928	$12,226	$12,532	$12,845	$13,166	$13,495	$13,832	$14,178
Grant Revenue	22,118	$22,671	$23,238	$23,819	$24,414	$25,025	$25,650	$26,292	$26,949	$27,623	$28,313
Miscellaneous Revenue	8,120	$8,323	$8,531	$8,745	$8,963	$9,187	$9,417	$9,652	$9,894	$10,141	$10,395
Sub-Total Supporting Revenue	$2,091,119	$2,143,397	$2,196,982	$2,251,906	$2,308,204	$2,365,909	$2,425,057	$2,485,683	$2,547,825	$2,611,521	$2,676,809
Total Revenue	$2,318,448	$2,890,586	$2,987,721	$3,119,393	$3,273,085	$3,421,064	$3,516,286	$3,610,775	$3,707,959	$3,807,752	$3,910,284
Expenses											
Personnel Services	$430,796	648,750	664,969	681,593	698,633	716,099	734,001	752,351	771,160	790,439	810,200
Goods and Supplies	34,831	37,270	40,315	45,627	52,590	58,884	61,863	64,671	67,616	70,688	73,899
Repairs and Maintenance	302,791	310,000	317,750	325,694	333,836	342,182	350,737	359,505	368,493	377,705	387,148
Miscellaneous Services	537,459	585,000	599,625	614,616	629,981	645,731	661,874	678,421	695,381	712,766	730,585
Other Expenses	44,264	21,490	22,110	22,843	23,638	24,436	25,098	25,784	26,474	27,198	27,937
Total Expenses	$1,350,140	$1,602,510	$1,644,769	$1,690,371	$1,738,678	$1,787,331	$1,833,572	$1,880,731	$1,929,123	$1,978,795	$2,029,768
Net Income (Deficit)	**$968,308**	**$1,288,076**	**$1,342,952**	**$1,429,021**	**$1,534,407**	**$1,633,733**	**$1,682,714**	**$1,730,044**	**$1,778,836**	**$1,828,957**	**$1,880,516**
Reserve for Replacement	$426,069	$436,721	$447,639	$458,830	$470,300	$482,058	$494,109	$506,462	$519,124	$532,102	$545,404
Net Income (Deficit) Before Debt Service	**$542,239**	**$851,355**	**$895,313**	**$970,192**	**$1,064,107**	**$1,151,675**	**$1,188,604**	**$1,223,582**	**$1,259,712**	**$1,296,855**	**$1,335,112**

Source: Johnson Consulting

As shown, the expanded SPICC is expected to operate at a net income throughout the projection period, taking into account its supporting revenue streams, which include approximately $2.0 million in hotel/ motel occupancy tax revenues.

OPERATING REVENUES

CONVENTION CENTER FUND REVENUES

Key elements of these assumptions and revenue projections include:

- **Rental Fees:** Include the temporary rental of exhibit and meeting space, and other facilities, utilized for events. Assumptions of rental revenue per square foot are based upon a per-event or per-square foot rate. Gross Square Foot Days (GSFD) relate to the number of square feet of occupied exhibit space multiplied by the total number of event days. The projections assume an average rental rate of $0.10 per GSFD. Space rental revenue is projected to be $372,700 in 2015, which is assumed to be the expanded SPICC's first full year of operation, increasing to $533,456 in 2019. The increase observed between 2012 and 2015 reflects increased demand at the expanded facility.

- **Net Food and Beverage:** Revenue projections are based upon event attendance and reflect a percentage of gross sales that the organization pays to the venue for the right to be the exclusive provider of concessions, novelties, and catered meals. Currently, SPICC has a list of approved caterers, however it our recommendation that SPICC designates an in-house caterer and receives a 25 percent commission from them. For the purposes of our projections, net food and beverage revenue is projected to be $206,550 in 2015, increasing to $301,473 in 2019. The following table provides a breakdown of food and beverage assumptions used for this projection.

Table 8 - 4

Food & Beverage Revenue Assumptions		
Line Item	**Units**	**2014 Base Year**
Revenue		
F&B Revenue (Gross)		
Conventions/ Trade Shows	per attendee	$ 15.00
Consumer Shows/ Specialty Expos	per attendee	$ 2.00
Meetings & Seminars	per attendee	$ 8.00
Banquets	per attendee	$ 15.00
Entertainment Events	per attendee	$ 3.00
Other/ Civic Events	per attendee	$ 3.00

Source: Johnson Consulting

- **Equipment Rentals:** Includes the rental of furniture, audio/visual, and other equipment. The projections are based upon the total GSFD of rental, with equipment rental revenue projected to be

$74,540 in 2015, increasing to $117,767 in 2019. The substantial increase observed between 2012 and 2015 reflects increased demand and the ability of SPICC to charge a higher rental for new equipment.

- **Event Services:** Includes revenue from services and reimbursements for labor provided to exhibitors, concert promoters, and other facility users. Facilities typically charge their users for a range of services, including electrical, cleaning, telephone, internet, decorating, audio/visual, and security. The facility will continue receive revenue from the provision of these services, either through direct charges provided by facility staff or through shared revenues from services provided through third-party vendors. The costs of temporary labor for stagehands, police, ushers, and paramedics, among others, are also recovered from facility tenants. Event services and cost-recovery revenue is projected to be $1,491 in 2015, increasing to $2,355 in 2019.

- **Advertising:** It is projected that SPICC could generate revenues from an inventory of signage strategically located in the ballroom, concourses and other areas. Many advertising contracts are long-term, for a constant amount until renewal, however, for the purpose of this projection advertising revenues have been inflated each year. Net advertising revenue has been conservatively projected at $6,750 in 2015, increasing to $7,451 in 2019.

- **Other Revenues:** Represents miscellaneous revenues, such as those generated from vending machines. Other revenues are projected to be $50,000 in 2015, inflated to $53,845 in 2019.

In 2015 total operating income included in the Convention Center Fund is projected to be $712,031, increasing to $1,016,346 in 2019. These figures are consistent with those recorded for comparable venues, as is the distribution of revenues, which shows that approximately half of revenues are attributable to food and beverage sales and half are attributed to space rental and general operations.

HOTEL/ MOTEL TAX FUND REVENUES

The 2012 actual budget for the Hotel/ Motel Tax Fund includes two line items pertaining to SPICC revenues – Ticket Sales and Event Fees. For the purpose of our projections, we have inflated these figures at a rate of 2.5 percent per annum. Key elements of our projections are summarized as follows:

- **Ticket Sales:** Ticket sales are projected to be $9,684 in 2015, increasing to $10,690 in 2019.

- **Event Fees:** Event Fees are projected to be $25,474 in 2015, increasing to $28,119 in 2019.

In 2015 total operating income included in the Hotel/ Motel Tax Fund is projected to be $35,158, increasing to $38,808 in 2019.

TOTAL OPERATING REVENUES

Total operating revenues are projected at $747,189 in 2015, increasing to $1,055,155 in 2019. These figures account for SPICC revenues included in the City's Convention Center Fund and Hotel/ Motel Tax Fund, and are based upon actual revenues for FY 2011-12.

SUPPORTING REVENUES

SPICC receives supporting revenues from a 14.5 percent Hotel/ Motel Occupancy Tax, comprised of a 6 percent State tax, an 8 percent CVB tax, and a 0.5 percent Beach Nourishment tax. In 2012, SPICC received $2,049,804 in supporting revenues from the Hotel/ Motel Occupancy Tax. By inflating this figure at a rate of 2.5 percent per annum, we project that Hotel/ Motel Tax Occupancy Tax proceeds to SPICC will increase to $2,101,049 in 2015 and $2,319,165 in 2019. Additional supporting revenue streams include Other Non-Property Taxes, Grant Revenue, and Miscellaneous Revenue. All supporting revenues are projected to total $2,143,397 in 2015 and increase to $2,365,909 in 2019.

TOTAL REVENUES

Total revenues, including operating income and supporting revenues, are projected to total $2,890,586 in 2015. This figure is projected to increase to $3,421,064 in 2019.

EXPENSES

Key elements of these assumptions and expense projections, including both direct (those that fluctuate based upon utilization of the facility) and indirect (those that do not vary based upon events and attendance) expenses, are summarized as follows:

- **Personnel Services:** The projections assume that SPICC will employ additional staff members to reflect the new level of service, and new clientele, at the expanded facility. This is reflected in a substantial increase in expenses related to Personnel Services between 2012 and 2015. Total payroll, including benefits, is assumed to be $648,750 in 2015, increasing to $716,099 in 2019, although it is noted that payroll is an expense that is highly dependent on decisions made by the owner.

- **Supplies:** Expenses relating to Goods and Supplies are projected to be $37,270 in 2015, increasing to $58,884 in 2019.

- **Repairs and Maintenance:** Reflects unscheduled maintenance associated with particular events occurring at the facility. This expense is calculated based on the GSFD of facility use and is projected to be $310,000 in 2015, increasing to $342,182 in 2019.

- **Miscellaneous Services:** Defined, based upon the FY 2011-12 actual budget, to include utilities, which are based upon the volume of activity within the venue, insurance, and general and administrative expenses relating to expenditures for staff training, travel, and registrations and memberships, along with printing, postage, and other small expenses, among others. Miscellaneous Services are projected to be $585,000 in 2015, increasing to $645,731 in 2019.

- **Other Expenses:** Relatively small expenditures that may or may not vary based upon facility usage. 'Other' expenses are projected to be $21,490 in 2015, increasing to $24,436 in 2019. Included in this expense category are large equipment expenditures and other services, as defined in the facility's FY 2011-12 actual budget.

TOTAL EXPENSES

Total expenses at the expanded SPICC, including direct and indirect expenses, are projected to be $1,602,510 in 2015, increasing to $1,787,331 in 2019. The ratio of revenues to expenses at the expanded venue is consistent with similar facilities, and in line with current operations at SPICC.

NET OPERATING INCOME (DEFICIT)

After consideration of all operating revenues and expenses, the expanded SPICC is projected to operate at a net income of $1,288,076 in 2015, improving to $1,633,733 in 2019.

The **Reserve for Replacement** account funds major planned projects, such as carpet, equipment, and roof replacement, as well as other scheduled maintenance programs that are not routine or paid for by the **Building Maintenance and Repair** account. Although facilities usually have unique schedules for funding their Reserve for Replacement accounts, the annual amount deposited typically increases as the facility ages. For the expanded SPICC, the total deposit is assumed to be $436,721 in 2015, increasing to $482,058 in 2019. These figures are based upon the 2012 actual deposits but are relatively high compared to peer facilities. It is anticipated that following improvements to SPICC, the required reserve for replacement fund will actually be smaller, reflecting the enhanced quality and condition of the facility.

After consideration of all revenues, expenses, and the deposits to the Reserve for Replacement account, the expanded SPICC's net operating income is projected to be $851,355 in 2015, $1,151,675 in 2019, and $1,225,112 in 2024.

CONCLUSION

The preceding projections are in line with comparable facilities, from both a demand and operating statement perspective, and are considered to be fair and reasonable. There are a myriad of policy, management and operating decisions to be made from this point forward. Many of these are material and could affect demand and financial performance of the SPICC.