Feasibility Analysis of a Potential New Convention Center in Muskegon, Michigan

Presented to:
Muskegon County

December 30, 2014

CONVENTIONS SPORTS & LEISURE

December 30, 2014

Mr. Robert Lukens
Community Development Director, Muskegon County, Michigan
Muskegon County Convention & Visitors Bureau
610 W. Western Avenue
Muskegon, Michigan 49440

Dear Mr. Lukens:

Conventions, Sports & Leisure International (CSL) has completed a report related to a feasibility analysis of a proposed new convention center in Muskegon, Michigan. The attached report presents our research, analysis and findings and is intended to assist Muskegon County (County) in evaluating the viability of facility development.

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

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

This report has been prepared for the internal use of the County and other study stakeholders, and should not be relied upon by any other party. The report has been structured to provide the County and other study stakeholders with a foundation of research to provide decision makers with the information necessary to strategically plan for Muskegon's future in the convention center industry and should not be used for any other purpose. This report, its findings or references to CSL may not be included or reproduced in any public offering statement or other financing document.

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

Very truly yours,

CSL International

CSL International

Conventions, Sports & Leisure International
520 Nicollet Mall • Suite 440 • Minneapolis, MN 55402 • Telephone 612.294.2000 • Facsimile 612.294.2045

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Conventions, Sports and Leisure International (CSL), was retained by Muskegon County (County), through the Muskegon County Convention and Visitors Bureau, and with assistance provided by the Accommodations Tax Advisory Committee, to conduct a feasibility analysis of a new convention center (Center) in Muskegon, Michigan. This executive summary outlines the key findings associated with the study. The full written report should be reviewed in its entirety to gain an understanding of the study's methods, limitations and implications.

Introduction

Muskegon has explored the potential of a centrally-located convention center for at least the past two decades. Several studies have been undertaken to explore this potential, with the most recent study completed in 2002, also by CSL and its project leader on this current study effort. A core aspect of this study involves an evaluation of how Muskegon's local market conditions, the landscape of competitive facilities, and measured convention market demand has changed since the last feasibility assessment.

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

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

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

- ✓ Experience garnered through more than 500 convention facility projects throughout the country.
- ✓ Local market visit at the outset of the project, including community and potential site tours.
- ✓ In-person interviews, meetings and public forums with Muskegon area individuals, including County officials, the Accommodations Tax Advisory Committee, City officials, local visitor industry stakeholders, local companies, event producing organizations, and community groups.
- ✓ Research and analysis of local market conditions.
- ✓ Analysis of facility data obtained from more than 30 competitive and comparable convention center facilities and host community destination marketing organizations (DMOs).

- ✓ Comparative analysis of socioeconomic data from competitive/regional and comparable facility markets.
- ✓ Completed a detailed telephone survey consisting of over 75 completed telephone interviews of representatives of state and regional organizations, collecting data pertaining to more than 100 recurring, rotating conventions, conferences, exhibitions and meetings that represent Muskegon's primary potential non-local event market.
- ✓ Comparison of current survey data with similar survey data collected for the previous 2002 Muskegon convention center feasibility study.

Local Market Conditions and Competition

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

Since the last convention center study in 2002, a variety of noteworthy economic development projects have occurred in Muskegon, leading to improvements in the health, mix and vibrancy of downtown business, residential and visitor-based activities. This public and private sector investment has significantly improved the Muskegon destination in a number of important ways.

From a competitive standpoint, as a "destination", Muskegon's most prominent strengths include its downtown's proximity to the waterfront; its tourism-based attractions and infrastructure (albeit, largely seasonal in nature); growing vibrancy of its pedestrian-friendly central business district including retail, restaurants, bars, brew pubs, arts and culture; full-service downtown hotel product; interstate accessibility; strong recent economic group and investment trends; and limited competitive convention facility offerings on the western side of Michigan. Events that rotate within a given region (e.g., conventions, conferences, and meetings hosted by associations, government, corporate/trade groups, and non-professional organizations, such as SMERF [social, military, educational, religious, fraternal] groups) normally view destinations with these types of attributes favorably when considering sites.

In terms of weaknesses, despite the limited number of existing convention facility options on the west side of Michigan, Muskegon is fairly remotely located relative to most major population bases within the state and region—other than Grand Rapids, which is a larger city with a greater array of hotels, meeting facilities, air access, visitor amenities, and other such items than Muskegon. This being said, Muskegon's destination is unique and differentiated from the Grand Rapids' destination. A number of convention planners, particularly those smaller and mid-sized groups, prefer to have alternate destination choices within general regional areas and are often interested in getting their events out of larger cities to affordable, smaller—yet still conveniently accessible—destinations.

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

Muskegon's existing hotel inventory, in terms of the number of hotel properties, total number of hotel rooms, size of largest individual properties, limitations in full-service (upscale and upper-upscale chain scale) properties, and the aging nature of some of the core properties will work to shape the size of the convention groups that could be attracted to Muskegon. A preliminary review of the key performance metrics relating to the local lodging market suggests that private sector investment in any new sizeable, full-service hotel products in downtown Muskegon is unlikely to be forthcoming without substantial public sector incentive, which is not recommended at this point in time.

Likewise, there are also important limitations in Muskegon's existing convention/meeting facility inventory, in terms of quality and finish of space, volume of space, differentiation of space, aesthetics and functionality of space, amenities, etc. Specifically, the conference/meeting facilities in the two downtown hotel properties and other facilities located throughout the community serve important roles, but all have competitive disadvantages limiting their ability to attract non-local conventions, conferences and tradeshows.

Market Demand

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

In order to test the potential event market for a new convention center in Muskegon, a detailed telephone survey was conducted with planners of state and regional conventions, conferences and tradeshows. The survey resulted in over 75 completed interviews with individual planners, representing more than 100 rotating events. Surveyed groups included professional associations, SMERF (social, military, education, religious, fraternal) groups, government groups, nonprofits and other producers of rotating state and regional events.

Surveys of non-local groups with recurring events suggest moderate demand for a new convention center in Muskegon. This demand cannot currently be accommodated by existing meeting facilities in Muskegon, suggesting unmet market demand exists to support a new convention center development. This would produce new midweek, shoulder season and off-peak season visitation and generate more hotel room nights.

Muskegon has undergone significant development since the previous feasibility study. These changes, especially in the downtown area, have strengthened the destination appeal of Muskegon. Downtown Muskegon will need to be the location of the new convention facility, given meeting planners' strong preference for nearby amenities such as restaurants and shopping. The concentration of visitor amenities in downtown Muskegon will help it compete with other meeting destinations across the state of Michigan.

A similar telephone survey with state and regional groups in regards to a new convention center in Muskegon was conducted twelve years ago as part of the 2002 study. Compared to the first study, positive interest in the Muskegon destination and hosting one or more events to Muskegon has significantly strengthened. These survey results can be viewed as validation that the convention industry—or at least a portion of it—has recognized Muskegon's recent economic development and progress in improving various aspects of its destination amenities and visitor industry infrastructure.

One of the issues of interest to this study was the possibility of including L.C. Walker Arena into a strategy to develop a market supportable new/expanded convention center product in Muskegon. As previously mentioned, L.C. Walker Arena is a 5,100-seat multi-purpose arena in downtown Muskegon (located on Western Avenue, on an adjacent block to the Holiday Inn). Originally built in 1960, Walker Arena is a long-serving, productive public asset of the Muskegon community and its residents. For more than 50 years, it has served as an important focal point for local and regional area sports, entertainment, meetings, civic and special events.

Considering its age and functionality and marketability challenges, Walker Arena's annual market and financial performance (including the annual operating and capital repair subsidy) is consistent with or better than industry averages. Like most spectator arena facilities of its type and vintage, it requires an annual operating subsidy by the public sector owner. Relative to state-of-the-industry spectator/entertainment arenas in comparably-sized markets, Walker Arena has a number of physical characteristics that are substandard and/or not optimized, which all work to hinder its market competitiveness and ability to drive new revenue.

Based on the results of the survey of convention planners conducted for this study and aligning within industry practices, the majority of non-local convention, conference and tradeshow groups would not require, nor have a particular interest in, using Walker Arena for specific space needs during the course of their event(s). However, while a decision to move forward with the convention center project is not "dependent" on the arena project, important rationale exists warranting consideration of concurrent (or bundled) investment in the arena, including the opportunity to create a physical connection between the two venues that could offer some operational efficiencies and marketing advantages for both facilities.

It is strongly believed that shuttering or demolishing Walker Arena—without providing a comparable modern replacement—would be damaging to the community and destination. The majority of events that have been historically held at Walker Arena would not be candidates to transfer over to a new convention/conference center. Without an operational and functional arena venue, Muskegon will lose these events.

Program, Site & Development Options

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

- Multipurpose Hall:
    - 25,000 to 30,000 square feet of subdividable, column-free, carpeted, upscale space
    - 30-foot or higher ceiling height
    - Utility floor grids, independent loading/public access, climate control
- Breakout Meeting Rooms:
    - 10,000 to 12,500 square feet of breakout meeting space
    - Subdividable, upscale
- Sufficient pre-function, support and storage space
- 150-room or larger, quality hotel attached, adjacent or closely proximate
- 300 or more total hotel rooms in immediate area

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

Therefore, the more any new Muskegon convention center project is "private sector-oriented", in terms of upfront capital and/or ongoing operational funding, the greater the need for program adjustments (largely in terms of square footage) in the convention center element. Specifically, under a case where no ongoing public sector funding assistance would be available for convention center operations, an adjusted building program for a new Muskegon convention center would need to be downsized to the following approximate levels.

- Ballroom = 16,000 to 18,000 square feet
- Meeting rooms = 7,000 to 9,000 square feet
- Hotel = 150-room or larger full-service hotel attached

This reduced program would be less differentiated than other existing local market conference facilities and would generate lower net new economic impact for Muskegon.

With the assistance of the County and the Accommodations Tax Advisory Committee, specific parcels were identified for evaluation. It is suggested that additional analyses be conducted with regard to site acquisition/preparation costs and unique costs associated with architectural and engineering requirements, traffic, infrastructure and other related concerns prior to final site selection.

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

Based on the conclusions of the market analysis, it is believed that downtown Muskegon represents the only realistic location for a new convention center project, given the necessity to leverage the largest, full service hotels in the County.

Additionally, should a downtown site be selected, this could also importantly serve economic development objectives and greatly improve the community/destination's visitor industry infrastructure—that is to say, Muskegon's "front door" to non-locals. Convention and hotel facilities serve as "people magnets", drawing people into a concentrated location. This influx of new people and new associated economic activity are often important elements in maintaining healthy downtowns for cities and communities of all sizes.

Based on a review of these potential sites, it is believed that the "4th Street" site, situated between the Holiday Inn and L.C. Walker Arena, represents the most advantageous site for the convention center project, largely due to its ability to leverage critical important factors that typically influence the success of convention center facilities. These include, but are not limited to:

- Ability to physically connect to (and therefore operationally partner with) Muskegon's largest full service hotel.
- Located nearest and within close walking distance to the core concentration of downtown's visitor amenities (i.e., restaurants, bars, brew pubs, shopping, arts, sports, etc.).

The Shoreline Inn could also serve as an attractive, nearby secondary supporting hotel property with this location. Depending on the season, the distance between the Shoreline Inn and the central business district core (on Western Avenue) is considered marginally walkable.

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

- Scenario 1: Stand-Alone Convention Center
  - Public sector builds and owns convention center
  - Private sector manages via contract
  - Public sector funds operating shortfall
  - Full market supportable space (40,000 SF sellable space)
- Scenario 2: Public/Private Convention Center
  - Public sector builds and owns convention center attached to hotel
  - Hotel partner operates via lease agreement
  - No ongoing public sector operating subsidy
  - Reduced space (25,000 SF sellable space)

Utilization and Cost/Benefit

An analysis of estimated utilization and costs/benefits associated with a new convention center in downtown Muskegon was completed. The exhibit below presents the estimated event days (number of days event attendees/delegates are in attendance at the convention center in Muskegon) under the two development scenarios.

Estimated Annual Event Days –
New Muskegon Convention Center By Scenario

Event Type	SCENARIO 1 Stand-Alone Conv Center	SCENARIO 2 Public/Private Conv Center
Conventions/Tradeshows	45	30
Conferences/Meetings	188	225
Banquets/Receptions	60	70
Public/Consumer Shows	38	25
Other	48	36
Total	378	386

The following exhibit presents a summary of the estimated total attendance by development scenario.

Estimated Annual Attendance –
New Muskegon Convention Center By Scenario

Event Type	SCENARIO 1 Stand-Alone Conv Center	SCENARIO 2 Public/Private Conv Center
Conventions/Tradeshows	15,750	8,250
Conferences/Meetings	42,188	33,750
Banquets/Receptions	18,000	15,750
Public/Consumer Shows	45,000	20,000
Other	24,000	14,400
Total	144,938	92,150

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

The exhibit below summarizes the overall estimated new annual economic impacts within Muskegon associated with estimated levels of potential event activity at the convention center.

Estimated Annual Economic Impacts (stabilized year of operations, in 2014 dollars) –
New Muskegon Convention Center by Scenario

	SCENARIO 1 Stand-Alone Conv Center	SCENARIO 2 Public/Private Conv Center
Non-Local Attendance	56,138	33,983
Hotel Room Nights	30,821	18,657
Direct Spending	$10,965,994	$6,644,753
Indirect/Induced Spending	6,579,596	3,986,852
Total Output	$17,545,590	$10,631,604
Personal Earnings	$8,882,455	$5,382,250
Employment (full & part-time jobs)	229	139

As presented in the exhibit, the estimated total output (direct spending plus indirect/induced spending) for a new convention center in Muskegon is estimated to range between approximately $10.6 million and $17.5 million per annum (in 2014 dollars), depending on the scenario. Additionally, this spending is estimated to annually support between $5.4 million and $8.9 million in personal income (or "earnings") in the local Muskegon economy, along with between 139 and 229 full and part-time jobs throughout the Muskegon economy.

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

Summary of Estimated Annual Benefits & Costs Associated with a New Muskegon Convention Center (2014 dollars, annualized, upon stabilization)

	SCENARIO 1 Stand-Alone Conv Center	SCENARIO 2 Public/Private Conv Center
Conf Ctr - Sellable SF	40,000	25,000
Conf Ctr - Gross SF	80,000	50,000
Assumed Hard Const. Cost/SF	$300	$300
Hypothetical Construction Costs	$24,000,000	$15,000,000
ANNUAL BENEFITS:		
Total Economic Output	$17,545,590	$10,631,604
Assumed "Net New"	80%	70%
Net New Economic Output	**$14,036,472**	**$7,442,123**
ANNUAL COSTS (borne by Public Sector):		
Construction Debt Service	$1,224,462	$535,702
Operating Subsidy	186,000	0
Capital Reserve Funding	120,000	75,000
Total Public Sector Costs	**$1,530,462**	**$610,702**
Benefit to Cost Ratio	**9.17**	**12.19**

As shown, Scenario 2 is estimated to generate a greater net new benefits-to-costs in Muskegon than Scenario 1. Total annual costs assumed to be the responsibility of the County (largely construction debt service, should the County's contribution be bonded) for Scenarios 1 and 2 are estimated at approximately $1.2 million and $536,000, respectively.

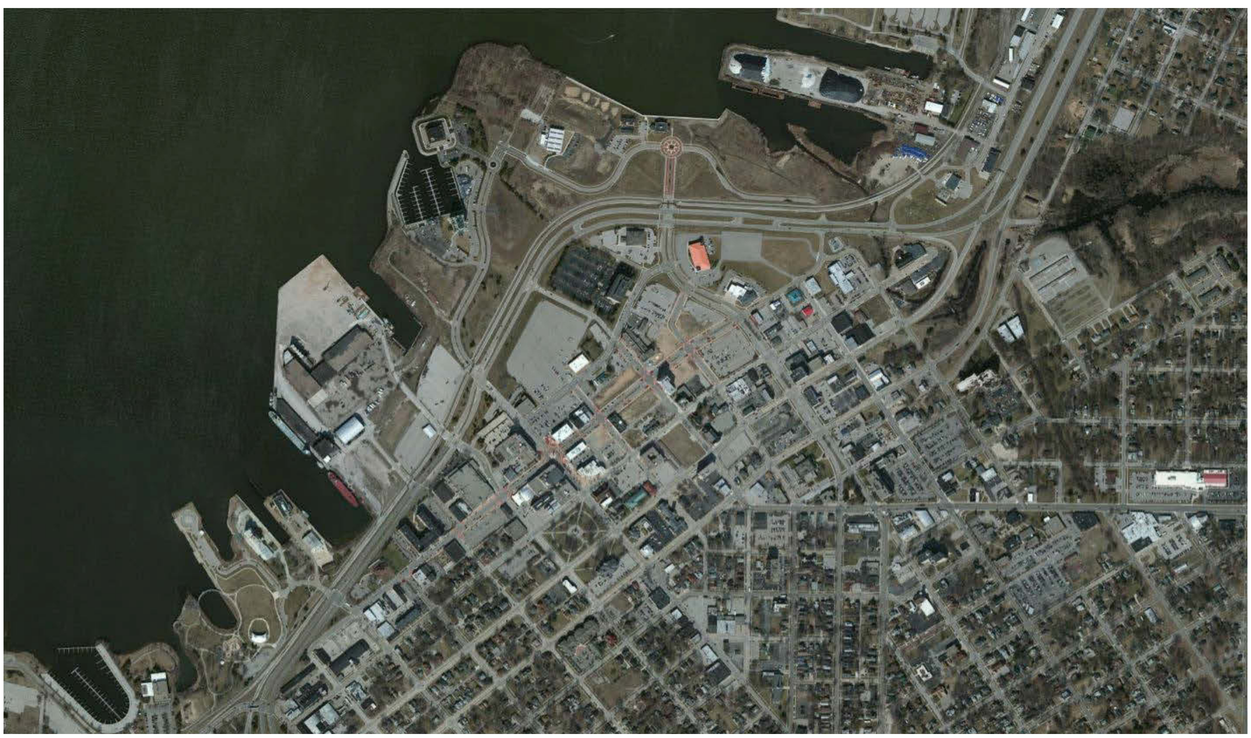
In addition to the quantifiable benefits of the operation of a potential new convention center in Muskegon, there are a number of potential benefits that cannot be quantified. In fact, these qualitative benefits tend to be a critical factor in the consideration of public and private investment in projects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

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

1.0. INTRODUCTION

Conventions, Sports and Leisure International (CSL), was retained by Muskegon County (County), through the Muskegon County Convention and Visitors Bureau, and with assistance provided by the Accommodations Tax Advisory Committee, to conduct a feasibility analysis of a new convention center (Center) in Muskegon, Michigan. This report outlines key findings of the analysis of local market conditions, industry trends and best practices, competitive/comparable facilities, market demand, program and development issues, and cost/benefit aspects for a potential convention center in Muskegon.

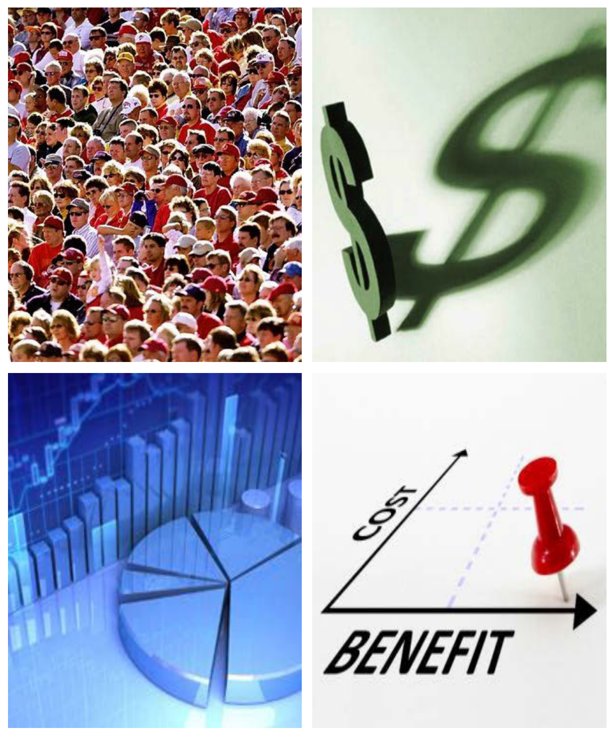
Muskegon has explored the potential of a centrally-located convention center for at least the past two decades. Several studies have been undertaken to explore this potential, with the most recent study completed in 2002, also by CSL and its project leader on this current study effort. A core aspect of this study involves an evaluation of how Muskegon's local market conditions, the landscape of competitive facilities, and measured convention market demand has changed since the last study.



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

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

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



- Market feasibility – the facility's ability to attract and support levels of event activity and patronization that are consistent with or in excess of industry standards.
- Financial feasibility – the ability of the facility to "break-even" or generate an operating profit focusing only on direct facility-related operating revenues and expenses.
- Economic spending – the facility's ability to generate new spending activity in the local community (i.e., direct and indirect spending that is attributable to out-of-town visitors that would not otherwise occur in the local area).
- Tax generation – the ability of the facility to generate new tax revenue for the local area (i.e., tax revenue resulting from direct, indirect and induced spending that is attributable to out-of-town visitors that would not otherwise occur in the local area).
- Costs/benefits/return on investment – the facility's ability to generate new revenues (i.e., from taxes, operating income and ancillary facility-related revenues, etc.) in excess of quantifiable facility-related costs (i.e., construction costs, operating costs, marketing costs, public sector contribution, etc.).
- Intangible benefits/public good – the ability of the facility to represent an important resource for the local community, regardless of financial or economic concerns. These types of benefits add to the local community's "quality of life" in the same way that libraries, museums and recreational parks do, without consideration of the economic impacts that the facility might generate.

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

This assessment provides a foundation of research to give the County and other decision-makers the information necessary to strategically plan for Muskegon's future in the convention center industry. Importantly, this research provides direction not only as to the facility components that may be supportable from a market demand perspective, but also the visitor amenities surrounding a potential new convention center in Muskegon, including hotel support.

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

- ✓ Experience garnered through more than 500 convention facility projects throughout the country.
- ✓ Local market visit at the outset of the project, including community and potential site tours.
- ✓ In-person interviews, meetings and public forums with Muskegon area individuals, including County officials, the Accommodations Tax Advisory Committee, City officials, local visitor industry stakeholders, local companies, event producing organizations, and community groups.
- ✓ Research and analysis of local market conditions.
- ✓ Analysis of facility data obtained from more than 30 competitive and comparable convention center facilities and host community destination marketing organizations (DMOs).
- ✓ Comparative analysis of socioeconomic data from competitive/regional and comparable facility markets.
- ✓ Completed a detailed telephone survey consisting of over 75 completed telephone interviews of representatives of state and regional organizations, collecting data pertaining to more than 100 recurring, rotating conventions, conferences, exhibitions and meetings that represent Muskegon's primary potential non-local event market.
- ✓ Comparison of current survey data with similar survey data collected for the previous 2002 Muskegon convention center feasibility study.

2.0. ANALYSIS OF LOCAL MARKET CONDITIONS

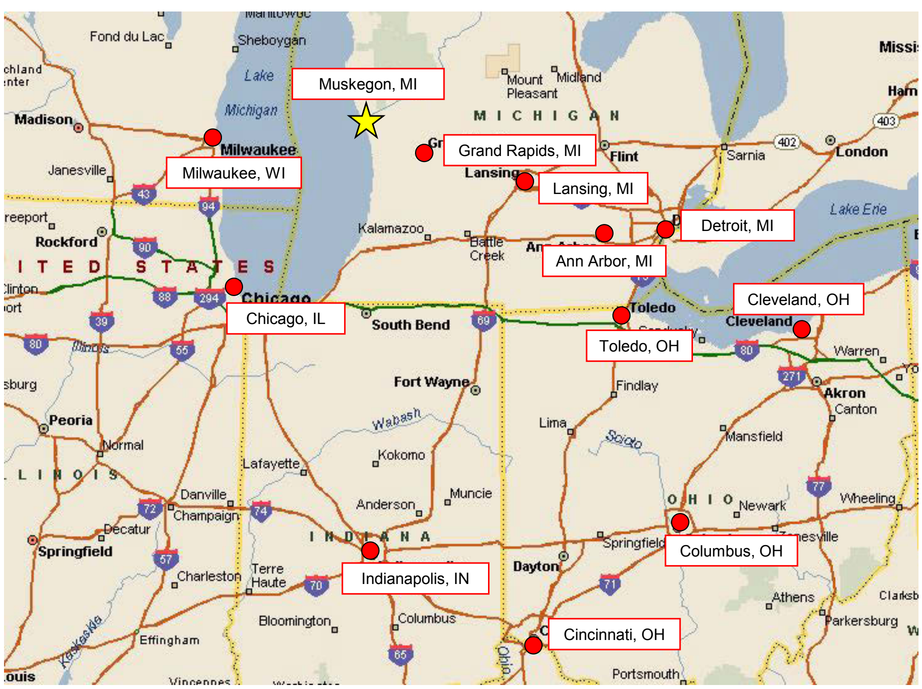
The strength of the local market, in terms of its socioeconomic and demographic attributes, can provide an indication of an event facility's ability to draw and accommodate convention, conference, tradeshow, consumer show and other event related attendees and participation. Furthermore, a community's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

History and Location

Muskegon, Michigan is located in West Central Michigan on the shores of Lake Michigan. Muskegon Lake, a 5,200-acre inland lake connected to Lake Michigan via a deep water channel into Lake Michigan, is West Michigan's largest deep water port, receiving over 1 million tons of cargo annually. Originally settled in 1837, Muskegon became a lumber town in the mid- to late- 1800s, and transformed into a heavy manufacturing location at the dawn of the 20th Century due to its port facilities and natural resources. At the beginning of the 21st Century, Muskegon County is transitioning into high-tech manufacturing and service-related industries, focusing on aerospace and specialty foundry manufacturing, food processing, and tourism.

Located within nearly 175 miles of Muskegon are Grand Rapids, Lansing and Ann Arbor. Muskegon is also within 200 miles of Detroit, Michigan and Chicago, Illinois, two notable markets. Exhibit 1 illustrates the location of Muskegon and its regional markets.

Exhibit 1
Location & Transportation - Nearby Cities



Source: Microsoft MapPoint, 2014.

The accessibility of Muskegon to notable regional markets may offer some important advantages for its convention center products and visitor industry. However, the City's distance from the eastern portion of the state including Michigan's largest population center, Detroit, as well as the City's northern location relative to other population centers in the region, may serve as disadvantages in attracting certain state-wide organizations and events. Exhibit 2 summaries approximate drive times from regional markets and their respective market populations. As depicted below, Chicago, Illinois and Detroit, Michigan, the two largest markets, are both within a three hours' drive.

Exhibit 2
Location and Transportation – Driving Times from Regional Markets

City, State	Miles from Muskegon, MI	Approximate Drive Time	Market Population
Grand Rapids, MI	41	0:40	785,800
Lansing, MI	107	1:35	466,200
Ann Arbor, MI	172	2:25	351,600
Detroit, MI	197	2:45	4,271,400
Chicago, IL	187	2:55	9,552,600
Toledo, OH	225	3:10	648,600
Indianapolis, IN	263	4:20	1,804,500
Milwaukee, WI	286	4:20	1,569,000
Cleveland, OH	339	4:50	2,056,600
Columbus, OH	365	5:20	1,883,900
Cincinnati, OH	368	5:40	2,146,500

Source: Google Maps, 2014; CBSA, 2014.

Attractions

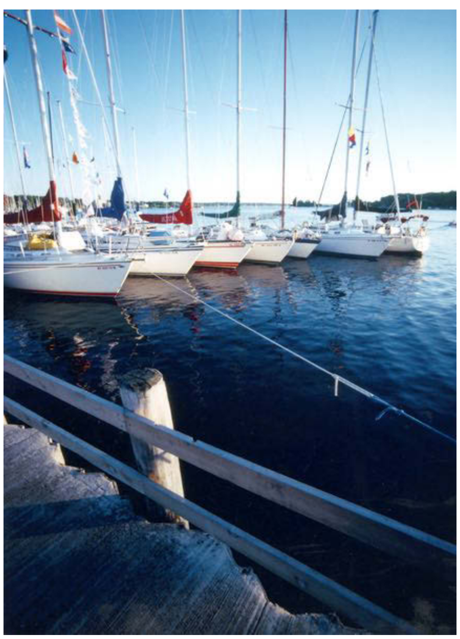
An important metric in measuring the attractiveness of a market is the number of events and attractions it has, as event planners usually consider a destination's visitor appeal. Exhibit 3 lists a sampling of entertainment and recreation options that are available in the Muskegon area.

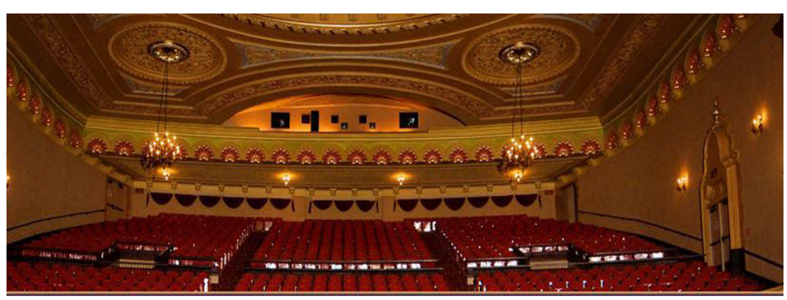
Exhibit 3
Sample of Muskegon Area Events and Attractions

Bassmasters
Blockhouse
Carr-Fles Planetarium
Craig's Cruisers Family Fun Center
Cruising the Lakeshore
Fire Barn Museum
Frauenthal Center for the Performing Arts
Fruitport Old-Fashioned Days
Hackley and Hume Historic Site
L.C. Walker Arena
Lakeshore Arts Festival
Lakeshore Museum Center
Michigan Irish Music Festival
Michigan's Adventure Amusement and Water Park
Miss Michigan Pageant
Montague Museum
Muskegon Bike Time
Muskegon Civic Theatre
Muskegon Heritage Museum
Muskegon Museum of Art
Muskegon State Park
Muskegon Winter Sports Complex
Port City Princess
S.S. Milwaukee Clipper
Scolnik House of the Depression Era
USS LST 393 Veterans Museum
USS Silversides Submarine Museum
West Michigan Concert Winds
West Michigan Symphony
West Michigan Underwater Preserve
White River Light Station Museum
World's Largest Weathervane

The market benefits from a variety of tourist and leisure attractions in the area. Muskegon's location on the shores of the Lake Michigan creates a wide variety of outdoor recreational opportunities for visitors. The city also offers a number of cultural and historic attractions and events. Primary attractions in the area include the following:

- The Frauenthal Center for the Performing Arts located in downtown Muskegon offers a variety of theatrical and musical productions throughout the year. The venue houses two theaters, the Fraunenthal and the Beardsley. It is home of the West Michigan Symphony Orchestra.
- Muskegon Bike Time is a motorcycle event held every July. The 2014 event recorded crowds of 140,000 spectators and 80,000 motorcycles.
- Muskegon boasts a number of historic museums and sites, including The Lakeshore Museum Center, The Muskegon Heritage Museum, the James Jackson Museum of African American History and The Hackley and Hume Historic Site.
- Muskegon's offers a variety of outdoor recreational activities. Located on the Lake Michigan coastline, Muskegon boasts multiple public access beaches, coastline hiking trails, fishing piers, biking trails, campsites and picnic areas through a number of state and local parks. Sailing, windsurfing, kite boarding, and recreational boating are popular water sports throughout the summer. Muskegon Winter Sports Complex also offers winter activities including luge, cross country ski trails, ice skating, hockey and sledding.
- L.C. Walker Arena is home to the Muskegon Lumberjacks hockey team as well as the Muskegon Sports Hall of Fame. The venue also hosts a variety of touring sporting events, concerts and shows throughout the year.
- Michigan's Adventure Amusement and Water Park is located a few miles north of Muskegon. It is Michigan's largest amusement park, and features over 60 amusement and water park rides.

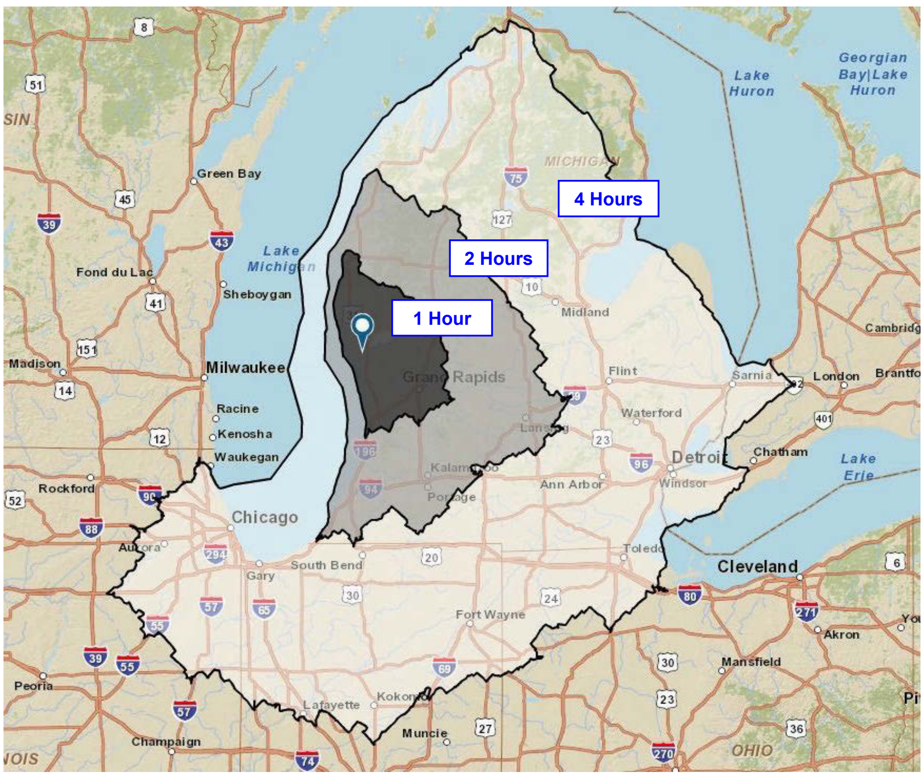




Demographics

An important component in assessing the potential success of the convention product within a given market is the demographic and socioeconomic profile of the local area. Specific demographic and socioeconomic information that can provide an indication of the ability of a market to support an event facility includes population, age, and household income. Exhibit 4 demonstrates the markets and land area captured within a one hour, two hour, and four hour drive of the Muskegon area. These rings will be utilized throughout the report while analyzing and comparing demographic and socioeconomic variables.

Exhibit 4
Geographic Concentric Rings



Source: ESRI Business Analyst , 2014

Exhibit 5 on the following page provides a summary of key demographic characteristics estimated for the city of Muskegon, Muskegon County, markets captured in a one hour, two hour, or four hour drive concentric rings around the city of Muskegon, the state of Michigan, and the United States.

Exhibit 5
Demographics – Muskegon Area Summary

Demographic Variable	City of Muskegon	Muskegon County	1-Hour Drive	2-Hour Drive	4-Hour Drive	State of Michigan	U.S.
Population (2000)	40,061	170,200	1,080,974	2,627,996	20,466,842	9,938,444	281,421,906
Population (2010)	38,401	172,188	1,136,919	2,729,615	20,679,094	9,883,640	308,745,538
Population (2014 est.)	37,686	170,858	1,154,318	2,750,077	20,740,295	9,853,722	316,296,988
% Change (2000-2014)	*-5.9%*	*0.4%*	*6.8%*	*4.6%*	*1.3%*	*-0.9%*	*12.4%*
Population (2019 est.)	38,010	171,558	1,191,012	2,798,801	20,936,971	9,903,040	327,981,317
% Change (2014-2019)	*0.9%*	*0.4%*	*3.2%*	*1.8%*	*0.9%*	*0.5%*	*3.7%*
Avg. Household Inc. (2014 est.)	35,155	50,701	63,845	60,861	71,487	64,348	72,809
Avg. Household Inc. (2019 est.)	39,351	56,497	71,049	67,969	81,684	72,336	83,937
% Change (2014-2019)	*11.9%*	*11.4%*	*11.3%*	*11.7%*	*14.3%*	*12.4%*	*15.3%*
Median Age (2014, in years)	34.5	38.9	36.1	37.0	37.9	39.7	37.7
Businesses (2014 est.)	1,875	9,323	71,383	171,525	1,332,297	652,854	24,262,035
Employees (2014 est.)	18,121	61,562	492,063	1,155,316	9,999,316	4,869,863	141,523,742
Employee-to-Residential Population Ratio	0.48	0.36	0.43	0.42	0.48	0.49	0.45

Source: ESRI Business Analyst , 2014

As shown, the population of the city of Muskegon was approximately 40,100 in 2000, while future projections based on U.S. Census data estimate Muskegon's population to be approximately 37,700 in 2014 and 38,000 in 2019.

The estimated population within a one hour drive of Muskegon is approximately 1,154,300 in 2014, which is an estimated 6.8 percent increase over 2000 population within that radius. This increase is greater than the estimated .9 percent decline throughout the state of Michigan, but significantly less than the United States average change of 12.4 percent. The population base in 2014 within a two hour and four hour drive is estimated at 2,750,100 and 20,740,300, respectively.

Average household income among Muskegon residents approximates $35,200, which is approximately 52 percent (approximately $37,700) less than the national average.

Corporate Base

The breadth and characteristics of the inventory of local corporations and employers can provide an indication of general potential for corporate meeting activity in a given market. Often, the major employers in a local market are an important source of facility usage with regard to corporate meetings, banquets and other similar uses, all of which are important to maintain the utilization and financial viability of a convention center. Indirectly, the size of a local corporate base also tends to be correlated with the level and breadth of supporting community amenities (i.e., hotels, restaurants, transportation infrastructure, etc.), which are relevant when considering non-local events. Exhibit 6 outlines all public and private sector employers in Muskegon County with 100 or more total full-time employees.

Exhibit 6
Top Muskegon County Employers

Top Muskegon County, MI Employers	Employees
Mercy Health Partners	3,657
Alcoa Howmet	2,060
County of Muskegon	1,028
Muskegon Public Schools	941
Meijer	866
ADAC Automotive	750
G.E. Aviation	644
Port City Group	600
Diversified Machine	425
Knoll	403
McDonalds, JAAR Inc.	400
Wesco	395
L-3 Combat Propulsion Systems	380
Eagle Alloy	361
SAF Holland	330
Kautex - CWC Textron	280
Hines Corporation	270
Hilite International	250
Structural Concepts	245
Meta Technologies	220
Muskegon Community College	211
Sun Chemical	182
Brunswick	175
Kaydon	175
Cannon Muskegon	170
Baker College	143
ACEMCO	125
TGW Ermanco	124
Mastertag International	120
Michigan Spring and Stamping	115
Coles	110

Source: Muskegon Area First, 2014.

Mercy Health Partners is the largest employer in Muskegon County with nearly 3,660 employees. The second largest employer in the county is Alcoa Howmet, which is located in Whitehall, Michigan, about a 20 minute drive north of Muskegon. Public sector employers including the County of Muskegon and Muskegon Public Schools are two of the other largest employers in the county. In all, there are 31 employers with over one hundred employees.

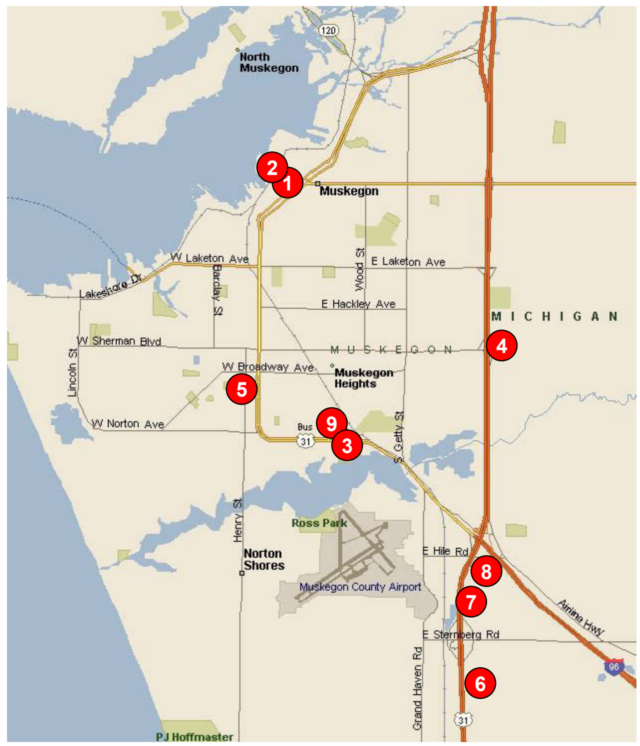
Local Lodging/Hotel Inventory

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

This supporting hospitality infrastructure also plays a key role in generating the desired economic impact of added event space, particularly when considering a convention center project. A paramount component of this hospitality infrastructure is the local inventory of quality hotel properties. As such, Muskegon hotel properties offering over 50 sleeping rooms or more are outlined in Exhibit 7.

Exhibit 7
Lodging - Primary Muskegon Hotels

	Facility	Rooms
1	Holiday Inn Muskegon Harbor	201
2	Shoreline Inn and Conference Center	140
3	Red Roof Inn	127
4	Comfort Inn Muskegon	117
5	A Victory Inn and Suites	110
6	Fairfield Inn and Suites Muskegon Norton Shores	83
7	Hampton Inn	81
8	Baymont Inn and Suites	60
9	Travelodge	55



Note: Only properties offering more than 50 sleeping rooms listed.
Source: Visit Muskegon, 2014.

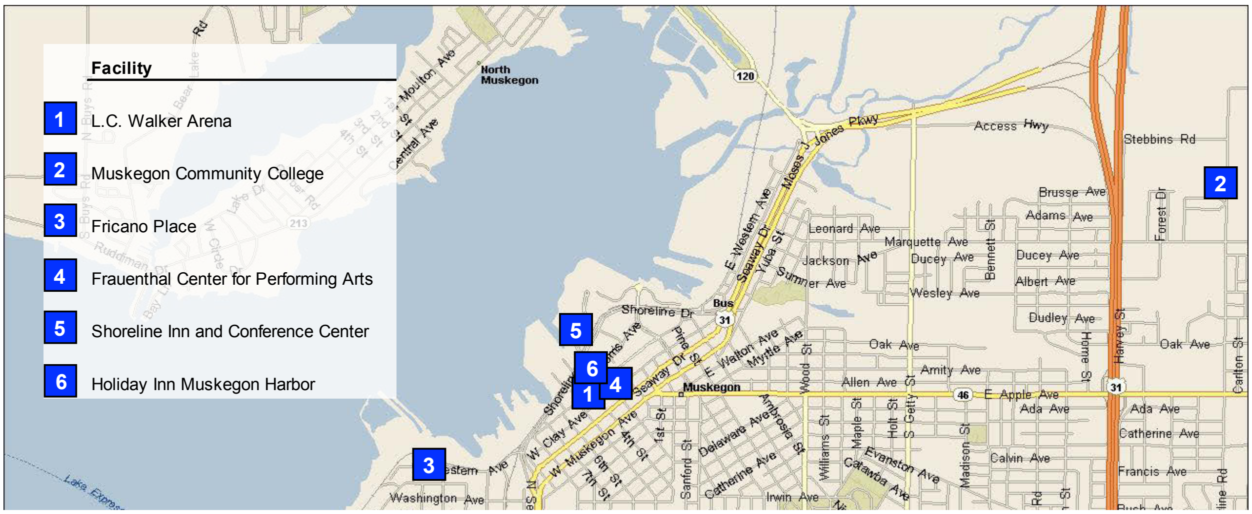
As shown above, there are nine lodging properties that offer over 50 guestrooms in Muskegon, the largest being the Holiday Inn Muskegon Harbor with 201 rooms. The second largest property is the Shoreline Inn and Conference Center. These two properties are currently the only hotel properties with more than 50 guest rooms located in downtown Muskegon, as well as the only full-service properties. Including properties with fewer than 50 guestrooms, the total number of hotel guest rooms in Muskegon is estimated at 1,136.

As with many similar small to mid-sized waterfront destination communities, lodging demand in Muskegon is highly seasonal, with most hotel properties running at or near full occupancy (particularly on the weekends). Off peak periods traditionally illustrate a precipitous drop in demand, as leisure and group traveler demand retract dramatically.

Local Meeting Facility Inventory

The number of potentially competitive and/or supporting event facilities in the local market area is also an important consideration with respect to the overall viability of a market's convention product. Exhibit 8 summarizes the primary event facilities in the Muskegon market that offer flat floor event space. As indicated, all are in or near Muskegon's downtown.

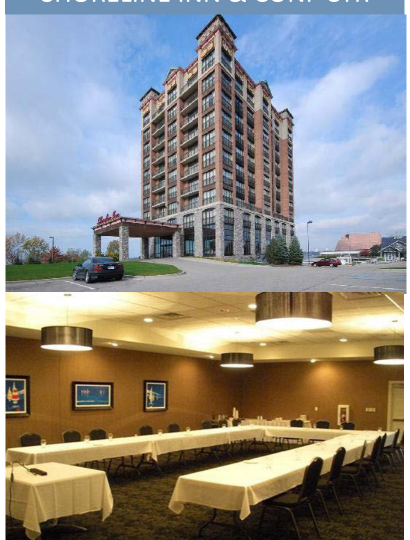
Exhibit 8
Local Facilities – Primary Existing Muskegon Convention/Meeting Facilities



HOLIDAY INN MUSKEGON

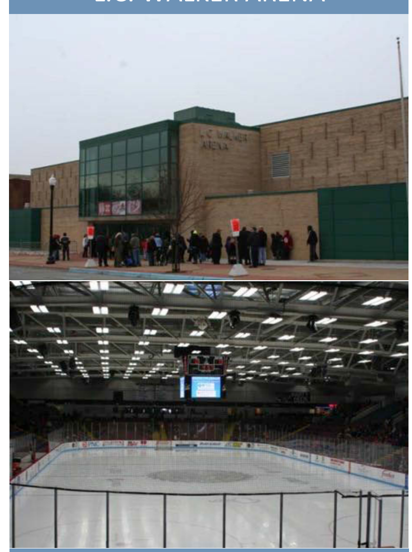
Hotel Guestrooms:	201
Convention Space (SF):	
Prime Exhibit:	0
Other Exhibit	0
Meeting Space	1,800
Ballroom Space	5,200
Total Sellable Space	7,000

SHORELINE INN & CONF CTR



Hotel Guestrooms:	140
Convention Space (SF):	
Prime Exhibit:	0
Other Exhibit	0
Meeting Space	2,600
Ballroom Space	3,500
Total Sellable Space	6,100

L.C. WALKER ARENA



Hotel Guestrooms:	0
Convention Space (SF):	
Prime Exhibit:	0
Other Exhibit	25,000
Meeting Space	0
Ballroom Space	0
Total Sellable Space	25,000

As shown, there are six meeting facilities in the Muskegon market that offer more than 5,000 feet of sellable space, totaling approximately 73,600 square feet of cumulative sellable flat floor event space. The three primary facilities that offer the largest amount of rental flat floor event space or are hotel-based facilities with notable conference space are the Holiday Inn Muskegon, the Shoreline Inn & Conference Center, and the L.C. Walker Arena. Each of these three facilities are described in further detail below.

Holiday Inn Muskegon Harbor

Located between the shores of Muskegon Lake and the revitalized downtown district is the Holiday Inn Muskegon Harbor hotel. The Holiday Inn in Muskegon Harbor was originally opened in 1986 as a Hilton Hotel, with the original funding structure involving a public-private partnership. The Hotel has long served Muskegon and its downtown as the largest hotel in the area, as well as the only full-service hotel property for much of its existence. A $2 million renovation was undertaken in 2011. The hotel was purchased by the current owner and operator, Parkland Development, in 2013. Additional back-of-house systems upgrades were completed in 2013 and 2014.

The Holiday Inn has 201 guestrooms and includes approximately 7,000 square feet of conference space within a 5,200-square foot ballroom and 1,800 square feet of breakout meeting space.

The hotel has a large restaurant, a large kitchen and excess back-of-house space—all of which presently have significant capacity available should demand grow. Key measurements of the hotel's performance (i.e., occupancy, average daily rate, revenue per available room, etc.) have been improving in the time period since the hotel was acquired; however, occupancy levels remain lower than industry averages for both the brand and the chain scale.

Compared to the state-of-the-industry in terms of modern, full-service hotel properties, the Holiday Inn's volume, mix, and quality of conference space is considered limited and substandard. Subdivisibility limitations, small volume, and low ceiling heights in its ballroom space, along with sharp limitations in breakout meeting space are specific challenges associated with the existing space.

Shoreline Inn and Conference Center

Situated at the waterfront of Muskegon Lake at the edge of Muskegon's downtown, the Shoreline Inn is a full-service hotel that is part of Choice Hotel's Ascend Collection brand. The Shoreline Inn was purchased by Parkland Development in 2009.

The Victorian-style hotel features 140 guestrooms and over 6,000 square feet of event space, including a 3,500-square foot ballroom and 2,600 square feet of breakout meeting space. The hotel also offers indoor and outdoor pools, a fitness room, a business center, and the Lake House, a high-quality waterfront bar and grille restaurant overlooking Terrace Point Marina.

Like the Holiday Inn, occupancy, rate, and other performance metrics have been improving in the time period since the hotel was acquired, but still remain below industry averages for the chain scale.

L.C. Walker Arena

The L.C. Walker Arena is a 5,100-seat multi-purpose arena in Muskegon, Michigan. It was originally built in 1960 through funding from the estate of Louis Carlisle Walker at a cost of $1 million, and on October 27, 1960 was given to the City of Muskegon. It is currently home to the Muskegon Lumberjacks, a Tier 1 junior hockey team in the USHL (United States Hockey League). The Arena is managed by Arena Management Group, an entity affiliated with the Lumberjacks.

In addition to sports it is also used for concerts, trade shows, conventions and other events. The arena measures 39 feet from the arena floor to the ceiling. The arena contains 16,200 square feet of arena floor space, and can seat 5,000 people for sporting events, and 6,300 people for concerts. A panel floor covering system is normally used to cover the ice to accommodate flat floor events that require the main arena space.

A portion of a former grocery store, built in 1936, was actually incorporated into the Arena; it is now known as the L.C. Walker Arena annex, used for conventions, banquets, meetings and other special events. The Annex offers approximately 8,000 square feet of relatively low finish space.

Like most spectator arena facilities of its type and vintage, it requires an annual operating subsidy by the public sector owner. Relative to state-of-the-industry spectator/entertainment arenas in comparably-sized markets, Walker Arena has a number of physical characteristics that are substandard and/or not optimized, which all work to hinder its market competitiveness and ability to drive new revenue.

Evolving Muskegon Destination

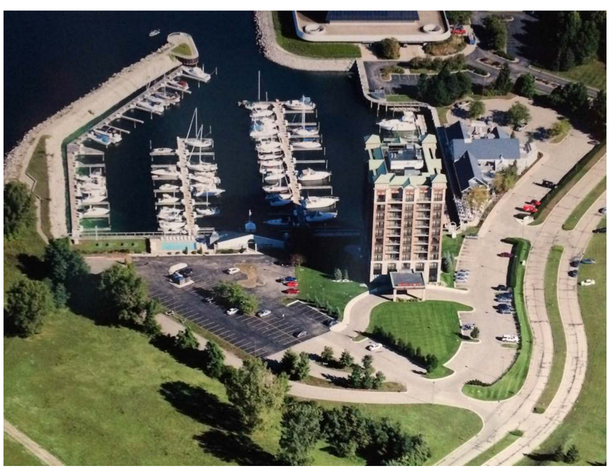
Over the past decade, a variety of noteworthy economic development projects have occurred in Muskegon, leading to improvements in the health, mix and vibrancy of downtown business, residential and visitor-based activities. This public and private sector investment has significantly improved the Muskegon destination in a number of important ways.

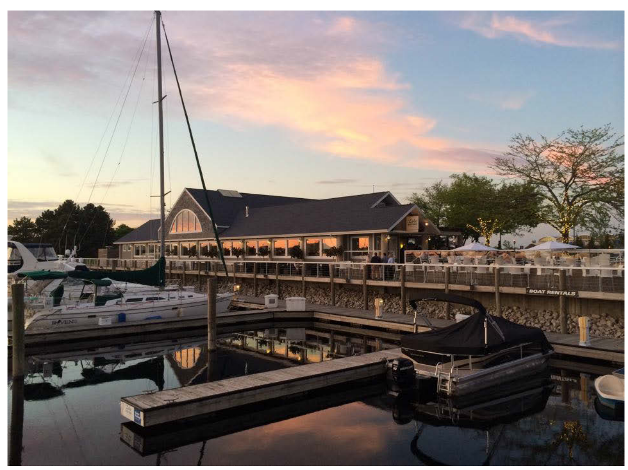
Recent growth has led to the purchase and redevelopment of vacant parcels in the central business district, with city and tourism officials taking a strategic look at future tourism-related development within the district. Within the past year, over $10 million in development projects have been executed or announced for downtown Muskegon's central business district, including two new microbreweries, a state-of-the-art Farmers Market, community college satellite facilities, and downtown residential development including townhome and single-family residences.

In 2002, CSL was contracted by Muskegon County to perform a similar convention center feasibility study. In the twelve years since the completion of the first study, a number of notable changes have occurred within the local Muskegon market, including a number of items that are believed to have both direct and indirect effects on its ability to support a new convention center project.

Since this first study was conducted, an estimated $200 million has been invested in the downtown area, including the construction of 15 new buildings and 22 renovations—spanning a diversity of projects, including cafes, restaurants, hotels, library, and L.C. Walker Arena. Some of the newly constructed and renovated buildings include:

- Baker College's Culinary Institute of Michigan,
- Grand Valley State University's Annis Field Station,
- PNC Bank,
- Muskegon Central Fire Station,
- Hot Rod Harley-Davidson,
- Renaissance Place Apartments,
- Shoreline Inn and Conference Center; and
- Muskegon Farmers Market.



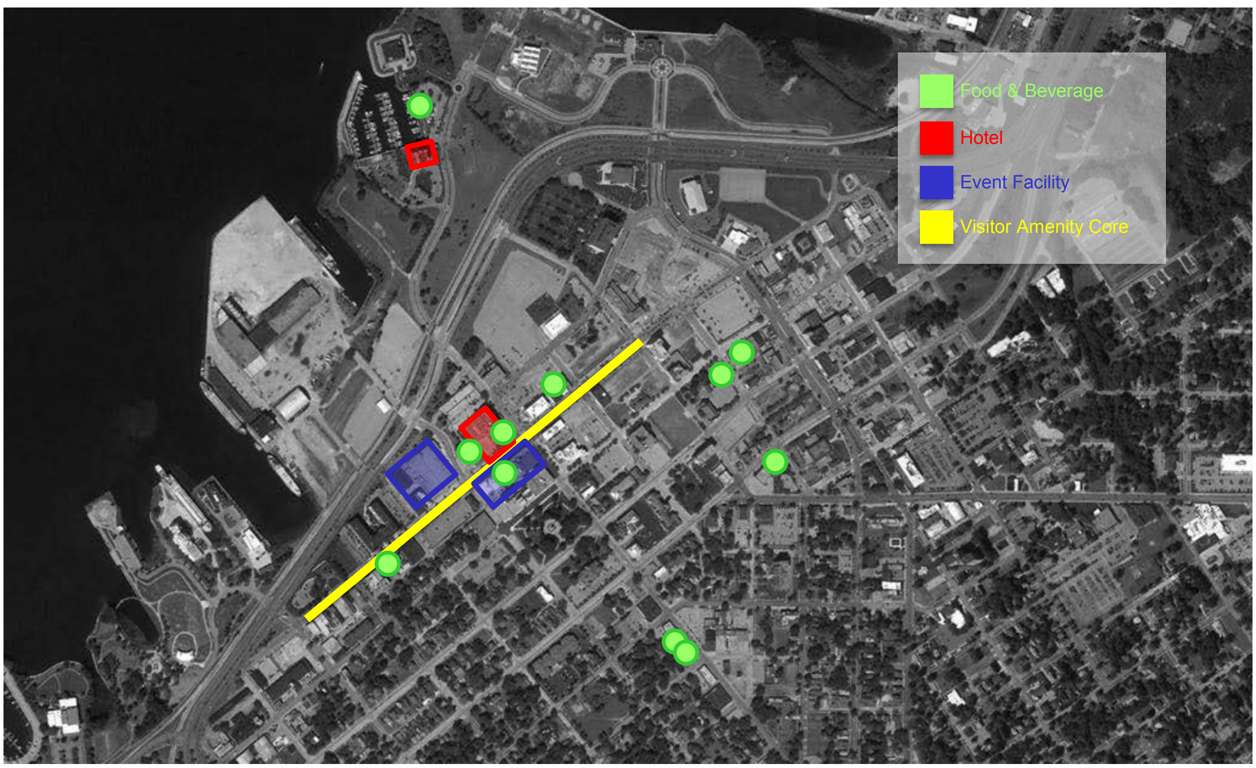


Additionally, Downtown Muskegon Now reports that 3,760 individuals are employed in downtown, with 47 retail shops, 17 restaurants, and two breweries, and more than 1,000 Muskegon Lake boat slips as of summer 2014. These changes in the past twelve years have dramatically shifted the visitor industry infrastructure in downtown Muskegon, and increased the overall attractiveness of the city as a destination.

The epicenter, or core, of the Muskegon destination's visitor amenity base (i.e., attractions, lodging, food and beverage establishments, retail with character, arts/culture, events, etc.) is clearly in Muskegon's downtown, effectively focused around a six-block span of Western Avenue. Concentrations of these types of amenities within a pedestrian-friendly walking environment are normally one of the most important site selection factors for non-local convention and conference groups.

Exhibit 9 displays downtown Muskegon and the hospitality infrastructure in terms of hotels, existing event facilities, and restaurants. The location of these amenities will be highly relevant during the subsequent analysis of sites for a potential new convention center in Muskegon.

Exhibit 9
Overview of Downtown Muskegon



Conclusions

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

Since the last convention center study in 2002, a variety of noteworthy economic development projects have occurred in Muskegon, leading to improvements in the health, mix and vibrancy of downtown business, residential and visitor-based activities. This public and private sector investment has significantly improved the Muskegon destination in a number of important ways.

From a competitive standpoint as a "destination", Muskegon's most prominent strengths include the waterfront proximity of its downtown; its tourism-based attractions and infrastructure (albeit, largely seasonal in nature); growing vibrancy of its pedestrian-friendly central business district including retail, restaurants, bars, brew pubs, arts and culture; full-service hotel product in its downtown; interstate accessibility; strong recent economic group and investment trends; and limited competitive convention facility offerings on the western side of Michigan. Events that rotate within a given region (e.g., conventions, conferences, and meetings hosted by associations, government, corporate/trade groups, and non-professional organizations, such as SMERF [social, military, educational, religious, fraternal] groups) normally view destinations with these types of attributes favorably when considering sites.

In terms of weaknesses, despite the limited number of existing convention facility options on the west side of Michigan, Muskegon is fairly remotely located relative to most major population bases within the state and region—other than Grand Rapids, which is a larger city with a higher level of hotels, meeting facilities, air access, visitor amenities, and other such items than Muskegon. This being said, Muskegon's destination is unique and differentiated from the Grand Rapids' destination. Many convention planners, particularly those smaller and mid-sized groups, prefer to have alternate destination choices within general regional areas and are often interested in getting their events out of larger cities to affordable, smaller—yet still conveniently accessible—destinations.

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

Muskegon's existing hotel inventory, in terms of the number of hotel properties, total number of hotel rooms, size of largest individual properties, limitations in full-service (upscale and upper-upscale chain scale) properties, and the aging nature of some of the core properties will work to shape the size of the convention groups that could be attracted to Muskegon. A preliminary review of the key performance metrics relating to the local lodging market suggests that private sector investment in any new sizeable, full-service hotel products in downtown Muskegon is unlikely to be forthcoming without substantial public sector incentive, which is not recommended at this point in time.

Likewise, there are also important limitations in Muskegon's existing convention/meeting facility inventory, in terms of quality and finish of space, volume of space, differentiation of space, aesthetics and functionality of space, amenities, etc. Specifically, the conference/meeting facilities in the two downtown hotel properties and other facilities located throughout the community serve important roles, but all have competitive disadvantages limiting their ability to attract non-local conventions, conferences and tradeshows.

3.0. COMPETITIVE AND COMPARABLE FACILITIES ANALYSIS

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

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

Competitive/Regional Facilities

As a part of this analysis, we identified 29 convention and conferences facilities throughout the state of Michigan that may offer some level of competition to a potential new convention center in Muskegon. Exhibit 1 presents the name and location of these 29 competitive facilities.

Exhibit 1
Competitive In-State Convention Centers

City, State	Facility
Acme, MI	Grand Traverse Resort
Ann Arbor, MI	Ann Arbor Marriott Ypsilanti at Eagle Crest
Bay City, MI	Doubletree Hotel Bay City - Riverfront
Bellaire, MI	Lakeview Hotel and Conference Center at Summit Village
Boyne Falls, MI	Boyne Mountain Resort
Cadillac, MI	Wexford County Civic Center
Dearborn, MI	Adoba Hotel
Dearborn, MI	The Henry, Autograph Collection Marriott
Dearborn, MI	Ford Motor Conference Center
Detroit, MI	Detriot Marriott Renaissance Center
Detroit, MI	MotorCity Casino Hotel
Detroit, MI	MGM Grand Detroit
Freeland, MI	Apple Mountain
Grand Rapids, MI	The DeltaPlex Entertainment & Expo Center
Grand Rapids, MI	JW Marriott Grand Rapids
Grand Rapids, MI	Amway Grand Plaza
Kalamazoo, MI	Kalamazoo County Expo Center & Fairground
Kalamazoo, MI	Radisson Plaza Center
Lansing, MI	Best Western Plus Hotel and Conference Center
Lansing, MI	Kellogg Hotel & Conference Center
Lansing, MI	Crowne Plaza Lansing West
Livonia, MI	Laurel Manor Special Event Center
Midland, MI	Valley Plaza Resort - Great Hall & Conference Center
Mount Pleasant, MI	Soaring Eagle Casino & Resort
Port Huron, MI	Blue Water Convention Center
Rochester, MI	Royal Park Hotel
Saginaw, MI	Dow Event Center (frmly Saginaw Civic Center)
Sterling Heights, MI	Best Western Plus Sterling Inn
West Bloomfield, MI	Shenandoah Banquet, Golf, and Conference Center

As mentioned in the previous chapter, beyond facilities located in Grand Rapids, there are relatively limited competitive convention facility offerings on the western side of Michigan, presenting a competitive opportunity for a quality convention center product in Muskegon.

Physical Space Characteristics

Exhibit 2 provides comparisons of the space offerings at the selected competitive convention/conference facilities, including exhibit, ballroom, breakout meeting, and total sellable space.

Exhibit 2
Competitive Facilities – Event Space

Facility	City, State	Exhibit Space	Meeting Space	Ballroom Space	Total Sellable Space	Largest Contiguous Space	Number of Meeting Rooms	Rooms at HQ Hotel
Detriot Marriott Renaissance Center	Detroit, MI	25,000	19,700	36,700	81,400	25,800	24	1,298
Dow Event Center	Saginaw, MI	35,000	1,900	0	36,900	25,000	2	0
The DeltaPlex Entertainment & Expo Center	Grand Rapids, MI	43,000	0	2,100	45,100	24,000	0	0
Laurel Manor Special Event Center	Livonia, MI	0	3,000	23,000	26,000	23,000	4	0
Kalamazoo County Expo Center & Fairground	Kalamazoo, MI	20,000	17,600	0	37,600	20,000	4	0
Blue Water Convention Center	Port Huron, MI	0	4,500	25,500	30,000	20,000	5	149
Wexford County Civic Center	Cadillac, MI	20,000	0	0	20,000	20,000	0	0
MotorCity Casino Hotel	Detroit, MI	0	7,100	19,600	26,700	19,600	6	400
Grand Traverse Resort	Acme, MI	49,300	15,900	9,200	74,400	19,300	18	585
Adoba Hotel	Dearborn, MI	17,700	22,100	9,600	49,400	17,700	29	773
Best Western Plus Sterling Inn	Sterling Heights, MI	0	800	15,900	16,700	15,900	2	246
Best Western Plus Hotel and Conference Center	Lansing, MI	0	8,400	15,700	24,100	15,700	8	300
MGM Grand Detroit	Detroit, MI	0	6,200	14,000	20,200	14,000	8	400
Soaring Eagle Casino & Resort	Mount Pleasant, MI	0	7,700	12,800	20,500	12,800	12	514
The Henry, Autograph Collection Marriott	Dearborn, MI	0	3,800	17,200	21,000	12,600	4	308
JW Marriott Grand Rapids	Grand Rapids, MI	0	3,000	12,300	15,300	12,300	7	340
Kellogg Hotel & Conference Center	Lansing, MI	0	20,200	12,000	32,200	12,000	26	160
Shenandoah Banquet, Golf and Conference Center	West Bloomfield, MI	0	7,200	11,300	18,500	11,300	7	0
Radisson Plaza Center	Kalamazoo, MI	10,500	17,900	9,700	38,100	10,500	15	340
Royal Park Hotel	Rochester, MI	0	3,000	10,400	13,400	10,400	4	147
Boyne Mountain Resort	Boyne Falls, MI	10,000	6,300	8,500	24,800	10,000	10	450
Valley Plaza Resort - Great Hall & Conference Center	Midland, MI	0	12,800	9,900	22,700	9,900	13	236
Ford Motor Conference Center	Dearborn, MI	0	12,700	9,900	22,600	9,900	18	0
Lakeview Hotel and Conference Center at Summit Village	Bellaire, MI	0	6,800	9,600	16,400	9,600	5	183
Ann Arbor Marriott Ypsilanti at Eagle Crest	Ann Arbor, MI	0	1,800	11,500	13,300	9,000	13	233
Amway Grand Plaza	Grand Rapids, MI	0	28,100	17,500	45,600	8,800	30	682
Crowne Plaza Lansing West	Lansing, MI	0	5,000	8,600	13,600	8,600	6	212
Apple Mountain	Freeland, MI	0	7,100	8,500	15,600	8,500	7	0
Doubletree Hotel Bay City - Riverfront	Bay City, MI	0	5,000	7,600	12,600	7,600	7	150
Total		**230,500**	**255,600**	**348,600**	**834,700**	**423,800**	**294**	**8,106**
Average		**7,900**	**8,800**	**12,000**	**28,800**	**14,600**	**10**	**280**

As presented, Detroit Marriott Renaissance Center offers the most sellable space with approximately 81,400 square feet, as well as the largest contiguous space of 25,800 square feet. The Doubletree Hotel Bay City – Riverfront offers the least sellable space with 12,600 square feet, as well as the smallest contiguous space with 7,600 square feet. The average sellable space across the 29 facilities is 28,800 square feet, while the average largest contiguous space is 14,600 square feet.

Population

A primary component in assessing the potential success of the potential new convention center product in Muskegon is the demographic and socioeconomic profile of the local market. To gain an understanding of the relative strength of the Muskegon market area, it is useful to compare various demographic and socioeconomic characteristics among the competitive/in-state markets supporting similar venues. Exhibit 3 presents population statistics among the competitive facilities reviewed.

Exhibit 3
Competitive Facilities – Market Population

Facility	City	County	One Hour	Two Hours	Four Hours
MGM Grand Detroit	672,674	1,763,671	4,838,505	7,787,174	22,929,572
Ann Arbor Marriott Ypsilanti at Eagle Crest	117,755	352,119	4,827,426	8,215,751	23,461,704
Shenandoah Banquet, Golf and Conference Center	n/a	1,212,137	4,806,838	7,560,273	21,626,293
MotorCity Casino Hotel	672,674	1,763,671	4,744,020	7,526,571	21,073,279
The Henry, Autograph Collection Marriott	97,554	1,763,671	4,699,821	7,599,516	21,650,456
Adoba Hotel	97,554	1,763,671	4,691,380	7,583,315	21,626,293
Ford Motor Conference Center	97,554	1,763,671	4,687,787	7,583,315	21,626,293
Laurel Manor Special Event Center	95,298	1,763,671	4,665,108	7,775,766	21,385,374
Best Western Plus Sterling Inn	130,655	848,682	4,613,797	7,192,853	19,335,470
Detriot Marriott Renaissance Center	672,674	1,763,671	4,599,091	7,450,375	20,954,067
Royal Park Hotel	12,919	1,212,137	4,488,210	7,098,982	18,633,948
Crowne Plaza Lansing West	112,269	253,122	1,749,768	9,613,390	25,019,893
Amway Grand Plaza	191,237	615,570	1,728,564	4,717,232	22,563,092
The DeltaPlex Entertainment & Expo Center	191,237	615,570	1,725,073	4,702,689	22,563,092
JW Marriott Grand Rapids	191,237	615,570	1,694,302	4,624,138	22,531,137
Best Western Plus Hotel and Conference Center	112,269	253,122	1,650,302	9,568,211	26,224,581
Kellogg Hotel & Conference Center	112,269	253,122	1,617,787	9,406,417	25,150,407
Blue Water Convention Center	29,231	159,839	1,501,545	5,994,838	14,791,298
Radisson Plaza Center	75,098	253,122	1,379,328	5,525,072	25,743,281
Kalamazoo County Expo Center & Fairground	75,098	253,122	1,297,731	6,080,703	28,028,596
Dow Event Center	50,176	197,154	1,156,912	6,963,235	14,352,404
Muskegon, MI	**37,686**	**170,858**	**1,154,318**	**2,750,077**	**20,740,295**
Apple Mountain	7,033	197,154	960,530	6,432,117	12,693,310
Valley Plaza Resort - Great Hall & Conference Center	42,202	84,509	951,690	6,423,917	12,621,747
Doubletree Hotel Bay City - Riverfront	34,772	107,475	772,895	5,920,789	12,142,250
Soaring Eagle Casino & Resort	26,151	70,275	626,866	4,103,261	12,511,320
Wexford County Civic Center	10,189	32,667	316,069	2,329,934	11,655,934
Grand Traverse Resort	n/a	89,152	244,627	750,561	8,887,760
Lakeview Hotel and Conference Center at Summit Village	1,091	24,163	185,596	683,945	8,760,112
Boyne Mountain Resort	321	25,984	166,650	699,135	8,778,536
Average (excluding Muskegon)	**96,000**	**325,200**	**2,461,700**	**6,134,900**	**18,942,100**
Muskegon Rank	**11 out of 19**	**9 out of 17**	**22 out of 30**	**26 out of 30**	**18 out of 30**

Sorted by One Hour drive population
Source: ESRI Business Analyst, 2014.

Among the selected competitive facilities reviewed, the MGM Grand Detroit and the Ann Arbor Marriott Ypsilanti at Eagle Crest have the highest population in terms of one hour drive, both with over 4.8 million people, while Boyne Mountain Resort has the lowest of the facilities with fewer than 166,700 people. Muskegon ranks 22 out of 30 facilities in terms of population within a one hour drive. Facilities in Detroit, Michigan have the highest city population. Muskegon ranks 11 out of 19 in terms of city population and 9 out of 17 in terms of county population.

Average Household Income

Average household income reflects a household's income that is remaining after taxes have been paid, which is available for disposable spending and saving. This statistical figure can be valuable when evaluating consumer capacity and propensity to expend personal income on leisure goods and services, such as attending certain events at public assembly facilities. Exhibit 4 shows the average household income within each city, county and a one-hour, two-hour and four-hour drive of the competitive facilities.

Exhibit 4
Competitive Facilities – Average Household Income

Facility	City	County	One Hour	Two Hours	Four Hours
Laurel Manor Special Event Center	$80,860	$56,493	$71,024	$66,107	$64,509
Detriot Marriott Renaissance Center	$36,573	$56,493	$70,555	$66,434	$64,561
MotorCity Casino Hotel	$36,573	$56,493	$70,140	$66,294	$64,500
Shenandoah Banquet, Golf and Conference Center	n/a	$90,685	$70,126	$66,399	$64,262
The Henry, Autograph Collection Marriott	$60,229	$56,493	$70,123	$66,196	$64,368
Adoba Hotel	$60,229	$56,493	$69,966	$66,177	$64,375
Ford Motor Conference Center	$60,229	$56,493	$69,960	$66,177	$64,375
Best Western Plus Sterling Inn	$69,445	$66,697	$69,582	$66,848	$64,294
MGM Grand Detroit	$36,573	$56,493	$68,933	$65,961	$64,348
Royal Park Hotel	$102,712	$90,685	$68,691	$66,942	$64,395
Best Western Plus Hotel and Conference Center	$44,902	$59,084	$68,369	$65,387	$68,681
Ann Arbor Marriott Ypsilanti at Eagle Crest	$72,311	$79,826	$67,494	$65,769	$64,934
Blue Water Convention Center	$40,523	$59,423	$66,014	$67,444	$64,977
Crowne Plaza Lansing West	$44,902	$59,084	$64,261	$65,286	$68,975
Kellogg Hotel & Conference Center	$44,902	$59,084	$64,002	$65,317	$68,988
Muskegon, MI	**$35,155**	**$50,701**	**$63,845**	**$60,861**	**$71,487**
Amway Grand Plaza	$50,021	$67,363	$63,227	$62,292	$71,054
JW Marriott Grand Rapids	$50,021	$67,363	$63,226	$61,720	$71,081
The DeltaPlex Entertainment & Expo Center	$50,021	$67,363	$63,214	$62,208	$71,054
Radisson Plaza Center	$42,859	$61,858	$60,861	$65,111	$70,772
Grand Traverse Resort	n/a	$64,636	$60,387	$53,956	$64,883
Boyne Mountain Resort	$51,042	$62,325	$59,453	$53,766	$64,926
Dow Event Center	$36,428	$55,962	$59,387	$66,420	$63,609
Lakeview Hotel and Conference Center at Summit Village	$56,563	$58,639	$59,055	$53,818	$65,047
Kalamazoo County Expo Center & Fairground	$42,859	$61,858	$58,410	$64,728	$70,057
Soaring Eagle Casino & Resort	$41,482	$49,884	$56,434	$62,615	$63,804
Apple Mountain	$78,988	$55,962	$53,959	$66,617	$63,800
Doubletree Hotel Bay City - Riverfront	$44,840	$56,309	$53,910	$66,884	$63,964
Valley Plaza Resort - Great Hall & Conference Center	$80,186	$75,983	$53,578	$66,629	$63,805
Wexford County Civic Center	$43,308	$50,023	$52,736	$59,604	$63,994
Average (excluding Muskegon)	**57,400**	**63,400**	**63,700**	**64,100**	**65,900**
Muskegon Rank	**19 out of 19**	**15 out of 17**	**16 out of 30**	**26 out of 30**	**1 out of 30**

Sorted by One Hour drive household income
Source: ESRI Business Analyst, 2014.

The competitive markets' average household income within a one hour drive ranges from a low of $52,700 at the Wexford Country Civic Center, to a high of $71,000 at the Laurel Manor Special Event Center. Muskegon ranks 16 out of 30 in terms of average household income within a one-hour drive's radius. The average household income among the competitive convention markets (excluding Muskegon) with the respect to the one-hour drive radius is approximately $63,700. Muskegon has the lowest city household income of the 19 markets compared, and ranks 15 out of 17 counties compared. Within a four-hour drive radius, however, Muskegon ranks number one out of the 30 compared facilities.

Comparable Facilities

Certain inferences can be made by reviewing comparable convention facilities operating in markets throughout the country of a similar size and/or geographic positioning. The facilities reviewed were selected based on their characteristics, total space offered and the size and location of the markets in which they are located. Exhibit 5 presents a summary of selected comparable convention center facilities and markets analyzed.

Exhibit 5
Comparable Convention Centers

City, State	Facility
Athens, GA	The Classic Center
Bay City, MI	DoubleTree Hotel and Conference Center
Coralville, IA	Coralville Marriott Hotel and Conference Center
Dubuque, IA	Dubuque Grand River Center
Grand Junction, CO	Two Rivers Convention Center
Layton, UT	Davis Conference Center
Niagara Falls, NY	The Conference Center Niagara Falls
Port Huron, MI	Blue Water Convention Center
Provo, UT	Utah Valley Convention Center
Pueblo, CO	Pueblo Convention Center
Saginaw, MI	Dow Event Center
Salem, OR	Salem Conference Center
San Marcos, TX	San Marcos Conference Center
St. Charles, MO	St. Charles Convention Center
Vancouver, WA	Vancouver Conference Center

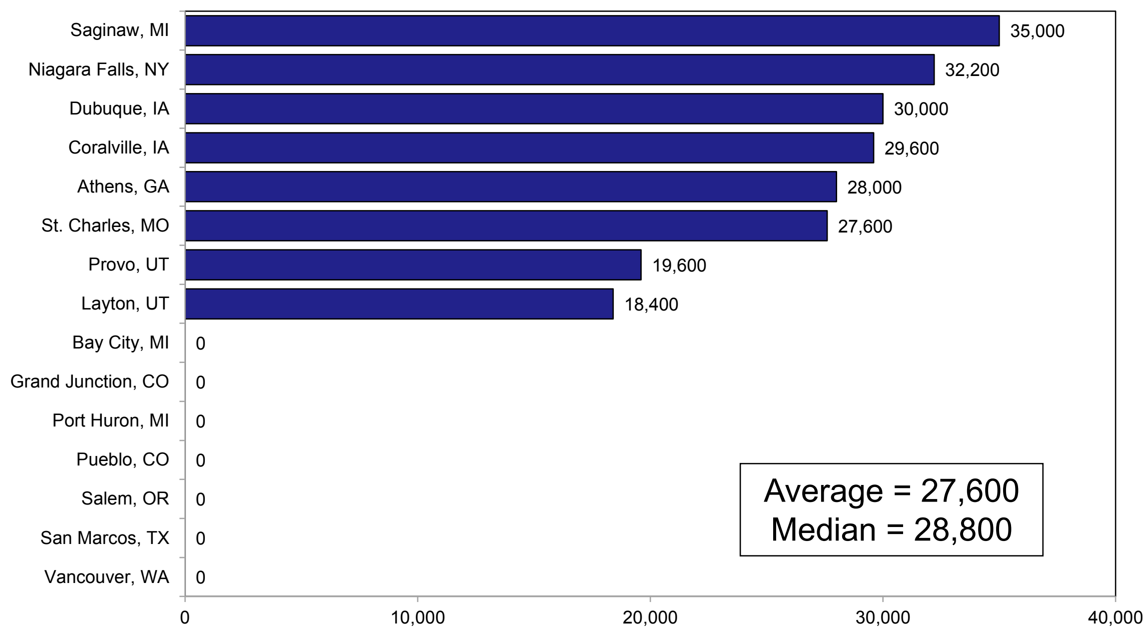
Each of the listed facilities is located in a market that is similar to the Muskegon area, with respect to population size, geographic proximity to other metropolitan areas and/or facility size/characteristics. As available, operational data was obtained and analyzed from these facilities and host communities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

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

Exhibit Space

Exhibit 6 presents a comparison of total prime exhibit space offered at the comparable facilities reviewed. For purposes of this analysis, only "prime" exhibit space has been included in the exhibit. "Prime" space refers to the dedicated exhibition area that is column-free or with minimal columns, has a concrete floor and high ceilings. While space in certain facilities may be termed "exhibit space," only space fitting the aforementioned description is considered exhibit space. Other sellable areas of facility space would be either considered as "ballroom/multipurpose" or "meeting space" (to be subsequently discussed).

Exhibit 6
Comparable Convention Centers – Exhibit Space



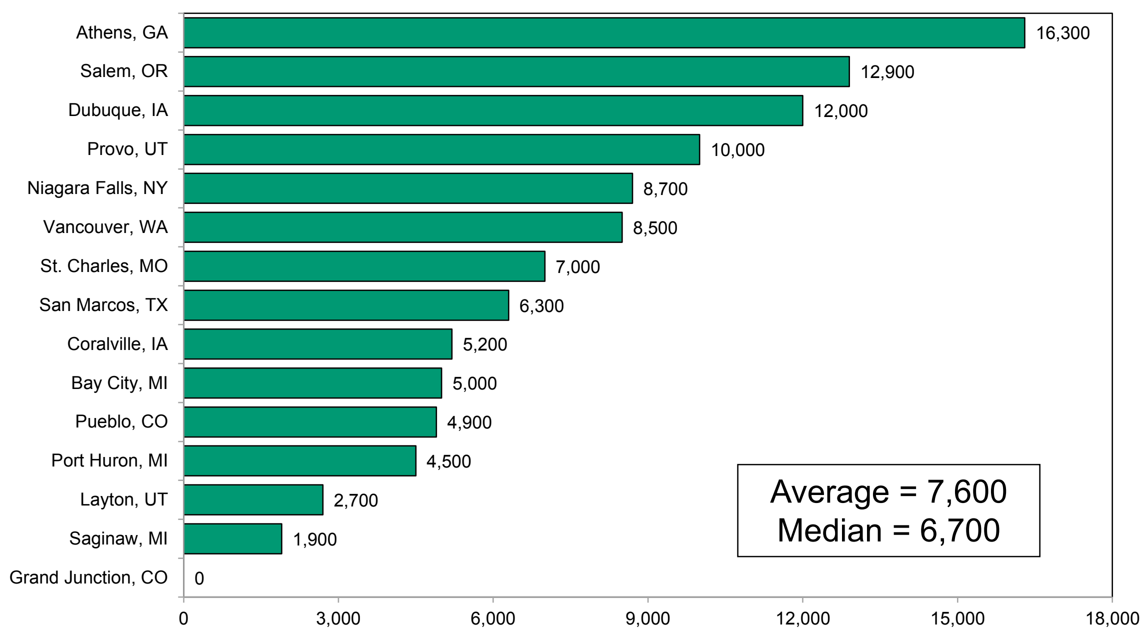
Note: Average and median figures only include facilities incorporating exhibit space.
Source: Facility floorplans, management, and industry publications, 2014.

As presented, the Dow Event Center in Saginaw, Michigan incorporates the largest amount of prime exhibit space with 35,000 square feet. Seven comparable facilities do not offer any prime exhibit space. The average amount of exhibit space offered at facilities offering prime exhibit space is approximately 27,600 square feet and the median square feet of exhibit space among the facilities offering it is approximately 28,800 square feet.

Meeting/Ballroom Space

Sufficient modern meeting and ballroom space is very important in attracting and accommodating events in the convention, conference and meetings industry. Event organizers see it as an important factor in their selection of host cities. The inclusion of some meeting/banquet/multipurpose space is typically necessary to allow the facility to compete for important economic impact generating events with attendees originating from outside the local area. Exhibit 7 compares the square footage of breakout meeting space offered among the comparable facilities.

Exhibit 7
Comparable Convention Centers – Breakout Meeting Space

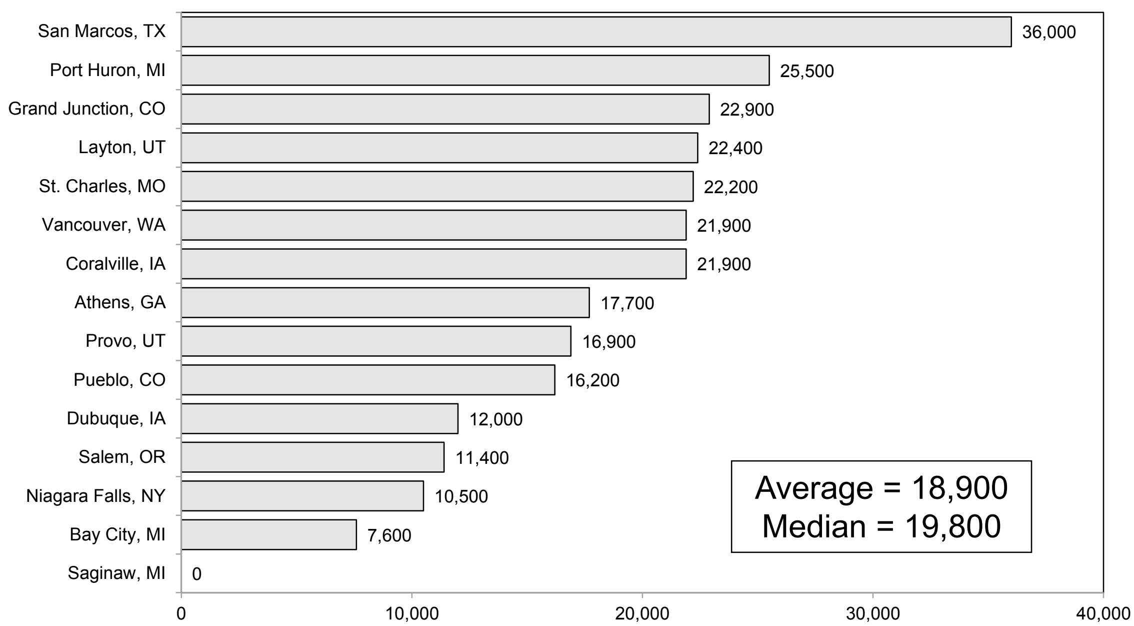


Note: Average and median figures only include facilities incorporating meeting space.
Source: Facility floorplans, management, and industry publications, 2014.

The level of meeting space ranges from approximately 1,900 square feet at the Dow Event Center in Saginaw, Michigan, to 16,300 square feet at The Classic Center in Athens, Georgia. The Two Rivers Convention Center in Grand Junction, Colorado is the only facility that does not offer breakout meeting space. On average, the comparable conference centers reviewed offer approximately 7,600 square feet (of the facilities that do offer breakout meeting space).

Another important characteristic reviewed by event planners when selecting a potential facility is the amount of available ballroom space. This space can be used for general assemblies, product demonstrations, light exhibits and a variety of other uses. Recognizing this, planners have increasingly placed a premium on such space in their selection of host cities. Ballroom space is also desirable in that it tends to keep delegates in the convention center during the event as a variety of different functions, such as meal functions, can be conducted all under one roof. Further, adjacent hotel ballrooms may be occupied with unrelated events that may prevent their use by convention/conference center events. In state-of-the-industry convention centers, ballroom space tends to provide a large contiguous open area, high ceilings (25 to 28 feet as opposed to 12 to 15 feet for meeting space) and a slightly higher level of finish, including a higher grade of lighting, floor covering and wall finish. Exhibit 8 compares the square feet of ballroom space offered at the comparable facilities.

Exhibit 8
Comparable Convention Centers – Ballroom Space



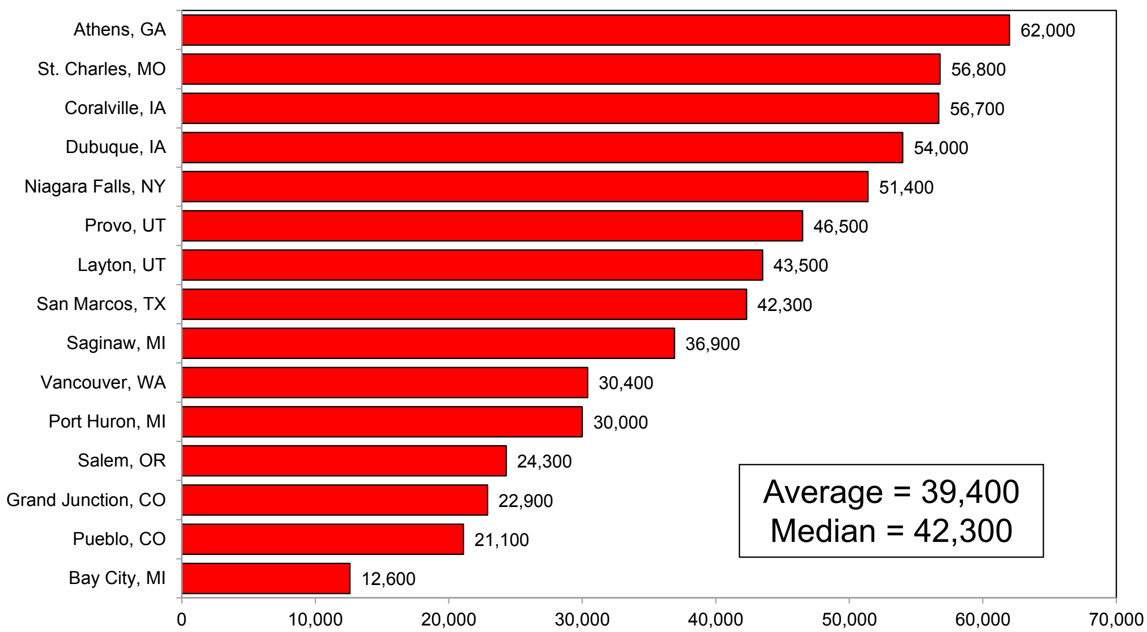
Note: Average and median figures only include facilities incorporating ballroom space.
Source: Facility floorplans, management, and industry publications, 2014.

As presented, the San Marcos Conference Center in San Marcos, Texas offers the most ballroom square footage with 36,000 square feet, while the DoubleTree Hotel and Conference Center in Bay City, Michigan offers the least with 7,600 square feet. The Dow Event Center in Saginaw, Michigan, is the only facility that offers no ballroom space. On average, comparable facilities offering ballroom space have approximately 18,900 square feet of ballroom space, with a median of 19,800 square feet.

Total Sellable Space

Exhibit 9 outlines a comparison of the total sellable space (i.e. exhibit, ballroom and breakout meeting space) offered at the comparable facilities reviewed.

Exhibit 9
Comparable Convention Centers – Total Sellable Space



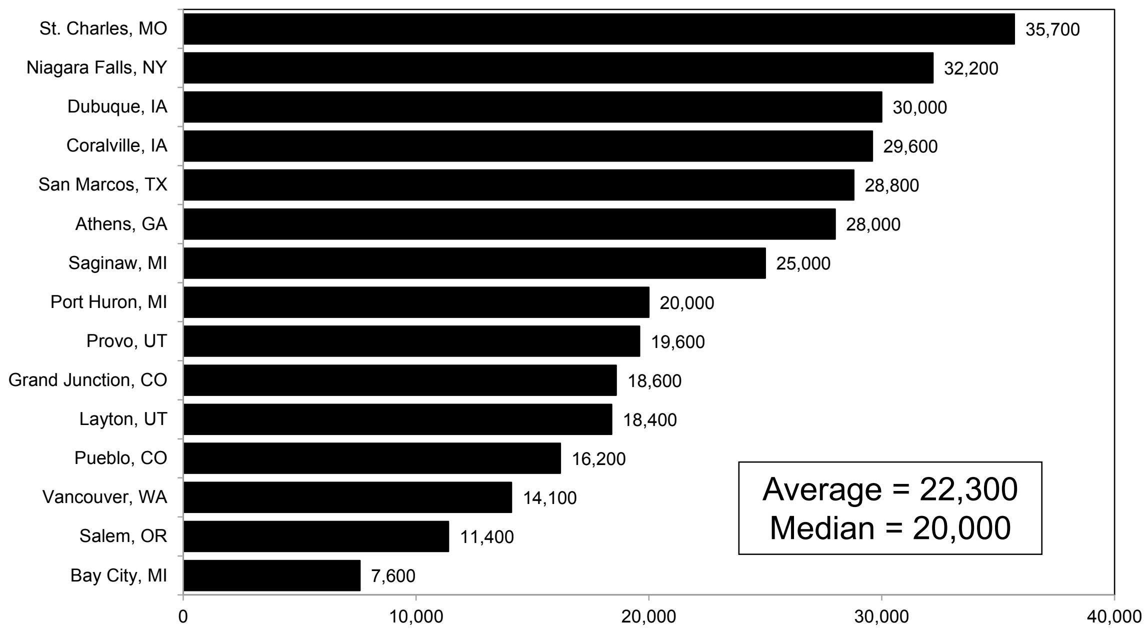
Source: Facility floorplans, management, and industry publications, 2014.

The amount of total sellable space (exhibit, ballroom and breakout meeting space) offered at the comparable facilities reviewed varies widely, averaging approximately 39,400 square feet, with a median of 42,300 square feet. The largest facility in terms of total sellable space is The Classic Center in Athens, Georgia, with approximately 62,000 total sellable square feet. The DoubleTree Hotel and Conference Center in Bay City, Michigan offers the least amount of total sellable space, with approximately 12,600 square feet.

Largest Contiguous Space

It is also useful to assess the largest contiguous event space within a convention facility, as oftentimes the primary concern of event planners is whether a convention facility has a room sized appropriately to accommodate their specific event, regardless of the floor covering and/or wall treatments. Exhibit 10 outlines a comparison of the largest contiguous space offered at the comparable facilities reviewed, regardless of type of space (i.e. exhibit, ballroom or breakout meeting space).

Exhibit 10
Comparable Convention Centers – Largest Contiguous Space



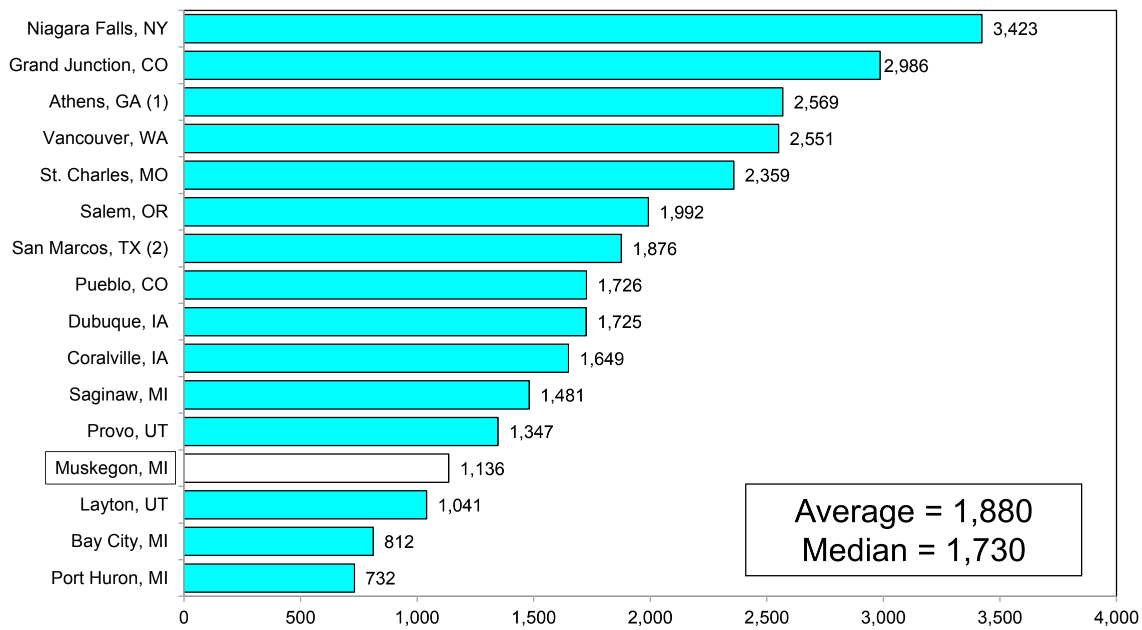
Source: Facility floorplans, management, and industry publications, 2014.

As shown, the largest contiguous space available among the comparable facilities reviewed ranges from approximately 7,600 square feet at the DoubleTree Hotel and Conference Center in Bay City, Michigan to 35,700 square feet at the St. Charles Convention Center in St. Charles, Missouri. On average, the largest contiguous event space offered at the facilities is 22,300 square feet.

Supporting Hotel Supply

Exhibit 11 details the total number of available hotel rooms in each of the comparable markets.

Exhibit 11
Comparable Markets – Hotel Rooms in Greater Market Area



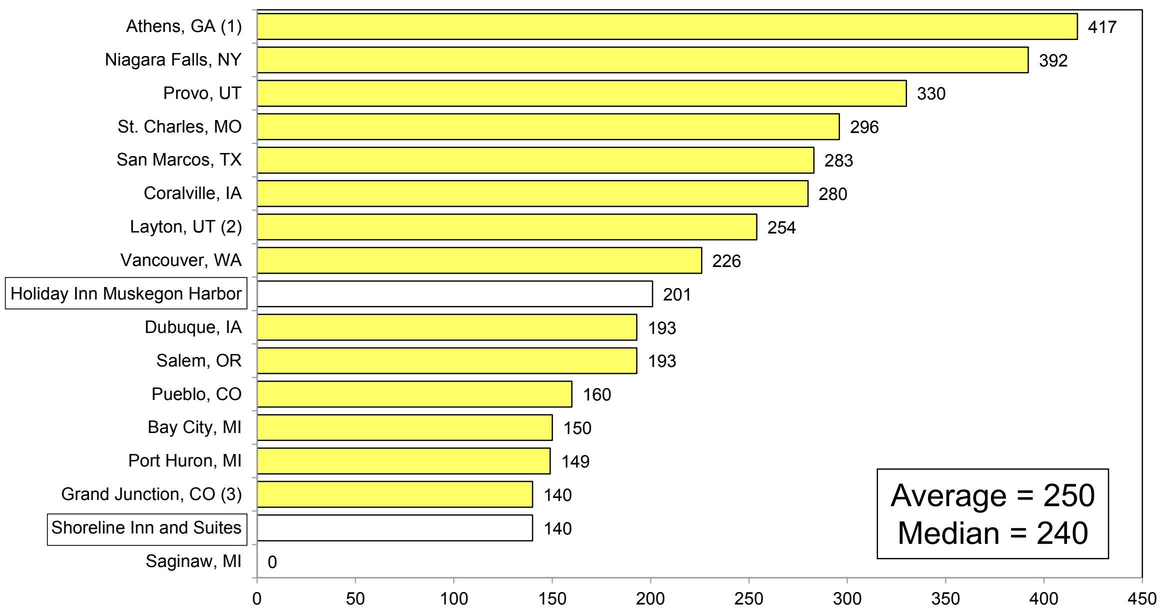
(1) Includes a 52-room expansion to the Hilton Garden Inn expected to complete in 2015 and the addition of a 180-room Hyatt Place attached headquarter hotel, expected to open in 2016.
(2) Includes 72-room Comfort Inn and Suites expected to open Fall 2014.
Note: Average and median calculations do not include Muskegon.
Source: Convention and visitors bureaus, industry publications, 2014.

As shown in the exhibit, the market with the largest hotel room inventory among the comparable markets can be found in Niagara Falls, New York with over 3,420 rooms. The 732 rooms offered in Port Huron, Michigan, represent the smallest number of rooms offered within the comparable markets reviewed. The Muskegon market offers approximately 1,140 total sleeping rooms, which ranks thirteen among all comparable markets evaluated.

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

Exhibit 12 presents the number of hotel rooms attached (either within the same physical structure, or connected via skyway/connection) or directly adjacent to the comparable facilities.

Exhibit 12
Comparable Markets – Headquarter Hotel Rooms

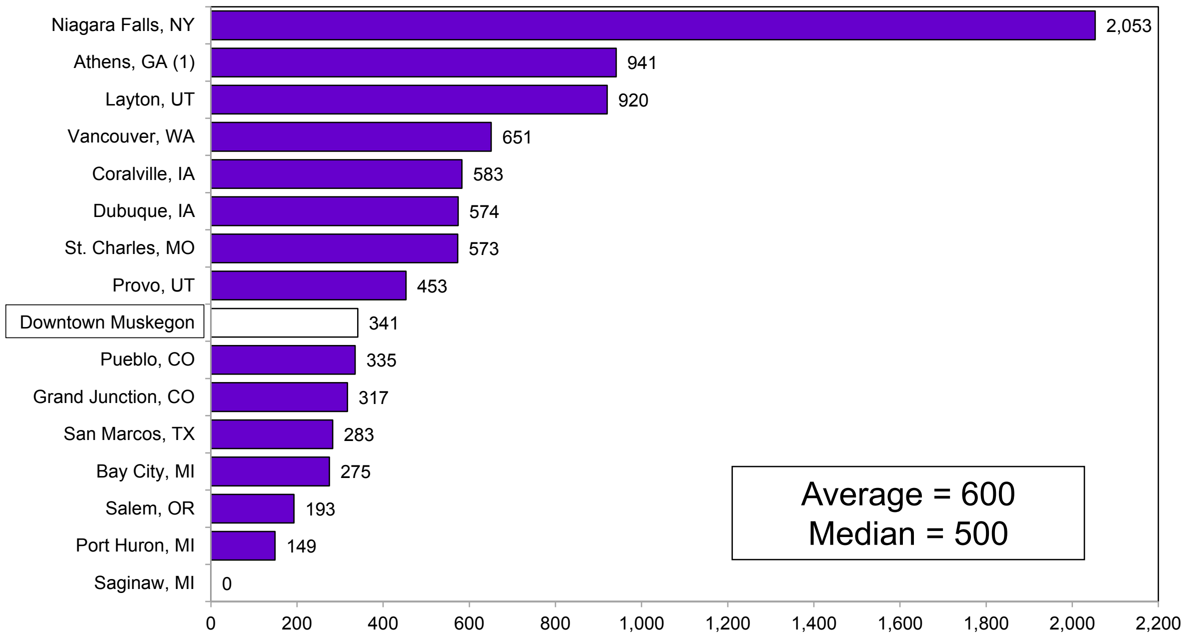


(1) Includes a 52-room expansion to the Hilton Garden Inn expected to complete in 2015 and the addition of a 180-room Hyatt Place attached headquarter hotel, expected to open in 2016.
(2) Includes the 147-room Hilton Garden Inn and adjacent 107-room Home2Suites.
(3) Includes the 80-room Hampton Inn Grand Junction Downtown and 60-room Fairfield Inn and Suites.
Note: Average and median figures only include facilities with headquarter hotel rooms and does not include Muskegon hotels.
Source: Convention and visitors bureaus, industry publications, 2014.

As shown, all comparable facilities do offer some level of headquarter hotel rooms. The Classic Center in Athens, Georgia, upon the completion of the Hilton Garden Inn expansion and opening of the Hyatt Place, will offer the most headquarter hotel rooms with 417 rooms. The Two Rivers Convention Center in Grand Junction, Colorado offers the fewest headquarter hotel rooms with 140 rooms. The Dow Event Center in Saginaw, Michigan, is the only facility that has no headquarter hotel. The average number of rooms is approximately 250, while the median is 240. The Holiday Inn Muskegon Harbor falls below the average with just over 200 rooms, while the Shoreline Inn and Suites, with 140 rooms, ties for the fewest number of rooms among comparable markets' headquarter hotels.

While event planners require their entire room block be accommodated with a single hotel property, other events (especially those with a large number of out-of-town attendees) may stay in multiple hotel properties around the convention center. It is thus advantageous for a facility to have additional hotel support within walking distance from the event facility. Exhibit 13 shows the number of hotel rooms within walking distance (one half-mile) from the comparable event facilities.

Exhibit 13
Comparable Markets – Hotels within Walking Distance (One-Half Mile)



(1) Includes a 52-room expansion to the Hilton Garden Inn expected to complete in 2015 and the addition of a 180-room Hyatt Place attached headquarter hotel, expected to open in 2016.
Note: Average and median figures only include facilities with hotels within walking distance and do not include downtown Muskegon.
Source: Convention and visitors bureaus, industry publications, 2014.

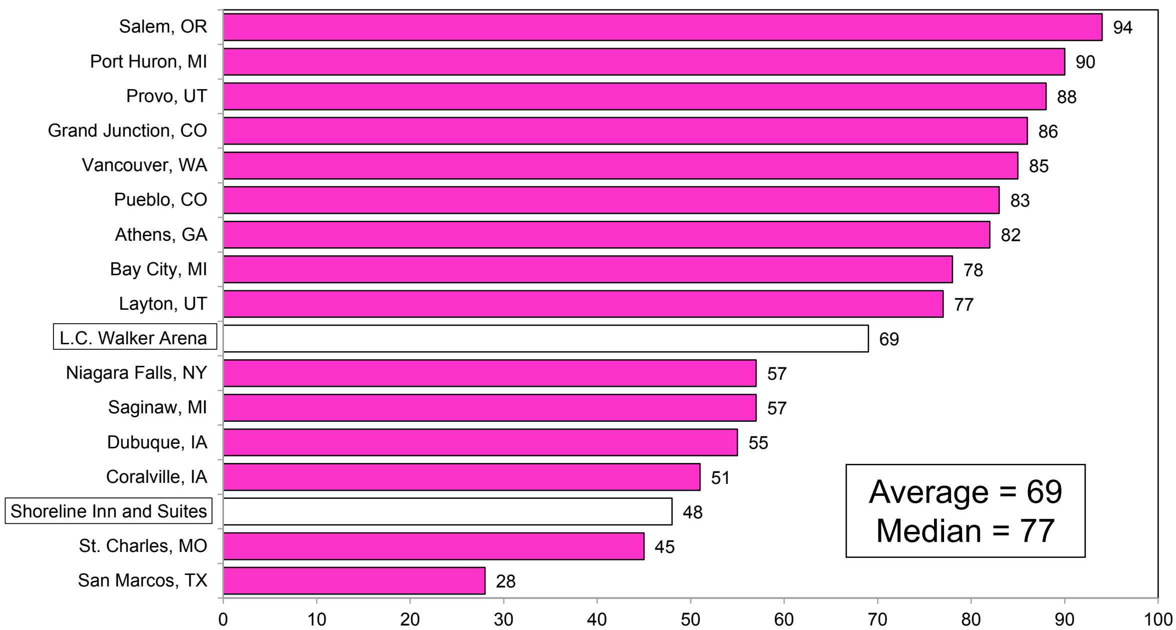
As shown, The Conference Center Niagara Falls has the greatest number of hotel rooms within walking distance with over 2,050 rooms. The average number of rooms within a half-mile is 600, while the median is 500. Muskegon ranks below average with over 340 rooms downtown.

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

Local Area Accessibility

Exhibit 14 represents an informal guide to the level of amenities within walking distance of the comparable convention centers reviewed. The Walk Score outlined below measures how pedestrian-friendly an area is, with the highest score of 100 (most pedestrian friendly) and lowest score of zero (least pedestrian friendly). The maximum score is given for amenities within one-quarter mile of the venue, with no points awarded for amenities outside of a one-mile radius. Factors influencing walkability include the presence and quality of footpaths, sidewalks, traffic and road conditions, land use patterns, building accessibility, and safety, proximity to amenities such as restaurants, parks, hotels, schools, etc.

Exhibit 14
Comparable Markets – Walkability Score



Source: www.walkscore.com, 2014.

The Salem Conference Center located in Salem, Oregon has the highest walkability score of 94 points, while the area surrounding San Marcos Conference Center received the lowest score of 28 points.

As shown above, the Shoreline Inn location received a walk score of 48, which is considered "car-dependent" according to the Walk Score measurement scale. The L.C. Walker Arena/Holiday Inn location, however, has a higher score of 69, which is considered "walkable" for a number of activities and purposes. The average walk score among the comparable markets reviewed is 69, with a median of 77.

Population

A primary component in assessing the potential success of the convention center product in Muskegon is the demographic and socioeconomic profile of the local market. To gain an understanding of the relative strength of the Muskegon market area, it is useful to compare various demographic and socioeconomic characteristics among the comparable markets supporting similar venues. Exhibit 15 presents population statistics among the comparable markets reviewed.

Exhibit 15
Comparable Markets – Market Population

Market	City	County	One Hour	Two Hours	Four Hours
San Marcos, TX	48,864	179,636	3,663,789	5,113,581	19,190,740
St. Charles, MO	66,574	374,550	2,671,126	4,104,380	11,712,856
Vancouver, WA	166,264	440,750	2,488,668	3,644,887	9,076,866
Layton, UT	71,554	324,338	1,985,353	2,565,610	3,334,271
Salem, OR	158,073	322,332	1,863,905	3,402,838	7,683,614
Provo, UT	116,507	551,093	1,798,792	2,504,114	3,453,012
Port Huron, MI	29,231	159,839	1,501,545	5,994,838	14,791,298
Athens, GA	121,528	122,764	1,426,631	7,823,281	19,789,048
Niagara Falls, NY	48,857	213,889	1,161,242	2,665,016	11,780,924
Muskegon, MI	**37,686**	**170,858**	**1,154,318**	**2,750,077**	**20,740,295**
Saginaw, MI	50,176	197,154	1,151,644	6,963,235	14,352,404
Pueblo, CO	106,882	160,022	836,875	3,192,341	5,149,540
Bay City, MI	34,772	107,475	772,895	5,920,789	12,142,250
Coralville, IA	19,169	136,741	727,297	2,505,883	18,790,344
Dubuque, IA	59,009	97,170	275,214	2,703,790	19,781,674
Grand Junction, CO	60,121	150,179	178,132	307,950	1,252,119
Average (excluding Muskegon)	**77,200**	**235,900**	**1,500,200**	**3,960,800**	**11,485,400**
Muskegon Rank (out of 16)	**13**	**9**	**10**	**10**	**1**

Sorted by One Hour drive population

Source: ESRI Business Analyst, 2014.

Among the selected comparable markets reviewed, Coralville, Iowa's population represents the lowest in terms of city population, while the city population of Vancouver, Washington represents the highest at nearly 166,300. The overall average city population (excluding Muskegon) approximates 77,200.

Within a one hour drive, San Marcos, Texas has the highest population with nearly 3.7 million. Muskegon ranks tenth within a one hour drive, with over 1.2 million. This falls below the market average (excluding Muskegon) of over 1.5 million. Within a four hour drive, Muskegon has the highest population, with nearly 20.7 million. The overall average population (excluding Muskegon) within a four hour drive approximates 11.5 million people.

Average Household Income

Average household income reflects a household's income that is remaining after taxes have been paid, which is available for disposable spending and saving. This statistical figure can be valuable when evaluating consumer capacity and propensity to expend personal income on leisure goods and services, such as attending certain events at public assembly facilities.

Exhibit 16 shows the average household income within each city, county and a one-hour, two-hour and four-hour drive of the comparable convention markets.

Exhibit 16
Comparable Markets – Average Household Income

Market	City	County	One Hour	Two Hours	Four Hours
Layton, UT	$78,579	$86,345	$77,606	$75,630	$71,780
Provo, UT	$52,873	$73,716	$77,277	$75,699	$71,719
San Marcos, TX	$41,466	$79,535	$75,804	$73,560	$74,528
Salem, OR	$61,456	$61,228	$75,321	$71,378	$74,549
Vancouver, WA	$62,540	$76,656	$75,148	$71,800	$76,577
St. Charles, MO	$68,393	$86,576	$72,616	$67,400	$63,440
Coralville, IA	$69,437	$72,260	$68,594	$66,140	$75,424
Athens, GA	$48,836	$49,000	$68,365	$72,037	$64,042
Pueblo, CO	$47,018	$54,653	$66,911	$78,252	$77,978
Port Huron, MI	$40,523	$59,423	$66,014	$67,444	$64,977
Niagara Falls, NY	$41,394	$59,016	$64,980	$65,512	$64,852
Grand Junction, CO	$62,451	$65,992	$63,893	$66,140	$70,998
Muskegon, MI	**$35,155**	**$50,701**	**$63,845**	**$60,861**	**$71,487**
Dubuque, IA	$60,501	$67,485	$62,635	$67,171	$74,393
Saginaw, MI	$36,428	$55,962	$59,302	$66,420	$63,609
Bay City, MI	$44,840	$56,309	$53,910	$66,884	$63,964
Average (excluding Muskegon)	**$54,400**	**$66,900**	**$68,600**	**$70,100**	**$70,200**
Muskegon Rank (out of 16)	**16**	**15**	**13**	**16**	**9**

Sorted by One Hour drive population

Source: ESRI Business Analyst, 2014.

The comparable markets' one-hour drive average household income ranges from a low of over $53,900 in Bay City, Michigan, to a high of $77,600 in Layton, Utah. The average household income among the comparable convention markets (excluding Muskegon) with the respect to the one-hour drive ring is approximately $68,600, which is approximately $4,800 higher than Muskegon's average household income within a one hour drive. When considering the average household income within the city, county, one-hour, two-hour, and four-hour radius, Muskegon's average household is below the average.

Corporate Inventory

As discussed previously, the number of corporations in a market is an important characteristic to evaluate when determining the viability of a convention center. From a direct standpoint, local corporations tend to provide a substantial amount of utilization for convention centers, through conferences, meetings, banquets, training and other such events. Indirectly, the size of a local corporate base also tends to be correlated with the level and breadth of supporting community amenities (i.e., hotels, restaurants, transportation infrastructure, etc.).

Exhibit 17 presents the number of businesses within the comparable convention markets analyzed.

Exhibit 17
Comparable Markets – Corporate Inventory (Number of Companies)

Market	City	County	One Hour	Two Hours	Four Hours
San Marcos, TX	3,045	12,234	283,331	377,977	1,528,423
Vancouver, WA	13,484	32,955	230,828	319,676	778,361
Salem, OR	12,702	24,795	188,463	308,830	675,566
St. Charles, MO	4,600	24,189	183,807	281,752	806,765
Layton, UT	5,095	23,339	159,358	202,471	255,439
Provo, UT	7,659	42,048	152,034	197,460	270,323
Athens, GA	8,092	8,217	135,328	693,876	1,470,464
Port Huron, MI	1,780	10,367	95,780	403,461	994,849
Niagara Falls, NY	2,629	12,343	73,056	163,924	730,947
Saginaw, MI	2,280	11,913	71,903	461,952	919,472
Muskegon, MI	**1,875**	**9,323**	**71,383**	**171,525**	**1,332,297**
Pueblo, CO	6,914	11,220	66,907	330,350	525,300
Coralville, IA	1,612	9,568	56,288	194,129	1,262,960
Bay City, MI	2,077	6,441	47,670	398,718	798,194
Dubuque, IA	4,379	7,778	25,591	200,631	1,267,128
Grand Junction, CO	8,294	15,258	17,782	35,318	128,137
Average (excluding Muskegon)	**5,640**	**16,840**	**119,210**	**304,700**	**827,490**
Muskegon Rank (out of 16)	**14**	**13**	**11**	**14**	**3**

Sorted by One Hour drive population
Source: ESRI Business Analyst, 2014.

San Marcos, Texas has the most businesses within a one-hour drive with approximately 283,300, while Grand Junction, Colorado has the lowest number of total businesses in a one-hour drive with fewer than 17,800 businesses. The average number of businesses among the comparable conference markets one-hour drive radius (excluding Muskegon) is over 119,200, which is approximately 47,800 companies more than Muskegon's. Under the four-hour drive ring, San Marcos, Texas has the highest number of companies at over 1.5 million, while Muskegon has the third largest number of companies with over 1.3 million. The average number of businesses among the comparable conference markets four-hour drive radius (excluding Muskegon) is approximately 827,500 companies and within the city the average is over 5,600.

Comparable Facility Space Extrapolation

One method of beginning to evaluate potential size parameters for a convention center product that could be developed in Muskegon is to consider the sizes of comparable facilities relative to their demographic and socioeconomic characteristics. Exhibit 18 presents a market and facility ratio analysis for the Muskegon market, using the average ratio of exhibit, meeting, ballroom, largest contiguous space and total sellable space each to population of one, two and four hour drive surrounding the comparable markets reviewed. As it is also useful to utilize other visitor industry-related metrics to gain an understanding of the potential supportable program of event space within the Muskegon market, we have also included a ratio analysis utilizing the average number of headquarters hotel rooms, rooms within one-half mile and market-wide hotel room inventory among the comparable markets.

Exhibit 18
Comparable Markets – Hypothetical Muskegon Sizing Extrapolation

	City	County	One Hour	Two Hours	Four Hours
Exhibit Space to Population	21,100	26,600	37,200	22,500	60,200
Meeting Space to Population	4,500	7,200	8,900	5,800	17,000
Ballroom Space to Population	13,600	17,200	26,700	27,800	69,100
Sellable Space to Population	28,100	36,900	53,100	43,300	112,500
Largest Contiguous Space to Population	16,400	21,300	32,200	27,300	66,000
Headquarters Hotel Rooms to Population	166	224	303	278	750
Hotels within 1/2 Mile to Population	397	537	769	690	1,778
Hotels in the Market to Population	1,201	1,725	3,055	3,078	7,019

Based on the extrapolation, a convention center in Muskegon could potentially support approximately 36,900 square feet of sellable event space, based on the population within Muskegon County. The overall size of a hypothetical Muskegon convention center increases slightly when utilizing the population bases among one and two hour drive times. Additionally, based off estimated Muskegon County population, an appropriately sized headquarters hotel would offer nearly 224 rooms and there would be approximately 537 sleeping rooms within one-half mile of the convention center.

While this type of hypothetical space level extrapolation is only one of many methods used to understand the market demand, comparing the relative amount of available space among comparable venues helps paint a broader picture of what the Muskegon market could sustain and serves to provide some initial insight into potential sizing parameters for a new convention center. Nevertheless, it does not take into consideration the specific demand generators unique to each community. These issues relative to the Muskegon market will be discussed in the subsequent chapter of this report.

4.0. MARKET DEMAND ANALYSIS

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

- ✓ Experience garnered through more than 500 convention facility projects throughout the country.
- ✓ Local market visit at the outset of the project, including community and potential site tours.
- ✓ In-person interviews, meetings and public forums with Muskegon area individuals, including County officials, the Accommodations Tax Advisory Committee, City officials, local visitor industry stakeholders, local companies, event producing organizations, and community groups.
- ✓ Research and analysis of local market conditions.
- ✓ Analysis of facility data obtained from more than 30 competitive and comparable conference center facilities and host community destination marketing organizations (DMOs).
- ✓ Comparative analysis of socioeconomic data from competitive/regional and comparable facility markets.
- ✓ Completed a detailed telephone survey consisting of over 75 completed telephone interviews of representatives of state and regional organizations, collecting data pertaining to more than 100 recurring, rotating conventions, conferences, exhibitions and meetings that represent Muskegon's primary potential non-local event market.
- ✓ Comparison of current survey data with similar survey data collected for the previous 2002 Muskegon convention center feasibility study.

Convention Industry Characteristics and Trends

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

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

- Conventions – Events traditionally held by professional associations of international, national, regional, state or local scope. Many of these groups tend to hold annual events that rotate among various destinations within a particular region. In addition, certain large corporations hold annual conventions.
- Conferences – Meetings held by professional associations, non-local corporations and local area companies. While sometimes used interchangeably with the term "convention," these events tend to be smaller, on average, than conventions and are also less exhibition-focused.

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

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

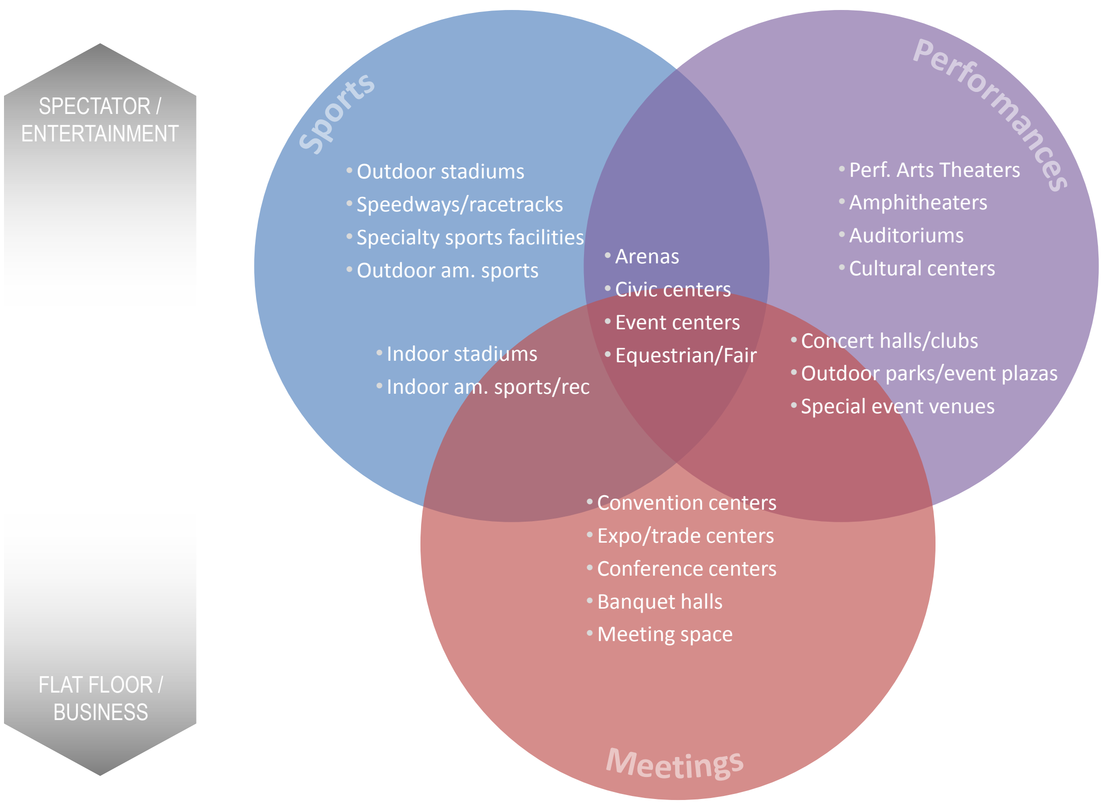
Exhibit 1
Summary of Convention Industry Event Types

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

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

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

Exhibit 2
Event Facility Industry Models



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

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

Exhibit 3
Typical Event Facility Requirements

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

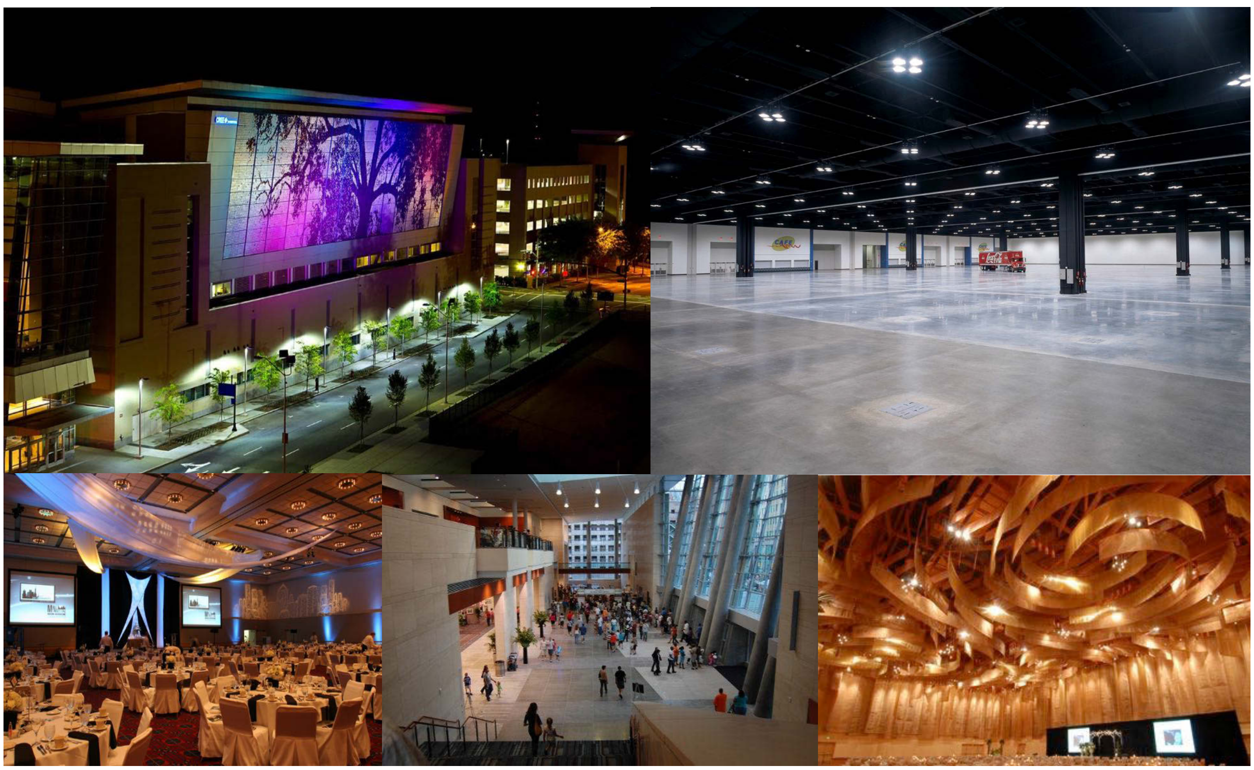
As shown in the exhibit, different types of events can have very different preferences and requirements with regard to facility characteristics. For example, conventions typically place high premiums on high quality finish of event space (including carpeted space), adjacent/proximate full-service hotel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

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

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

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

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



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

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

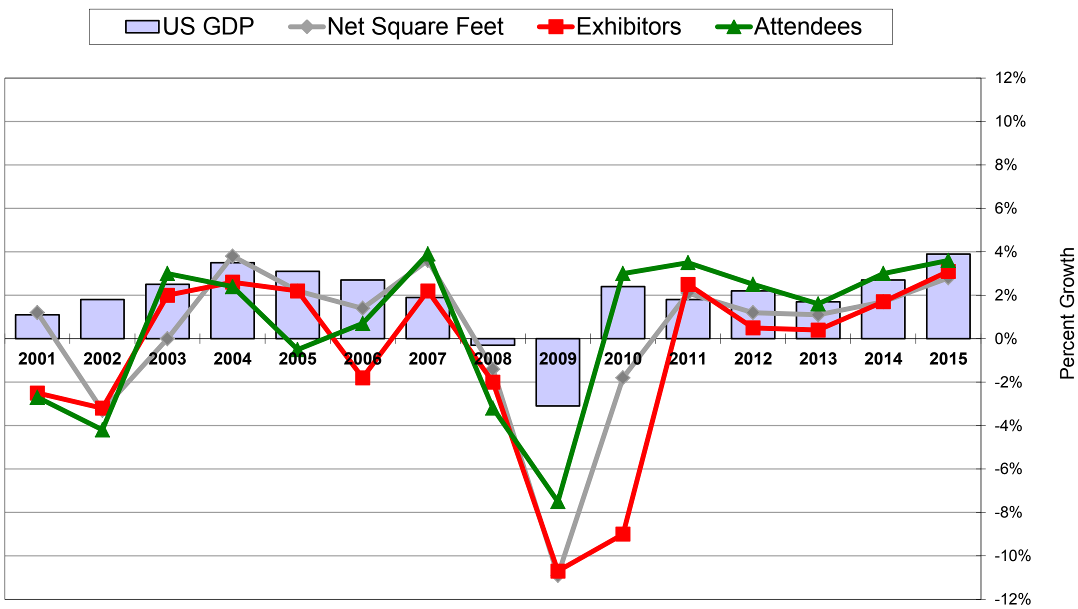
Broad industry changes, characterized by retraction and expansion in convention and tradeshow demand have taken place within the industry during the past decade. After significant decreases in industry demand levels during the recent recession, demand for convention space has grown industry-wide over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

As we enter the end of 2014, nearly all indicators suggest that the national economy is continuing to recover from a significant recession. A large collection of data suggests that the health of the convention, tradeshow and meetings industry, like nearly all industries, has historically been and is currently linked to the strength and fluctuations of the overall U.S. economy. This "linkage" is a fundamental premise of any analysis of future convention and tradeshow industry performance. To address the question of future industry trends, we need to consider how the future performance of the convention industry will respond in these post recessionary times.

The Center for Exhibition Industry Research (CEIR) is a nonprofit organization whose mission is to advance the growth, awareness and value of exhibitions in the United States. The annual CEIR Index Report is developed to provide an objective measure of the annual performance of the exhibition industry. The CEIR Index Report measures year-over-year changes in key metrics of industry performance. The industry's performance within these metrics was calculated from data provided from over 400 events. The 2013 CEIR Index Report displays and analyzes actual event-specific data from 2001 through 2012 and provides a forecast for 2013 to 2015.

A summary of CEIR produced historical and projected performance among three of the four variables listed above, as compared to growth in the U.S. Gross Domestic Product (GDP), for the 15-year period spanning 2001 through 2015 is shown in Exhibit 4.

Exhibit 4
Trends in Convention & Exhibition Industry Demand



Source: Center for Exhibition Industry Research (CEIR), 2013

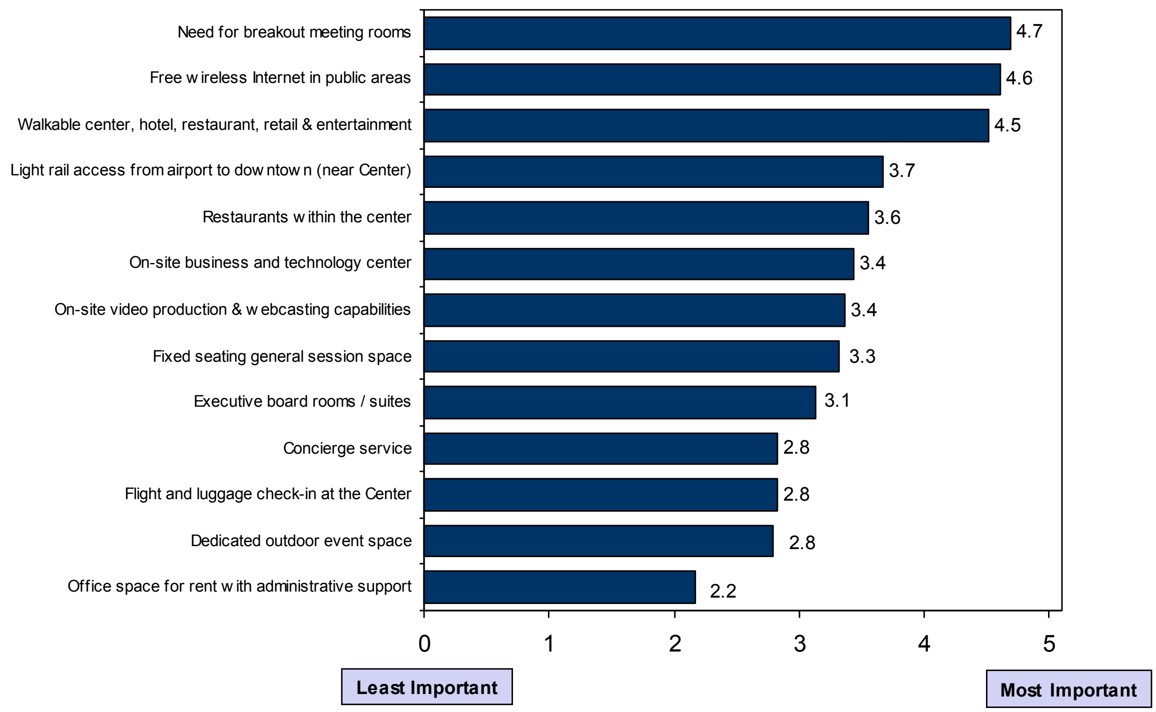
As shown in the exhibit, the overall exhibition industry as measured by the CEIR Index experienced a substantial decline in overall performance post 2007. The indices appear to have bottomed out in 2009, during which time the space use showed a 10.9 percent decline and the number of exhibitors fell by an estimated 10.7 percent when compared to 2008. A significant industry rebound took place starting in 2010.

Looking at 2012, the moderate gain in the overall exhibition industry was reflected in all of the metrics of measurement presented. This marks the second year of growth following three consecutive years of decline. CEIR expects the exhibition industry to gain momentum in 2014 and 2015. By 2015, the overall exhibition industry could be expected to grow at a rate of 3.2 percent.

The U.S. economy has continued a trend of moderate growth since 2010, with GDP growing at a rate of 2.2 percent in 2012. Projections for 2013 have the GDP growing at a slower 1.7 percent pace. Improvement is expected over the following two years, with estimated GDP growth of 2.7 percent and 3.9 percent for 2014 and 2015, respectively.

As part of our ongoing research with convention and tradeshow event planners, survey respondents were asked to identify which of several convention center and destination features are expected to increase in importance in the future. Results among 100 survey respondents are presented in Exhibit 5.

Exhibit 5
Convention Center & Destination Features Expected to Increase in Importance in the Future



Note: Data include all organizations interviewed.
Source: CSL Interviews, 2012

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

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

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

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

Market Demand Survey Research

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

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

In order to test the potential event market for a new convention center in Muskegon, a detailed telephone survey was conducted with planners of state and regional conventions, conferences and tradeshows. The survey resulted in over 75 completed interviews with individual planners, representing more than 100 rotating events. Surveyed groups included professional associations, SMERF (social, military, education, religious, fraternal) groups, government groups, nonprofits and other producers of rotating state and regional events.

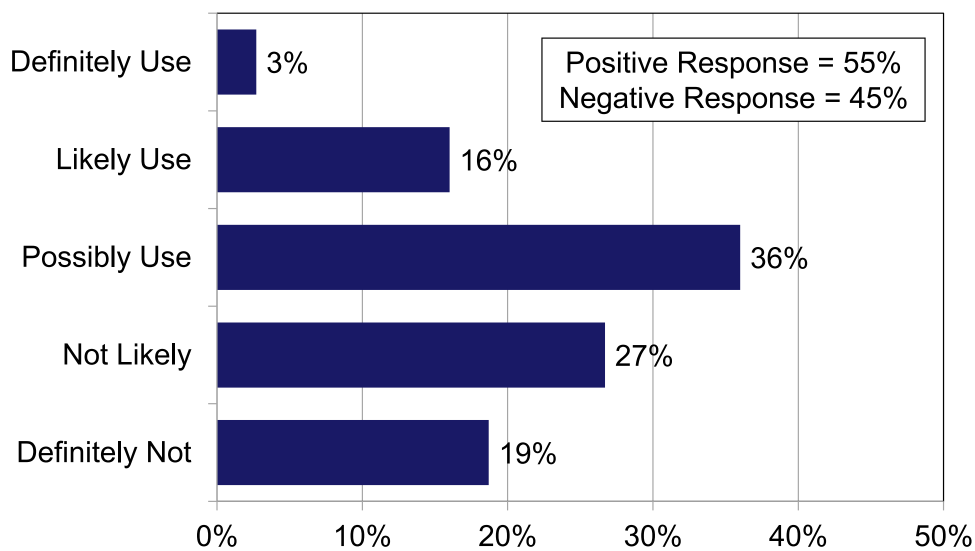
A similar telephone survey with state and regional groups in regards to a new convention center in Muskegon was conducted by CSL in 2002. Results from the 2002 survey are compared to results of the present survey effort, with significant changes/differences between the two specifically highlighted herein.

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

Likelihood of Utilizing a New Convention Center in Muskegon

State and regional organization planners were asked to indicate the likelihood of their organization using a Muskegon convention center, assuming it and the area's hotel inventory meets the needs of their event(s). Responses related to state and regional groups surveyed are presented in Exhibit 6.

Exhibit 6
State/Regional Organization Survey –
Likelihood of Utilizing a New Muskegon Convention Center

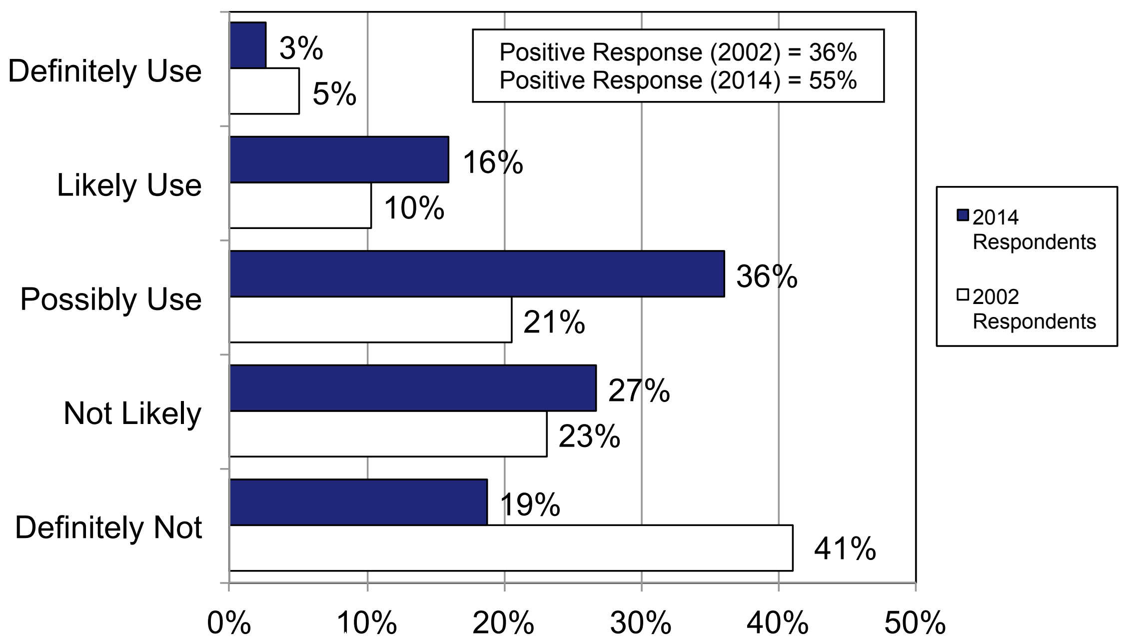


Note: Percentages do not total to 100 percent due to rounding.
Source: CSL State/Regional Organization Survey, 2014.

The overall positive interest by respondents in rotating one or more events to Muskegon if sufficient facility space and hotel inventory existed is 55 percent. Specifically, three percent indicated their group would "definitely" hold an event in Muskegon, 16 percent "likely", 36 percent "possibly", 27 percent "not likely", and 19 percent "definitely not".

A similar telephone survey with state and regional groups in regards to a new convention center in Muskegon was conducted twelve years ago as part of the 2002 study. Compared to the first study, positive interest in the Muskegon destination and hosting one or more events to Muskegon has significantly strengthened. Exhibit 7 compares the likelihood of surveys groups using a new convention center in Muskegon from 2002 and 2014.

Exhibit 7
State/Regional Organization Survey –
Likelihood of Utilizing a New Muskegon Convention Center Historical Comparison



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

As shown in the exhibit, the positive interest for using a new convention center in Muskegon increased from 36 percent in 2002 to 55 percent in 2014. Most notably, those that indicated they were "definitely not" interested dropped from 41 percent to 19 percent. Additionally, responses of "possibly use" and "likely use" increased from 21 percent to 36 percent and 10 percent to 16 percent, respectively.

These survey results can be viewed as evidence that the convention industry—or at least a portion of it—has recognized Muskegon's recent economic development and progress in improving various aspects of its destination amenities and visitor industry infrastructure.

Based on other surveys that CSL has completed in recent years, Muskegon's response is characterized as a moderate to moderately strong overall interest level. Exhibit 8 displays Muskegon's interest level in comparison to other similar markets, as well as with the survey results from 2002.

Exhibit 8
State/Regional Organization Survey –
Interest Level Comparison with Other Studies

			Past CSL State/Reg. Telephone Surveys 60 Comparable Markets			
	Muskegon, MI - 2014	Muskegon, MI - 2002	AVERAGE	MEDIAN	Low metric	High metric
Interest Levels:						
Definitely Use	3%	5%	10%	9%	0%	33%
Likely Use	16%	10%	13%	12%	3%	29%
Possibly Use	36%	21%	28%	28%	9%	44%
Not Likely Use	27%	23%	25%	25%	7%	48%
Definitely Not Use	19%	41%	23%	24%	0%	48%
Positive Response	**55%**	**36%**	**51%**	**48%**	**21%**	**86%**
Strength of Interest	**1.79**	**1.44**	**2.22**	**1.95**	**0.54**	**4.50**
Population Basis	1.74	1.74	1.15	1.10	0.38	3.25
Demand Index	**3.11**	**2.49**	**2.42**	**2.11**	**0.54**	**7.82**

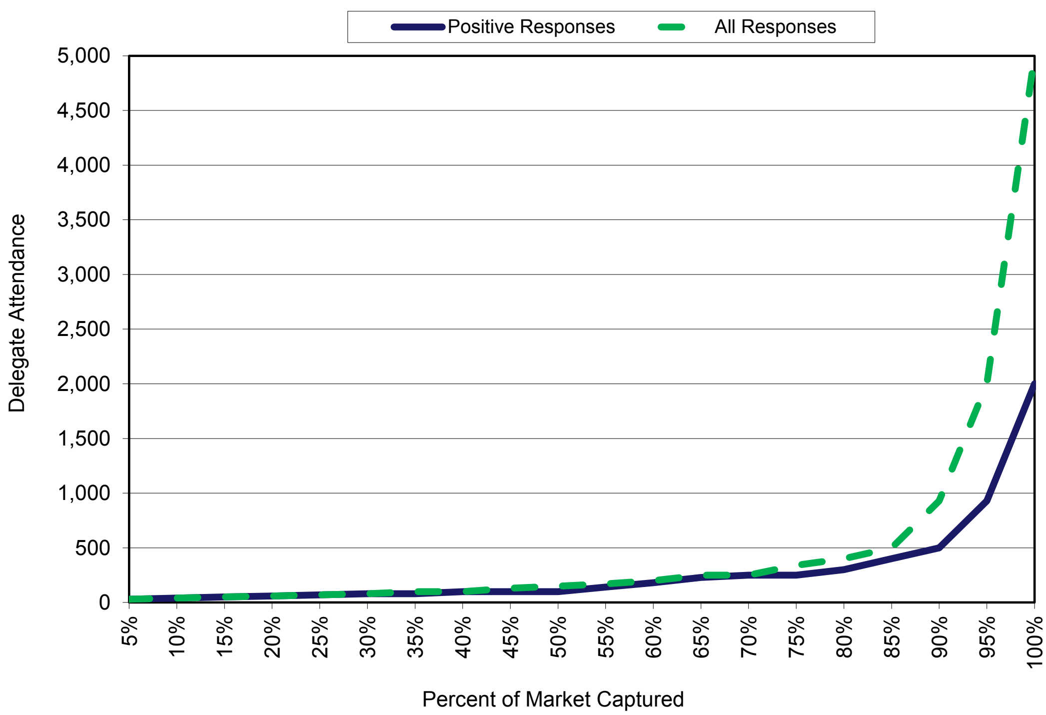
Ames, IA
Appleton, WI
Arlington, VA
Bellevue, WA
Bemidji, MN
Boise, ID
Boulder, CO
Branson, MO
Carbon County, UT
Charleston, WV
Covington, KY
Cullman, AL
Davis County, UT
Fairbanks, AK
Franklin, KY
Grand Junction, CO
Hammond, LA
Havre, MT
Henderson, NV
Hendersonville, NC
Hendricks Cnty., IN
Homer, AK
Hoover, AL
Jackson, MI
Jacksonville, FL
Lansing, MI
Laredo, TX
Lewistown, MT
McAllen, TX
Midland, TX
Moore County, NC
New Braunfels, TX
New Haven, CT
New Iberia, LA
Oklahoma City, OK
Owatonna, MN
Palmer, AK
Park City, UT
Pinehurst, NC
Plainfield, NC
Port Huron, MI
Provo, UT
Richmond, IN
Salisbury, NC
Sarasota, FL
Sioux Falls, SD
Slidell, LA
St. Charles, MO
St. Cloud, MN
St. Paul, MN
Stillwater, OK
Temple, TX
Waterbury, CT
Watertown, SD
Wichita, KS
Vermillion, SD

While the overall positive response percentage ("definitely," "likely," and "possibly") in 2002 was well below the average of the similar study surveys conducted (36 percent versus an average of 51 percent), the 2014 positive response percentage for Muskegon was slightly higher than average at 55 percent. Further, while the overall positive response percentage is useful in comparatively evaluating the general interest in a particular destination, it is important to recognize differences in the "strength" of specific stated interest. To better assess these variations, a formula was developed to consider the "strength of interest," whereby a weighting system is applied to positive responses. The highest weight is applied to a "definitely use" response, while the lowest weight is applied to a "possibly use" response. Using this method, Muskegon measures below the average and median in terms of its "strength of interest" score; however, the percentage of respondents indicating that their group would "likely" or "possibly" use a new Muskegon convention center scored higher than the average and median comparable survey included in this comparison.

As each convention destination has a different population of rotating state/regional events, a "demand index" was formulated. The "demand index" uses the "strength of interest" score for each market and weights it against the estimated population base of rotating events. The resulting demand index for a potential new convention center is 3.11, which is higher than the average survey score of 2.42 among the telephone surveys completed for comparable projects throughout the country. It is important to note that this analysis is a characterization of comparative gross demand, but does not take into consideration (1) competition from other regional convention/conference facilities, (2) the specific ability of a local community to accommodate this demand through its amenity package and the unique characteristics of the ultimately developed convention center and its site characteristics, and (3) other quantifiable and non-quantifiable cost/benefit justifications for considering facility development.

Another important consideration in quantifying the demand for a new convention center in Muskegon is the size of the events with positive interest. Exhibit 9 shows the delegate attendance of positive responses in comparison with the delegate attendance of all events surveyed.

Exhibit 9
State/Regional Organization Survey –
Summary of Delegate Attendance

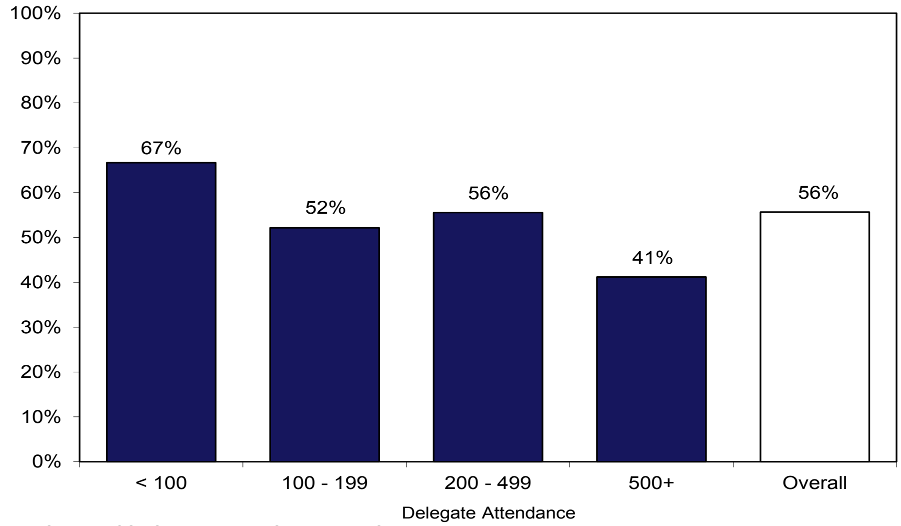


Note: Data represents all organizations interviewed.
Source: CSL State/Regional Organization Survey, 2014.

The exhibit illustrates that events with over 2,000 attendees (5 percent of the total surveyed market) did not express interest in hosting their event in Muskegon. Approximately 90 percent of the potential market for Muskegon (those that expressed positive interest) is made up of events with fewer than 500 delegates.

Exhibit 10 on the following page shows the percentage of positive response by delegate attendance.

Exhibit 10
State/Regional Organization Survey –
Positive Response by Delegate Attendance



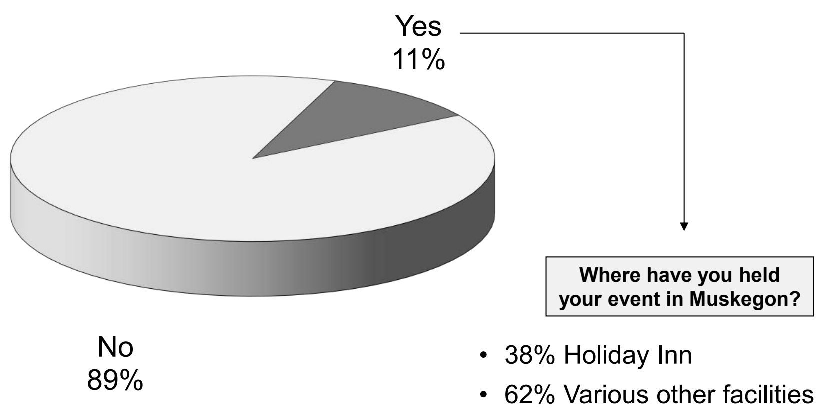
Source: CSL State/Regional Organization Survey, 2014.

As shown in the exhibit, events with fewer than 100 delegate attendees had the highest percentage of positive responses. However, more than half of the surveyed events with 100-199 attendees and 200-499 attendees also had positive response rates, with 52 and 56 percent, respectfully. Of the largest events surveyed, with 500 or more attendees, 41 percent expressed positive interest in utilizing a new Muskegon convention center.

Past Users of Muskegon Facilities

Exhibit 11 shows the facilities used by the surveyed groups that have previously held their event(s) in Muskegon, and where they held their event(s).

Exhibit 11
State/Regional Organization Survey –
Past Muskegon Facility Usage



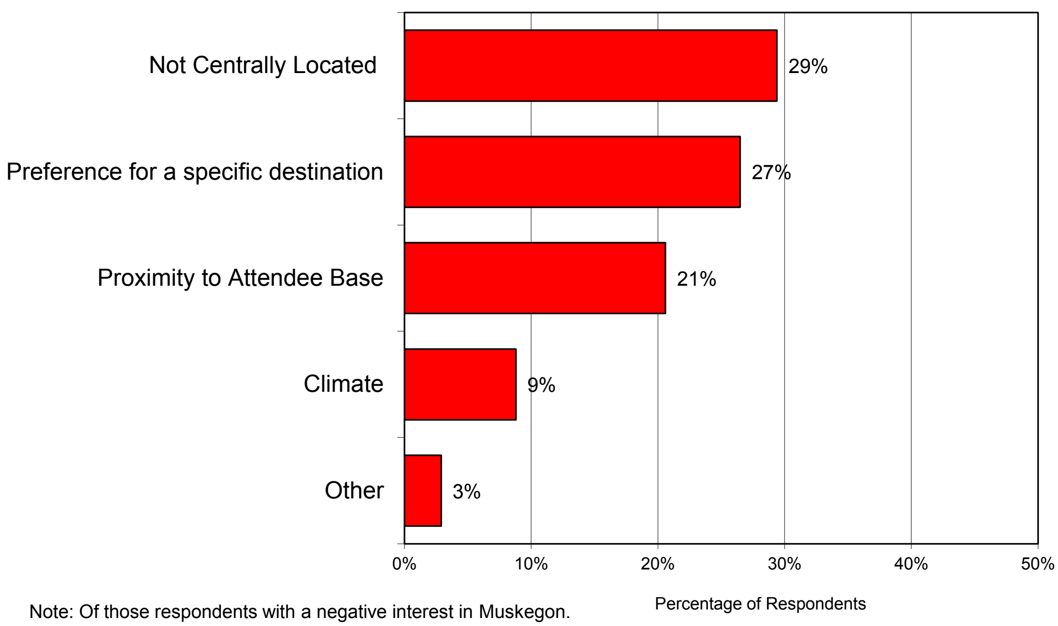
Source: CSL State/Regional Organization Survey, 2014.

Of the surveyed groups, 11 percent had previously used Muskegon facilities for their event(s), while 89 percent had not. Of past Muskegon users, 38 percent utilized the Holiday Inn while 62 percent used various other facilities.

Reasons for Negative Interest in a New Convention Center in Muskegon

Event planners who indicated that they would not likely use a potential new convention center in Muskegon were asked to expand on their reasons. Based on survey results, reasons for not likely rotating to Muskegon for a future event varied among respondents. A summary of the reasons for not choosing Muskegon are illustrated in Exhibit 12.

Exhibit 12
State/Regional Organization Survey –
Reasons for Negative Interest in a New Convention Center in Muskegon



Note: Of those respondents with a negative interest in Muskegon.
Source: CSL State & Regional Organization Survey, 2014.

Most cited reasons for organizations having negative interest include the lack of central location, preference for a specific destination, proximity to attendee base, and climate with response rates of 29 percent, 27 percent, 21 percent and 9 percent respectively.

Some comments regarding negative interest included:

- That is not where the majority of our members are located.
- We go where we go because those are the regions our members are located.
- Just because of where the doctors are located. They are in the Detroit area.

- It's not very central to the attendees that would be coming. Our focus is soybean farmers and there aren't many in the western part of Michigan.

- We always do Detroit, Northern Michigan and Southwest Michigan event.

- Our meeting is tied to a tradeshow in Ohio, where we have been for 35 years.

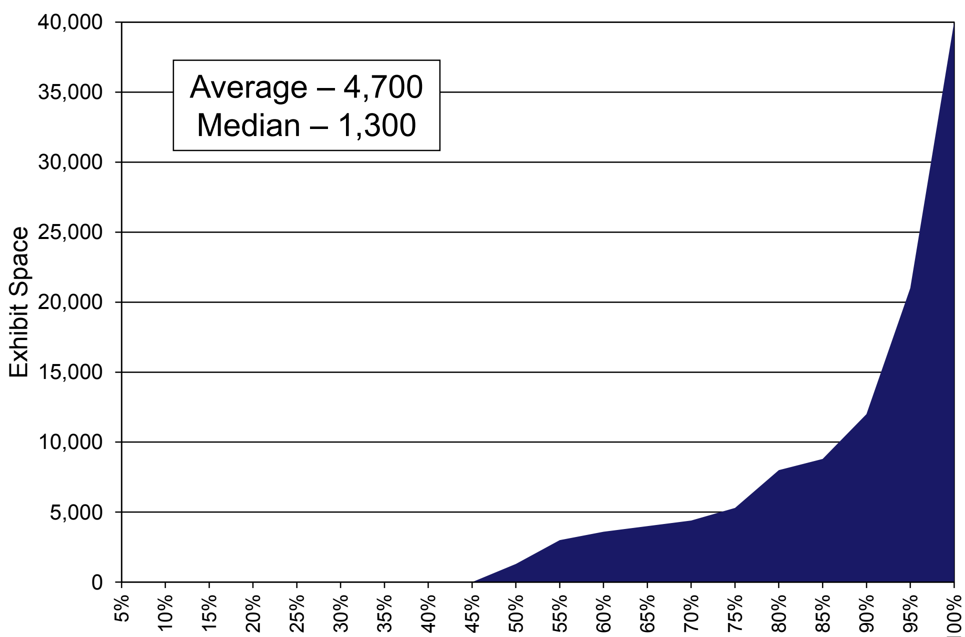
- Our membership is from Detroit and they do not like to travel in the wintertime.

- Weather, we go to a warmer climate.

Facility Space Requirements

While conducting interviews with various state and regional organizations, those respondents expressing a positive interest in Muskegon indicated their organization's approximate need for square footage according to type of facility space. As indicated by the following exhibits, these space requirements are separated into the need for exhibit space, ballroom space, meeting space and total sellable space. State and regional organization planners were first asked whether exhibit space was required for their event (i.e., containing a tradeshow function). Responses have been summarized in Exhibit 13.

Exhibit 13
State/Regional Organization Survey –
Total Exhibit Space Required

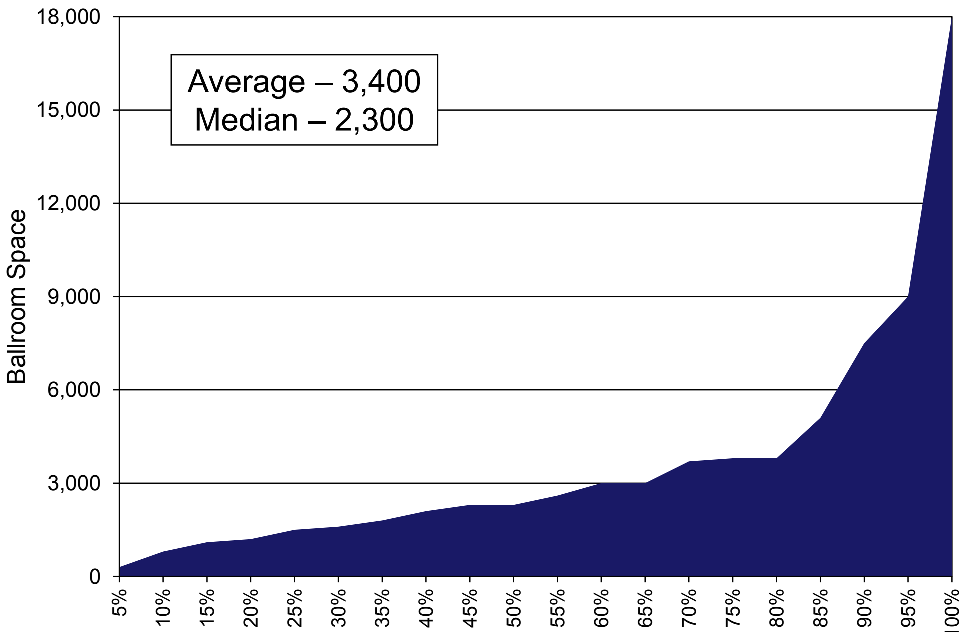


Note: Of those respondents with a positive interest in Muskegon.

As presented, the average amount of exhibit space utilized by Muskegon's potential state and regional organization market that requires exhibit space is approximately 4,700 square feet. Approximately 45 percent of the overall market does not require any exhibit space. Approximately 80 percent of the potential state and regional organization market for Muskegon could be accommodated with 8,000 square feet of exhibit space, while an estimated 90 percent could be accommodated with 12,000 square feet of space.

Event planners were also asked to estimate the average amount of ballroom space used for their events, as in Exhibit 14.

Exhibit 14
State/Regional Convention Center Survey – Total Ballroom Space Required

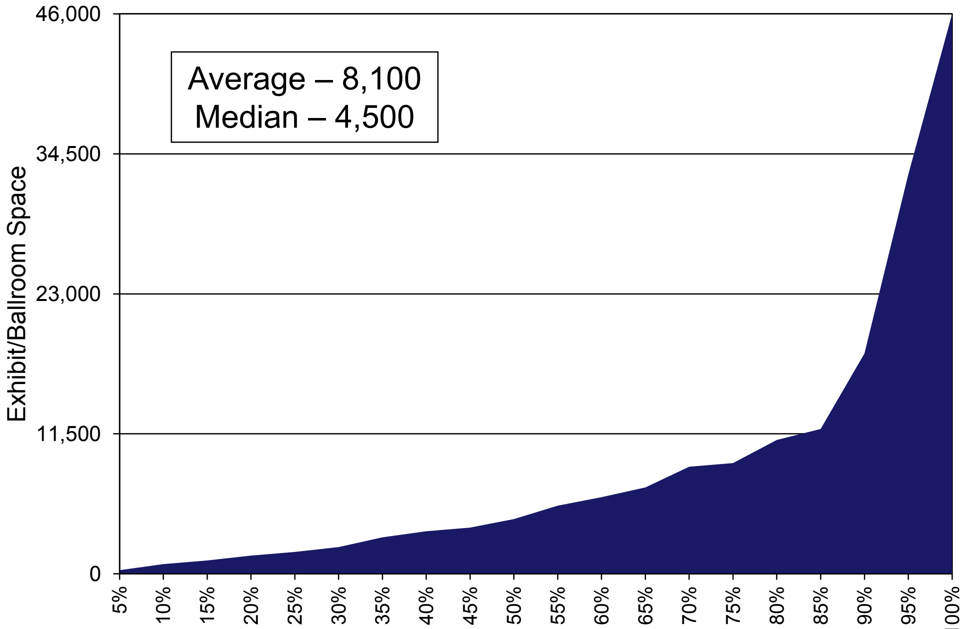


Note: Of those respondents with a positive interest in Muskegon.

The average ballroom space required by state and regional planners approximates 3,400 square feet, while the median ballroom space needed falls at 2,300 square feet. Approximately 80 percent of the market could be accommodated with 3,800 square feet of ballroom space, and 95 percent of the potential market consists of events requiring no more than 9,000 square feet of ballroom space. It is important to note that ballroom space is the most versatile space offered in most convention/event centers and is often utilized for such functions as banquets, general sessions, keynote speakers and even subdivided to host concurrent smaller events, activities and/or meetings.

Another potential function of ballroom space is as tradeshow or exhibit space. All of the respondents with positive interest in Muskegon that require exhibit space stated that a carpeted space will suffice for the exhibit portion of their event. As such, it is important to understand the total combined exhibit and ballroom space requirements of events with a potential interest in Muskegon, as outlined in Exhibit 15.

Exhibit 15
State/Regional Organization Survey – Total Combined Exhibit and Ballroom Space Required

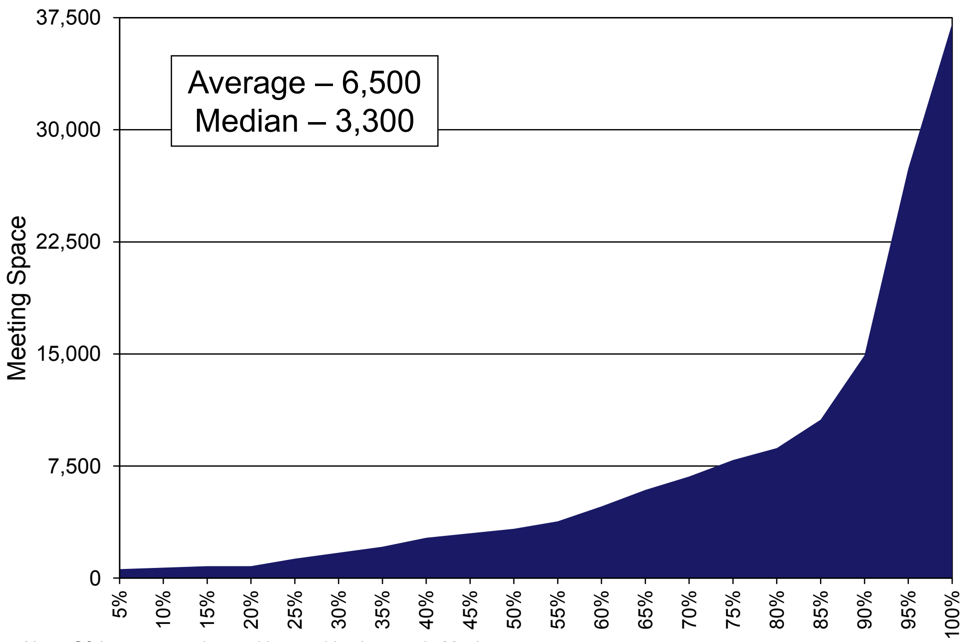


Note: Of those respondents with a positive interest in Muskegon.

As shown, the average event with a potential interest in Muskegon requires approximately 8,100 square feet of combined exhibit/ballroom space for their tradeshow, banquet, general session and/or other event needs. Over 85 percent of the market could be accommodated with 12,000 square feet of contiguous (and most likely subdivisible) space.

Exhibit 16 presents a summary of the total breakout meeting room space required among state and regional organizations with a potential interest in Muskegon conference facilities.

Exhibit 16
State/Regional Organization Survey –
Total Breakout Meeting Room Space Required

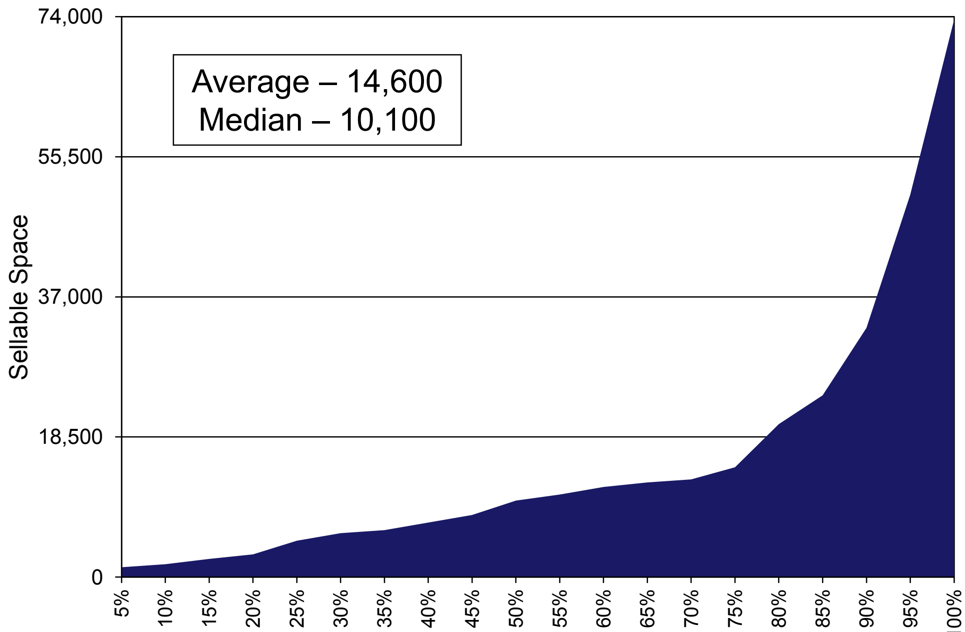


Note: Of those respondents with a positive interest in Muskegon.

As shown, the average square feet of breakout meeting space needed is 6,500 and the median is 3,300 square feet. Approximately 90 percent of Muskegon's potential state and regional organization market requires 14,900 square feet of breakout meeting space or less. However, it is our experience that "breakout meeting space" requirements mentioned by meeting planners through surveys of this nature are often inflated to a degree (i.e., some larger "meeting space" requirements would better be accommodated in a larger ballroom/multipurpose room, etc.).

Exhibit 17 summarizes the total sellable space levels (exhibit, meeting and ballroom space) associated with the potential state and regional event market expressing an interest in hosting events in Muskegon.

Exhibit 17
State/Regional Organization Survey –Total Sellable Space Required



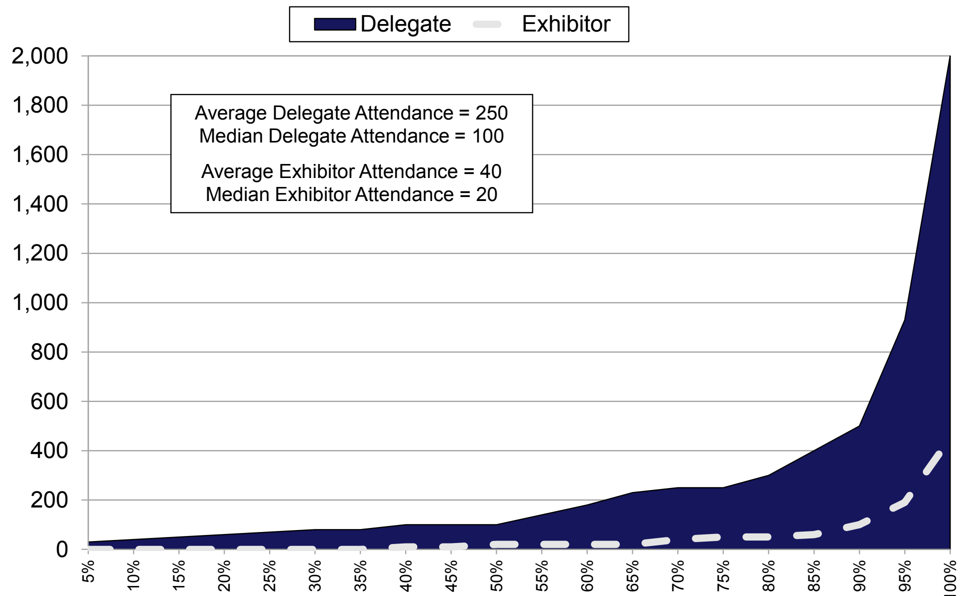
Note: Of those respondents with a positive interest in Muskegon.

The average total sellable space required among state and regional respondents approximates 14,600 square feet. Approximately 75 percent of the potential state and regional events could be accommodated with 14,500 square feet of total sellable space. With an estimated 24,000 square feet of total sellable space, 85 percent of the potential demand could be captured.

Attendance

Event planners were asked to estimate the average delegate and exhibitor attendance levels for their event(s). These figures exclude spouses and guests of the event's delegates. Responses are summarized in Exhibit 18.

Exhibit 18
State/Regional Convention Center Survey –
Average Attendance



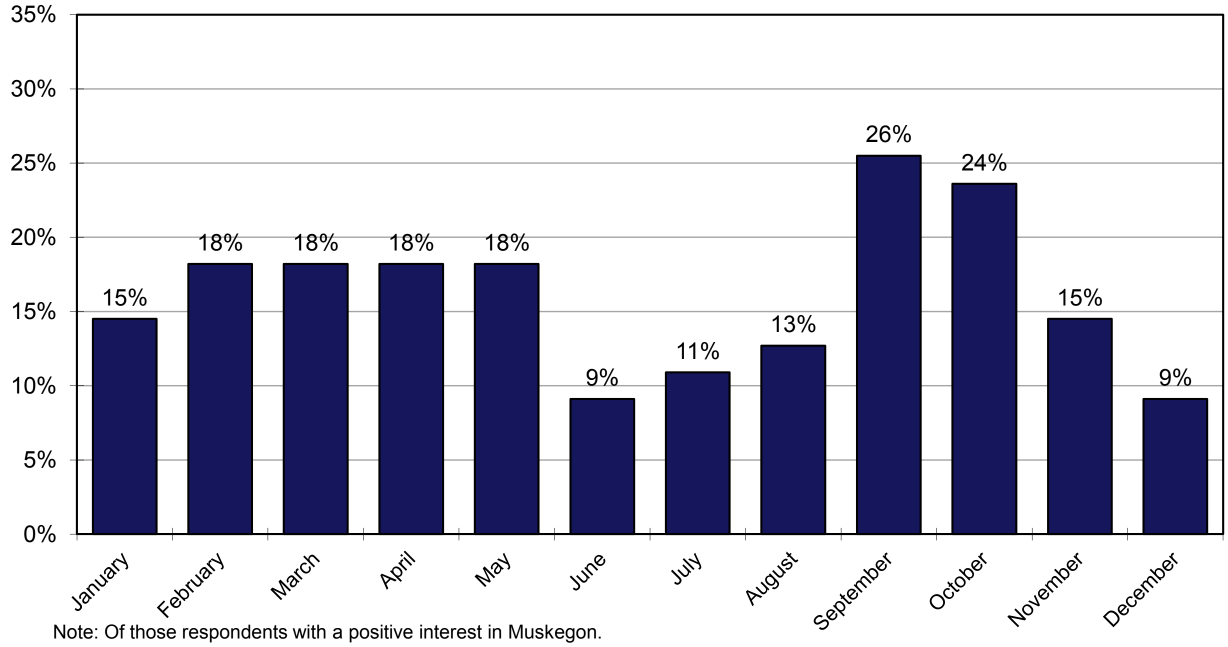
Note: Of those respondents with a positive interest in Muskegon.
Source: CSL State/Regional Organization Survey, 2014.

As shown, the average state and regional event with a potential interest in Muskegon attracts approximately 250 delegates and 40 exhibiting personnel. Approximately 90 percent of the potential state and regional event market for Muskegon consists of events attracting fewer than 500 delegates and 100 exhibiting personnel, while 75 percent of the potential market for Muskegon consists of events attracting approximately 250 delegates and 50 exhibiting personnel. Such data with regard to attendance levels will be an important factor in later determining the amount of economic impact possibly generated by a potential new convention center in Muskegon.

Facility Usage Characteristics

Exhibit 19 presents the seasonality patterns for those state and regional events that represent the potential market demand for new conference space in Muskegon.

Exhibit 19
State/Regional Organization Survey – Event Seasonality

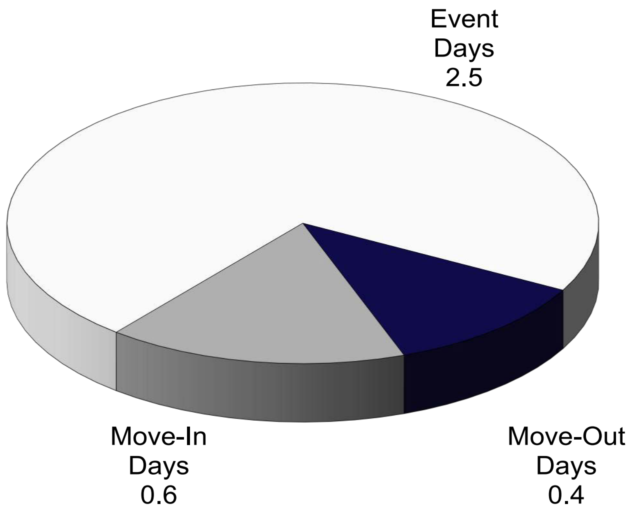


Note: Of those respondents with a positive interest in Muskegon.
Source: CSL State/Regional Organization Survey 2014.

As shown, seasonal preferences among state and regional organizations with an interest in new convention space in Muskegon follow a pattern somewhat standard in the industry, specifically with regard to the strong demand in spring and fall months. Specifically, September is the month with the strongest demand with approximately 26 percent of organizations with a potential interest in Muskegon hosting events, followed closely by October, with nearly 24 percent of the potential demand for event space in Muskegon. June and December are the months with the lowest demand, both at 9 percent.

Exhibit 20 shows the average utilization days, including move-in days, event days, and move-out days.

Exhibit 20
State/Regional Organization Survey – Average Utilization Days



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

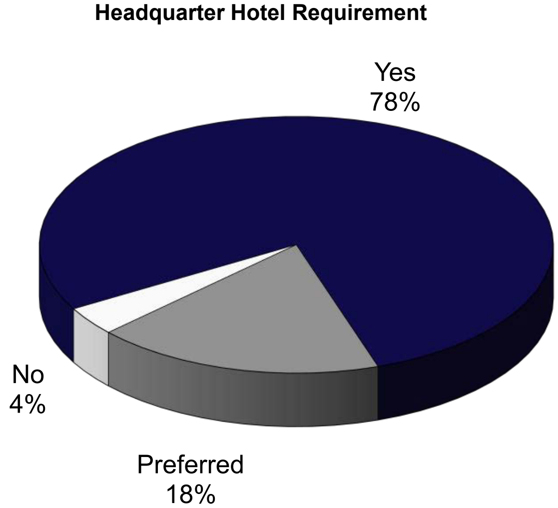
It was found that among state and regional events expressing a positive interest in Muskegon the average number of utilization days approximates 3.5 days, consisting of 2.5 event days, 0.6 move-in days and 0.4 move-out days.

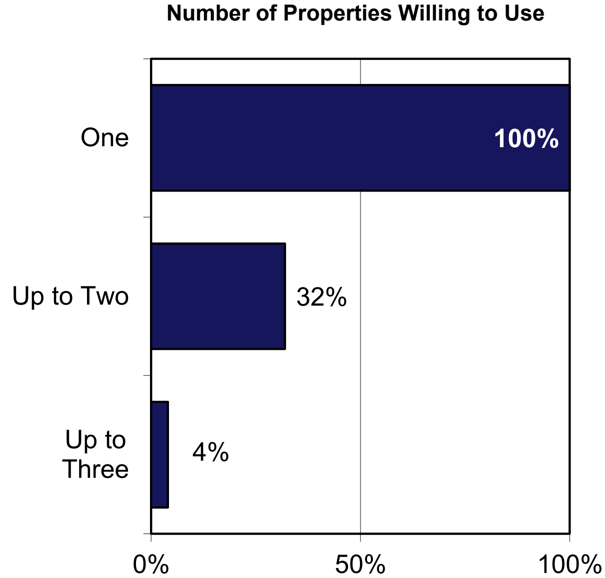
Hotel Requirements

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

Exhibit 21 on the following page shows a breakdown of survey respondent requirements of an attached headquarter hotel or a hotel property within three blocks of the convention center, as well as the number of hotel properties they are willing to use to accommodate their event.

Exhibit 21
State/Regional Organization Survey –
Hotel Requirements





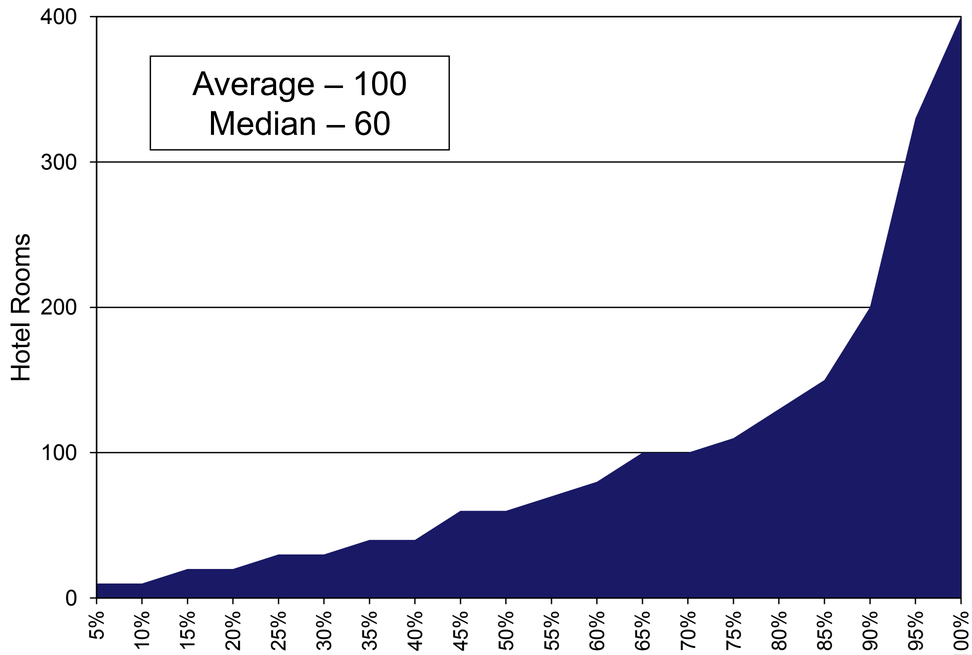
Note: Of those respondents with a positive interest in Muskegon.
Source: CSL State/Regional Organization Survey, 2014.

The survey data, with 78 percent of positive respondents requiring a headquarters hotel and 18 percent indicating strong preference given to venues with a headquarter hotel, strongly suggest that most of Muskegon's potential state and regional event market would be lost without an appropriate headquarters hotel that is attached, adjacent or within very close walking distance to the convention center.

Although a headquarters hotel may oftentimes be required, state and regional organization events with a larger membership base may also use additional hotel properties in order to achieve their room blocks. As shown above, 68 percent of the potential state and regional organization market capture for Muskegon requires housing their entire room block within one hotel property, while 32 percent of the market would be willing to assemble a room block in more than one hotel. Should three hotels be required to accommodate the organization's room block, 96 percent of the potential market capture for Muskegon would be lost. Generally, groups with a large delegate attendance use multiple hotel properties, while a smaller group will typically only use one or two properties.

The number of peak hotel rooms required in a single property is presented in Exhibit 22.

Exhibit 22
State/Regional Organization Survey –
Peak Hotel Rooms Required in a Single Property

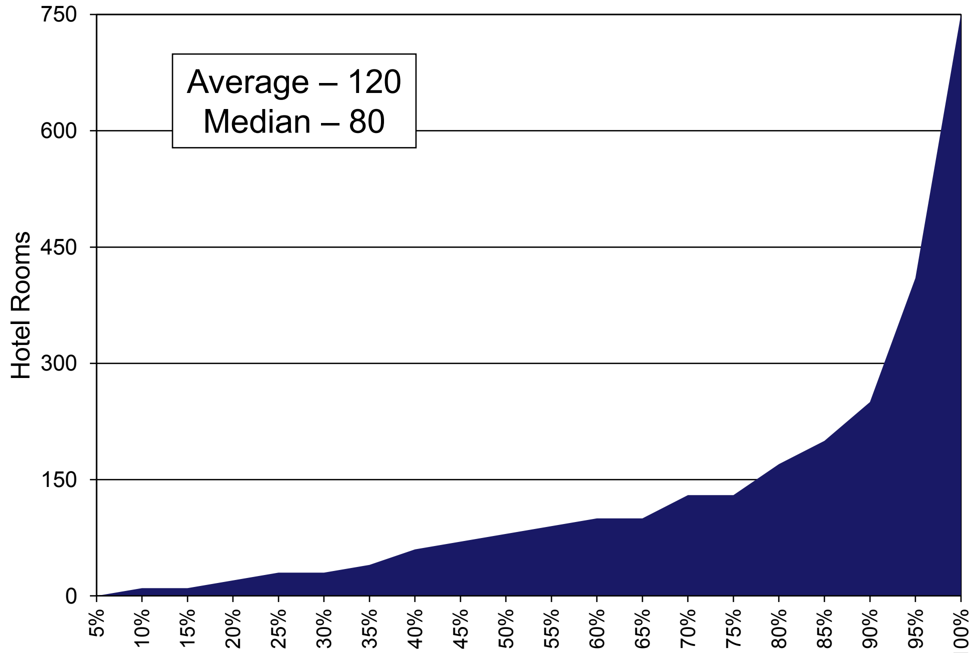


Note: Of those respondents with a positive interest in Muskegon.

The average number of hotel rooms required in a single property is 100 rooms. The Holiday Inn Muskegon Harbor currently has 201 guestrooms, which would accommodate 90 percent of the potential demand, while the Shoreline Inn and Conference Center with 140 guestrooms could accommodate 80 percent of the potential demand. However, it is important to note that, generally, hotel properties (even headquarter hotel properties) do not commit their entire inventory to support group event activity.

Exhibit 23, on the following page, presents a summary of peak night hotel room requirements by events representing the primary market for a new convention center in Muskegon. As shown, 90 percent of Muskegon's potential state and regional organization event market requires 250 hotel rooms or less, while 65 percent of potential events require 100 or fewer peak night rooms. The Holiday Inn Muskegon Harbor could accommodate 85 percent of demand with their current 201 guestrooms, while the Shoreline Inn, with 140, could accommodate 75 percent of potential demand. Actual room blocks available in Muskegon would be lower than these amounts, however, and could significantly vary by time of year, season, day of week, etc.

Exhibit 23
State/Regional Organization Survey –
Peak Hotel Rooms Required



Note: Of those respondents with a positive interest in Muskegon.

Open-Ended Questions

Event planners were asked open-ended questions pertaining to their potential interest in utilizing convention space in Muskegon. The first question asked was "What are your overall impressions of Muskegon as a potential host market and location for your events?" Those with favorable impressions of Muskegon cited the beach, scenery and revitalized downtown as strengths of the city. However, a number of event planners had limited awareness of Muskegon, and a few respondents expressed concern about competition with Grand Rapids. A sample of the comments collected is presented below:

- Do not know anything about it.
- Never looked at it; only driven through and know there is a waterfront.
- It is intriguing as it is close to the water and there are things to do.
- I love Muskegon. The beach is there and it is fun.
- It definitely merits consideration because it is a pretty part of the state.
- If there is something new we would love to come there.
- Muskegon is just like Grand Rapids and not as new of a market.
- The venue would have to be very nice to consider coming to Muskegon.
- Muskegon seems to be doing well; revitalizing and cleaning up downtown.
- It is an excellent location and we have a good membership base there.
- Muskegon is too close to Grand Rapids. You are going to have a tough competitor.

Respondents were also asked about their requirements specific to the hotel property element in regard to hotel brand, amenities, rates, and capabilities. Responses are summarized below:

- Low rates between $100 and $110; most of our people are on a fixed income.
- We try to keep our rate low, between $100 and $130.
- Low rates; our members are looking to save a penny.
- A storage room in the conference space so our stuff is not out in the open.
- Ballrooms and hospitality suites capable of handling a large meal function.
- Hotel connected to the convention space, especially during winter months.
- Executive lecterns, hand held microphones, a screen and sound system.
- Efficiency in setting up the meeting.
- Prefer three-star hotels because it is nicer for our members.
- It would have to be posh for board functions; four-star and higher quality hotel.
- Full-service hotel with 24-hour room service and a restaurant/bar.
- We need restaurants on property for people to eat at and a bar.
- Restaurants within walking distance.

Event planners were also asked to note any specific requirements or preferences they might have regarding the convention center facility. Many of the responses referred to location and nearby amenity preferences, rather than specific capabilities of the convention center. Comments included:

- Entertainment, retail and/or restaurant options near the convention center.
- Attendees like to be able to walk somewhere.
- Entertainment and restaurants within walking distance.
- Do not want to be outside of the city core, forcing people to drive.
- Prefer a nicer venue.
- Close to a variety of shopping and restaurant options.
- Near an airport and shopping.
- We would like to be near an airport and a highway.
- Close to shopping and any other type of activities.
- Close to major roadways.
- A business center and free Wi-Fi in the convention center.
- Sufficient parking and a loading dock.

L.C. Walker Arena Issues

One of the issues of interest to this study was the possibility of including L.C. Walker Arena into a strategy to develop a market supportable new/expanded convention center product in Muskegon. As previously mentioned, L.C. Walker Arena is a 5,100-seat multi-purpose arena in downtown Muskegon (located on Western Avenue, on an adjacent block to the Holiday Inn).

Originally built in 1960, Walker Arena is a long-serving, productive public asset of the Muskegon community and its residents. For more than 50 years, it has served as an important focal point for local and regional area sports, entertainment, meetings, civic and special events.

Considering its age and functionality and marketability challenges, Walker Arena's annual market and financial performance (including the annual operating and capital repair subsidy) is consistent with or better than industry averages. Like most spectator arena facilities of its type and vintage, it requires an annual operating subsidy by the public sector owner. Relative to state-of-the-industry spectator/entertainment arenas in comparably-sized markets, Walker Arena has a number of physical characteristics that are substandard and/or not optimized, which all work to hinder its market competitiveness and ability to drive new revenue.

Based on the results of the survey of convention planners conducted for this study and aligning within industry practices, the majority of non-local convention, conference and tradeshow groups would not require, nor have a particular interest in, using Walker Arena for specific space needs during the course of their event(s).

However, while a decision to move forward with the convention center project is not "dependent" on the arena project, important rationale exists warranting consideration of concurrent (or bundled) investment in the arena, including the opportunity to create a physical connection between the two venues that could offer some operational efficiencies and marketing advantages for both facilities.

It is strongly believed that shuttering or demolishing Walker Arena—without providing a comparable modern replacement—would be damaging to the community and destination. The majority of events that have been historically held at Walker Arena would not be candidates to transfer over to a new convention/conference center. Without an operational and functional arena venue, Muskegon will lose these events.

Conclusions

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

In order to test the potential event market for a new convention center in Muskegon, a detailed telephone survey was conducted with planners of state and regional conventions, conferences and tradeshows. The survey resulted in over 75 completed interviews with individual planners, representing more than 100 rotating events. Surveyed groups included professional associations, SMERF (social, military, education, religious, fraternal) groups, government groups, nonprofits and other producers of rotating state and regional events.

Surveys of non-local groups with recurring events suggest moderate demand for a new convention center in Muskegon. This demand cannot currently be accommodated by existing meeting facilities in Muskegon, suggesting unmet market demand exists to support a new convention center development. This would produce new midweek, shoulder season and off-peak season visitation and generate more hotel room nights.

Muskegon has undergone significant development since the previous feasibility study. These changes, especially in the downtown area, have strengthened the destination appeal of Muskegon. Downtown Muskegon will need to be the location of the new convention facility, given meeting planners' strong preference for nearby amenities, such as restaurants and shopping. The concentration of visitor amenities in downtown Muskegon will help it compete with other meeting destinations across the state of Michigan.

A similar telephone survey with state and regional groups in regards to a new convention center in Muskegon was conducted twelve years ago as part of the 2002 study. Compared to the first study, positive interest in the Muskegon destination and hosting one or more events to Muskegon has significantly strengthened. These survey results can be viewed as validation that the convention industry—or at least a portion of it—has recognized Muskegon's recent economic development and progress in improving various aspects of its destination amenities and visitor industry infrastructure.

While improvement has been shown in the recent year, low market performance of existing downtown hotels indicate that no new hotel properties will be forthcoming without substantial public sector incentive.

Based on the results of the survey of convention planners conducted for this study and aligning within industry practices, the majority of non-local convention, conference and tradeshow groups would not require, nor have a particular interest in, using Walker Arena for specific space needs during the course of their event(s).

However, while a decision to move forward with the convention center project is not "dependent" on the arena project, important rationale exists warranting consideration of concurrent (or bundled) investment in the arena, including the opportunity to create a physical connection between the two venues that could offer some operational efficiencies and marketing advantages for both facilities.

It is strongly believed that shuttering or demolishing Walker Arena—without providing a comparable modern replacement—would be damaging to the community and destination. The majority of events that have been historically held at Walker Arena would not be candidates to transfer over to a new convention/conference center. Without an operational and functional arena venue, Muskegon will lose these events.

5.0. ANALYSIS OF PROGRAM, SITE & DEVELOPMENT OPTIONS

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

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

Market Supportable Building Program

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

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

For the market supportable program, support areas, such as lobby, circulation, storage, office and other areas, are not specifically itemized within this analysis; however, based on state-of-the-industry facility development standards, such support spaces normally require square footage roughly equal to the amount of *sellable* square footage incorporated in the building.

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

- Multipurpose Hall:
  - 25,000 to 30,000 square feet of subdividable, column-free, carpeted, upscale space
  - 30-foot or higher ceiling height
  - Utility floor grids, independent loading/public access, climate control
- Breakout Meeting Rooms:
  - 10,000 to 12,500 square feet of breakout meeting space
  - Subdividable, upscale
- Sufficient pre-function, support and storage space
- 150-room or larger, quality hotel attached, adjacent or closely proximate
- 300 or more total hotel rooms in immediate area

Development Scenarios

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

Therefore, the more any new Muskegon convention center project is "private sector-oriented", in terms of upfront capital and/or ongoing operational funding, the greater the need for program adjustments (largely in terms of square footage) in the convention center element. Specifically, under a case where no ongoing public sector funding assistance would be available for convention center operations, an adjusted building program for a new Muskegon convention center would need to be downsized to the following approximate levels.

- Ballroom = 16,000 to 18,000 square feet
- Meeting rooms = 7,000 to 9,000 square feet
- Hotel = 150-room or larger full-service hotel attached

This reduced program would be less differentiated than other existing local market conference facilities and would generate lower net new economic impact for Muskegon.

Site/Location Assessment

The intent of the site/location assessment completed for this engagement is to assist by focusing on the advantageous locations within the market for potential investment in convention facility development, so that specific site parcels can be identified for further, more focused consideration. With the assistance of the County and the Accommodations Tax Advisory Committee, specific parcels were identified for evaluation. It is suggested that additional analyses be conducted with regard to site acquisition/preparation costs and unique costs associated with architectural and engineering requirements, traffic, infrastructure and other related concerns prior to final site selection.

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

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

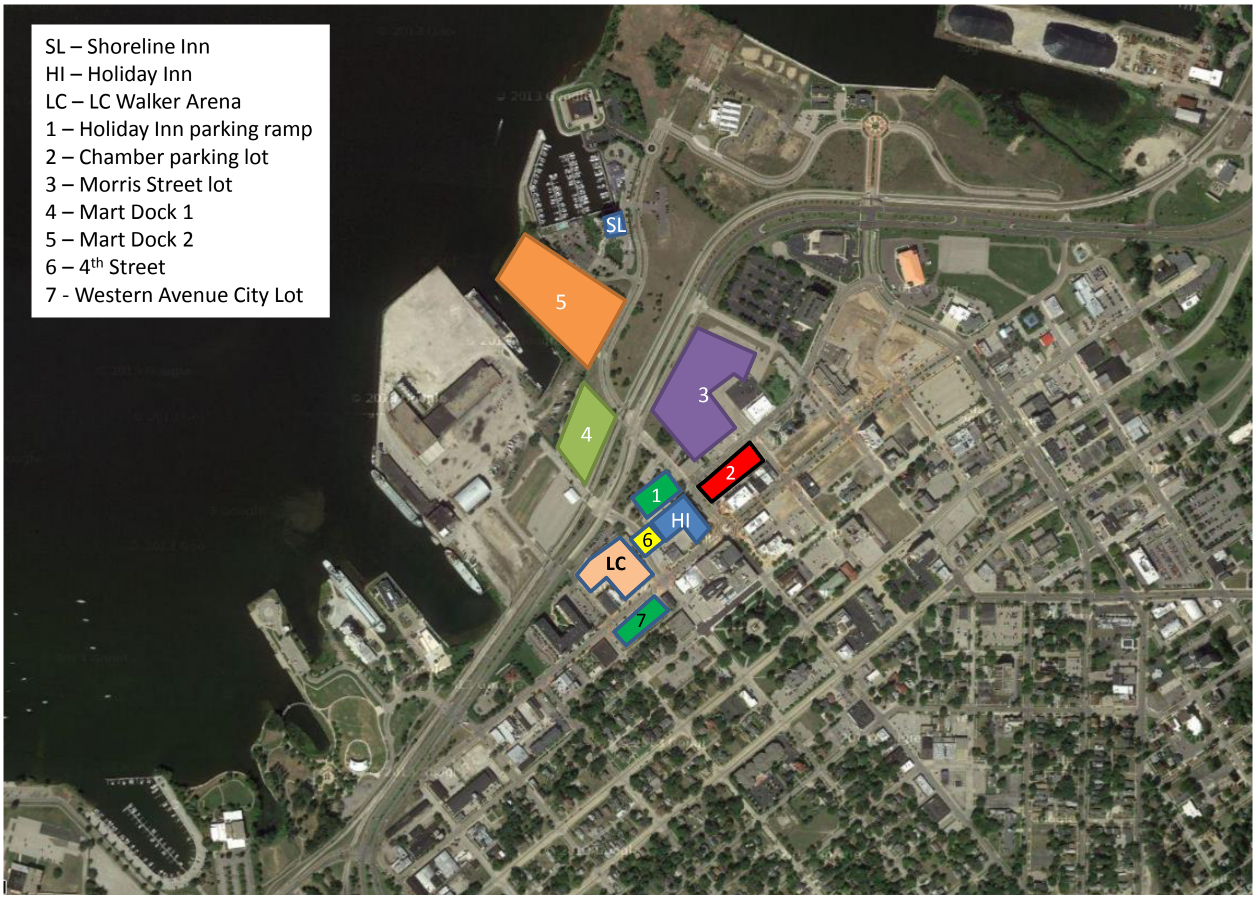
For a convention center project, proximity to quality hotel inventory is the single most important factor. Without a sizeable, quality hotel property that is attached, adjacent or within very close walking distance (i.e., two to three city blocks maximum), a new convention center will be extremely limited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

Based on the conclusions of the market analysis, it is believed that downtown Muskegon represents the only realistic location for a new convention center project, given the necessity to leverage the largest, full service hotels in the County.

Additionally, should a downtown site be selected, this could also importantly serve economic development objectives and greatly improve the community/destination's visitor industry infrastructure—that is to say, Muskegon's "front door" to non-locals. Convention and hotel facilities serve as "people magnets", drawing people into a concentrated location. This influx of new people and new associated economic activity are often important elements in maintaining healthy downtowns for cities and communities of all sizes.

The County and the Accommodations Tax Advisory Committee subsequently identified a set of potential site parcels/areas for a new convention center, as shown in Exhibit 1 below.

Exhibit 1
Potential Site Locations for a Muskegon Convention Center



Based on a review of these potential sites, it is believed that the "4th Street" site, situated between the Holiday Inn and L.C. Walker Arena, represents the most advantageous site for the convention center project, largely due to its ability to leverage critical important factors that typically influence the success of convention center facilities. These include, but are not limited to:

- Ability to physically connect to (and therefore operationally partner with) Muskegon's largest full service hotel.
- Located nearest and within close walking distance to the core concentration of downtown's visitor amenities (i.e., restaurants, bars, brew pubs, shopping, arts, sports, etc.).

The Shoreline Inn could also serve as an attractive, nearby secondary supporting hotel property with this location. Depending on the season, the distance between the Shoreline Inn and the central business district core (on Western Avenue) is considered marginally walkable.

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

- Scenario 1: Stand-Alone Convention Center
  - Public sector builds and owns convention center
  - Private sector manages via contract
  - Public sector funds operating shortfall
  - Full market supportable space (40,000 SF sellable space)
- Scenario 2: Public/Private Convention Center
  - Public sector builds and owns convention center attached to hotel
  - Hotel partner operates via lease agreement
  - No ongoing public sector operating subsidy
  - Reduced space (25,000 SF sellable space)

Each of these scenarios leverage the private sector's investment in the downtown hotel assets and other visitor industry amenities located nearby.

The full market supportable convention center building program is assumed under Scenario 1; however, while the hotel partner would operate the space under contract, the public sector partner (e.g., the County) would be required to fund any operating shortfall on the convention center space, should they occur. This model would generate the highest economic impacts of the two models.

No public sector operating subsidy would be required under Scenario 2; however, it is estimated that an upfront funding contribution for the convention center space by the public sector would be required to defray costs borne by the private partner to allow for a reasonable return-on-investment to be reached.

Under both scenarios, should the Holiday Inn be the selected hotel partner, it is recommended that the County (or other public sector funding entity) negotiate that the Holiday Inn undertake certain renovations to upgrade/update various aesthetic and functional aspects of the hotel to make it more consistent with modern full service hotels. Additionally, it is suggested that a rebranding of the property be considered to a flag that is more widely regarded in the convention industry as a typical convention headquarters hotel brand than Holiday Inn. Examples could include Crowne Plaza or DoubleTree.

6.0. ANALYSIS OF UTILIZATION & COST/BENEFIT

This chapter presents an analysis of estimated utilization and costs/benefits associated with a new convention center in downtown Muskegon.

The ability of a convention facility to generate new spending and associated economic impact in a community is often one of the primary determinants regarding a decision to invest in the development and operation of such facilities. Beyond generating new visitation and associated spending in local communities, convention centers also benefit a community in other important ways, such as providing a venue for events and activities attended and participated by local community members.

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

Estimated Event and Use Levels

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

Exhibit 1
Estimated Annual Number of Events –
New Muskegon Convention Center By Scenario

Event Type	SCENARIO 1 Stand-Alone Conv Center	SCENARIO 2 Public/Private Conv Center
Conventions/Tradeshows	15	10
Conferences/Meetings	125	150
Banquets/Receptions	70	70
Public/Consumer Shows	15	10
Other	40	30
Total	265	270

As shown above, it is estimated that event levels at a new Muskegon convention center, during a stabilized year of operation, would total between 265 and 270 events, depending on the scenario.

Exhibit 2, on the following page, presents the estimated event days (number of days event attendees/delegates are in attendance at the convention center in Muskegon) under each of the identified development scenarios.

Exhibit 2
Estimated Annual Event Days –
New Muskegon Convention Center By Scenario

Event Type	SCENARIO 1 Stand-Alone Conv Center	SCENARIO 2 Public/Private Conv Center
Conventions/Tradeshows	45	30
Conferences/Meetings	188	225
Banquets/Receptions	60	70
Public/Consumer Shows	38	25
Other	48	36
Total	378	386

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

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

Exhibit 3
Estimated Annual Attendance –
New Muskegon Convention Center By Scenario

Event Type	SCENARIO 1 Stand-Alone Conv Center	SCENARIO 2 Public/Private Conv Center
Conventions/Tradeshows	15,750	8,250
Conferences/Meetings	42,188	33,750
Banquets/Receptions	18,000	15,750
Public/Consumer Shows	45,000	20,000
Other	24,000	14,400
Total	144,938	92,150

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

Exhibit 4
Estimated Annual Non-Local Attendance –
New Muskegon Convention Center By Scenario

Event Type	SCENARIO 1 Stand-Alone Conv Center	SCENARIO 2 Public/Private Conv Center
Conventions/Tradeshows	14,175	7,425
Conferences/Meetings	25,313	16,875
Banquets/Receptions	2,700	2,363
Public/Consumer Shows	6,750	3,000
Other	7,200	4,320
Total	56,138	33,983

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

Estimated Economic Impacts

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

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

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

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

The re-spending of dollars in an economy is estimated by using economic multipliers and applying them to the amount of direct, or initial spending. The *multiplier effect* is estimated in this analysis using a regional economic forecasting model provided by the IMPLAN Group, Inc., a private economic modeling company. The IMPLAN system uses an input-output matrix with specific data for multipliers based on regional business patterns from across the country. Financial information for the matrix of multipliers is collected from various sources that include, but are not limited to, the U.S. Department of Labor, as well as state sales and tax reports. The system uses this data to determine the economic independence of specific geographic regions as well as the interdependence that exists between industries in those regions. The systems provide total industry output, personal earnings and employment data for approximately 440 industry groups.

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

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

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

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

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

Estimates of per-day spending by non-local attendees, exhibitors and performers are based on the results of an annual Convention Income Survey performed by Destination Marketing Association International (DMAI), formerly the International Association of Convention and Visitors Bureaus (IACVB). The survey collected data concerning event related expenditures by delegates, exhibitors, associations and convention and event production service contractors. The results of this survey have been adjusted to 2014 dollars and for cost of living levels and the unique characteristics of Muskegon. The estimates of average daily spending on a per delegate basis were applied to estimates of potential future event activity at the potential new convention center under the identified development scenarios, based on the results of the overall market analysis. Adjustments were applied to estimated attendance levels for potential future event activity at the conference center to segregate estimated levels of potential *out-of-town* event attendance directly as a result of the convention center.

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

Exhibit 5
Estimated Annual Direct Spending by Event Type (stabilized year of operations, in 2014 dollars) – New Muskegon Convention Center by Scenario

Event Type	SCENARIO 1 Stand-Alone Conv Center	SCENARIO 2 Public/Private Conv Center
Conventions/Tradeshows	$3,713,850	$1,945,350
Conferences/Meetings	5,454,844	3,636,563
Banquets/Receptions	302,400	264,600
Public/Consumer Shows	634,500	282,000
Other	860,400	516,240
Total	$10,965,994	$6,644,753

As presented on the previous page, total annual direct spending associated with a new convention center in Muskegon is estimated to range between $6.7 million and $11.0 million (in a stabilized year of operations [assumed year four] in 2014 dollars), depending on the scenario.

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

Exhibit 6
Estimated Annual Direct Spending by Industry (stabilized year of operations, in 2014 dollars) – New Muskegon Convention Center by Scenario

Event Type	SCENARIO 1 Stand-Alone Conv Center	SCENARIO 2 Public/Private Conv Center
Hotel	$3,897,550	$2,351,718
Restaurant	3,855,920	2,342,027
Entertainment	514,717	312,816
Retail	1,653,810	1,004,895
Other Industries	1,043,997	633,297
	$10,965,994	$6,644,753

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

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

The total estimated direct expenditures generate effects on the economy that extend beyond the initial expenditures. Exhibit 7 summarizes the overall estimated new annual economic impacts within Muskegon associated with estimated levels of potential event activity at the convention center, based on the application of the IMPLAN multipliers.

Exhibit 7
Estimated Annual Economic Impacts (stabilized year of operations, in 2014 dollars) – New Muskegon Convention Center by Scenario

	SCENARIO 1 Stand-Alone Conv Center	SCENARIO 2 Public/Private Conv Center
Non-Local Attendance	56,138	33,983
Hotel Room Nights	30,821	18,657
Direct Spending	$10,965,994	$6,644,753
Indirect/Induced Spending	6,579,596	3,986,852
Total Output	$17,545,590	$10,631,604
Personal Earnings	$8,882,455	$5,382,250
Employment (full & part-time jobs)	229	139

As presented in the exhibit, the estimated total output (direct spending plus indirect/induced spending) for a new convention center in Muskegon is estimated to range between approximately $10.6 million and $17.5 million per annum (in 2014 dollars), depending on the scenario. Additionally, this spending is estimated to annually support between $5.4 million and $8.9 million in personal income (or "earnings") in the local Muskegon economy, along with between 139 and 229 full and part-time jobs throughout the Muskegon economy.

Financial Operations

An analysis of the estimated financial operations of the potential new Muskegon convention center was conducted. As the operations of a convention center under Scenario 2 would be integrated and inextricably tied to the hotel partner, financial operating estimates for this study report are only provided for Scenario 1 (separated convention center operations).

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

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

As with all new convention centers, an initial startup period is assumed before event levels are anticipated to stabilize. Financial operating estimates prepared in this section reflect a stabilized year of operation (assumed to occur by the fourth full year of operation), shown in 2014 dollars. This analysis has been developed to reflect "net" operations. For instance, reimbursed event expenses and associated event revenues are not presented, rather, they are assumed to "pass through" the financial operating estimates developed in this section. Per capita revenue and expense assumptions were also developed using comparable facility data and industry experience with similar projects, along with consideration of the unique attributes of the Muskegon marketplace and specific conditions envisioned for the proposed facility.

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

Operating Revenues

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

Space Rental

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

Food and Beverage

Food and beverage (F&B) revenue consists of the sale of various food service (concessions and catering) items at a potential conference center in Muskegon. Revenue assumptions are based on estimated event and attendance levels and estimated per capita spending for various event types. Estimated food service revenue is presented in terms of net revenue retained by the facility.

Contract Service and Other

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

Operating Expenses

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

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

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

Salaries, Wages and Benefits

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

Utilities

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

Repairs and Maintenance

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

General and Administrative

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

Insurance

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

Materials and Supplies

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

Professional Fees

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

Management Fee

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

Summary of Estimated Future Financial Operations

Exhibit 8 presents a summary of the estimated financial operating results for a convention center under Scenario 1 (independently operated relative to the hotel) in a stabilized year of operation (assumed to occur by the fourth full year of operation) and presented in 2014 dollars. These figures only represent the annual operations of the facilities and do not include construction debt service payments, capital repair/replacement reserve funding obligations, or other non-operating expenses.

Exhibit 8
Estimated Financial Operating Results for a New Muskegon Convention Center
(Scenario 1, stabilized year of operation, in 2014 dollars)

Operating Revenues	
Space Rental	$360,000
Food Service (net)	272,000
Contract Service & Other	186,000
Total Operating Revenues	$818,000
Operating Expenses	
Salaries, Wages & Benefits	$486,000
Utilities	147,000
Repair & Maintenance	35,000
General & Administrative	54,000
Insurance	31,000
Materials & Supplies	34,000
Professional Fees	17,000
Management Fee	200,000
Total Operating Expenses	$1,004,000
Net Operating Deficit	**($186,000)**

As shown in the exhibit, upon stabilization, a new convention center in Muskegon (under Scenario 1) is estimated to generate an operating deficit of approximately $186,000 per annum (in 2014 dollars). This type of operating loss is consistent with or better than comparable facilities throughout Michigan and the country.

Cost / Benefit Analysis and Conclusions

The purpose of this section is to present quantified findings in terms of a concise comparison of costs and benefits by development scenario.

Exhibit 9 presents a summary comparison of key estimated annual costs that will need to be borne by the public sector (i.e., County, City, or other government or not-for-profit entity) and benefits that would be estimated to accrue to the local Muskegon economy associated with a new conference center by scenario. Benefits have been presented in terms of annual total economic output (a sum of direct, indirect and induced visitor spending) in Muskegon. Adjustments have been made based on the amount of visitor-generated economic impact that is estimated to represent "net new" (or incremental) economic activity in Muskegon over activity that is presently being accommodated by other existing venues. Costs have been presented in terms of construction debt service and operating subsidy needed per scenario. Specifically, a 30-year term and a 3.0 percent annual interest rate have been assumed for the hypothetical debt associated with each scenario.

Exhibit 9
Summary of Estimated Annual Benefits & Costs Associated with a New Muskegon Convention Center
(2014 dollars, annualized, upon stabilization)

	SCENARIO 1 Stand-Alone Conv Center	SCENARIO 2 Public/Private Conv Center
Conf Ctr - Sellable SF	40,000	25,000
Conf Ctr - Gross SF	80,000	50,000
Assumed Hard Const. Cost/SF	$300	$300
Hypothetical Construction Costs	$24,000,000	$15,000,000
ANNUAL BENEFITS:		
Total Economic Output	$17,545,590	$10,631,604
Assumed "Net New"	80%	70%
Net New Economic Output	**$14,036,472**	**$7,442,123**
ANNUAL COSTS (borne by Public Sector):		
Construction Debt Service	$1,224,462	$535,702
Operating Subsidy	186,000	0
Capital Reserve Funding	120,000	75,000
Total Public Sector Costs	**$1,530,462**	**$610,702**
Benefit to Cost Ratio	**9.17**	**12.19**

As shown, Scenario 2 is estimated to generate a greater net new benefits-to-costs in Muskegon than Scenario 1. Total annual costs assumed to be the responsibility of the County (largely construction debt service, should the County's contribution be bonded) for Scenarios 1 and 2 are estimated at approximately $1.2 million and $536,000, respectively.

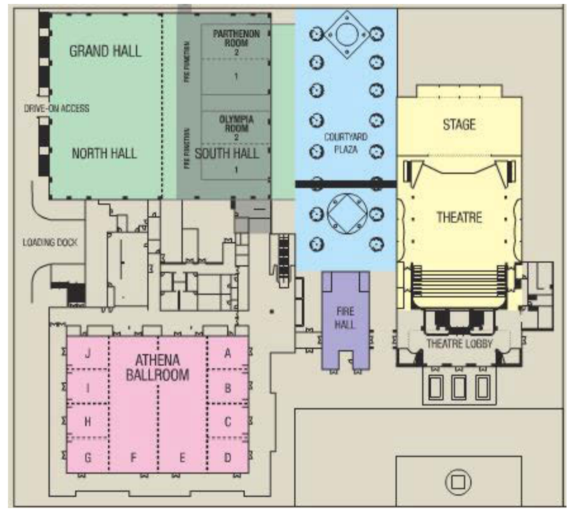
Other Benefits

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

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

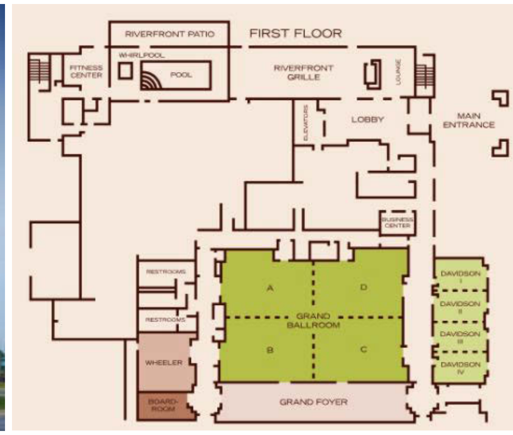
APPENDIX A:
COMPARABLE FACILITY CASE STUDIES

The Classic Center
Athens, Georgia



- The Classic Center, located in downtown Athens, opened in 1995 and consists of two adjoining buildings offering exhibition, ballroom, and meeting space as well as a performing arts theater.
- The 185-room Hilton Garden Inn Athens Downtown is located adjacent to the Classic Center.
- The Center is publicly owned by The Classic Center Authority, a department under the Athens-Clarke County government, which was created in 1988 for the purpose of overseeing and running the operation of this venue. The Authority is funded by SPLOST (Special Purpose Local Option Sales Tax), a one percent sales tax which was passed in the same referendum that included the recommendation of the Authority. The Authority is governed in accordance to city/county laws and regulations.
- The Center is also subsidized by the Classic Center Cultural Foundation, a foundation created to support local artists, which provides funds to maintain the Center and grants scholarships to performing arts groups and local students.
- The Center offers 61,700 square feet of total sellable space, including:
  - A 28,000-square foot exhibit hall
  - The 17,700-square foot of Athena Ballroom
  - 16,000 square feet of meeting space among 12 meeting rooms.
  - 2,053-seat performing arts theater
- The facility also offers outdoor event space and an attached 654-stall parking structure.
- The Center hosts approximately 350 events per year including corporate meetings.
- The theater hosts Broadway productions, community events, family shows, concerts, church services, film productions, and the Bud Select 55 Music Series.

DoubleTree Hotel and Conference Center
Bay City, Michigan



- The DoubleTree Hotel and Conference Center, opened in 2004, is located in downtown Bay City on the banks of the Saginaw River, approximately 115 miles northwest of Detroit.

- The Hotel consists of 150 guestrooms and the Conference Center offers approximately 12,600 square feet of event space, including:

  - A 7,600-square foot ballroom; and
  - 5,000 square feet of meeting space divisible into seven breakout meeting rooms.

- Other amenities at the Hotel include an indoor pool, whirlpool, fitness center, complimentary WiFi, a restaurant and outdoor patio space.

- The $35.6 million project was financed with federal and community grants, tax-exempt bonds, and the City's POWER fund (made up of surplus profits from the city's electric utility).

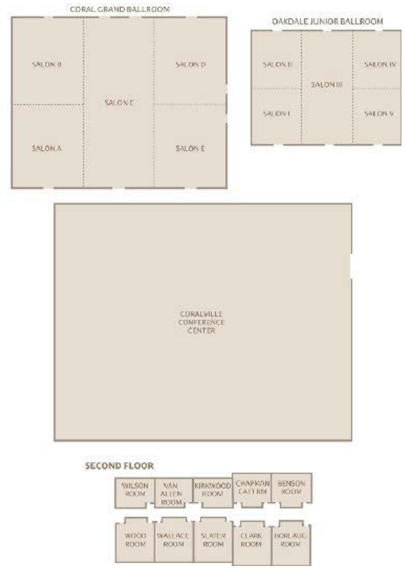
- The Center is owned by public-private nonprofit Wenonah Park Properties group, which was created by the city to oversee the construction, financing and management of the Center.

- Group activity accounts for approximately 42 percent of rooms sold at the Hotel.

- The DoubleTree is accredited with a number of other downtown revitalization efforts that have taken place in the past decade, including a new 100-room Marriott Courtyard set to open in 2015, that is expected to help attract larger conferences.

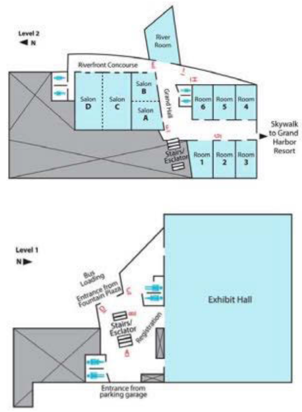
Coralville Marriott Hotel and Conference Center

Coralville, Iowa



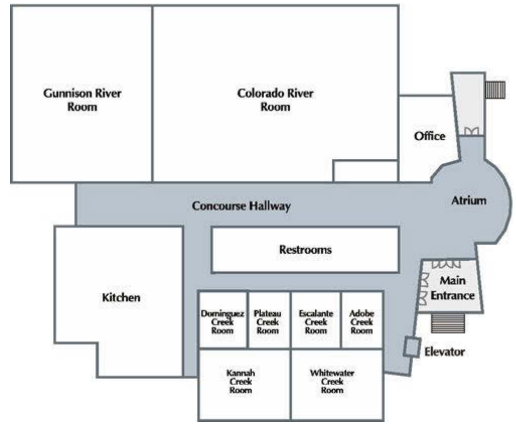
- The Coralville Marriott & Conference Center was constructed in 2006.
- The Hotel offers 280 oversized guestrooms and six suites. All the rooms are equipped with high-speed internet, plasma TVs and work spaces. On-site services include walking trails, indoor pool, 24-hour fitness center, Iowa Writer's Library and two bar and grilles.
- In addition to the full-service hotel/conference center services, the Center offers the following event space:
  - 30,000-square foot exhibit hall
  - 22,200 square feet of multipurpose ballroom space
  - 5,400 square feet of meeting space
- The estimated $60 million Hotel & Conference Center is located along the Iowa River and adjacent to the University of Iowa, and in easy reach of downtown Iowa City and the Eastern Iowa Airport.
- Constructed as part of the City of Coralville's Iowa River Landing project, the Landing is located on a former site of an industrial park and still undergoing redevelopment. Recently, the project won the United States Environmental Protection Agency's Phoenix Award.
- The master development plan is envisioned to include space for retail, restaurants, water features, gathering, entertainment and offices. In addition to the Marriott & Conference Center, the Antique Car Museum of Iowa, Johnson County Historical Society and River Bend commercial and residential complex also are located within the Landing.
- The project was funded with $20 million in revenue bonds supported by the hotel tax, $33 million in taxpayer backed bonds and $5 million contributed by the State of Iowa. In 2005, the City and Marriott agreed to a 15-year contract for the hotel to manage the Center.

Dubuque Grand River Center
Dubuque, Iowa



- The Grand River Center was constructed in 2003.
- The neighboring Grand Resort and Waterpark offers 193 guestrooms and is attached to the Grand River Center via a skywalk. It opened in December 2002, and features Iowa's first 25,000 square foot indoor waterpark, along with a large interactive arcade, fitness center and restaurant.
- In addition to the full-service hotel/conference center services, the Center offers the following event space:
  - 30,000-square foot exhibit hall
  - 12,000 square feet of multipurpose ballroom space
  - 15,900 square feet of meeting space
- The Convention Center and Resort is located along the Mississippi River and is a part of America's River Campus at the Port of Dubuque.
- The $51.3 million project was part of a $188 million development initiative spearheaded by public and private enterprises to revitalize and develop the Port of Dubuque.
- Other developments borne from America's River Project along the Port of Dubuque include the National Mississippi River Museum and Aquarium, Diamond Jo Casino, Alliant Energy Amphitheater and Star Brewery, Mystique Casino, and the Mississippi Riverwalk.
- The project was funded publicly and privately with $51.3 million. Nearly $20.0 million came in the form of a grant from Vision Iowa, a state fund created to assist projects that provide recreational, cultural, entertainment and educational attractions. The City of Dubuque contributed over $5.0 million via issued debt and the remaining cost of $25.0 million was covered by private developer, Platinum Hospitality Group.

Two Rivers Convention Center
Grand Junction, Colorado



- The Two Rivers Convention Center opened in 1975.

- Renovation and expansion of the facility was completed in 2001 and the facility now offers approximately 20,700 square feet of total sellable space, including:
    - 18,600 square feet of multipurpose ballroom space; and
    - 2,100 square feet of meeting space throughout six meeting rooms.

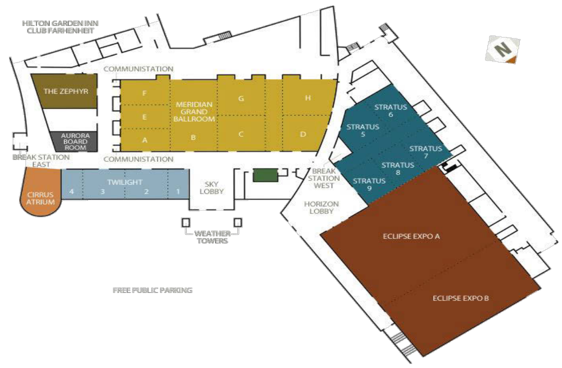
- In fiscal year 2006, the Center hosted 954 total events with an estimated attendance of 135,400 total people. The facility reported revenues of nearly $2.1 million and total overall expenses of nearly $2.2 million for a net operating loss of approximately $126,000 for the year.

- Revenue increases in 2006 are in part due to the implementation of service charges on equipment and services, which were previously only applied to food and beverage sales. Additionally, increases reflect the implementation of sliding scale pricing for room and space rental.

- However, new markets have developed to help spur this increase in revenue such as boxing and mixed martial arts public events, expanded demand for weekly safety meetings, parties and other events for local oil and gas companies, increased demand from the energy industry as a whole to conduct trade shows and employment recruiting events and other such events.

- According to the Two Rivers Organization, City Parks and Recreation Department, 2006 fiscal year events at the TRCC accounted for approximately 4,000 total hotel room nights, nearly $275,000 in hotel guest room revenue and a total economic impact of nearly $444,000.

Davis Conference Center and Hilton Garden Inn
Layton, Utah



- Located off of Interstate 15 in Layton, Utah, this state-of-the-art conference center opened in September 2004.

- Just three years following the Center's opening, the County broke ground for an expansion that nearly doubled the Center's size. In May 2008, the Center opened a new 18,400-square foot exhibit hall and an additional 7,000-square foot junior ballroom, which have the ability to open into each other.

- Following the expansion, the facility offers 18,400 square feet of exhibit space, 19,200 square feet of ballroom space and 5,800 square feet of meeting space. Total sellable space is 43,400 square feet.

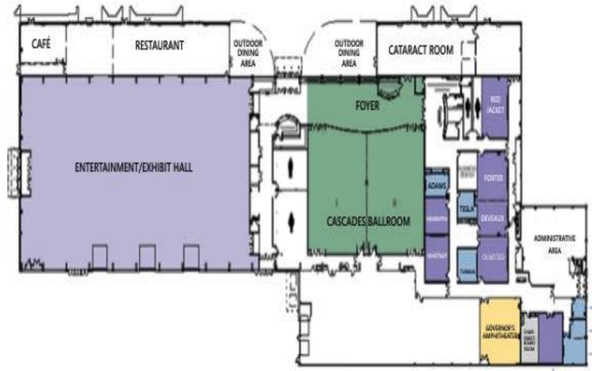
- The Davis Center is attached to the Hilton Garden Inn which offers 145 sleeping rooms, and additional outdoor event space, including the Solstice Courtyard and Cirrus Atrium.

- The Conference Center is owned by Davis County, but operated by Western States Lodging, which also owns and operates the attached Hilton Garden Inn. A public/private partnership was established to make the Conference Center and hotel a reality.

- Since its opening, the Davis Conference Center has hosted an average of 600-700 events per year. Government-related events make up approximately 32% of all events.

- Typical organizations that hold events at the Davis Conference Center include: Utah State Office of Education Conference, Evergreens and Things, Boy Scouts of America Auction, F-16 Commanders Conference, Layton Christian Academy, Shipley Associates Sales Retreats, US Foods, Pfizer, Avalanche International Karate Tournament, Utah State Insurance and America Online Conference.

Conference Center Niagara Falls
Niagara Falls, NY

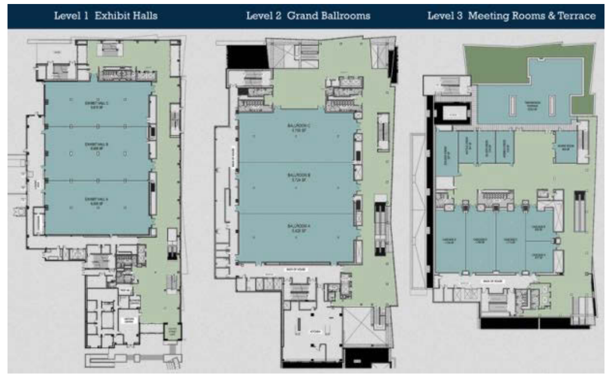


- The Conference Center Niagara Falls is located in Niagara Falls, NY, within two blocks of Niagara Falls.
- The Facility incorporates 55,500 square feet of sellable event space, including:
    - 32,200 square feet of exhibit space
    - 12,800 square feet of meeting space
    - 10,500 square feet of ballroom space
- Additional features include:
    - 5,000 square feet of pre-function/lobby space
    - 2,000 guest rooms located within a few blocks
    - 4,000 parking spaces in close proximity
- The Conference Center Niagara Falls is an in-house, one-stop shop facility, offering their own exclusive CCNF Culinary Team, onsite engineers that provide utilities and telecommunication services, shipping and receiving, custom signage, audio-visual, technology and plant and floral services.
- Additionally, the Center offers a Conference Concierge, Ambassador Greeter program, Executive Business Center, and nearby shopping dining and entertainment.
- There are 14 hotels or bed and breakfast facilities that are located within walking distance of the Center.
- The Center is operated by Global Spectrum, a private management firm.

Blue Water Convention Center
Port Huron, MI

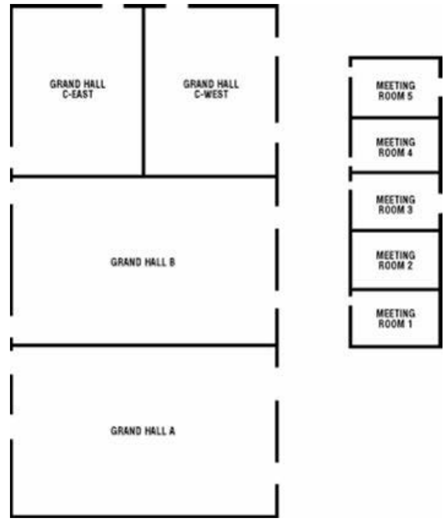
- The Blue Water Convention Center is located along the St. Clair River in St. Clair County, less than an hour's drive northeast of Detroit.
- The Center will offer a carpeted, multipurpose Event Hall with 20,000 square feet of space, as well as 5,100 square feet of meeting space and a 5,500 square foot ballroom.
- The Blue Water Area Convention and Visitor Bureau's offices will also be housed within the Center.
- The public-private development project also included a $10.5 million renovation of the Thomas Edison Inn, which reopened as a 149-room DoubleTree Headquarter Hotel in August 2013. The hotel includes a restaurant that will service the Convention Center's catering needs.
- The development project also includes a new $4 million privately funded culinary institute that plans to partner with the Blue Water Convention Center.
- The St. Clair County Board of Commissioners issued $9 million in bonds to fund construction for the Center.
- The Center will be managed by SMG, a Pennsylvania-based professional management company.

Utah Valley Convention Center
Provo, Utah



- The Utah Valley Convention Center is located 45 minutes south of Salt Lake City in downtown Provo.
- The Center, opened May 2012, offers 46,500 square feet of sellable space including:
    - 19,600 square feet of contiguous exhibit space
    - 10,000 square feet of meeting space
    - 16,900 square feet of ballroom space
- The $41 million building is LEED certified and offers complimentary Wi-Fi services as well as on-site catering, electric and A/V services.
- A 330-room Marriott Hotel is located adjacent to the Center, offering over 22,000 square feet of additional event space.
- In 2013, the Center's first operating year, 233 events were held with nearly 110,000 total attendees. This included 15 major conventions that brought in a total of $450,000 in revenue and $2.5 million in economic impact.
- Meetings are the most commonly hosted events at the Center, accounting for 49 percent of all events in 2013.
- December was the Center's highest grossing month in 2013 due to the large number of corporate holiday banquets hosted. These parties resulted in $300,000 of revenue for the Center.
- Total gross revenue for 2013 was nearly $2.9 million, and the Center finished the year with a net loss of $77,000.
- The Center is owned by Utah County and managed by Global Spectrum.

Pueblo Convention Center
Pueblo, Colorado



- The Pueblo Convention Center is located in historic downtown Pueblo and situated 40 miles south of Colorado Springs and 120 miles south of Denver.
- In total, the Center offers over 23,500 square feet of event space, which includes 16,200 square feet of ballroom space and 7,300 square feet of meeting space. Further, the Center is connected to a 164-room Marriott.
- The Center opened in 1997 and is owned by the Urban Renewal Authority and the day to day operations of the Center are managed by the private management firm, Global Spectrum.
- Additionally offered at the Center is state-of-the-art technology, including audio-conferencing, multi-media presentation support and wireless internet access.
- The Colorado State University – Pueblo campus is located in close proximity to the Center, as well as other Pueblo attractions, including the El Pueblo Museum, Pueblo Greyhound Park and the Lake Pueblo State Park/Reservoir.
- In 2007, the Center hosted approximately 544 events, with 70,400 attendees, generating $1.45 million in gross income. Of the 544 events, the Center hosted 22 conventions, 12 consumer shows, 116 banquets, 354 meetings, 2 tradeshows and 38 other events. The Center reported an operating loss of $352,200.

Salem Conference Center
Salem, OR

- Located in Salem, Oregon’s downtown core area, the full-service Phoenix Grand Hotel and Salem Conference Center opened in March 2005.

- The Hotel offers 193 guestrooms, each with separate work and living areas, complimentary wired and wireless high speed Internet access and public areas that offer complimentary wireless access.

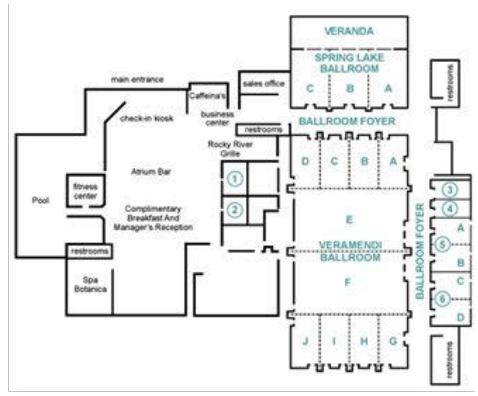
- The Center offers approximately 24,300 square feet of total sellable event space, with approximately 11,400 square feet of contiguous event space in the Willamette River Room (divisible into four separate rooms) and 12,900 square feet of meeting space throughout ten breakout rooms.

- The Phoenix Grand Hotel, Conference Center and approximately 400 parking spaces are components of the City of Salem’s 290-acre Riverfront-Downtown Urban Renewal Area (RDURA).

- VIP Motors Inn operates the Center and parking garage. If operating revenues exceed expenses, VIP’s will receive 75 percent of the profits, with the remaining 25 percent going to the City.

- The Center and parking garage portion of the project were publicly financed through the sale of urban renewal bonds and a $7.2 million loan from the U.S. Department of Housing and Urban Development (HUD).

San Marcos Conference Center
San Marcos, TX



- The Embassy Suites San Marcos – Hotel, Spa and Conference Center opened in October 2008 approximately four miles southwest of downtown San Marcos, Texas on Interstate Highway 35.

- The Embassy Suites is a full-service property offering 283 guestrooms.

- The Center's offerings include:

  - The Veramendi Ballroom, which features 28,800 square feet of contiguous space.
  - A 7,200 square foot junior ballroom.
  - 6,300 square feet of meeting space.

- The Center is owned by the City of San Marcos. John Q. Hammons, a private developer and management firm, handles its operations and also owns and manages the Embassy Suites.

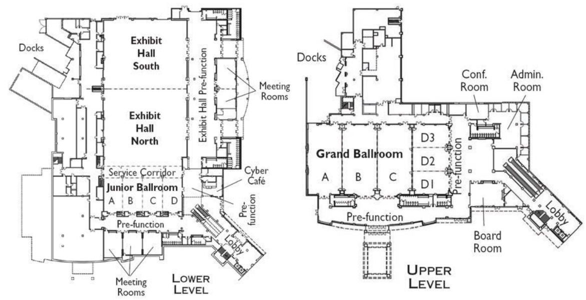
- Five months prior to opening, facility representatives estimated that the conference center had more than $700,000 in convention bookings and room reservations.

- Examples of recent growth in San Marcos tourism infrastructure due to the Center include the estimated 900,000-square foot Stonecreek Crossing retail development, with JC Penney's and Target as anchor tenants, and the estimated 311,000-square foot Red Oak Village development.

- The $72.6 million project was funded with $15.7 million in proceeds from tax-exempt combination tax and revenue certificates of obligation, along with a $56.9 million contribution from JQH.

St. Charles Convention Center

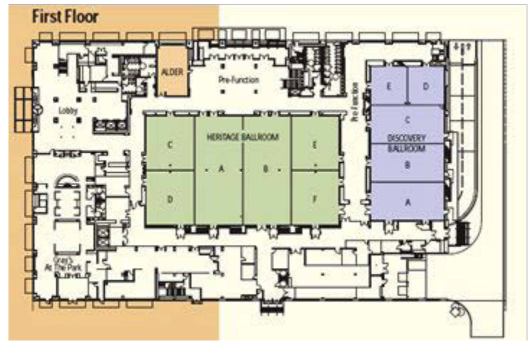
St. Charles, Missouri



- The Saint Charles Convention Center is a $35 million multi-functional facility that opened in April 2005.
- The Center is owned by the Saint Charles County Convention and Sports Facilities Authority and the City of Saint Charles, while the Center is managed by Global Spectrum.
- The Center provides 58,400 square feet of sellable event space, including 35,700 square feet of exhibit space, 6,500 square feet of meeting space and 16,200 square feet of ballroom space. Additionally, there are 1,200 free parking spaces at the Center.
- In 2007, the Center hosted 463 events and attracted 190,000 people who used approximately 20,000 room nights in local hotels. Specifically, the Center hosted 10 conventions, 25 tradeshows, 19 consumer shows, 98 banquets, 287 meetings and 24 miscellaneous events.
- There are over 2,100 hotel rooms in the greater St. Charles area. Major properties include a 296-room Embassy Suites Hotel that is attached to the Center, which is owned and operated by John Q. Hammons.
- The $36 million hotel and convention center unite sales and marketing staff to centralize promotions of both facilities.
- Largely viewed as a result of the Center's success, approval for a $55 million tax increment financing subsidy was recently approved to fund a $385 million economic development project to be located a few blocks from the Center. This complex is to include an 18-floor residential tower, several condominium buildings with lower-floor shops and restaurants and offices, a 10 to 14-story hotel, a movie theater and an outdoor ice rink.

Vancouver Conference Center

Vancouver, WA



- The Vancouver Conference Center and Hilton Vancouver Washington is a multi-functional facility that opened in June 2005 across from Esther Short Park.

- The Center and Hotel are owned by the Downtown Redevelopment Authority (DRA). The Hotel is managed by Hilton Hotels, while the Center is managed by the DRA.

- The Center provides 30,400 square feet of sellable event space, including 8,500 square feet of meeting space and 21,900 square feet of ballroom space.

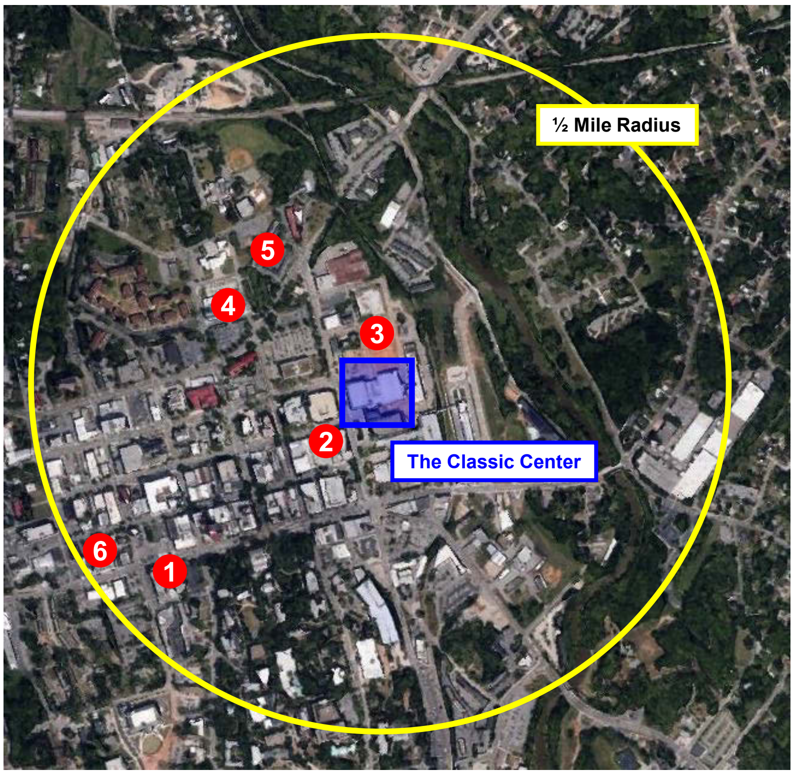
- The facility is part of redevelopment and revitalization efforts of the City of Vancouver that began in the early 2000s with the construction of numerous condominium structures surrounding Esther Short Park and around the Uptown Village neighborhood. These include future development of a new library, Marriott hotel and approximately 250 additional condominiums.

- The City of Vancouver and Clark County estimated that they were losing approximately $500 million to $950 million in retail and entertainment dollars annually to other communities. Therefore, they decided to construct the 226-room Hotel and Center as one vehicle to drive new visitation to the community.

- Approximately $64.1 million in tax-exempt revenue bonds are the primary funding source for the project. It is estimated that the DRA bonds will be repaid through revenues generated through gross operating revenues of the Center, proceeds from special taxes due to the Center, proceeds of a lodging tax, and investment earnings on amounts in certain funds established under the Indenture.

APPENDIX B:
COMPARABLE FACILITY HOTEL SUPPORT

The Classic Center
Athens, Georgia



– 0 hotels with more than 1,000 rooms.

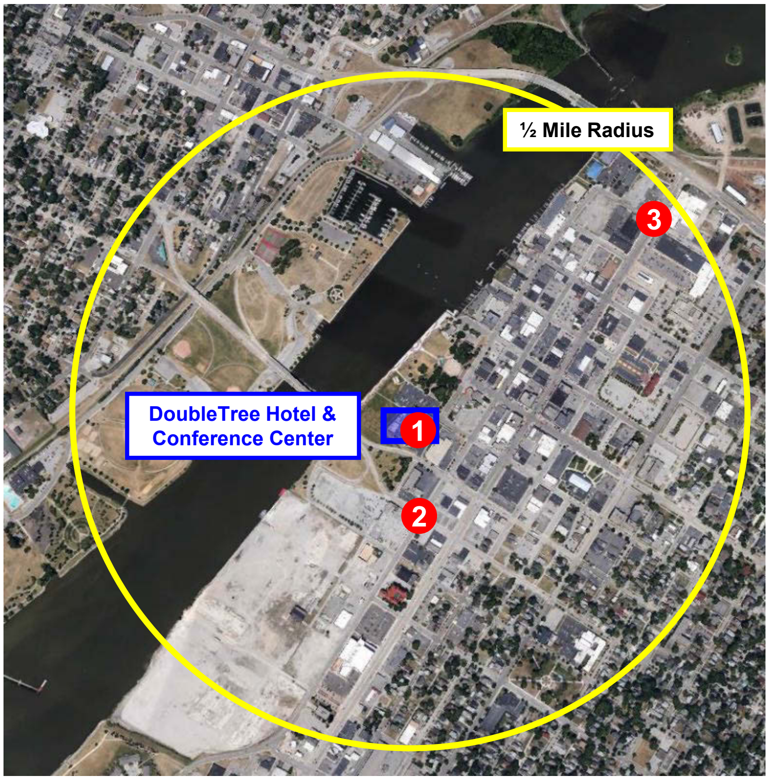
– 0 hotels with 500 to 999 rooms.

– 6 hotels with up to 499 rooms.

1 – Holiday Inn Athens (210 rooms)
2 – Hilton Garden Inn Athens Downtown (185) – *52-room expansion opening 2015*
3 – Hyatt Place (180) – *opening 2016*
4 – Hotel Indigo-Athens (130)
5 – Foundry Park Inn and Spa (119)
6 – Georgia Gameday Center (65)

Overall Hotel Rooms within ½ Mile:
941 rooms

DoubleTree Hotel and Conference Center
Bay City, Michigan



– 0 hotels with more than 1,000 rooms.

– 0 hotels with 500 to 999 rooms.

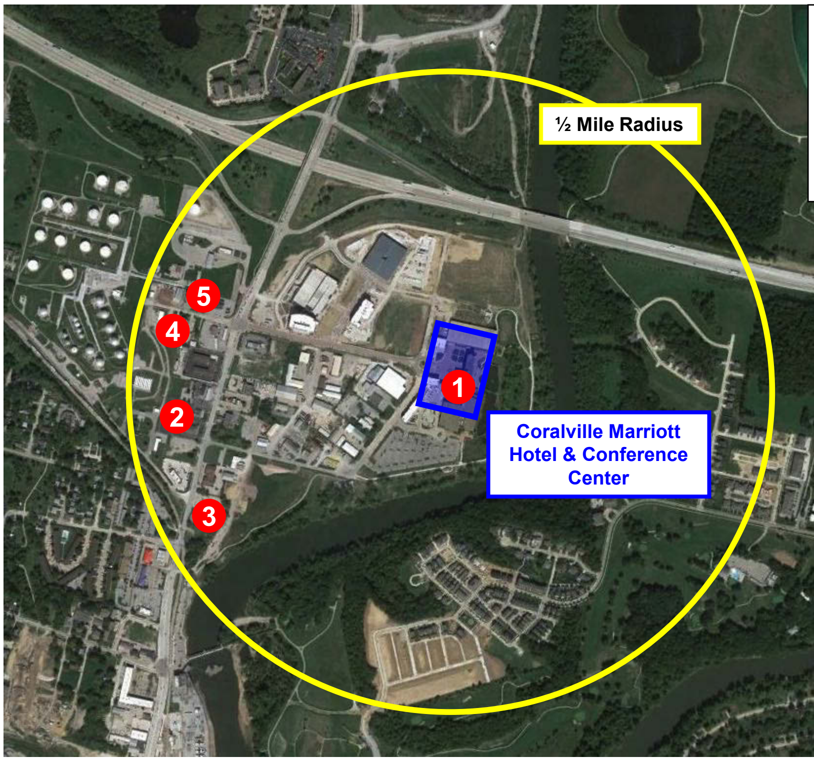
– 3 hotels with up to 499 rooms.

1 – DoubleTree Hotel & Conference Center (150 rooms)
2 – The Hotel (65)
3 – Budget Inn Bay City (60)

Overall Hotel Rooms within ½ Mile: 275 rooms

Coralville Marriott Hotel and Conference Center

Coralville, Iowa



– 0 hotels with more than 1,000 rooms.

– 0 hotels with 500 to 999 rooms.

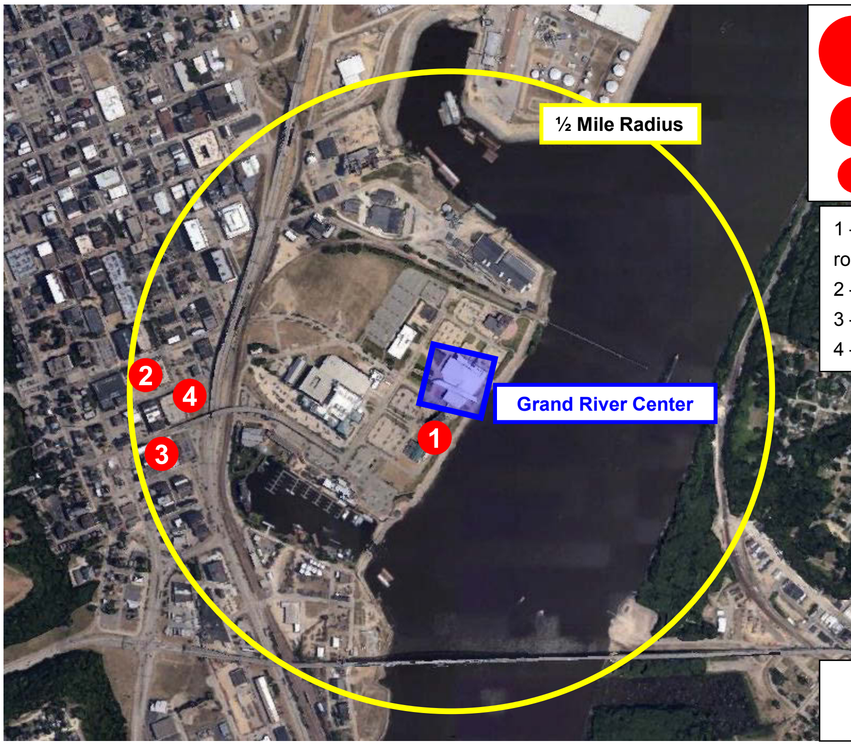
– 5 hotels with up to 499 rooms.

1 – Coralville Marriott Hotel & Conference Center (280 rooms)
2 – Best Western Cantebury Inn & Suites (100)
3 – Super 8 Motel (84)
4 – Comfort Inn (63)
5 – Quality Inn (56)

Overall Hotel Rooms within ½ Mile: 583 rooms

Grand River Center

Dubuque, Iowa



– 0 hotels with more than 1,000 rooms.

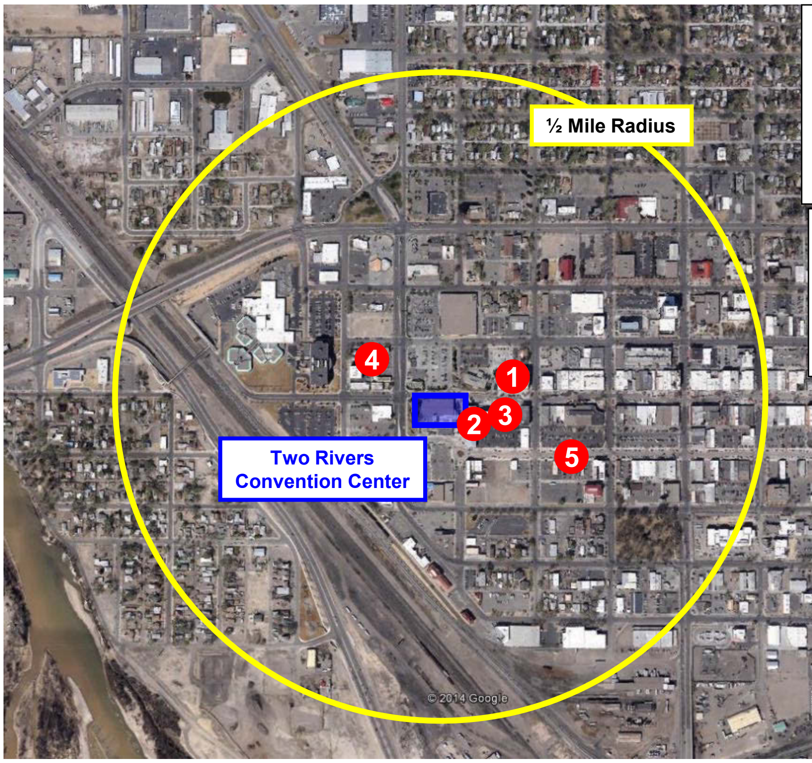
– 0 hotels with 500 to 999 rooms.

– 4 hotels with up to 499 rooms.

1 – Grand Harbor Resort & Waterpark (193 rooms)
2 – Holiday Inn Dubuque/Galena (193)
3 – Hotel Julien Dubuque (133)
4 – Canfield Hotel (55)

Overall Hotel Rooms within ½ Mile: 574 rooms

Two Rivers Convention Center
Grand Junction, Colorado



– 0 hotels with more than 1,000 rooms.

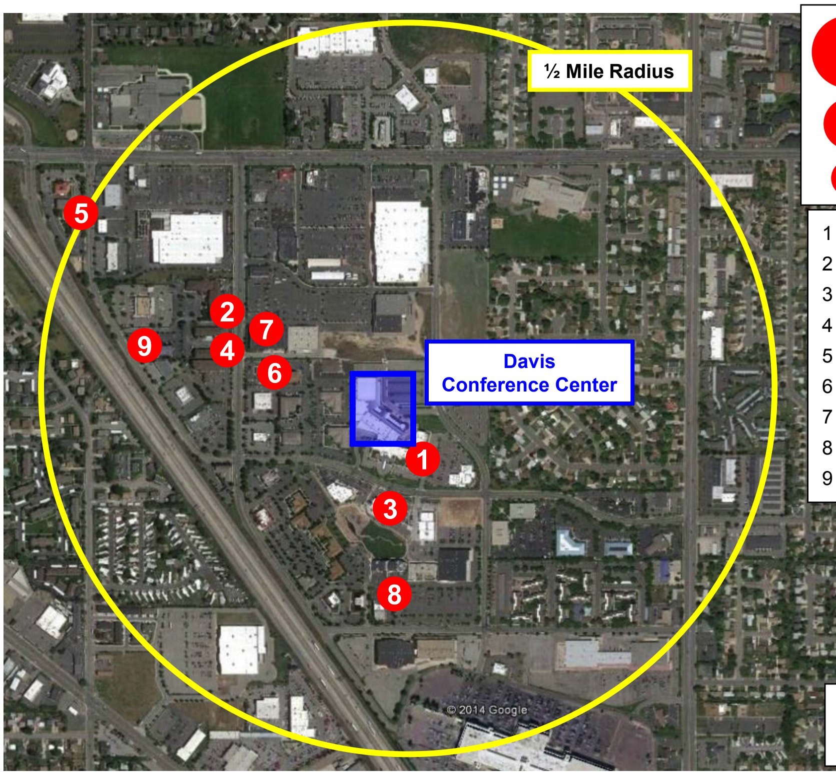
– 0 hotels with 500 to 999 rooms.

– 5 hotels with up to 499 rooms.

1 – SpringHill Suites Downtown (100 rooms)
2 – Hampton Inn Downtown (80)
3 – Marriott – Downtown Fairfield (70)
4 – Rodeway Inn (42)
5 – Melrose Hotel (25)

Overall Hotel Rooms within ½ Mile:
317 rooms

Davis Conference Center
Layton, Utah



– 0 hotels with more than 1,000 rooms.

– 0 hotels with 500 to 999 rooms.

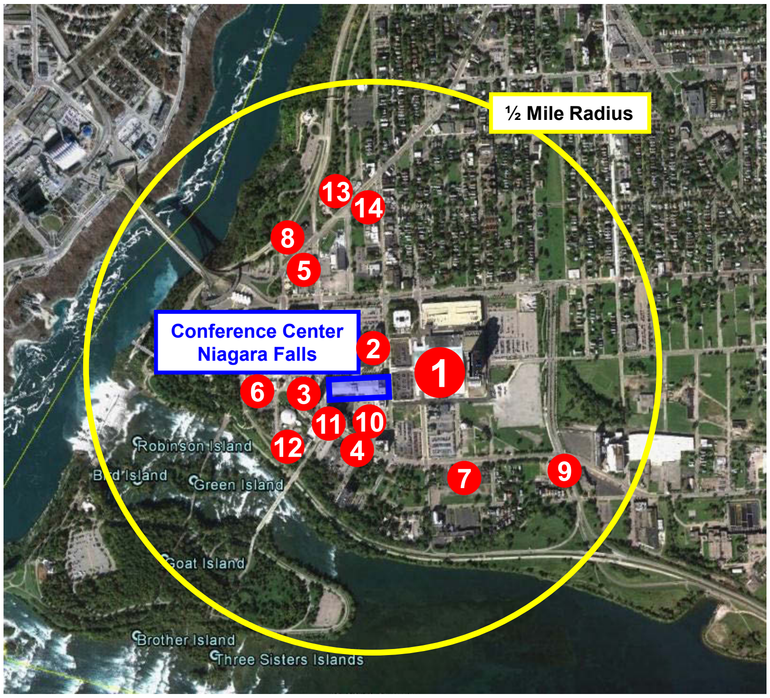
– 9 hotels with up to 499 rooms.

1 – Hilton Garden Inn (147 rooms)
2 – Courtyard by Marriott (110)
3 – Home2 Suites (107)
4 – Holiday Inn Express (102)
5 – La Quinta (100)
6 – Hampton Inn (98)
7 – TownPlace Suites by Marriott (95)
8 – Best Western Plus Layton Park (83)
9 – Fairfield Inn (78)

Overall Hotel Rooms within ½ Mile:
920 rooms

Conference Center Niagara Falls

Niagara Falls, New York



– 0 hotels with more than 1,000 rooms.

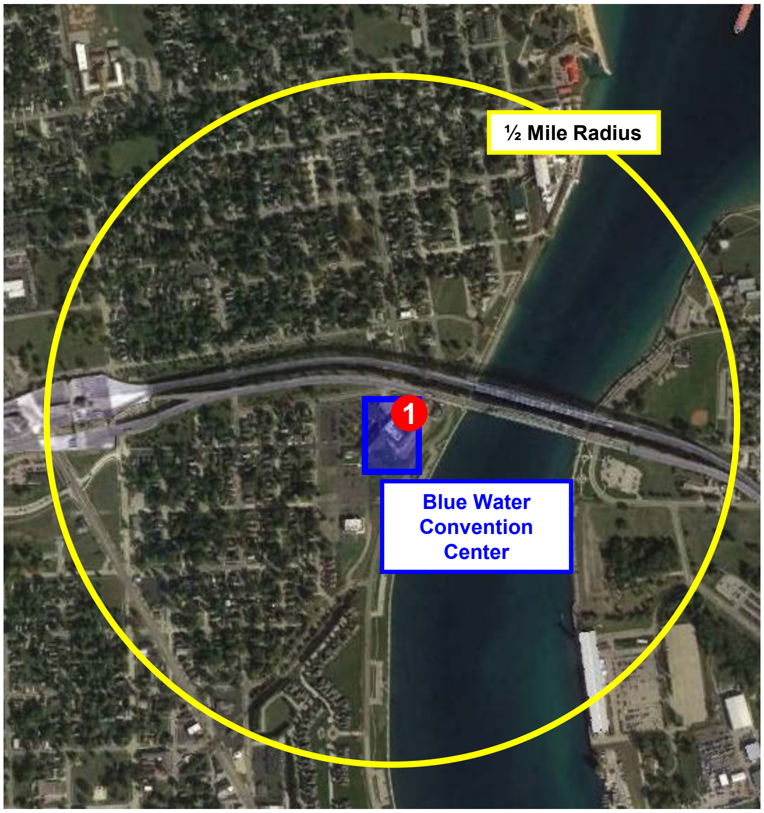
– 1 hotel with 500 to 999 rooms.

– 14 hotels with 100 to 499 rooms.

1 – Seneca Niagara Casino & Hotel (604 rooms)
2 – Sheraton at the Falls (392)
3 – Quality Hotel & Suites (212)
4 – Holiday Inn Niagara Falls (189)
5 – Days Inn at the Falls (168)
6 – Comfort Inn "The Pointe" (117)
7 – Hampton Inn Niagara Falls (79)
8 – Howard Johnson (80)
9 – Waldorf Niagara (55)
10 – Econo Lodge at the Falls South (43)
11 – The Giacomo (38)
12 – Red Coach Inn (35)
13 – Rodeway Inn (23)
14 – Passport Inn (18)

Overall Hotel Rooms within ½ Mile:
2,053 rooms

Blue Water Convention Center
Port Huron, Michigan



– 0 hotels with more than 1,000 rooms.

– 0 hotels with 500 to 999 rooms.

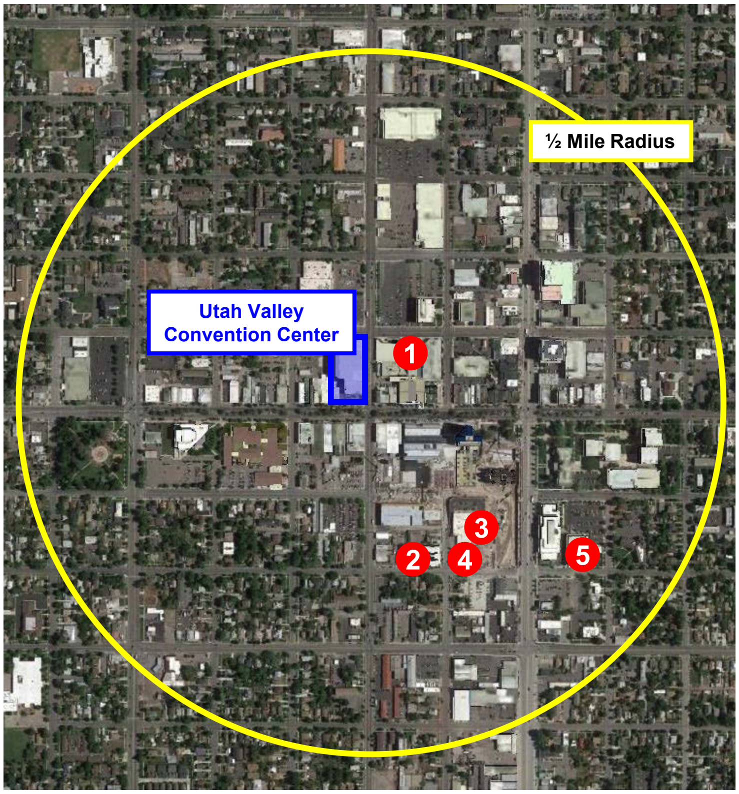
– 1 hotel with up to 499 rooms.

1 – DoubleTree Port Huron (149 rooms)

Overall Hotel Rooms within ½ Mile:
149 rooms

Utah Valley Convention Center

Provo, Utah



– 0 hotels with more than 1,000 rooms.

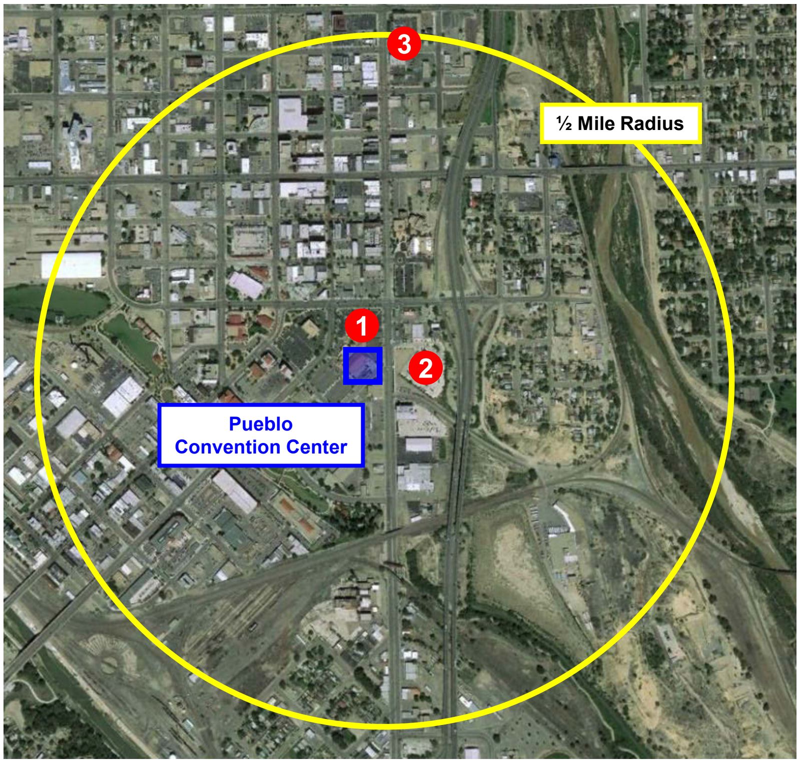
– 0 hotels with 500 to 999 rooms.

– 5 hotels with up to 499 rooms.

1 – Marriott Hotel and Conf. Ctr. (330 rooms)
2 – Passport Inn & Suites (37)
3 – Executive Inn & Suites (30)
4 – Amenity Motor Inn (30)
5 – Provo Travelers Inn (26)

Overall Hotel Rooms within ½ Mile:
453 rooms

Pueblo Convention Center
Pueblo, Colorado



– 0 hotels with more than 1,000 rooms.

– 0 hotels with 500 to 999 rooms.

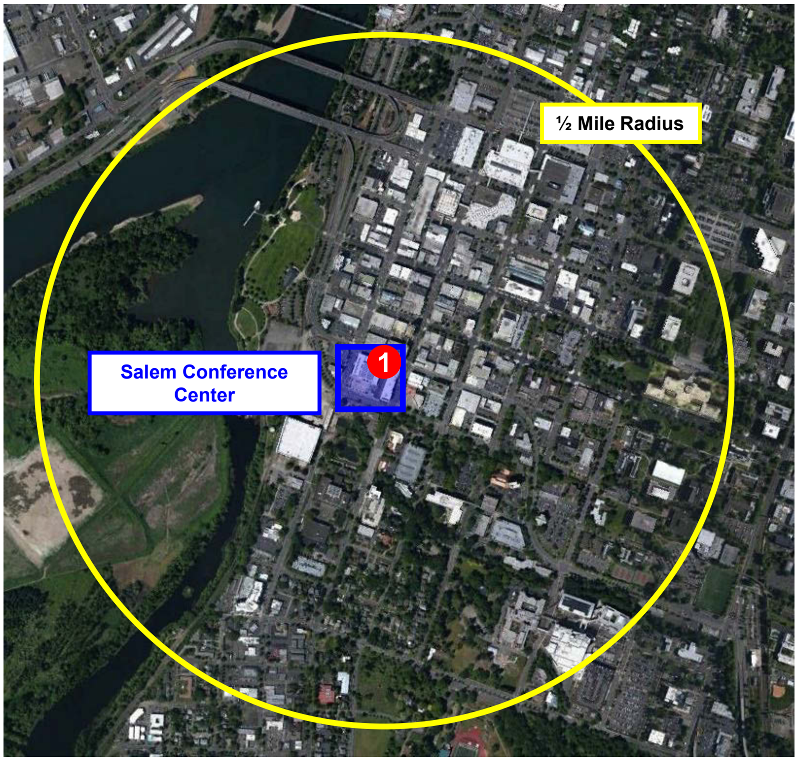
– 3 hotels with up to 499 rooms.

1 – Courtyard Pueblo Downtown (160 rooms)
2 – SpringHill Suites Downtown (105)
3 – Santa Fe Inn Pueblo (70)

Overall Hotel Rooms within ½ Mile:
335 rooms

Salem Conference Center

Salem, OR



– 0 hotels with more than 1,000 rooms.

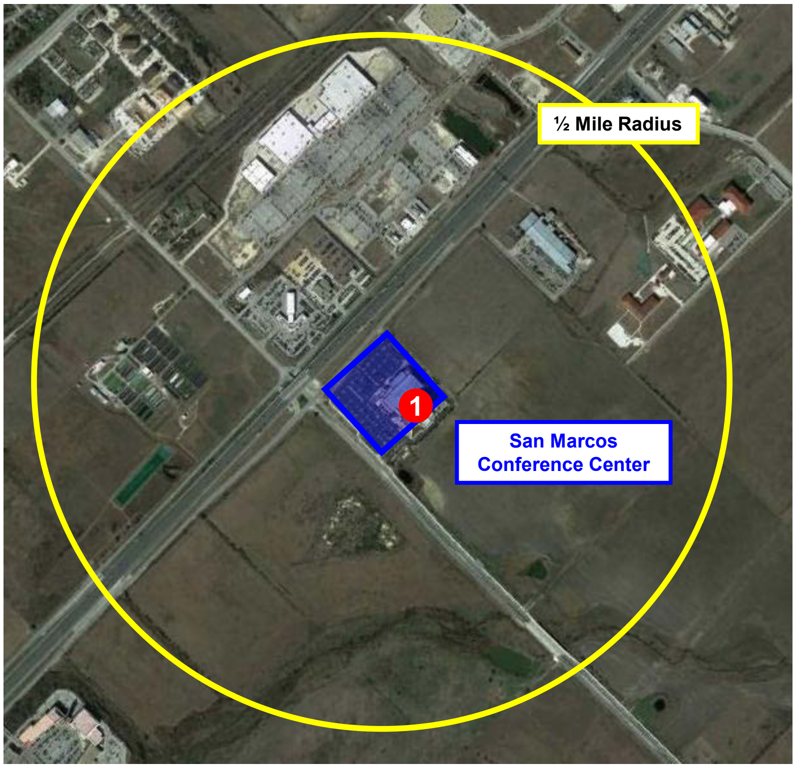
– 0 hotels with 500 to 999 rooms.

– 1 hotel with up to 499 rooms.

1 – Grand Hotel in Salem (193 rooms)

Overall Hotel Rooms within ½ Mile:
193 rooms

San Marcos Conference Center
San Marcos, Texas



– 0 hotels with more than 1,000 rooms.

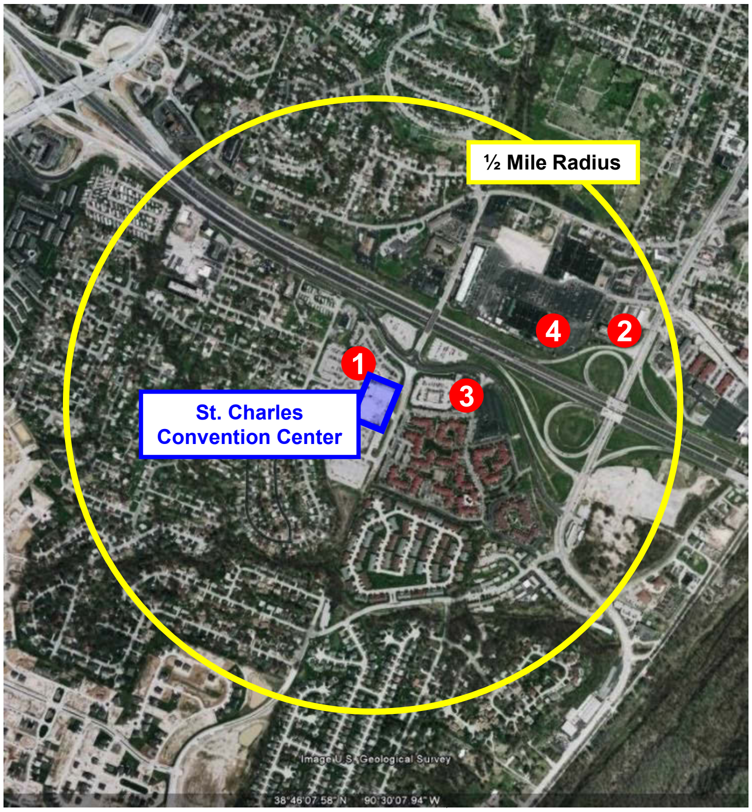
– 0 hotels with 500 to 999 rooms.

– 1 hotels with up to 499 rooms.

1 – Embassy Suites San Marcos Hotel (283 rooms)

Overall Hotel Rooms within ½ Mile: 283

St. Charles Convention Center
St. Charles, Missouri



– 0 hotels with more than 1,000 rooms.

– 0 hotels with 500 to 999 rooms.

– 4 hotels with up to 499 rooms.

1 – Embassy Suites Hotel and Spa (296 rooms)
2 – Quality Inn and Suites (133)
3 – Fairfield Inn by Marriott (80)
4 – America's Best Value Inn & Suites (64)

Overall Hotel Rooms within ½ Mile:
573 rooms

Vancouver Conference Center
Vancouver, Washington

– 0 hotels with more than 1,000 rooms.
– 0 hotels with 500 to 999 rooms.
– 4 hotels with up to 499 rooms.

1 – Hilton Vancouver (226 rooms)
2 – Comfort Inn & Suites Downtown (225)
3 – Red Lion Hotel at the Quay (160)
4 – Econo Lodge (40)

Overall Hotel Rooms within ½ Mile: 651