30 November 2012

Mr. Kevin H. Twohig, Executive Director
Spokane Public Facilities District
720 West Mallon
Spokane, WA 99201

RE: Spokane Convention Center
Hotel Development Proposal Review and Analysis

Dear Kevin:

On behalf of Conventional Wisdom Corp (CW) and C.H. Johnson Consulting (CHJC), I am pleased to submit this report analyzing the potential impacts to and benefits for the convention center as a result of the proposed construction of a new headquarters hotel.

A number of major convention centers across the United States have used the recent recession to evaluate their current offerings and provide non-traditional improvements. Following a twenty year cycle of rapid expansion of exhibition space, the industry focus has shifted toward making it better, not necessarily bigger, with improvements to meeting and banquet space, higher quality architectural finishes and wholesale replacement of technology infrastructure. A new headquarters hotel may be the single greatest improvement currently available for marketing Spokane as a destination.

The Consulting Team has looked at the ongoing operation of the convention center and determined that the reduced attendance and general event business is consistent with the economic downturn's effects on similar facilities across North America. These impacts are not unique to Spokane, but recent indications from the Center for Exhibition Industry Research (CEIR) are that a modest recovery is taking hold in many market sectors and that future bookings are rapidly improving.

The completion of the convention center expansion and construction of a new headquarters hotel will address a significant number of the reasons given by event planners for not coming to Spokane. This analysis projects an additional nine events could be attracted each year to the convention center that would generate roughly 20,000 incremental room nights and $1.7 million for the hospitality community. SPFD revenues would be increased by approximately $496,000 and incremental expenses would be marginal.

Additionally, the hotel is expected to host between 75 and 100 new events with an average of 100 attendees. These events would be self-contained and provide additional room nights and economic impact to Spokane.

The combined effect of an expanded convention center and new headquarters hotel will allow Spokane to compete for business that is currently too large to be accommodated. These larger events have a proportional increase in economic benefits to the SPFD and the community. The indirect economic impacts from this new convention business drive many of the downtown businesses, with numerous studies showing the distribution of attendee spending among hotels, restaurants, retailers and entertainment.

Conventional Wisdom also evaluated the physical aspects of the proposed development and recommends that an enclosed pedestrian bridge be constructed over Spokane Falls Boulevard to connect the new hotel to the convention center. A physical link such as this was anticipated in the Vision 20|20 Plan completed in 2009, with the location either above or beneath the roadway depending upon the design concept to be executed.

The findings presented herein reflect analysis of primary and secondary sources of information. Johnson Consulting utilized sources deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis presented in this study are based on trends and assumptions, which usually result in differences between the projected results and actual results.

Respectfully,

Richard A. Schmidt, AIA
President, Conventional Wisdom Corp.

Charles H. Johnson, IV
President, C.H. Johnson Consulting, Inc.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

In October 2012, Conventional Wisdom Corp (CW) and C.H. Johnson Consulting (CHJC) were tasked with analyzing the potential impacts and benefits resulting from the construction of a new headquarters hotel across from the convention center. The assignment was prompted by an offer from the owners of the Davenport Hotel and other hotel properties in Spokane to construct and operate a new national-brand hotel on the center's south parking lot.

The completion of the convention center expansion and construction of a new headquarters hotel will address a significant number of the reasons given by event planners for not coming to Spokane. This analysis projects an additional nine events could be attracted to the facility each year (which means one extra city-wide event very five weeks) that would generate roughly 90,000 incremental room nights and $45 million in economic impact, annually. SPFD revenues would be increased by approximately $496,000 and incremental expenses would be marginal.

SPFD's growth opportunity lies with improving its marketability relative to its regional competitors. Visit Spokane, the destination management organization for Spokane County, provided records of lost business from bookings from 2005 through 2016 that cited one of the following reasons: (i) inability to work out space options/combos; (ii) dates unavailable at area hotels; (iii) insufficient space in preferred hotel; (iv) unmet requirement that rooms and facilities need to be under one roof or interconnected.

From those four reasons alone, there are 81 events lost during the 2005 through 2016 booking period, resulting in loss of over 93,800 attendees, over 161,400 room nights, and $172.6 million of economic impact. In 2010 and 2011, there were 23 lost opportunities that had the potential to generate over 35,700 attendees, 40,600 room nights, and $62.5 million of economic impact.

More detailed analysis of those reports indicates the need for a new headquarters hotel of significant size in close proximity to the convention center to address client concerns. Given the unpredictable weather conditions in Spokane during the two prime convention seasons – late fall and late winter to early spring – the attractiveness to meeting planners of having an environmentally-controlled connection cannot be understated.

The proposed hotel significantly improves the destination package to meeting planners – the selection of venues, the size of the prime hotel room block and the quality of offsite activities – which in turn generates economic activity for the entire city. The convention center completion project is a key ingredient to hosting both larger single events and allowing for the overlapping of multiple smaller meetings and conferences. While the initial market impact of a new hotel opening may negatively affect peak activity at the adjacent hotels, the increased convention activity should also generate demand for up to 20,000 additional room nights that cannot be hosted by the new property.

Johnson Consulting reviewed the ongoing operation of the convention center over the past five years. The deep recession and continuing economic weakness, both nationally and internationally, have caused a significant downturn in the number and size of events, average attendance and resultant economic impact to

Spokane and Eastern Washington. However, recent projections by the Center for Exhibition Industry Research (CEIR) indicate an encouraging view toward the future for the convention industry. By tracking event data for eleven different economic segments, CEIR has developed a clear understanding of which markets are relatively immune to economic cycles, which were hardest hit by this recession and how closely the timelines track the broader economic activity.

Benchmarking the convention center's performance used five national facilities reflecting similarities in population, hotel supply, regional relevance and above-average financial performance; there are no destinations that offer the same unique attributes as Spokane. The national analogs that have been identified for the analysis include:

- DeVos Place, Grand Rapids, Michigan,
- The Boise Centre, Boise, Idaho,
- The Tacoma Convention and Trade Centre, Tacoma, Washington,
- Overland Park Convention Center, Overland Park, Kansas, and
- The Rhode Island Convention Center, Providence, Rhode Island.

Compared to these peer cities, Spokane has the least number of hotel rooms within walking distance from the convention center and none of a headquarters hotel quality. Availability of hotel rooms in close proximity to the venue is a critical factor in deciding on an event location.

This analysis projects an additional nine events each year could be attracted to the facility that would generate roughly 90,000 incremental room nights and $45 million in economic impact for the hospitality community. Nine additional events per year is one extra city-wide event very five weeks. Furthermore, the hotel itself will have 75 to 100 new events with 100+ people, and the City has a chance to shift all convention center events to larger size and quality.

SPFD revenues would be increased by approximately $496,000 and incremental expenses would be marginal.

REVIEW OF SPOKANE CONVENTION CENTER

This chapter presents an overview of the Spokane Convention Center and its current operations, lost business, and near-term completion plan.

PLANNED EXPANSION AND HEADQUARTERS HOTEL DEVELOPMENT

The Spokane Convention Center is planning an expansion, as summarized at Table I-1 below.

Table I-1

Spokane Convention Center Completion Project
Space Tabulation Summary

	Existing Convention Center	Proposed Expansion	Combined Facilities
Prime Exhibition Halls	82,800 SF	18,200 SF	101,000 SF
Exhibition Hall D / Riverside Room	17,400 SF	(17,400 SF)	
Grand Ballroom	25,900 SF		25,900 SF
Junior Ballroom / Riverview		13,500 SF	13,500 SF
Meeting Rooms	30,000 SF	10,500 SF	40,500 SF
Fixed Seat Theater	270 seats		270 seats
Circulation & Support		69,400 SF	
Total New Building Area		**111,600 SF**	

Source: Conventional Wisdom Corp.

A private developer has proposed building a new headquarters hotel of 550 to 700 rooms with 55,000 square feet of banquet and meeting space and 15,000 square feet of outdoor terrace space. The hotel would be built across the street from the convention center on land owned by the PFD. It would be first-class, chain-affiliated operation – Hilton, Hyatt, and Marriott are among the considered options.

The planned convention center expansion and addition of a headquarters hotel will significantly address many of the reasons cited for lost business and increase event demand at the Spokane Convention Center and will improve its marketability relative to other regional competitors.

OVERVIEW

Situated in downtown Spokane, the 164,307 square foot Spokane Convention Center was built in the early 1970's as part of the Washington State Pavilion of Expo '74. The Spokane Public Facilities District (SPFD) is a quasi-public entity formed in 1989 to help facilitate the redevelopment and expansion of the county's largest indoor sports arena. Under state law, the Spokane PFD receives a funding stream until 2027 from the State of Washington of 0.033 percent of the sales tax receipts within Spokane County.

The SPFD's primary purpose is to manage three core venues for sports, entertainment and conventions in Spokane: the Veterans Memorial Arena, the INB Performing Arts Center and the Spokane Convention Center.

FACILITY PROGRAM

The Spokane Convention Center offers up to 100,000 square feet of exhibition space, a 25,915 square foot ballroom, nearly 30,000 square feet of meeting rooms, a 270-seat theater and 17,400 square feet of lobby space.

Figure I-1 shows the floor plan of the Street Level of the Convention Center.

Figure I-1

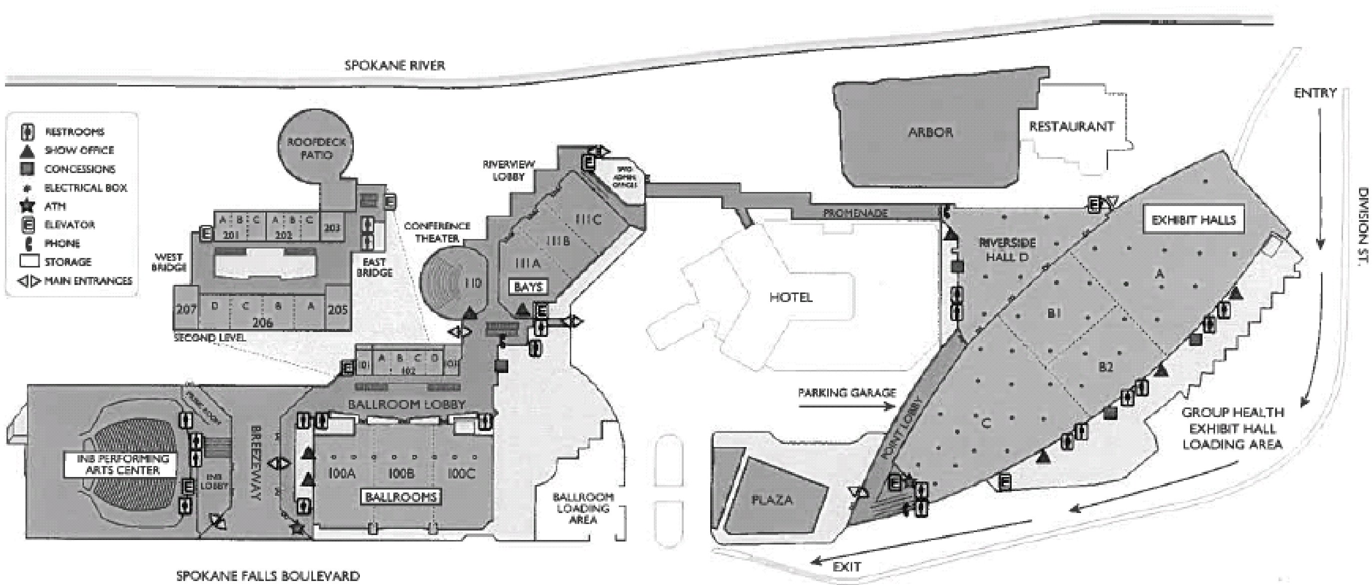


Table I-2 summarizes the size and capacity of these function spaces.

Table I-2

Spokane Convention Center Summary of Exhibit and Meeting Space	Size (SF)		Capacity (# of Persons)				
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet	Reception	10' x 10' Booths (#)
Group Health Exhibit Halls							
Halls A-D	-	100,160	9,710	5,650	6,390	10,850	525
Hall A	33,470	-	2,781	1,900	2,150	2,781	176
Hall B	21,790	-	2,160	1,250	1,440	2,400	117
Hall C	27,510	-	2,750	1,600	1,800	3,000	144
Hall D	17,390	-	1,600	900	1,000	1,850	67
Subtotal Exhibit Halls SF		100,160					
Ballroom							
100	-	25,915	2,400	1,350	1,650	1,400	125
100A	8,430	-	800	450	550	800	40
100B	9,095	-	800	450	550	800	45
100C	8,390	-	800	450	550	800	40
Subtotal Ballroom SF		25,915					
Meeting Rooms							
101	560	-	50	30	40	60	-
102	2,240	-	200	120	160	240	-
201	1,680	-	150	90	120	180	-
202	1,680	-	150	90	120	180	-
203	740	-	50	30	40	60	-
205	1,510	-	135	72	100	60	-
206	5,800	-	520	288	360	640	-
207	1,510	-	130	72	100	160	-
Subtotal Meeting Room SF		15,720					
Bays							
111	13,730	-	1,350	1,050	1,125	1,125	25
111A	4,990	-	450	350	375	475	25
111B	4,730	-	450	350	375	475	25
111C	4,730	-	450	350	375	475	25
Conference Theater 110	5,782	-	270	-	-	-	-
Subtotal Bays SF		19,512					
Lobby Space							
Ballroom Lobby	5,800	-	-	-	-	60	-
Conference Theater Lobby	4,200	-	-	-	-	400	-
Riverview Lobby	5,100	-	-	-	-	400	-
West Bridge	860	-	-	-	-	90	-
East Bridge	1,440	-	-	-	-	160	-
The Point Lobby	-	-	-	-	-	350	-
Subtotal Lobby SF		17,400					
Total Exhibit and Meeting Space		**178,707**					
Total Exhibit and Meeting Space excl. Lobby		**161,307**					

Source: Spokane Convention Center, Johnson Consulting

DEMAND SCHEDULE

Table I-3 summarizes event demand and attendance in 2010 and 2011.

Table I-3

Spokane Convention Center
Historical Demand

	2010				2011			
	# of Events	# of Event-Days	# of Attendees	Average Attendance	# of Events	# of Event-Days	# of Attendees	Average Attendance
Conventions and Trade Shows	42	157	95,094	2,264	38	150	71,734	1,888
Consumer Shows	14	52	98,928	7,066	13	42	86,148	6,627
Community Events	75	108	41,244	550	73	84	39,466	541
Meetings	104	143	22,232	214	123	177	21,910	178
Sporting Events	4	16	16,924	4,231	8	26	23,362	2,920
Entertainment	0	0	0	0	1	1	896	896
Total	239	476	274,422	1,148	256	480	243,516	951
Increase (Decrease) over Prior Year					*7%*	*1%*	*(11%)*	*(17%)*

Source: Spokane Public Facilities District

As shown on the table, number of events and event-days increased from 2010 to 2011, but total attendance and average attendance decreased by 11 percent and 17 percent, respectively. Consumer shows, conventions, and trade shows continued to account for the highest total attendance for events with exhibits, although their average attendance also decreased.

EVENT REVENUES

Table I-4 shows historical event-related revenues, which include rental, concessions, catering, and other event-related revenues.

Table I-4

Spokane Convention Center
Historical Event Revenues ($000)

	2010					2011				
	Rental	Concession Net	Catering Net	Other	Total	Rental	Concession Net	Catering Net	Other	Total
Conventions and Trade Shows	$568	$51	$242	$404	$1,265	$557	$46	$248	$404	$1,254
Consumer Shows	163	26	2	107	299	118	16	2	83	219
Community Events	84	12	93	102	290	75	11	71	87	245
Meetings	69	4	39	62	175	94	3	73	102	272
Sporting Events	58	22	4	24	108	69	26	4	35	135
Entertainment	0	0	0	0	0	2	0	0	6	8
Total	$943	$115	$380	$699	$2,136	$916	$102	$398	$716	$2,133
Increase (Decrease) over Prior Year						*($27)*	*($13)*	*$19*	*$17*	*($3)*

Source: Spokane Public Facilities District

As shown on the table, event-related revenues remained fairly consistent, as increases in net catering and other revenues nearly made up for decreases in rental and net concession revenues.

REVENUE AND EXPENSES

Table I-5 shows the revenue and expense statement that is specific and limited to the operation of the Spokane Convention Center.

Table I-5

Spokane Convention Center
Revenues and Expenses ($000)

		2010	2011
	Revenue		
1	Facilities Rental	$943	$916
2	Concessions/Catering	495	502
3	Merchandise	0	0.5
4	Event Miscellaneous	721	733
5	Advertising Contracts	50	34
6	Parking	23	20
7	Box Office	1	3
8	Forfeited Deposits/Liquidated Damages	42	3
9	Miscellaneous	8	84
10	Admission Tax	14	11
11	Lodging Tax	953	910
12	Total	$3,250	$3,216
	Expenses		
13	Salaries & Benefits	$1,393	$1,371
14	Supplies	248	224
15	Contractual Services	1,327	1,328
16	Utilities	504	508
17	Insurance	45	44
18	Advertising/Marketing	14	10
19	Repairs & Maintenance	207	156
20	Other Services & Charges	104	142
21	Taxes	90	90
22	Total	$3,933	$3,874
23	**Net Operating Income (Loss)**	($682)	($658)

Source: Spokane Public Facilities District

As shown on the table, The Spokane Convention Center operated at over $650,000 net loss in 2010 and 2011.

LOST BUSINESS ANALYSIS

Visit Spokane, the destination management organization for the Spokane County and its jurisdictions, provided records of lost business from bookings for 2005 through 2016 that cited one of the following reasons: (i) inability to work out space option/combo space; (ii) unavailable dates at area hotel(s); (iii) insufficient space in preferred hotel; (iv) unmet requirement that rooms and facilities need to be under one roof or interconnected. Table I-6 summarizes those lost opportunities.

Table I-6

Spokane, Washington
Summary of Lost Convention/ Meeting Business

Year	# of Events Lost	Attendance: # of Attendees	Attendance: Average Attendees	Room Nights: # of Room Nights	Room Nights: Average Room Nights	Est. Economic Impact ($Millions)
2005	1	1,500	1,500	2,685	2,685	$2.6
2006	2	1,500	750	3,165	1,583	2.0
2007	5	3,350	670	6,170	1,234	4.4
2008	9	7,750	861	13,830	1,537	7.6
2009	12	6,850	571	16,724	1,394	10.1
2010	13	9,860	758	19,637	1,511	13.0
2011	10	25,875	2,588	21,039	2,104	49.4
2012	9	9,160	1,018	24,314	2,702	18.3
2013	9	11,380	1,264	19,079	2,120	21.5
2014	6	5,500	917	10,249	1,708	16.9
2015	3	6,400	2,133	13,918	4,639	17.1
2016	2	4,700	2,350	10,677	5,339	9.8
Total	81	93,825		161,487		$172.6
Total (2010-2011)	*23*	*35,735*	*3,346*	*40,676*	*3,614*	*$62.5*
Average (2010-2011)	*12*	*17,868*	*1,554*	*20,338*	*1,769*	*$31.2*

Source: Visit Spokane, Johnson Consulting

As shown, from those four reasons alone, there are 81 events lost during the 2005 through 2016 booking period, resulting in loss of over 93,800 attendees, over 161,400 room nights, and $172.6 million of economic impact. In 2010 and 2011, there were 23 lost opportunities, which had the potential to generate over 35,700 attendees, 40,600 room nights, and $62.5 million of economic impact.

Table I-7 breakdowns lost business by reasons cited in their withdrawals, based on Visit Spokane records for lost business in 2010 and 2011.

Table I-7

	Definition	# of Events	# of Attendees	# of Room Nights	Est. Economic Impact ($Millions)
	Spokane, Washington — Lost Business by Reasons Cited (in 2010 and 2011 only)				
(i)	Couldn't work out space option/combo space	6	12,305	5,838	$24.0
(ii)	Dates not available at the hotel/s	7	13,055	10,553	24.1
(iii)	Insufficient space in preferred hotel	1	375	1,035	0.5
(iv)	Rooms and facilities need to be under one roof	9	10,000	23,250	13.9
	Total	23	35,735	40,676	$62.5

Source: Visit Spokane, Johnson Consulting

The data in Table I-7 reveals that the Spokane Convention Center completion project and improvements to the Spokane hotel inventory are desirable to address those concerns and try to recapture lost business. Such improvements are called for not only to be able to host business that seeks to come to Spokane. Such improvements will also make the City substantially more competitive. Table I-8 shows the shows the impact of between 10 and 100 percent recovery of lost business with the expanded convention center and the addition of a headquarters hotel.

Table I-8

Spokane, Washington
Recovery of Lost Business*

% Recovery	# of Events	# of Attendees	# of Room Nights
10%	1	1,787	2,034
20%	2	3,574	4,068
30%	3	5,360	6,101
40%	5	7,147	8,135
50%	6	8,934	10,169
60%	7	10,721	12,203
70%	8	12,507	14,237
80%	9	14,294	16,270
90%	10	16,081	18,304
100%	12	17,868	20,338

**Based on lost business in 2010 and 2011.*
Source: Visit Spokane, Johnson Consulting

Moreover, it is likely that a substantial share of potential business has not even considered Spokane in past years because of market impression that the hotel room block is insufficient. These events have not been recorded as lost business because an initial inquiry was never made. Although it is not possible to determine the extent of this latent business, a new hotel would change the competitive landscape in the northwest US and make Spokane more competitive. Given the amount of meeting space at the proposed hotel, it would also make the combined convention center and hotel very attractive for combined hotel/ convention center events and in-house meeting events at the hotel itself.

REVIEW OF NATIONAL COMPARABLE FACILITIES

To benchmark the performance of Spokane Convention Center, a range of facility types need to be looked at. Key points in selecting the convention centers in this report reflect factors such as population, hotel supply, capital city and above average convention center performance. This analysis is intended to identify certain characteristics of the selected facility that are similar to either Spokane or Spokane Convention Center and not to identify facilities and markets that are exactly the same because there are no destinations that offer the same unique attributes as Spokane. Finally, there are two categories of comparable analysis contained in this report. The first relates to convention center operations and support characteristics, and the other is focused on hotel performance metrics of convention center hotel projects. The national analogs that have been identified for the convention center analysis include:

- DeVos Place, Grand Rapids, Michigan,
- The Boise Centre, Boise, Idaho,
- The Tacoma Convention and Trade Centre, Tacoma, Washington,
- Overland Park Convention Center, Overland Park, Kansas, and
- The Rhode Island Convention Center, Providence, Rhode Island.

The following subsections discuss each of the national comparable facilities.

DEVOS PLACE, GRAND RAPIDS, MICHIGAN

The reason this example was chosen is due to its facility size similarities to Spokane as well as the provision of a privately developed first class hotel adjacent to the center. Grand Rapids, the second largest city in Michigan, has a population of 775,000 people. The primary convention facility in Grand Rapids is DeVos Place and is located on the banks of the Grand River. DeVos Place underwent a $219 million dollar expansion and upgrade in 2003 to maintain and grow its place as one of the leading convention facilities in Michigan and the region. DeVos Place has a main exhibit hall, which can be broken into three smaller sections, with a total combined area of 162,000 square feet. The exhibit hall has a capacity ranging from 10,730 people, in a banquet configuration, to 14,950 people in theater configuration. DeVos Place also has a large ballroom, 40,000 square feet, which can be divided into four sections, ranging in square footage from 6,106 square feet to 12,870 square feet. The full ballroom has a capacity ranging from 2,560 people to 4,312 people. When meeting rooms are inventoried on an individual basis, there are 25 rooms. The smallest meeting room has 884 square feet and has a capacity ranging from 60 to 100 people. The largest meeting room has 8,544 square feet and has a capacity ranging from 600 to 900 people. When a space ratio analysis is performed on the interconnected 682 room Amway Grand Plaza Hotel there is 238 square feet of exhibit space per guest room, 59 square feet of ballroom space per guest room, 47 square feet of meeting space per guest room, and 106 square feet of combined ballroom and meeting space. In addition to the Amway Grand there are a number of other hotels in close proximity to DeVos Place.

Figure II-1

Table II-1

Grand Rapids Hotel Summary	Rooms	Distance
Amway Grand Plaza Hotel	682	0.0
Courtyard Downtown	214	0.3
Holiday Inn Downtown	175	0.4
JW Marriott	340	0.3
Total	**1,411**	
Average	**353**	**0.3**

Grand Rapids CVB, Johnson Consulting

The JW Marriott is the second largest hotel with 340 rooms, followed by the Courtyard, both of which are 0.3 miles from DeVos Place. A 70 to 80 percent room block from the four properties would equal 988 rooms and 1,129 rooms respectively.

Grand Rapids has strengthened its competitive position among convention destination cities with the renovation of the convention center and development of its hotel package by a single family. Grand Rapids benefited greatly from private contributions to support the development of public facilities. Additionally, a city patron invested significantly in the Amway Grand Plaza Hotel that has allowed DeVos Place to operate with a well-planned and well-operated headquarters hotel. While Spokane Convention Center is small when compared to the convention facility in Grand Rapids, the market is very similar in many regards.

THE BOISE CENTRE, BOISE, IDAHO

Opening in 1990, and operated as part of the greater Boise Auditorium District, the Boise Centre is the largest meeting facility in the State of Idaho and serves a regional demand base. The facility is similar in size the Spokane Convention Center complex; as shown in Table 5-7 below. The Boise Centre ballroom and meeting space is displayed in the following table.

Table II-2

Boise Centre, Boise, Idaho
Summary of Exhibit and Meeting Space

	Size (SF)		Capacity (# of Persons)			
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet	Exhibits (# of Booths)
Boise Centre						
Eyries Hall	-	24,426	2,900	1,800	1,800	141
Eagle	9,322	-	1,160	740	670	51
Hawk	7,080	-	780	550	480	40
Falcon*	8,024	-	960	550	570	40
Subtotal Ballroom SF		24,426				
Meeting Rooms						
Number of Rooms	5	2				
Smallest Room	1,116	-	65	45	64	-
Largest Room	-	4,560	1,000	500	700	84
Subtotal Meeting Room SF		7,914				
Auditorium						
Summit	-	7,645	349 Fixed Seats			
Total Boise Centre		**39,985**				

**Can be further subdivided into three smaller rooms*

Source: Boise Centre, Boise, Idaho, Johnson Consulting

The Boise Centre currently does not have an exhibit hall. The Eyries Hall Ballroom has 24,426 square feet of space that is divisible into three smaller sections, of which Falcon Hall can be further subdivided. There are 5 individual meeting rooms with the smallest room being 1,116 square feet and when meeting rooms are combined the largest meeting room space is 4,560 square feet. When all meeting rooms are counted there are 7,900 square feet of meeting room space. In addition to ballroom and meeting space, there is a 349-seat auditorium.

Largely due to national economic conditions and the limited space offerings of the facility, the Boise Centre has suffered a significant decline in event demand from 2008 to 2011 as the following table indicates.

Table II-3

Boise Centre
Demand Schedule 2008 - 2011

	2008		2009		2010		2011	
	# Events	Attendance	# Events	Attendance	# Events	Attendance	# Events	Attendance
Social/ Banquets	146	na	80	na	106	na	96	na
Consumer/Public Shows	20	na	9	na	10	na	2	na
Tradeshows	0	na	24	na	24	na	22	na
Conventions	30	na	28	na	25	na	29	na
Meetings	125	na	80	na	69	na	91	na
TOTAL	**321**	**186,900**	**221**	**179,800**	**234**	**169,000**	**240**	**152,400**

Source: Boise Centre, Johnson Consulting

Social and banquet events have declined significantly from 146 events in 2008 to 96 events in 2011, with a low in 2008 of 80 events. Hit even harder have been consumer and public show events that have declined from 20 events in 2008 to 2 events in 2011. Convention events have remained relatively stable over the 4-year period with a peak of 30 events in 2008 and a rebound to 29 events by 2011. Meetings have declined from a peak of 125 events to 91 events in 2011 with a low of 69 events in 2010. Given the sharp declines in events demand, attendance did not decline as much as would be anticipated from a peak high in 2008 of 186,900 attendees in 2008 to a low of 152,400 attendees in 2011. From 2008 to 2011 there has been an overall decline of 81 events of all categories and 34,500 attendees.

Currently the Boise Centre is supported by nine properties within 1-mile of the Centre as the table below reflects.

Table II-4

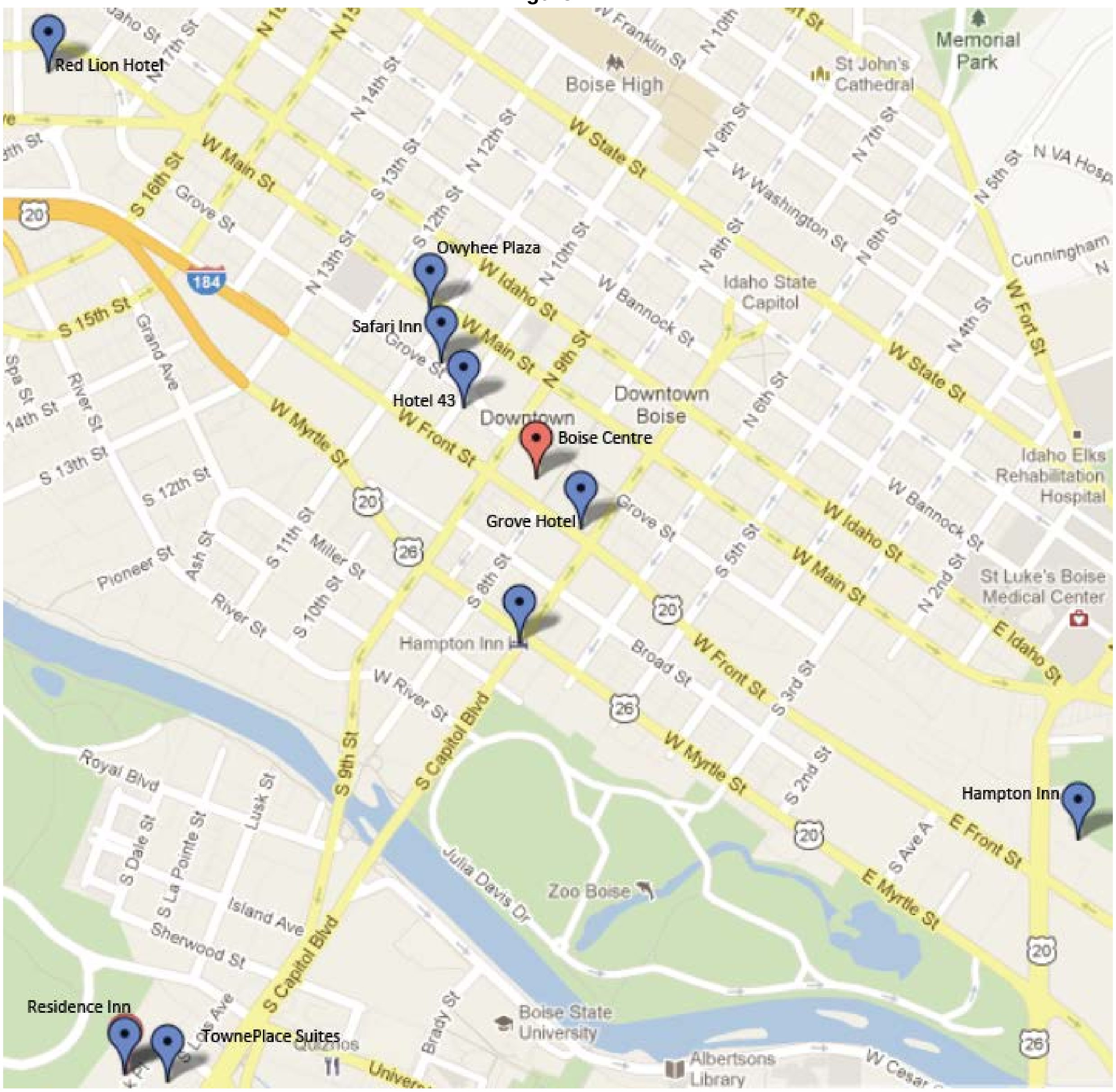
Boise Hotel Summary

	Rooms	Distance
The Grove Hotel	**250**	**0.1**
Hotel 43	**112**	**0.2**
Safari Inn Downtown	**103**	**0.2**
Hampton Inn & Suites	**186**	**0.3**
Owyhee Plaza Hotel	**100**	**0.3**
Red Lion Hotel (Boise Downtowner)	**182**	**0.8**
Courtyard by Marriott	**162**	**0.8**
Townplace Suites (Boise Downtown)	**121**	**0.9**
Residence Inn (Boise Central)	**104**	**1.0**
Shilo Inn (Boise Riverside)	112	1.5
Riverside Hotel	303	1.7
Springhill Suites (Boise Park Center)	230	2.7
Holiday Inn Express	158	2.7
Extended Stay America	107	2.7
Boise Hotel & Conference Center	264	3.1
Super 8 Motel	108	3.1
Holiday Inn	119	3.2
Shilo Inn & Suites (Boise Airport)	125	3.9
Residence Inn (Boise West)	104	3.9
AmeriTel Inn Boise Town Square	124	4.2
Hyatt Place	147	5.0
Oxford Suites	132	5.9
Homewood Suites	110	5.9
Hilton Garden Inn (Boise Spectrum)	137	6.2
Hampton Inn (Boise Spectrum)	133	6.3
Springhill Suites	119	7.8
Candlewood Suites (Meridian)	123	9.0
Hilton Garden Inn/Eagle	108	10.2
Total	**4,083**	
Average	**146**	**3.3**
Average within 1 Mile	**147**	**0.5**

Note: Only properties with 100 or more rooms are included
Boise CVB, Johnson Consulting

The Boise market area has 4,083 rooms, with the average property having 146 rooms and being 3.3 miles from the Boise Centre. Of the 9 hotels that are within 1 mile of the Boise Centre, the Grove Hotel is the largest at 250 rooms and also the closest at 0.1 miles. The next largest hotel within 1-mile is the Hampton Inn with 186-rooms at 0.3 miles, followed by the 182-room Red Lion Boise Downtowner Hotel. In total, the nine properties have a combined 1,320 rooms and the properties within 0.5 miles of the Centre provide a total of 751 rooms. The Boise CVB indicated that less than 700 of the rooms within a half mile are of a quality that would accommodate an event attendee If a rate of 70 percent or 80 percent were used to calculate available room block for the Boise Center, this would indicate an available room block of 490 to 560 rooms respectively. The following map indicates the location of the hotels within 1-mile of the Boise Centre.

Figure II-2



A recent feasibility study has indicated that there is demand to increase the facility size by adding an exhibit hall of 50,000 square feet. The findings also determined that a new hotel would be needed to support the expanded facility.

TACOMA CONVENTION AND TRADE CENTER, TACOMA, WASHINGTON

The Tacoma Convention & Trade Center (TCTC) is located 10 miles south of the Sea-Tac Airport and is comprised of 77,600 square feet of net usable meeting space.

Table II-5

Greater Tacoma Convention & Trade Center
Summary of Exhibit and Meeting Space

	Size (SF)		Capacity (# of Persons)		
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet
Exhibit Halls					
Exhibit Hall	-	50,000	4,250	2,900	2,520
Hall A	22,200	-	1,900	1,230	980
Hall B	27,500	-	2,200	1,560	1,260
Subtotal Exhibit Hall SF		50,000			
Ballrooms					
Ballrroom	-	13,376	1,200	675	720
Ballroom A/B	6,600	-	650	335	360
Ballroom C	2,200	-	200	95	70
Ballroom D	4,575	-	400	230	230
Subtotal Ballroom SF		13,376			
Meeting Rooms					
Number of Rooms	12	10			
Smallest Room	418	-	30	20	20
Largest Room	-	5,100	450	240	240
Subtotal Meeting Room SF		14,255			
Total		**77,631**			

Source: Greater Tacoma Convention & Trade Center, Johnson Consulting

The exhibit hall is 50,000 square feet and is divisible into two smaller sections that are 22,200 square feet and 27,500 square feet. The full exhibit hall can accommodate up to 4,250 people in a theater setting and 2,520 people in a banquet setting. The ballroom offers 13,376 square feet of event space that can be split into three smaller sections and accommodate between 675 and 1,200 people, depending on configuration. In total there is 14,255 square feet of meeting room space distributed among 12 individual rooms or 10 combined rooms. The largest meeting room is 5,100 square feet.

Table II-6

Greater Tacoma Convention & Trade Center Demand Schedule 2011			
	# Events	Attendance	Hotel Room Nights
Exhibit Hall Events			
Tradeshows/Conventions	11	17,231	2,516
Corporate Events	4	15,076	2,270
Consumer Shows/Public Events	16	44,853	3,528
Other Events	14	23,480	6,561
Non-Exhibit Hall Events	145	46,025	0
Total	**190**	**146,665**	**14,875**

Source: Greater Tacoma Convention & Trade Center, Johnson Consulting

In 2011, there were a total of 190 events at the TCTC, of which 45 were exhibit hall events. Of the exhibit hall events, consumer/public shows had the greatest number of events, 16, and the largest attendance at 23,480. However, consumer and public shows draw predominantly from a regional area and do not generate a significant number of room nights in relation to attendance. In total the TCTC generated 14,875 rooms nights in 2011, a low number for the size of the TCTC and population density of Tacoma.

The TCTC struggles from a lack of hotel inventory in close proximity to the center as the following table shows.

Table II-7

Tacoma Hotel Summary

	Rooms	Distance
Courtyard	**162**	**0.0**
Hotel Murano	**319**	**0.1**
Best Western Plus Tacoma Dome	160	1.2
La Quinta Inn	155	2.8
Emerald Queen	140	5.9
Shilo Inn	132	6.2
Red Lion	119	6.6
Hampton Inn	146	6.8
King Oscar Inn	152	6.8
King Oscar	221	6.9
Total	**1,706**	
Average	**171**	**4.3**
Average within 1 Mile	**241**	**0.05**

Note: Only properties with 100 or more rooms are included
Tacoma CVB, Johnson Consulting

The largest property in proximity to the TCTC is the hotel Murano with 319 rooms followed by the Courtyard with 162 rooms. There are no other hotels within 1-mile of the center and for larger events properties throughout the City and County have to be used. Comparatively, this facility does not compete well yet. The project is part of the City's economic development effort and it will take more time for the environment around the convention center to mature.

OVERLAND PARK CONVENTION CENTER OVERLAND PARK, KANSAS

Situated in the largest suburb of Kansas City, Overland Park Convention Center (OPCC) opened in 2002. The OPCC, which sits on a 26-acre site in the heart of Overland Park, is owned by the City of Overland Park, and is managed by Global Spectrum. The site also contains a 412-room Sheraton headquarters hotel.

Table II-8

Overland Park Convention Center Summary of Exhibit and Meeting Space					
	Size (SF)		Capacity (# of Persons)		
	Individual (Smallest)	Combined (Largest)	Theater	Classroom	Banquet
Exhibit Halls					
Exhibit Hall	-	58,494	5,233	3,264	4,760
Hall A	29,464	-	2,592	1,632	2,180
Hall B	29,030	-	2,641	1,632	2,140
Subtotal Exhibit Hall SF		58,494			
Ballrooms					
Ballrroom	-	24,991	2,184	1,208	1,780
Ballroom A	8,482	-	720	416	540
Ballroom B	7,830	-	728	352	500
Ballroom C	8,679	-	736	440	540
Subtotal Ballroom SF		24,991			
Meeting Rooms					
Number of Rooms	8	3			
Smallest Room	900	-	50	24	30
Largest Room	-	7,354	624	352	320
Subtotal Meeting Room SF		15,015			
Total		**98,500**			

Source: Overland Park Convention Center, Johnson Consulting

Note: Ballroom can combine with exhibit hall for total exhibit space of 90,000 square feet.

As shown, the OPCC comprises a total of 97,600 square feet of exhibit and meeting space, including a 59,494 square foot Exhibit Hall, and a 24,991 square foot Ballroom. Excluding the Ballroom, the largest meeting room comprises 7,354 square feet, with a maximum capacity of 624 people. The smallest meeting room comprises 1,810 square feet, with a maximum capacity of 156 people. In addition to the meeting space at OPCC, the Sheraton Overland Park at the OPCC offers 21,841 square feet of meeting space, including 18,079 square feet of ballroom space and 3,762 square feet of meeting rooms. Excluding the three (3) ballrooms, the largest meeting room at the Sheraton Hotel comprises 1,390 square feet, with a maximum capacity of 154 people. The smallest meeting room comprises 290 square feet, with a maximum capacity of 36 people.

The following table summarizes the OPCC's 2011 demand schedule, by event type.

Table II-9

Overland Park Convention Center 2011 Demand Schedule		
	# Events	Event Mix
Convention	10	3%
Consumer Show	20	6%
Trade Show	31	9%
Special Events	55	16%
Banquet	78	23%
Meetings	147	43%
Total	**341**	**100%**

Source: Overland Park Convention Center, Johnson Consulting

In 2011, there were a total of 341 events, of which meetings and banquets accounted for two-thirds of total event demand.

There are just under 5,000 hotel rooms in Overland park over 28 properties. The largest hotel size for the market is 412 rooms and is an average of 1.8 miles from the OPCC. A summary of hotels is displayed in the table and map below.

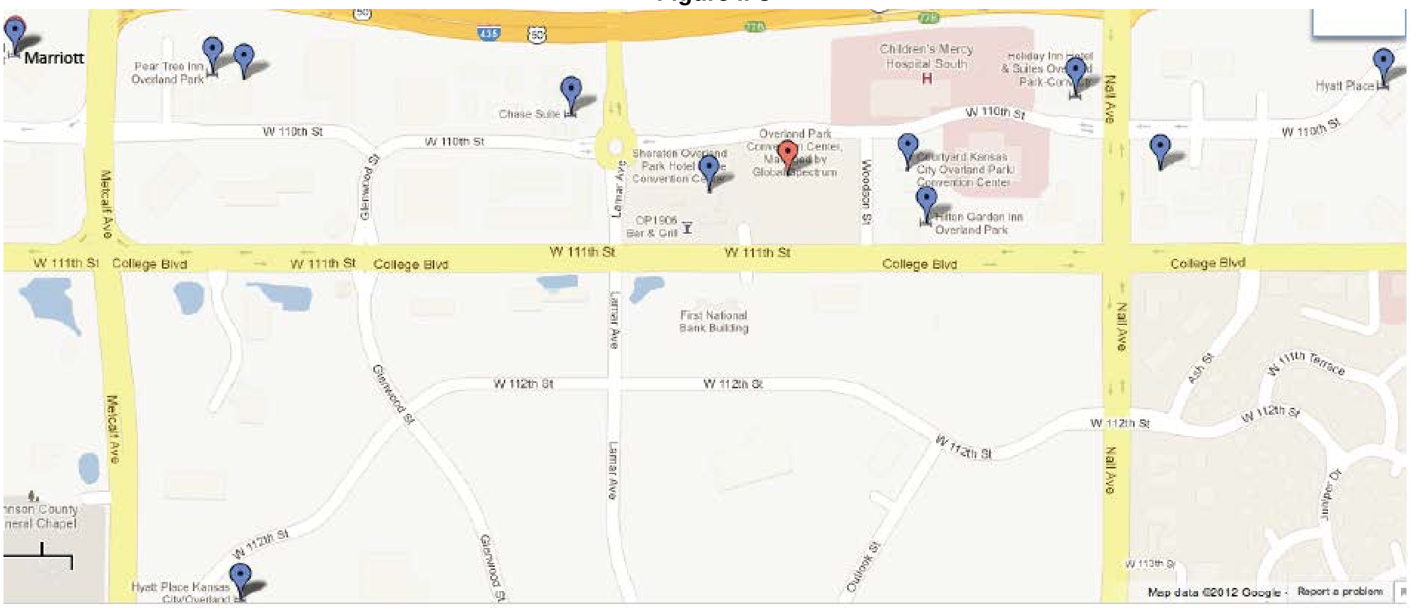
Table II-10

Overland Park Hotel Summary

	Rooms	Distance
Sheraton Convention Center	**412**	**0.0**
Hilton Garden Inn	**125**	**0.1**
Courtyard Convention Center	**168**	**0.2**
Chase Suite Hotels	**112**	**0.3**
Holiday Inn & Suites Convention Ce	**119**	**0.5**
Homestead Studio Suites	**127**	**0.5**
Drury Inn & Suites	**169**	**0.8**
Hyatt Place Convention Center	**134**	**0.8**
Hyatt Place Overland Park	**124**	**0.8**
Pear Tree Inn	**149**	**0.8**
Courtyard	**149**	**0.9**
Marriott	**399**	**0.9**
Hampton Inn	133	1.1
Clarion Hotel	180	1.2
Embassy Suites	199	1.2
Comfort Inn & Suites	149	1.3
La Quinta Inn	143	1.3
Extended Stay Deluxe	133	1.4
America's Best Value Inn	100	1.8
Residence Inn	120	1.9
Spring Hill Shuites	102	1.9
Fairfield Inn & Suites	110	2.4
DoubleTree	356	2.6
Hawthorn Suites	315	3.4
Candlewood Suites	120	4.2
Extended Stay America	119	4.2
Holiday Inn Overland Park West	191	6.0
Ramada Inn	151	7.4
Total	**4,808**	
Average	**172**	**1.8**
Average within 1 Mile	**182**	**0.55**

Note: Only properties with 100 or more rooms are included
Overland Park CVB, Johnson Consulting

Figure II-3



Within 1-mile of the OPCC there are 2,187 rooms with an average property size of 182 rooms and located 0.6 miles from the OPCC. The largest hotel is the Sheraton Headquarters Hotel with 412-rooms and attached to the OPCC. Within 0.5 of a mile there are 1063 rooms, of which most provide shuttle service to OPCC. The package overall is outstanding, and the Sheraton has performed above market averages.

RHODE ISLAND CONVENTION CENTER, PROVIDENCE, RHODE ISLAND

Providence has a metro area population of 1.6 million and serves as the economic, cultural, and political hub of the State of Rhode Island. The metro area is bisected by Interstate 95 and 195, and conveniently located 183 miles from New York City and 45 miles from Boston. Easily accessible by air and train, Providence also has a strong drive market, situated within 500 miles of 25 percent of the US population and six New England states.

The primary convention facility is Rhode Island Convention Center (RICC), located in the heart of downtown Providence. The facility is owned by the Rhode Island Convention Center Authority (RICCA) and is managed by SMG. Opened in 1993, RICC features a 100,000 square foot exhibition hall, a 20,000 square foot ballroom, 16,540 square feet of meeting rooms.

Table II-11

Rhode Island Convention Center Summary of Exhibit and Meeting Space	Size (SF)		Capacity (# of Persons)		
	Individual (Smallest)	**Combined (Largest)**	**Theater**	**Classroom**	**Banquet**
Exhibit Halls					
Exhibit Hall	-	100,000	9,500	5,642	5,500
Hall A	27,608	-	2,880	1,790	2,000
Hall B	28,560	-	2,728	1,638	1,620
Hall C	28,560	-	2,728	1,638	1,620
Hall D	15,272	-	1,164	576	600
Subtotal Exhibit Hall SF		100,000			
Ballrooms					
Ballrroom	-	20,000	2,300	1,400	1,400
Ballroom A	10,000	-	1,175	756	680
Ballroom B	3,700	-	414	234	210
Ballroom C	1,350	-	120	54	80
Ballroom D	3,700		414	234	210
Ballroom E	1,350		120	54	80
Subtotal Ballroom SF		20,000			
Meeting Rooms					
Number of Rooms	18	10			
Smallest Room	304	-	24	18	20
Largest Room	-	4,004	420	216	240
Subtotal Meeting Room SF		16,540			
Total		**136,540**			

Source: Rhode Island Convention Center, Johnson Consulting

As the following table shows, event demand has decreased from a peak high in 2009 of 322 events down to 283 events in 2012 (year to date). Attendance is also down from 318,000 in 2009 to 300,000 in 2012, which is up from 287,000 in 2011. Given the declines in event demand and attendance, revenues are actually up by over $1 million when comparing 2009 to 2012. In general, the annual net operating deficit ranges from $1 million to $2 million.

Table II-12

Rhode Island Convention Center Demand Schedule 2009 - 2012												
	2009			2010			2011			2012 (Year to Date)		
	# Events	Attendance	Revenue	# Events	Attendance	Revenue	# Events	Attendance	Revenue	# Events	Attendance	Revenue
Public Shows	52	215,150	$1,901,534	44	204,200	$2,093,271	56	177,118	$2,151,494	58	197,835	$2,384,692
Tradeshows	13	17,450	1,121,487	16	20,950	2,085,169	14	25,517	1,099,516	8	19,519	868,672
Convenitons	21	25,535	2,178,731	19	25,525	1,487,653	25	16,280	2,219,070	17	18,851	2,345,678
Meetings	172	40,657	1,687,010	155	41,608	2,135,897	138	45,909	1,932,178	124	37,856	2,148,718
Banquets	64	19,270	1,039,293	73	21,520	985,551	71	22,182	1,188,989	76	25,898	1,233,699
TOTAL	**322**	**318,062**	**$7,928,055**	**307**	**313,803**	**$8,787,541**	**304**	**287,006**	**$8,591,248**	**283**	**299,959**	**$8,981,459**

Source: Rhode Island Convention Center, Johnson Consulting

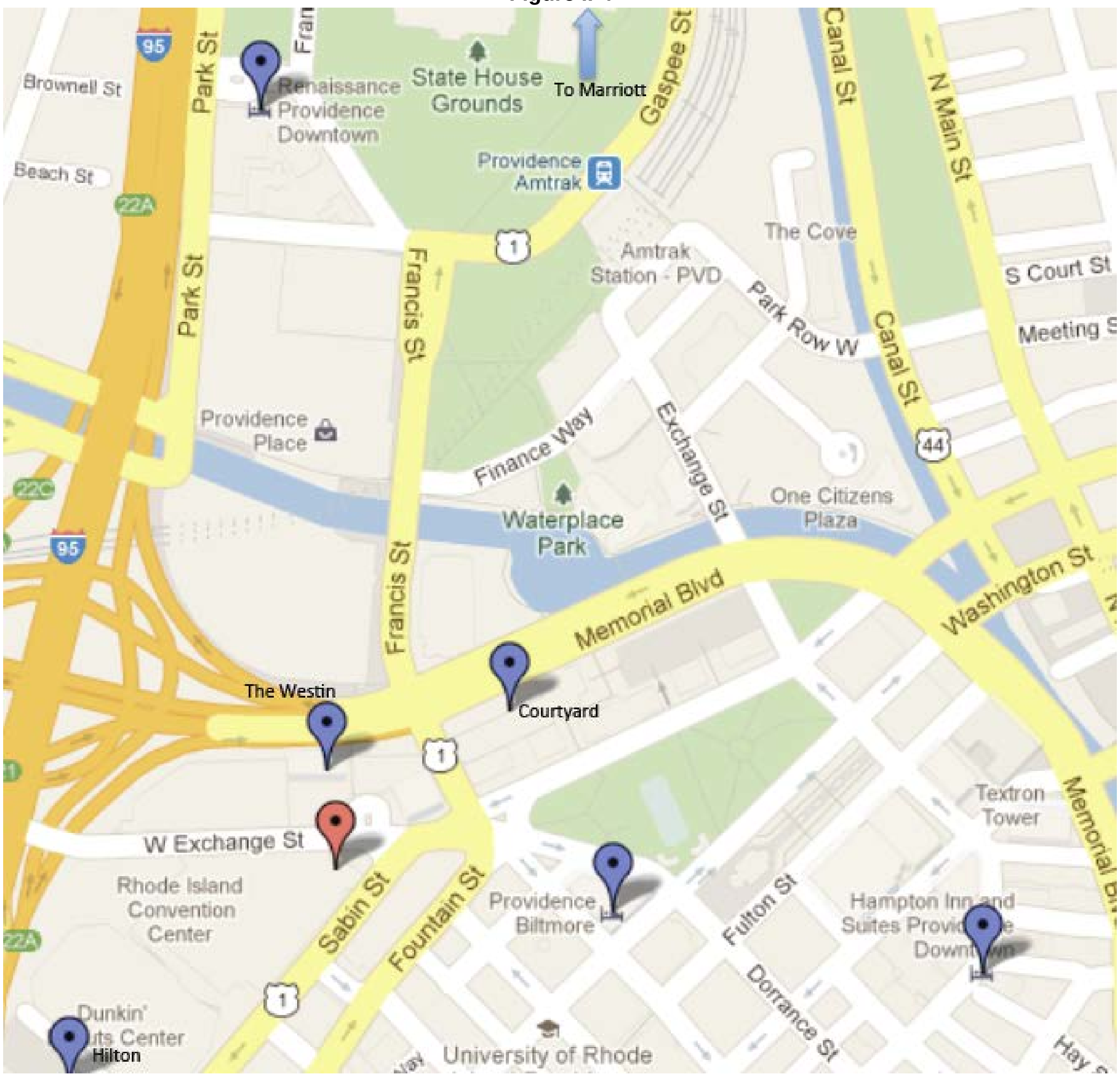
In December 2005, RICCA purchased the Dunkin' Donuts Center (formerly the Providence Civic Center) from the City of Providence for $28.5 million. Currently home to the American Hockey League's Providence Bruins and Providence College Men's Basketball, the 14,500-seat arena welcomes one million visitors annually to its sporting events, family shows, and concerts. In January 2006, RICCA officially embarked on an $80 million renovation of the "Dunk." This was completed in 2008 and improvements include creating suites and club boxes, installing new seats throughout the arena, upgrading the mechanical, electrical and plumbing systems, and an enclosed pedestrian bridge connecting the Dunkin Donuts Center to the adjacent RICC. The table below profiles the hotels within the Providence regional area.

Table II-13

Providence, RI Hotel Summary	Rooms	Distance
Westin Providence	**564**	**0.0**
Courtyard	**216**	**0.1**
Hilton Providence	**274**	**0.2**
Providence Biltmore	**292**	**0.3**
Hampton Inn	**110**	**0.4**
Providence Renaissance Downtown	**264**	**0.5**
Providence Marriott	**351**	**0.9**
Wyndham Garden	136	1.8
Sheraton Warwick	206	8.2
Warwick Hampton Inn	173	8.7
Holiday Inn Express Warwick	147	9.1
Hilton Garden Inn Warwick	160	9.4
Radisson Warwick	111	9.4
Crowne Plaza Warwick	266	9.9
SpringHill Suites Warwick	107	14.7
Total	**3,377**	
Average	**225**	**4.9**
Average within 1 Mile	**296**	**0.34**

Note: Only properties with 100 or more rooms are included
Providence/Warwick CVB, Johnson Consulting

Figure II-4



As the table and map indicate, there are 3,377 rooms in the metropolitan area there is a strong supply of hotel rooms within 1-mile of the Rhode Island Convention Center with 2,071 rooms dispersed among 7 properties. Applying a 70 percent and 80 percent room block participation rate for 2,071 rooms results in a potential room block of 1,450 rooms and 1,657 rooms respectively.

SPOKANE HOTEL INVENTORY

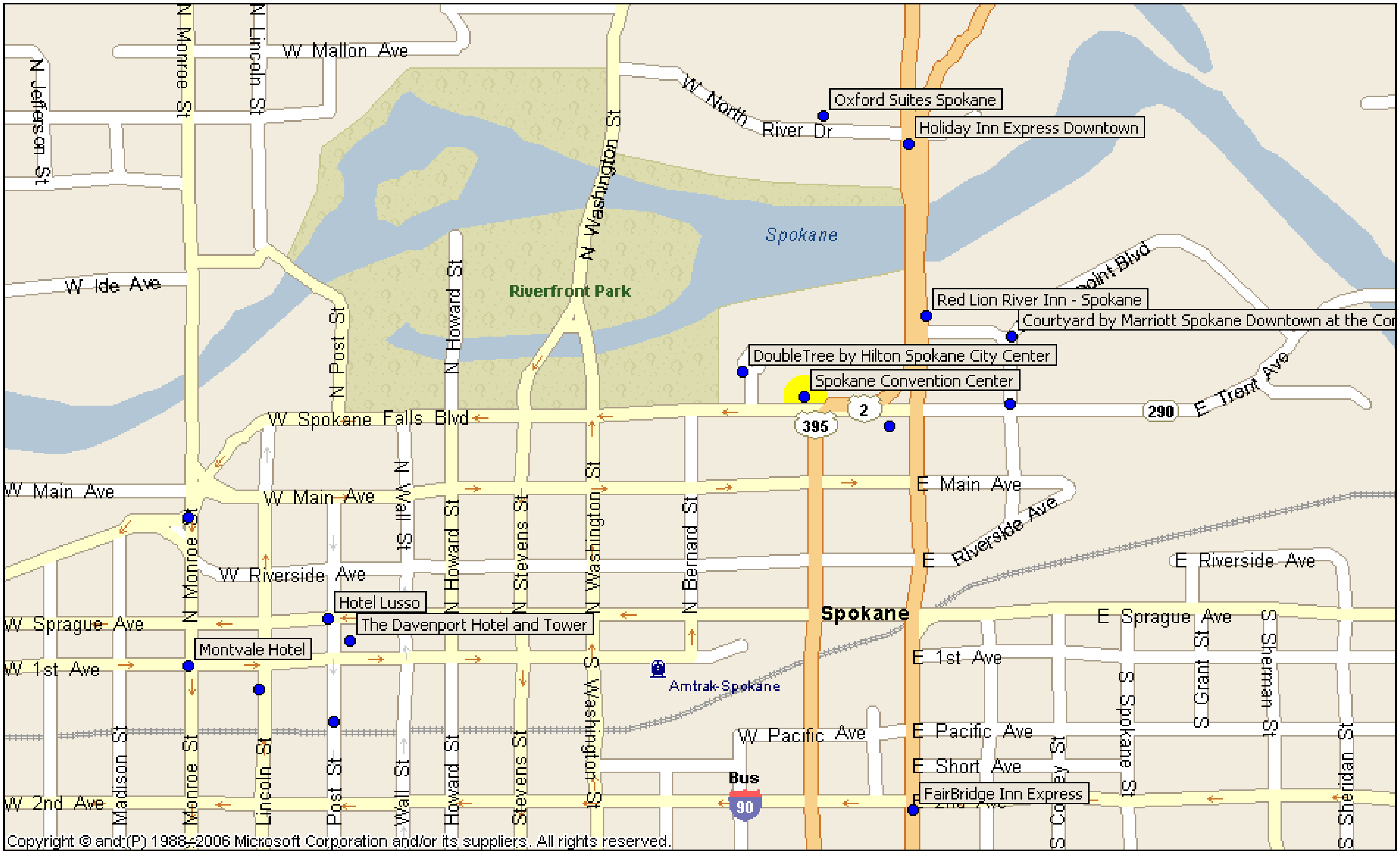
Table II-14 shows hotel inventory in downtown Spokane, as listed by Visit Spokane. The following map shows the location of those closest to the Spokane Convention Center.

Table II-14

Spokane, Washington Hotel Summary		
	Rooms	**Distance**
DoubleTree by Hilton Spokane City Center	**375**	**0.1**
Red Lion Hotel at the Park - Spokane	**400**	**0.7**
Red Lion River Inn - Spokane	**245**	**0.7**
The Davenport Hotel and Tower	**611**	**0.7**
Hotel Lusso	**102**	**0.7**
Oxford Suites Spokane	**125**	**0.8**
FairBridge Inn Express	**281**	**0.9**
Courtyard by Marriott Spokane Downtown at the Convention Center	**149**	**0.9**
Holiday Inn Express Downtown	**119**	**1.0**
Quality Inn Downtown 4th Avenue	**153**	**1.0**
Montvale Hotel	36	1.1
Comfort Inn University District/Downtown	105	1.5
Average within 1 Mile	**256**	**0.8**

Note: Only properties with 100 or more rooms are included
Source: Visit Spokane, Johnson Consulting

Figure II-5


Oxford Suites Spokane
Holiday Inn Express Downtown
Red Lion River Inn - Spokane
Courtyard by Marriott Spokane Downtown at the Cor
DoubleTree by Hilton Spokane City Center
Spokane Convention Center
Hotel Lusso
The Davenport Hotel and Tower
Montvale Hotel
FairBridge Inn Express
Riverfront Park
Spokane
Amtrak-Spokane
Bus
W Mallon Ave
W North River Dr
W Ide Ave
W Spokane Falls Blvd
W Main Ave
E Main Ave
W Riverside Ave
E Riverside Ave
W Sprague Ave
E Sprague Ave
W 1st Ave
E 1st Ave
W Pacific Ave
E Pacific Ave
E Short Ave
W 2nd Ave
E Trent Ave
N Jefferson St
N Monroe St
N Lincoln St
N Post St
N Howard St
N Washington St
N Wall St
N Stevens St
N Bernard St
S Washington St
Madison St
Monroe St
Lincoln St
Post St
Wall St
Howard St
Stevens St
S Spokane St
S Grant St
S Sherman St
S Sheridan St
395
2
290
90
Copyright © and (P) 1988–2006 Microsoft Corporation and/or its suppliers. All rights reserved.

As shown on the map, 375-room DoubleTree by Hilton now serves as the headquarters hotel for Spokane Convention Center.

COMPARISON

Table II-15 shows a side-by-side comparison of existing hotel inventory in Spokane, Grand Rapids, Boise, Tacoma, Overland Park and Providence within one-mile from each city's primary convention center.

Table II-15

Key Characteristics of National Comparable Facilities

	Spokane WA (Existing)	Spokane WA (Expanded)	Grand Rapids MI	Boise ID	Tacoma WA	Overland Park KS	Providence RI
Facility	Spokane Convention Center		DeVos Place	Boise Centre	Tacoma CTC	Overland Park CC	Rhode Island CC
Program (SF)	Existing	Expanded					
Exhibit Hall(s)	100,200	100,200	162,000	24,426	50,000	58,494	100,000
Ballroom(s)	25,900	39,400	37,809	0	13,376	24,991	20,000
Meeting Rooms	29,500	40,500	32,163	7,914	14,255	15,015	16,540
Others	5,800	5,800	0	7,645	0	0	0
Total	161,400	185,900	231,972	39,985	77,631	98,500	136,540
Demographic Characteristics (2011)							
Population	473,761		776,108	633,388	3,500,000	2,047,000	1,600,000
Median HH Income	$47,250		$48,964	$49,768	$61,639	$54,244	$53,000

Hotel Inventory withn 1 Mile

Spokane, WA

Name	Rooms	Dist.*
DoubleTree by Hilton	375	0.1
Red Lion	400	0.7
Red Lion River Inn	245	0.7
The Davenport Hotel and Tower	611	0.7
Hotel Lusso	102	0.7
Oxford Suites	125	0.8
FairBridge Inn Express	281	0.9
Courtyard by Marriott	149	0.9
Holiday Inn Express	119	1.0
Quality Inn	153	1.0
Total	2,560	
Average	256	0.68
Total within 0.2 miles (walking distance)	375	

Grand Rapids, MI

Name	Rooms	Dist.
Amway Grand Plaza	682	0.0
Courtyard	214	0.3
Holiday Inn	175	0.4
JW Marriott	340	0.3
Total	1,411	
Average	353	0.17
Total within 0.2 miles (walking distance)	682	

Boise, ID

Name	Rooms	Dist.
The Grove Hotel	250	0.1
Hotel 43	112	0.2
Safari Inn Downtown	103	0.2
Hampton Inn & Suites	186	0.3
Owyhee Plaza Hotel	100	0.3
Red Lion Hotel	182	0.8
Courtyard by Marriott	162	0.8
Townplace Suites	121	0.9
Residence Inn	104	1.0
Total	1,320	
Average	147	0.49
Total within 0.2 miles (walking distance)	465	

Tacoma, WA

Name	Rooms	Dist.
Courtyard	162	0.0
Hotel Murano	319	0.1
Total	481	
Average	241	0.07
Total within 0.2 miles (walking distance)	481	

Overland Park, KS

Name	Rooms	Dist.
Sheraton	412	0.0
Hilton Garden Inn	125	0.1
Courtyard	168	0.2
Chase Suite	112	0.3
Holiday Inn & Suites CC	119	0.5
Homestead Studio Suites	127	0.5
Drury Inn & Suites	169	0.8
Hyatt Place CC	134	0.8
Hyatt Place OP	124	0.8
Pear Tree Inn	149	0.8
Courtyard	149	0.9
Marriott	399	0.9
Total	2,187	
Average	182	0.53
Total within 0.2 miles (walking distance)	705	

Providence, RI

Name	Rooms	Dist.
Westin	564	0.0
Courtyard	216	0.1
Hilton	274	0.2
Biltmore	292	0.3
Hampton Inn	110	0.4
Renaissance Downtown	264	0.5
Marriott	351	0.9
Total	2,071	
Average	296	0.32
Total within 0.2 miles (walking distance)	1,054	

**Showing distance from the primary convention center.*

Source: Relevant Facilities/CVB, Demographics Now, Johnson Consulting

The side-by-side comparison of hotel inventory shows that Spokane actually has the most rooms within one-mile radius from the convention center than the other cities, but the least rooms within walking distance, and none of a headquarters hotel quality. The comparison also shows that Spokane is a strong market, a regional hub, and has a lot of demand generators, but certainly additional rooms in close proximity to Spokane Convention Center are needed.

CONCLUSIONS

The Spokane Convention Center is a very attractive venue, as is Spokane as a regional hub in the Northwest. Historically, the City has been seen as a solid third-tier/second-tier market, competing with smaller cities. With addition of a new hotel as proposed plus expansion of the convention center, the City will enhance its stature as a convention destination. Its hotel supply will actually be better than that found in Portland, Tacoma, San Jose and Salt Lake City. This capacity will allow the city to be much more competitive, and with the amount of meeting space proposed at both the hotel and convention center, allow the PFD to target more meeting intensive, and typically, higher value events.

IMPACT OF EXPANSION AND NEW HEADQUARTERS HOTEL TO CONVENTION DEMAND

The planned headquarters hotel will provide a structural change in the capacity offering in downtown Spokane. This change is required by the market, given the spread out nature of the hotel supply serving the Spokane Convention Center. The combined hotel and convention center package become part of the economic development strategy for the City.

As previously discussed, in 2010 and 2011 there were 23 lost opportunities that cited hotel-related reasons. These lost events do not include events that do not inquire about the market. Data on just the reported events had potential to generate over 35,700 attendees, 40,600 room nights, and $62.5 million of economic impact. Additionally, compared to peer cities (Grand Rapids, Michigan; Boise, Idaho; Tacoma, Washington; Overland Park, Kansas; and Providence, Rhode Island), Spokane has the least number of hotel rooms within walking distance from the convention center, and none of a headquarters hotel quality. Meanwhile, availability of hotel rooms in close proximity to the venue is often an important factor in deciding on an event location. Therefore, facility expansion as well as a new headquarters hotel as proposed will allow the convention center district to be more competitive and help all hotels around the convention center to perform better.

The proposed addition of an adjacent headquarters hotel will significantly address many of the reasons cited for lost business. It will certainly help in recapturing a portion of lost events. Moreover, it is likely that a substantial share of potential business, in addition to documented lost business, has not considered Spokane in past years because of market impression that the hotel room block is insufficient. These events have not been recorded as lost business because an initial inquiry was never made. Although it is not possible to determine the extent of this latent business, it could add significantly to the amount of lost business actually recorded.

Table III-1

Spokane, Washington Recovery of Lost Business*			
% Recovery	# of Events	# of Attendees	# of Room Nights
10%	1	1,787	2,034
20%	2	3,574	4,068
30%	3	5,360	6,101
40%	5	7,147	8,135
50%	6	8,934	10,169
60%	7	10,721	12,203
70%	8	12,507	14,237
80%	9	14,294	16,270
90%	10	16,081	18,304
100%	12	17,868	20,338

**Based on lost business in 2010 and 2011.*
Source: Visit Spokane, Johnson Consulting

Additionally, we compared Spokane situation with that of the nationally comparable facilities in peer market. Table III-2 shows the comparison and the potential additions in convention and trade shows events due to facility expansion and a new headquarters hotel, based on what is achievable in comparable markets.

Table III-2

Key Characteristics of National Comparable Facilities

	Spokane WA		Grand Rapids MI	Boise ID	Tacoma WA	Overland Park KS	Providence RI
Facility	Spokane Convention Center		DeVos Place	Boise Centre	Tacoma CTC	Overland Park CC	Rhode Island CC
Program (SF)	Existing	Upon Expansion					
Exhibit Hall(s)	100,200	100,200	162,000	24,426	50,000	58,494	100,000
Ballroom(s)	25,900	39,400	37,809	0	13,376	24,991	20,000
Meeting Rooms	29,500	40,500	32,163	7,914	14,255	15,015	16,540
Others	5,800	5,800	0	7,645	0	0	0
Total	161,400	185,900	231,972	39,985	77,631	98,500	136,540
Demographic Characteristics							
Metropolitan Area Population (2011)	473,761	473,761	776,108	633,388	3,500,000	2,047,000	1,600,000
Median Household Income (2011)	$47,250	$47,250	$48,964	$49,768	$61,639	$54,244	$53,000
Hotel Supply Characteristics							
# of Rooms within 1 mile of Convention Center	2,857	3,407	1,411	1,320	481	2,187	2,071
HQ Hotel	DoubleTree by Hilton	Hilton, Hyatt, or Marriott	Amway Grand Plaza Hotel	The Grove Hotel	Courtyard	Sheraton Convention Center	Westin Providence
# of Rooms of HQ Hotel	375	550	682	250	162	412	564
Event Demand							
Conventions and Trade Shows	**38**	**46**	na	51	11	41	25
Consumer Shows	**13**	**14**	na	2	16	20	58
Meetings	123	123	na	91	145	147	124
Banquet	0	0	na	96	0	78	76
Sporting Events	8	8	na	0	0	0	0
Entertainment	1	1	na	0	0	0	0
Corporate Events	0	0	na	0	4	0	0
Community Events	73	73	na	0	14	0	0
Special Events	0	0	na	0	0	55	0
Other	0	0	na	0	0	0	0
Total	256	265	na	240	190	341	283
Total Attendance	243,516	283,230	na	152,400	146,665	na	299,959

Source: Relevant Facilities/CVB, Demographics Now, Johnson Consulting

As shown on the table, the comparison suggests that adding eight convention/ trade show events and one consumer show into Spokane Convention Center's activity calendar upon facility expansion and new hotel development is reasonably achievable and still within the range of the comparable facilities. The following tables show how event and attendance potential is developed.

Table III-3 shows the estimated impact of facility expansion and a 550-room Headquarters Hotel to Spokane Convention Center, assuming full recovery of lost events that will be hosted in Spokane Convention Center and/ or co-hosted at Spokane Convention Center and the proposed new hotel.

Table III-3

Spokane Convention Center
Current Demand and Future Potential

	Current Operation (2011)				Upon Expansion and New Hotel Development			
	# of Events	# of Event-Days	# of Attendees	Average Attendance	# of Events	# of Event-Days	# of Attendees	Average Attendance
Conventions and Trade Shows	38	150	71,734	1,888	46	182	95,680	2,080
Consumer Shows	13	42	86,148	6,627	14	45	95,900	6,850
Community Events	73	84	39,466	541	73	84	40,150	550
Meetings	123	177	21,910	178	123	177	24,600	200
Sporting Events	8	26	23,362	2,920	8	26	26,000	3,250
Entertainment	1	1	896	896	1	1	900	900
Total	256	480	243,516	951	265	515	283,230	1,069
Incremental					***9***	***35***	***39,714***	***118***
% Increase (Decrease) over Current Demand					*4%*	*7%*	*16%*	*12%*

Source: Spokane Public Facilities District

As shown on the table, the facility expansion and the presence of a 550-room Headquarters Hotel have the potential to increase annual event demand at Spokane Convention Center by nine events. The estimates assume that incremental events will be eight conventions/ trade shows and one consumer show. Average attendance will return to midpoint between 2010 and 2011 levels. These new events translate to approximately 39,700 additional attendees. These events are expected to be held at Spokane Convention Center or the combined Convention Center AND the hotel- co-hosted-; but does not include in-house meetings at the hotel. We estimate that the proposed hotel will be a major group property. An estimated 40 percent of demand will come from group meetings. The new hotel will capture half of the incremental room nights at the convention center caused by the presence of the hotel, or 20,000 room nights. It will also induce an estimated 40,000 net new in-house room nights based on in-house business it attracts. This activity would never come to Spokane, if the new hotel and meeting space were not built.

The hotel and expansion will help the operating situation at the convention center as well. Table III-4 shows the estimated Spokane Convention Center revenues associated with those increased business.

Table III-4

Spokane Convention Center Current and Potential Event Revenues ($000)	Current Operation (2011)					Upon Expansion and New Hotel Development				
	Rental	Concession Net	Catering Net	Other	Total	Rental	Concession Net	Catering Net	Other	Total
Conventions and Trade Shows	$557	$46	$248	$404	$1,254	$743	$61	$330	$538	$1,672
Consumer Shows	118	16	2	83	219	132	18	3	92	244
Community Events	75	11	71	87	245	77	11	72	89	249
Meetings	94	3	73	102	272	106	4	82	114	305
Sporting Events	69	26	4	35	135	77	29	5	39	151
Entertainment	2	0	0	6	8	2	0	0	6	8
Total	$916	$102	$398	$716	$2,133	$1,136	$123	$492	$878	$2,629
Increase (Decrease) over Prior Year						$220	$21	$94	$162	$496
% Increase (Decrease) over Prior Year						*24%*	*20%*	*23%*	*23%*	*23%*

Source: Spokane Public Facilities District

As shown on the table, with a new Headquarters Hotel, Spokane Convention Center is expected to host more conventions, trade shows, and consumer shows that result in approximately $496,000 of additional event revenues. Incremental costs at the convention center would relate to marginal increases in utility and maintenance expense for the new space, plus any direct labor costs not reimbursed by the events. The profit margin on this new business should be very high, because fixed costs at the center are already incurred.

Furthermore, based on lost business statistics, the additional nine events will bring significant impact. Currently, many of Spokane's City-wide events create over 20,000 room nights individually. For instance, the 61st National Square Dancer Convention in June 2012 brought in more than $8 million in economic impact alone. Based on this example, assuming that on average, a city-wide event generates 10,000 room nights and $5 million of economic impact, the additional city-wide events will have the potential to generate over 90,000 room nights and $45 million in economic impact.

PHYSICAL IMPACT OF A NEW HOTEL TO THE CONVENTION CENTER

Conventional Wisdom was provided with an overview of the proposed hotel development and conceptual drawings of the various floor plans, sections and wire-frame perspectives for the project. These documents are the basis for our opinions herein.

DESIGN REVIEW

The site is bounded by Spokane Falls Boulevard to the north, Washington Street to the west, Main Avenue to the south and Bernard Street on the east. The site consisting of roughly 120,000 square foot site is currently owned by the SPFD and was reconstructed in 2010 as fee-based public event parking that can hold 319 cars.

Concept plans provided by the developer of the proposed headquarters hotel describe a hotel tower above a podium that includes a ballroom, meeting space, lobby and support functions. A multilevel parking garage is located at the east end of the site, wrapping around the hotel and accessed from Bernard Street.

Programmatically the hotel would have a minimum of 550 and maximum of 700 rooms, 70,000 square feet of meeting and ballroom space and a 15,000 square foot terrace suitable for outdoor events. The amount of event space compares favorably with other convention-quality headquarters hotels in similarly-sized destinations and will adequately support in-house business. The integrated parking structure will have 850-900 cars, of which 319 would be dedicated for public parking and owned by the SPFD.

The Vision 20|20 master plan envisioned an option for future expansion of the convention center that would be located on this site and have an enclosed connector either above or beneath Spokane Falls Boulevard. It is not inconceivable that both options could be implemented if event demand supported the need or the pathway became a part of a broad-based indoor pedestrian circulation system serving other hotels and downtown development. A dual-linkage system would allow a public way to be available at all times, avoiding conflict when intensive event security could restrict access between the two convention venues.

A number of major convention centers across the United States have used the recent recession to evaluate their current offerings and provide non-traditional improvements. Following a twenty year cycle of rapid expansion of exhibition space, the industry focus has shifted toward making it better, not necessarily bigger, with improvements to meeting and banquet space, higher quality architectural finishes and wholesale replacement of technology infrastructure. A new headquarters hotel may be the single greatest improvement currently available for marketing Spokane as a destination, and a weather-enclosed connector to the convention center is imperative to achieving full market value of this investment.

The general outline of an agreement between the developer and the SPFD exchanges the current use of the land for structured parking to replace those stalls that would be taken out of service by new construction. While this review does not address the financial terms of such agreement, the one-to-one replacement of parking and increase of the hotel supply appear to be a winning combination for the SPFD.