

Southern Indiana Conference Center Feasibility Study Phase II – Continuing Advisory Services



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CONSULTING**

TVS

July, 2023

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Section 1

Introduction



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Introduction

Transmittal Letter

Re: Conference Center Feasibility Study & Market Analysis

Dear Mr. Epperson,

C.H. Johnson Consulting, Inc. (Johnson Consulting) is pleased to submit this report to you regarding the third phase of the market analysis and feasibility study for the proposed conference center in Southern Indiana. Pursuant to our engagement, this report provides an overview of funding strategies available to SoIN tourism and its partners for the conference center project; a summary of various public-private partnership structures and models; drawings and schemes for the Clarksville and Jeffersonville sites, along with preliminary cost estimates and hypothetical capital stacks; an assessment of the project's various risks along with strategies for mitigating those risks; and recommendations for both the site and management structure of the facility. Though this report does not address the phase three scope in full, it arrives at the desired result of a selected site, initial funding strategy, and the reasoning behind each and we will continue to further refine the funding and operating strategy as the project advances.

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.

C.H. Johnson Consulting, Inc.

Introduction

Scope Overview

Southern Indiana Conference Center Phase 3 - Continuing Advisory Services TVS Scope of Services Summary	
Item	Summary
A. General	Develop functional layouts for conference centers on three sites while advising stakeholders on criteria and planning priorities.
B. Process	<div><div>i. Attend meetings with stakeholder groups for the various sites to discuss initial phase II analysis results, discuss risks and set criteria and priorities for development of each site. Summarize findings in meeting notes.</div><div>ii. Develop preliminary functional layout diagrams.</div><div>iii. Conduct a workshop with the Owner and site stakeholder groups to discuss preliminary functional layouts for the sites. Receive comments and feedback from stakeholder groups.</div><div>iv. With direction from the Owner group, the design team will finalize the criteria and layout diagrams.</div><div>v. The design team will present this second round to the Owner group for approval with a draft supporting document summarizing the concepts for the sites.</div><div>vi. The design team will take feedback from the presentation and update the planning document for final submission.</div><div>vii. At this point the design team may be engaged to further develop concepts for one or more of the sites, including the potential for conceptual design / professional renderings.</div></div>
C. Deliverables	<div><div>i. Meeting Notes</div><div>ii. Conceptual Sketches</div><div>iii. 2D Plans and Diagrams</div><div>iv. Conceptual Planning Document</div></div>

Southern Indiana Conference Center Phase 3 - Continuing Advisory Services Johnson Consulting Scope Items Summary	
Item	Summary
1 Advisory Committee	Assist the client with assembling an advisory committee to guide the project's processes and decision-making.
2 Preliminary Data Gathering	Work with the advisory committee to confirm the project's scope, schedule, and expectations, and gather data to begin analysis prior to the site visit.
3 Site Visit and Meeting Facilitation with Each Jurisdiction	Schedule a visit to tour the site options for the project, as well as the region as a whole. Meet with the relevant jurisdictions to have initial discussions about their vision for the conference center's development, as well as financing strategies and opportunities.
4 Continued Facilitation	Help communities develop proposals and financing plans for the conference center and assist SoIN Tourism and the advisory committee in reviewing them. Compare responses and develop a hierarchy based on which proposals have the greatest potential for economic impact in Clark and Floyd Counties.
5 Risk Assessment	Analyze project risks and devise strategies for mitigating those risks.
6 Project Model	Develop a project model summarizing development costs, financing, revenue and expenses, and cash flow. This model will be continually updated to reflect the final direction the project takes.
7 Reporting and Analysis	Regularly report on project process, project goals, project boundaries, real estate requirements, program, target market, developer and CVB responsibilities, sources of equity and other financing, backstop considerations, property taxes, occupancy risks, reversion rights, and schedule requirements. Further develop the capital analysis going forward to help support the READI Grant process.

We are here

A nighttime aerial view of a city featuring a large bridge over a river, a Ferris wheel, and city lights.

Section 2

Funding Strategies



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Funding Strategies

Overview

In North America, convention and conference center construction, improvement and expansion are typically financed with public debt, which is repaid over a 20- to 30-year period. Grants and benefactor support are also sourced. For example, FEMA invests in spaces in several fairgrounds and other event venues nationally, as they have become important regional safety headquarters.

Sources of funds used to repay the debt are usually tax revenues and are often those generated from activities or businesses that are most likely to use, or otherwise benefit from, the facility. Hotel room occupancy taxes, special taxes on restaurants, sales taxes, car rental fees, parking taxes, airport access fees, and adjacent real estate taxes and profits are most often the revenue sources used to repay debt service. In addition, these tax sources are frequently used to finance the ongoing operating, capital improvements and marketing needs of the facility.

The mix of revenue sources selected in any given case depends upon the comparative level of existing taxes or fees, as well as what is considered to be both fair and feasible under the unique political and economic circumstances relating to each development. In most communities, a high level of commitment and coordinated community-wide effort, including both state and local governments, is necessary to successfully fund a project.

Funding Strategies

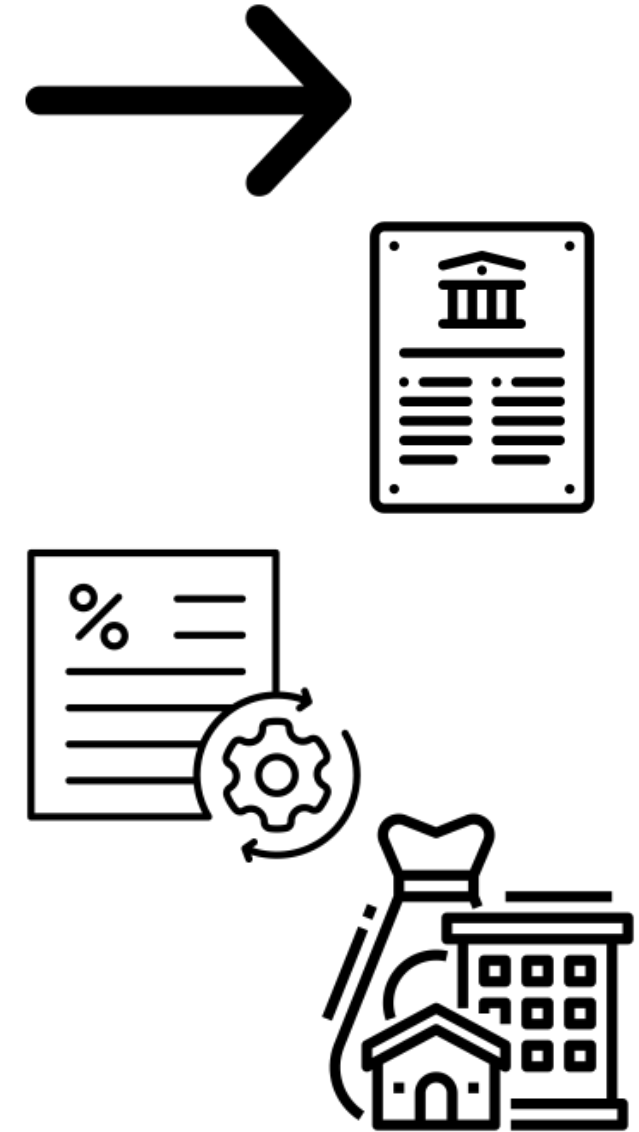
Financing Mechanisms

Pay-As-You-Go Financing: Projects that are relatively small or that are financed in municipalities with rapidly growing tax bases are sometimes paid for directly out of appropriated funds each year. However, the majority of facilities are financed with long-term debt so that payment of capital costs corresponds to the period over which the facility is used and its economic benefits are realized. Some portion of a new conference center in Southern Indiana might be paid for out of municipality or county's general fund, but that portion is likely to make up a small amount of the overall capital stack.

General Obligation Bond Financing: Long-term bonding using the general obligation of the City, County and/ or State, Port Authorities, and College institutions, etc. either directly as part of a capital outlay program or as guaranteed debt of an authority that would provide strong credit and relatively low borrowing costs for the project. General obligation bonding is typically reserved for projects perceived to benefit the population as a whole, such as educational, environmental, economic development, transportation, or correctional facilities. The proposed conference center would certainly fall into this category, and general obligation bonds will likely make up some portion of its funding.

Revenue Bond Financing: Revenue bonds are another source of finance that can be used to build, own, and operate utilities, airports, transportation systems, and public purpose facilities that have no power to tax. They derive their revenues from user fees and other sources, and must finance general and capital expenditures out of these receipts and whatever amount they are permitted to borrow, which can be tailored to fit the specific requirements of the involved local and state governments.

Capital Development Funds: Certain public or non-profit organizations have funds devoted specifically to capital development projects. Often these funds are used for smaller, pay-as-you-go type projects, but they can also make up part of the capital stack on a larger such project. SoIN has a dedicated capital development fund which can be used to help finance this project, though the magnitude is likely to be relatively moderate.



Funding Strategies

Financing Mechanisms

READI Grants: READI, which stands for Regional Economic Acceleration & Development Initiative, is a program funded by the State of Indiana and managed by the Indiana Economic Development Corporation. The program will dedicate \$500 million in state grants towards strategic investments in local communities, with the goal being to continue Indiana’s trajectory of economic growth. The contemplated conference center would be a strong candidate for a READI grant, which could comprise \$4 to \$8 million of the project’s capital stack.

FEMA Funds: The Federal Emergency Management Authority, or FEMA, will often contribute funds to facilities which it can use in its response to national disasters. Given Clark County’s position along the Ohio River and therefore its heightened risk of flooding, the conference center could certainly be eligible to receive FEMA funds if designed to the agency’s standards (though the specifics and scale of this have yet to be determined).

ARPA Funds: The American Rescue Plan Act of 2021, or ARPA, is a \$1.9 trillion economic stimulus package designed to help the U.S. recover from the COVID-19 pandemic. Part of that money can be used by states and counties to finance various initiatives, including capital projects such as the proposed conference center. However, ARPA funds must be committed by the end of 2024 and spent by the end of 2026.

Land / Infrastructure Contribution: Land and infrastructure contributions can be a creative method of financing public assembly facilities. If a government body – such as a state, county, or municipality – owns a piece of land, it can choose to donate it to the body building the public assembly facility, defraying the facility’s capital cost without having to commit dollars directly. Similarly, a government body can contribute infrastructure – such as roads, sewers, electricity, etc. – to a project, allowing it to use its public works budget rather than another component of its budget. A land and / or infrastructure contribution could be an important component of bringing the proposed conference center to fruition.



Funding Strategies

Taxing Mechanisms

Sales Taxes: Sales tax provides strong credit structures because they are relatively predictable and tend to track with inflation and economic growth. A general sales tax increase, or expansion of the base, can provide a strong incremental revenue stream. However, these taxes are often difficult to implement because they primarily tax local residents and require referendum and/ or State legislative approval. There are examples of municipalities using a general sales tax, over a fixed period, to finance major capital projects. The quick-pay method enables municipalities to generate the necessary revenue over a short period of time, but a general sales tax is a blunt taxing instrument that does not provide a direct correlation between burden and beneficiary. General sales tax may be bonded against for this project, but given the tourism orientation and area-specific benefits of a conference center, a more refined financing strategy may be more optimal.

Hotel Occupancy Tax: Hotel taxes have the major advantage of primarily taxing out-of-town visitors, rather than local residents. A number of facilities throughout the U.S. have had their debt service paid fully, or in part, by dedicated hotel tax revenues. SoIN currently levies a hotel occupancy tax, and raising it in order to secure more funds for a conference center is a viable option.

Tax Increment Financing (TIF): TIFs are based on the incremental tax value of ancillary economic development projects that are triggered by a major new facility. The tax base of a defined TIF district is frozen and any increases in the future tax base are used to repay TIF bonds. This is a logical source of funding for this project, if the TIF potential exists. A creative TIF District may have to be formed to engender sufficient revenues to fund this facility, or phases of it. TIF is commonly used to finance public facilities in Indiana, and is a strong possibility for the proposed conference center.



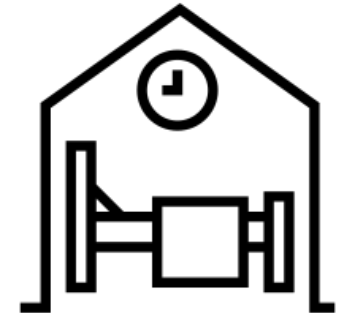
Funding Strategies

Taxing Mechanisms

Tourism Development Zone (TDZ): Tourism development zones function very similarly to TIF districts but, rather than collecting incremental property taxes, they collect incremental sales taxes. Essentially, the sales taxes collected within the defined zone are frozen at a baseline level and all taxes collected above that level are dedicated towards improving the zone via capital investments, incentives for various private entities, and other initiatives. Projected sales tax increases can also be bonded against, which could be a viable strategy for financing the contemplated conference center. However, TDZs are not currently an option in Indiana, and thus a new enabling law would be required in order for one to be utilized for this project.

Tourism Improvement District (TID): Similar to a traditional Business Improvement District (BID), a TID is a district in which a special assessment is levied on hotel room sales (and sometimes other sales such as tickets, retail, or meals). The money collected is managed by a dedicated non-profit or advisory board, often made up of local tourism industry stakeholders such as hoteliers and restaurateurs, and used to fund destination marketing and development initiatives. There is currently a bill in the Indiana General Assembly's Ways and Means Committee which would enable the creation of TIDs in Indiana. If the legislation is passed, a TID could represent a significant funding source for the proposed conference center.

Food & Beverage Taxes: Food & beverage taxes have been used throughout the U.S. to support the costs of developing, and renovating, public assembly facilities and to fund related infrastructure, such as parking decks. This is a natural extension of the concept of lodging taxes, as the second highest spend occurs on food service. Food & beverage taxes are directed towards beneficiaries of the project and to some extent, non-residents. Food & beverage taxes can also generate substantial revenue to support operations of a facility. Imposing a small food & beverage tax could create a significant stream of income to help pay for the contemplated conference center, though doing so could involve political difficulties as it would need to be approved by the Indiana General Assembly.



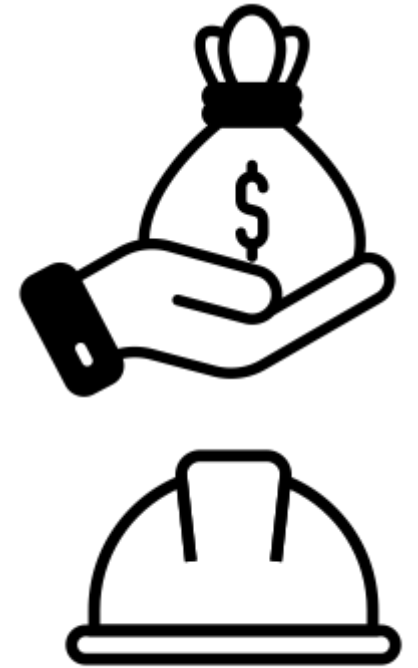
Funding Strategies

Taxing Mechanisms

Local Income Taxes: Personal income taxes imposed at a local level can be a significant source of credit, especially in a growing economy. However, like sales taxes, local income taxes are often difficult to implement as they directly tax residents. Currently, all 92 counties in Indiana collect income tax. Clark County taxes residents' income at 2.0 percent, and the incomes of non-residents who work in the county at 0.75 percent. This is below the maximum rate of 2.5 percent, and increasing the income tax collected in Clark County could provide additional revenue to bond against in order to finance the proposed conference center.

Development Fees / Land Lease Income: Fees for the right to develop projects near a public assembly facility can assist in funding. These so-called linkage fees have been imposed in locations where land adjacent to a public assembly facility is at a premium, typically on hotels, parking decks, retail stores, and other uses that can benefit from their proximity to the facility. Such fees generally do not produce significant revenue and are typically not a creditworthy source for debt financing because of their speculative nature.

Other Sources: Other common sources of partial funding include general fund support, car rental taxes, taxi airport access fees, and parking taxes.



A nighttime aerial view of a city featuring a large bridge over a river, a Ferris wheel, and city lights.

Section 3

Public-Private Partnership Strategies



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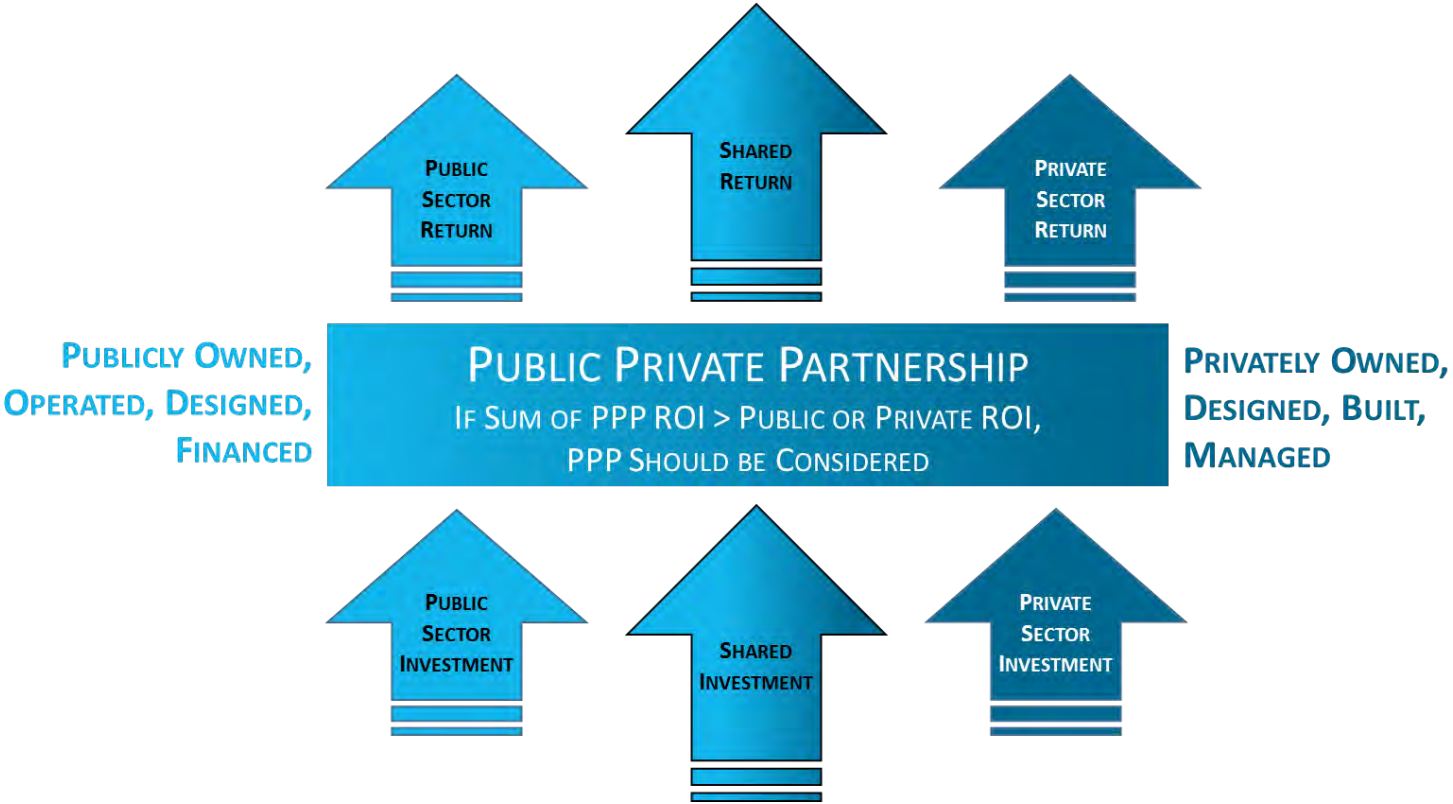
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Public-Private Partnership Strategies

Overview

The intent of this section is to provide a primer on Public Private Partnerships (PPP). While there is no commonly accepted definition of a PPP, put simply, a PPP is a cooperative agreement between a public or quasi-public agency and a private company. Intended to leverage the strengths, skills and assets of each party to deliver a service or facility to the general public, PPPs are structured so that the public and private sector participants share both the risks and the rewards of the project. The intent of a good PPP is to elicit the creativity, insights and experience of a private sector group to bring skills to a project that a public or quasi-public entity, such as a CVB or DMO, could not offer or create itself. The chart below provides a simplistic overview of the concept of PPPs.

There is no centralized governing body that oversees PPPs, although the National Council for PPPs (NCPNP), which is a non-profit, non-partisan, member-based organization, serves to “advocate and facilitate the formation of PPPs at the federal, state and local levels, where appropriate, and to raise awareness of governments and businesses of the means by which their cooperation can cost effectively provide the public with quality goods, services, and facilities.” The following definitions of PPPs are based upon information presented by the NCPNP, supplemented by additional primary and secondary sources.



Public-Private Partnership Strategies

Types of PPPs

PPPs are a type of delivery method for real estate projects. They are specifically enabled by laws regulating them in the majority of U.S. states, with significant variation in the scale and structure of every existing and proposed PPP project, including the relative level of involvement of both public and private sector partners. PPPs exist in some form in all states, but may be called an incentive-based project or follow some other nomenclature. The NCPPP identifies 18 different legal and financial structures based upon ownership, financing, design, build, operations and maintenance, which fall into 4 categories – 1). Operations and Maintenance; 2). Design-Build; 3). Build; and 4). Other Models. A common misperception is that PPPs involve privatizing public assets. To the contrary, and as highlighted by the types of PPPs summarized below, PPPs typically retain a high level of public control and oversight.

1. Operations and Maintenance

Under Operations and Maintenance (OM) models, a public partner contracts with a private partner to provide and maintain a specific asset or facility. In all circumstance, the public sector retains ownership of the asset or facility, and the private sector assumes responsibility for operations and maintenance. There are 2 possible scenarios related to management of the asset of the facility, as shown in the chart below.

While the public partner retains ownership of the asset or facility, the private partner may invest its own capital, the amount of which will be proportionate to the likely operational efficiencies and savings over the term of the contract. Generally, the longer the contract term, the greater the opportunity for private investment, but the less influence the owner has in controlling all outcomes.

PUBLIC PRIVATE PARTNERSHIP MODELS					
	PUBLIC SECTOR ROLE		PRIVATE SECTOR ROLE		
OPERATIONS & MAINTENANCE					
O&M: Operations & Maintenance	Ownership	Management	Operation	Maintenance	
OMM: Operations, Maintenance & Management	Ownership		Operation	Maintenance	Management

Source: NCPPP, Johnson Consulting

Public-Private Partnership Strategies

Overview

2. Design-Build

Design-Build (DB) models involve the private partner providing design and construction of an asset or facility to the public partner. When compared to public sector developments, this type of partnership can reduce time, increase savings, provide stronger guarantees and allocate additional schedule and cost overrun risk to the private sector. There are a number of variations of the DB model, all of which involve public sector ownership and private sector design and build, as summarized in the chart below.

In addition to design and construction risk, many DB models transfer the maintenance risk to the private sector. Where financial responsibilities are also transferred to the private sector (Design-Build-Finance-Operate-Maintain and/ or Transfer), there is significant variation in the degree to which those responsibilities and risks are transferred, however all are either partially or wholly financed by debt-leveraging revenue streams dedicated to the project. The most common revenue source is direct user fees and this is often supplemented by public “allocation payments” which are negotiated to make the economics work best for both parties.

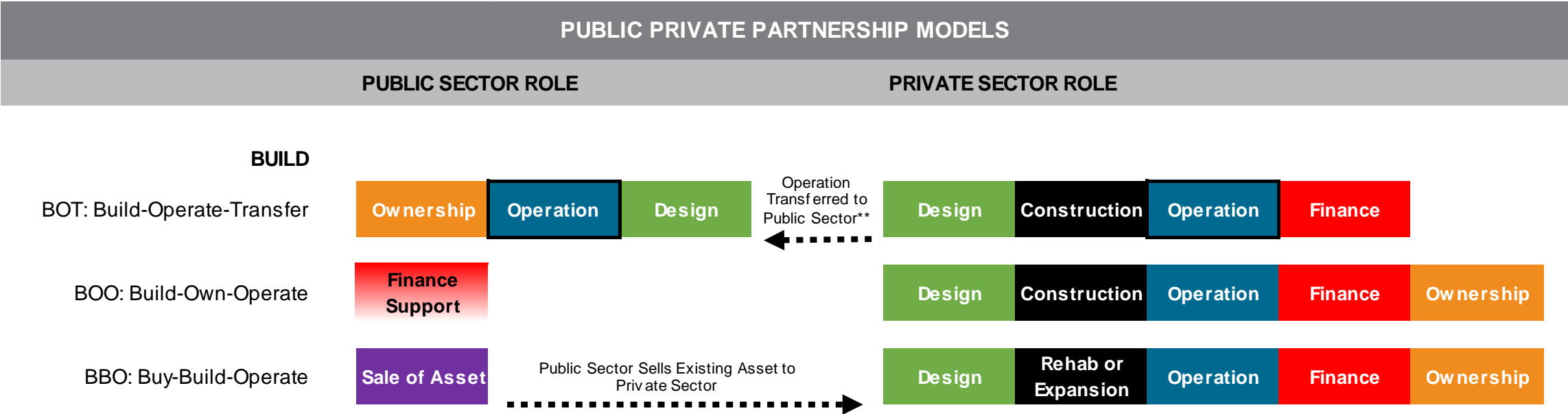
PUBLIC PRIVATE PARTNERSHIP MODELS										
	PUBLIC SECTOR ROLE				PRIVATE SECTOR ROLE					
DESIGN-BUILD										
DB: Design-Build	Ownership	Operation	Maintenance		Design	Construction				
DBM: Design-Build-Maintain	Ownership	Operation			Design	Construction	Maintenance			
DBO: Design-Build-Operate	Ownership				Design	Construction	Operation			
DBOM: Design-Build-Operate-Maintain	Ownership	Operation Oversight			Design	Construction	Operation	Maintenance		
DBFOM: Design-Build-Finance-Operate-Maintain	Ownership	Finance Support			Design	Construction	Operation	Maintenance	Finance	
DBFOMT: Design-Build-Finance-Operate-Maintain-Transfer	Ownership	Operation			Design	Construction	Operation	Maintenance	Finance	Ownership

Public-Private Partnership Strategies

Overview

3. Build

Build (B) models typically entail the private sector building a facility to the specifications agreed to by the public partner. There are 3 potential scenarios related to operations and ownership – A). Build-Operate-Transfer (BOT) in which the private partner operates the facility for a specified period under a contract or franchise agreement and then transfers the facility to the public partner, at which point the public partner can assume operating responsibility for the facility or contract it to another party; B). Built-Own-Operate (BOO) in which the private partner constructs and operates the facility without transferring ownership to the public partner; and C). Buy-Build-Operate (BBO) which is a form of asset sale that includes the rehabilitation or expansion of by the private sector. The chart below summarizes these models.



** BOT: Private sector operates facility under a contract or franchise agreement, at the end of which ownership and operation is transferred to public sector

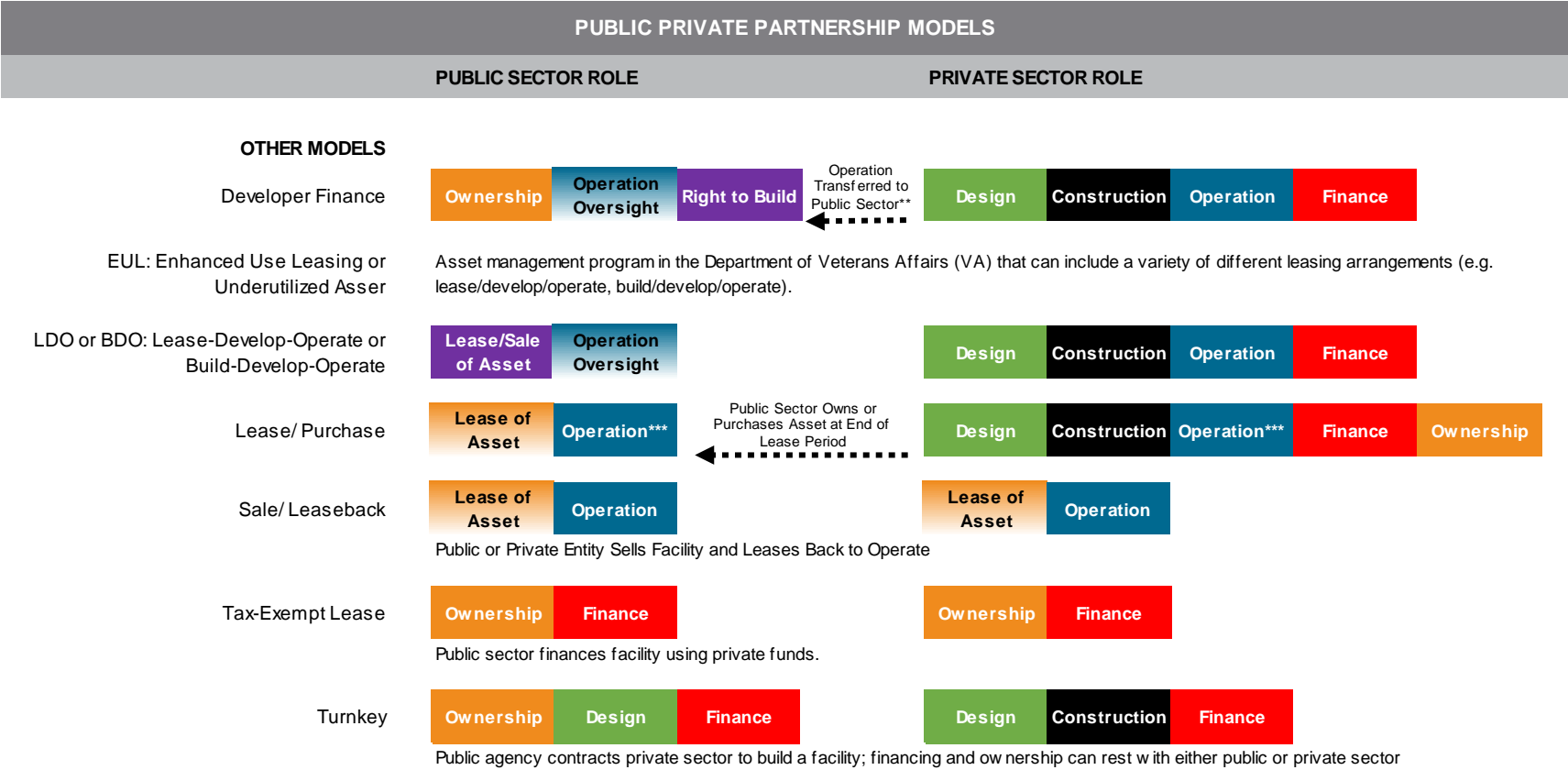
Source: NCPPT, Johnson Consulting

Public-Private Partnership Strategies

Overview

4. Other Models

There are a number of other agreements that can be made between public and private sector entities, as summarized in the following chart.



*** Lease/ Purchase: Facility may be operated by either public or private sector during term of the lease

Source: NCPPP, Johnson Consulting

Public-Private Partnership Strategies

Advantages and Disadvantages

There are a number of advantages and disadvantages to PPPs that have the potential to impact both public and private sector partners. Key elements of the perceived advantages and disadvantages of PPPs include:

Cost of Capital: Utilizing private sector skills and technology to deliver projects in a more efficient manner can result in lower costs and/ or the delivery of a better product for the same investment. Conversely, borrowing rates available to the private sector may be higher than those provided to the public sector. In addition, private partners will often require guarantees of income proportionate to the calculated risk burden.

Timing: Private sector capacity and flexibility can help to ensure the on schedule delivery of projects. Notwithstanding this, the complicated nature of multi-party, financially intricate, and long-term agreements between PPP partners can increase delays during the negotiation phases, as well as in the event that disputes arise.

Project Elements: A PPP leverages the private sector's creativity, focus on design, operation and maintenance, with the intention of improving efficiencies and minimizing costs. Motivated by the desire to preserve long-term value of assets and to minimize costs, whole of life cycle responsibilities encourage the private sector to choose the most appropriate technology for the long-term. This may be in contrast to decisions by some public sector entities guided by political terms and budget constraints. Notwithstanding this, it is necessary for both public and private sector partners to possess PPP-specific capacity for an agreement to be signed and administered successfully. An over-reliance on external consultants can also lead to an expertise flight, where any knowledge gathered through the process is not retained by either party.

Market: With private sector finance, the public sector is able to implement projects more frequently and on a larger scale. However, higher tender and transaction costs, along with complex and long-term contracts, can reduce the pool of private sector companies able to apply for certain projects. Entering into exclusivity agreements effectively creates monopoly markets, thereby reducing competitive pressures to reduce costs and enhance products or services.

Public-Private Partnership Strategies

Advantages and Disadvantages

Risk: As noted in the introduction to this section, project risks are transferred to the party best able to manage or mitigate it. In a typical PPP, demand and revenue risks are shared between the public and private sector, operating and maintenance risks and finance risks fall to either party, design and construction risks are assumed by the private sector, and legal, political and environmental risks are assumed by the public sector. The table to the right shows the typical allocation of risks under a PPP.

PPPs provide the private sector with access to reduced risk, and secure long-term investment opportunities that are underwritten by government contracts. However, long-term contracts are often rigid and inflexible, making it difficult to adapt and change contractual responsibilities when faced with unforeseen events or circumstances.

Financial: Because a large proportion of funding is provided by private sector, the public sector is not responsible for raising funds or adjusting budgets for projects. This means that the public sector is able to implement projects more frequently and on a larger scale. In circumstances where the private sector charges user fees for public facilities, the general public may perceive this to be a form of "double taxation" whereby they are paying for services that they believe should be already paid for by their taxes.

Political: There is political advantage with respect to public perception and financial management credentials, as projects can be delivered on time with less impact on budget. However, difficulty in accessing private sector information reduces transparency and can create problems related to project evaluation.

Typical Risk Sharing - PPP	
Type of Risk	Responsible Party
Demand & Revenue	Shared
Design & Construction	Private
Operating & Maintenance	Public or Private
Financial	Public or Private
Legal	Public
Political	Public
Environmental	Public

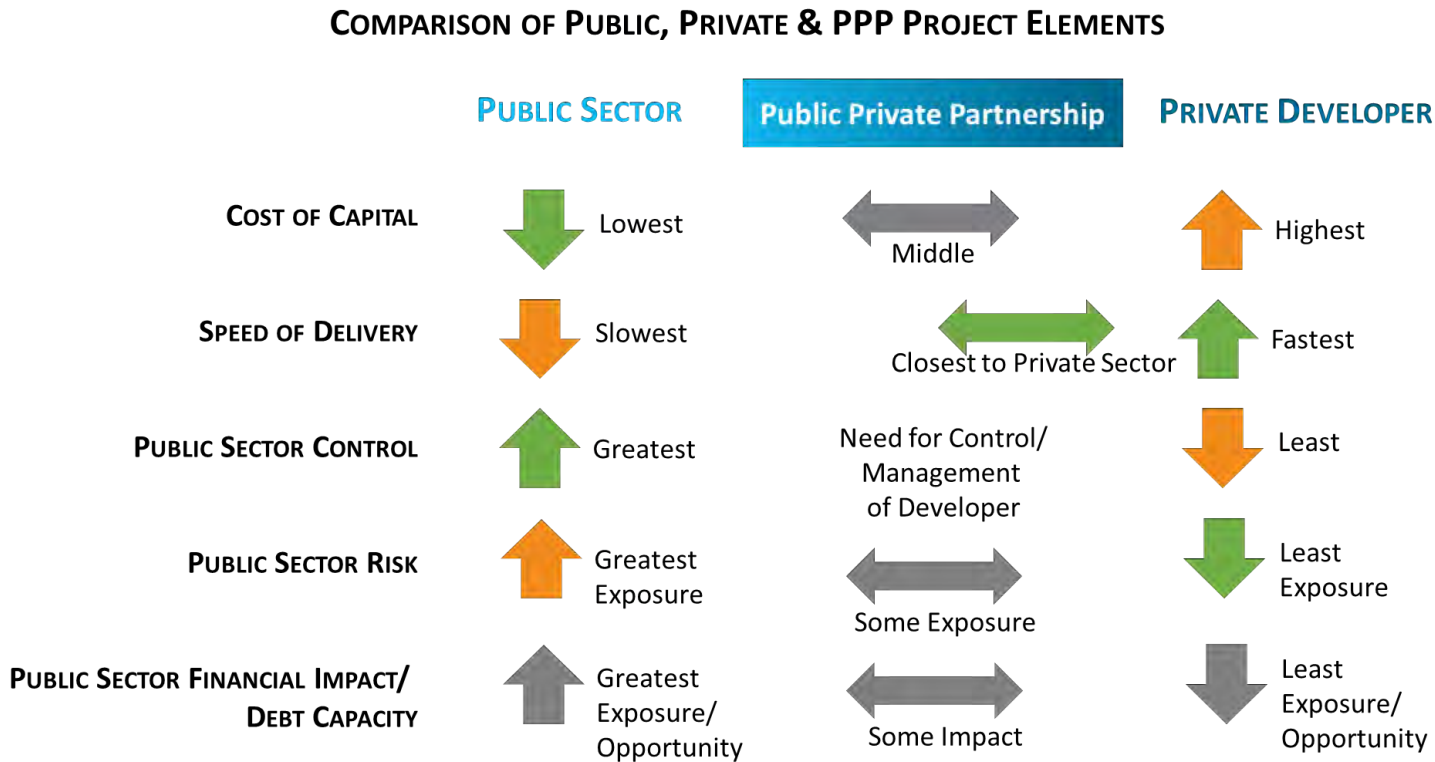
Source: Illinois Economic Policy Institute, Johnson Consulting

Public-Private Partnership Strategies

Summary

The form and structure of a PPP is ultimately dictated by the parties involved, reflecting their relative strengths and contributions to the particular project. There is no ‘one size fits all’ model but the most successful PPPs will comprise partners with the experience and capability to work together under a thoughtfully executed contract and championed by the public sector.

From the public sector’s perspective, PPPs present an opportunity to gain more control over a development than if it were undertaken entirely by the private sector, while lowering their exposure and risk compared to if they were to undertake the project themselves. The chart below shows how a PPP falls between a public sector project and a private sector development, as it relates to costs, timing, and public sector control, risks and financial impacts.



Section 4

Site Options



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Site Options – Construction Cost Summary

The construction cost budget comparison for the two different sites are based on historical convention and conference center cost data per square foot adjusted for inflation and complexity. The cost differences between cost categories are shown for both Jeff Boat and South Clarksville sites. The primary differences are based on complexity of construction and are as follows:

Excavation and Foundations: There will be greater excavation and foundation costs at Jeff Boat site due to the need to elevate the primary structures and loading dock on an elevated slab and due to significant grading activities to optimize entries, retaining walls, ramps, parking, etc. South Clarksville site can be developed with limited excavation and grading activities.

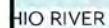
Structural Frame: The costs of the structure for the conference center will be higher at Jeff Boat due to the need for an elevated slab and elevated loading dock. These costs increases will be partially offset by a smaller parking deck, as the current Jeff Boat diagrammatic designs include parking on grade underneath the elevated slab. The structure for the South Clarksville site options is simpler, can be designed on grade and therefore is more efficient.

Exterior Wall: The costs of the exterior walls are likely to be higher at Jeff boat site as the elevated structure will require more building “skin” to wrap or visually enclose the structure.

SoIN Conference Center Cost Breakdown - Phase 1 (\$000)			
	Clarksville Site	Jeffersonville Site	Difference
1 Demolition & Site Clearing	\$380	\$380	\$0
2 New & Relocated Utility	\$728	\$728	\$0
3 Excavation and Foundations	\$2,819	\$3,600	\$781
4 Structural Frame	\$9,679	\$10,800	\$1,121
5 Roofing and Waterproofing	\$1,335	\$1,335	\$0
6 Exterior Wall	\$5,107	\$5,850	\$743
7 Interior Finishes	\$7,125	\$7,125	\$0
8 Equipment & Specialties	\$1,008	\$1,008	\$0
9 Vertical Transportation	\$831	\$831	\$0
10 Plumbing	\$1,720	\$1,720	\$0
11 Fire Protection	\$727	\$727	\$0
12 HVAC	\$5,187	\$5,187	\$0
13 Electrical	\$6,134	\$6,134	\$0
14 Direct Work Subtotal	\$42,780	\$45,425	\$2,645
15 CM Indirect Costs (avg. 15%)	\$6,417	\$6,814	\$397
16 Total Cost / Square Foot	\$49,197	\$52,239	\$3,041
17 FF&E	\$1,113	\$1,113	\$0
18 Food Service Equipment	\$524	\$524	\$0
19 Hardscape / Landscape	\$1,192	\$1,192	\$0
20 Surface Parking	\$1,312	\$1,312	\$0
21 Total Construction Cost	\$53,338	\$56,379	\$3,041

Source: TVS, Johnson Consulting

UPPER LEVEL





Site Options – Clarksville
SCHEME B1 – PHASE I



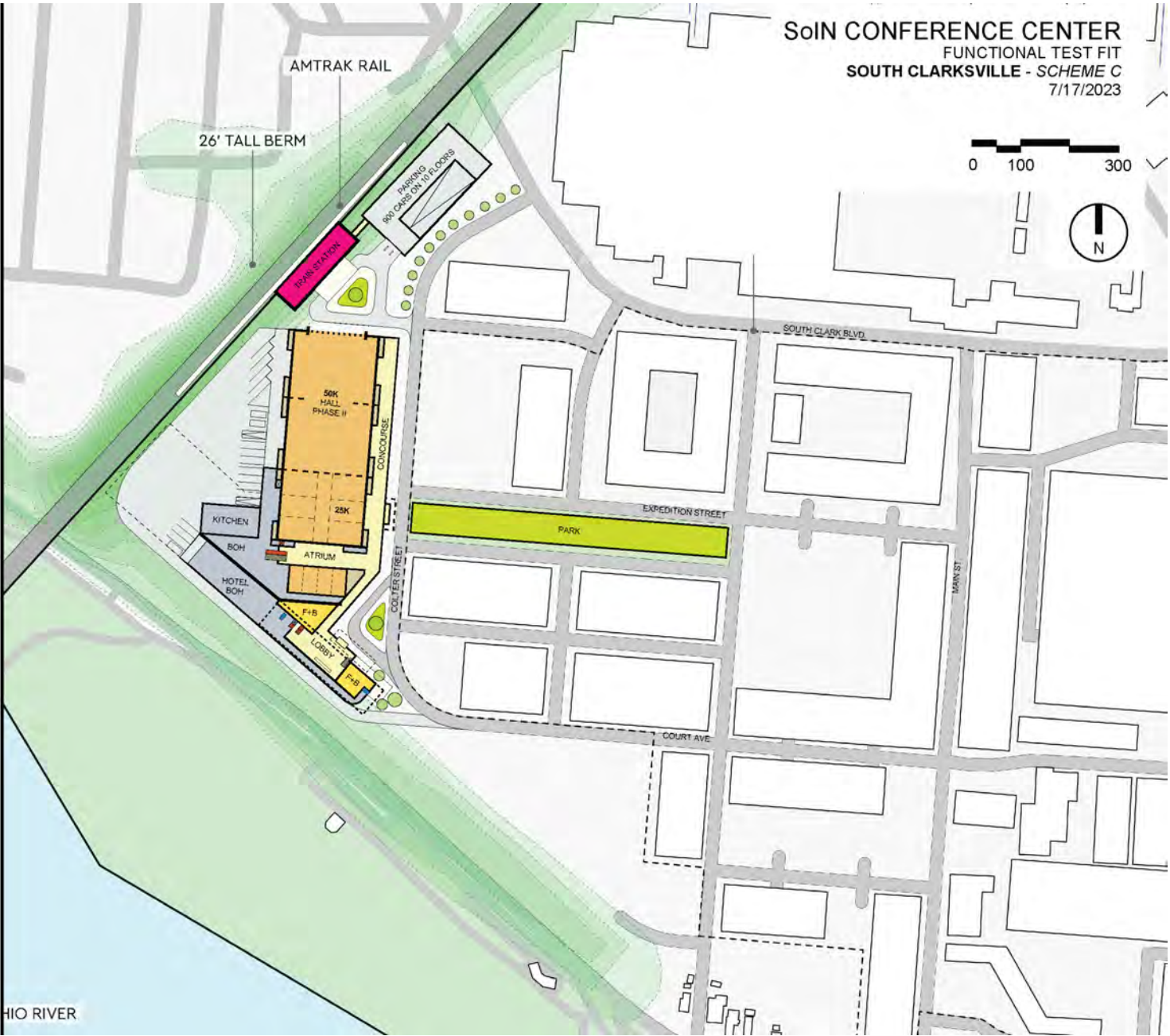
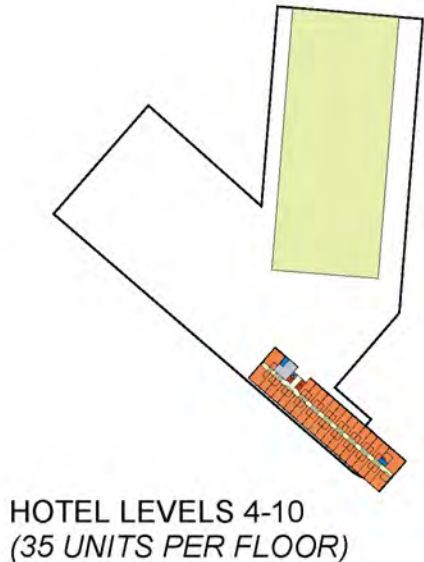
Site Options – Clarksville

SCHEME B1 – PHASE II



Site Options – Clarksville
SCHEME B1 – FULL BUILD

Site Options – Clarksville – Scheme C





Site Options – Clarksville

SCHEME C – PHASE I



Site Options – Clarksville

SCHEME C – PHASE II



Site Options – Clarksville
SCHEME C – FULL BUILD

Site Options – Clarksville

Clarksville Site Pros and Cons

Pros

- Less expensive of two options
- Faster time to market
- Opportunity to be within new development district
- Within the sea wall – mitigates flood risks

Cons

- Site orientation is somewhat challenging given constraints imposed by train

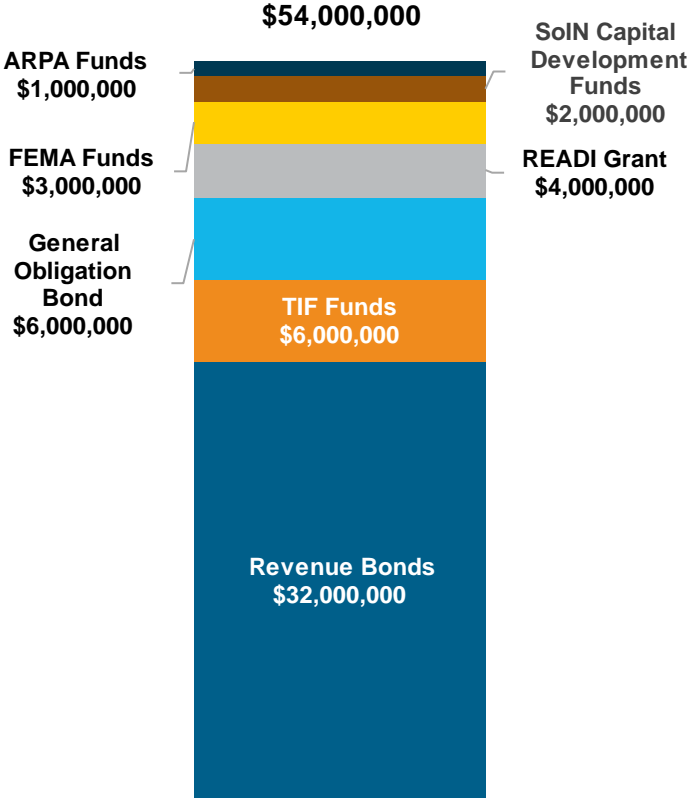
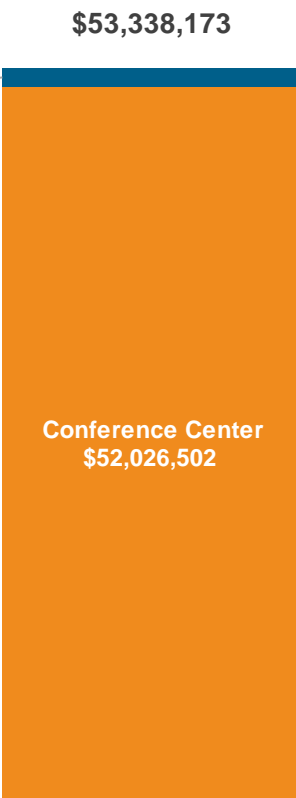


Scheme B



Scheme C

Surface Parking
\$1,311,671

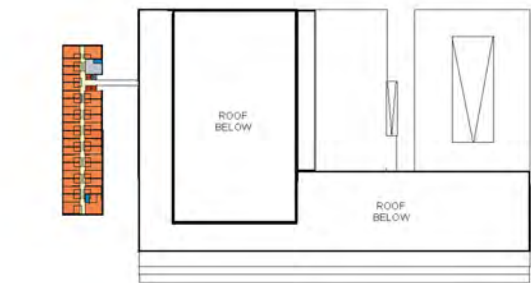


Cost Stack

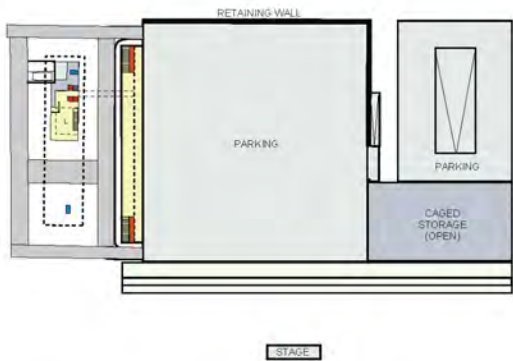
Capital Stack

This proposed capital stack for Phase 1 would have the bulk of the \$53.3 million construction cost covered by \$32 million in revenue bonds. The remainder of the funding would come from a variety of sources, including \$6 million from TIF funds, \$6 million in general obligation bonds, a \$4 million READI grant, \$3 million of funds from FEMA, \$2 million from the SoIN Tourism capital development fund, and \$1 million of ARPA funds.

Site Options – Jeffersonville – Scheme B



HOTEL LEVELS 2-8
(35 UNITS PER FLOOR)



GRADE LEVEL



JEFFERSONVILLE, IN

DEVELOPMENT
ZONE

FLOOD WAY

18' SEA WALL

OHIO RIVER

Site Options – Jeff Boat SCHEME B – PHASE I



TVS

LOUISVILLE, KY

N

34

JEFFERSONVILLE, IN

DEVELOPMENT
ZONE

FLOOD WAY

18' SEA WALL

OHIO RIVER

Site Options – Jeff Boat SCHEME B – PHASE II

LOUISVILLE, KT

N

JEFFERSONVILLE, IN

HOTEL

CENTER

DEVELOPMENT
ZONE

FLOOD WAY

18' SEA WALL

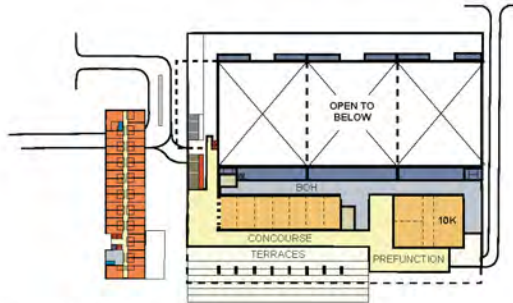
OHIO RIVER

Site Options – Jeff Boat *SCHEME B – FULL BUILD*

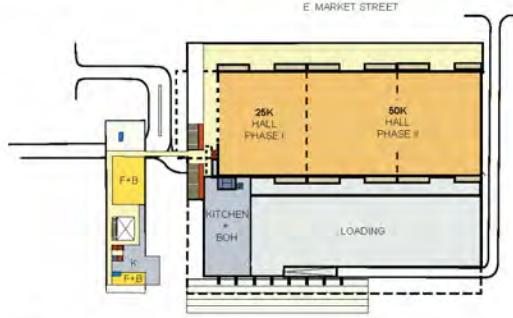
LOUISVILLE, KT



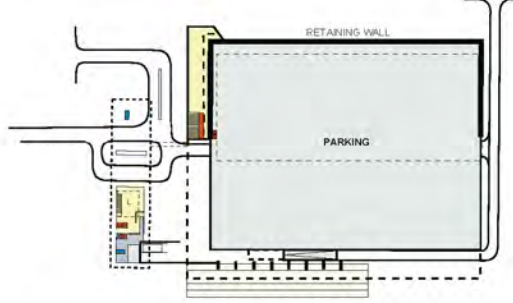
Site Options – Jeffersonville – Scheme C



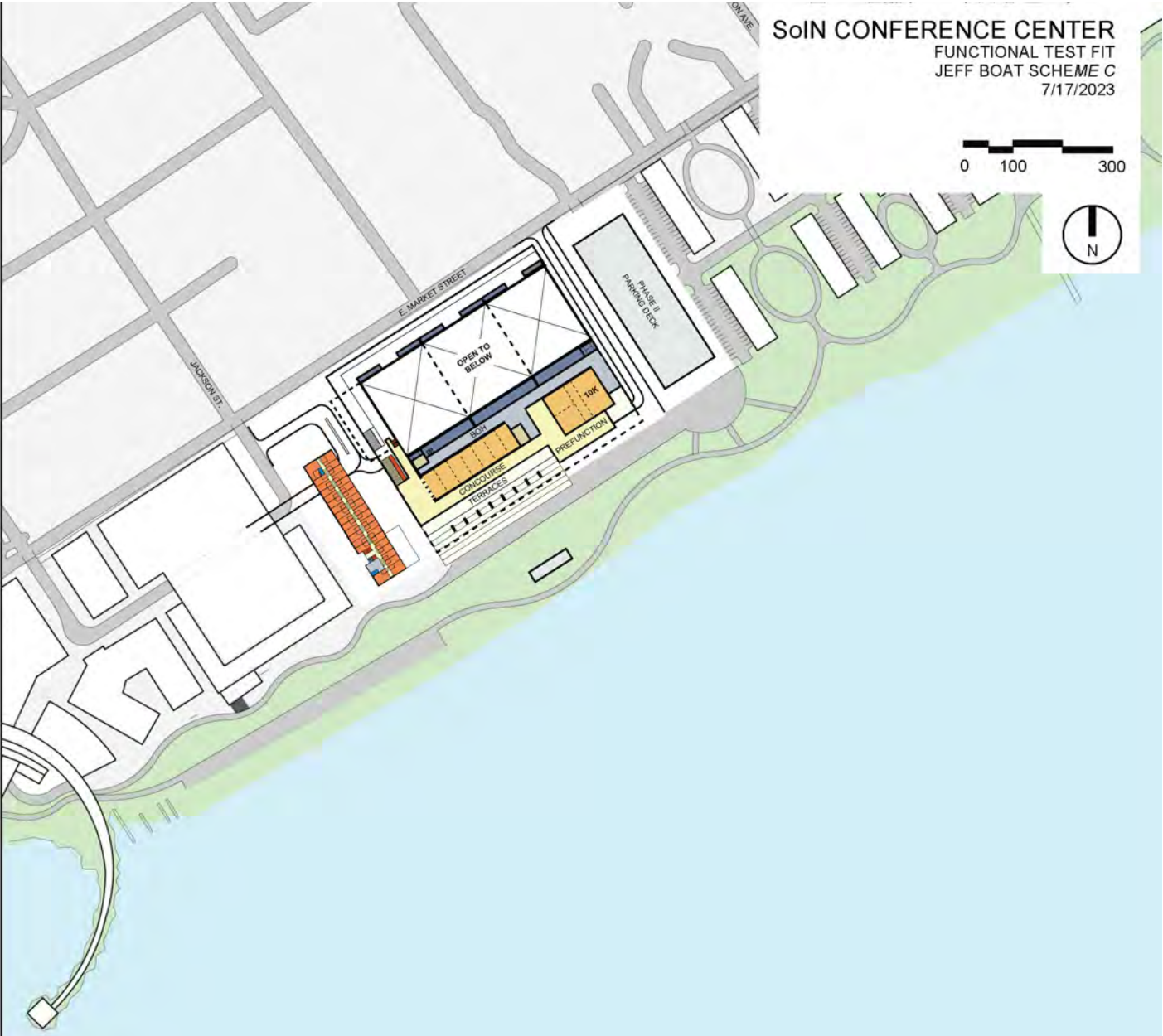
LEVEL TWO



LEVEL ONE



GRADE LEVEL



JEFFERSONVILLE, IN

DEVELOPMENT
ZONE

FLOOD WAY

18' SEA WALL

OHIO RIVER

Site Options – Jeff Boat SCHEME C – PHASE I

LOUISVILLE, KY



JEFFERSONVILLE, IN

DEVELOPMENT
ZONE

FLOOD WAY

18' SEA WALL

OHIO RIVER

Site Options – Jeff Boat SCHEME C – PHASE II

LOUISVILLE, KT



JEFFERSONVILLE, IN

DEVELOPMENT
ZONE

FLOOD WAY

18' SEA WALL

OHIO RIVER

Site Options – Jeff Boat *SCHEME C – FULL BUILD*

LOUISVILLE, KT

40



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Site Options – Jeffersonville

Jeffersonville Site Pros and Cons

Pros

- Opportunity to be within new development district
- Scenic location along river

Cons

- More expensive of two options
- Jeff Boat development is several years out
- Site is farther from urban center
- Potential challenges integrating into development district
- Uncertainty around municipal finance capacity
- Post-flood cleanup would be a recurring expense

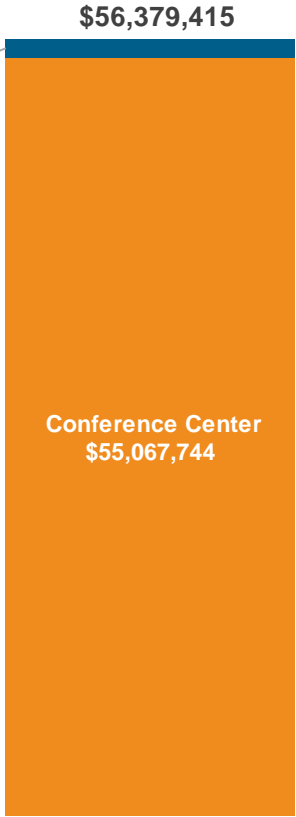


Scheme B

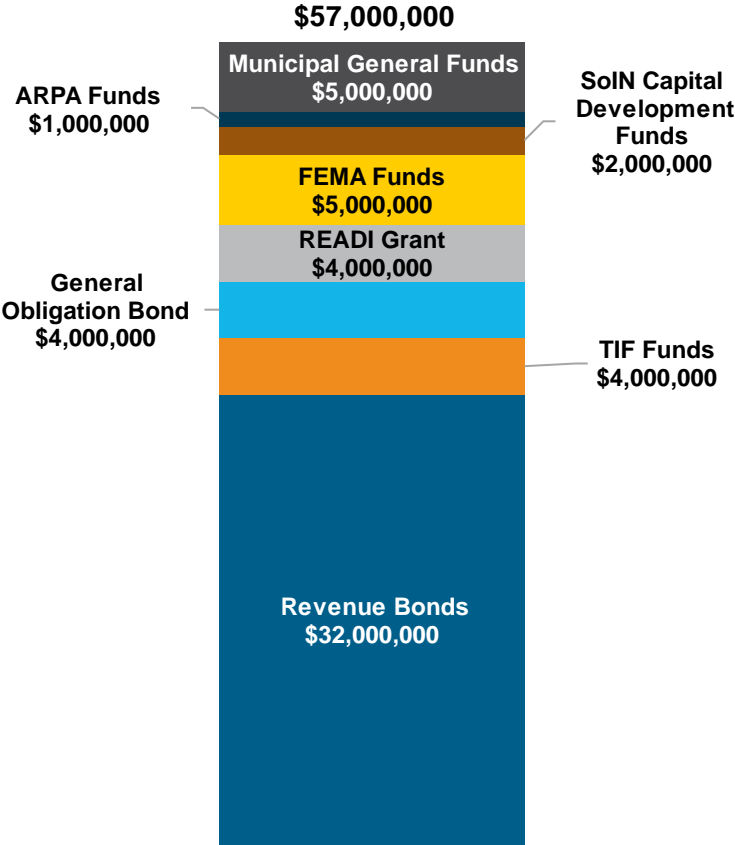


Scheme C

Surface Parking
\$1,311,671



Cost Stack



Capital Stack

Similar to the capital stack proposed for the Clarksville site, the majority of the financing for the Jeffersonville site’s Phase 1 build-out would come from \$32 million of revenue bonds. Supplementing that would be \$4 million of TIF funds, a \$4 million general obligation bond, a \$4 million READI grant, \$5 million of FEMA funds, \$2 million from SoIN Tourism’s capital development fund, \$1 million of ARPA funds, and \$5 million from Jeffersonville’s general fund.

Section 5

Risk Assessment & Recommendations









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Risk Assessment & Recommendations

Risk Assessment

The following table provides an assessment of severity levels for various risk factors, and a mitigation strategy for each risk identified. Overall, the project is judged to have moderate to high risk, with a composite risk score of 3.2 on a scale of 1 to 5.

SoIN Conference Center Risk Assessment					
Risk Type	Description	How Likely? (1-Very Low to 5-Very High)	How Consequential? (1-Very Low to 5-Very High)	Composite Risk Score (1-Very Low to 5-Very High)	Risk Mitigation Strategy
 Balance Sheet	Operating expenses for the conference center overwhelm the owning entity's budget.	3	5	4	Entrust ownership to a public authority with dedicated funding and a conservative business plan to protect from downside risk.
 Construction Cost	Cost overruns during construction process leading to forced scope reduction or incomplete work	3	4	3.5	Pursue multiple cost estimates and be conservative with both cost and timeline.
 Market	Market downturn causes conference center to fail to achieve projected levels of demand.	2	4	3	Diversify sales and demand strategy to ensure the widest possible demand pool.
 Business	Expenses are higher than projected, causing conference center to fail to achieve projected returns.	2	4	3	Outsource operations to a private manager to ensure adequate operating expertise.
 Financing	Project fails to secure adequate financing to cover projected costs.	2	5	3.5	Invest in clearly communicating the potential benefits of conference center to prospective financing partners.
 Reputation	Project is not welcomed by the community and receives pushback, damaging SoIN tourism's as well as other parties' local reputation.	1	3	2	Engage with the community early on so that they become invested in the project, and clearly communicate benefits.
Overall Composite Risk Score:				3.2	Moderate to High Risk

Risk levels: 1-Very Low; 2-Low; 3-Moderate; 4-High; 5-Very High

Source: Johnson Consulting

Risk Assessment & Recommendations

Site Recommendation

Based on the various factors laid out throughout this report, it is Johnson Consulting's opinion that the Clarksville Site is better option for a new conference center than the Jeffersonville Site. The reasoning behind this decision is as follows:

Cost Factors: Due to the Jeffersonville Site's location immediately next to the Ohio River, it carries significant flooding risk. To mitigate this flooding risk, an elevated concrete slab would be required for the multipurpose event hall, which would in turn necessitate an elevated loading dock. This difference leads to the conference center on the Jeffersonville Site costing more than \$3 million more than if it were to be put on the Clarksville site, considering some of the cost is offset by providing parking under the elevated slab. Though this cost may seem somewhat minor given the \$53 million or more price tag on the facility, it adds further complexity to constructing the project's capital stack, which is already a significant challenge.

Timing: The Jeffersonville Site sits within the Jeff Boat master planned development, which is currently underway. However, the conference center would be surrounded by a mixed-use district that is planned for a later stage of development which likely won't be built for several years at least. Simply put, the timing of the conference center's development (construction beginning in the next one to two years) doesn't align with the timing of the Jeff Boat development. By contrast, the district surrounding the Clarksville Site appears to be coming more quickly, putting it in closer alignment with the conference center's development timeline.

Location: The Jeffersonville Site would be on the edge of the Jeff Boat development which is farthest from central Jeffersonville, the nearest desirable tourist destination. The Clarksville Site, on the other hand would be closer to downtown Jeffersonville, as well as amidst the planned South Clarksville redevelopment.

Site Uncertainty: There remains uncertainty about the degree of interest that the landowner for the Jeffersonville Site has in having a conference center as part of the Jeff Boat development, as well as around the financing capacity available from the City of Jeffersonville. Additionally, the soils on Jeff Boat are such that the master planner recommends restricting the building height to avoid cost prohibitive foundations.

Risk Assessment & Recommendations

Management Recommendation

In order to optimally mitigate risks and maximize the contemplated conference center's impact, Johnson Consulting recommends the "Operations, Management, and Maintenance" public-private partnership structure, wherein a private entity would be responsible for operating, managing and maintaining the facility. In this scenario, the conference center would be owned by a public authority and marketed by SoIN tourism. By entrusting ownership of the conference center to an intergovernmental public authority, this structure minimizes the operating risk for any one entity while simultaneously making several governmental bodies stakeholders in the facility. Bringing in a private manager ensures that there is operating expertise from the beginning, helping the conference center hit the ground running. Finally, having SoIN market the facility would allow the conference center to take advantage of the CVB's established name recognition and connections, reducing some of the friction of establishing a new facility in the marketplace.

As part of the potential P3 opportunity, the management of the conference center, or certain responsibilities, like food service, could be conducted by the private sector developer / hotel operator as an additional incentive during the deal structuring.