



LA CROSSE CENTER

FINANCIAL + ECONOMIC IMPACT ANALYSIS

December 2017

Conventional
wisdom

Gensler

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EXECUTIVE SUMMARY

As part of the La Crosse Center expansion process, Gensler and Conventional Wisdom reviewed the operational and economic impacts of different options for the Center's redesign. The team developed a series of scenarios for evaluation – from meeting the currently allocated construction budget, to larger options with the greatest economic impact. Operational impacts of the expansion included increases in attendance, staffing, and revenue levels by scenario. Economic impacts were derived from attendance and operations, and included gross regional output, jobs, and fiscal impacts. In all, the analysis suggests that the current Center revitalization budget would produce new attendance and economic impacts with mixed results to Center operating financials. *Scenarios with expanded ballroom and meeting room offerings would enable capturing larger meetings, yield more positive results for the Center's operational financials, and produce greater annual economic impacts of up to \$14.4m per year, \$1.2m+ in fiscal impact, and 180+ jobs.*

For convention center revitalization, the driver(s) for improved financial performance and economic impacts relate to new attendance, including overnight visitors who spend more heavily on lodging, transportation, food, and beverage than local visitors. Since the Center's last expansion in 2000, measures of attendance and visitation have declined slowly over time, including a decrease of approximately 15,000 people over the past 5 years. This is common for a competitive sector where consistent refreshing of offering(s) and added flexibility can bring in new meeting and event business. Estimates of new attendance indicate the revitalization program would stem the decline of new business and increase total attendance by up to 25,000 visits annually. This process would likely take approximately 3-5 years to fully stabilize and grow, as larger events and meetings shop and book venues years in advance. It is this growth in overall attendance, targeting multi-day overnight events, that will drive financial performance of the Center, and enhance the economic impacts to the city and region.

Operations

Larger facility scenarios achieve greater operational output and opportunities for scale. There are several alternatives for improving operations and governance in order to enhance revenue generation.

There are a range of outcomes for Center financial performance depending on the selected scenario and the extent of changes to operations and governance. Given the current operational approaches, the Center is expected to have a slightly negative net change to financial performance in the scenario that matches the current construction budget (B2). Without adjusting the current operational approaches, B2 is projected to reduce net operating income in the order of -\$40,000 annually, largely due to increases in staffing levels to support enhanced operations, but overall scale of the new addition being insufficient to capture maximum demand potential.

The expanded B and B1 scenarios include greater ballroom and meeting space offerings as compared to B2. Net operating income changes from roughly the same as today's operations, to an increase of nearly \$90,000 annually. All of these scenario estimates assume current operation and governance approaches.

In addition, the team has identified a range of potential improvements to operations that include increased catering commissions, increased service fees for ticketed events, new booking policy and restrictions, market rental rates, and alterations to overall governing structure. These elements are reviewed herein, and together, the cumulative impact of these changes would improve the financial performance of the Center from approximately \$100,000 to upwards of \$350,000 per year.

EXECUTIVE SUMMARY

Economic Impacts

Economic impacts are the primary way that convention centers are generally evaluated – that is, the ripple effects accruing to other areas and businesses of the community.

These impacts often include:

- New jobs for residents throughout the region including tourism-related sectors such as hospitality, service industries, food and beverage, retail, and supply chain/logistics. Additional jobs will be created during the construction period across all construction fields.
- Tourism impacts - hospitality, new spending at local establishments, and transportation

Economic impacts are generally measured as overall regional product (Gross Regional Product, GRP), jobs (Full Time Equivalent, FTE), and fiscal (state and local tax revenues). Detailed analysis of the scenarios indicates:

- Annual net new economic impacts accruing to La Crosse to be in the order of \$9.7m/ 120+ jobs to \$14.4m/ 180+ jobs annually (estimated 27-39% increase from current levels)
- Larger changes in economic impact and visitation are related to the scenarios with greater meeting and ballroom space - the scenarios that exceed the currently allotted \$42m budget.
- New total annual fiscal impacts of \$800k+ to \$1.2m+
- New annual hotel tax revenues of \$300-\$450k (estimated 20-30% increase over current level)

Existing hotel supply may be a limiting factor for capturing impact of the largest impact scenarios in the near-term; however it is therefore likely that new hotel development would be supported by demand.

Recommendations

Core recommendations from the analysis include:

- Consideration of broader impacts than operating financials of the Center. These types of venues are generally not profitable and overall economic spending, jobs, and fiscal impacts are an important consideration for such assets;
- In addition to City impacts, other County and State Impacts, including fiscal (tax) impacts will accrue. Consider requesting greater support to generate the new visitation to the regional area;
- Consider making changes to operations as recommended herein. Nearer-term financial performance would improve, and 'grandfathering' in existing approaches to a revitalized offering would blunt the impact of a revitalized Center on the operating financials.

KEY FINDINGS



1. Economic impact is primary benefit

Additional revenue from new space will come with additional operating expense – the Center will not realize a large bump in net income to its own bottom line. The overall benefit of the project will be captured by economic impact brought to La Crosse through tourism spending and jobs.



2. Operational savings are possible

Additional operational and revenue savings may be achieved over time in the areas of catering, service fees, booking policy and restrictions, rental rates, and governing structure. Potential for these has been summarized herein - in the magnitude of \$100,000 to \$350,000+.



3. Net new visitors

New visitation from the reviewed scenarios is estimated to be in the order of 15,000-24,000 annually once operations stabilized, with a related increase of 32,000-48,000 new room nights annually. An estimated 7-11% rise in total visitation with a corresponding rise in room night demand related to the Center.



4. Construction cost v. economic impact

Construction costs over the currently allotted \$42m range from \$0-\$13.5m. Related annual economic impacts (net, new) range from \$9.6m/120+ jobs, to \$14.4/180+ jobs. These impacts recur annually as opposed to construction costs which are a one-time event. State and local fiscal impacts range from \$760k-1.1m annually.



5. Hotel supply




The availability of appropriate hotel stock may restrict the total impact in the largest scenarios until inventory increases to meet full demand potential. New construction may be achievable over the same period that the Center's operations 3-5 year ramp-up as new business builds. Existing stock may also impact targeted new user groups until new supply is added.



6. Current impact will otherwise decline

The existing economic impact will likely decline in absence of an expansion as the Center has seen a decrease in attendance and meetings over the past 5 years as the space has continued to age

WHAT WILL THE PROJECT DO FOR LA CROSSE?

		
SCENARIO B2	SCENARIO B1	SCENARIO B
\$42.0 M <i>up-front cost</i>	\$49.2 M <i>up-front cost</i>	\$55.5 M <i>up-front cost</i>
15,000-17,500 New Annual Visitors	18,000-22,000 New Annual Visitors	21,000-25,000 New Annual Visitors
\$9.7 M Annual Impact	\$12.1 M Annual Impact	\$14.4 M Annual Impact
120+ New Jobs	150+ New Jobs	180+ New Jobs
\$0.30 M New Hotel Tax	\$0.37 M New Hotel Tax	\$0.45 M New Hotel Tax

PROGRAM DEVELOPMENT

DESIGN PROCESS

The design team has had several meetings with the LCC Board and the public to determine the best options for consideration before undertaking this analysis as part of the broader expansion project.

KEY ISSUES AND CONCERNS FOR THE EXPANSION:

- Expand without blocking the view corridor to the river
- Sufficiently wrapping the façade and creating a new cohesive lobby for the Center
- Providing outdoor function space, incorporating the site's unmatched views as an asset to the space, and reconfiguring back-of-house functions and loading to make event set up more efficient and seamless.

KEY MEETINGS

July 12th - LCC Board (Concept Presentation)
September 21st - Pearl St Neighbors
October 23rd - LCC Board (Interim Schematic Design Presentation)
November 3rd - LCC Board
November 9th - City Council

KEY PEOPLE

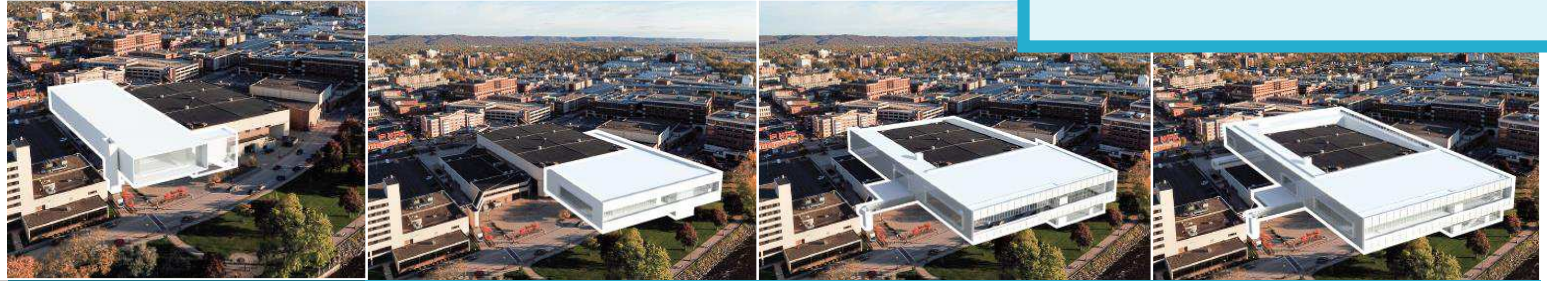
La Crosse Center: Art Fahey, Sue Wieman, Kris Salzwedel, Dave Gruepfer, and Mike Ferris

Explore La Crosse: Dana Ecker, A.J. Frels

**Input yielded 4
design scenarios**

SCENARIO CAPACITIES

B2 is the smallest, on-budget. A has a smaller ballroom, more meeting rooms. B/B1 have same ballroom with different meeting room breakdowns



	EXISTING LCC	SCENARIO A	SCENARIO B2	SCENARIO B1	SCENARIO B
Cost of New Construction	--	\$45.8 M	\$34.0 M	\$41.2 M	\$47.5 M
Total Cost (incl. \$8 M Deferred Maint.)	\$8 M	\$53.8 M	\$42.0 M	\$49.2 M	\$55.5 M
<i>Cost Above Current Appropriation</i>		<i>\$11.8 M</i>	<i>\$0</i>	<i>\$7.2 M</i>	<i>\$13.5 M</i>
New Ballroom sf	-	12,013 sf	13,208 sf	17,669 sf	17,669 sf
New Meeting Room sf *	-	10,667 sf*	4,938 sf	9,624 sf	15,563 sf*
Est. Annual NEW Visitors		14,000-16,000	15,000-17,500	18,000-22,000	21,000-25,000
Est. Annual Visitors	218,000 +	+7%	+8%	+9%	+11%

* includes removal of existing Zielke Suite
+ 2017 projected total annual attendance

Source: Gensler, Conventional Wisdom

EVENT DEMAND

This analysis focuses on events and activities in the new meeting and ballroom spaces to represent incremental/new financial and economic impact. Therefore, meetings and concerts are excluded due to their limited use of new space and lack of outside overnight visitor attraction.

Conventional Wisdom modeled the capacities for conventions (with and without exhibits) and conferences using all of the event spaces in the Center excluding the Arena. The model uses the ballroom at capacity for either a large food-function or plenary session and then tests if that crowd size can be accommodated in the remaining meeting rooms.

Assumptions

Net new business will occupy approximately 140 use-days in the new space with significant economic impact. The Center will have an additional 80 use days from existing and low economic impact users, bringing the major spaces of LCC to 60% occupancy.

This analysis assumed that the Center will take an estimated 3-5 years to reach stabilized operations. On average, meeting planners book events 2 years in advance, thus the first 2 years of operations will likely reflect bookings that occurred during the construction period. Approximately one-third of attendees will come from existing users expanding into the new space.

EVENT CAPACITY ANALYSIS

	Capacity with Banquet & Plenary Use	Capacity w/o Banquet or Plenary Use
A	550-650	900-1,000
B2	650-750	650-750
B1	750-950	1,000-1,200
B	900-1,000	1,300-1,500

Meeting room and ballroom sizes determine capacity and potential attendance by event type

NEW EVENTS BY EVENT TYPE (STABILIZED YEAR)

Event Type	# Events	Room Nights	B2	B1	B
			Avg Attendance	Avg Attendance	Avg Attendance
Conventions w/ Exhibits	8	3.0	650-750	1,000-1,200	1,300-1,500
Conventions no Exhibits	10	3.5	650-750	750-950	900-1,000
Trade Shows	6	2.0	1,000-1,200	1,000-1,200	1,300-1,500
Conferences	8	1.1	250-350	250-350	250-350
Weddings	12	1.2	250-350	250-350	250-350
Total Attendance			22,700-27,700	26,500-33,300	32,200-38,000
Net New Visitors			15,000-17,500	18,000-22,000	21,000-25,000
Total Room Nights			56,600-67,300	68,500-85,200	84,800-97,900

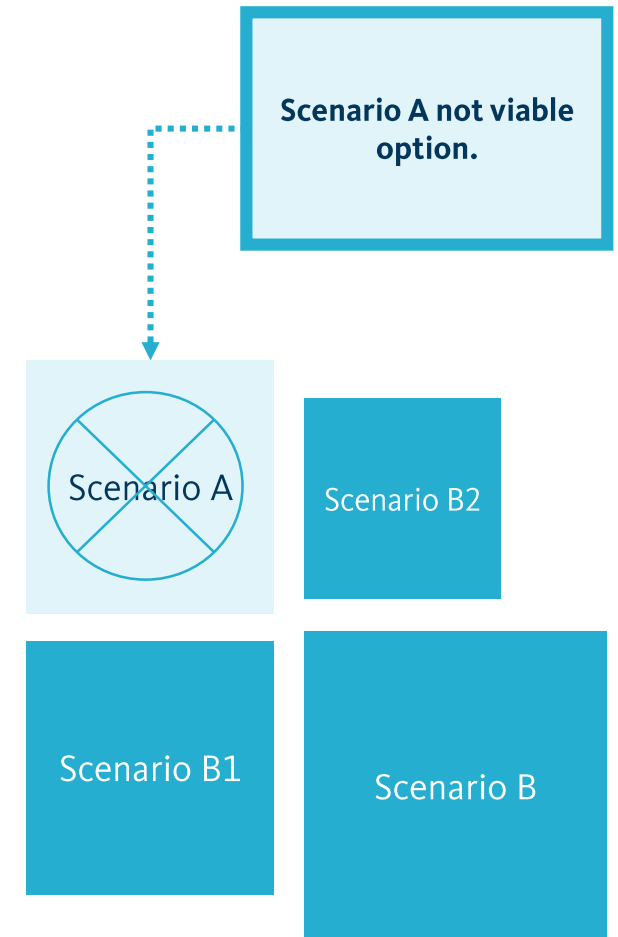
Source: Conventional Wisdom

REFINING OF SCENARIOS

The analysis of event demand, crowd capacity and scenario program configuration resulted in removing Scenario A from further study.

Scenario A Removed from further analysis per the following:

- Not the preferred configuration from the public meeting
- Not the preferred configuration from design team
- B Scenarios have better overall design and massing for the site
- Imbalanced program provides too much meeting space for the ballroom size
- Creating Junior Ballroom reduces overall programmed audience size significantly
- Smaller ballroom subdivision in others can be created through use of operable partitions, thus adding flexibility
- No significant cost difference between A and B, B1
- The total cost of investment does not generate the same level of new visitor attraction as B, B1, B2 (would result in dramatically less economic impact relative to capital cost).



OPERATIONS

NET INCOME

The Center's current total revenue only covers ~94% of total operating expenses. This gap or operational deficit is currently filled by the Center's portion of the hotel tax transfer by the City. (See Appendix for detail).

When comparing new income to current operations, it is important to note:

- The current revenue will likely decrease as the space continues to age and not keep pace with market needs.
- Convention centers do not generally operate at a substantial profit – per their common status as public entities/quasi-public partnerships, convention centers primarily benefit their communities through economic impact – new area spending dollars and the creation of jobs (primarily tourism-related).

OPERATING REVENUE

Average revenue numbers use the current rental rates and methodologies from the existing operations; no adjustments in rental pricing or commissions were included for this portion of analysis. The revenue categories shown are used by the existing operation and are shown in non-escalated current dollars. Non-operating Revenues from Hotel taxes and Investments were not considered in the analysis. Conventional Wisdom sees opportunity for additional revenue per the recommendations herein.

LCC's revenue currently does not cover total expense. New incremental revenue comes with added expense.

OPERATIONAL EXPENSE

Additional staffing will be required to support the new facilities; salaries, wages and benefits are the single largest expenditure in this building type. Contracted services for cleaning, mechanical equipment maintenance, and production services will be required on a per-event basis. Conventional Wisdom projects that Option B2 will need approximately 6 FTEs; 7 new FTE employees may be needed for the operation of Options B1 and B in the areas of event management, facility set-up/maintenance and technical production. In each case, these individuals may be added incrementally during the ramp-up period.

Utilities represent the next largest expenditure category. The new facilities will add approximately 50% to the size of the current facility and utilities increase accordingly. The balance of expenses was analyzed as fixed or event-related variable expenses that have a fixed baseline; the incremental expenditure amounts are assigned initially by facility size and then adjusted for event activity. A number of overhead expenses remain unchanged from existing levels such as promoting events in the arena.

OPERATING REVENUE + EXPENSE

	B2		B1		B	
	MIN	MAX	MIN	MAX	MIN	MAX
<i>Incremental Operating Revenues</i>						
Rent	\$467,000	\$558,000	\$549,000	\$679,000	\$648,000	\$756,000
Catering, Food & Beverage	\$171,000	\$205,000	\$202,000	\$249,000	\$237,000	\$277,000
Convention Services	\$140,000	\$167,000	\$165,000	\$204,000	\$194,000	\$227,000
Total Revenue	\$778,000	\$930,000	\$916,000	\$1,132,000	\$1,079,000	\$1,260,000
<i>Incremental Operating Expenses</i>						
Salaries, Wages & Benefits	\$415,000	\$455,000	\$485,000	\$535,000	\$490,000	\$540,000
Utilities	\$140,000	\$170,000	\$205,000	\$249,000	\$227,000	\$277,000
Insurance	\$17,000	\$20,000	\$24,000	\$27,000	\$27,000	\$30,000
Promoter Expenses	-	-	-	-	-	-
Food Service & Liquor	\$125,000	\$175,000	\$120,000	\$170,000	\$125,000	\$175,000
Supplies & Expenses	\$125,000	\$150,000	\$125,000	\$150,000	\$125,000	\$150,000
Total Expense	\$822,000	\$970,000	\$959,000	\$1,131,000	\$994,000	\$1,172,000
Net Incremental Profit (Loss)	-\$44,000	-\$40,000	-\$43,000	\$1,000	\$85,000	\$88,000
Percentage Profit (Loss)	-6%	-4%	-5%	0%	8%	7%

This income/expense analysis does not account for additional revenue capture opportunities that could increase the Center's profit percentage. Increasing F&B revenues would substantially improve each operating scenario.

Total revenue does not account for new projected hotel tax that would result from increased tourism.

**See Economic Impact breakdown for detail on incremental hotel tax assumptions
Source: Conventional Wisdom, 2017 dollars.*

REVENUE OPPORTUNITIES

Several opportunities exist for increasing operating revenues through changes in policy, contracting and rate structure.

Catering and F&B Services	Service Fees (Ticketed Events)	Control AV Equipment Expense	Decorating/ Other Service Contractors	Booking Policy & Restrictions	Rental Rates	Governing Structure
<ul style="list-style-type: none"> List of preferred caterers instead of open catering. Commissions should be increased to 20% at a minimum, up to 25%. Additional fee for kitchen equipment capital replacement reserve. These changes could increase the net revenue from catering, food and beverage services by \$100,000 to \$150,000. Feasibility study for self-operation or exclusive contractor, for which it is common to see a 30-35% return, or an increase of \$300,000 to \$350,000 in net profits 	<ul style="list-style-type: none"> Match the service charges levied by third-party purveyors. Most tickets are sold remotely so expectation of paying these fees. Could have significant impact on net revenue. 	<ul style="list-style-type: none"> Solicit official, non-exclusive audio-visual provider Provide some on-site storage for equipment and short-notice rentals. RFP for vendors with payment on commission. 	<ul style="list-style-type: none"> Explore option of an official, non-exclusive contractor that would pay a commission on all of its revenue sources. Equipment rental (carpet and furniture), labor and drayage (shipping and delivery), electrical services, and booth cleaning. 	<ul style="list-style-type: none"> New policy that allows advanced booking of events with big economic impact – such as conventions and tradeshows. Certain consumer shows and other major events could be “grandfathered” into the policy. All other business should be held off until 18-24 months in advance. 	<ul style="list-style-type: none"> Improved space is opportunity to change rental rate structure. Conduct rate surveys of state/regional competitive facilities for convention, tradeshow, meeting, public-ticketed, banquet and consumer events. 	<ul style="list-style-type: none"> Facility governance offers some relief from certain City budgeting, personnel and purchasing restrictions. A publicly-appointed Board of an authority or public not-for-profit corporation offers a broad perspective when hospitality, business and other political jurisdictions are included and may open other funding sources and opportunities.

ECONOMIC IMPACT

WHAT IS ECONOMIC IMPACT?

The total impact of a convention center reaches far beyond the revenue received by the Center itself for rental fees and catering. **Each new visitor that comes to La Crosse has an impact on the local and state economy in the form of spending, employment, and tax revenue.** These impacts are divided into three categories:



DIRECT IMPACTS

The total new local economic activity generated by the expansion project in the form of employment and revenue. This includes the money spent by visitors on lodging, shopping, and dining.



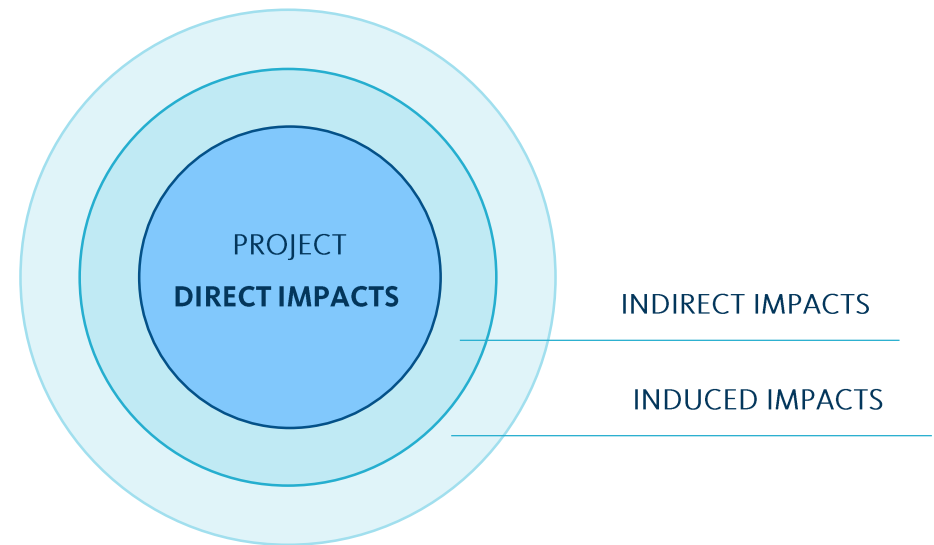
INDIRECT IMPACTS

Produced from the products, services, and suppliers that are necessary to support the direct spending and the convention center functions.



INDUCED IMPACTS

The ripple effects of the project. Induced impacts are generated by the broadest group – spending by workers paid from wages paid by tourism spending.



ECONOMIC IMPACT

CALCULATING DIRECT IMPACT

New tourism resulting from the expansion will primarily be overnight visitors. According to the State Tourism Board, the average overnight visitor spends \$184/day on food and beverage, retail, and additional hotel spending.

How much NEW spending will be generated by these new visitors each year?

(Total number of new visitors) x (\$184) x (days of stay)
= **Direct Economic Impact.**

SOURCES: The data inputs for the estimates shown in this analysis was provided by Conventional Wisdom, the State Tourism Board and LCVB, and IMPLAN for La Crosse County (2016).

INDIRECT + INDUCED IMPACTS

For every dollar that a new visitor spends in the local economy, there is associated economic activity generated, including additional spending, job creation, and fiscal impacts.

Total Impact = Direct Impact x Output Multiplier

IMPLAN software uses output multipliers that are specific to La Crosse County for the associated visitor spending industries. The approximate total output multiplier is 1.6.

Employment is a result of the new tourism activity. New jobs will primarily be in the service industry, restaurants, and retail, as well as construction.

Fiscal impacts (State & Local Taxes) – this analysis estimates new sales tax (5.5%) and hotel tax (8%). These are meant to be seen as estimates.

Total Impact =

+ **Direct Spending**
+ **Indirect Spending**
+ **Jobs**
+ **Tax Revenue**

ANNUAL ECONOMIC IMPACT

The following **annual net economic impact** is calculated based on the capacity, attendance and room night projections for each scenario.

	Baseline (Existing Center)	INCREMENTAL (NET NEW) IMPACT		
		SCENARIO B2	SCENARIO B1	SCENARIO B
Estimated Project Funding Gap		\$0	-\$7.2 M	-\$13.5 M
Net New Attendance		15,000-17,500	18,000-22,000	21,000-25,000
Net New Overnight Stays	-	32,600	40,800	48,600
Direct Impact	\$23.49 M ¹	\$5.99 M	\$7.51 M	\$8.94 M
Indirect + Induced Impact		\$3.67 M	\$4.59 M	\$5.47 M
Total Economic Impact ²	\$37.59 M	\$9.67 M	\$12.10 M	\$14.41 M
Employment – Net New Jobs		123 Jobs	154 Jobs	184 Jobs
Total Net New Fiscal Impact		\$0.83 M	\$1.04 M	\$1.24 M
Total Est. Hotel Tax Generation (8%) (LCC+LCVB+ City shares)	\$1.5 M	\$0.30 M	\$0.37 M	\$0.45 M
Total Est. Sales Tax Generation (5.5%)		\$0.53 M	\$0.67 M	\$0.79 M

1. Existing Impact is calculated using 2016/2017 attendance numbers.

2. Total impact is direct + indirect + induced impacts. This can be roughly calculated at a 1.6 x multiplier of the direct impact.

Source: Conventional Wisdom, IMPLAN, WI State Tourism Board, LCVB, Gensler

ANALYSIS SUMMARY

Additional cost expenditures up-front are reflected in long-term benefits to the broader La Crosse area.



EXISTING LCC		SCENARIO B2	SCENARIO B1	SCENARIO B
Total Cost (incl. \$8 M Deferred Maint.)	\$8 M	\$42.0 M	\$49.2 M	\$55.5 M
<i>Cost Above Current Appropriation</i>		\$0	\$7.2 M	\$13.5 M
Est. Annual NEW Visitors		15,000-17,500	18,000-22,000	21,000-25,000
Incremental Stabilized Net Operating Income*		(-\$44,000)-(-\$40,000)	(-\$43,000) - \$1,000	\$85,000 - \$88,000
Total Annual Economic Impact	\$37.59 M	\$9.67 M	\$12.10 M	\$14.41 M
Total New Jobs Created		120+ Jobs	150+ Jobs	180+ Jobs
Total New Hotel Tax: General Fund, LCC, LACVB	\$1.5 M	\$0.30 M	\$0.37 M	\$0.45 M
Total Est. New Sales Tax (County benefit)		\$0.53 M	\$0.67 M	\$0.79 M
		<ul style="list-style-type: none"> ✓ Fits Budget ✗ Not Optimal Impact ✗ Not Optimal Design ✗ Less flexible for future meeting sizes? 	<ul style="list-style-type: none"> ✓ Hybrid of cost + impact ✗ Not guaranteed to break even on operations net of hotel tax revenue 	<ul style="list-style-type: none"> ✗ Most expensive ✓ Most economic impact ✓ Most likely to produce positive operating revenue

* Net of hotel tax revenue

Source: Gensler, Conventional Wisdom

This study was performed as part of
La Crosse Center Expansion and Renovation Project

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APPENDIX

APPENDIX 1: HISTORIC LCC DATA

Existing Revenue & Expense

As shown by the existing Center's net revenue breakdown, while the net income is positive for the Center today, this is largely due to the Hotel Tax Transfer that it receives as a benefit of producing tourism impact. Without this revenue item, the expenses would out-weigh actual event revenue generation. The revenue/expense summaries provided in this analysis do not include hotel tax as a revenue item in order to demonstrate operations outside of additional revenue sources that would likely be utilized to finance the expansion.

Historic Attendance & Usage

Based on data provided by La Crosse Center and La Crosse County, annual attendance has been decreasing since its peak directly after the previous expansion opened. While this trend is also reflective of the economy following the recession, it is also likely to continue to decline in absence of new space to offer existing clients and compete with newer products.

Existing LCC Revenue	2016	2017*
Total Income	\$4,007,020	\$2,707,938
Total Expense	\$ (4,226,916)	\$(2,875,601)
<i>Hotel Tax Transfer</i>	<i>\$510,000</i>	<i>\$382,500</i>
Total Current Net Operating Income	\$290,104	\$214,837

Source: La Crosse Center, 2017 is estimated/YTD.

Year	Events	Attendees
2011	179	241,463
2012	174	233,211
2013	183	248,347
2014	173	225,914
2015	170	226,214
2016	192	217,374
2017 (as of 9/30)	144*	158,984*

* The actual number of events and attendees for 2017 are shown through September 30th but are on pace for a 7% increase over 2016.

APPENDIX 2: Conventional Wisdom Report: *Crowd Modeling, Event Capacities and Event Projections*

EVENT CLASSIFICATIONS

The type of events that generate visitor expenditures counted in direct economic impact include conventions, trade shows, and conferences, which are described below:

Conventions

Conventions provide educational programming and information to an organization, association or business. Attendees are usually members of a professional association, company, organization, or interest group. Most of the attendees and exhibitors stay at local hotels. Conventions may have a local, regional, national, or international focus that may affect its booking priority. Conventions may have a trade show associated with the event.

Trade Shows

Trade shows display products, technology or services and may include an educational component requiring meeting space. In most cases, the exhibitors in a trade show are manufacturers or suppliers, and the attendees are retailers trade shows facilitate business-to-business (B2B) transactions. Most of the attendees and exhibitors stay at local hotels; a number of attendees may “drive-in” for the day. Trade Shows may have a local, regional, national, or international focus that may affect its booking priority.

Conferences

Conferences are multiple day events where the majority of the attendees are from outside of the local metropolitan area, but do not require use of the major function spaces in the facility such as the exhibit hall or the ballroom. Conferences may generate a number of hotel rooms and have a state or regional focus that may enhance its booking priority.

Not all activities at the complex provide outside visitor expenditures that generate direct economic benefits; these event types include:

Consumer Shows and Public Events

A consumer show is a type of trade show that is open to the public and serves a business-to-consumer (B2C) function. In most cases the exhibitors are local retailers and the attendees are local consumers. Relatively few hotels rooms are used for performers, exhibitors, or attendees. Examples of consumer shows include the car show, home and garden show, boat show, and sport show. Public events include any performance or presentation that is open to the public. These events may generate a great amount of economic activity, but the expenditures are made typically within the local metropolitan area.

Meetings

Meetings are generally single day events that do not require use of the major function spaces in the facility such as the exhibit hall or the ballroom. The majority of attendees at meetings originate from within the local metropolitan area.

Banquets and Receptions

Banquets and receptions are generally local events that are not associated with a convention, trade show, meeting or conference. They may be public or private in nature. Weddings are a possible exception to this generality; out-of-town invitees and some local guests (including the bridal party) will spend one or two nights in area hotels.

Concerts and Sporting Events

These events have a fraction of their attendees staying locally overnight, depending upon actual event. For this study, events in the Arena are not counted as the analysis focuses on activities in the new meeting and ballroom spaces.

APPENDIX 2: Conventional Wisdom Report: Crowd Modeling, Event Capacities and Event Projections

EVENT CAPACITIES

Conventional Wisdom has modeled the capacities for conventions (with and without exhibits) and conferences using all of the event spaces in the Center excluding the Arena. Although the Arena could be and has been used in certain circumstances as general session and exhibit space, the intent of the expansion is to allow the Arena to generate its maximum revenue potential as a performance/sporting venue.

The CW model solves for a target audience that uses a combination of meeting and ballroom spaces in support of conventions both with and without exhibits, and conferences. The model uses the ballroom at capacity for either a large food-function or plenary session and then tests if that crowd size can be accommodated in the remaining meeting rooms. CW assumes that smaller boardrooms are not included in the meeting inventory, but are available for use as offices, speaker ready rooms, etc. In all cases, the model assumes meeting room uses to be a mix of lecture- and classroom-style setups; the need for 100% of the meeting rooms to be set in classroom-style (a rare occurrence) would reduce max occupancy by 10-15%.

CW studied Options B2 (base case), B1, B and A. The programmatic lack of meeting spaces is the limiting factor for Option B2, while the programmatic function spaces for Options B and B1 are relatively in balance. Option A includes both a grand and junior ballroom; the largest ballroom space sets the capacity limit. Therefore, the model yields a maximum crowd size that is less than the other Options and includes an oversupply of meeting space.

The range of event capacity per option is shown in the table below. Events needing a combination of 1) plenary/general session use, 2) a banquet and 3) meeting rooms as break-out spaces for the audience are listed in the first column. The second column shows a higher capacity should banquet use not be required or the banquet and plenary needs can be combined in the ballroom.

Option	Capacity with Banquet & Plenary Use	Capacity w/o Banquet or Plenary Use
A	550-650	900-1,000
B2	700 – 800	700 – 800
B	900 – 1,000	1,300 - 1,500
B1	900 – 1,000	1,000 - 1,200

Source: Conventional Wisdom

KEY ASSUMPTIONS

Net new business will occupy approximately 120 use-days in the new space with significant economic impact with an additional 80 use days from existing and low economic impact users, bringing the major spaces to 60% occupancy.

This analysis assumed that the Center will take 3-5 years to reach stabilized operations. On average, meeting planners book events 2 years in advance, thus the first 2 years of operations will likely reflect bookings that occurred during the construction period.

Calculation of new attendance: 66% of total attendance with a 10% increase. One-third of the attendance will come from existing users expanding into the space but seeing a slight increase in attendance.

APPENDIX 2: Conventional Wisdom Report: Crowd Modeling, Event Capacities and Event Projections

EVENT PROFILES

CW's initial assumption is that net new business will occupy approximately 140 use-days in the new space from clients that provide significant economic impact. An addition 80 use days will come from existing and low economic impact users. These 220 total use days represents 60% occupancy in the major spaces, which is near capacity by industry standards. Those occupancy levels will occur in a "stabilized year" that will take some time to achieve. A profile for each major event-type using the expanded facilities is shown in the tables herein. The table below shows a typical duration and usage by move-in, show and move-out days for each event type.

Event Type	Total Days	Move-in	Show	Move-out
Conventions w/ Exhibits	4 - 5	1 - 1½	2 - 3	½ - 1
Conventions w/o Exhibits	3 - 4	½ - 1	2 - 3	½
Trade Shows	4 - 5	1 - 1½	2 - 3	½ - 1
Conferences	1	0	1	0
Weddings	1 - 2	0 - 1	1	0

The tables to the right project the number of events per event type in a stabilized year for Options B2, and B1, B and A. The average attendance range per event type is shown along with a total attendance and a range of hotel room nights consumed. Pent-up demand from existing users that need more space is estimated to absorb one-third of the new capacity, a factor that will have to be considered within economic model. In those cases, some added attendance (10%-15%) may be realized with a corresponding increase in economic impact.

Option B2 will attract between 22,700 and 27,700 attendees consuming between 56,600 and 67,300 room nights; however, given one-third of them are associated with existing shows which will expand into the new space, a net total of 15,000 to 17,500 visitors will be new to the market. Those numbers represent an approximate ten-percent (10%) increase in attendance over 2016 actual and 2017 projected attendance per show numbers that were provided by the facility. Option B1 will have proportional results with between 26,500 and 33,300 in attendance (18,000 – 22,000 net new visitors) consuming between 68,600 and 85,200 room nights. The total attendance for Option B is between 32,200 and 38,000 visitors; a net total of 21,000-25,000 visitors are new to the marketplace. These visitors will consume between 84,800 and 97,900 total room nights. The total attendance for Option A is between 20,300 and 24,700 visitors; however, given one-third of them are associated with existing shows which will expand into the new space, a net total of 14,000-16,000 visitors will be new to the market.

Scenario A	# Events	Avg Attendance	Total Attendance	Room Nights
Conventions w/ Exhibits	8	550-650	4,400-5,200	13,310-15,730
Conventions no Exhibits	10	550-650	5,500-6,500	19,388-22,913
Trade Shows	6	900-1,000	5,400-6,000	10,935-12,150
Conferences	8	250-350	2,000-2,800	2,200-3,100
Weddings	12	250-350	3,000-4,200	3,600-5,000
Total Visitors			20,300-24,700	49,433-58,913
Net New Visitors			14,000-16,000	

Scenario B2	# Events	Avg Attendance	Total Attendance	Room Nights
Conventions w/ Exhibits	8	650-750	5,200-6,000	15,700-18,200
Conventions no Exhibits	10	650-750	6,500-7,500	22,900-26,400
Trade Shows	6	1,000-1,200	6,000-7,200	12,100-14,600
Conferences	8	250-350	2,000-2,800	2,200-3,100
Weddings	12	250-350	3,000-4,200	3,600-5,000
Total Visitors			22,700-27,700	56,600-67,300
Net New Visitors			15,000-17,500	

Scenario B1	# Events	Avg Attendance	Total Attendance	Room Nights
Conventions w/ Exhibits	8	1,000-1,200	8,000-9,600	24,200-29,000
Conventions no Exhibits	10	750-950	7,500-9,500	26,400-33,500
Trade Shows	6	1,000-1,200	6,000-7,200	12,100-14,600
Conferences	8	250-350	2,000-2,800	2,200-3,100
Weddings	12	250-350	3,000-4,200	3,600-5,000
Total Visitors			26,500-33,300	68,500-85,200
Net New Visitors			18,000-22,000	

Scenario B	# Events	Avg Attendance	Total Attendance	Room Nights
Conventions w/ Exhibits	8	1,300-1,500	10,400-12,000	31,500-36,300
Conventions no Exhibits	10	900-1,000	9,000-10,000	31,700-35,300
Trade Shows	6	1,300-1,500	7,800-9,000	15,800-18,200
Conferences	8	250-350	2,000-2,800	2,200-3,100
Weddings	12	250-350	3,000-4,200	3,600-5,000
Total Visitors			32,200-38,000	84,800-97,900
Net New Visitors			21,000-25,000	

Source: Conventional Wisdom

APPENDIX 2: Conventional Wisdom Report: Crowd Modeling, Event Capacities and Event Projections

INCREMENTAL REVENUE & EXPENSES

Revenue

Conventional Wisdom reviewed the event attendance and revenue information provided for the calendar year 2016 and that for 2017 through September 30th. Additionally, the five-year averages for revenues and expenses from 2013-2107 were used in the analysis and yielded only a 0.35% difference from the projections. The data was separated by event type; where the events recurred in 2017, the change in attendance and revenues was tracked. For the main revenue-producing events, attendance increased by about six-percent (6%) while revenues increased around eight-percent (8%) from the 2016 results.

The data analysis provided a blended per-capita revenue number by event type; these numbers were used along with the projected attendance to determine the revenue ranges per Option.

Incremental Operating Revenue

Averages for attendance and revenues by event type were compared, thus allowing for a range of likely attendance and revenues to be projected. The average revenue numbers use historic rental rates and commission structures from the existing operations; revenue is shown in current dollars and is not escalated for future years. The revenue categories shown are used by the existing operation. Non-operating Revenues from Hotel taxes and Investments were not considered in the results shown.

B2 - Event Type	# Events	Attendance		Revenue per Event		Total Revenue	
		MIN	MAX	MIN	MAX	MIN	MAX
Conventions w/ Exhibits	8	5,200	6,000	\$20,000	\$23,000	\$160,000	\$184,000
Conventions w/o Exhibits	10	6,500	7,500	\$29,000	\$33,000	\$290,000	\$330,000
Trade Shows	6	6,000	7,200	\$24,000	\$28,000	\$144,000	\$168,000
Conferences	8	2,000	2,800	\$5,000	\$7,000	\$40,000	\$56,000
Weddings	12	3,000	4,200	\$12,000	\$16,000	\$144,000	\$192,000
Total		22,700	27,700			\$778,000	\$930,000

B1 - Event Type	# Events	Attendance		Revenue per Event		Total Revenue	
		MIN	MAX	MIN	MAX	MIN	MAX
Conventions w/ Exhibits	8	8,000	9,600	\$31,000	\$37,000	\$248,000	\$296,000
Conventions w/o Exhibits	10	7,500	9,500	\$34,000	\$42,000	\$340,000	\$420,000
Trade Shows	6	6,000	7,200	\$24,000	\$28,000	\$144,000	\$168,000
Conferences	8	2,000	2,800	\$5,000	\$7,000	\$40,000	\$56,000
Weddings	12	3,000	4,200	\$12,000	\$16,000	\$144,000	\$192,000
Total		26,500	33,300			\$916,000	\$1,132,000

B - Event Type	# Events	Attendance		Revenue per Event		Total Revenue	
		MIN	MAX	MIN	MAX	MIN	MAX
Conventions w/ Exhibits	8	10,400	12,000	\$40,000	\$46,000	\$320,000	\$368,000
Conventions w/o Exhibits	10	9,000	10,000	\$40,000	\$44,000	\$400,000	\$440,000
Trade Shows	6	7,800	9,000	\$30,000	\$35,000	\$180,000	\$210,000
Conferences	8	2,000	2,800	\$4,400	\$6,200	\$35,200	\$49,600
Weddings	12	3,000	4,200	\$12,000	\$16,000	\$144,000	\$192,000
Total		32,200	38,000			\$1,079,200	\$1,259,600

Source: Conventional Wisdom

APPENDIX 2: Conventional Wisdom Report: Crowd Modeling, Event Capacities and Event Projections

INCREMENTAL REVENUE & EXPENSES (cont.)

Incremental Operating Expenses

Additional staffing will be required to support the new facilities; salaries, wages and benefits are the single largest expenditure in this building type. Contracted services for cleaning, mechanical equipment maintenance, and production services will be required on a per-event basis. CW projects that Option B2 will need approximately six FTEs; seven additional FTE employees may be needed for the operation of Options B1 and B in the areas of event management, facility set-up/maintenance and technical production. In each case, these individuals may be added incrementally during the ramp-up period.

Utilities represent the next largest expenditure category. The new facilities will add approximately 50% to the size of the current facility – most utility increases will be proportional to the size of the building, rather than the size of the event. The variable portion of the overall expenditures for utilities (including telephone, electric, water, sewer, and trash removal) is relatively small.

The balance of expenses was analyzed as fixed or event-related variable expenses that have a fixed baseline; the incremental expenditure amounts are assigned initially by facility size and then adjusted for event activity. A number of overhead expenses remain unchanged from existing operational levels, such as promoting events in the arena.

Summary of Revenue & Expenses

Conventional Wisdom has maintained from the onset that the type of facilities added will increase the number of visitors to the community and have a significant economic impact from their expenditures while in La Crosse. As shown above, these facilities do not generate substantial operating revenues beyond its operational expenses.

	B2		B1		B	
	MIN	MAX	MIN	MAX	MIN	MAX
Incremental Operating Revenues						
Rent	\$467,000	\$558,000	\$549,000	\$679,000	\$648,000	\$756,000
Catering, Food & Beverage	\$171,000	\$205,000	\$202,000	\$249,000	\$237,000	\$277,000
Convention Services	\$140,000	\$167,000	\$165,000	\$204,000	\$194,000	\$227,000
Total Revenue	\$778,000	\$930,000	\$916,000	\$1,132,000	\$1,079,000	\$1,260,000
Incremental Operating Expenses						
Salaries, Wages & Benefits	\$415,000	\$455,000	\$485,000	\$535,000	\$490,000	\$540,000
Utilities	\$140,000	\$170,000	\$205,000	\$249,000	\$227,000	\$277,000
Insurance	\$17,000	\$20,000	\$24,000	\$27,000	\$27,000	\$30,000
Promoter Expenses	-	-	-	-	-	-
Food Service & Liquor	\$125,000	\$175,000	\$120,000	\$170,000	\$125,000	\$175,000
Supplies & Expenses	\$125,000	\$150,000	\$125,000	\$150,000	\$125,000	\$150,000
Total Expense	\$822,000	\$970,000	\$959,000	\$1,131,000	\$994,000	\$1,172,000
Net Incremental Profit (Loss)	-\$44,000	-\$40,000	-\$43,000	\$1,000	\$85,000	\$88,000
Percentage Profit (Loss)	-6%	-4%	-5%	0%	8%	7%

Source: Conventional Wisdom

APPENDIX 2: Conventional Wisdom Report: Crowd Modeling, Event Capacities and Event Projections

INCREASING REVENUES

Several opportunities exist for increasing operating revenues through changes in policy, contracting and rate structure. Some of the recommendations listed below can be enacted directly by the facility, others are strategic policy changes that have broad, long range implications that should be considered within the political realm.

Catering, Food & Beverage Service

The facility uses currently a hybrid operation for the food and beverage services. The Center maintains exclusively the operation of the concession stands and novelty sales related to public events and controls the distribution of liquor within the complex. An “open catering” policy is available for other users of the facility. Some of the changes to consider include:

- The “official list” of preferred caterers should be reestablished through a public procurement process once the new facilities near completion. The caterers should be required to provide liability insurance and certifications that its employees have been trained properly in food handling, safety, and serving alcohol. City non-discrimination and other public policies should be acknowledged in these agreements. The Center must set minimum standards for product serves in its facilities. Terms and condition for the use of the kitchens and other food service equipment should be detailed.

Impact: The preferred catering list will ensure the facility offers a quality standard for serving its food & beverages within the Center. Some fiscal benefits will accrue through the consistency of the product offered.

- Commissions to the facility should be increased from 15% to 20% at minimum. An additional fee should be imposed on caterers that use the cooking facilities to help fund a capital replacement reserve account for kitchen equipment. This fee can be calculated by taking the value of the kitchen equipment and depreciating it on a straight-line basis over a period of 15 years. For example; \$1.5 million in kitchen equipment divided by 15 years equals \$100,000 per year in depreciation. If the building is operating at 60% capacity, then 240 use-days are generated per year; yielding about 120 actual show-open days.. The kitchen fee to recover fully the cost of the equipment would be approximately \$800 per use-day. As an alternate, raising the commission paid to 25% and reducing the per-day kitchen use fee to \$400 would generate a similar revenue increase.

Financial Impact: These changes could significantly increase the net revenue from catering, food and beverage services by adding between \$100,000 and \$150,000 in revenue.

- The City should study the feasibility and financial returns associated with self-operation exclusively or contracting food and beverage services to an exclusive contractor via competitive process.

Financial Impact: This approach would be the most drastic change from the present operation, but is used in the majority of facilities in North America. For in-house option, the City assumes all costs for the operation and receives all of the profits. With an exclusive contractor, the Center shares in the risk/reward with the contractor under a Management Fee approach. In both cases, the quality of the General Manager and Executive Chef are key to the success. Returns to the facility of between 30- to 35-percent are common, providing an increase in net profits of between \$300,000 and \$350,000 over the historical average.

APPENDIX 2: Conventional Wisdom Report: *Crowd Modeling, Event Capacities and Event Projections*

INCREASING REVENUES (cont.)

Service Fees for Ticketed Events

The facility should adjust its ticket fees to match the service charges levied by outside ticket purveyors. Purchasers have an expectation of paying these fees; as most of the tickets are reportedly sold remotely from the facility's box office this change should receive minimal resistance from buyers.

Financial Impact: The amount of added revenue generated by this could be significant.

Controlling Expenses for Audio-Visual Equipment

The state-of-the-practice for audio-visual, projection and display continues to change rapidly, so rapidly that most A/V equipment becomes obsolete long before it's exceeded its useful life. Public assembly facilities simply cannot rent the equipment frequently enough to recapture the initial investment; therefore, Conventional Wisdom recommends soliciting an official, non-exclusive audio-visual provider (that rents its equipment in multiple location to recapture its investment). The provider should be provided an on-site storage location to leave some equipment for short-notice rentals. The request for proposals can also ask vendors to provide liability insurance and acknowledge City non-discrimination and other public policies. Payments are made on a commission-basis.

Decorating and Other Service Contractor Revenues

The La Crosse Center has an extensive inventory of "pipe and drape" that is often provided in a rental package for certain trade and public events. Most trade show service contractors use "pipe and drape" as a loss-leader and produce the bulk of its revenues through equipment rental (carpet and furniture), labor and drayage (shipping and delivery). Electrical services are also a major revenue source controlled typically by the facility or its subcontractor. Booth cleaning is also a revenue stream that many facilities have explored. Based upon business activity, the facility could explore the option of an official, non-exclusive contractor that would pay a commission on all of its revenue sources.

Booking Policy & Restrictions

Once the new spaces are available for rent, a booking policy should be developed that allows advanced booking of events that provide a significant amount of economic impact to the community - such as conventions and tradeshows. Certain consumer shows and other major events could be "grandfathered" into the policy. All other pieces of business should be held off until 18-24 months in advance. The booking and scheduling policies allow the opportunity to book hotel-room-using events that provide greater economic benefit to the community.

Rental Rates

The improved facilities offer the opportunity to make major changes in rental rate structure. Rate surveys of state and regional competitive facilities should be undertaken for convention, tradeshow, meeting, public-ticketed, banquet and consumer events. A new rate strategy can be adopted to include many "ala carte" services and provide a better "value" to the user.

Governance Structure

A change to facility governance is a political option that offers some relief from certain City budgeting, personnel and purchasing restrictions. A publicly-appointed board of an Authority or Not-for-Profit Corporation offers broad representation when hospitality, business and other political jurisdictions are included. Such an entity may open other funding sources and opportunities from multiple jurisdictions. Including other communities or the County provides input from jurisdictions that receive the benefits of the complex without a contribution. Possible additional funding sources could be explored in this broader community context.

APPENDIX 3: IMPACT ASSUMPTIONS

CALCULATING ANNUAL IMPACT

Direct Impacts

New visitors that will come to La Crosse as a result of the expansion will primarily be overnight visitors. The existing program accommodates local meetings and concerts, but the attractiveness of new additional space largely impacts conventions, meetings, and regional trade shows.

Visitor spending is generally broken into overnight and day time visitors. The State Tourism Board assumes that the average overnight visitor spends \$184/day and the average daytime visitor spends \$58/day. This includes all spending such as retail, food and beverage, and additional hotel spending.

How much new spending will be generated by these new visitors each year?

The overnight spending assumption and the average days of stay were applied to each new visitor per day --- or, the total number of new annual over nights stays multiplied by \$184.

$(\text{Total new visitors}) \times (\$184) \times (\text{days of stay}) = \text{Direct Economic Impact.}$

Indirect + Induced Impacts

For every dollar that a new visitor spends in the local economy, there is associated economic activity generated, including additional spending, job creation, and fiscal impacts.

$\text{Total Impact} = \text{Direct Impact} \times \text{Multiplier}$

IMPLAN software calculates the indirect and induced impacts using output multipliers that are specific to La Crosse County. Overnight convention visitor spending is primarily associated with lodging, food and beverage, and some retail spending. While the software calculates fine-grain impact numbers, the approximate multiplier for these spending groups in La Crosse County is 1.6.

Aside from economic activity, IMPLAN also estimates employment effects from the new activity-- or job creation. These will primarily be in the service industry, restaurants, and retail.

Lastly, fiscal impacts in the form of State & Local Taxes and Federal Taxes are also produced by the economic model. Federal Taxes were not included in this report as it does not directly affect the La Crosse Community. Also included in this report is an estimate of new sales tax (5.5%) and hotel tax (8%) based on the spending numbers and the Average Daily Rate (ADR) for hotels in the area multiplied by new room nights. These are meant to be seen as estimates.

APPENDIX 3: IMPACT ASSUMPTIONS

IMPACT ASSUMPTION SUMMARY:

State Tourism Board and LCVB Assumptions:

Overnight: \$184/ person / night
Daytime: \$58 / person / day

ADR Assumption for hotel tax generation: \$105

Hotel Tax Rate: 8.0%

Sales Tax Rate: 5.5%

New annual room night (overnight stays) calculation: Total room nights generated per event type per year were calculated by CW. The net new room nights per scenario are then calculated as 50% new business plus an additional 10% for future growth.

IMPLAN CALCULATIONS

		INCREMENTAL (NET NEW) IMPACT		
Direct Output by Visitor Type	Existing	B2	B1	B
New Overnight Stays		32,600	40,800	48,600
Hotel Est. Net New Spending		\$3,586,000	\$4,488,000	\$5,346,000
Restaurants Est. Net New Spending		\$1,956,000	\$2,448,000	\$2,916,000
Retail Est. Net New Spending		\$489,000	\$612,000	\$729,000
Total Direct Economic Impact	\$23,500,000	\$5,998,400	\$7,507,200	\$8,942,400
Indirect & Induced Impact	(\$23.5 M x 1.6)	\$3,673,800	\$4,589,500	\$5,466,800
Total New Economic Impact ¹	\$37,590,000	\$9,672,200	\$12,096,700	\$14,409,200
Jobs		123	154	184
Total Fiscal Impact		831,000	1,039,000	1,239,000
Total Est. Net New Hotel Tax -8.0%	\$1.457,000 ²	\$299,200	\$374,500	\$446,100
City General Fund - 30%		\$90,000	\$112,000	\$134,000
LCC – 35%		\$105,000	\$131,000	\$156,000
LACVB – 35%		\$105,000	\$131,000	\$156,000
Est. Sales Tax Generation - 5.5% ³		\$532,000	\$665,000	\$793,000
Est. County Capture of Sales Tax - 0.5%		\$48,000	\$60,000	\$72,000

Construction Period Impact	B2	B1	B
Construction Period job creation	477 Jobs	557 Jobs	625 Jobs
Construction Period State & Local Taxes	\$2,176,000	\$2,746,000	\$2,850,000

1. Total economic impact is direct + indirect + induced impacts. This can be roughly calculated at a 1.6 x multiplier of the direct impact

2. 2016 Hotel Tax Generation based on data available

3. Sales tax impact is estimated based on the total new economic impact or spending generated by the project multiplied by the current tax rate.

Source: Conventional Wisdom, IMPLAN, LCVB, State Tourism Board, Gensler