



MARKET STUDY

Bloomington Monroe County Convention Center

BLOOMINGTON, INDIANA



SUBMITTED TO:

Mr. Lee Marchant
Monroe County Convention Center Building
Corporation
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PREPARED BY:

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Mr. Lee Marchant
Monroe County Convention Center Building Corporation
302 South College Avenue
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Re: Bloomington Monroe County Convention Center
Bloomington, Indiana

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Singapore

Dear Mr. Marchant:

Pursuant to your request, we herewith submit our Market Study of the Bloomington Monroe County Convention Center and proposed Hotel in Bloomington, Indiana.

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

It has been a pleasure working with you. Please let us know if we can provide any additional services.

Sincerely,
HVS Convention, Sports & Entertainment
Facilities Consulting

Thomas A Hazinski
Managing Director



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1. Introduction and Executive Summary

Nature of the Assignment

The Monroe County Convention Center Building Corporation engaged HVS Convention, Sports & Entertainment Facilities Consulting (“HVS”) to conduct a Market Study of the Bloomington Monroe County Convention Center (“BMCCC”) and an adjacent full-service hotel development.

Ownership and Management

The BMCCC is owned by Monroe County and operated by the Convention Center Management Company, a not-for-profit entity established to operate the venue. The BMCCC building dates from 1923 when it was originally designed and built by Henry Ford as a Model T assembly plant and showroom. The building was first converted to convention center use in 1991. Today it contains 21,000 square feet of function space and serves as the primary convention and civic center for Bloomington and Monroe County. A recent interior renovation upgraded lobby areas and function spaces and the building is in excellent condition. An attached Courtyard by Marriott hotel provides 117 adjacent hotel rooms. This hotel is also slated for renovation in 2012.

Expansion of the BMCCC has been under consideration for at least ten years. In anticipation of expansion, Monroe County acquired adjacent parcels of land. Prior market analyses and a user survey have indicated demand potential for an expanded convention center expansion and for new hotel development. The purposes of this study are as follows:

- Analyze the market potential of the BMCCC and an adjacent full-service hotel.
- Recommend a building program plan for expansion of the BMCCC and a new hotel,
- Recommend a feasible approach to financing the propose developments, and
- Estimating the net new economic and fiscal benefits of the project.

Methodology

To accomplish these objectives, HVS performed the following tasks:

1. Thomas Hazinski, Michael Hirsch and Brian Harris traveled to Bloomington, Indiana in October of 2011 and performed a site inspection, reviewed plans for the proposed expansion, met with key industry

participants, visited other venues and hotels in the city, and gathered relevant data,

2. Reviewed the previous studies of the project,
3. Met (in person or by phone) with key stakeholders including County and City government officials, University representatives, neighborhood groups, hotel owners and operators, and other key participants in the conventions and meetings market,
4. Analyzed the economics and demographics of the market area that indicate whether and the extent to which the local market area is supportive of an expanded BMCCC and new hotel development,
5. Conducted and analyzed a survey of national and regional event planners to assess their interest in using an expanded BMCCC and to define their facility needs,
6. Compiled data on comparable state and national venues to inform and test the reasonableness of the building program recommendations and demand and financial forecasts,
7. Recommended a facility program plan and forecast event demand for the proposed BMCCC,
8. Performed a hotel market analysis of a 200-room full service hotel that includes estimates of hotel occupancy, rate and financial operations,
9. Forecasted the financial operations of an expanded BMCCC,
10. Explored available financing options and recommended an approach to financing, and
11. Estimated the net new economic and fiscal impacts that would occur if the recommended building program was implemented.

HVS Convention, Sports & Entertainment staff collected and analyzed all information contained in this report. HVS sought out reliable sources and HVS deemed information obtained from third parties to be accurate.

Summary of Findings

The BMCCC is located in a relatively small market stabilized by the presence of Indiana University. An expanded convention center would occupy an attractive location near the downtown area of Bloomington and survey respondents indicate that Bloomington is an attractive destination for their events. The existing convention center is undersized when compared to other Indiana venues and national comparable venues. Survey respondents indicated that a lack of hotel space and function space has prevented them from holding events in Bloomington and that sufficient space would make them more likely to hold events in Bloomington. HVS recommends creating a 40,000 square foot exhibit hall to be

operated by the convention center and an independent 200-room headquarters hotel attached to the convention center that would manage a 15,000 square foot ballroom and 7,200 square feet of meeting space. HVS projects that the total function space would host approximately 793 events and the new function space would generate over 30,000 new room nights for the market annually.

Market Area

Bloomington is located southwest of Indianapolis in the central area of the state, with over 9 million people living within a three-hour drive-time radius of the city.

FIGURE 1-1 DEMOGRAPHICS

DriveTime Range Number of Minutes	Population (2010)	Percent Growth In Population (2010-2015)	Median Household Income (2010)	Percent Growth in Median Household Income (2010-2015)
30 Minutes	158,775	0.62 %	\$43,070	2.91 %
60 Minutes	478,989	0.75	53,247	2.56
180 Minutes	9,151,576	0.52	53,569	2.44
State of Indiana	6,479,832	0.47	53,650	2.51
Country	311,212,863	0.76	54,442	2.36

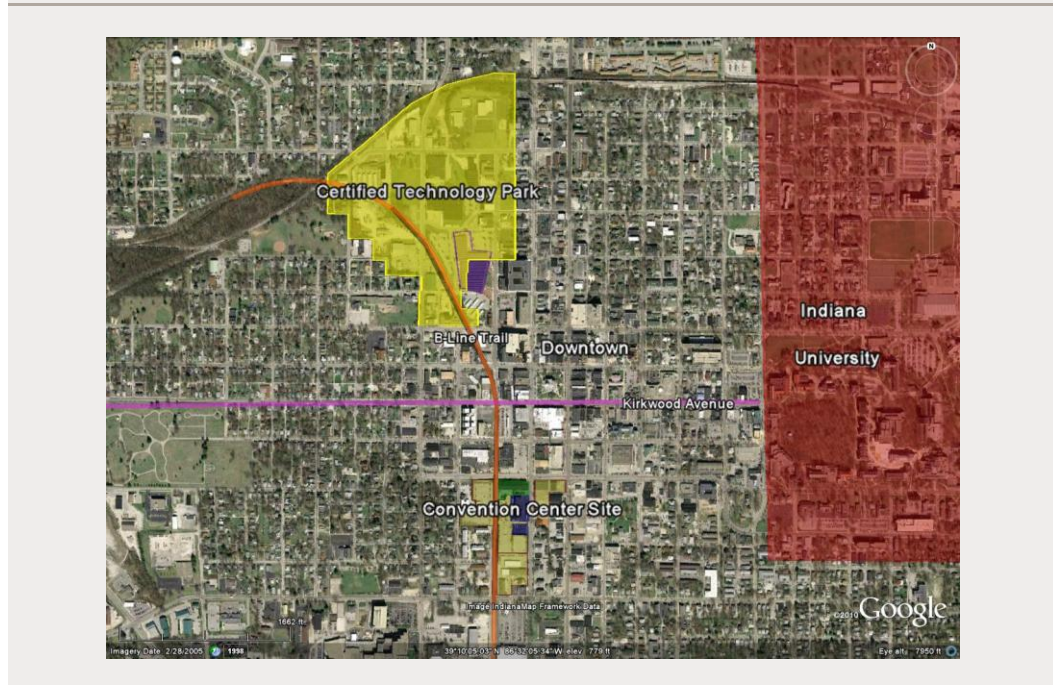
Source: ESRI

The presence of Indiana University provides a stable economic base that has resisted the recession and drives the retail and service industries. Indiana University’s academic status has the potential to generate demand for academic and other related conventions too large to hold on campus. Bloomington lacks a major corporate presence to bring in business group meetings, conferences, and training workshops. The recent creation of a technology park may alleviate this problem by attracting new businesses to the area. See Figure 1.2 below.

Site Analysis

The Convention Center is located in a central location on the border of downtown Bloomington and close to Indiana University.

FIGURE 1-2 CONVENTION CENTER SITE IN BLOOMINGTON



The Convention Center is located along the B-Line Trail, an area of economic redevelopment that connects to the developing technology park. The Convention Center site lies two blocks south from the main economic district along Kirkwood Avenue and the downtown square.

Comparable Venues

To better understand how the existing BMCCC performs, and how the proposed expanded BMCCC would perform, HVS reviewed the facilities and operations data from other Indiana facilities as well as comparable national convention centers. HVS identified these comparable convention centers based on facility size and market. Below (Figure 1.3) are the results which show that the BMCCC has less space than other Indiana facilities and comparable national venues.

FIGURE 1-3 COMPARABLE AND COMPETITIVE VENUES

Name of Venue	Exhibition Halls		Ballroom		Meeting SF	
	Floor Area	Divisions	Floor Area	Divisions	Floor Area	Divisions
Competitive State Venues						
Belterra Casino Resort (SE Indiana)	-	-	23,456 sf	4	10,313 sf	8
Century Center (South Bend)	24,472 sf	2	12,012	2	17,667	18
Evansville Auditorium and Convention Centre	36,252	2	13,312	4	10,368	12
French Lick Resort	31,624	1	12,727	3	14,012	10
Genesis Convention Center (Gary)	15,650	-	-	-	5,776	10
Grand Wayne Convention Center (Fort Wayne)	48,480	3	9,955	2	17,499	13
Horizon Convention Center (Muncie)	23,400	2	7,780	1	8,840	12
Indianapolis Marriott East	11,507	1	8,490	5	15,036	16
Radisson Hotel at Star Plaza (Merrillville)	-	-	22,785	15	3,340	6
Average	27,341 sf	2	13,815 sf	5	11,428 sf	12
Comparable National Venues						
Bayfront Convention Center (Erie, PA)	28,800 sf	-	13,500 sf	2	14,023 sf	15
Bloomington-Normal Marriott Hotel & Conference Center	-	-	20,000	7	4,272	8
Columbia Metropolitan Convention Center (SC)	24,700	1	17,135	3	15,145	11
Convention Center at Oncenter (Syracuse, NY)	65,250	2	14,880	2	6,860	10
Empire State Plaza Convention Center (Albany, NY)	26,000 *	1	-	-	14,250	7
Lansing Center (Lansing, MI)	71,760	3	13,320	8	9,794	9
Monona Terrace Convention Center (Madison, WI)	37,200	2	13,524	4	17,646	14
Salem Conference Center (OR)	11,400	4	8,750	6	5,220	3
Average	37,873 sf	2	14,444 sf	5	10,901 sf	10
Bloomington Monroe County Convention Center	- sf	-	8,675 sf	-	12,330 sf	7

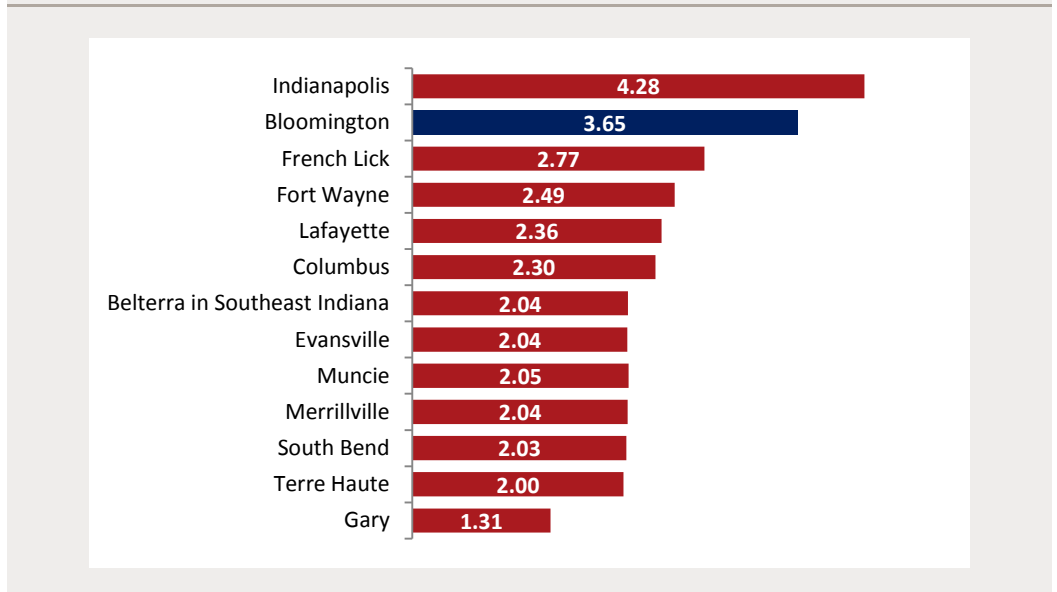
*Multi-purpose space

The BMCCC contains an above average amount of meeting space, but is unable to accommodate larger events due to its small total size, below average amount of ballroom space, and lack of exhibit space.

Survey Findings

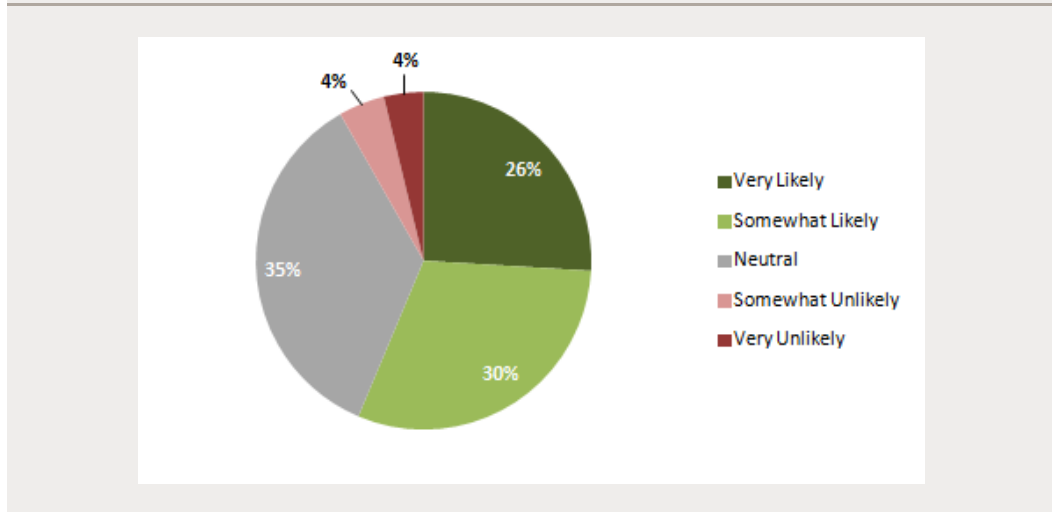
A survey of Indiana event planners indicated that Bloomington is an attractive destination but is limited by its lack of event space and hotel rooms. HVS asked event planners to rate several cities in Indiana, including Bloomington, on overall attractiveness as a convention destination. These cities would compete with Bloomington for state association meetings and conventions and other state-related business. The results are presented in the figure below with a rating of 1 indicating that a city is “not at all attractive” and a 5 indicating that it is considered “very attractive”.

FIGURE 1-4 RATING COMPETING INDIANA CITIES AS EVENT DESTINATIONS



Event planners ranked Bloomington second only to Indianapolis as a significantly more attractive destination than the next ranked competitor. All other competitors had below average ratings. Event planners that said they were familiar with Bloomington but who had not previously held an event in Bloomington gave the city an average rating of 2.90, which again put the city second behind Indianapolis. With adequate facility and hotel space, event planners are more likely to consider holding their events in Bloomington.

FIGURE 1-5 LIKELIHOOD OF HOSTING EVENT IN REMADE FACILITY



Indiana event planners rank Bloomington second behind Indianapolis when asked to rate Indiana cities as event destinations. Indiana event planners have a positive opinion of the traits of Bloomington as an event destination with the exception of the availability of air travel.

**Building Program
Recommendations and
Cost Estimates**

HVS recommends adding 62,200 square feet of function space and a 200-room headquarters hotel.

FIGURE 1-6 BUILDING PROGRAM RECOMMENDATIONS

Type of Space	Floor Area SF		
	Existing	Proposed	Total
Exhibition & Sports Hall	-	40,000	40,000
Ballroom			
The Great Room	8,675		8,675
Hotel Ballroom		15,000	15,000
Meeting			
Level One	8,720		8,720
Level 2 (Duke)	3,610		3,610
Meeting Breakout Space		6,000	6,000
Board Rooms		1,200	1,200
Total Function Space	21,005	62,200	83,205
Support Spaces			
Prefunction, Circulation, Service, Storage, Mechanical, Loading, Drop-off	10,500	77,750	88,250
Gross Floor Area	31,505	139,950	171,455

Survey results indicate:

- 87% of events that need exhibition space could be accommodated in a 40,000 square foot exhibit hall. Additionally, a flexible exhibit hall with movable seating could accommodate the sporting events for which demand has been separately demonstrated.
- 89% of events involving banquet use can be accommodated with 500 or fewer seats. A 500-seat capacity requires approximately 7,500 square feet of space. A flexible and divisible space of approximately twice that size would provide capacity to accommodate two simultaneous events for 500 persons or a single event with 1,000 persons.
- 89% of events that use meeting room space can be accommodated with 10 rooms or less. Meeting space should be flexible with movable walls so that rooms can be configured to 1,000 to 6,000 square feet.
- 84% of events can be accommodated with an adjacent room block of 250 rooms or less. Typically, hotels can block 70 to 80 percent of their rooms for groups and retain their ability to accommodate transient guests. The combined room blocks of the existing Courtyard by Marriott and a new 200-room property could meet this demand.

**Demand and Financial
Analysis**

HVS projects significantly increased events for the expanded BMCCC.

FIGURE 1-7 STABILIZED YEAR DEMAND PROJECTIONS

	Low	Middle	High
Events			
Conventions	10	15	20
Tradeshows	3	5	6
Consumer Shows	7	10	13
Conferences	80	110	140
Meetings	240	310	390
Banquets	125	150	190
Assemblies	125	150	150
Fairs	10	13	16
Entertainment	3	5	8
Amateur Sports	5	5	10
Other	20	20	20
Total	628	793	963
Average Attendance			
Conventions	400	420	440
Tradeshows	400	425	450
Consumer Shows	1,410	1,480	1,550
Conferences	220	230	240
Meetings	50	55	60
Banquets	220	235	250
Assemblies	100	100	110
Fairs	570	600	630
Entertainment	190	200	210
Amateur Sports	240	250	260
Other	210	220	230
Total Attendance			
Conventions	4,000	6,300	8,800
Tradeshows	1,200	2,125	2,700
Consumer Shows	9,870	14,800	20,150
Conferences	17,600	25,300	33,600
Meetings	12,000	17,050	23,400
Banquets	27,500	35,250	47,500
Assemblies	12,500	15,000	16,500
Fairs	5,700	7,800	10,080
Entertainment	570	1,000	1,680
Amateur Sports	1,140	1,250	2,600
Other	4,200	4,400	4,600
Total	100,000	130,275	170,000

In a stabilized year of demand, the existing and new function space is projected to host 793 events per year with over 130,000 attendees. These expanded numbers represent 149 more events and 67,000 more attendees than the 544 events and 63,000 attendees projected to come to the existing convention center.

Like the current operation and similar to most convention centers, an expanded BMCCC would run an operating deficit before the transfer of available Innkeepers tax revenue. The figure below shows the HVS forecasts for the expanded BMCCC.

FIGURE 1-8 FIVE-YEAR STATEMENT OF STABILIZED FINANCIAL OPERATIONS
(ASSUMES OPENING DAY OF JANUARY 1, 2015)

	2015	2016	2017	2018	2019
OPERATING REVENUE					
Facility Rental	\$502,000	\$555,000	\$599,000	\$629,000	\$648,000
Event Services (Gross)	436,000	536,000	611,000	662,000	682,000
Food & Beverage (Gross)	1,118,000	1,249,000	1,357,000	1,429,000	1,472,000
Total	\$2,056,000	\$2,340,000	\$2,567,000	\$2,720,000	\$2,802,000
OPERATING EXPENSES					
Salaries	\$480,000	\$541,000	\$586,000	\$633,000	\$652,000
Benefits	144,000	162,000	176,000	190,000	196,000
Food & Beverage Costs	950,000	1,062,000	1,153,000	1,214,000	1,251,000
Event Services Costs	359,000	442,000	503,000	546,000	562,000
Administrative & General	78,000	89,000	98,000	103,000	106,000
Marketing & Sales	39,000	44,000	49,000	52,000	53,000
Repair & Maintenance	138,000	157,000	172,000	182,000	188,000
Parking Costs	21,000	21,000	22,000	23,000	23,000
Utilities	123,000	140,000	154,000	163,000	168,000
Total	\$2,332,000	\$2,658,000	\$2,913,000	\$3,106,000	\$3,199,000
OPERATING INCOME (LOSS)	(\$276,000)	(\$318,000)	(\$346,000)	(\$386,000)	(\$397,000)
NON-OPERATING REVENUE					
Fund Transfers In*	\$359,000	\$412,000	\$449,000	\$495,000	\$510,000
Total	\$359,000	\$412,000	\$449,000	\$495,000	\$510,000
NON-OPERATING EXPENSES					
Capital Maintenance	\$82,000	\$94,000	\$103,000	\$109,000	\$112,000
Total	\$82,000	\$94,000	\$103,000	\$109,000	\$112,000
TOTAL NET INCOME (LOSS)	\$0	\$0	\$0	\$0	\$0

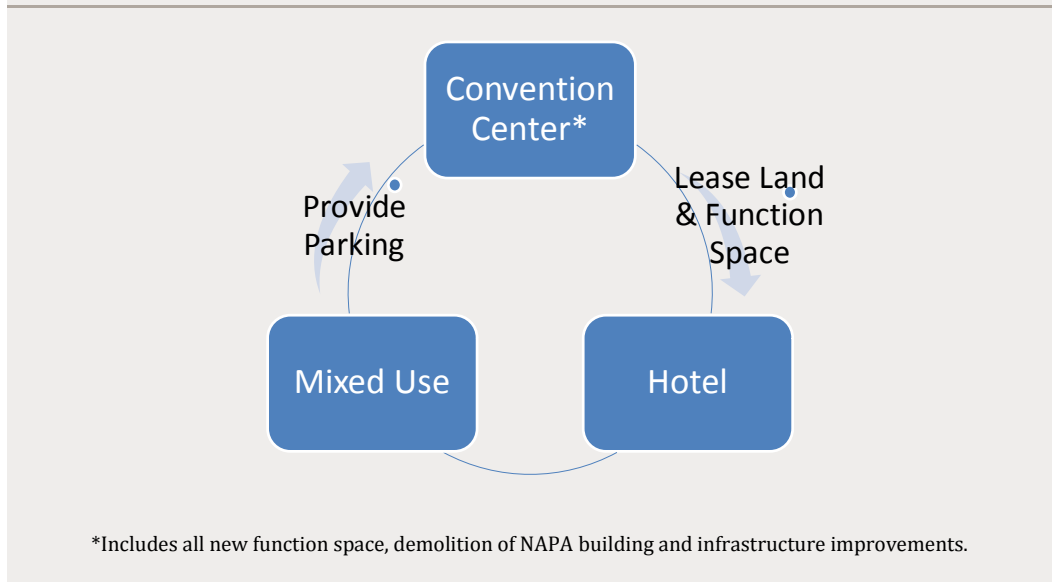
*Fund transfers would be made from available Innkeepers Tax revenue in amounts sufficient to cover projected operating deficits.

The current convention center receives support for its operations from the current Innkeepers tax. An expanded convention center would continue to rely on a fund transfer.

Approach to Financing

HVS recommends that the City and the County pursue three separate but coordinated financing efforts as illustrated below.

FIGURE 1-9 PROJECT OVERVIEW



The convention center and hotel would additionally be supported by a mixed-use property that provides parking as well as residential property and commercial use. The revenue tools and costs of the project are:

- Innkeepers Tax – a 5 percent tax on hotel room nights in Monroe County
- Downtown Community Revitalization and Enhancement District (“CRED”) – up to \$750,000 returned from the State to the City for increased payroll and sales tax in a district. The CRED fund is projected to earn \$5.8 million by 2013.
- Food and Beverage Tax – a 1 percent tax on prepared meals (i.e. restaurants) in Monroe County that if instituted could collect \$1.7 million by 2013.
- Funds from the issuance of debt by the County as well as by a private developer provide the rest of the funds

The funds would go towards:

- Project Construction – building the proposed structures
- Utility Improvements – the development requires alterations to the city’s existing utility grid
- Debt Service Reserve – held to pay loans in case revenues are lower than anticipated
- Land (Loan payout) – cost of settling existing payments on previously acquired land
- Cost of Issuance – the cost of issuing public debt
- Contingency – money held in case of construction problems

FIGURE 1-10 DEVELOPMENT FINANCING OVERVIEW

	Convention Center	Hotel	Mixed-use Property
Sources of Funds			
Proceeds from Public Debt	\$31,527,000		TBD
Private Debt		\$21,000,000	TBD
Private Equity		9,000,000	TBD
CRED Cash	5,779,000		
F&B Cash	1,025,000		
Total Sources of Funds	\$38,331,000	\$30,000,000	TBD
Uses of Funds			
Project Construction	\$25,900,000	\$30,000,000	TBD
Utility Improvements	700,000		
Reserve Funds	3,321,000		
Land (Loan payout)	6,983,000		
Costs of Issuance	100,000		
Owner's Contingency	1,327,000		
Total Uses of Funds	\$38,331,000	\$30,000,000	TBD

The extra funds provided from the Innkeepers Tax revenue is split between funding Visit Bloomington, the Bloomington CVB, covering the operating deficit of the Convention Center, and providing additional debt service coverage.

The financing plan demonstrates the feasibility of financing the convention center, hotel, and mixed-use developments and provides a road map for pursuing project development. The next steps involve policy decisions, physical planning, refinement of costs and revenue estimates, and the solicitation of participation of private developers and operators. This pre-development work could be accomplished within the next year.

Economic Impact

HVS identified the new spending that would occur in the local economy due to the operations of the BMCCC and Headquarters Hotel assuming that the buildings open on January 1, 2015. This projection does not count spending by local residents as a new economic impact.

Spending falls into three categories:

- Direct spending impacts include the new spending from four sources as defined below. For example, a delegate's expenditure on a restaurant meal is a direct economic impact. Direct spending is done by Overnight Attendees, Daytrip Attendees, Event Organizers, and Exhibitors.
- Indirect spending impacts are generated from the business spending resulting from the initial direct spending. For example, a delegate's direct expenditure on a restaurant meal causes the restaurant to purchase food and other items from suppliers. The portion of these restaurant purchases that remain within the County is counted as an indirect impact.
- Induced spending impacts represent the change in local consumption due to the personal spending by employees whose incomes are affected by direct and indirect spending. For example, a waiter at a local restaurant may have more personal income as a result of convention delegates dining at the restaurant. The amount of the increased income that the waiter spends in the local economy is considered an induced impact.

HVS enters the direct spending estimates based on DMAI information into the IMPLAN input-output model of the local economy to estimate indirect and induced spending. The sum of direct, indirect, and induced spending estimates make up the total estimated spending impact of the expanded BMCCC operations. The next figure shows the economic impact calculation results.



FIGURE 1-11 PRESENT VALUE OF ECONOMIC IMPACT AFTER COMPLETION OF EXPANSION AND HEADQUARTERS HOTEL

	Year	Direct	Indirect	Induced	Sum	Inflation Index (3% per year)	Inflated Total	Discount Factor (5% per year)	NPV (Discounted Total)	
Year	1	2015	7,080,343	1,503,789	1,731,729	10,315,861	1.13	11,656,923	0.82	9,558,677
Year	2	2016	10,177,976	2,161,694	2,489,356	14,829,027	1.16	17,259,504	0.78	13,478,851
Year	3	2017	12,031,949	2,555,458	2,942,806	17,530,212	1.20	21,015,516	0.74	15,630,588
Year	4	2018	12,563,191	2,668,288	3,072,739	18,304,218	1.23	22,601,709	0.71	16,009,849
Year	5	2019	12,563,191	2,668,288	3,072,739	18,304,218	1.27	23,279,761	0.67	15,704,900
Year	6	2020	12,563,191	2,668,288	3,072,739	18,304,218	1.31	23,978,154	0.64	15,405,759
Year	7	2021	12,563,191	2,668,288	3,072,739	18,304,218	1.35	24,697,498	0.61	15,112,316
Year	8	2022	12,563,191	2,668,288	3,072,739	18,304,218	1.39	25,438,423	0.58	14,824,462
Year	9	2023	12,563,191	2,668,288	3,072,739	18,304,218	1.43	26,201,576	0.56	14,542,091
Year	10	2024	12,563,191	2,668,288	3,072,739	18,304,218	1.47	26,987,623	0.53	14,265,099
Year	11	2025	12,563,191	2,668,288	3,072,739	18,304,218	1.52	27,797,252	0.50	13,993,383
Year	12	2026	12,563,191	2,668,288	3,072,739	18,304,218	1.56	28,631,169	0.48	13,726,842
Year	13	2027	12,563,191	2,668,288	3,072,739	18,304,218	1.61	29,490,104	0.46	13,465,379
Year	14	2028	12,563,191	2,668,288	3,072,739	18,304,218	1.66	30,374,807	0.43	13,208,895
Year	15	2029	12,563,191	2,668,288	3,072,739	18,304,218	1.71	31,286,052	0.41	12,957,297
Year	16	2030	12,563,191	2,668,288	3,072,739	18,304,218	1.76	32,224,633	0.39	12,710,492
Year	17	2031	12,563,191	2,668,288	3,072,739	18,304,218	1.81	33,191,372	0.38	12,468,387
Year	18	2032	12,563,191	2,668,288	3,072,739	18,304,218	1.87	34,187,113	0.36	12,230,894
Year	19	2033	12,563,191	2,668,288	3,072,739	18,304,218	1.92	35,212,727	0.34	11,997,925
Year	20	2034	12,563,191	2,668,288	3,072,739	18,304,218	1.98	36,269,109	0.32	11,769,393
Year	21	2035	12,563,191	2,668,288	3,072,739	18,304,218	2.04	37,357,182	0.31	11,545,214
Year	22	2036	12,563,191	2,668,288	3,072,739	18,304,218	2.10	38,477,897	0.29	11,325,305
Year	23	2037	12,563,191	2,668,288	3,072,739	18,304,218	2.17	39,632,234	0.28	11,109,585
Year	24	2038	12,563,191	2,668,288	3,072,739	18,304,218	2.23	40,821,201	0.27	10,897,974
Year	25	2039	12,563,191	2,668,288	3,072,739	18,304,218	2.30	42,045,837	0.25	10,690,393
	Total	\$305,680,474	\$64,923,272	\$74,764,140	\$445,367,885	\$41	\$740,115,377	\$12	\$328,629,948	



HVS estimates the proposed Bloomington Monroe County Convention Center will generate an economic impact of approximately \$18.3 million to Monroe County in a stabilized year (2018). The new economic activity associated with the project is projected to support roughly 260 full-time equivalent jobs annually for Monroe County.

These economic impact estimates are subject to the assumptions and limiting conditions described throughout the report. Since the estimates are based on numerous assumptions about future events and circumstances and although we consider these reasonable assumptions, we cannot provide assurances that the project will achieve the forecasted results. Actual events and circumstances are likely to differ from the assumptions in this report and some of those differences may be material. The readers should consider these estimates as a mid-point in a range or potential outcomes.

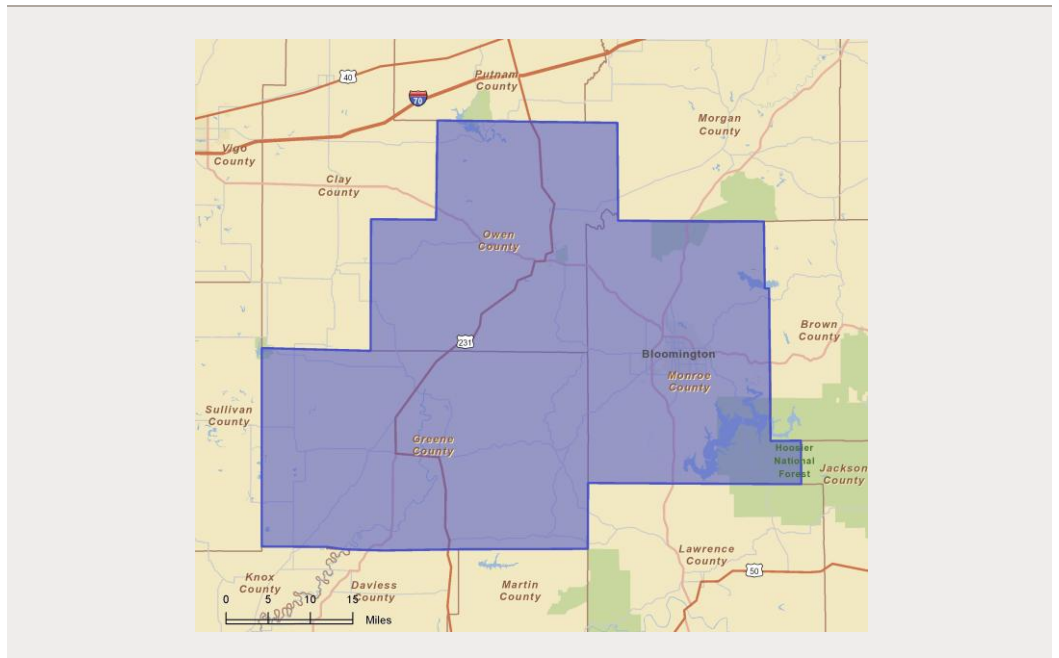
2. Market Area Overview

This market area analysis reviews economic and demographic data that describe the overall condition of the local economy in Bloomington, Indiana. The characteristics of the area economy and trends that indicate growth or decline provide indicators of the performance of the Bloomington Monroe County Convention Center (“BMCCC”). HVS analyzed the following indicators: population, income, sales, work force characteristics, employment levels, major businesses, airport access, transportation, hotel supply, and tourism attractions.

Market Area Definition

The market area for a convention center consists of the geographical region that offers transportation access, lodging, and other amenities to users of the Bloomington Monroe County Convention Center. Given that the BMCCC has potential to draw visitors from throughout the state and region, the market area does not encompass the geographic region from which attendees originate. For the purposes of this study HVS defined the market area as the Metropolitan Statistical Area of Bloomington, Indiana, which includes Greene, Monroe, and Owen Counties. The following map shows market area.

MAP OF MARKET AREA



The city of Bloomington, located approximately 45 miles southwest of Indianapolis, is home to over 80,000 residents and is the county seat of Monroe County. The city is home to Indiana University's Bloomington campus, which was established in 1820 and is the original and largest campus in the Indiana University system. The area is home to many limestone quarries. The total population of Bloomington is 80,405 and the population of the Metropolitan Statistical Area of Bloomington is 192,714.

Outside of the Metropolitan Statistical Area of Bloomington lies Indianapolis, the capital of Indiana. It is also the state's largest city and the third largest in the Midwest. The city is a primary industrial, commercial, and transportation center for the Midwest, as the most centrally located of the largest 100 cities in the United States. Historically known for its concentration of major manufacturing operations, the city has begun to host several amateur and professional sporting events each year, which have brought Indianapolis broader recognition. This February, Indianapolis will host the Super Bowl in Lucas Oil Stadium this February. In 2009, the city instituted a major re-branding campaign to coincide with infrastructure improvements within the city's entertainment and meeting facilities. The new campaign, with the tag-line "Raising the Game," is designed to increase meeting and group activity in the market and help Indianapolis compete with other major convention destinations. The area is most well known for hosting the Indianapolis 500 each May.

Indiana is located in the Great Lakes region, spanning 35,870 square miles. The state is bordered by Lake Michigan and Michigan to the north, Ohio to the east, Kentucky to the south, and Illinois to the west. Indiana is relatively flat in topography, ranging from 320 feet (in Posey County) to 1257 feet (in Wayne County), although Bloomington is located in the relatively more hilly southern part of the state. The state is well served by a network of interstate highways; Interstates 65 and 69 bisect the state on a north/south axis, while Interstates 74 and 70 provide additional accessibility.

HISTORIC MONROE COUNTY COURTHOUSE



Economic and Demographic Review

Indiana benefits from proximity to both national and international major markets and population centers. Indiana is within a day's drive of two-thirds of the population of the United States. Indiana's economy continues to grow in size and diversity. The types of goods it produces, as well as the markets served, help to balance Indiana's economy. While the manufacturing sector will continue to be important to the Indiana economy, it appears that Indiana has begun to conform to the national trend of slow, stable manufacturing employment coupled with strong growth in the services sector. The service sector employs more workers than the manufacturing sector in Indiana. Specifically, Bloomington's economic base is diversified among education, life sciences, medical supplies manufacturing, and technology.

Macroeconomic Trends

After a period of economic expansion in the mid-2000s, the Bloomington market area entered into a period of contraction as the local economy began to experience the challenges felt across the nation associated with the recession. Our market interviews and research revealed that although the area has been impacted by slowing business levels, a depressed housing market, and reduced levels of discretionary spending, the market benefits from the presence of Indiana University. The educational sector is strong and continues to remain a cornerstone of this market. The outlook for the area is generally positive; as the national economy rebounds and strengthens, the market is anticipated to bounce back relatively quickly. Positive growth may be relatively limited in the near term.

Our analysis of the outlook for this specific market also considers the broader context of the national economy. The U.S. economy entered a recession in December of 2007, initially triggered by the subprime mortgage crisis that led to the collapse of the housing bubble. The recession worsened in the fall of 2008 when the financial crisis shocked the world economy. The U.S. fell into economic decline for most of 2009, but some positive trends began to emerge mid-year. The nation's gross domestic product and corporate profits began to grow again in the third quarter of 2009. Momentum continued to build during 2010. Stock prices and retail sales increased across the country, and real GDP in the U.S. expanded by an annual rate of 3.2% in the fourth quarter of 2010, accelerating from the 2.6% rate noted in the third quarter. The prospects for continued economic growth are tied to the expansion of the labor market. While many employment sectors, including manufacturing, are reporting improving trends, unemployment remains heightened. The construction and housing sectors continue to be challenged. While there were hopes for an accelerating recovery earlier this year, weakening economic news and the resultant stock market volatility in August of 2011 have raised concerns that the U.S. may be facing another economic slowdown. Given the uncertain prospects for the economy, expectations for continuation of the recovery will undoubtedly be moderated as investors take a "wait and see" attitude in the near term.

A primary source of economic and demographic statistics used in this analysis is the Complete Economic and Demographic Data Source published by Woods & Poole Economics, Inc. – a well-regarded forecasting service based in Washington, DC. Using a database containing more than 900 variables for each county in the nation, Woods & Poole employs a sophisticated regional model to forecast economic and demographic trends. Historical statistics are based on census data and information published by the Bureau of Economic Analysis. Projections are formulated by Woods & Poole, and all dollar amounts have been adjusted for inflation, thus reflecting real change.

The following figure presents key demographic and economic data for the region.

FIGURE 2-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	1990	2000	2009	2015	Average Annual Compounded Change		
					1990-00	2000-09	2009-15
Resident Population (Thousands)							
Monroe County	109.4	120.8	129.9	135.4	1.0 %	0.8 %	0.7 %
Bloomington, IN MSA	157.3	175.8	185.2	193.1	1.1	0.6	0.7
State of Indiana	5,557.8	6,091.4	6,414.7	6,651.9	0.9	0.6	0.6
United States	249,622.8	282,171.9	307,050.4	325,421.9	1.2	0.9	1.0
Per-Capita Personal Income*							
Monroe County	\$20,615	\$25,094	\$27,302	\$29,809	2.0	0.9	1.5
Bloomington, IN MSA	20,041	24,386	26,508	28,717	2.0	0.9	1.3
State of Indiana	23,552	29,411	30,153	32,706	2.2	0.3	1.4
United States	26,226	32,352	35,142	37,963	2.1	0.9	1.3
W&P Wealth Index							
Monroe County	85.2	84.4	85.3	85.7	(0.1)	0.1	0.1
Bloomington, IN MSA	81.6	80.6	80.3	80.3	(0.1)	(0.0)	(0.0)
State of Indiana	91.2	92.2	86.8	87.1	0.1	(0.7)	0.0
United States	100.0	100.0	100.0	100.0	0.0	(0.0)	0.0
Food and Beverage Sales (Millions)*							
Monroe County	\$137	\$186	\$211	\$223	3.1	1.4	0.9
Bloomington, IN MSA	160	219	245	260	3.2	1.3	0.9
State of Indiana	5,442	7,079	7,768	8,103	2.7	1.0	0.7
United States	250,451	332,342	388,117	415,376	2.9	1.7	1.1
Total Retail Sales (Millions)*							
Monroe County	\$1,080	\$1,586	\$1,581	\$1,800	3.9	(0.0)	2.2
Bloomington, IN MSA	1,355	1,930	1,900	2,162	3.6	(0.2)	2.2
State of Indiana	56,370	78,866	75,814	85,623	3.4	(0.4)	2.0
United States	2,545,947	3,516,734	3,544,629	4,093,326	3.3	0.1	2.4

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

Over the past decade, the population of the Bloomington MSA has grown at the same rate as the entire state of Indiana, but at a rate slower than that of the nation. Projections indicate that Monroe County and the Bloomington MSA will experience a growth in population at a slightly higher rate than the state of Indiana, but at a slower rate than the nation as a whole. Per capita personal income has recently been increasing in Bloomington, but the PCPI of the Bloomington MSA is lower than the state and national levels and the trend is expected to continue due to a below average growth rate projected for the area. Food and beverage sales and total retail sales are expected to continue to increase at a higher rate than for the state as a whole, but the overall wealth index of the region is expected to continue to experience a slight decline.

**Drive-Time Radiuses
Demographic
Information**

To augment the demographics of the County and MSA presented above, HVS reviewed demographic trends within certain drive-time radii of the BMCCC. An analysis of demographics within a drive-time radius often provide better insight into the persons residing in areas that would be potential markets for public consumer shows, banquets, and other locally based meetings and events.

HVS used ESRI to analyze demographics of populations within 30-minute, 60-minute, and 180-minute drive time radii.

FIGURE 2-2 DRIVE TIME RADIUS SITE MAP

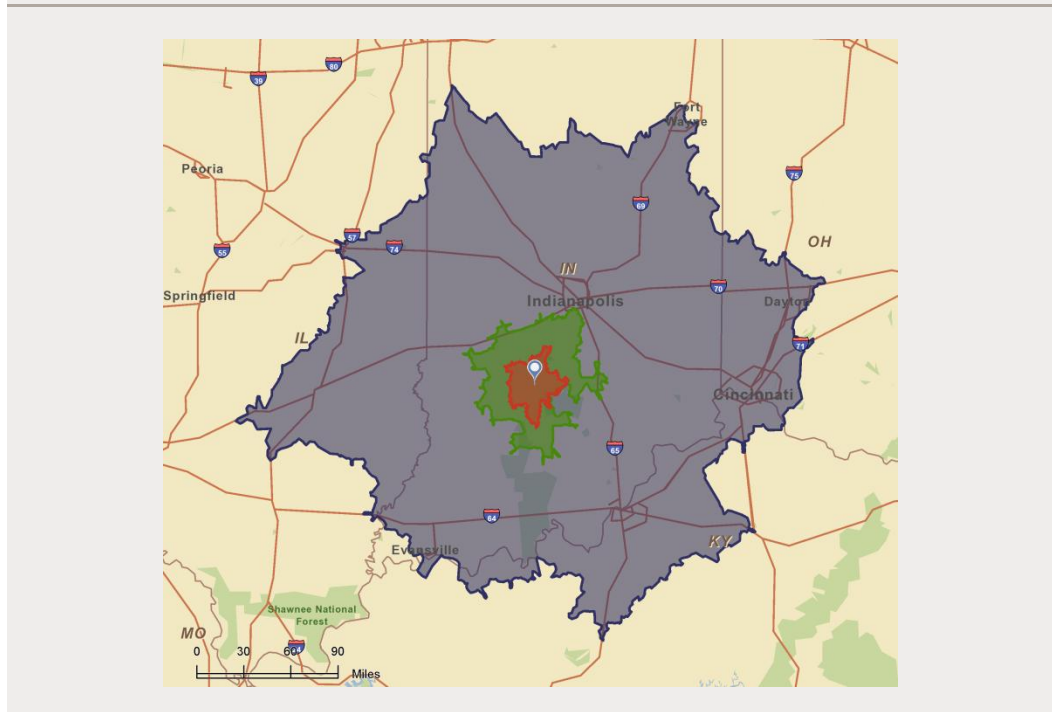


FIGURE 2-3 DRIVE TIME RADIUS MARKET DEMOGRAPHICS

Drive Time Radius Number of Minutes	Population (2010)	Percent Growth In Population (2010-2015)	Median Household Income (2010)	Percent Growth in Median Household Income (2010-2015)
30 Minutes	158,775	0.62 %	\$43,070	2.91 %
60 Minutes	478,989	0.75	53,247	2.56
180 Minutes	9,151,576	0.52	53,569	2.44
State of Indiana	6,479,832	0.47	53,650	2.51
United States	311,212,863	0.76	54,442	2.36

Source: ESRI

The markets within all three drive-time radii have experienced population growth significantly above the State of Indiana population growth. Median household income within the 30-minute drive-time range is significantly lower than the state and national levels, but the large number of Indiana University - Bloomington students within the 30-minute drive-time range serves as a drag on the median income number. The median household income for the area is growing at a faster rate than it is for the surrounding area, the state, and the country, which points to a strengthening economy that can generate business as well as provide local amenities to support a convention center.

The success of an events facility lies in its ability to develop event programming that appeals to a broad cross-section of the marketplace. A market's age distribution can be a decisive factor in determining potential event demand, and provide insight into the types of events and programs that the market will support. A market with strong youth and teen populations suggests a stronger demand for family-oriented events and higher participation rates in amateur sports programs. A market with a strong young adult population suggests increased demand for spectator sporting events, concerts and other entertainment.

FIGURE 2-4 DRIVE TIME RADIUS AGE DISTRIBUTION

Age Range	30-Minute Drive Time	60-Minute Drive Time	180-Minute Drive Time	Country
0-19	25.6 %	26.6 %	27.0 %	27 %
20-34	29.6	29.6	21.6	20
35-44	11.5	11.5	12.9	13
45-54	12.3	12.3	14.4	15
55-64	10.0	10.0	11.9	12
Over 64	11.0	11.0	12.6	13

Source: ESRI

The 30-minute and 60-minute drive-time radii surrounding the Convention Center include a very strong young adult population (20-34), significantly higher than the national average. The young population is influenced by the large number of university students attending Indiana University and other area schools.

The characteristics of an area's workforce provide an indication of the type and amount of demand for convention center facilities. Healthcare and other industries host conferences and tradeshow. Manufacturing creates demand for conventions and consumer shows. Sectors such as finance, insurance, and real estate (FIRE); wholesale trade; and services generate meeting, training seminars, and workshops that may use a convention center. The government sector also generates meetings and conferences, but the spending associated with the public sector is typically less than in the private sector. Group meetings and tradeshow from manufacturing, construction, transportation, communications, and public utilities (TCPU) employers can also be important, depending on the company type.

The following figure shows the Bloomington, IN MSA workforce distribution by business sector.

FIGURE 2-5 HISTORICAL AND PROJECTED EMPLOYMENT (000s)

Industry	1990	Percent of Total	2000	Percent of Total	2009	Percent of Total	2015	Percent of Total	Average Annual Compounded Change		
									1990- 2000	2000- 2009	2009- 2015
Farm	2.6	3.2 %	2.4	2.4 %	2.1	2.0 %	2.1	1.9 %	(0.8) %	(1.4) %	0.2 %
Forestry, Fishing, Related Activities And Other	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.6	(1.6)	0.8
Mining	1.2	1.5	0.8	0.8	0.8	0.7	0.8	0.7	(3.9)	(1.0)	0.9
Utilities	0.6	0.7	0.4	0.4	0.5	0.5	0.5	0.4	(2.4)	1.3	0.2
Construction	4.1	5.0	5.4	5.5	4.8	4.6	5.5	4.9	2.7	(1.3)	2.3
Manufacturing	11.0	13.4	10.9	11.0	9.6	9.2	9.7	8.6	(0.1)	(1.4)	0.1
Total Trade	12.1	14.7	14.0	14.2	12.4	11.9	13.6	12.0	1.5	(1.3)	1.5
Wholesale Trade	1.8	2.2	2.4	2.4	2.1	2.0	2.2	2.0	2.6	(1.3)	0.9
Retail Trade	10.2	12.4	11.6	11.8	10.3	9.9	11.3	10.0	1.3	(1.3)	1.6
Transportation And Warehousing	1.4	1.7	1.6	1.6	1.7	1.7	1.9	1.7	1.4	0.9	1.3
Information	1.6	1.9	1.7	1.7	1.7	1.6	1.8	1.6	0.5	0.2	0.7
Finance And Insurance	1.9	2.3	2.2	2.3	2.4	2.3	2.6	2.3	1.8	0.9	1.0
Real Estate And Rental And Lease	2.3	2.8	2.9	3.0	3.2	3.1	3.5	3.1	2.4	1.2	1.4
Total Services	23.5	28.6	32.7	33.2	39.6	38.0	44.5	39.3	3.4	2.1	1.9
Professional And Technical Services	2.9	3.6	4.1	4.2	5.2	5.0	6.0	5.3	3.4	2.7	2.5
Management Of Companies And Enterprises	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	3.0	1.6	0.4
Administrative And Waste Services	2.3	2.7	4.1	4.1	5.4	5.2	6.2	5.5	6.1	3.3	2.3
Educational Services	0.7	0.8	1.0	1.0	1.8	1.7	2.2	1.9	4.0	7.1	3.1
Health Care And Social Assistance	6.1	7.5	8.7	8.8	11.1	10.6	12.5	11.1	3.6	2.7	2.0
Arts, Entertainment, And Recreation	0.9	1.1	1.5	1.5	1.8	1.8	2.1	1.9	5.6	2.1	2.4
Accommodation And Food Services	5.9	7.2	7.4	7.5	7.9	7.6	8.6	7.6	2.2	0.7	1.4
Other Services, Except Public Administration	4.5	5.4	5.6	5.7	5.9	5.7	6.4	5.7	2.3	0.6	1.3
Total Government	19.6	23.9	23.2	23.6	25.2	24.1	26.5	23.4	1.7	0.9	0.8
Federal Civilian Government	0.5	0.6	0.6	0.6	0.5	0.5	0.5	0.5	1.9	(2.3)	0.5
Federal Military	0.8	1.0	0.6	0.6	0.6	0.5	0.6	0.5	(2.7)	(1.1)	0.1
State And Local Government	18.3	22.2	22.0	22.3	24.1	23.1	25.4	22.4	1.9	1.0	0.9
TOTAL	82.2	100.0 %	98.6	100.0 %	104.4	100.0 %	113.2	100.0 %	1.8 %	0.6 %	1.4 %
MSA	82.2	—	98.6	—	104.4	—	113.2	—	1.8 %	0.6 %	1.4 %
U.S.	139,380.8	—	166,758.8	—	177,667.2	—	192,313.7	—	1.3	0.7	1.3

Source: Woods & Poole Economics, Inc.

Major Business and Industry

The services sector represents the largest employment sector within the Bloomington MSA, driven by growth in the health care and social assistance and administrative and waste services sectors. State and local government represents nearly a quarter of employment but its growth should slow down going forward. General Electric has announced that it will open a green energy plant in Bloomington, adding 200 jobs in 2012. Outside of the GE plant, the greatest number of new jobs should come from the health care and social assistance fields.

Providing additional context for understanding the nature of the regional economy, the following table presents a list of the major employers in the market area.

FIGURE 2-6 MAJOR EMPLOYERS

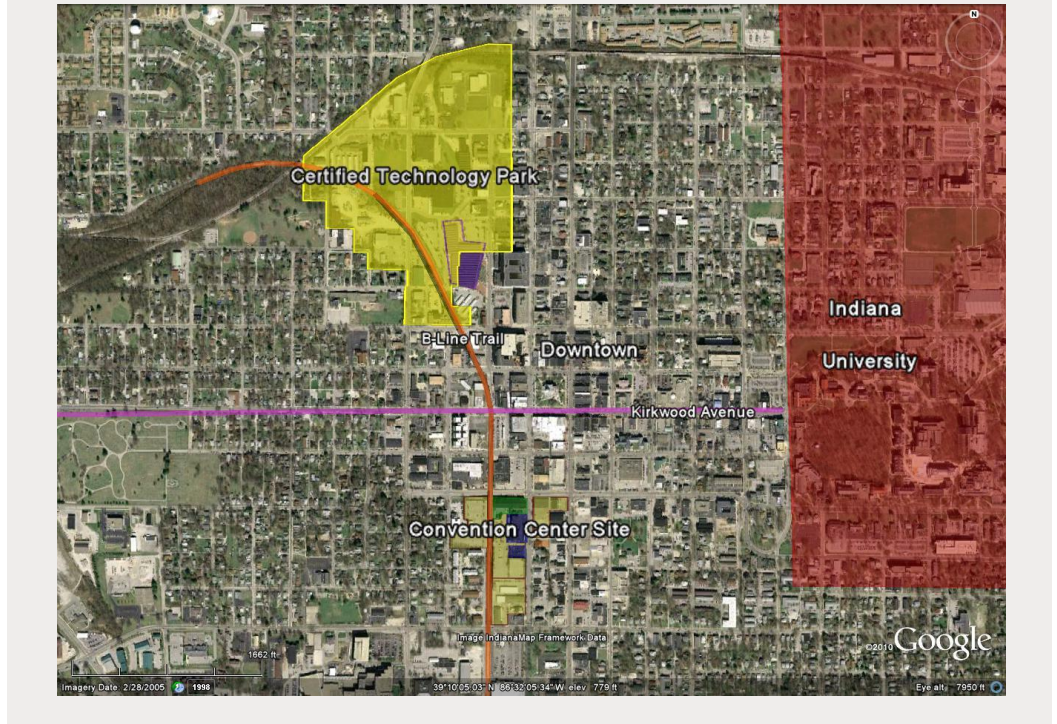
Rank	Firm	Number of Employees
1	Indiana University - Bloomington	7,000
2	Cook Group, Inc.	3,300
3	Indiana University Health Bloomington	2,246
4	Monroe County Community School Corporation	1,874
5	Baxter Healthcare Pharmaceuticals	1,100
6	Bloom Marketing Group, LLC	NA
7	City of Bloomington	690
8	General Electric	650
9	Monroe County	532
10	Internal Medicine Associates	393

Source: Bloomington Economic Development Corporation

Indiana University provides a number of jobs related to education, which is by far the biggest source of employment, followed by medical services and supplies and government. Pharmaceuticals, telecommunications, and durable goods round out the list.

Recent efforts by the City and the Bloomington Economic Development Corporation have led to a rise in the local information technology industry, and the recent creation of a Certified Technology Park supported by Tax Increment Financing should continue to attract technology businesses. At present, the city lacks the major corporate presence that requires space for business group meetings, conferences, and training workshops.

FIGURE 2-7 TECHNOLOGY PARK AND CONVENTION CENTER SITE



The Crane Naval Surface Warfare Center (“Crane”) is another generator of room nights and economic activity in Bloomington. Although Bloomington is 33 miles away from Crane, it is the closest mid-size city. Crane generates group meeting activity and room nights in Bloomington directly from visiting military personnel and indirectly through other industries such as weapons technology that conduct business with the base.

**Unemployment
Statistics**

Unemployment statistics provide a measure of the health of the local economy and comparisons to state and national trends. The following table presents historical unemployment rates for the market area.

FIGURE 2-8 UNEMPLOYMENT STATISTICS

Year	County	MSA	State	Country
2001	3.7 %	4.1 %	4.2 %	4.7 %
2002	4.3	4.8	5.2	5.8
2003	4.2	4.8	5.3	6.0
2004	4.4	4.8	5.3	5.5
2005	4.7	5.2	5.4	5.1
2006	4.3	4.6	5.0	4.6
2007	3.8	4.1	4.6	4.6
2008	4.6	5.0	5.9	5.8
2009	6.6	7.2	10.4	9.3
2010	7.3	7.9	10.2	9.6
Recent Month - June				
2010	8.4	8.8	10.1	9.5
2011	7.3	7.6	8.5	9.2

The unemployment rate for the U.S. fluctuated within the narrow range of 4.6% to 6.0% in the period spanning from 2001 to 2007. The recession that began in late 2007, and the subsequent financial crisis in 2008, forced many businesses to downsize or cease operations. Over seven million jobs were lost between 2008 and 2009; as a result, the national unemployment rate reached new heights by the fourth quarter of 2009. Some job growth resumed in 2010, but unemployment remained relatively high and in the 9.6% to 9.8% range for most of the year. Non-farm employment payrolls showed minimal job growth for eight of the twelve months of 2010. Data for 2011 reflect an accelerating pace of job growth thus far; this trend should continue, barring any further deterioration in the international economic crisis. Nevertheless, unemployment is now hovering around 9.0%, which is still relatively high, and it is expected to take several years to regenerate the jobs that were lost during the recession. Most economists expect unemployment to remain heightened over the near term, which is proving to be the case thus far in 2011.

The unemployment rate for the Bloomington MSA was 7.9% in 2010. For this same area in 2011, the most recent month's unemployment rate was registered at 7.6%, versus 8.8% for the same month in 2010.

Locally, employers have slowed operations due to the state of the national economy; however, this slowdown has been mitigated by the consistency and the stability provided by the government sector and the steady economic activity associated with Indiana University. Unemployment rates in this county should remain stronger than state and national levels. Our interviews with economic

development officials reflect a promising outlook for the area, although growth should be modest in the near term.

Airport Traffic

Since airport access is an important consideration for event planners, airport passenger counts provide an indication of the ability of a market to support convention events. Trends showing changes in passenger counts also reflect local business activity and the overall economic health of the area.

The Indianapolis International Airport (IND) is owned by the Indianapolis Airport Authority and operated by BAA Indianapolis LLC. The airport's new terminal complex, which was constructed between the two existing main runways, opened on November 12, 2008. Thirty years in the making, the architecturally stunning 1.2 million-square-foot passenger terminal and concourses features nearly \$4 million in original art. The new airport complex measures one mile wide and over two miles long. During this construction, a new main entrance was added off of Interstate 70, which reduces travel times from IND to Bloomington. IND is serviced by several major commercial airlines, such as Continental, Delta, and American, among others, which provide non-stop service to dozens of domestic and international destinations.

The following table illustrates recent operating statistics for the Indianapolis International Airport.

FIGURE 2-9 AIRPORT STATISTICS

Year	Passenger Traffic	Percent Change*	Percent Change**
2001	7,238,789	—	—
2002	6,896,418	(4.7) %	(4.7) %
2003	7,360,482	6.7	0.8
2004	8,025,051	9.0	3.5
2005	8,524,442	6.2	4.2
2006	8,085,394	(5.2)	2.2
2007	8,272,289	2.3	2.2
2008	8,151,488	(1.5)	1.7
2009	7,465,719	(8.4)	0.4
2010	7,526,414	0.8	0.4

*Percent change from the previous year

**Compounded percent change from first year of data

Source: Indianapolis International Airport

The Indianapolis International Airport may serve convention events in Bloomington, but most convention attendees would drive. Indianapolis has a sizable convention center in the city, which serves as a much more convenient location for travelers flying to Indiana. Monroe County has a regional airport, but it no longer supports commercial passenger flights.

Bloomington's proximity to the city of Indianapolis is both positive and negative. Indianapolis is the larger city and state capital that is the business center for the region, drawing most of the meeting and convention activity in the state. Event attendees are unlikely to fly into Indianapolis only to drive to Bloomington. The 120,000 alumni of Indiana University living in Indiana can draw regional events to Bloomington. Events could also locate in Bloomington for the distinctive feel of the location. Indianapolis provides a large proximate population base and a source of drive-in visitors. Bloomington is situated to attract rotating state events due to its location in the central southern part of the state within comfortable driving distance for most of the state's population.

I-69 Development

Bloomington lacks an interstate connection to Indianapolis. An expansion of Interstate 69 is under planning and construction and if completed would provide greater transportation access to Bloomington for the state of Indiana. I-69 already connects Indianapolis to the Canadian border at Port Huron, Michigan. Currently under construction is a segment linking Evansville to Indianapolis. A planned segment of I-69 would run immediately adjacent to Bloomington and connect it to Indianapolis, decreasing travel times to the capital and to the Southeastern part of the state.

FIGURE 2-10 PROPOSED I-69 ROUTE



Indiana University

The impact of Indiana University - Bloomington cannot be understated. Over 42,000 students attended IU Bloomington during the 2009-2010 school year, being serviced by over 17,000 faculty and staff. Both the undergraduate and graduate population has grown over the past five years; the undergraduate population has risen 9% with a 2010 fall enrollment of 32,367 students, while the graduate population grew 19% with a 2010 fall enrollment of 10,097.

INDIANA UNIVERSITY



- Indiana University offers 18 separate schools and colleges, and has a number of renowned programs. The Jacobs School of Music is one of the top music schools in the country and hosts a large number of performances throughout the year. The Kelley School of Business and the Maurer School of Law are highly regarded schools as well, with each school attracting professional recruiters and professional events to Bloomington.
- Indiana University supports a number of cultural hubs, including the IU Art Museum, the Grunwald Gallery of Art, and the Mathers Museum of World Cultures as well as the Lilly Library, which features rare books, and the Elizabeth Sage Historic Costume Collection.
- University athletic programs induce a significant amount of business into the area. As a member of the Big 10 Conference, Indiana University draws a number of sports spectators to the city to see its 24 men's and women's NCAA athletic teams. In addition to regular season play, these teams can bring a number of conference and NCAA tournaments and championships to the Bloomington area. The greatest attendance generators are the Indiana football and men's basketball programs. The following two tables present the trends in

the total attendance to Indiana University football games and average attendance per game.

FIGURE 2-11 IU FOOTBALL PROGRAM ATTENDANCE TRENDS

Year	Home Games	Total Attendance	Average Attendance	Percent Change	Win/Loss Record
1998	5	182,262	36,452	-	4-7
1999	7	247,617	35,374	(3.0) %	4-7
2000	6	198,675	33,113	(6.4)	3-8
2001	6	204,780	34,130	3.1	5-6
2002	na	na	na	-	3-9
2003	6	209,900	34,983	-	2-10
2004	na	na	na	-	3-8
2005	6	237,214	39,536	-	4-7
2006	7	231,443	33,063	(16.4)	5-7
2007	7	259,025	37,004	11.9	7-6
2008	8	254,255	31,782	(14.1)	3-9
2009	6	250,997	41,833	31.6	4-8
2010	6	251,718	41,953	0.3	5-7
Compound Average Annual Growth Rate:				2.4%	
Source: NCAA					

The average attendance per game at IU football games has risen during recent years. Periodic declines in attendance indicate that the attendance depends on team performance.

FIGURE 2-12 IU BASKETBALL PROGRAM ATTENDANCE TRENDS

Year	Home Games	Total Attendance	Average Attendance	Percent Change	Win/Loss Record
1999	14	214,588	15,328	-	23-11
2000	12	195,089	16,257	6.1 %	20-9
2001	15	223,574	14,905	(8.3)	21-13
2002	11	189,013	17,183	15.3	25-12
2003	12	198,321	16,527	(3.8)	21-13
2004	13	214,331	16,487	(0.2)	14-15
2005	16	235,245	14,703	(10.8)	15-14
2006	13	220,343	16,949	15.3	19-12
2007	15	247,103	16,474	(2.8)	21-11
2008	19	320,641	16,876	2.4	25-8
2009	15	214,971	14,331	(15.1)	6-25
2010	17	260,028	15,296	6.7	10-21
2011	18	274,663	15,259	(0.2)	12-20
Compound Average Annual Growth Rate:				0.2%	
Source: NCAA					

The IU basketball program has been a traditional power. During the successful 2008 season, the program drew over 16,800 fans per game; the program experienced a down period but continues to draw large crowds.

INDIANA UNIVERSITY'S MEMORIAL STADIUM



Indiana University creates an attractive destination unique within Indiana. Its strong academic programs have the potential to generate demand for academic and other related conferences. While the vast majority of academic conferences occur on campus, a few larger events may require larger spaces that could be offered by an expanded convention center. With thousands of alumni living throughout the state, Bloomington is an attractive location for gatherings for those who wish to be near their alma mater. The Indiana University Alumni Association regularly organizes alumni events on the campus and according to staff, they could benefit from more available off-campus event space.

Tourist Attractions

Bloomington and Monroe County offers attractions that are not related to or provided by Indiana University.

- The B-Line Trail is a newly developed 3.1-mile running, walking, and biking trail running through downtown Bloomington. The trail features fitness areas and public art installations along the path and runs by many businesses and artistic areas.

- The Tibetan Mongolian Buddhist Cultural Center is the only Tibetan Cultural Center in the United States. Featuring the Kumbum Chamtse Ling Temple, this center seeks to educate the country about Tibet.
- The Bloomington Speedway features a quarter mile semi-banked clay oval track. The track features sprint carts, UMP modifieds, and Indiana super stocks.
- Lake Monroe is the largest lake in the state and features beaches as well as boat ramps and boat rentals including pontoons, jet skis, kayaks, and paddleboats.
- The Bleeding Heartland Roller Derby has bouts at Twin Lakes Recreation Center.
- The Monroe County History Center features exhibits on Indiana's limestone heritage and contains a one-room schoolhouse and pioneer cabin as well as providing a resource on local geneology.
- The WonderLab Museum of Science, Health & Technology was voted a national top 25 science center by Parents Magazine. The museum features hands-on learning experiences and is located in downtown Bloomington, directly off of the B-Line Trail.
- The Hilly Hundred bicycle tour, a 100 mile bicycle ride starting and ending in Ellettsville, Indiana. The event hosts more than 5,000 cyclists each year.
- The Bloomington Entertainment & Arts District features specialty shops and restaurants, galleries, and the Ivy Tech John Waldron Arts Center. The arts community is able to support the Fourth Street Festival of the Arts as well as the Lotus World Music and Arts Festival, both of which take place every year in the fall and showcase artistic talent locally and from around the world.

Indianapolis is relatively close, providing attractions to those who are not content to stay in Bloomington. The market benefits from a variety of tourist and leisure attractions in the area. The peak season for tourism in this area is from May to September. During other times of the year, weekend demand comprises travelers passing through en route to other destinations, people visiting friends or relatives, and other similar weekend demand generators. Primary attractions in the area include the following:

- The Indiana State Museum in White River State Park is the state's gathering place to explore Indiana's past, present, and future through exhibits that invite exploration and discovery of art, science, history, and culture.

- The NCAA Hall of Champions is a 30,000-square-foot, two-level venue that features theater presentations and a gallery for special exhibitions, paying tribute to NCAA championship sports and former NCAA student-athletes and champions.
- The Indianapolis Motor Speedway is the world's largest spectator facility and the only racetrack to host the Indy Racing League, NASCAR, and Formula One. Additionally, Lucas Oil Stadium, the new home of the NFL's Indianapolis Colts, opened in the fall of 2008, and basketball fans can enjoy Indiana Pacers home games at Conseco Fieldhouse.
- The Indianapolis Zoo hosts a million visitors each year and plays a major role in worldwide conservation and research. It is the only attraction accredited by the American Zoo and Aquarium Association (AZA) and the American Association of Museums as a zoo, an aquarium, and a botanical garden.

B-LINE TRAIL



Conclusion

The BMCCC is in a unique position.

- The presence of Indiana University provides a stable economic base that has resisted the recession and drives the retail and service industries. Indiana University's academic status has the potential to generate demand for academic and other related conventions too large to hold on campus. Demand for banquet and conference space could be generated by alumni associations.
- Other employers in Bloomington include healthcare and pharmaceuticals, but aside from this, Bloomington lacks a major corporate presence to bring in business group meetings, conferences, and training workshops. The recent creation of a technology park may alleviate this problem by attracting new businesses to the area.
- Bloomington is 45 miles to the southwest of the city of Indianapolis. As the business center of the state, Indianapolis draws a great deal of meeting and convention activity. At the same time, Indianapolis provides a large proximate population base and a source of drive-in visitors.
- Bloomington is situated to attract rotating state associations. Located in the center of the southern part of the state, an expanded convention center would be more centrally located in the state than many other state convention destinations and is within easy reach of most of the state's population while still far enough south to make it a distinct area separate from Indianapolis.

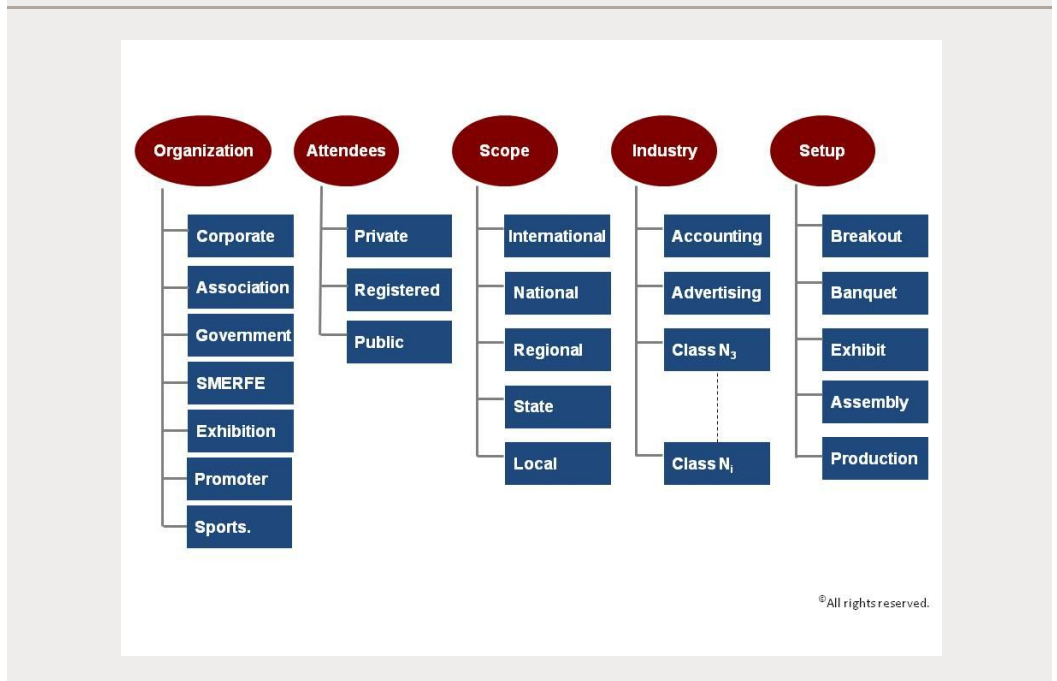
3. Industry Trends

In this section, HVS presents an analysis of the convention, tradeshow and meeting industry, including trends in the supply and demand of meeting and convention facilities, as well as trends in expenditures and meeting planner preferences. The purpose of this trends analysis is to provide background information necessary to assess the potential for a convention center expansion in Bloomington, Indiana. This section of the report also provides definitions of industry terms used throughout the remainder of this report.

OASIS® Event Classification System

Convention centers measure their performance by tracking event activity, but the definition and classification of events lacks consistency throughout the industry. Each convention center or marketing organization has their own way of classifying and measuring event demand. HVS has developed a proprietary method of event classification called OASIS Event Classification Method® or OASIS®, which is a convenient acronym for five criteria of event categorization: Organization, Attendees, Scope, Industry, and Set-up. See the figure below.

FIGURE 3-1 OASIS EVENT CLASSIFICATION SYSTEM



Following are definitions of the criteria in the OASIS Event Classification Method[®] and descriptions of the categories within each.

ORGANIZATION—the organization that sponsors or owns the event provides an important area of classification and can be described in five mutually exclusive categories:

- **Corporations**—corporations, or private business interests, are responsible for organizing the majority of events. The event organizers may be internal to the business or professional meeting planners.
- **Associations**—associations are usually membership organizations centered on specific business types, professions or political purposes.
- **Government**—international, national, state or local government organizations sponsor events. This category is particularly important in markets with a large government office presence.
- **Exhibition Company**—exhibiting organizations are companies or subsidiaries of companies established for the purpose of owning and promoting exhibiting events, such as trade and consumer shows.
- **Event Promoter**—event promoters are organizations that exist for the purpose of promoting concerts, entertainment and other types of live events that require production set-up.
- **Sports Enterprise**—sports enterprises are companies or subsidiaries of companies that exist for the purpose of owning and promoting sporting events.
- **Social, Military, Educational, Religious, Fraternal and Ethnic (“SMERFE”)**—although similar to associations, this category includes the types of organizations described in the title. Sometimes called “affinity groups” SMERFE represents a distinct category because members of these organizations use personal disposable income for membership dues and event attendance and therefore tend to be more price-sensitive than associations with professional memberships.

The organization criterion is most useful to marketing and sales organizations that rely on this information to make decisions on the allocation of staff and resources according to the type of organization sponsoring the event. Other industry participants, such as destination management companies and venue operators, also need to understand the type of organizations active in sponsoring events and value personal relationships with the event planners that represent them.

Attendees—Event attendees can be placed in three distinct categories that distinguish among the ways in which attendees gain access to events:

- **Private**—attendees come to the event by invitation only and do not pay a registration or admission fee. Private attendees may be individually asked to attend, as to a wedding, or invited by virtue of belonging to a certain group, such as company employees or shareholders.
- **Registered**—attendees do not necessarily need an invitation, but typically pay an advance registration fee to attend the event. Registered attendees are often called delegates or qualified buyers and they usually attend an event for multiple days.
- **Public**—the event is open to the general public. Attendees may need to purchase a ticket for admission such as at a consumer show. Other civic events may be free of charge.

This category is particularly important to venue operators and industry analysts. Understanding the type of attendee is critical for assessing the impact on convention center operations and projecting the economic impact of events. The length of stay of attendees and their spending patterns varies considerably among the types of attendees.

SCOPE—this category refers to the geographic origin of the attendees. Events are classified accordingly if a significant proportion of the attendees come from the indicated geographic region surrounding the convention center. Five categories capture all the potential geographic scopes and are self-explanatory:

- International
- National
- Regional
- State/Provincial
- Local

Understanding the origin of attendees is critical to event planners and in the estimation of the economic impact of events. Events that draw attendees from larger geographic regions tend to have higher new spending associated with the event. The allocation of marketing and sales resources may also break down according to the geographic scope of events.

INDUSTRY—in North America, HVS recommends relying on the North American Industry Classification System (“NAICS”) which replaced the previously used U.S. Standard Industrial Classification (“SIC”) system. NAICS was developed jointly by the U.S., Canada and Mexico to provide new comparability in statistics about business activity across North America. Other economic regions and countries

have similar industrial classification systems that are widely used and can be adopted for the purposes of classifying events by industry.

NAICS has hundreds of categories but these categories are organized hierarchically in five levels. All categories can be rolled up into twenty of the top levels in the hierarchy. However, not all top level industry classifications are useful for event classification because little or no event activity is associated with them. Other top level categories, such as Manufacturing, are too broad to provide meaningful information, and level two or three categories can be used to form a useful breakdown of events.

The choice of industry classifications should result in a reasonable share of events falling into each category. According to the Tradeshow Week data book, the leading industries that are represented by conventions, tradeshow and exhibition include:

- Medical and Health Care
- Home Furnishings and Interior Design
- Sporting Goods and Recreation
- Apparel
- Building and Construction
- Landscape and Garden Supplies
- Computers and Computer Applications
- Education
- Gifts
- Associations

Use of the NAICS codes allows for the orderly roll-up of industrial classifications across different events and venues, regardless of the categories or the hierarchical levels that different people may choose to use. Industrial classification information is useful for those planning to develop new events and for other analysts that need to understand how trends in economic health of the underlying industries affect the success of particular events and venues.

SPACE SETUP—this final criterion provides for the categorization of events by set-up of the function spaces they utilize. These categories are not mutually exclusive as events may use any combination of the five primary types of event set-up.

- **Breakout**—typically involves the use of meeting rooms, boardrooms or other multi-purpose spaces for meeting functions in a classroom or meeting setting. This set-up may involve some catering services such as coffee breaks or lunches.
- **Banquet**—includes the set-up for catered banquets events such as a wedding and may include some staging for presentations such as at a general session event.
- **Exhibit**—includes the set-up displays in exhibition halls or other multi-purpose spaces. Concession services and buffet lunches are often a component of this set-up.
- **Assembly**—includes set-up in theater style seating in plenary halls and fixed seat theaters or other multi-purposes spaces that are used primarily for assemblies and general sessions.
- **Production**—includes the set-up for concerts, entertainment, sporting events and other types of events that require significant staging, lighting, and other live-event related set-up.

Event Types

Application of the OASIS[®] system can provide precise definitions of commonly used event classifications. All commonly used terms for event types can be defined by a combination of three OASIS[®] categories: organization, attendees and space set-up.

- **Conventions**—associations, government, and SMERFE organizations register attendees for multi-day events. Facility set up includes breakout, banquet and exhibit space set-up and may include plenary sessions. Typically, the primary purpose of a convention is information exchange.
- **Tradeshows**—provide a means for wholesalers and retailers to transact business with industry buyers. Like conventions, tradeshows offer a forum for exchanging industry ideas. In order to clearly differentiate conventions from tradeshows, HVS assumes that only corporations and enterprises can sponsor and produce tradeshows. Similar to conventions, tradeshows require registered attendees. While they also require exhibit space set-up, they only sometimes require banquet, plenary, and/or breakout space set-up.
- **Combination Shows**—are either corporate or enterprise produced, typically with have an initial period of attendance by registered attendees only, and later by the public. Always requiring exhibit set-up, they sometimes require plenary, banquet and/or breakout set-up for additional portions of their show.

- **Consumer Shows**—are public, ticketed events featuring the exhibitions of merchandise for sale or display. Exhibition companies produce consumer shows, as they provide a means of product distribution and advertising. They only require exhibit space set-up.
- **Conferences**—require a mix of banquet and breakout space set-up as well as occasional assembly space, but do not require any exhibit set-up. Conferences can be conducted by any organization type, but always require attendees to be registered.
- **Meetings**—only require breakout space set-up. Like conferences, they can be produced from any of the organization types, but unlike conferences, they are private events to which one must be invited.
- **Banquets**—only require a banquet set-up for food and beverage meal service. These events also can be produced by any organizational type, and are either held privately or require guests to register.
- **Assemblies**—usually involve a ceremony, a speech, or another similar activity that attracts a crowd of spectators. Produced by any type of organization, assemblies are always public events. Additionally, assemblies only require a plenary set-up.
- **Fairs**—usually involve an exhibit booth set-up for a public event in which a number of organizations or companies represent themselves and/or a product or service, with a similar theme or purpose uniting the event. Corporations, associations, governments or SMERFE groups may present a fair.
- **Concert/Entertainment**—usually a concert or some form of live entertainment, owned and organized by an event promoter for the public. Entertainment events only require a production set-up.
- **Amateur Sports**—require only a production set-up. Attendees to sporting events, which are always organized by sports enterprises, may be public or registered. Some sporting events have both a registered and public aspect to the event over the span of a few days.

Trends

The purpose of this section is to describe the convention and meeting industry and analyze trends in the number of events, attendance, and the supply of meeting and exposition facilities.

Supply Trends

The convention center industry experienced significant year-over-year growth in supply from 2000 through 2006. Since 2007, the rate of growth in supply has slowed, but remained positive. As the majority of convention and meeting facilities involve public funding, economic conditions affect the level of public investment in convention and meeting facilities that are intended to stimulate economic activity. As poor economic conditions continue to constrain public budgets nationwide,

lack of available funding for convention and meeting facilities will continue to limit supply growth in the near future. As the economy improves, supply growth will likely remain low as convention venue projects have long lead times due to planning, financing and construction requirements.

A number of major convention centers will be undergoing expansions in the next few years, as described below.

FIGURE 3-2 FUTURE FACILITY EXPANSIONS UNDER CONSTRUCTION

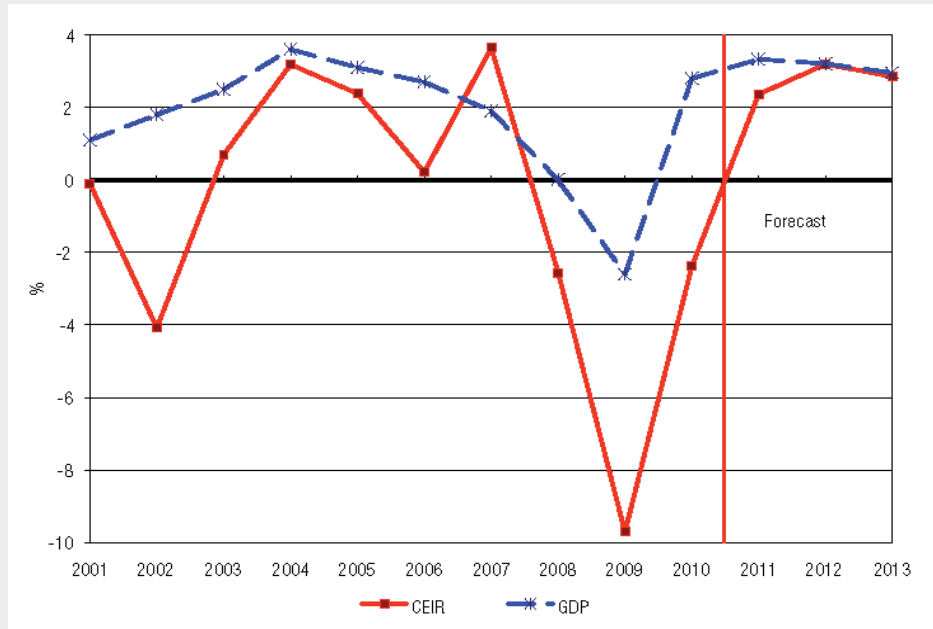
Year	Project
2012	Moscone Convention Center (San Francisco, CA) o \$70 million in facility improvements
2013	Owensboro Convention Center (KY) o 169,000 sq ft convention center o 151-room hotel
2013	San Jose Convention Center Expansion (CA) o 35,000 sq ft ballroom space o 25,000 sq ft meeting space
2013	Anaheim Convention Center (CA) o Adding 100,000-sq ft outdoor plaza
2013	Riverside, CA Convention Center o \$36 million in facility renovation o 42,400 sq ft expansion
2013	Washington Convention Center (Washington, D.C.) o 1,175-room headquarter hotel
2013	Music City Center (Nashville, TN) o New 500,000+ sq ft center & 800-room hotel

As evidenced in the above facility expansions, the type of supply growth has transformed in recent years to meet planners’ needs. Meeting and breakout sessions have become more common during large conventions, thus increasing the need for additional meeting space and/or flexible function space. As the industry has matured, meeting planner expectations for quality have increased, including proximity of full-service hotels to event facilities.

Demand Trends

The Center for Exhibition Industry Research (CEIR) has created an index of “total” demand in the convention and meeting industry and compared the demand index to the United States GDP. The following figure demonstrates how the combined or “total” demand index moves in step with the U.S. GDP.

FIGURE 3-3 GROWTH IN EXHIBITION DEMAND VS. GDP GROWTH (% CHANGE)

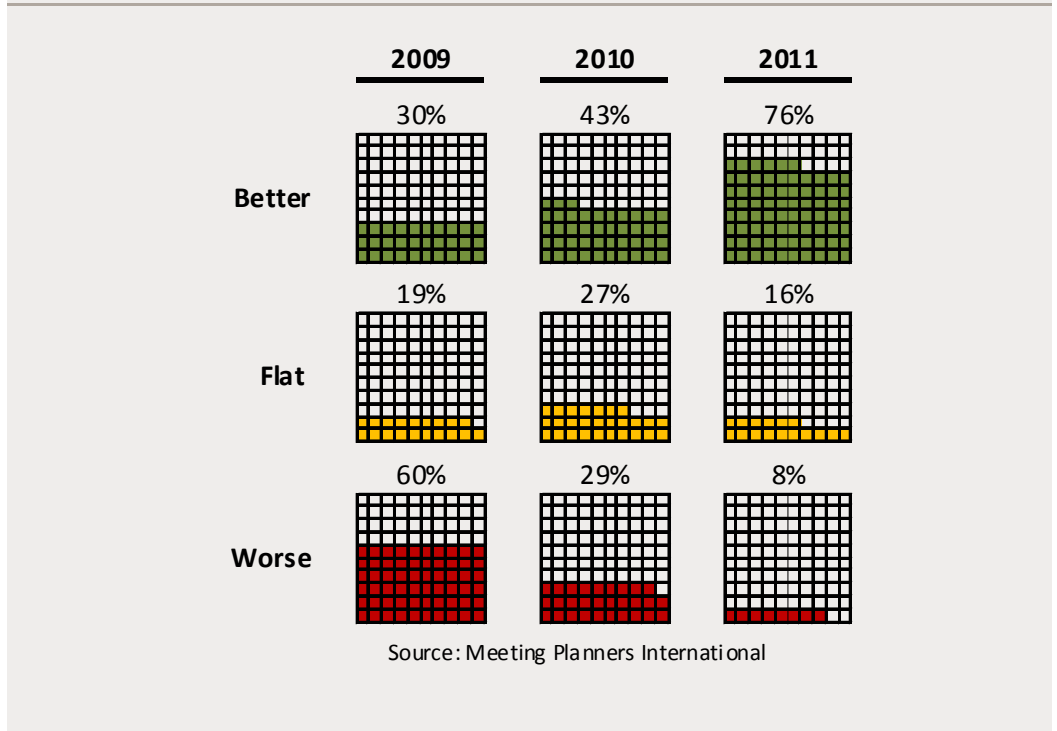


Source: Center for Exhibition Industry Research

As limited funding mechanisms have slowed supply growth, the struggling budget situations of corporations, associations, and governmental entities decreased total demand for convention and meeting space in 2009. The year 2010 saw growth in GDP as well as the beginnings of a recovery in the exhibition industry.

Event planners are reporting a more optimistic outlook in coming years as the U.S. economy continues to recover. The following figure provides a snapshot of how meeting planners had predicted that their business levels would change over the past three years.

FIGURE 3-4 EVENT PLANNER OUTLOOK



As compared to predictions for 2010, meeting planners are more optimistic on the improvement in their meeting business for 2011.

The future trends in demand, according to data from Future Watch 2010 and 2011, show increased numbers of events and attendance, but decreases in meeting length and expenditures. Figure 3-5 shows the average projected change for 2011 in these four demand indicators.

FIGURE 3-5 DEMAND INDICATORS

Demand Indicator	Estimated Rate of Growth			
	2010 Predictions		2011 Predictions	
Number of Meetings	↑	2.8%	↑	8.0%
Projected Attendance	↑	4.5%	→	2.0%
Average Meeting Length	→	-0.4%	→	0.0%
Average Expenditure Per Meeting	→	-0.4%	↑	5.0%

Source: Future Watch

In November of 2010, Red 7 Media conducted a survey of large convention and tradeshow producers on their top criteria for site selection.

FIGURE 3-6 SITE SELECTION CRITERIA FOR PLANNERS

Criteria	Percentage of Show Producers
Hotel Room Prices	75%
Convention Center and Exhibition Hall Size	67%
Airport Capacity and Airfare	65%
Hotel Room Availability	63%
Availability of Open Dates	59%
Hotel Block Attrition Policies	57%
Hotel Room Quality	57%
Proximity of Headquarter Hotel(s) to the Convention Center	55%
Convention Center and Exhibition Hall Quality	51%

Source: Red 7 Media

In addition to actual facility size, the survey indicates that site selection is largely based on two important amenities - hotels and airports. This reaffirms the changing dynamic of the convention and meeting industry that is now focused on reducing costs for the hosting organization and its attendees as well as maximizing accessibility.

Convention and Meeting Trends for the Future

Over the past few decades, the meeting and convention industry has evolved dramatically from a budding industry to a more mature one that has become an important driver of the national economy. As an established industry, the rapid

growth of the last four decades has been followed by a slowdown in supply growth in the late 2000s. As the economic recession continues to affect the level of demand and available budgets for conventions and meetings, the industry continues to evolve.

Changes in Demand and Supply Transformation: As discussed earlier, the maturity of the industry has sharply increased competitiveness. Nearby or attached quality hotel rooms, flexible meeting space, as well as price points at convention centers and hotels, and airport capacity and rates continue to drive site selection, and, therefore, dictate how supply changes over time. Quality of convention facilities and hotels, in addition to size, price, and proximity, continue to be important factors in site selection.

Travel Costs: Organizations hosting and planning events continue to work with tightened budgets, as do attendees. Recent increases in travel costs have decreased the desire to travel for some attendees and exhibitors. In the long run, expansions in the transportation system and continued innovations, as well as improved economic conditions, which reduce costs and increase the ease and affordability of travel, are likely to support the growth of the meeting industry.

Electronic Meetings: In recent years, industry experts have speculated that improvements in telecommunications technology would supplant the need for face-to-face meetings. While data indicates that some meetings and events have been replaced by webinars or other electronic forms of meetings, in the long run, electronic meetings act as a demand generator for future meeting growth as it expands the networks and interactions of businesses and organizations. Further advancements in communications technology will be necessary before electronic meetings became a realistic substitute for face-to-face meetings.

Mixed-Use Developments: For many cities, states, areas and developers convention centers have become an opportunity to spawn a mixed-use attraction, an area often including hotels, retail, dining, sports venues, and entertainment options, in addition to housing a convention center. Convention centers have become the center of their own “districts” offering almost everything a delegate, event organizer or exhibitor could want in one area. The growth of mixed-use developments, particularly after economic conditions have improved, will continue to change the meeting and convention industry as supply transforms.

Implications for Bloomington

While an oversupply of convention center space persists in the national and state markets, Bloomington may have an opportunity to increase its market share of events and attendance by building new space that addresses current needs of event planners. Assuming economic recovery continues, the expansion of the

BMCCC would occur in a market with growing demand. Supply growth is slow and no other competitive Indiana cities are building new space.

Owensboro, KY has a project under development that is scheduled for completion in 2012, but such a venue would not compete for state association business. Additionally, the proposed Owensboro convention center and headquarters hotel project includes a 151-room headquarters hotel, too small to handle larger room blocks. A Bloomington hotel market with a new headquarters hotel is more suited to handle groups than that of Owensboro.

Industry trends also indicate that Bloomington needs to expand its hotel room supply and provide high-quality hotel amenities adjacent to the convention center. As discussed later in this study, the proposed expansion site offers the opportunity to improve destination appeal by creating a mixed-use development connected to existing amenities in downtown Bloomington.

Further analysis provided in this report shows that the most significant growth opportunities for the BMCCC lies in association and SMERFE organizations with state and regional attendance.

4. Survey Findings

Overview

HVS conducted a survey of event planners to provide a basis for assessing the potential demand for an expanded convention center and headquarters hotel in Bloomington, Indiana. The purpose of this survey was to gather information from professional event planners about their event needs and event destination preferences.

HVS collected 1,709 names of event planners from the Indiana members of Meeting Planners International as well as the Indiana Society of Association Executives and previous business lists from the BMCCC and Visit Bloomington. Three mass emailings were sent, two from HVS and one from Visit Bloomington. Responses included the following:

- 332 respondents took a web based survey. Of these, 157 completed the survey while 168 partially completed the survey (left one or more questions blank).
- 225 bad email addresses
- 32 replied stating that they were not a current event planner
- 12 requests to unsubscribe
- 7 invalid responses (duplicate or inadequate responses)
- 22.4 percent of valid email addresses responded to the survey.

Respondents included professionals from organizations representing national, regional, state, and local associations, government entities, corporate and other organizations conducting or planning events.

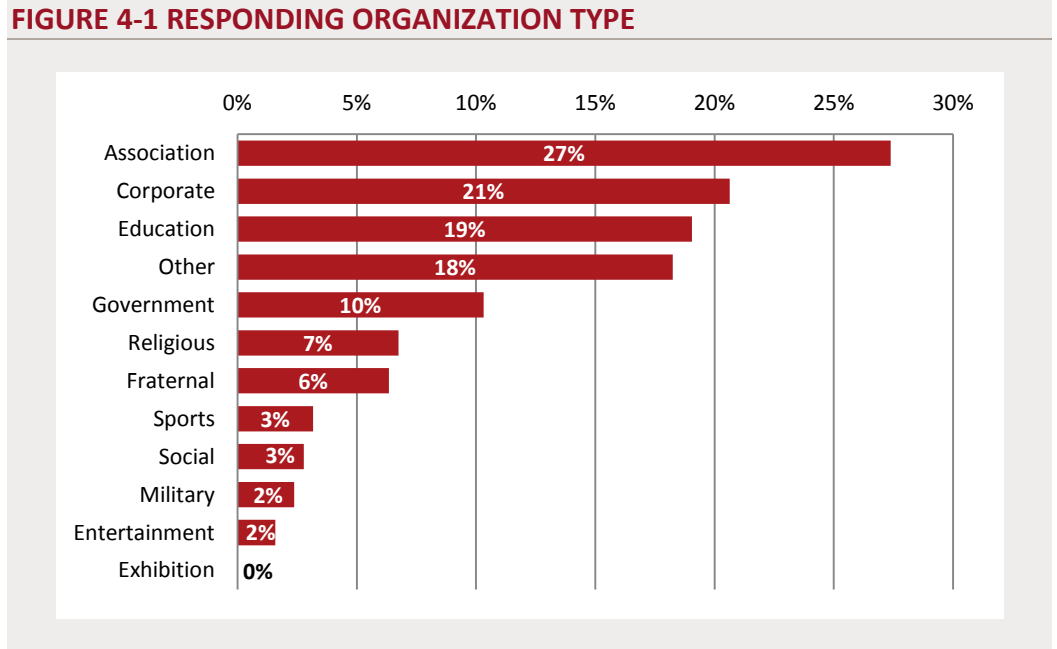
A complete survey report and the aggregate responses to each survey question are presented in an appendix to this report.

This section highlights key results that indicate the required programming and potential performance of the proposed convention center and headquarters hotel.

Survey Respondents

In order to gain understanding of the type and size of the organizations responding to the survey, HVS asked respondents a series of questions which describe the organization they represent. Respondents may represent more than

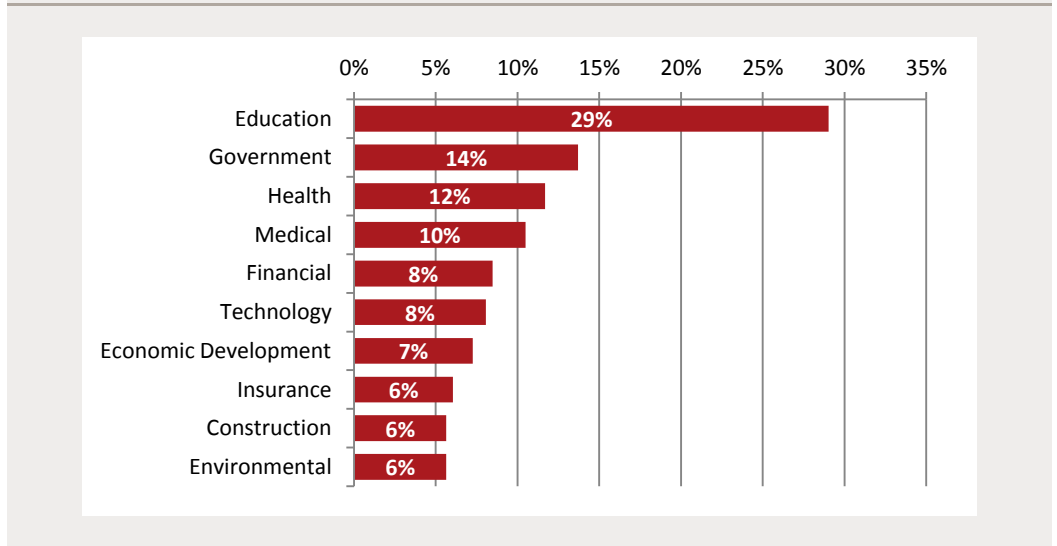
one type of organization. The figure below indicates the type of organizations which responded to the survey.



Event planners representing associations made up over one-fourth of the sample, followed by corporate event planners.

The following figure indicates the top ten industries represented by the responding organizations.

FIGURE 4-2 INDUSTRY REPRESENTED BY EVENT PLANNER

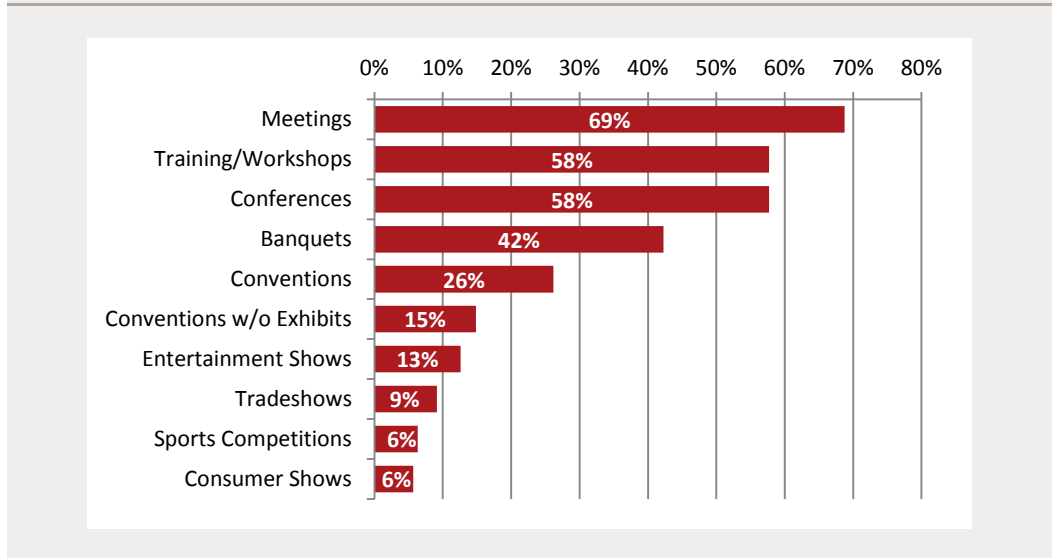


Almost a third of respondents plan events that relate to educational issues. Government is also strongly represented, as are the health and medical fields. This pattern of response differs from a typical pattern of event planner responses in which medical and health events are the most frequently cited industries. The preponderance of educational issues most likely reflects the influence of Indiana University on Bloomington, given that the event planners were more likely to come from Indiana.

Event Profile and Preferences

HVS asked event planners to identify the types of events they regularly plan and host. The following figure presents the percentage of respondents who plan each type of event.

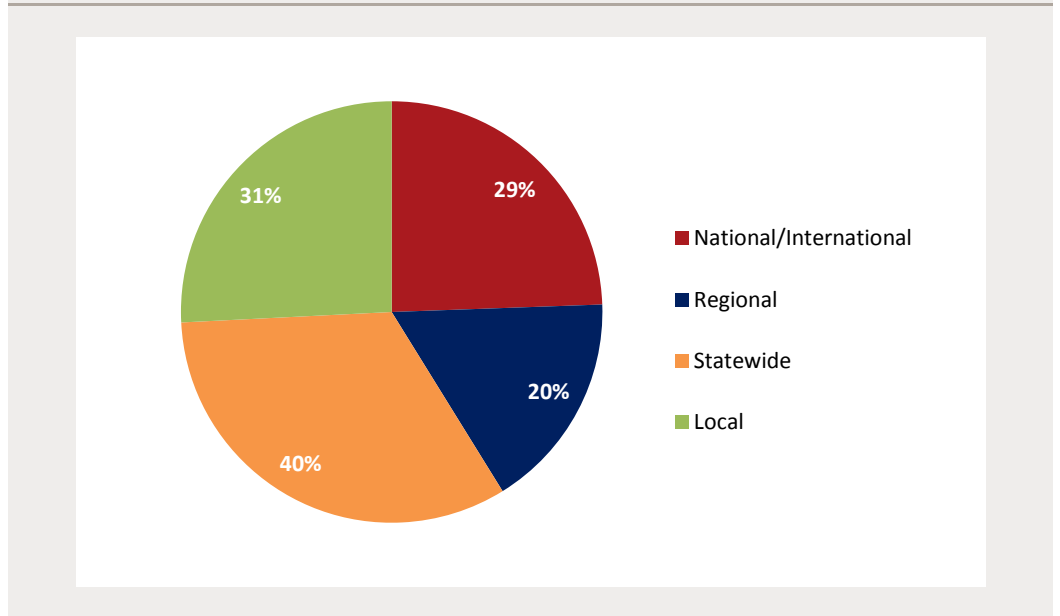
FIGURE 4-3 EVENT TYPES



Most event planners who responded to the survey plan or host a variety of meetings and other events throughout the year. More than two-thirds of respondents plan meetings for their organizations. Over a quarter of respondents plan conventions with an exhibit component.

In order to obtain information about the scope, size, length, space utilization and other event characteristics, respondents were asked about their most typical or important event.

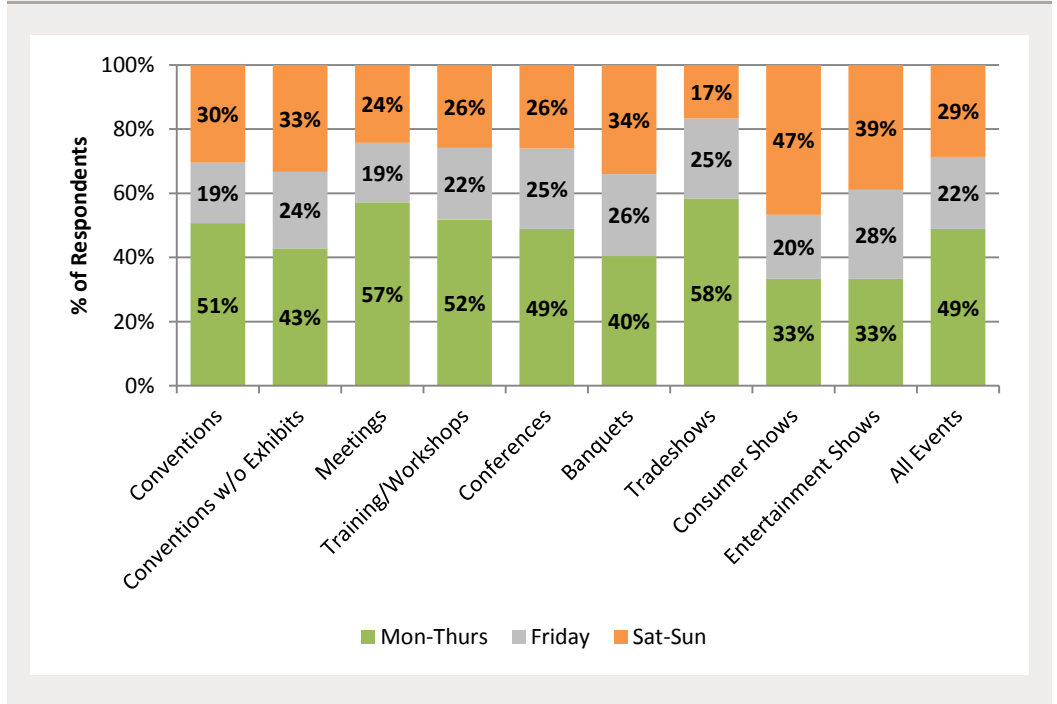
Participants were asked to identify the scope (geographic origin of attendees) of their most important or typical event. Respondents were asked which of the terms—local, statewide, regional (multi-state), or national/international—best describes the origin of attendees for the event.

FIGURE 4-4 GEOGRAPHIC ORIGIN

A plurality of respondents represented statewide events, but respondents represented all event scopes.

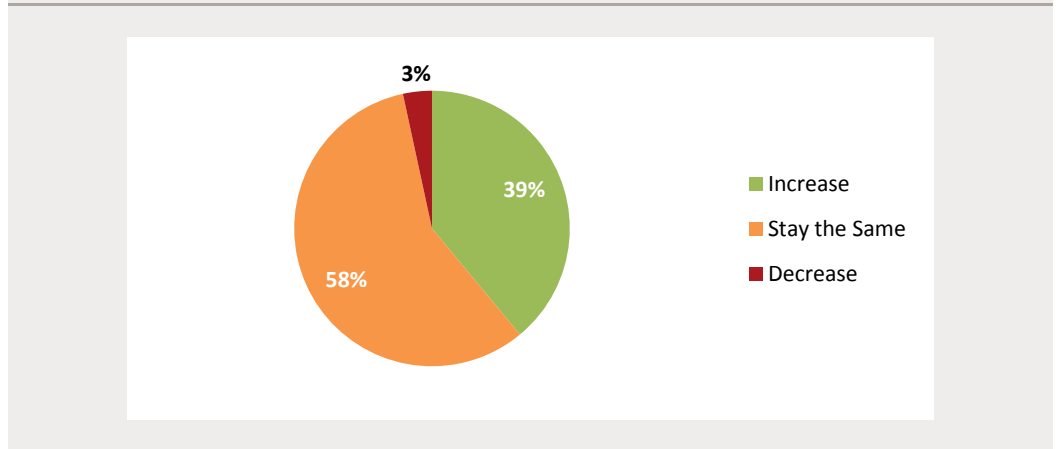
Respondents were asked on which days of the week their most typical or important event occurs. The responses are broken down by event type in the following figure.

FIGURE 4-5 DAYS OF WEEK WHEN EVENTS OCCUR



Nearly half of all events planned by respondents occur during weekdays, a time of relatively low demand for the Bloomington market.

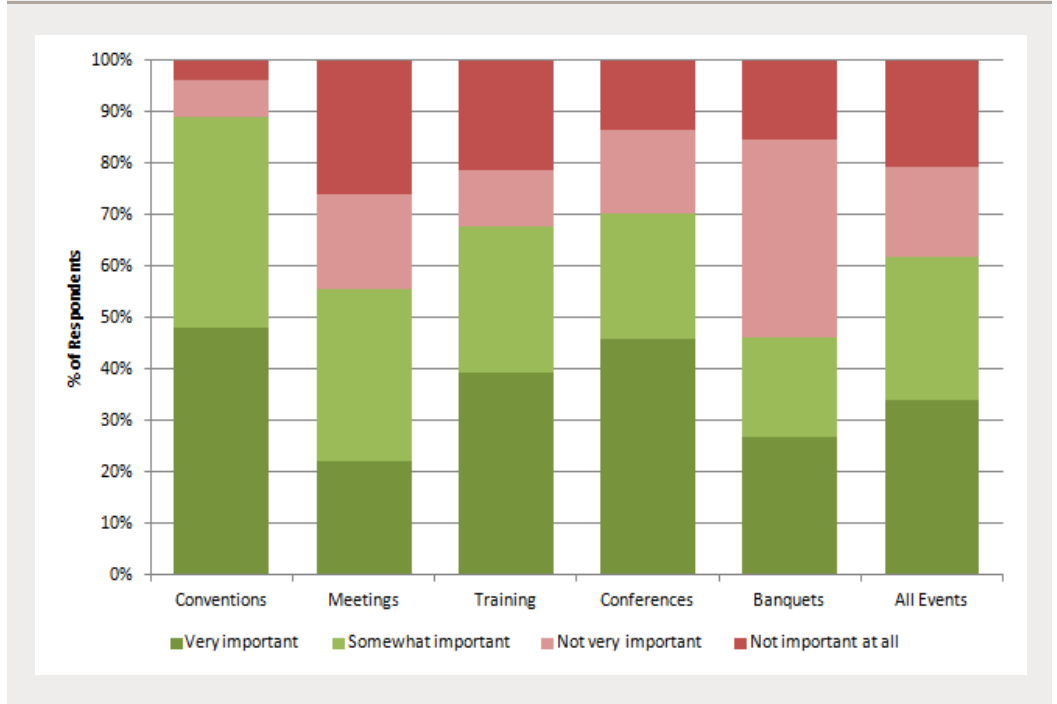
Respondents were asked whether they believe the attendance at their most typical or important event will increase, stay the same, or decrease over the next five years. The next figure illustrates the responses.

FIGURE 4-6 FUTURE ATTENDANCE

Event planners have a positive outlook about the future growth of attendance at their events. This outlook reflects a general expectation for recovery from the recession which caused prior decrease in event attendance.

Respondents rated the importance of having a full-service headquarters hotel connected or adjacent to the convention center. The figure below displays the answers for all events as well as some common event types.

FIGURE 4-7 IMPORTANCE OF HQ HOTEL

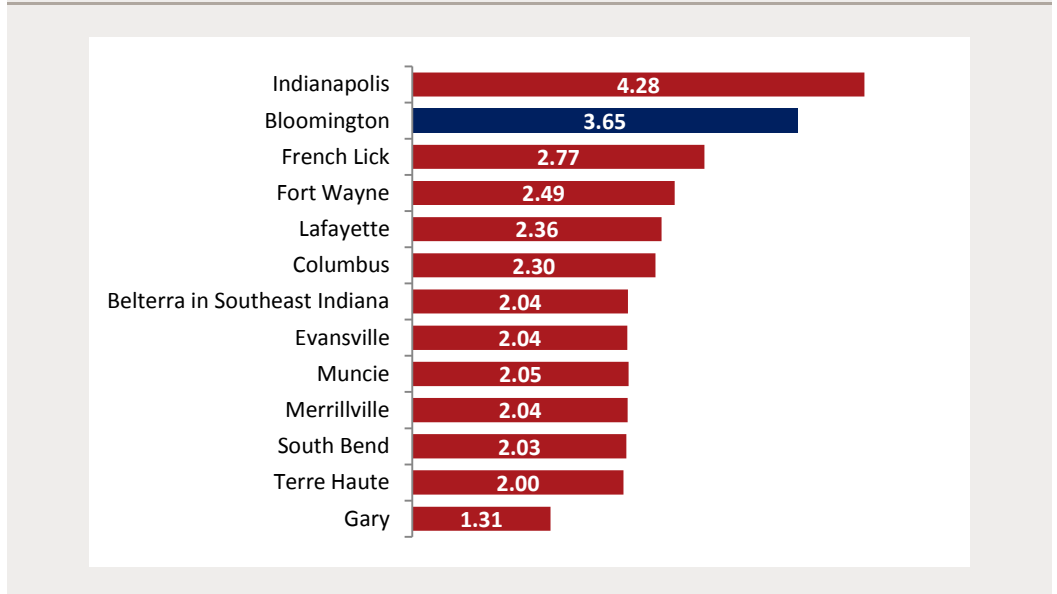


Nearly two-thirds of all respondents indicated that the presence of a headquarters hotel is either “very important” or “somewhat important” when making their planning decisions. An even greater percentage of those who plan conventions, the events that attract the most revenue to an area, insisted on the importance of a hotel.

**Perceptions of Cities
and Interest in
Bloomington**

HVS asked event planners to rate several cities in Indiana, including Bloomington, on overall attractiveness as a convention destination. These cities would compete with Bloomington for state association meetings and conventions and other state-related business. The results are presented in the figure below with a rating of 1 indicating that a city is “not at all attractive” and a 5 indicating that it is considered “very attractive.”

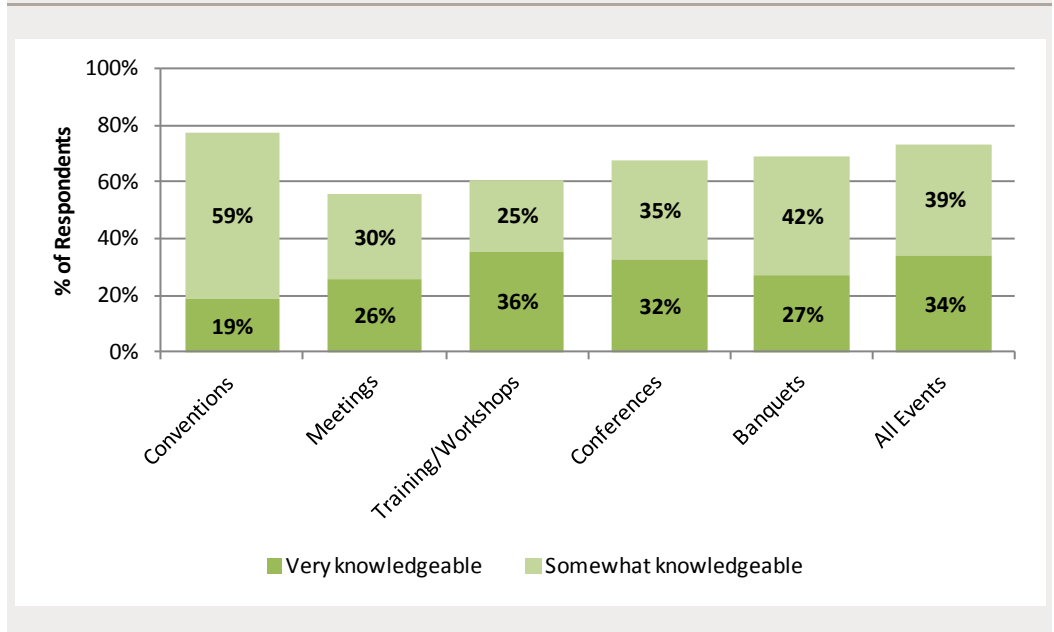
FIGURE 4-8 RATING COMPETING INDIANA CITIES AS EVENT DESTINATIONS



Event planners ranked Bloomington second only to Indianapolis as a significantly more attractive destination than the next ranked competitor. All other competitors had below average ratings. Event planners that said they were familiar with Bloomington but who had not previously held an event in Bloomington gave the city an average rating of 2.90, which again put the city second behind top-ranked Indianapolis.

Event planners were asked to rate their level of knowledge regarding Bloomington as an event destination from “not knowledgeable at all” to “very knowledgeable.” Responses are again broken down by which type of event their most important or typical event is. Below are the percentages of respondents who were “somewhat knowledgeable” or “very knowledgeable” about Bloomington as an event destination broken down by event type.

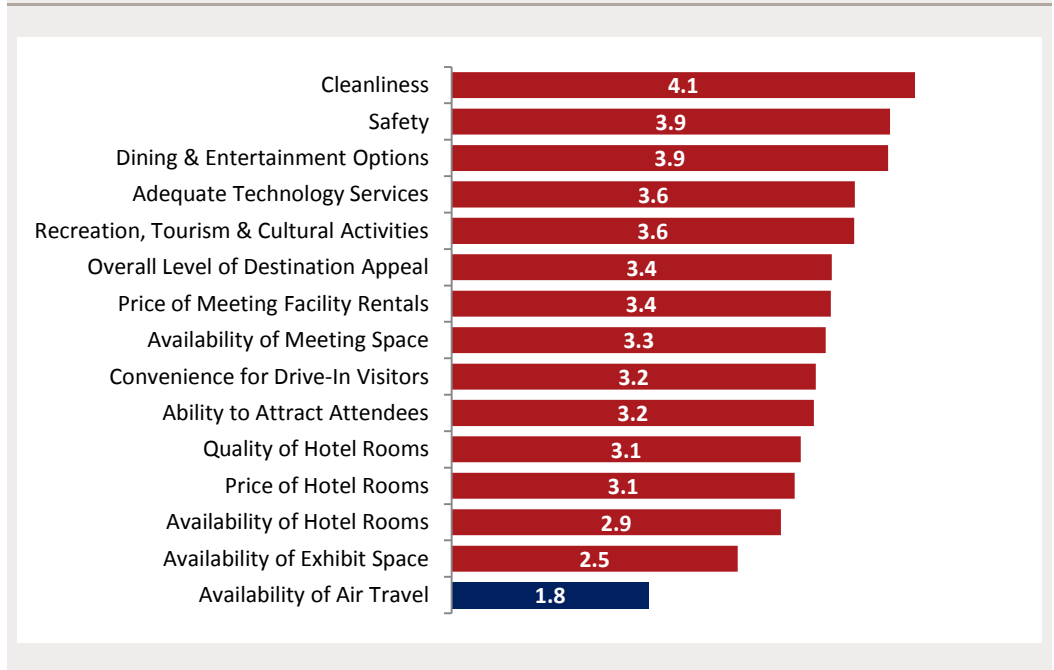
FIGURE 4-9 LEVEL OF KNOWLEDGE ABOUT BLOOMINGTON



A majority of respondents were at least somewhat knowledgeable about Bloomington as an event destination.

Event planners were asked to rate Bloomington on various criteria as a location for their events relative to other cities in which they have held events using a scale from 1 to 5 where 1 means poor and 5 means excellent.

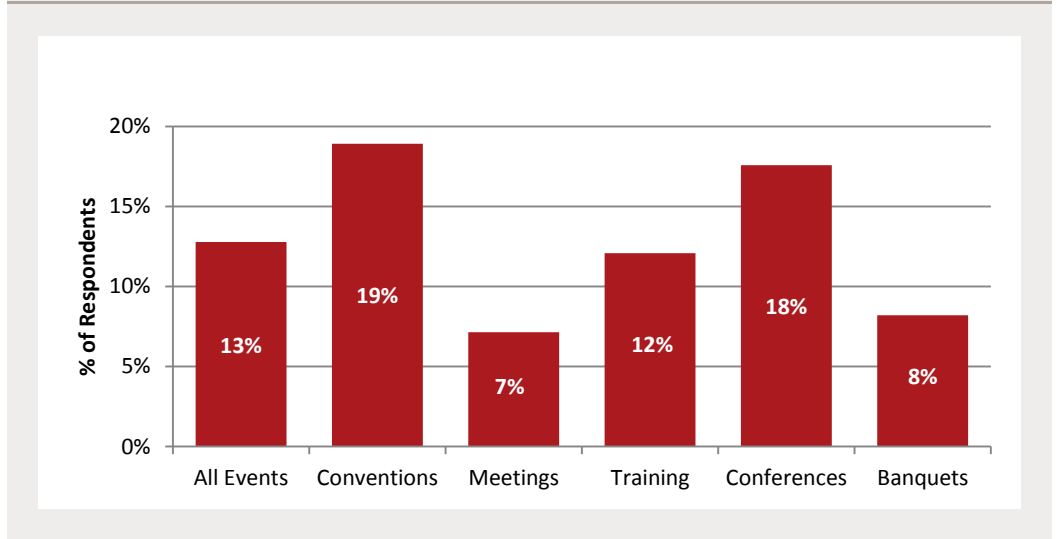
FIGURE 4-10 BLOOMINGTON FACILITIES



Respondents had positive views of Bloomington as an event destination, highly rating cleanliness, safety, and dining and entertainment options. They had a more negative view of the current hotel market in Bloomington. Respondents were also less positive about the availability of exhibit space. The lowest ranked attribute was the availability of air travel to Bloomington. Air travel is essential for national events but is not a significant limiting factor for statewide events due to Bloomington’s central location.

Respondents were asked whether they wanted to hold an event in Bloomington, but were unable to because of a lack of adequate convention and event center space. Results are illustrated in the figure below.

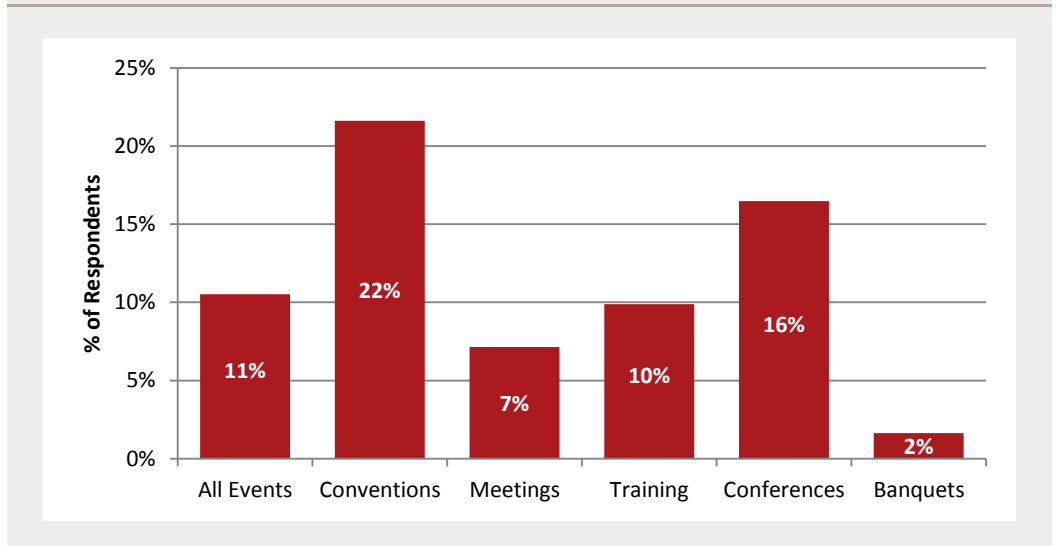
FIGURE 4-11 LACK OF ADEQUATE CONVENTION AND EVENT CENTER SPACE



A lack of convention and event center space prevented a number of respondents from holding an event in Bloomington. Larger events such as conventions and conferences were more likely to be prevented from coming to Bloomington.

Respondents were then asked whether they had wanted to hold an event in Bloomington, but were unable to because of a lack of available or conveniently located hotel rooms.

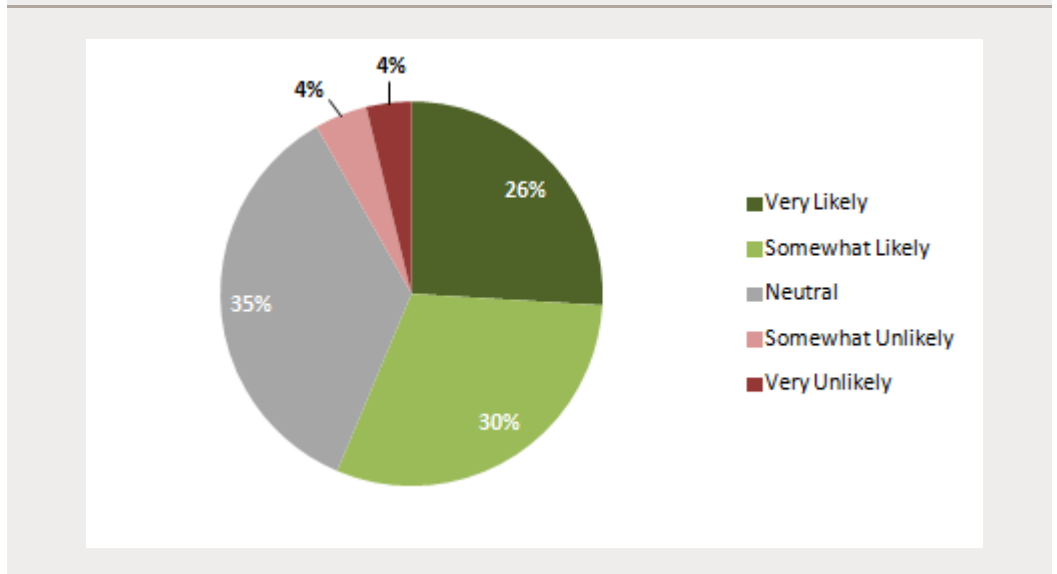
FIGURE 4-12 LACK OF ADEQUATE HOTEL ROOMS



A lack of adequate hotel rooms was more likely to prevent larger events such as conventions and conferences from holding events in Bloomington.

HVS asked meeting planners to state the likelihood of hosting an event in Bloomington if an expanded facility and adjacent headquarters hotel met their event programming needs. Event planners responded as follows.

FIGURE 4-13 LIKELIHOOD OF HOSTING EVENT IN REMADE FACILITY

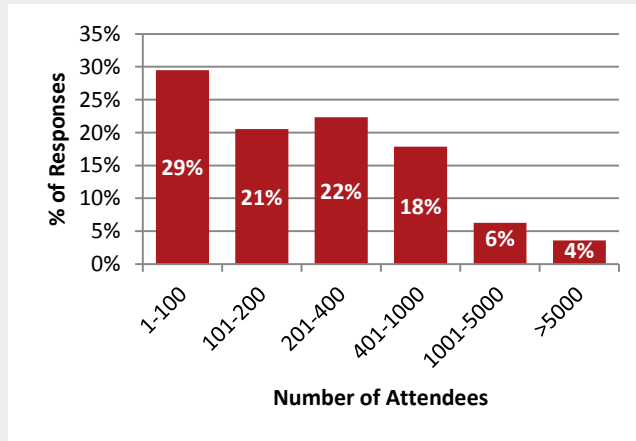


A larger facility with an adjacent headquarters hotel increases the likelihood of holding an event in Bloomington for a majority (56%) of event planners. Of event planners who responded that their most important or typical events were made up of statewide attendees, 76% responded that they were “very likely” or “somewhat likely” to consider holding their event in Bloomington.

Event Characteristics of Organizations Interested in Bloomington

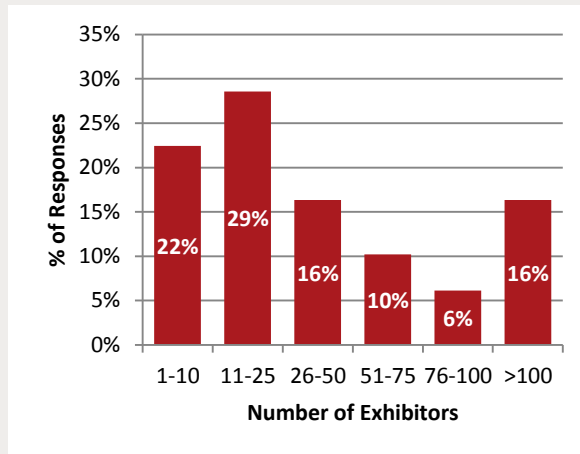
HVS compiled the event characteristics of those respondents who expressed an interest in hosting their events in Bloomington. Respondents were asked a series of questions about their most important or typical event. The following eight figures present the results of this analysis.

FIGURE 4-14 NUMBERS OF ATTENDEES



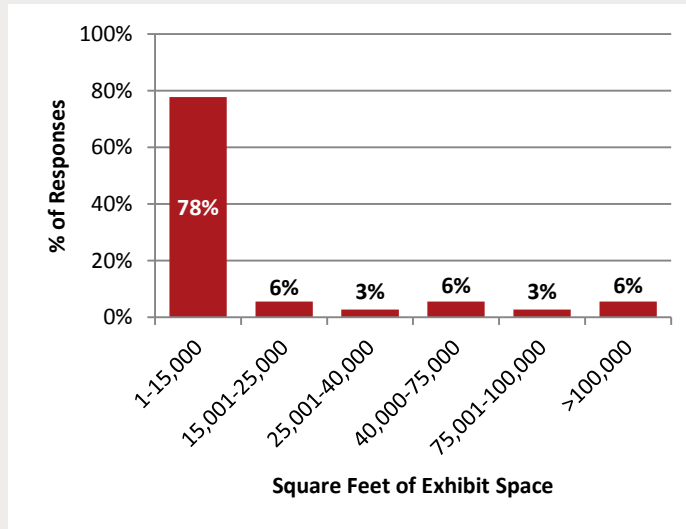
Almost three-fourths of respondents interested in hosting events in Bloomington report that those events would be events with less than 400 attendees. Ninety percent of events would have 1,000 or fewer attendees. Event planners interested in Bloomington host small to mid-size events.

FIGURE 4-15 NUMBERS OF EXHIBITORS



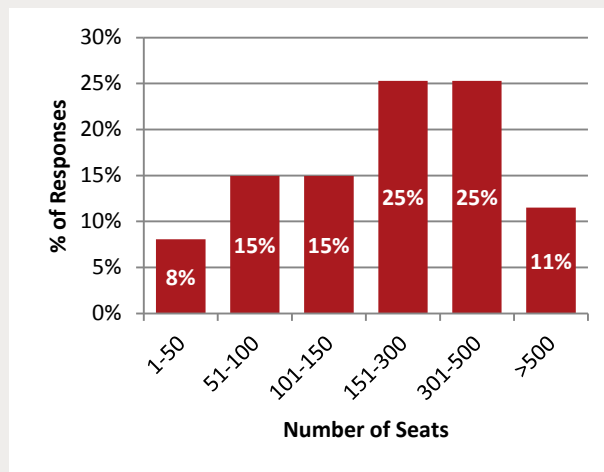
Similarly, the majority of interested event planners report that the number of exhibitors at their events which have exhibitors would be less than or equal to 50.

FIGURE 4-16 SQUARE FEET OF EXHIBIT SPACE



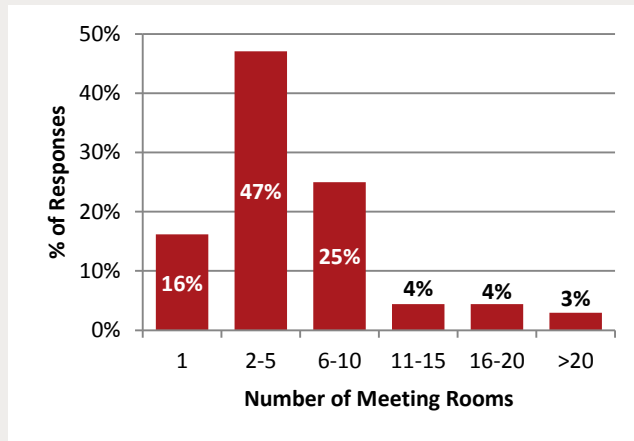
The relatively small number of exhibitors translates into a relatively low exhibit space requirement. Over three-fourths of events would require less than 15,000 square feet of exhibit space.

FIGURE 4-17 REQUIRED BANQUET SPACE (NUMBER OF PEOPLE)



Only a tenth of event planners report needing more than 500 banquet seats. Other events can be accommodated by a 6,000 square foot ballroom.

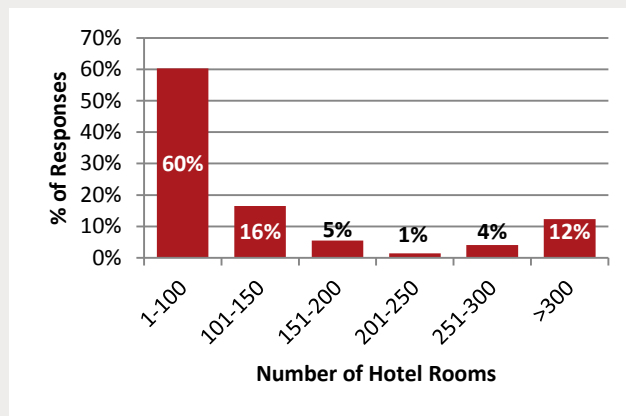
FIGURE 4-18 REQUIRED MEETING SPACE (NUMBER OF ROOMS)



The vast majority of interested event planners could be accommodated by 10 or fewer break out meeting rooms. The flexible nature of the proposed space would allow the ballroom to split into smaller meeting spaces to accommodate the demand for meeting rooms.

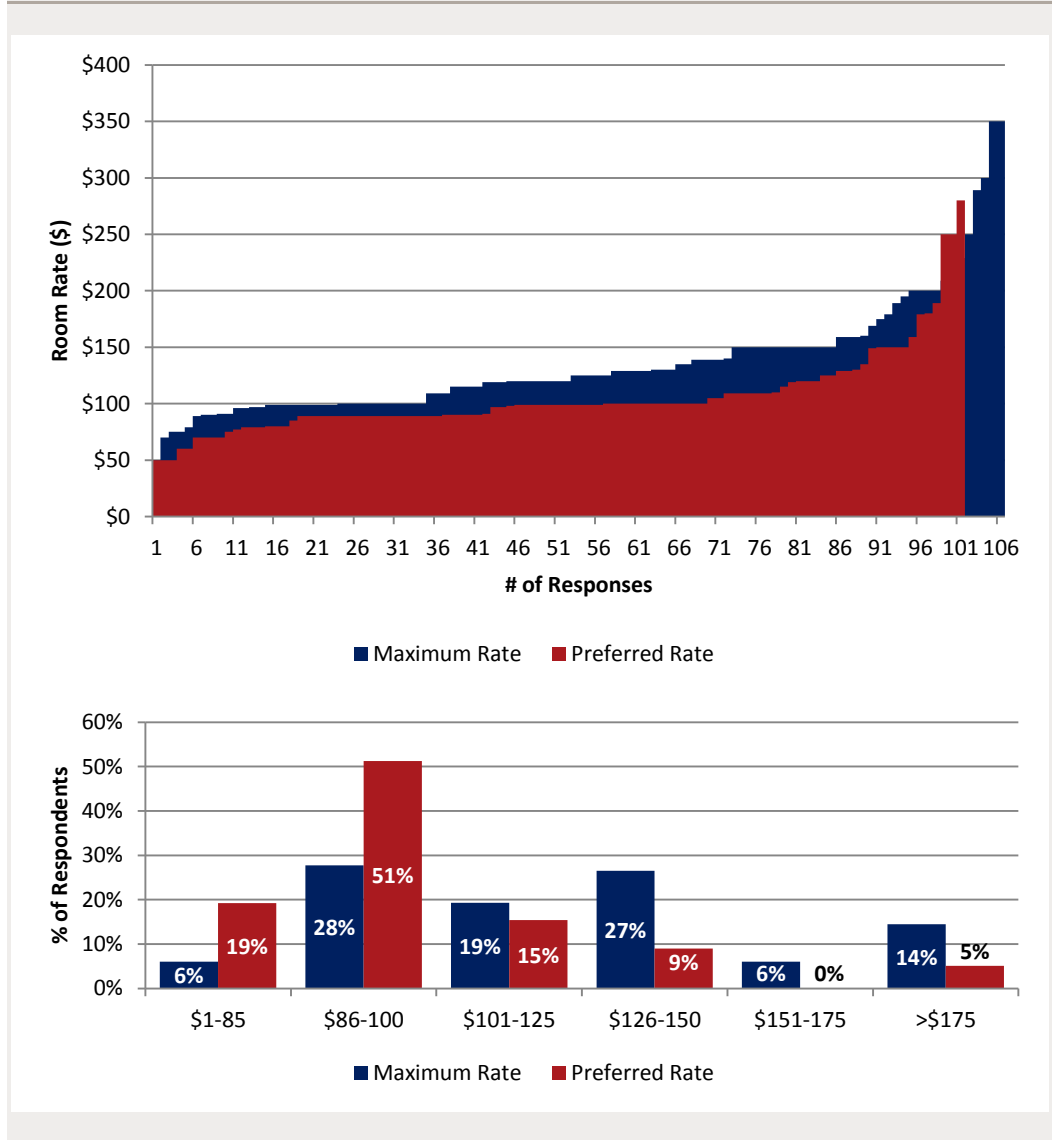
HVS also asked event planners to identify their preferred and minimum hotel room block requirements for their event.

FIGURE 4-19 HOTEL ROOM BLOCK



Three-fourths of interested event planners would be satisfied with a room block of 150 rooms or fewer.

FIGURE 4-20 HOTEL ROOM RATE FREQUENCIES— MAXIMUM AND PREFERRED



Seventy percent of interested respondents would prefer a room rate of \$100 or less, but only about a third of planners consider this rate a maximum.

Implications for Proposed Convention Center

The event planners' survey provides insight into the types of events that would likely fill the proposed facility. It also highlights the strengths and weaknesses of the Bloomington market from the perspective of its current and future clients. Key implications and conclusions include the following:

- The survey results provided sufficient data to indicate the type, size, and frequency of potential demand for an expanded BMCCC.
- Air access is the primary weakness of the destination, which will force Bloomington to rely on drive-in events. The market share of the proposed facility would compete mainly with other facilities in Indiana.
- For those event planners interested in hosting events at the proposed convention center, most plan events smaller than the overall average event size in terms of attendees, exhibit space, and other program requirements.
- As an overall destination Bloomington is considered to be superior to all Indiana cities except Indianapolis.
- The current lack of facilities and hotel rooms is a significant barrier to attracting events to Bloomington and this disadvantage is more pronounced for convention events.
- An attached or adjacent hotel with a sufficient room block of approximately 150 rooms is could accommodate 76% of the events in the survey sample. As hotels do not set aside all of their room inventory for group business, a 200room hotel could provide a typical room block of 150 rooms.
- An expansion and an addition of a hotel would increase the likelihood that 56% of all event planners and 76% of state event planners would bring their events to Bloomington.
- Half of all events would generate much needed weekday occupancy in the hotel market.
- Despite current economic conditions, event planners have a positive outlook on the growth of future events.

5. Competitive and Comparable Venues

This analysis of comparable venues provides a basis for forecasts of event demand and building program recommendations. The analysis compares the function spaces in each of the facilities, adjacent hotel capacities, and characteristics of the markets that are relevant to the success of the venues. It concludes with an assessment of the strengths and weaknesses of Bloomington.

Bloomington competes directly with other cities in Indiana for a share of the meetings market, particularly for state association business. Event planners select host cities for their events based on the overall package that a city may offer. Several factors determine a city's overall strength and potential in the meetings market. These factors include the attributes of the convention facilities, lodging supply, the economic and demographic profile of the community, transportation access, tourism amenities, and overall destination appeal. This analysis will help in understanding the competitiveness of Bloomington and the BMCCC.

HVS analyzed two sets of venues:

- Convention and conference facilities in Indiana that offer exhibit, ballroom and meeting space and compete directly with the BMCCC.
- National convention and conference facilities that rarely if ever compete, but are located in markets similar to Bloomington that offer comparable space.

HVS excluded the Indiana Convention Center in Indianapolis from this analysis. Due to its size and location in the major metropolitan area in Indiana, it is neither directly competitive nor comparable to the BMCCC.

HVS analyzed competitive and comparable venues shown in the figure below.

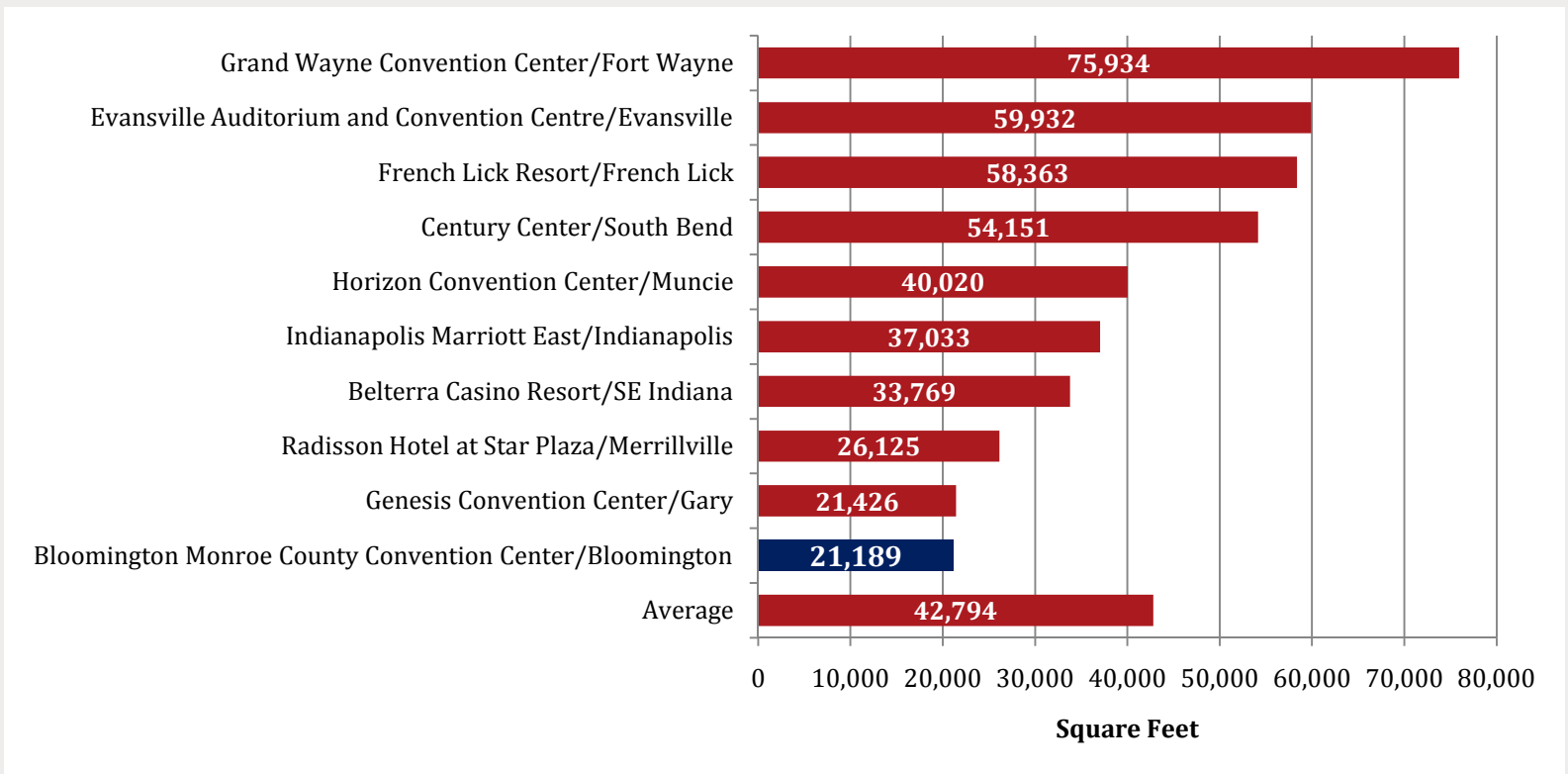
FIGURE 5-1 COMPETITIVE AND COMPARABLE CITIES AND VENUES

Name of Venue	Location	County
Competitive State Venues		
Century Center	South Bend IN	St. Joseph
Evansville Auditorium and Convention Centre	Evansville IN	Vanderburgh
Genesis Convention Center	Gary IN	Lake
Grand Wayne Convention Center	Fort Wayne IN	Allen
Horizon Convention Center	Muncie IN	Delaware
French Lick Resort	French Lick IN	Orange
Indianapolis Marriott East	Indianapolis IN	Marion
Belterra Casino Resort	SE Indiana IN	Switzerland
Radisson Hotel at Star Plaza	Merrillville IN	Lake
Comparable National Venues		
Bayfront Convention Center	Erie PA	Erie
Convention Center at Oncenter	Syracuse NY	Onondaga
Empire State Plaza Convention Center	Albany NY	Albany
Bloomington-Normal Marriott Hotel & Conference Center	Normal IL	McLean
Monona Terrace Convention Center	Madison WI	Dane
Lansing Center	Lansing MI	Ingham
Columbia Metropolitan Convention Center	Columbia SC	Richland
Salem Conference Center	Salem OR	Marion

**Convention Venues -
Total Function Space
Assessment**

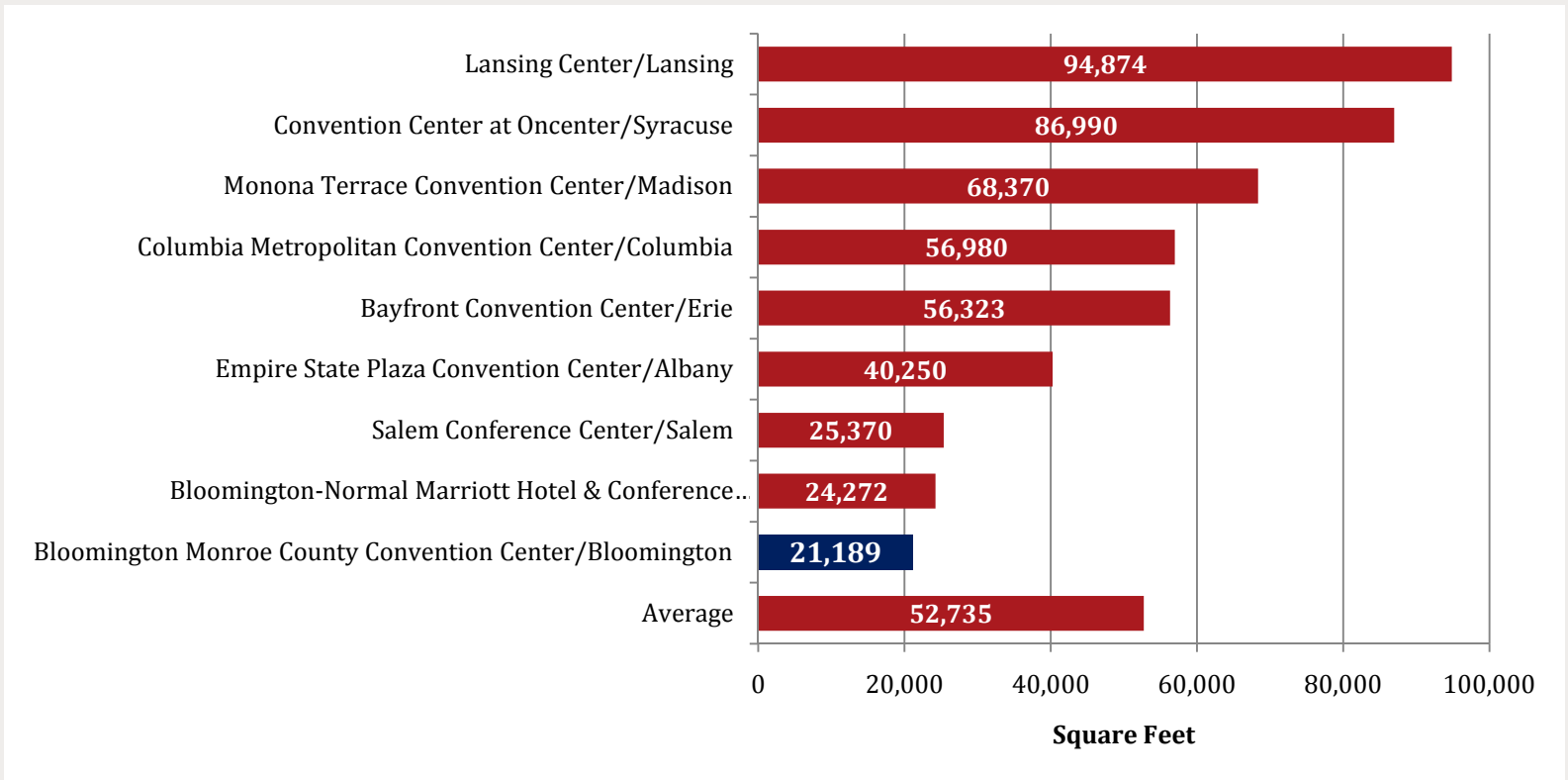
Convention centers typically offer flexible space suitable for exhibits, banquets, and meetings. Venues in smaller markets maintain flexible spaces which can accommodate a variety of uses and like the BMCCC, may not have dedicated exhibit space. Depending on the needs of a particular event or when hosting simultaneous events, it is not uncommon for venues in smaller markets to use exhibit space for banquets and meetings or to set up smaller exhibitions in larger meeting and ballroom spaces. The total function space, therefore, gives a good indication of the flexibility of a particular venue and its capacity to host multiple event types. The following figure presents the total function space, including all exhibit, ballroom, and meeting space at the BMCCC and each of the competitive and comparable venues noted above.

FIGURE 5-2 TOTAL FUNCTION SPACE - COMPETITIVE STATE VENUES



Source: Respective Venues

FIGURE 5-3 TOTAL FUNCTION SPACE – COMPARABLE NATIONAL VENUES



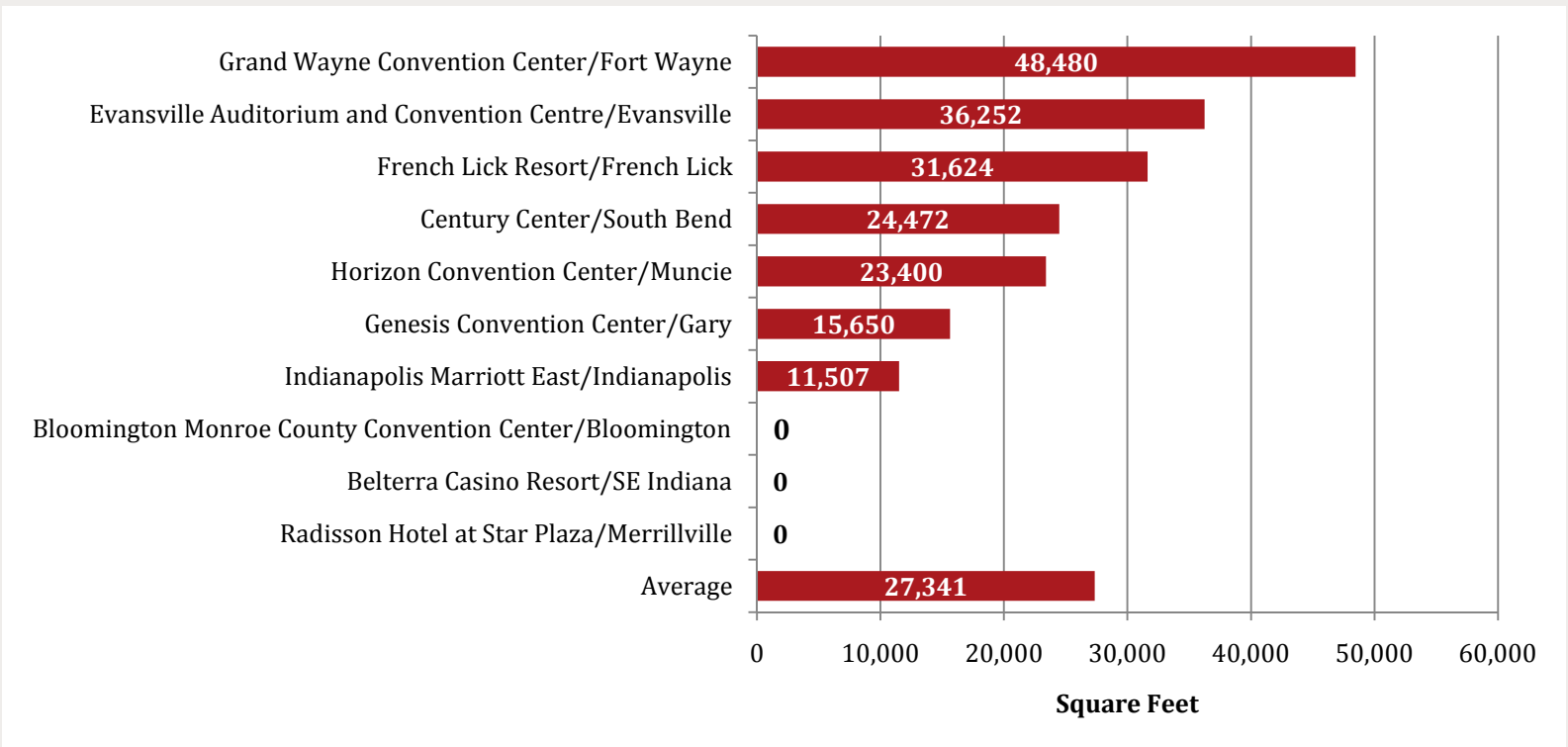
Source: Respective Venues



Exhibition Space Assessment

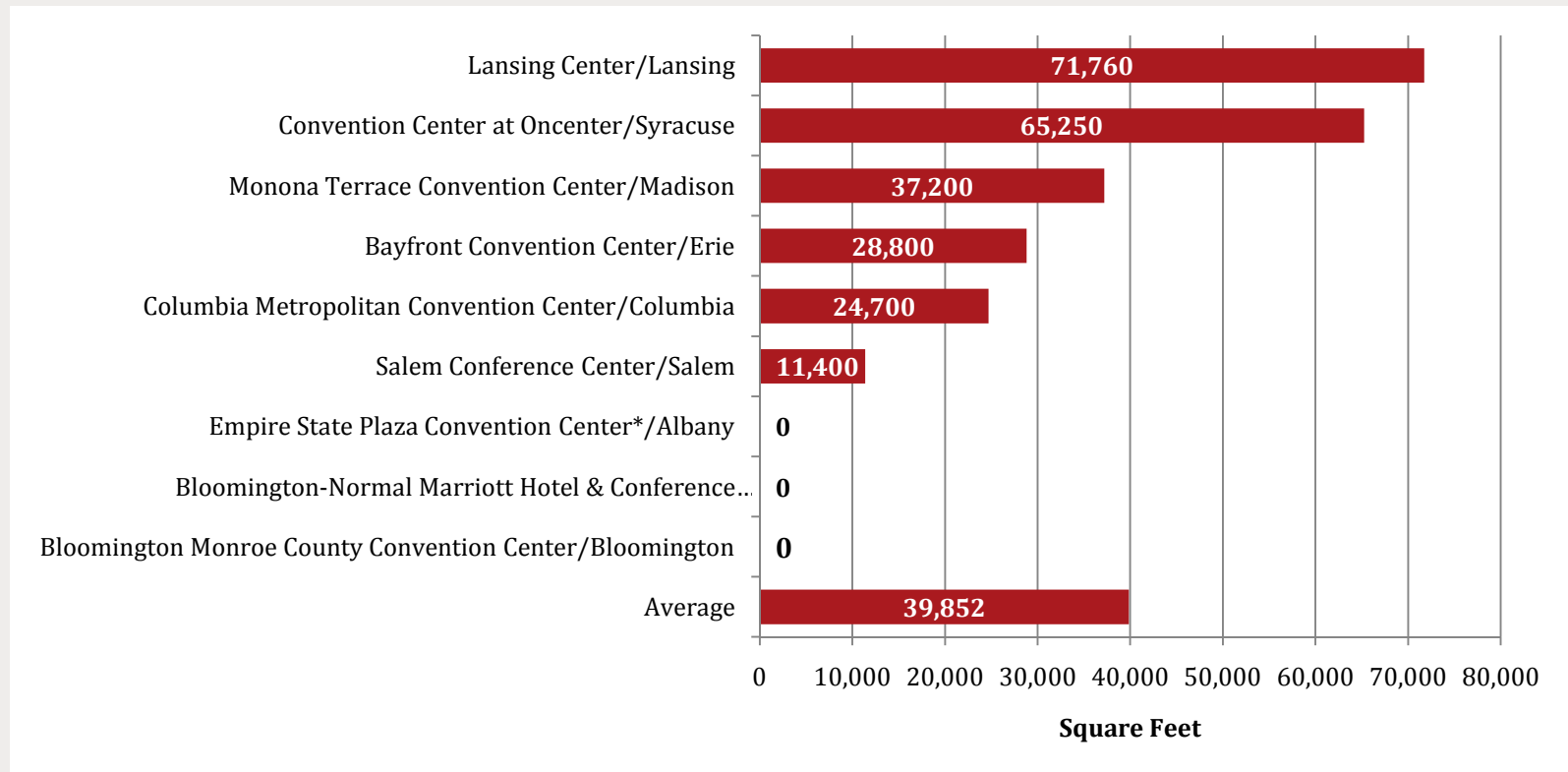
Exhibition space is critical for several types of larger events such as conventions, tradeshows, and consumer shows. The amount and quality of exhibition space determines the size and types of events that the venue can accommodate. The amount of exhibition space available at each of the selected comparable facilities provides an indication of the amount of space that may be appropriate for Bloomington.

FIGURE 5-4 EXHIBIT SPACE – COMPETITIVE STATE VENUES



*Contains 26,000 sf of multi-purpose space
Source: Respective Venues

FIGURE 5-5 EXHIBIT SPACE – COMPARABLE NATIONAL VENUES



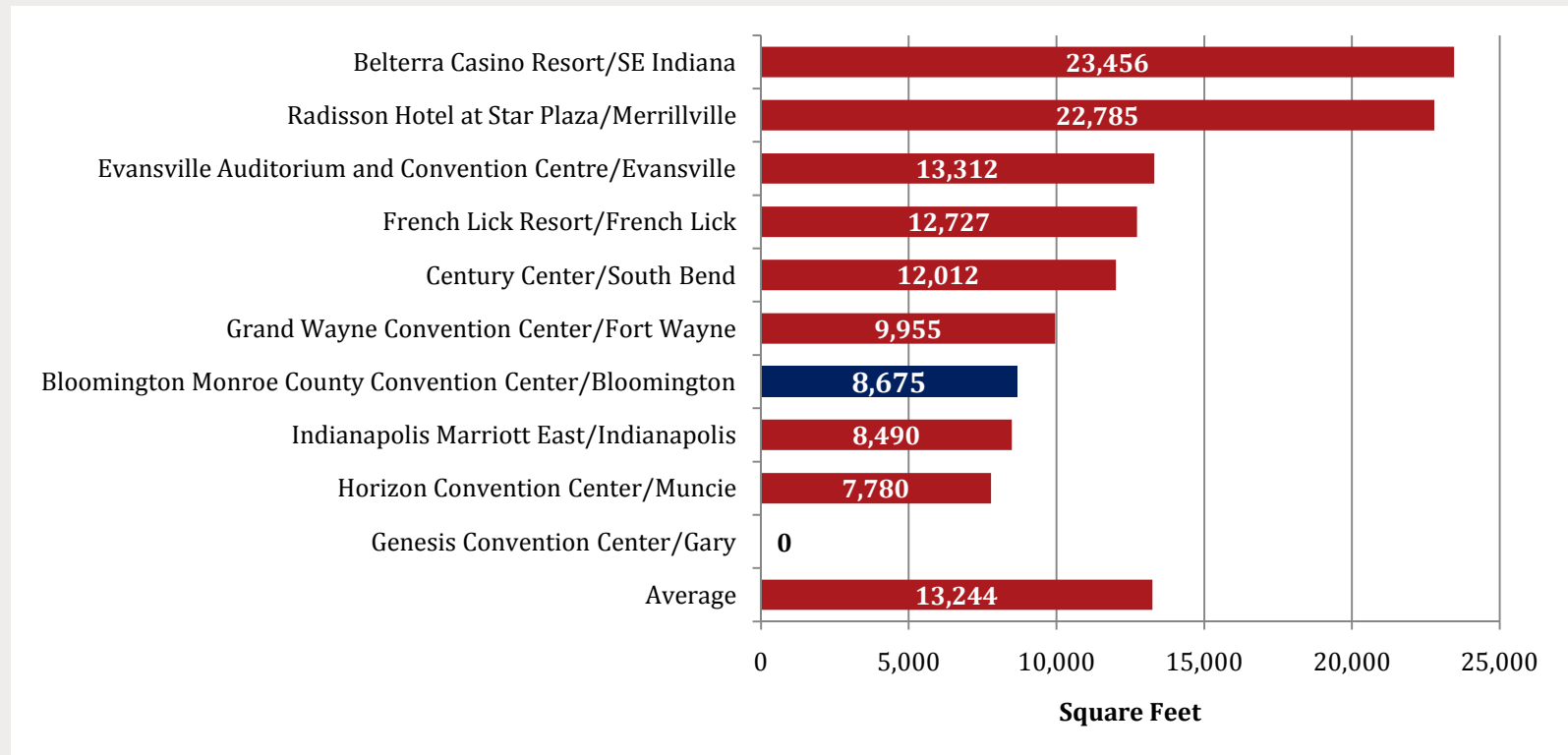
*Contains 26,000 sf of multi-purpose space
Source: Respective Venues

Unlike most of the competitors of and venues comparable to the BMCCC, the BMCCC does not have dedicated exhibit space. This lack of exhibit space severely limits the BMCCC's ability to draw conventions and other large events that generate more out-of-town visitors. Bloomington's lack of exhibit space is even more striking when compared to other national venues, which have over 39,500 square feet of exhibit space.

Ballroom Space Assessment

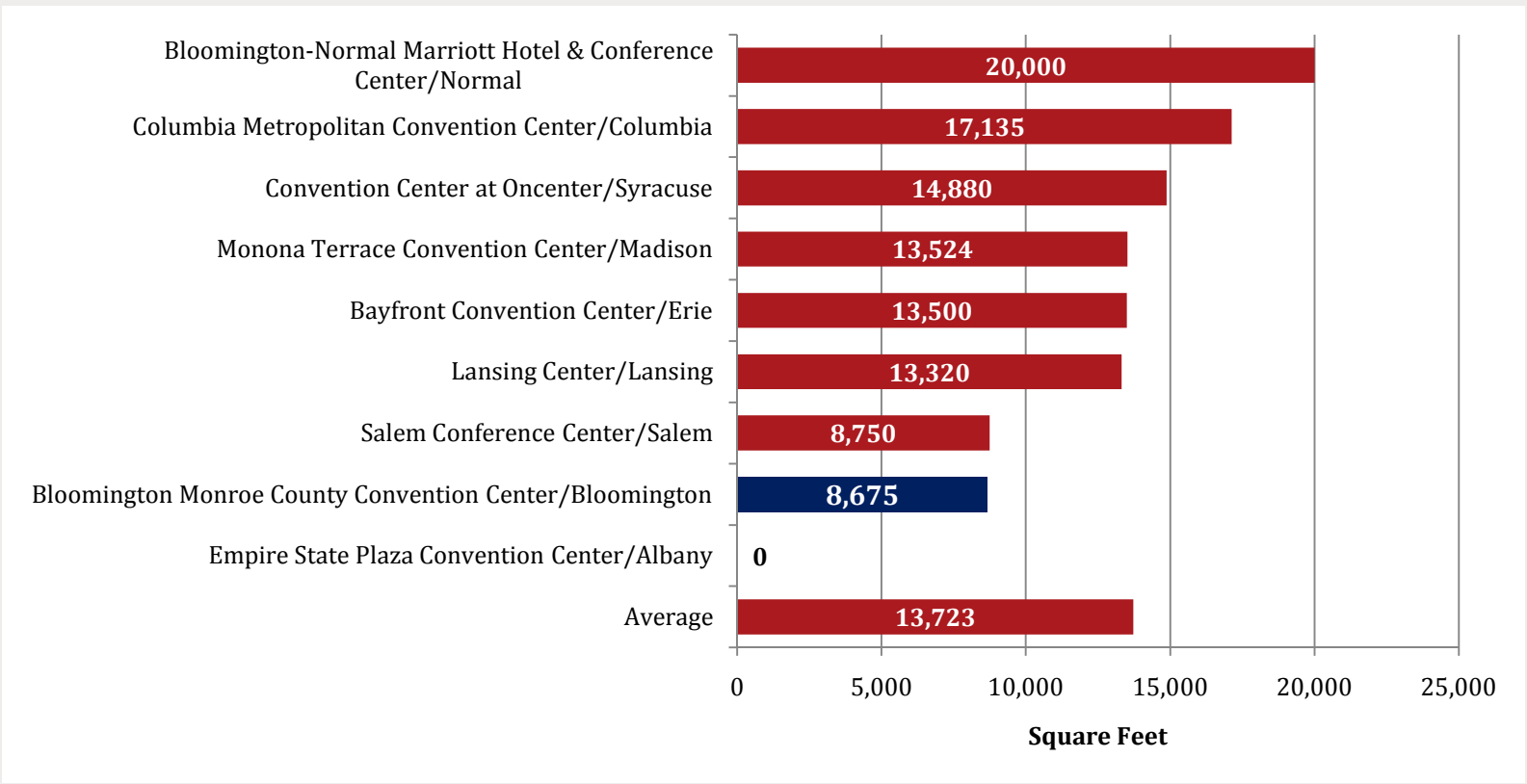
Banquet space is important for convention centers as facility operators attempt to increase food service revenues at their facilities and event planners seek a higher level of service for their attendees. In addition to social events (such as weddings and fundraisers) that host banquets, several other types of events, such as conventions and tradeshow, typically require food services in a ballroom setting. General assemblies at conventions and tradeshow are held in a ballroom and with a theater or banquet set-up. Consequently, the size of the ballroom can determine a venue's event size capacity. Its divisibility affects its ability to host simultaneous events that require banquet space. The figure below compares available banquet space in the venues.

FIGURE 5-6 BALLROOM SPACE – COMPETITIVE STATE VENUES



Source: Respective Venues

FIGURE 5-7 BALLROOM SPACE – COMPARABLE NATIONAL VENUES



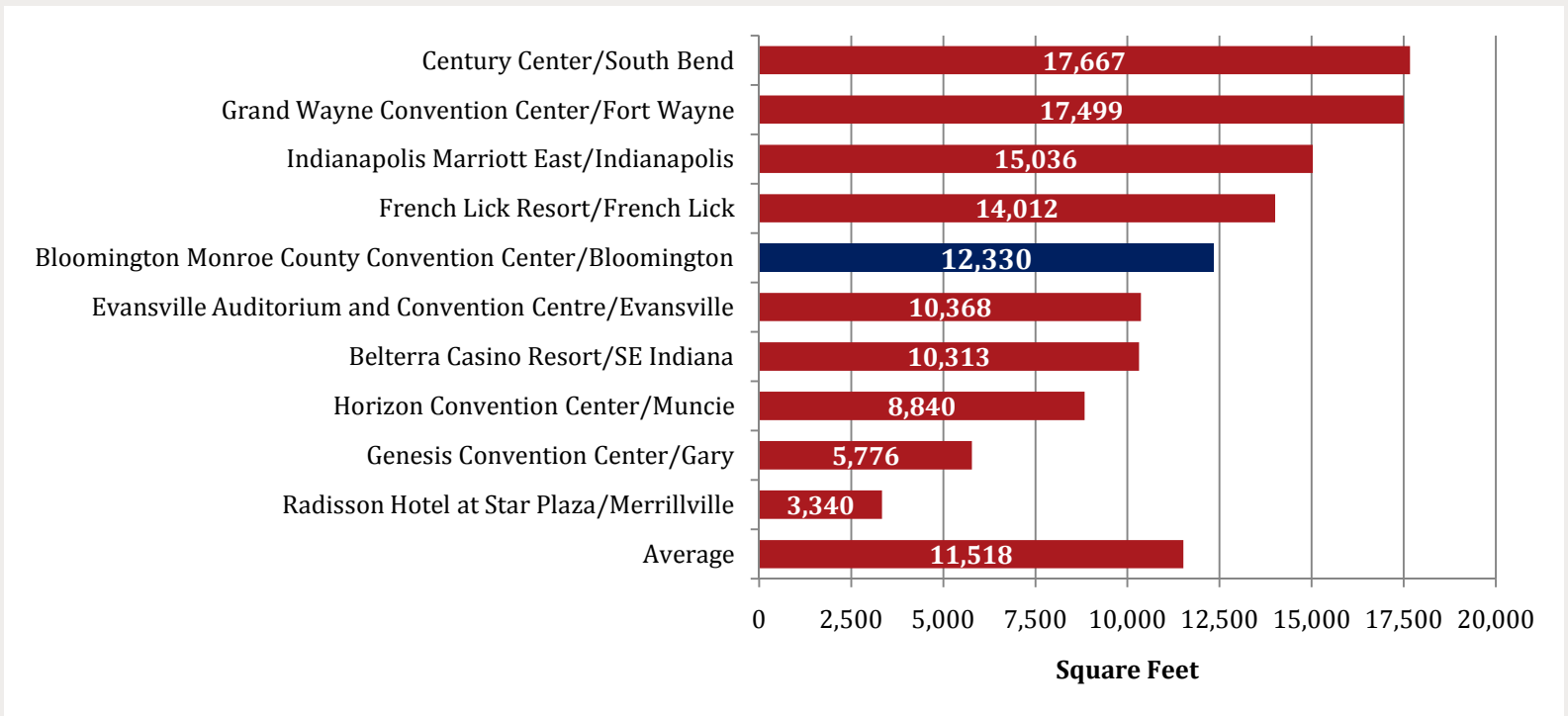
Source: Respective Venues

The BMCCC has a smaller than average amount of designated ballroom space. Many Indiana venues have either exhibition space or ballroom space. The BMCCC has a below average amount of ballroom space without any exhibition space. Although it currently hosts a significant number of banquets, new conventions and other larger events would be limited by the relatively small ballroom if there was adequate exhibition space. Bloomington has the smallest ballroom out of national comparable venues with ballroom space.

Meeting/Break-out Room Assessment

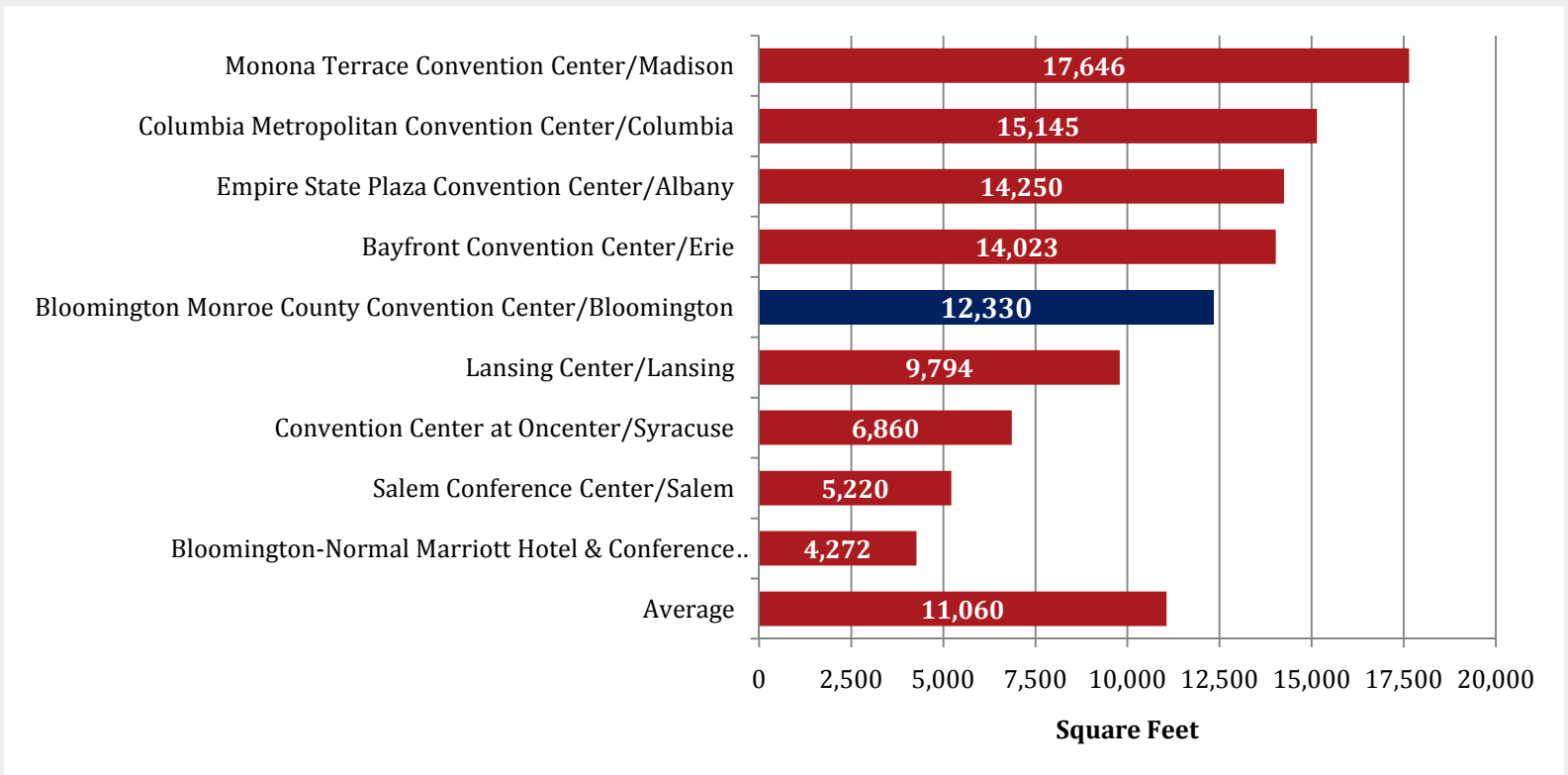
Meeting rooms can accommodate sub-groups as they break out of larger general sessions at conventions and tradeshow. Additionally, these smaller rooms can accommodate self-contained meetings, training sessions, seminars, classes, and a variety of small meeting functions. A facility's meeting rooms are often its most frequently used function spaces. Generally, convention centers should offer meeting space that is proportionate to the amount of exhibition space available at the facility. However, the optimum amount of meeting space can vary depending on a facility's target market. The following figure presents a comparison of available meeting space.

FIGURE 5-8 MEETING SPACE - COMPETITIVE STATE VENUES



Source: Respective Venues

FIGURE 5-9 MEETING SPACE – COMPARABLE NATIONAL VENUES



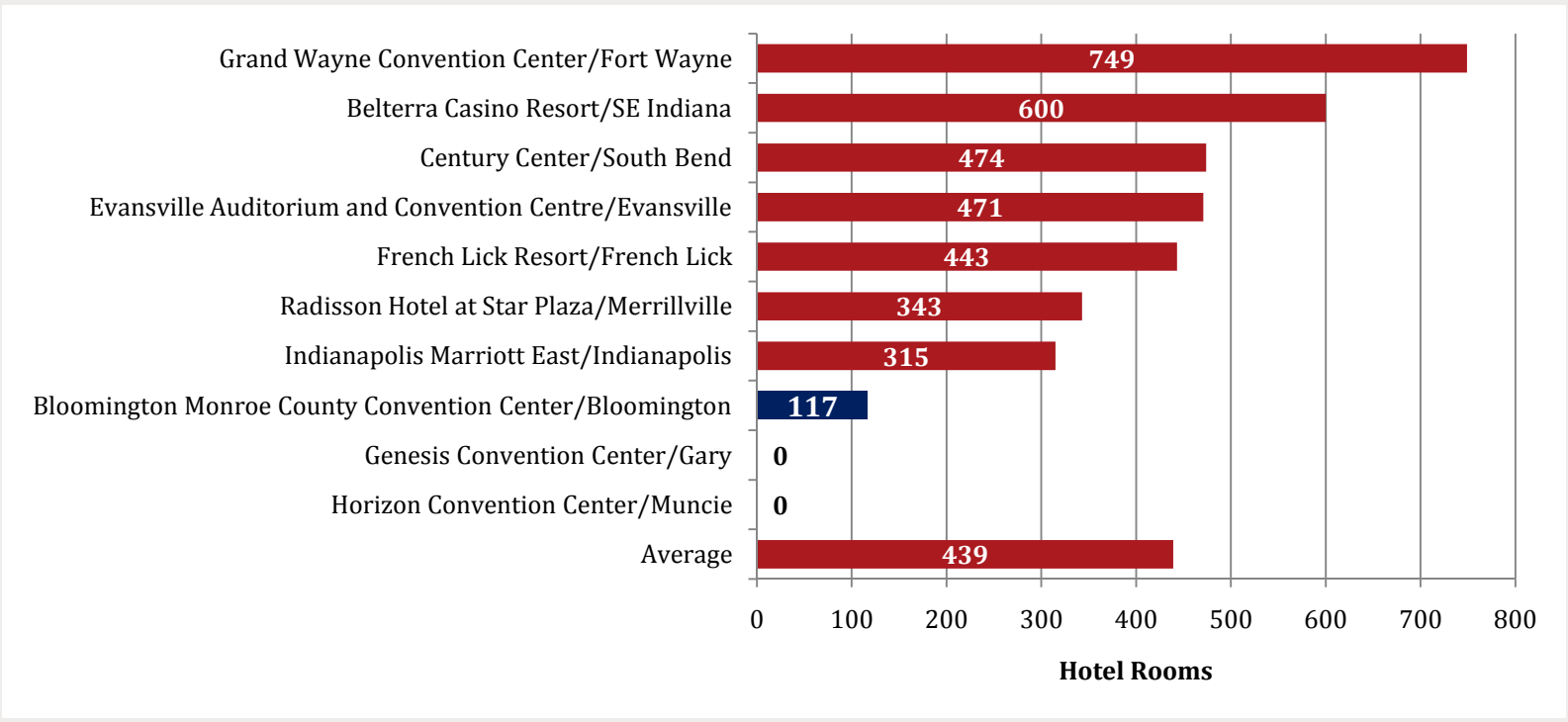
Source: Respective Venues

The recent renovations to the BMCCC have modernized the meeting space. The BMCCC has greater than average meeting space when compared to competitive state venues and slightly less than average meeting space than comparable national venues. The meeting space at the BMCCC has resulted in high usage rates for the building, but has mostly attracted smaller civic events.

Adjacent Hotel Capacity

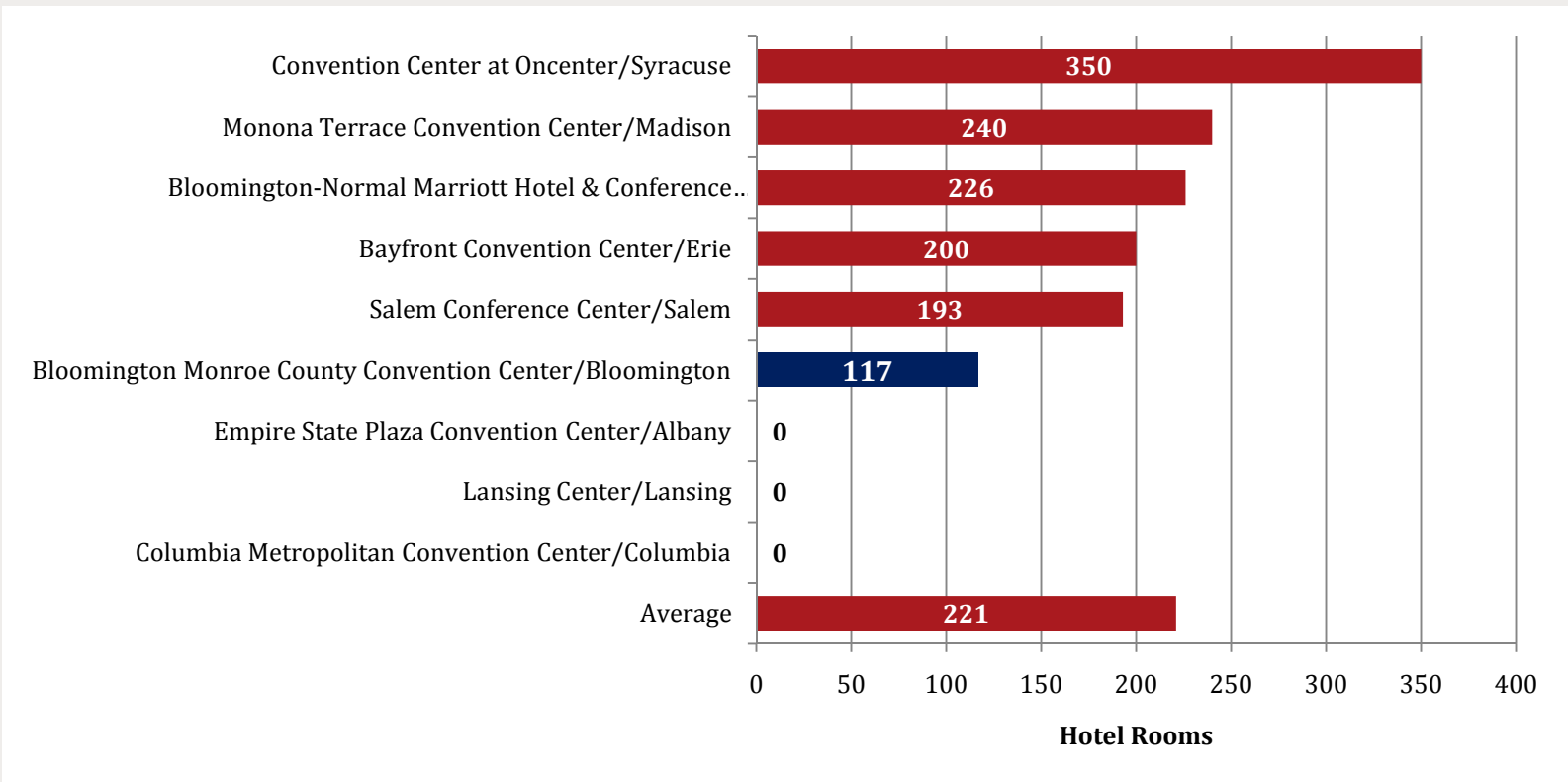
The quality and proximity of hotel supply has increasingly become one of the most important selection factors for facility users in recent years. To attract out-of-town groups, an adequate supply of nearby hotel rooms should support the lodging needs of delegates, exhibitors, and other attendees. Proximity and connectivity are critical factors that event planners consider in evaluating overall hotel packages available in competing communities. Generally, the number of rooms offered at one or more hotels that are adjacent or connected to the convention center is the key point of comparison. Other factors that can be important are hotel brands, service levels, building ages, management, and available meeting and banquet spaces in these hotels.

FIGURE 5-10 ADJACENT OR INTEGRATED HOTEL CAPACITY - COMPETITIVE STATE VENUES



Source: Respective Venues

FIGURE 5-11 ADJACENT OR INTEGRATED HOTEL CAPACITY – COMPARABLE NATIONAL VENUES



Source: Respective Venues

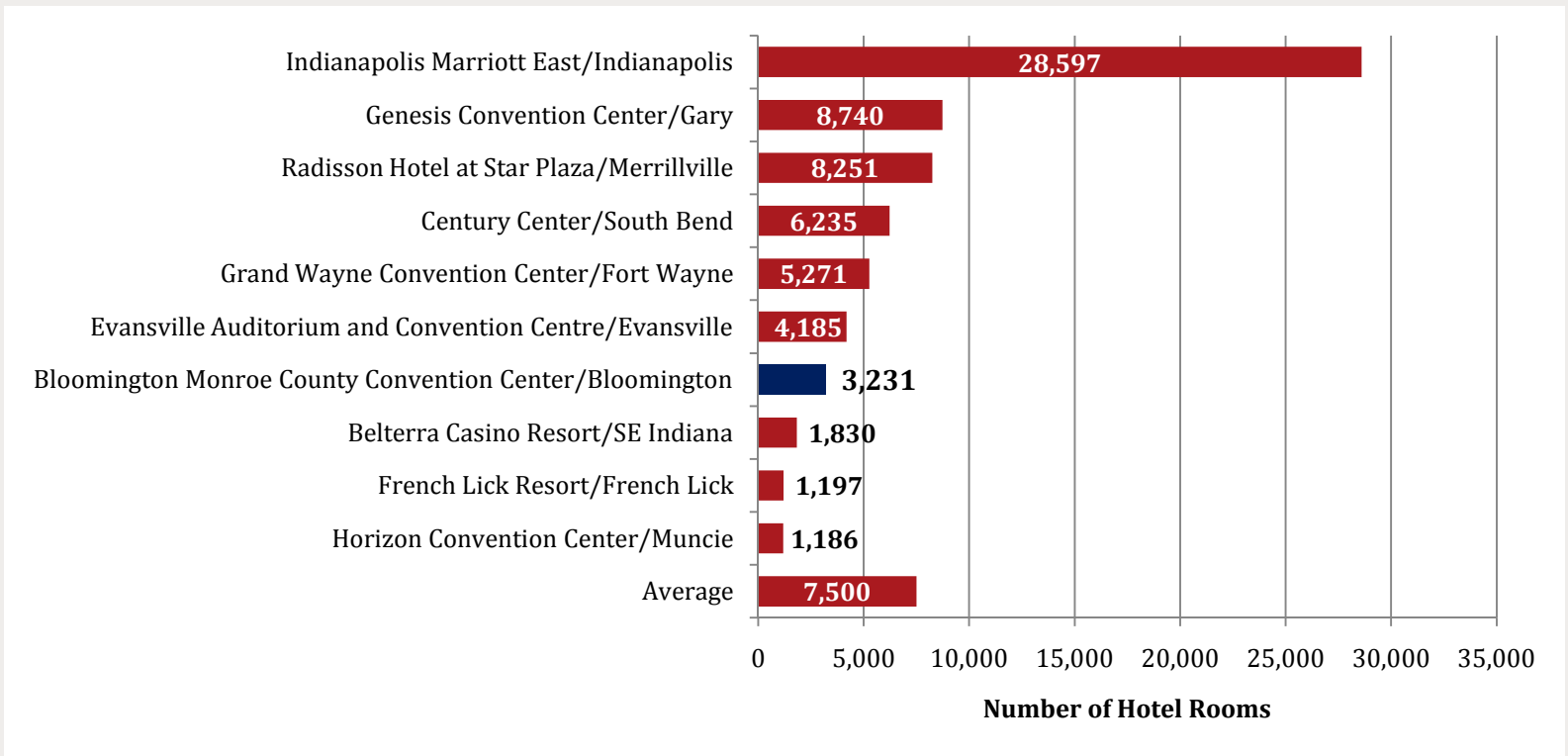


The current hotel adjacent to the BMCCC is a Courtyard Marriott, a 117-room limited-service hotel. The hotel is significantly smaller than the average number of national comparable rooms available, and even smaller when compared to its Indiana competitors. The presence of an attached headquarters hotel would help the convention center compete for larger events that the current hotel cannot accommodate.

Hotel Lodging Supply

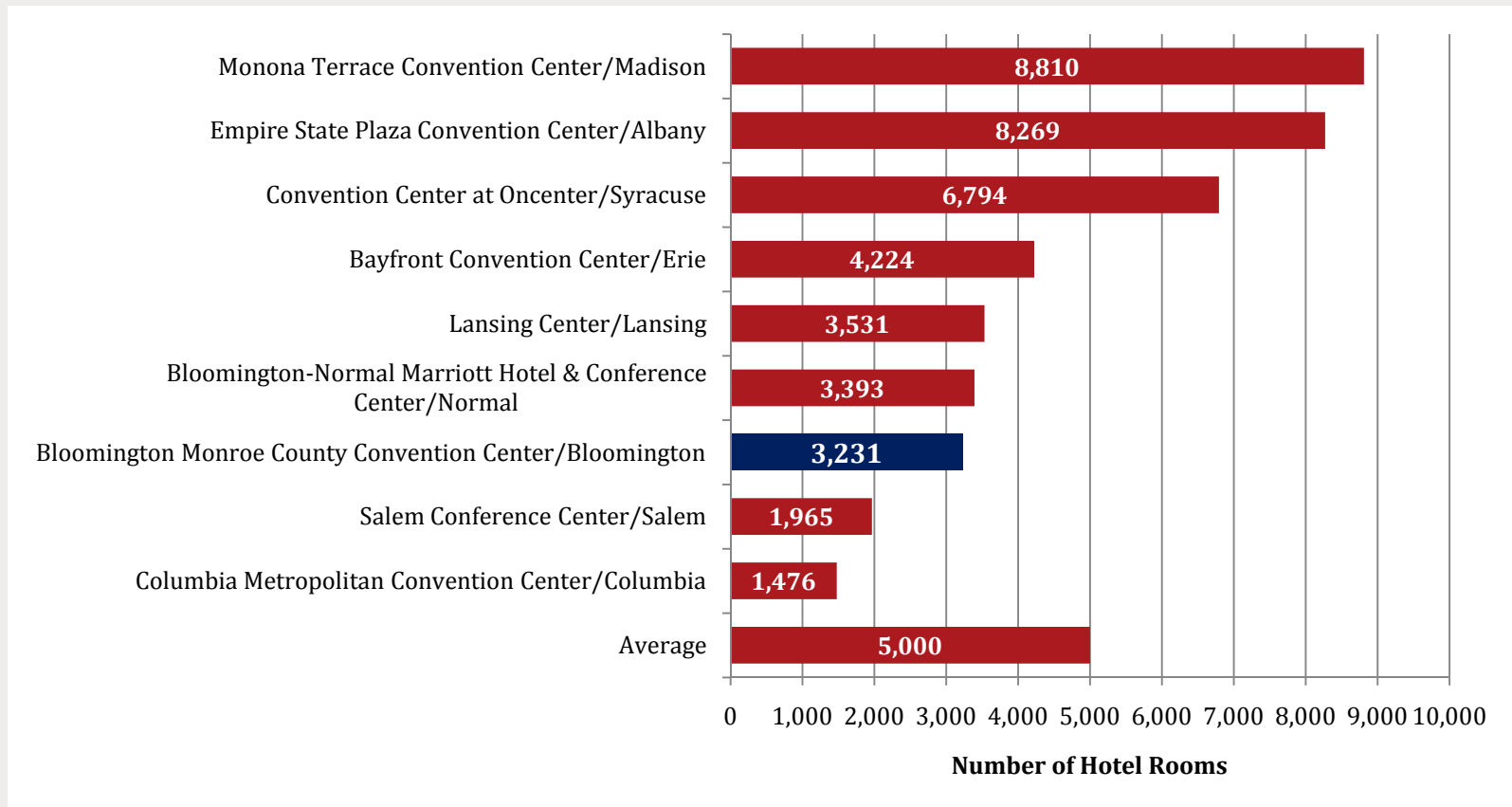
The number of available hotel rooms in a market affects the available supply as well as the market rate for hotel rooms. A larger hotel supply supports large events that require hotel blocks that span the entire market.

FIGURE 5-12 NUMBER OF HOTEL ROOMS WITHIN 20 MILES OF THE CITY - COMPETITIVE STATE VENUES



Source: Respective Venues

FIGURE 5-13 NUMBER OF HOTEL ROOMS WITHIN 20 MILES OF THE CITY – COMPARABLE NATIONAL VENUES



Source: Respective Venues

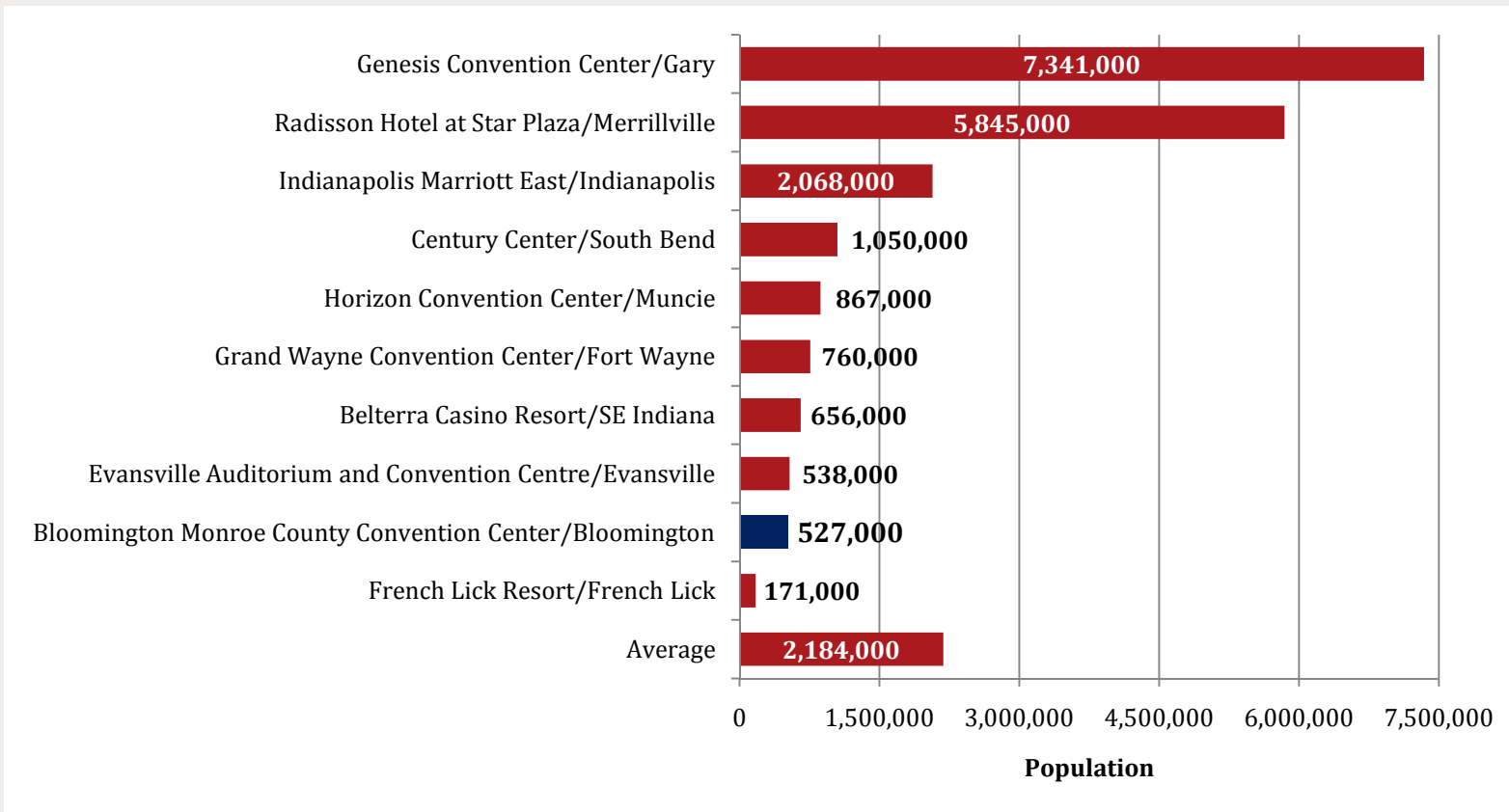


Bloomington ranks seventh of ten cities in Indiana with respect to the number of available hotel rooms within 20 miles of the city. None of the Bloomington properties are full-service hotels as indicated would be the preference of event planners.

Population Comparison

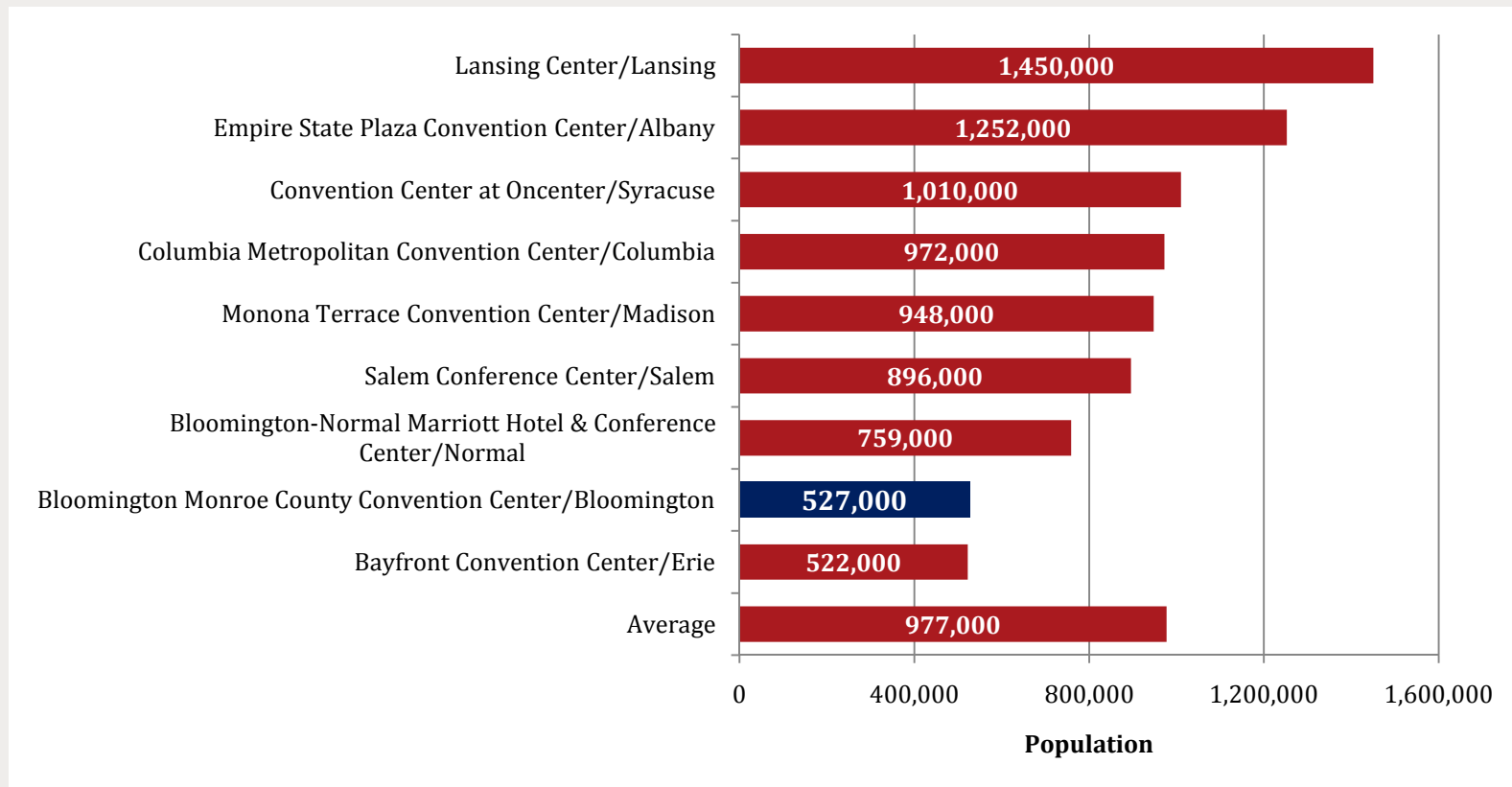
Local area population data can provide evidence of a community's overall economic size and ability to support public services and visitor amenities that are important for convention center users. Because most convention centers primarily target out-of-town users, local area population figures rarely have a direct correlation with overall demand potential. However, population data can provide a basis for understanding a community's ability to support and sustain a convention center, the surrounding neighborhood and market. Additionally, demand potential for certain types of events such as locally-generated meetings, banquets, religious events, graduation ceremonies, and consumer shows can be linked to population.

FIGURE 5-14 POPULATION WITHIN 60-MINUTE DRIVE-TIME RADIUS OF THE CITY CENTER - COMPETITIVE STATE VENUES



Source: Respective Venues

FIGURE 5-15 POPULATION WITHIN 60-MINUTE DRIVE-TIME RADIUS OF THE CITY CENTER – COMPARABLE NATIONAL VENUES



Source: Respective Venues

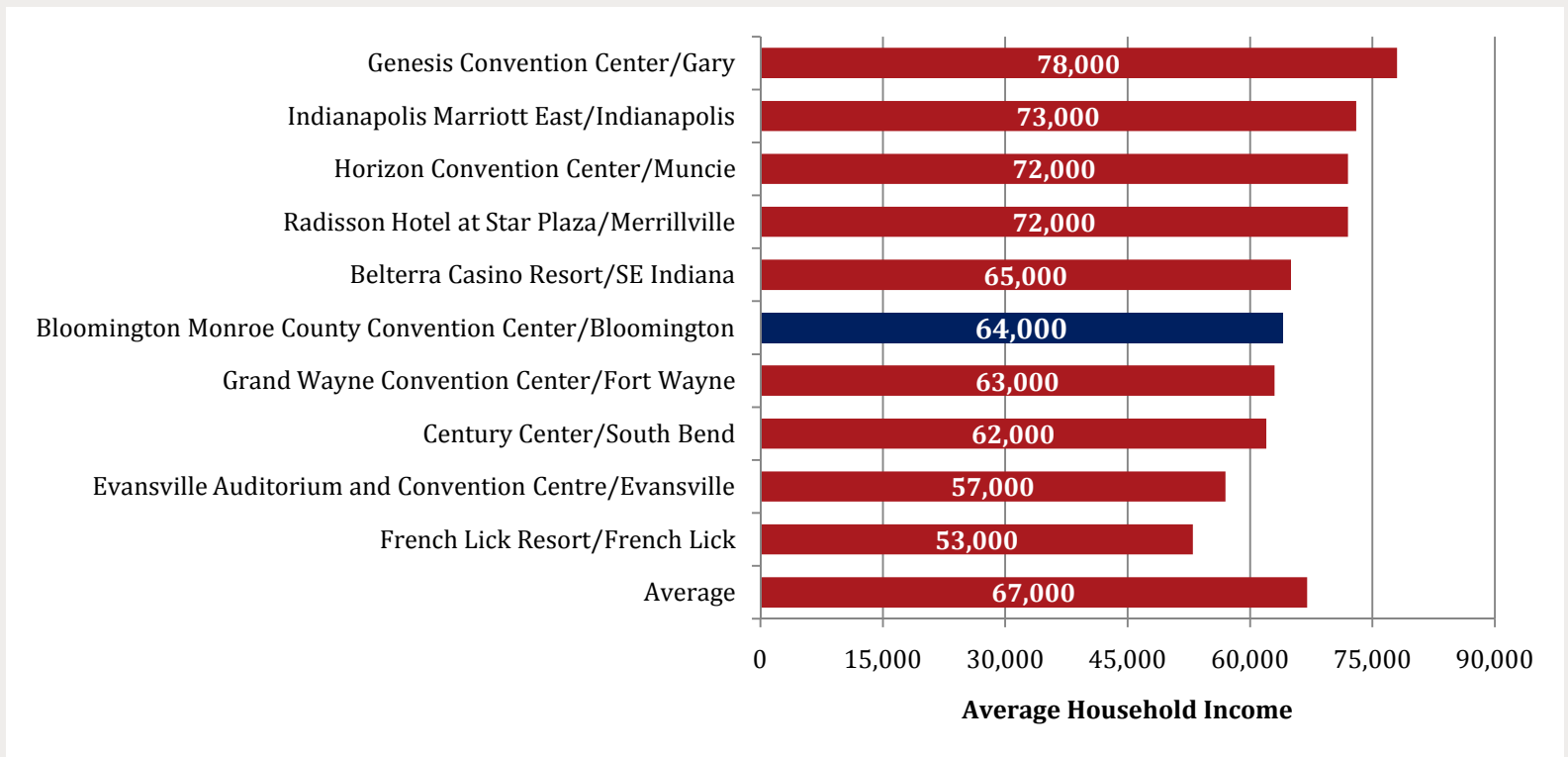


The BMCCC has a below average population within a 60-minute drive-time radius compared to the similar population of its state competitors. The average is inflated by Gary and Merrillville, which are located near the major metropolitan area of Chicago. The BMCCC has a below average area population when compared to comparable national venues. The area around Bloomington includes State Parks and State Forests, which will translate to lower population densities.

Income Level

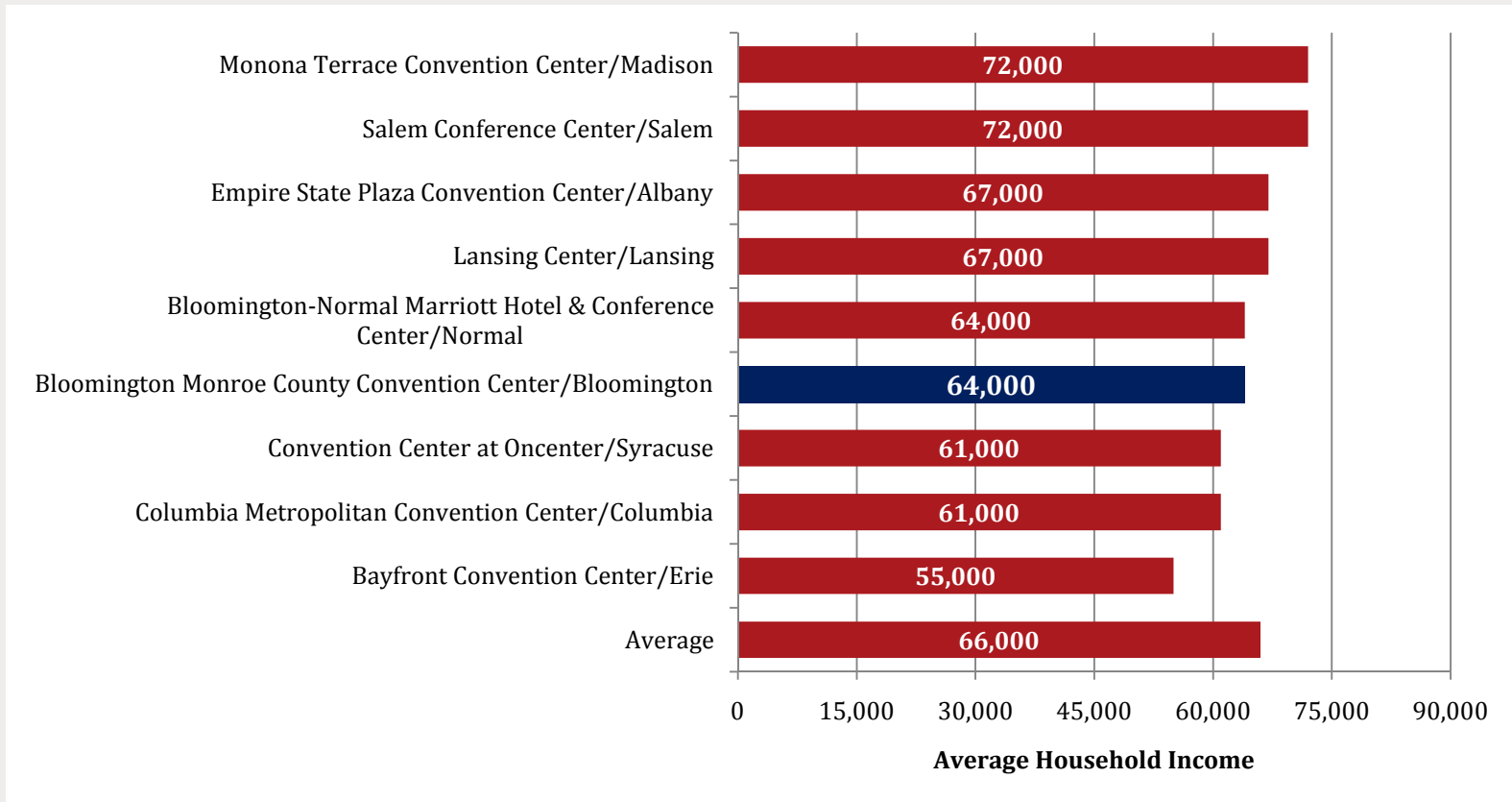
The income level of a city is an indicator of potential in the meetings industry. A more affluent population creates more amenities that can make it a more attractive destination for conventions, conferences, training and other industry-specific events. The following figure demonstrates how Bloomington compares with its state competitors and national comparables in terms of average household income.

FIGURE 5-16 AVERAGE HOUSEHOLD INCOME WITHIN 60-MINUTE DRIVE-TIME RADIUS OF THE CITY CENTER - COMPETITIVE STATE VENUES



Source: Respective Venues

FIGURE 5-17 AVERAGE HOUSEHOLD INCOME WITHIN 60-MINUTE DRIVE-TIME RADIUS OF THE CITY CENTER – COMPARABLE NATIONAL VENUES



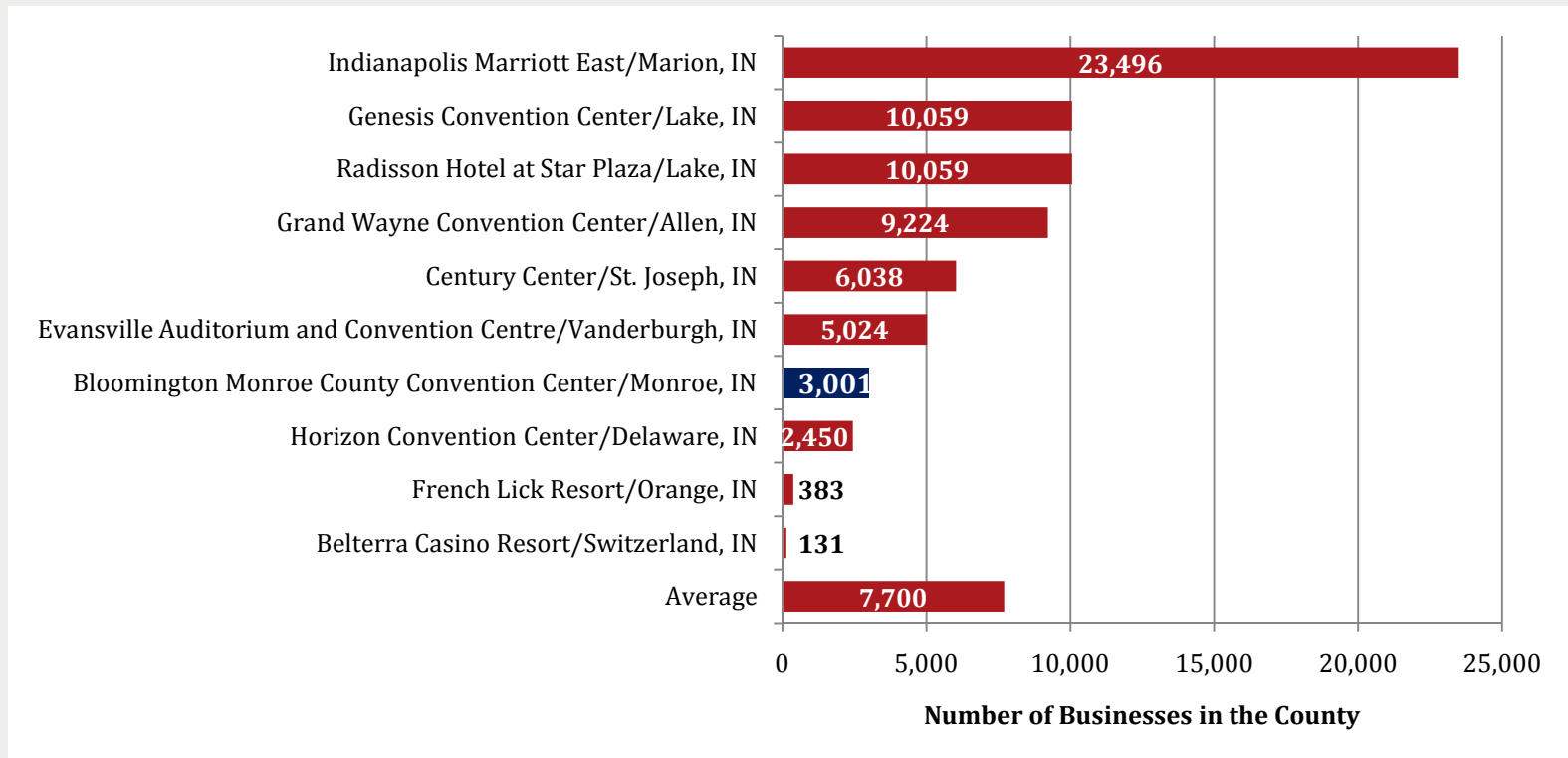
Source: Respective Venues

The average household income of the Bloomington area is slightly below the average of both national comparable venues and competitive state venues. The large number of students attending Indiana University likely significantly lowers the average income number.

Number of Businesses

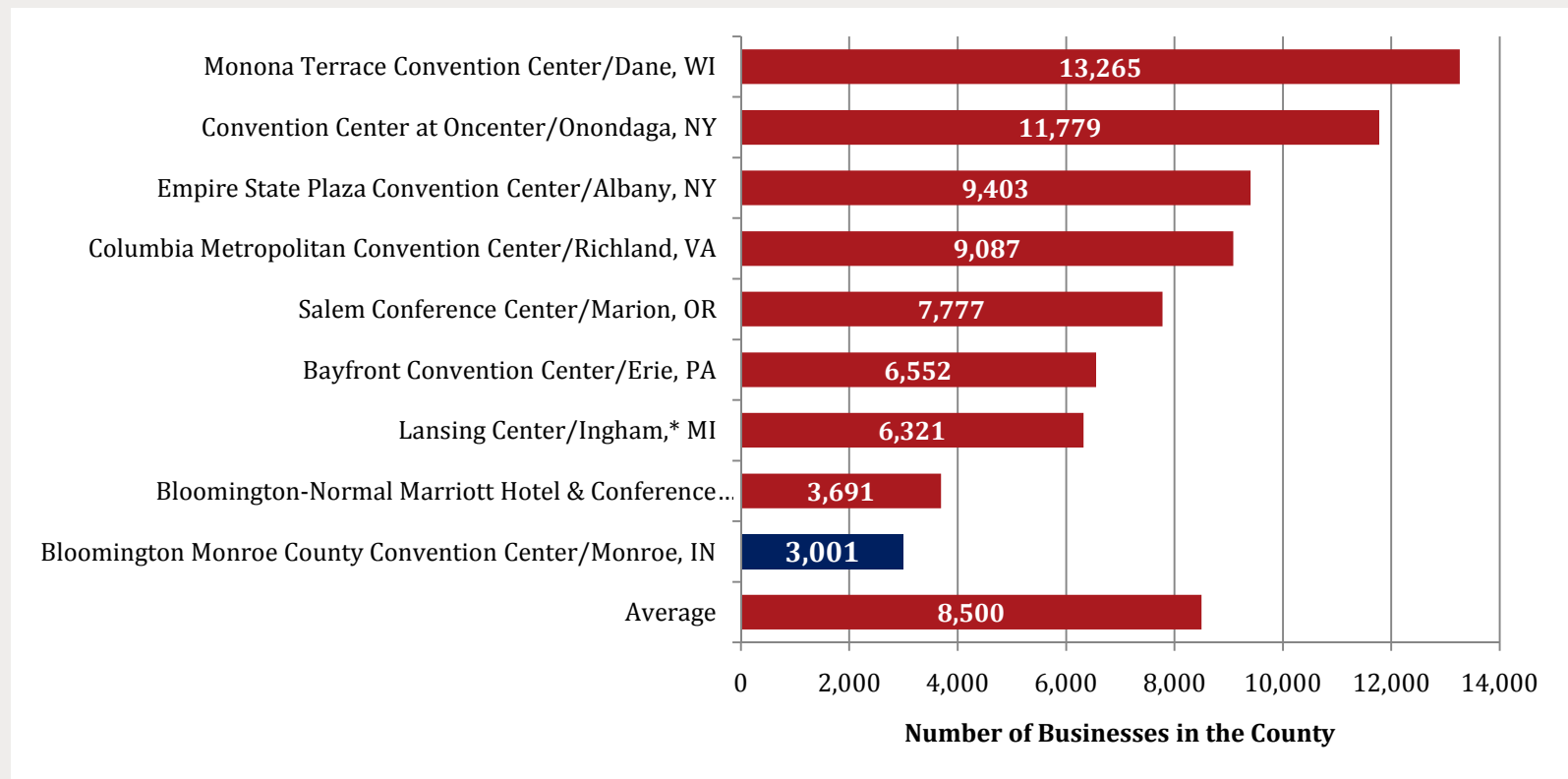
The density and breadth of a city's corporate base is a good indicator of potential in the meetings industry. A city's established presence in a particular industry makes it a more attractive destination for conventions, conferences, training, and other industry-specific events. The following figure demonstrates how Bloomington compares with comparable cities in terms of the total number of business establishments.

FIGURE 5-18 NUMBERS OF BUSINESSES IN THE COUNTY CONTAINING THE CONVENTION CENTER - COMPETITIVE STATE VENUES



Source: Respective Venues

FIGURE 5-19 NUMBERS OF BUSINESSES IN THE COUNTY CONTAINING THE CONVENTION CENTER – COMPARABLE NATIONAL VENUES



Source: Censtats
*Eaton county not included

The number of businesses in Monroe County surrounding the BMCCC is in the middle of the pack in terms of the health of the surrounding county compared to the state competitors, although the total number of businesses is below average. As a University town, Bloomington lacks a major business presence that would generate demand for corporate meetings and conferences.

When compared to its national competitors, Bloomington ranked last in terms of number of businesses. Since the numbers are based on county level data, the designated state parks and forests in Monroe County reduce the total area of the county.

Funding Strategy

Competitive and comparable venues receive funding from local government. Often public funding is used to fund event spaces, which provide an economic benefit to the community but operate at a loss.

FIGURE 5-20 FUNDING FOR PUBLIC VENUES

Competitive State Venues	City	Public Funding
Indianapolis Marriott East	Indianapolis, IN	Not Available
Genesis Convention Center	Gary, IN	City Property Taxes, County Innkeepers Tax
Radisson Hotel at Star Plaza	Merrillville, IN	Private Development
Grand Wayne Convention Center	Fort Wayne, IN	County Innkeepers Tax, Sports Convention Tax, City TIF District
Century Center	South Bend-Mishawaka, IN-MI	County Innkeepers Tax, City TIF District
Evansville Auditorium and Convention Centre	Evansville, IN-KY	County Food and Beverage Tax, County Innkeepers Tax
Horizon Convention Center	Muncie, IN	City TIF District, County Food and Beverage Tax
French Lick Resort	French Lick, IN	Federal Tax Credits for Historic Preservation
Belterra Casino Resort	Florence, IN	Private Casino Development
Comparable National Venues	City	Public Funding
Monona Terrace Convention Center	Bloomington, IL	City Hotel Room Tax, Direct Support from State and County
Convention Center at Oncenter	Syracuse, NY	40 million from State, County Room Occupancy Tax
Empire State Plaza Convention Center	Albany-Schenectady-Troy, NY	State Funding
Columbia Metropolitan Convention Center	Columbia, SC	Hotel Tax
Salem Conference Center	Salem, OR	Public-Private Partnership
Bayfront Convention Center	Erie, PA	County Hotel Room Rental Tax
Lansing Center	Lansing-East Lansing, MI	City TIF District
Bloomington-Normal Marriott Hotel & Conference Center	Bloomington-Normal, IL	Sales Tax, Hotel Tax, Food and Beverage Tax, TIF District

The majority of event spaces receive public subsidy. Those that are private developments are developed as part of a comprehensive resort package and often depend on casino income. These projects usually offer considerably less meeting space and potential for economic impact on the community.

Summary of Ranking

The following figure summarizes the rank of the Bloomington Monroe County Convention Center based on the facility and destination attributes discussed herein.

FIGURE 5-21 BMCCC’S RANK AMONG STATE COMPETITORS AND NATIONAL COMPARABLE VENUES

Criteria	Competitive State Venues	Comparable National Venues
Total Function Space	10 of 10	9 of 9
Exhibit Space	8 of 10	7 of 9
Ballroom Space	7 of 10	8 of 9
Meeting Space	5 of 10	5 of 9
Nearby Hotel Rooms	8 of 10	6 of 9
Area Hotel Rooms	7 of 10	7 of 9
Population	9 of 10	8 of 9
Average Household Income	6 of 10	5 of 9
Number of Businesses	7 of 10	9 of 9
Average BMCCC Ranking	7.4 of 10	7.1 of 9

Conclusion

This analysis of comparable and competitive venues shows that Bloomington could significantly improve its competitiveness with the addition of a hotel and new function space.

- Despite being the second highest ranked destination among Indiana facilities, Bloomington ranks at or near the bottom in most facility comparisons.
- New hotel capacity is needed to effectively compete with state destinations.
- The capacities of the BMCCC also rank well below comparable national venues that have more flexible exhibition and ballroom space.
- Bloomington also ranks below other state competitors and national cities with respect to population, income and the number of business.

6. Building Program Recommendations

HVS relied on an in-depth user survey, other market research, a site inspection, review of comparable convention centers, analysis of historical operations at the BMCCC, and knowledge of industry practices to recommend an expansion to the BMCCC and development of an integrated headquarters hotel property. This facility program should serve as a guide for subsequent physical planning aimed at providing the desired program elements on the proposed site.

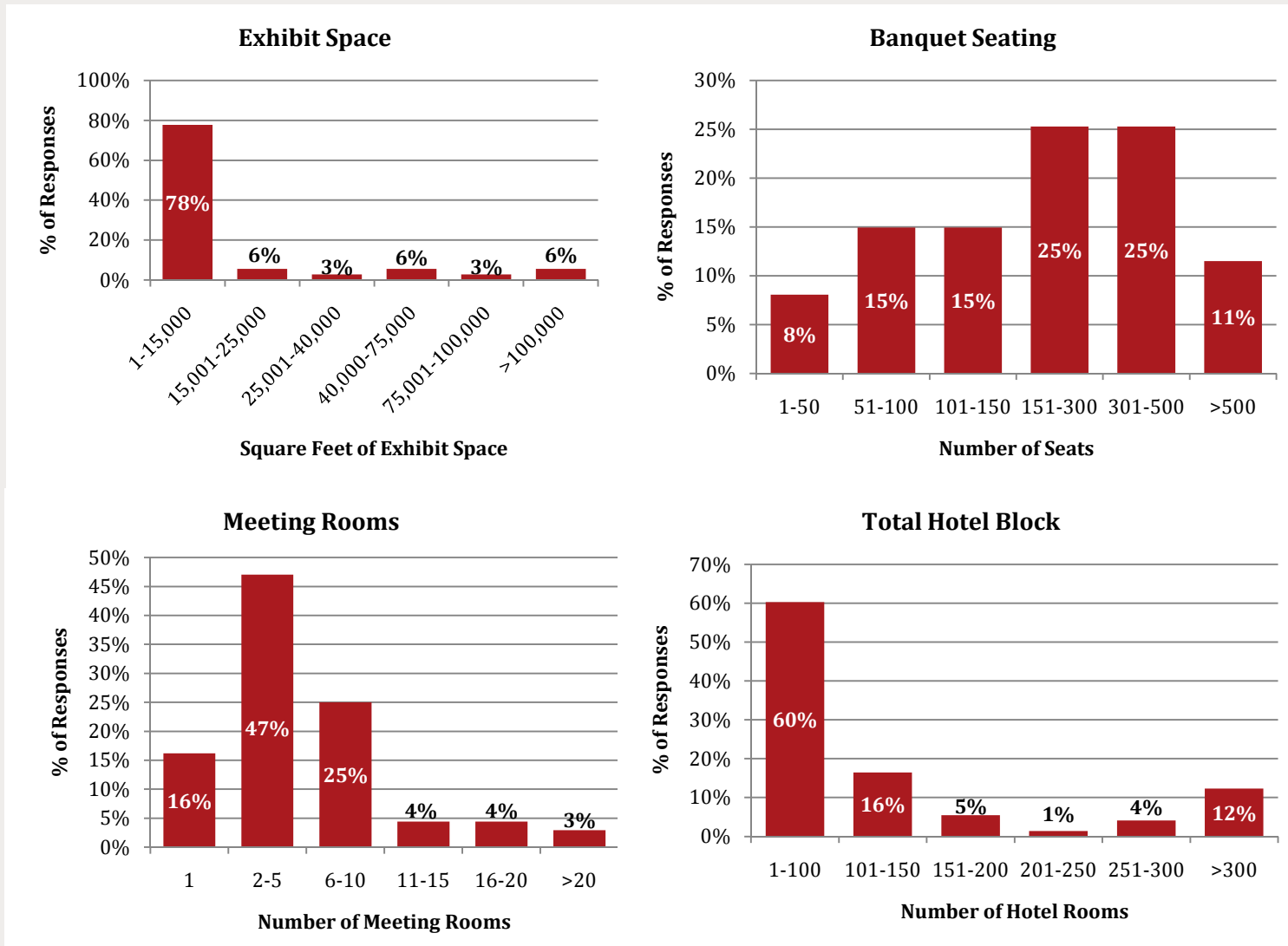
Currently, the BMCCC provides a valuable resource for civic events and banquets; however, a review of historical demand (see Section 7), demonstrates that the BMCCC underperforms under its peers with respect to its ability to attract conventions and tradeshow. As presented in Section 4, user surveys clearly indicate that a key reason for event planners not selecting Bloomington as a host city for their events is a lack of adequate facilities. Also cited is the lack of an adequate hotel room block in a proximate or integrated hotel property.

HVS program recommendations place the new BMCCC and headquarters hotel in the position to serve local demand for civic and sporting events and attract state and regional conventions and tradeshow. Functional requirements revolve around the principle that the venue must host simultaneous events with different venue needs, such as local public shows that use exhibition space, corporate conferences that use meeting and banquet space, and sporting events that use exhibition space as the main competition area and meeting rooms for staging and other support functions.

Space Requirements Indicated by Event Planner Survey Results

Survey data provided information of the facility needs of event planners. Below are the size distribution requirements for exhibit space, banquet seating, meeting rooms, and hotel rooms based on survey responses from event planners' interest in holding an event in an expanded BMCCC.

FIGURE 6-1 INTERESTED SURVEY RESPONDENTS' EVENT REQUIREMENTS



The distributions of facility needs show that:

- 87% of events that need exhibition space could be accommodated in a 40,000 square foot exhibit hall. Additionally, a flexible exhibit hall with movable seating could accommodate the sporting events for which demand has been separately demonstrated.
- 89% of events involving banquet use can be accommodated with 500 or fewer seats. A 500-seat capacity requires approximately 7,500 square feet of space. A flexible and divisible space of approximately twice that size would provide capacity to accommodate two simultaneous events for 500 persons or a single event with 1,000 persons.
- 89% of events that use meeting room space can be accommodated with 10 rooms or less. Meeting space should be flexible with movable walls so that rooms can be configured to 1,000 to 6,000 square feet.
- 84% of events can be accommodated with an adjacent hotel room block of 250 rooms or less. Typically, hotels can block 70 to 80 percent of their rooms for groups and retain their ability to accommodate transient guests. The combined room blocks of the existing Courtyard by Marriott and a new 200-room property could meet this demand.

Convention Center Program Recommendations

HVS recommends the creation of new building infrastructure to supplement the existing convention center. The existing BMCCC building should be incorporated into an expanded building program such that the proposed BMCCC's new convention facility package would include approximately:

- 21,000 square feet of existing function space,
- A 40,000 square foot multi-purpose hall, divisible into three divisions,
- A 15,000 square foot ballroom with three main divisions and eight sub-divisions,
- 6,000 square feet of flexible meeting space with three divisions,
- Two 600 square feet executive boardrooms, and
- A headquarters hotel with 200 guest rooms.

The following figure shows existing and recommended amounts of event spaces at the proposed BMCCC and headquarters hotel.

FIGURE 6-2 FACILITY PROGRAM RECOMMENDATIONS

Type of Space	Floor Area SF		
	Existing	Proposed	Total
Exhibition & Sports Hall	-	40,000	40,000
Ballroom			
The Great Room	8,675		8,675
Hotel Ballroom		15,000	15,000
Meeting			
Level One	8,720		8,720
Level 2 (Duke)	3,610		3,610
Meeting Breakout Space		6,000	6,000
Board Rooms		1,200	1,200
Total Function Space	21,005	62,200	83,205
Support Spaces			
Prefunction, Circulation, Service, Storage, Mechanical, Loading, Drop-off	10,500	77,750	88,250
Gross Floor Area	31,505	139,950	171,455

Exhibit Hall

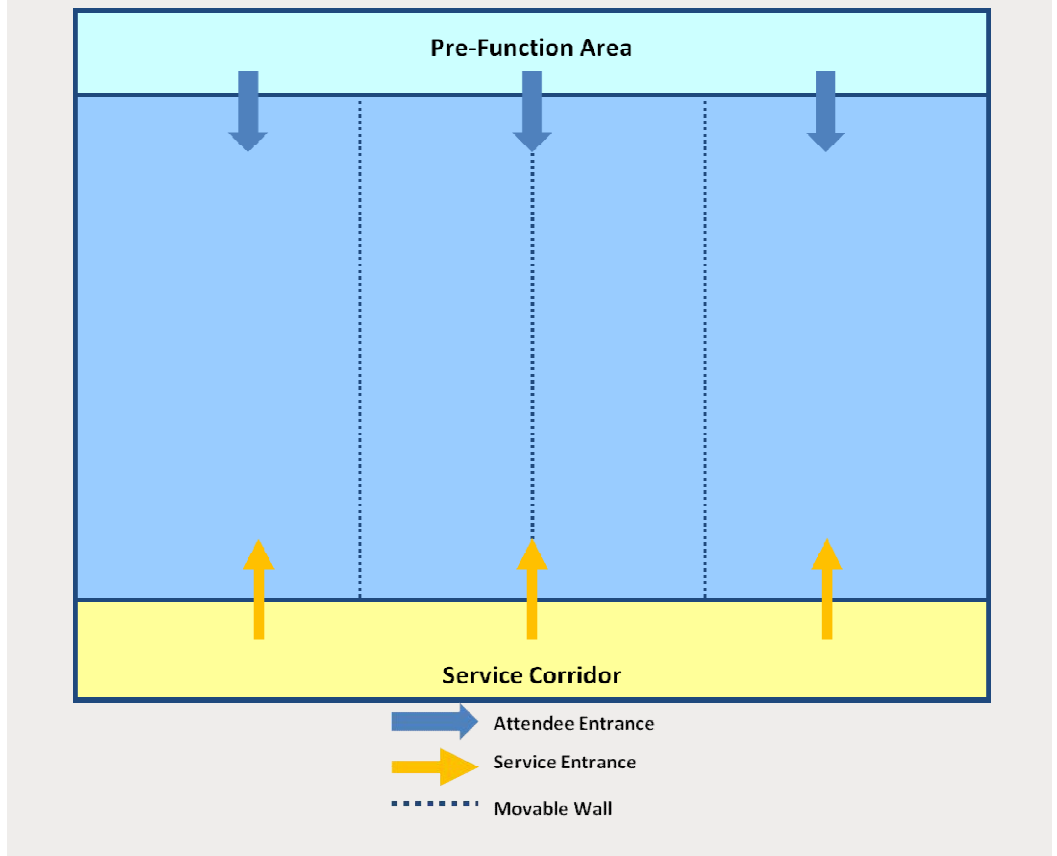
The 40,000 square foot exhibit hall/sports hall would have minimal floor, ceiling and wall finishes and be designed to serve as flexible multi-purpose space.

As an exhibit hall, the hall could host exhibitions, tradeshow, consumer shows, entertainment shows and other large events. Flexible partitioning would allow the exhibit hall to support approximately 250 ten-foot square exhibit booths, banquets with 2,600 persons, and assemblies of up to 4,400 persons. The floor would have a uniform grid of utility boxes for communications and power, while temporary staging capacity and light rigging points would be necessary to accommodate assemblies and various types of entertainment events. Movable walls would be of high quality to provide good sound separation between halls.

The hall could also serve as a venue for indoor sporting events such as volleyball, cheerleading, or martial arts tournaments. In order to hold sporting events, the hall should have ceiling heights that can accommodate events such as volleyball. The space should have proper lighting and airflow, key considerations of badminton, table tennis, and other sports event planners. Additionally, collapsible seating would provide spectator seating that would not reduce the flexibility of the room.

The following figure shows the recommended layout of the exhibit hall and associated spaces.

FIGURE 6-3 PROPOSED BMCC EXHIBIT HALL LAYOUT



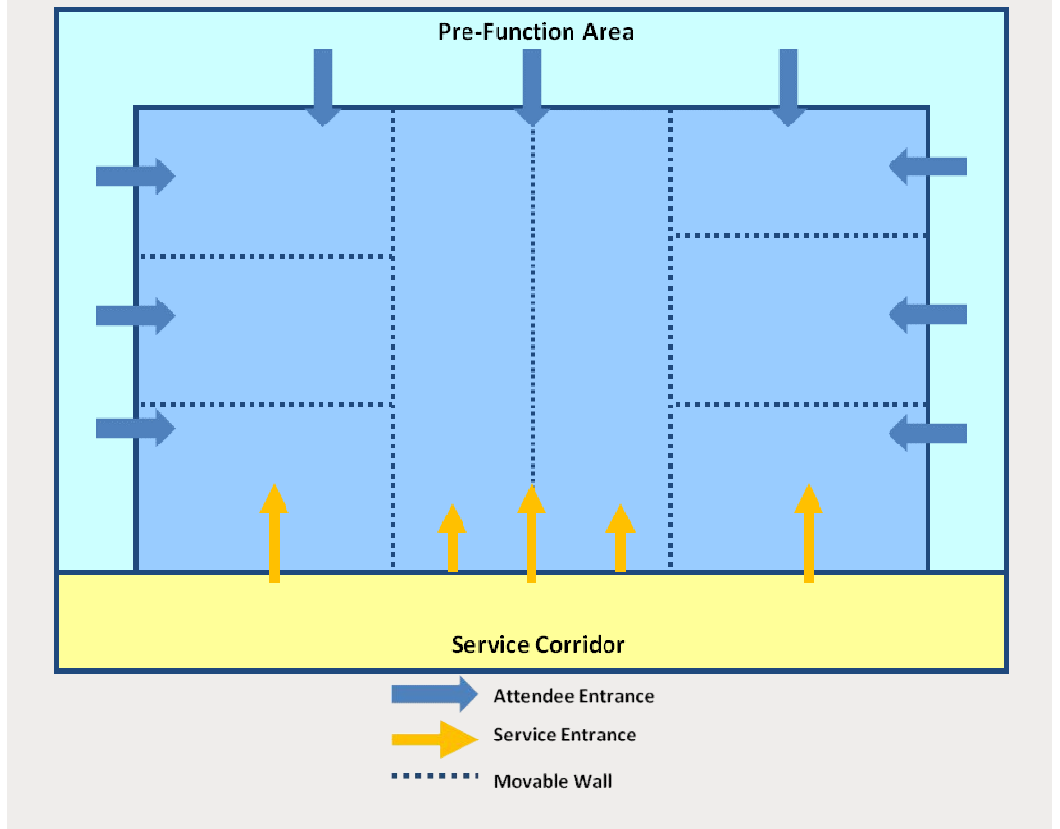
The 40,000 square feet of function space in the exhibit hall should be divisible in half or into three independently accessed halls. Loading docks should provide access to the service corridor that runs along the rear of the exhibit hall. Attendee access through pre-function areas should be separate from service access such that each of the subdivisions of the hall can be separately operating during simultaneous events. For example, one hall could be loaded and set up while an event is occurring in a neighboring hall.

Ballroom

In addition to hosting large banquets, ballroom space is essential to provide breakout space for larger conference and convention events and to support stand-alone meetings. While site constraints and other design issues will affect the final

layout, the following figure shows the recommended organization of ballroom space within the proposed BMCC.

FIGURE 6-4 PROPOSED BALLROOM LAYOUT

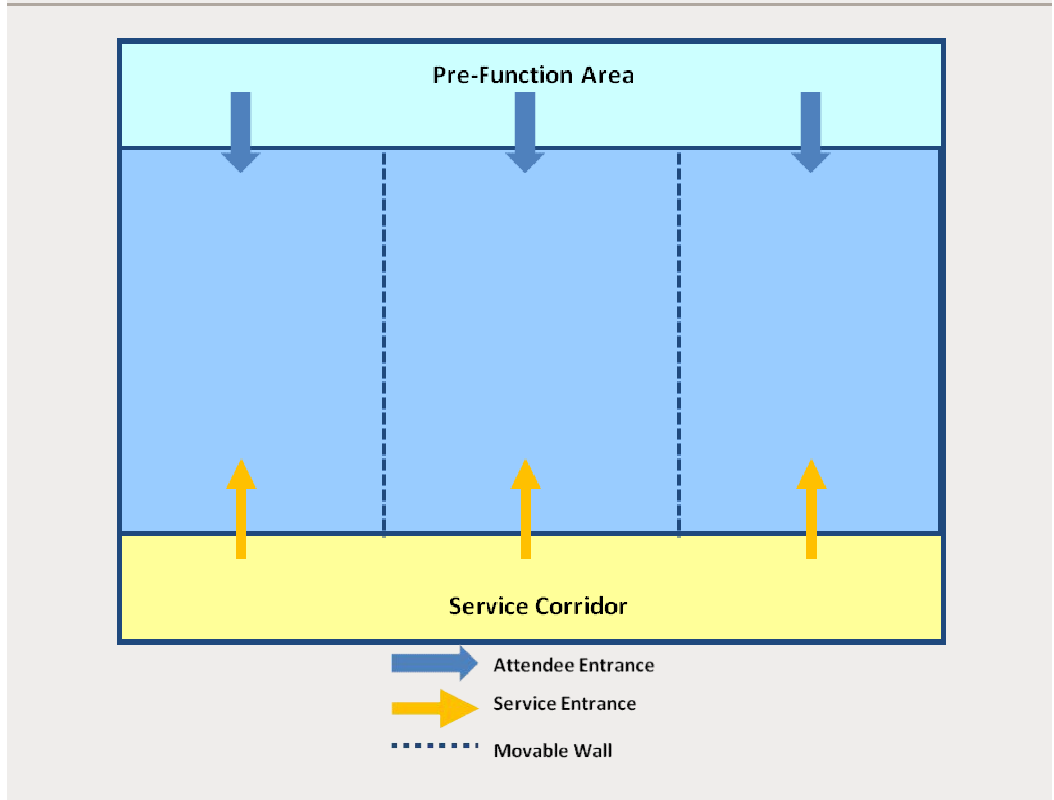


A large grand ballroom, with 15,000 sq ft of function space, divisible into three main sections, and six smaller meeting areas would be able to serve as meeting space as well as a banquet space with banquet seating for up to 1,000 persons. In order to serve meals and other food service efficiently, the ballroom should be serviced via rear access to the service corridor. Temporary walls would create a variety of configurations for maximum flexibility and allow for simultaneous events. Pre-function area should surround the ballroom on three sides to allow the space divide into smaller meeting rooms.

**Convention Center
Meeting Rooms**

Meeting Space is essential to provide breakout space for larger conference and convention events and to support stand-alone meetings. While site constraints and other design issues will affect the final layout, the following figure shows the recommended organization of meeting space within the proposed BMCC.

FIGURE 6-5 PROPOSED BMCC MEETING ROOM LAYOUT



A large meeting room block, divisible into three sections, would be able to serve as meeting space as well as additional banquet space with banquet seating for up to 400 persons for the 6,000 square foot block of function space. In order to serve meals and other food service efficiently, the meeting rooms should be serviced via rear access to the service corridor. Temporary walls would create a variety of configurations for maximum flexibility and allow for simultaneous events. An additional two 600 square feet of boardroom meeting space would accommodate smaller and more formal meetings.

Ancillary and Support Spaces

In addition to the exhibit, ballroom, and meeting function spaces provided above, the gross floor area of the convention center would include the following elements:

- Pre-function – Well-appointed pre-function area provides meeting planners with areas for greeting and registration, social gatherings, and well-defined public access to the exhibit halls, ballrooms, and meeting rooms.
- Circulation – Circulation space provides for the movement of attendees into and through the Convention Center. These areas would include the entrance

lobby, hallways, and connecting walkways and bridges as required. Depending on the concept plan, these areas could also include vertical circulation (stairwells, elevators, and escalators).

- Service Access – Service corridors provide non-public access to the event hall and meeting rooms as well as connection to the facility’s loading docks, mechanical rooms, and storage.
- Drop-off Zone – The Convention Center should have vehicular drop-off area and pedestrian access solely for the uses of event attendees, separate from service and loading areas.
- Loading Areas – Service access that is separate from the drop-off zone, truck docks, and waste disposal areas are needed to support the BMCCC operations.
- Kitchen – A production kitchen could serve the needs of the ballroom or larger events that use a portion of the exhibit hall. The capacity of the kitchen should allow it to serve at least 2,000 persons for multiple simultaneous events or a single large event held in the exhibit hall.
- Storage – Adequate and convenient equipment storage is important to the efficient operation of the facility.
- Facility Operations – Spaces are needed to support the facility’s physical plant, including HVAC, plumbing, electrical and fire protection systems.

A more precise determination of the floor areas would require a concept plan created by a design firm that illustrates how the proposed expanded Convention Center would fit on the site. The process of concept planning will likely require adjustments to the recommended floor areas.

Parking

Adequate parking capacity is essential to accommodate local exhibition, sports and entertainment events. The figure below shows an initial assessment of the amount of parking needed to accommodate BMCCC and hotel demand.

FIGURE 6-6 PRELIMINARY ASSESSMENT OF PARKING NEEDS

Venue	Number of Spaces
Proposed Hotel	200
Courtyard by Marriott	110
Convention Center	
Structured	200 to 300
Surface	150 to 250
Total	710

The BMCCC currently uses a surface lot immediately west of the building. The long-term goal would be to replace surface parking with structured parking. Surface parking may be necessary as a temporary use of land available for future expansion or other related development.

The mix of surface and structured parking for the convention center should be determined in the site planning process. Further assessment of parking needs should consider the availability of off-site parking. A comprehensive study of parking needs should be undertaken in a subsequent phase of research and planning.

Structured parking could be integrated in a mixed-use development that provides some residential and storefront commercial space. Analysis of the potential for these additional land uses is beyond the scope of this study, but would be important as a part of a future land planning process.

Site Utilization

Detailed site planning is beyond the scope of the present study; however, the program recommendations contained herein, consider the location and amounts of land available for development. The BMCCC currently sits on publicly owned land and the County has acquired adjacent sites for the purposes of accommodating the expansion. The figure below shows the BMCCC and the adjacent publicly owned land.

FIGURE 6-7 LAND OWNERSHIP



The site is bordered on by 3rd Street to the north and by 2nd Street to the south. Madison Street provides the western-most boundary between the site and its residential neighbors. Walnut Street, a major northbound thoroughfare, provides the eastern-most boundary. College Avenue, a major southbound thoroughfare bisects the northern part of the site and forms the eastern border of the southern part of the site. The B-Line trail, a bike and pedestrian path, also bisects the site and overpasses 3rd Street. The B-Line, College Avenue and Walnut Street provide pedestrian and vehicular access to the downtown area only one block north of the site.

Monroe County owns the 2.875-acre land parcel west of the BMCCC and currently leases it to the Building Corporation for use as surface parking. Monroe County

also owns 2.91 acres of land to the east of the BMCCC and 2.30 acres on the south end of the block of the BMCCC. The Courtyard by Marriott is situated immediately south of the BMCCC and is connected by a conditioned interior corridor. Additional surface parking is available on 2.52 acres of City-owned land immediately south of the BMCCC and west and south of the Courtyard. The Courtyard also controls a .35-acre parcel of land for dedicated surface parking south of the hotel.

In addition to accommodating the proposed program, a site utilization plan should attempt to accomplish the following objectives:

- Connect new function space to existing building,
- Foster connections to downtown,
- Integrate existing Courtyard and proposed headquarters hotel into the Convention Center as much as possible,
- Create pedestrian-friendly interface on street level,
- Enhance B-Line experience,
- Buffer the interface with residential neighborhood to the west of the site,
- Efficiently manage traffic flows to and from the site and provide drop-off areas for hotel and BMCCC guests, and
- Provide a massing of development that is consistent with zoning requirements and the scale of the surrounding land uses.

Two of many possible site use alternatives are presented below.

FIGURE 6-8 SITE USE OPTION A



This site alternative places the hotel on 3rd Street and connects the new meeting and ballroom space across College Avenue. The exhibit/sports hall could be located south of the Courtyard by Marriott hotel. Surface parking could be provided on the site south of the exhibit/sports hall. The existing parking lot west of the BMCCC could serve as a location for the mixed-use residential, commercial and parking development.

FIGURE 6-9 SITE USE OPTION B

A second site use alternative places the hotel on College Avenue directly across from the Courtyard by Marriott hotel and locates the new ballroom and meeting space on 3rd Street.

Site use option A locates the hotel close to the downtown area. It creates a strong connection between the existing BMCCC, expanded meeting space, and the exhibit hall.

Site use option B creates a strong connection between the existing BMCCC and expanded meeting space. A link between the hotel and the exhibit hall would allow for the hotel kitchen to provide catering.



These two site use alternatives are two among many that should be explored in a subsequent land and concept planning process that would be performed by an experienced planning and architectural firm with the assistance of other technical experts in traffic planning, parking analysis, and other engineering disciplines. This planning process is most likely to result in modifications to the building program recommended herein.

7. Convention Center Demand and Financial Analysis

Convention Center Demand Analysis

HVS based event demand projections at the proposed expanded Bloomington Monroe County Convention Center on the following research and analysis:

- The recommended facility program presented in Section 6,
- Industry data and trends reports,
- Key market and economic indicators outlined in Section 2,
- Comparable venue program and operating data,
- Existing state and regional competitive venues,
- User surveys,
- Interviews with government officials and other stakeholders, and
- Interviews with representatives from Visit Bloomington.

In developing the demand projections, HVS assumes that all recommendations throughout this report are implemented. Projections assume that the proposed facility opens on January 1, 2015. HVS estimates that event demand will stabilize in the fourth year of operation—2018. Demand projections also assume highly qualified, professional sales and management teams for the proposed BMCCC and headquarters hotel.

For this convention center analysis, event demand projections reflect those events which would be held in both the original and expanded function spaces.

Historical Demand

Since being converted from a Ford assembly plant and showroom, the Bloomington Monroe County Convention Center has attracted a number of local, state, and regional events. As the meeting industry has expanded, the BMCCC's facility did not expand, and despite improvements such as an escalator and a modern remodel of rooms, the facility's 21,189 square feet of space is unable to compete with larger convention facilities around Indiana. Given the lack of appropriate space for most conventions and tradeshow the BMCCC primarily accommodates events with local attendance. Locally attended events do not produce the level of economic impact as do events which attract out-of-town attendees. The figure below presents a historical look at the number of events by event type at the BMCCC.

FIGURE 7-1 HISTORICAL BMCCC DEMAND

	2008	2009	2010
Events			
Conventions	1	4	2
Tradeshows	1	1	-
Consumer Shows	1	2	2
Conferences	126	99	89
Meetings	261	248	207
Banquets	118	122	92
Assemblies	92	77	70
Fairs	13	13	13
Entertainment	2	-	-
Other	20	22	20
Total	635	588	495
Estimate of Average Attendance			
Conventions	250	230	300
Tradeshows	250	300	-
Consumer Shows	3,000	2,258	1,750
Conferences	83	107	89
Meetings	31	31	29
Banquets	194	176	195
Assemblies	50	93	124
Fairs	586	504	652
Entertainment	600	-	-
Other	245	213	228
Estimate of Total Attendance			
Conventions	250	920	600
Tradeshows	250	300	-
Consumer Shows	3,000	4,515	3,500
Conferences	10,430	10,550	7,883
Meetings	8,069	7,695	5,977
Banquets	22,863	21,530	17,914
Assemblies	4,640	7,185	8,705
Fairs	7,615	6,555	8,475
Entertainment	1,200	-	-
Other	4,895	4,690	4,560
blank	3,000	4,515	3,500
Total	66,212	68,455	61,114

Convention Center Demand Projections

The BMCCC hosts hundreds of events each year, consisting mainly of smaller assemblies, meetings, banquets, and conferences. The center hosts few conventions, consumer shows, and tradeshow, the event types that have the most economic impact on the area.

Market research, interviews with key local stakeholders, an analysis of comparable and competitive convention venues, and a detailed user survey suggest that the proposed expanded convention center should be able to attract a significant number of state-based conventions and trade shows. The primary factors which hinder Bloomington's ability to book a greater number of high impact events are its lack of exhibition space, inadequate hotel supply, and the perception of inconvenient air access through the Indianapolis airport. Expansion of the BMCCC and the addition of an attached hotel would position Bloomington to attract drive-in state and regional convention, conference, and meeting business. Survey results indicate that the destination appeal of Bloomington and its relationship with Indiana University would contribute to the success of sales and marketing efforts.

A potential exists in sporting events which would use the exhibition hall as a competition surface. Currently, most amateur sports events in Bloomington are accommodated by, the Twin Lakes Sports Complex, which hosts a number of softball tournaments and the Twin Lakes Recreation Center, which hosts indoor soccer and basketball tournaments. Date conflicts and lack of space currently prevent Bloomington from accommodating more amateur sports events. Many events require multiple venues, but high school gymnasias offer the only alternative sites outside the Twin Lakes Recreation Center. The use of Indiana University venues for youth sports is governed by strict NCAA rules that puts their venues off limits for many events. The proposed exhibit hall could support many types of sports events including but not limited to: basketball, table tennis, fencing, volleyball, cheerleading, wrestling, and other mat sports.

HVS forecast the event demand for the proposed BMCCC for a 10-year period. For the purposes of this analysis, HVS assumes the proposed expanded convention center and headquarters hotel will open on January 1, 2015. Below is a range of projected demand in a 2018, the first year of stabilized demand.

FIGURE 7-2 BMCCC STABILIZED YEAR DEMAND PROJECTIONS

	Low	Middle	High
Events			
Conventions	10	15	20
Tradeshows	3	5	6
Consumer Shows	7	10	13
Conferences	80	110	140
Meetings	240	310	390
Banquets	125	150	190
Assemblies	125	150	150
Fairs	10	13	16
Entertainment	3	5	8
Amateur Sports	5	5	10
Other	20	20	20
Total	628	793	963
Average Attendance			
Conventions	400	420	440
Tradeshows	400	425	450
Consumer Shows	1,410	1,480	1,550
Conferences	220	230	240
Meetings	50	55	60
Banquets	220	235	250
Assemblies	100	100	110
Fairs	570	600	630
Entertainment	190	200	210
Amateur Sports	240	250	260
Other	210	220	230
Total Attendance			
Conventions	4,000	6,300	8,800
Tradeshows	1,200	2,125	2,700
Consumer Shows	9,870	14,800	20,150
Conferences	17,600	25,300	33,600
Meetings	12,000	17,050	23,400
Banquets	27,500	35,250	47,500
Assemblies	12,500	15,000	16,500
Fairs	5,700	7,800	10,080
Entertainment	570	1,000	1,680
Amateur Sports	1,140	1,250	2,600
Other	4,200	4,400	4,600
Total	100,000	130,275	170,000

HVS assumes that convention center demand would ramp up relatively slowly during the first three years after expansion and reach full potential in year four.

These events would include:

Conventions & Trade Shows—Conventions and trade shows are events that require a combination of exhibition, banquet, and meeting space. The exhibit hall could be divided and set up in various configurations to accommodate these events. Meeting and junior ballroom space is also available to accommodate the break out meetings and meals which are typically part of these multi-day events. Larger conventions which require additional meeting and ballroom space could use space within the proposed headquarters hotel. The source of convention and trade show events would primarily be state associations that would rotate to Bloomington for their annual events.

Consumer Shows—Consumer shows are ticketed, public events that would attract local attendees such as home and garden shows, craft fairs, and sports shows. The exhibit hall would be the main exhibit space for vendors. Some meeting space would also be necessary for these events as support and back-of-house uses. Food and beverage services would be limited to concessions.

Banquets—Banquets are stand-alone social events typically booked by local corporations, social and civic organizations, and private clients. The 15,000 square foot grand ballroom would be the main banquet facility for the complex. The existing 8,675 square foot junior ballroom could serve as alternate space when the grand ballroom is booked. Portions of the exhibit hall could also be booked for banquets and other social events which are too large for the grand ballroom. The 15,000 square foot grand ballroom proposed for the headquarters hotel would be the main banquet facility for the complex. As such, the majority of banquets would be booked directly by the hotel and are captured in the hotel pro forma in Section 8 of this report. Demand for banquets within the proposed BMCCC would take two forms. First, the existing 8,675 square foot junior ballroom could serve as alternate space when the hotel's grand ballroom is booked. Second, portions of the exhibit hall could be booked for banquets and other social events which are too large for the grand ballroom.

Meetings and Conferences—Meetings and conferences are events that require breakout meeting space but would not use banquet or exhibit space. Food service would be limited to coffee breaks, breakfasts, or luncheons that would be served in meeting rooms. Locally based state associations, local area businesses, civic organizations, and government agencies would host meetings and conferences. Although the size of the meetings and conferences could range from 15 to 300 persons, most meetings and conferences would be small events that use a single

meeting room. The exhibit hall could also be used to handle larger meetings or several smaller simultaneous meetings.

Assemblies—Assemblies include religious events, lectures, large meetings, graduations and other civic ceremonies which require a large seating capacity. HVS projects that a modest number of smaller assemblies would book the existing BMCCC facility, also using portions of the new exhibit hall in a theater setting. Assemblies are typically single day events.

Sports—Given the strong existing amateur sports market and the addition of the proposed convention center space as a venue for indoor playing surfaces, HVS assumes that the BMCCC would be able to book five sporting events per year. These events may include but not limited to: basketball, table tennis, fencing, cheerleading, wrestling, volleyball, badminton, and other mat sports. Events would range from youth to adult to collegiate competitions. HVS projects an average event duration of 2.5 days per event which is consistent with current demand reflecting a number of multi-day tournaments.

Concerts and Entertainment—The exhibit hall in the expanded BMCCC would have the ability to host smaller concerts, comedy shows, local productions, and other entertainment. HVS therefore projects five concert and entertainment events annually in an expanded convention center with an average attendance of 600.

Other—Other events include a variety of local-oriented facility rentals which include such events as exams, charity events, speeches, radio/television satellite broadcasts, dance recitals, blood drives, and other civic uses.

Comparable Analysis

Since no directly comparable venues are currently in the Bloomington market, the forecast of demand for the proposed BMCCC needs to be based on reasonable assumptions about future demand. The mix of actual events could vary significantly from these forecasts. The following analysis of comparable venues provides a test of the reasonableness of these event demand forecasts.

The following figure compares recent historical demand for six of the comparable venues presented in Section 5 with the demand projected for the proposed BMCCC. The comparable venues represent both state and regional competitors which are similarly sized convention centers. The venues represent a variety of markets with a mix of relative destination appeal. Names of comparable venues are withheld to preserve the operations of the organizations providing data.

FIGURE 7-3 HISTORICAL EVENTS AND ATTENDANCE AT COMPARABLE VENUES

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6	Average*	Bloomington
Data Year	2010	2008	2006	2010	2003	2008		2010
Number of Events								
Conventions & Tradeshows	15	20	5	23	NA	33	17	2
Consumer Shows	16	16	14	8	NA	15	16	1
Banquets	69	0	7	52	NA	274	81	92
Meetings & Conferences	297	125	27	70	NA	286	143	296
Assemblies, Sports, Concerts & Other	114	0	41	57	NA	120	68	90
Total	511	161	94	511	700	728	401	494
Average Attendance								
Conventions & Tradeshows	973	2,525	4,500	NA	NA	823	2,205	300
Consumer Shows	2,789	3,628	5,000	NA	NA	1,719	3,284	3,500
Banquets	259	0	2,000	NA	NA	264	841	195
Meetings & Conferences	93	175	720	NA	NA	193	295	47
Assemblies, Sports, Concerts & Other	464	0	2,300	NA	NA	296	1,020	147
Overall Average	308	810	2,343	290	429	297	746	117
Total Attendance								
Conventions & Tradeshows	14,594	50,508	22,500	NA	NA	27,175	28,694	600
Consumer Shows	44,629	58,055	70,000	NA	NA	25,785	86,243	3,500
Banquets	17,844	0	14,000	NA	NA	72,403	34,749	17,914
Meetings & Conferences	27,533	21,914	19,440	NA	NA	55,081	28,732	13,860
Assemblies, Sports, Concerts & Other	52,896	0	94,300	NA	NA	35,502	60,899	13,265
Total	157,496	130,477	220,240	148,099	300,000	215,946		57,614

*Average of the only available data.

Sources: Event Data from Facilities as Classified by HVS

Because of the unique operating and market characteristics of each individual facility, none of the venues in the above figure are perfect comparisons to an expanded facility in Bloomington. Taking market factors into consideration, the demand projections for the proposed Bloomington Monroe County Convention Center and headquarters hotel are consistent with event demand currently found in its state-wide and regional competition. Specific conclusions include the following:

- Event demand levels reflect the unique market characteristics as well as the differences in the overall size and breadth of the local market economies. As demonstrated in Section 2, Bloomington has a smaller and less diverse economy than most of the cities presented above. Demand projections reflect this with lower than average event numbers and attendance levels.
- Throughout the last decade, other competing cities in Indiana and the southeastern US have made significant investment into their meeting and convention assets. The proposed expansion to the BMCCC would establish Bloomington as a potential destination for a number of meetings and conventions that it is currently unable to host. As a destination, the city of Bloomington has a vibrant downtown and is continuing its downtown development which is essential for Bloomington to be successful in booking these events.
- Demand for locally generated events, such as sports, concerts and consumer shows, depend heavily on local market factors which are specific to each venue. These factors include local competition, population demographics, and the local market economy. These factors should be considered when comparing local event demand amongst the venues.

Room Night Projections

HVS calculated the potential generation of room nights by the proposed BMCCC. These room nights represent new, induced demand into the Bloomington market as a direct result of the development of the expanded convention center. Assumptions used to generate room night estimates are shown below.

FIGURE 7-4 ASSUMPTIONS FOR ROOM NIGHT GENERATION

Type of Event	Length of Stay	Lodgers Per Room	Percent Lodgers
Conventions	2.5	1.4	75%
Tradeshows	2.0	1.4	75%
Consumer Shows	4.0	1.4	15%
Conferences	1.5	1.4	75%
Meetings	1.0	1.2	40%
Banquets	1.0	2.0	25%
Fairs	1.0	0.0	0%
Entertainment	1.0	1.5	10%
Amateur Sports	2.0	2.8	90%
Other	1.0	0.0	0%

Conventions, trade shows, and conferences are the strongest generators of room nights. The following figure presents the resulting room night generation for the expanded BMCCC.

FIGURE 7-5 ROOM NIGHT ESTIMATES

Type	2011	2012	2013	2014	2015	2016	2017	2018
Conventions	800	800	800	800	4,200	6,300	7,600	8,400
Tradeshows	300	300	300	300	1,100	1,700	2,000	2,300
Consumer Shows	1,500	1,500	1,500	1,500	3,200	4,800	6,300	6,300
Conferences	3,600	3,600	3,600	3,600	12,200	12,900	13,200	13,600
Meetings	2,300	2,300	2,300	2,300	4,500	5,100	5,700	5,700
Banquets	2,700	2,700	2,700	2,700	3,700	4,400	4,400	4,400
Entertainment	0	0	0	0	100	100	100	100
Amateur Sports	0	0	0	0	500	800	1,000	1,000
Total	11,200	11,200	11,200	11,200	29,500	36,100	40,300	41,800

In a stabilized year, HVS estimates that the BMCCC would generate approximately 48,500 room nights in the local area market. Some of these room nights would be blocked through contracts with groups and others would result from individual hotel reservations.

Approach to Operations

For the purposes of this study, HVS assumes that the Convention Center Management Company would continue to operate the existing BMCCC space plus the proposed new exhibit/sports hall. The new ballroom and related new function space would be managed by the hotel operator under a lease arrangement. The hotel operator would also provide food and beverage services within the BMCCC

and pay commissions to the Convention Center Management Company for the privilege of providing services to BMCCC events. The operating arrangements would all be subject to negotiations with a hotel operator and these negotiations could result in operating agreements; however, this analysis of financial operations requires HVS to choose one among many possible operating scenarios.

Convention Center Financial Analysis

HVS uses a proprietary financial operating model to estimate revenues and expenses at conventions centers. This model quantifies the key variables and operating ratios that determine revenue potential and expense levels. Unless otherwise indicated, the model assumes an annual inflation rate of 3.0 percent that applies both to revenues and expenses.

Convention Center Revenues

BMCCC event revenue line items include facility rental, food and beverage sales, and event services. HVS assumes that parking fees would be dedicated to repaying debt on adjacent parking development. The model uses a series of revenue assumptions based on attendance or floor area utilization. Floor area utilization is measured in Gross Square Foot Days (“GSFD”)—the amount of floor area rented times the number of days it is rented including move-in and move-out days.

To formulate the revenue assumptions, HVS modeled the historical operations of the BMCCC for the year 2010. The base year of operations – 2011 – uses historical demand. We adjusted the assumptions for inflation and other anticipated trends in price levels.

The figure below summarizes the revenue assumptions for the proposed expanded Convention Center by type of event.

FIGURE 7-6 EVENT REVENUE ASSUMPTIONS

Type	Facility Rental per GSFD	Event Services per GSFD	Food & Beverage per Attendee	Other Revenue per Fixed Amt
Conventions	\$ 0.08	\$ 0.20	\$ 29.82	\$ 20.00
Tradeshows	0.06	0.01	27.86	-
Consumer Shows	0.06	0.05	4.99	-
Conferences	0.11	0.08	30.93	-
Meetings	0.10	0.05	4.96	-
Banquets	0.12	0.09	22.12	-
Assemblies	0.10	0.01	0.16	-
Fairs	0.11	0.11	1.54	-
Entertainment	0.07	-	4.34	-
Amateur Sports	0.04	-	4.34	-
Other	0.12	0.17	5.88	-

Facility Rental—Facility rental revenue includes the revenue the Convention Center receives from clients that reserve one or more function areas in the facility. Despite having published rates, convention centers typically charge rental fees based on negotiated daily rental fees. Not all events are charged a facility rental fee. A facility may waive the space rental charges if the event meets a certain minimum of food and beverage charges as is usually the case for most banquets.

Food and Beverage—Most events that use the Convention Center’s function spaces will also arrange for food service for their attendees during their events. This food service includes catering which can range from coffee breaks associated with a meeting to a full dinner associated with a convention or banquet. Consumer shows and sporting events may generate concessions revenue. Most conventions and conferences generate demand for multiple meals during the course of these multi-day events. Meetings and banquets generally include a single meal or refreshment services. HVS projects estimated gross food and beverage revenues on a per capita basis depending on the type of event. Events like conventions and tradeshows typically spend the most per attendee. Consumer shows have lower per capita spending.

Event Services—Event Services include the fees charged to tenants for services that could include business services, audio and video technical assistance, set-up and take down of function spaces, cleaning services, security services, electricity and other utilities, commissions from decorators and other services provided by third-party contractors at events. Many events also require audio and video, communications and internet services. Banquets and other upscale events can

**Convention Center
Operating Expenses**

often require elaborate decorating services. Almost all events require cleaning services; cleaning of common areas may be complimentary for most events while cleaning services offered to individual exhibitors can represent a significant source of revenue. Service charges vary by type of event. Some of these services may be included in the rental charges for using the facility, but others will be add-on service charges. The HVS model estimates event services revenue based on the amount of space rented.

Other Revenue—Other revenue could include damages billed to tenants, special fees or dues, interest income, and certain non-recurring income. Other revenue may also include daily parking charges for spaces in convention center lots and parking during Indiana University football games or other events.

HVS estimated direct event expenses for the proposed Convention Center as a blend of fixed costs and variable percentage of operating revenues as summarized below.

FIGURE 7-7 CONVENTION CENTER EXPENSE ASSUMPTIONS

Expenditure	Percentage Revenue	Fixed Expense for Base Year
Salaries	4.0% of Total Operating Rev	\$333,581
Benefits	30.0% of Salaries	
Food & Beverage Costs	85.0% of Food & Beverage (Gross)	\$18,000
Event Services Costs	82.4% of Event Services (Gross)	
Administrative & General	3.8% of Total Operating Rev	
Marketing & Sales	1.9% of Total Operating Rev	
Repair & Maintenance	6.7% of Total Operating Rev	
Parking Costs		
Utilities	6.0% of Total Operating Rev	
Capital Maintenance	4.0% of Total Operating Rev	

Salaries & Benefits—HVS created a detailed projection of salaries and associated benefits for permanent full and part-time employees dedicated to administration, marketing, building operations, and other functions. This category does not include part time food & beverage and event staffing, which are included in departmental costs. The proposed staffing schedule reflects what HVS considers to be an adequate level of staffing required to effectively operate the Convention Center and achieve the level of revenues projected. The following figure presents a proposed staffing schedule with 12 full-time equivalent positions. Benefits are assumed to be 30 percent of gross salaries.

FIGURE 7-8 CONVENTION CENTER STAFFING SCHEDULE

<u>Title</u>	<u>Positions</u>	<u>Total Salary</u>
Director	1	
Controller	1	
Sales Director	2	
Event Consultant	1	
Office Manager	1	
Evening Manager	1	
Maintenance Manager	1	
Maintenance Assistant	2	
Set Up Personnel	2	
Staffing Total	12	\$413,782

Food and Beverage Costs—HVS assumes that the food and beverage operation would be operated by the adjacent headquarters hotel. Costs of food service are, therefore, estimated as a percentage of gross food and beverage sales and reflect a sales commission that the headquarters hotel would pay to the venue.

Event Services Costs—Event services costs are the costs incurred by the facility for client reimbursed expenses such as audio visual rental and set-up, security, cleaning, event set-up and event labor.

Contractual Services—The facility may require outsourced operations and maintenance services as well as professional services in conducting convention center operations such as legal, accounting, tax, consulting or other advice.

Administrative & General—Office and administrative operations incur day-to-day facility expenses. Such expenses typically include travel, telephone, printing, permits, and other miscellaneous services

Marketing and Sales—Marketing costs include the costs associated with promoting the facility and its events. These may include advertising fees, printing and other costs associated with creating promotion materials.

Repair & Maintenance—Both routine and one-time facility maintenance expenses are primarily the responsibility of in-house facility operations personnel. More specialized activities, such as HVAC system maintenance, electrical work, and maintenance of other mechanical systems often must be contracted out to third parties.

**Non-Operating
Expenses**

Supplies & Equipment—Items such as computers, office machines, furniture, consumables, and chemicals are required to support the operations of the facility.

Utilities—Utilities, including electricity, gas, water, and other charges often represent one of the largest expenses incurred by facility operators.

Capital Maintenance Reserve—An annual contribution based upon 4 percent of total facility operating revenues would be used to fund major capital improvements as the facility ages. Hotel operators look for this capital reserve to ensure that the Convention Center property will continue to be a desirable facility for events for years to come.

**Convention Center
Operating Pro Forma**

The figure below presents the ten-year financial projections for the proposed expansion to the BMCCC. The projections are in inflated dollars beginning in the current year. The expanded convention center is assumed to open January 1, 2015.

FIGURE 7-9 FIVE-YEAR PRO FORMA STATEMENT OF OPERATIONS

	2015		2016		2017		2018		2019		2020	
	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total
OPERATING REVENUE												
Facility Rental	\$502,000	24.4%	\$555,000	23.7%	\$599,000	23.3%	\$629,000	23.1%	\$648,000	23.1%	\$667,000	23.1%
Event Services (Gross)	436,000	21.2%	536,000	22.9%	611,000	23.8%	662,000	24.3%	682,000	24.3%	702,000	24.3%
Food & Beverage (Gross)	1,118,000	54.4%	1,249,000	53.4%	1,357,000	52.9%	1,429,000	52.5%	1,472,000	52.6%	1,516,000	52.5%
Total	\$2,055,000	100.0%	\$2,341,000	100.0%	\$2,566,000	100.0%	\$2,720,000	100.0%	\$2,801,000	100.0%	\$2,885,000	100.0%
OPERATING EXPENSES												
Salaries	\$480,000	23.4%	\$541,000	23.1%	\$586,000	22.8%	\$633,000	23.3%	\$652,000	23.3%	\$672,000	23.3%
Benefits	144,000	7.0%	162,000	6.9%	176,000	6.9%	190,000	7.0%	196,000	7.0%	201,000	7.0%
Food & Beverage Costs	950,000	46.2%	1,062,000	45.4%	1,153,000	44.9%	1,214,000	44.6%	1,251,000	44.7%	1,288,000	44.6%
Event Services Costs	359,000	17.5%	442,000	18.9%	503,000	19.6%	546,000	20.1%	562,000	20.1%	579,000	20.1%
Administrative & General	78,000	3.8%	89,000	3.8%	98,000	3.8%	103,000	3.8%	106,000	3.8%	110,000	3.8%
Marketing & Sales	39,000	1.9%	44,000	1.9%	49,000	1.9%	52,000	1.9%	53,000	1.9%	55,000	1.9%
Repair & Maintenance	138,000	6.7%	157,000	6.7%	172,000	6.7%	182,000	6.7%	188,000	6.7%	193,000	6.7%
Parking Costs	21,000	1.0%	21,000	0.9%	22,000	0.9%	23,000	0.8%	23,000	0.8%	24,000	0.8%
Utilities	123,000	6.0%	140,000	6.0%	154,000	6.0%	163,000	6.0%	168,000	6.0%	173,000	6.0%
Total	\$2,332,000	113.5%	\$2,659,000	113.6%	\$2,913,000	113.5%	\$3,106,000	114.2%	\$3,199,000	114.2%	\$3,295,000	114.2%
OPERATING INCOME (LOSS)	(\$277,000)	-13.5%	(\$319,000)	-13.6%	(\$346,000)	-13.5%	(\$386,000)	-14.2%	(\$398,000)	-14.2%	(\$410,000)	-14.2%
NON-OPERATING REVENUE												
Fund Transfers In*	\$359,000	17.5%	\$412,000	17.6%	\$449,000	17.5%	\$495,000	18.2%	\$510,000	18.2%	\$525,000	18.2%
Total	\$359,000	17.5%	\$412,000	17.6%	\$449,000	17.5%	\$495,000	18.2%	\$510,000	18.2%	\$525,000	18.2%
NON-OPERATING EXPENSES												
Capital Maintenance	\$82,000	4.0%	\$94,000	4.0%	\$103,000	4.0%	\$109,000	4.0%	\$112,000	4.0%	\$115,000	4.0%
Total	\$82,000	4.0%	\$94,000	4.0%	\$103,000	4.0%	\$109,000	4.0%	\$112,000	4.0%	\$115,000	4.0%
TOTAL NET INCOME (LOSS)	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%

* Fund transfers would be made from available Innkeepers Tax revenue in amounts sufficient to cover projected operating deficits.

FIGURE 7-10 TEN-YEAR FORECAST OF BMCCC INCOME AND EXPENSE

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
OPERATING REVENUE											
Facility Rental	\$316,000	\$336,000	\$346,000	\$356,000	\$367,000	\$502,000	\$555,000	\$599,000	\$629,000	\$648,000	\$667,000
Event Services (Gross)	\$203,000	240,000	248,000	255,000	263,000	436,000	536,000	611,000	662,000	682,000	702,000
Food & Beverage (Gross)	\$731,000	832,000	857,000	883,000	909,000	1,118,000	1,249,000	1,357,000	1,429,000	1,472,000	1,516,000
Total	\$1,249,000	\$1,408,000	\$1,451,000	\$1,494,000	\$1,539,000	\$2,056,000	\$2,340,000	\$2,567,000	\$2,720,000	\$2,802,000	\$2,885,000
OPERATING EXPENSES											
Salaries	\$319,000	\$344,000	\$354,000	\$365,000	\$375,000	\$480,000	\$541,000	\$586,000	\$633,000	\$652,000	\$672,000
Benefits	\$96,000	103,000	106,000	109,000	113,000	144,000	162,000	176,000	190,000	196,000	201,000
Food & Beverage Costs	\$629,000	734,000	756,000	779,000	802,000	950,000	1,062,000	1,153,000	1,214,000	1,251,000	1,288,000
Event Services Costs	\$168,000	198,000	204,000	210,000	216,000	359,000	442,000	503,000	546,000	562,000	579,000
Administrative & General	\$46,000	54,000	55,000	57,000	58,000	78,000	89,000	98,000	103,000	106,000	110,000
Marketing & Sales	\$18,000	27,000	28,000	28,000	29,000	39,000	44,000	49,000	52,000	53,000	55,000
Repair & Maintenance	\$95,000	94,000	97,000	100,000	103,000	138,000	157,000	172,000	182,000	188,000	193,000
Parking Costs	\$18,000	19,000	19,000	20,000	20,000	21,000	21,000	22,000	23,000	23,000	24,000
Utilities	\$78,000	84,000	87,000	90,000	92,000	123,000	140,000	154,000	163,000	168,000	173,000
Total	\$1,465,000	\$1,657,000	\$1,706,000	\$1,758,000	\$1,808,000	\$2,332,000	\$2,658,000	\$2,913,000	\$3,106,000	\$3,199,000	\$3,295,000
OPERATING INCOME (LOSS)	(\$216,000)	(\$249,000)	(\$255,000)	(\$264,000)	(\$269,000)	(\$276,000)	(\$318,000)	(\$346,000)	(\$386,000)	(\$397,000)	(\$410,000)
NON-OPERATING REVENUE											
Fund Transfers In*	\$248,000	\$248,000	\$256,000	\$263,000	\$271,000	\$359,000	\$412,000	\$449,000	\$495,000	\$510,000	\$525,000
Total	\$248,000	\$248,000	\$256,000	\$263,000	\$271,000	\$359,000	\$412,000	\$449,000	\$495,000	\$510,000	\$525,000
NON-OPERATING EXPENSES											
Capital Maintenance	\$0	\$0	\$0	\$0	\$0	\$82,000	\$94,000	\$103,000	\$109,000	\$112,000	\$115,000
Total	\$0	\$0	\$0	\$0	\$0	\$82,000	\$94,000	\$103,000	\$109,000	\$112,000	\$115,000
TOTAL NET INCOME (LOSS)	\$32,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

*Fund transfers would be made from available Innkeepers Tax revenue in amounts sufficient to cover projected operating deficits.



HVS financial projections are intended to show the expected levels of revenues and expenses over a ten-year period. Projections show smooth growth over time. However, event demand and booking cycles are not always smooth. Business can be affected by unpredictable local and national economic factors. Event demand is often cyclical, based on rotation patterns and market conditions. Therefore, HVS recommends interpreting the financial projections as a mid-point of a range of possible outcomes and over a multi-year period rather than relying on projections for any one specific year.

8. Hotel Analysis and Recommendations

A 200-room Full-Service Convention Center Hotel will be constructed as part of the master plan for the expansion of the BMCCC. The hotel could be developed directly east of the existing Bloomington Monroe County Convention Center and must be connected to the facility. In this section, HVS provides analysis of the national and local hotel markets, the proposed Full-Service Convention Center Hotel, and projected financial performance of the property.

Supply and Demand Analysis

In the economic principle of supply and demand, price varies directly, but not proportionately, with demand and inversely, but not proportionately, with supply. In the lodging industry, supply is measured by the number of guestrooms available, and demand is measured by the number of room occupied; the net effect of supply and demand towards equilibrium results in a prevailing price, or average rate. The purpose of this section is to investigate current supply and demand trends as indicated by the current competitive market, and set forth a basis for the projection of future supply and demand growth.

Historical Supply and Demand Data

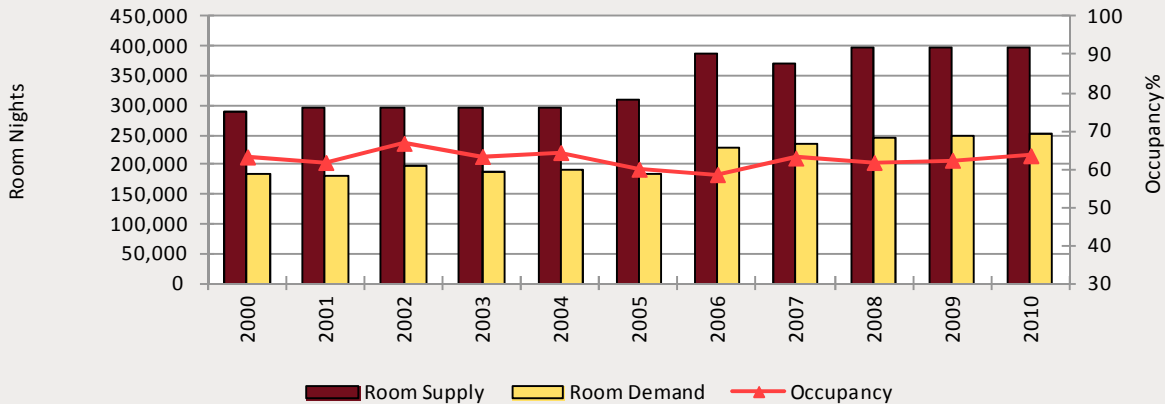
Smith Travel Research (“STR”) has compiled historical supply and demand data for a group of hotels considered applicable to this analysis for the proposed subject property. This information is presented in the following figure, along with the market-wide occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

FIGURE 8-1 HISTORICAL SUPPLY AND DEMAND TRENDS

Year	Average Daily Available Room		Change	Occupied Room		Occupancy	Average		RevPAR	Change
	Room Count	Nights		Nights	Change		Rate	Change		
2000	793	289,599	—	183,088	—	63.2 %	\$74.54	—	\$47.13	—
2001	807	294,555	1.7 %	181,866	(0.7) %	61.7	75.51	1.3 %	46.62	(1.1) %
2002	807	294,555	0.0	196,727	8.2	66.8	78.26	3.6	52.27	12.1
2003	807	294,555	0.0	186,598	(5.1)	63.3	82.77	5.8	52.44	0.3
2004	807	294,555	0.0	189,639	1.6	64.4	86.18	4.1	55.48	5.8
2005	850	310,161	5.3	186,058	(1.9)	60.0	92.40	7.2	55.43	(0.1)
2006	1,063	387,989	25.1	227,422	22.2	58.6	98.62	6.7	57.81	4.3
2007	1,019	371,767	(4.2)	233,976	2.9	62.9	105.89	7.4	66.64	15.3
2008	1,091	398,215	7.1	246,030	5.2	61.8	110.40	4.3	68.21	2.3
2009	1,091	398,215	0.0	248,281	0.9	62.3	107.22	(2.9)	66.85	(2.0)
2010	1,091	398,215	0.0	253,064	1.9	63.5	109.45	2.1	69.56	4.1
Year-to-Date Through August										
2010	1,091	265,113	—	173,747	—	65.5 %	\$107.05	—	\$70.16	—
2011	1,091	265,113	0.0 %	182,576	5.1 %	68.9	109.25	2.1 %	75.24	7.2 %
Average Annual Compounded Change:										
2000-2010			3.2 %		3.3 %			3.9 %		4.0 %
Hotels Included in Sample				Number of Rooms	Year Affiliated	Year Opened				
Indiana Memorial Union				186	Jun-59	Jun 1959				
Holiday Inn Bloomington				118	Aug-10	Jun 1974				
Hampton Inn Bloomington				129	Oct-86	Oct 1986				
Fairfield Inn Bloomington				105	Jan-96	Jan 1996				
Courtyard Bloomington				117	Sep-96	Sep 1996				
TownePlace Suites Bloomington				84	Mar-00	Mar 2000				
Holiday Inn Express & Suites Bloomington				102	Aug-05	Aug 2005				
Hilton Garden Inn Bloomington				168	Apr-06	Apr 2006				
Homewood Suites Bloomington				82	Sep-06	Sep 2006				
Total				1,091						

Source: Smith Travel Research

FIGURE 8-2 HISTORICAL SUPPLY AND DEMAND GRAPH



Source: Smith Travel Research

It is important to note some limitations of the STR data. Hotels are occasionally added to or removed from the sample, and not every property reports data in a consistent and timely manner; these factors can influence the overall quality of the information by skewing the results. These inconsistencies may also cause the STR data to differ from the results of our competitive survey. Nonetheless, STR data provide the best indication of aggregate growth or decline in existing supply and demand; thus, these trends have been considered in our analysis. Opening dates, as available, are presented for each reporting hotel in Figure 8-1.

Our interviews with the general manager of the subject property and other market participants indicate that demand from corporate sources, including both individual business travelers and corporate groups, has fallen during the current downturn. Group demand from other sources has also decreased, as many groups have elected to cancel or defer meetings and events. Leisure demand has been affected, although not as dramatically as the other segments due to sports related demand from Indiana University. Virtually all segments are reported to be very price-sensitive. In response to these market conditions, the hotels within the competitive set have implemented price discounts designed to attract those groups and individuals that are continuing to travel. The net effect of these trends is evident in the STR data for the market as a whole. These data reflect an overall market occupancy level of 63.5% in 2010, which compares to 62.3% for 2009. The overall average occupancy level for the calendar years presented equates to 61.6%. Indiana University, leisure travelers, local employers, and government agencies have consistently provided a steady demand base for the Bloomington

market. Lodging trends in this area have been relatively stable, with this college town experiencing occupancy declines in 2000 and 2001 before rebounding immediately in 2002. Reportedly, the opening of the Cook Pharmica and BioConvergence facilities helped boost demand. By contrast, new supply entered the market in 2005 and 2006; these supply increases outpaced demand and caused market-wide occupancy to decline during those periods. The temporary closure of the Crowne Plaza in 2007 helped boost market-wide occupancy as the overall rooms inventory decreased. However, its re-opening in 2008 had the opposite effect on the market. It is apparent that the Bloomington market has not experienced the same declines that are evident for the Indianapolis market and the nation. This submarket has been somewhat insulated from these declines given the presence of Indiana University, the largest demand generator in the region. However, conversations with local hotel operators revealed that area hotels are accommodating more group business at lowered rates to offset declines in corporate and leisure travel.

These data reflect an overall market average rate level of \$109.45 in 2010, which compares to \$107.22 for 2009. The average across all calendar years presented for average rate equates to \$104.58. The future of the competitive market is dependent upon the recovery of the national and local economies. Over the near term, demand levels are expected to remain relatively soft, while price sensitivity is anticipated to continue to be a significant influence on the performance of the hotels within the competitive set. Demand levels are expected to continue to recover in 2012, with growth accelerating over the following three years. Average rates are also expected to recover, although this statistic will likely lag behind occupancy recovery as hotel managers are not expected to discontinue the prevailing price and discount policies until the recovery of demand levels is well established. Future average rate growth is expected to result initially from the reduction in the number and degree of discounted rates available to guests; ultimately, price increases are also expected to be implemented. These occupancy and average rate trends resulted in a RevPAR level of \$69.56 in 2010.

Seasonality

Monthly occupancy and average rate trends are presented in the following figures.

FIGURE 8-3 MONTHLY OCCUPANCY TRENDS

Month	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
January	46.1 %	45.6 %	54.5 %	46.5 %	40.6 %	46.4 %	44.9 %	42.7 %	46.1 %	41.7 %	41.8 %	48.7 %
February	63.1	63.8	73.9	60.5	64.0	61.0	64.7	65.9	65.7	64.1	62.4	70.5
March	58.9	63.1	67.3	65.4	63.2	60.6	64.6	69.0	59.1	58.7	62.1	62.9
April	62.1	61.6	73.6	66.0	63.5	70.1	57.0	65.2	67.9	64.9	68.4	71.7
May	59.8	62.5	68.4	61.9	66.2	63.9	58.8	62.9	57.4	58.7	65.0	66.8
June	74.4	71.4	77.9	78.4	85.8	70.9	74.4	81.2	75.7	74.4	74.7	75.5
July	73.7	63.9	77.6	82.7	73.7	69.4	70.7	73.8	73.8	68.0	67.9	73.4
August	76.1	72.8	78.0	71.7	77.0	65.7	66.7	74.0	75.9	79.8	82.1	81.8
September	67.7	57.0	60.8	62.4	64.7	57.3	57.6	64.1	61.4	65.3	62.4	—
October	72.9	72.2	72.5	71.2	75.1	68.0	64.8	69.9	68.5	73.4	76.7	—
November	60.6	62.2	59.0	54.1	57.9	54.9	46.6	54.6	51.4	57.5	53.9	—
December	41.9	45.2	38.7	39.5	41.3	34.7	35.2	39.4	39.0	42.1	45.3	—
Annual Occupancy	63.2 %	61.7 %	66.8 %	63.3 %	64.4 %	60.0 %	58.6 %	62.9 %	61.8 %	62.3 %	63.5 %	—
Year-to-Date	64.5	63.1	71.3	66.6	66.7	63.5 %	63.0 %	66.2 %	65.2 %	63.7 %	65.5 %	68.9 %

Source: Smith Travel Research

FIGURE 8-4 MONTHLY AVERAGE RATE TRENDS

Month	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
January	\$65.66	\$66.41	\$67.38	\$71.04	\$73.29	\$78.29	\$84.79	\$91.44	\$96.55	\$96.44	\$95.22	\$95.75
February	70.82	73.59	73.62	78.67	82.50	87.12	94.31	100.27	104.55	102.05	99.58	104.04
March	70.32	71.58	73.35	76.99	79.94	85.23	89.70	97.32	100.21	100.10	99.75	100.80
April	73.96	74.01	75.29	79.22	83.74	89.16	92.96	100.44	104.25	106.20	106.48	108.69
May	74.71	78.43	80.38	86.33	90.43	96.61	104.74	112.73	122.74	125.47	126.91	133.69
June	72.78	74.66	78.22	81.28	84.89	91.75	97.61	104.25	104.81	103.32	107.18	108.58
July	77.59	76.06	76.85	83.52	88.83	93.08	98.18	100.56	107.52	99.59	103.90	106.24
August	75.97	76.73	82.32	86.28	87.81	91.55	99.67	112.03	117.01	106.47	110.96	111.66
September	81.16	81.30	82.26	85.33	88.79	99.32	108.04	115.52	122.68	109.35	116.10	—
October	82.40	83.35	90.50	93.59	97.26	104.33	111.75	120.97	127.32	120.60	127.24	—
November	73.72	76.74	83.77	90.14	88.37	99.04	100.93	111.72	113.44	113.93	111.68	—
December	66.56	67.96	69.49	73.72	78.03	83.45	88.59	94.95	94.06	95.92	95.13	—
Annual Average Rate	\$74.54	\$75.51	\$78.26	\$82.77	\$86.18	\$92.40	\$98.62	\$105.89	\$110.40	\$107.22	\$109.45	—
Year-to-Date	\$73.28	\$74.27	\$76.30	\$80.95	\$84.68	\$89.65	\$96.02	\$102.80	\$107.65	\$105.18	\$107.05	\$109.25

Source: Smith Travel Research



The illustrated monthly occupancy and average rates patterns reflect important seasonal characteristics. We have reviewed these trends in developing our forthcoming forecast of market-wide demand and average rate.

Patterns of Demand

A review of the trends in occupancy, average rate, and RevPAR by the night of the week over the past three fiscal years provides some insight into the impact that the current economic conditions have had on the competitive lodging market. The data, as provided by Smith Travel Research, is set forth in the following figure.

FIGURE 8-5 OCCUPANCY, AVERAGE RATE AND REVPAR BY DAY OF WEEK

Occupancy (%)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Sep 08 - Aug 09	36.7 %	57.3 %	65.8 %	66.2 %	60.2 %	68.5 %	71.4 %	60.8 %
Sep 09 - Aug 10	37.9	60.0	68.5	69.2	63.1	72.1	74.0	63.5
Sep 10 - Aug 11	38.8	60.1	70.8	71.5	65.9	77.0	76.2	65.8
<u>Change (Occupancy Points)</u>								
FY 09 - FY 10	1.2	2.7	2.7	3.0	2.9	3.7	2.7	2.7
FY 10 - FY 11	0.9	0.1	2.3	2.3	2.8	4.9	2.1	2.2
ADR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Sep 08 - Aug 09	\$98.76	\$100.50	\$101.62	\$101.65	\$103.45	\$122.60	\$124.80	\$108.72
Sep 09 - Aug 10	98.34	101.50	103.24	101.87	105.13	119.18	122.75	108.46
Sep 10 - Aug 11	100.44	101.78	103.63	104.42	107.56	124.50	125.55	110.91
<u>Change (Dollars)</u>								
FY 09 - FY 10	-\$0.42	\$1.00	\$1.62	\$0.22	\$1.68	-\$3.43	-\$2.05	-\$0.26
FY 10 - FY 11	2.10	0.28	0.39	2.55	2.43	5.32	2.80	2.45
<u>Change (Percent)</u>								
FY 09 - FY 10	-0.4 %	1.0 %	1.6 %	0.2 %	1.6 %	-2.8 %	-1.6 %	-0.2 %
FY 10 - FY 11	2.1	0.3	0.4	2.5	2.3	4.5	2.3	2.3
RevPAR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Sep 08 - Aug 09	\$36.24	\$57.62	\$66.85	\$67.24	\$62.26	\$83.93	\$89.05	\$66.15
Sep 09 - Aug 10	37.22	60.91	70.69	70.48	66.30	85.93	90.88	68.92
Sep 10 - Aug 11	38.97	61.22	73.33	74.66	70.84	95.88	95.64	72.94
<u>Change (Dollars)</u>								
FY 09 - FY 10	\$0.98	\$3.29	\$3.84	\$3.24	\$4.04	\$2.01	\$1.83	\$2.77
FY 10 - FY 11	1.75	0.31	2.65	4.18	4.54	9.94	4.76	4.02
<u>Change (Percent)</u>								
FY 09 - FY 10	2.7 %	5.7 %	5.7 %	4.8 %	6.5 %	2.4 %	2.1 %	4.2 %
FY 10 - FY 11	4.7	0.5	3.7	5.9	6.9	11.6	5.2	5.8

Source: Smith Travel Research

In most markets, business travel, including individual commercial travelers and corporate groups, is the predominant source of demand on Monday through Thursday nights. Leisure travelers and non-business-related groups generate a majority of demand on Friday and Saturday nights.

SUPPLY

Based on an evaluation of the occupancy, rate structure, market orientation, chain affiliation, location, facilities, amenities, reputation, and quality of each area hotel, as well as the comments of management representatives, we have identified several properties that are expected to be primarily competitive with the proposed subject property. If applicable, additional lodging facilities may be judged to be only secondarily competitive; although the facilities, rate structures, or market orientations of these hotels prevent their inclusion among the primarily competitive supply, they are expected to compete with the proposed subject property to some extent.

The following figure summarizes the important operating characteristics of the future primary competitors and the aggregate secondary competitors (if applicable). This information was compiled from personal interviews, inspections, lodging directories, and our in-house library of operating data. The figure also sets forth each property's penetration factors; penetration is the ratio between a specific hotel's operating results and the corresponding data for the market. If the penetration factor is greater than 100%, the property is performing better than the market as a whole; conversely, if the penetration is less than 100%, the hotel is performing at a level below the market-wide average.

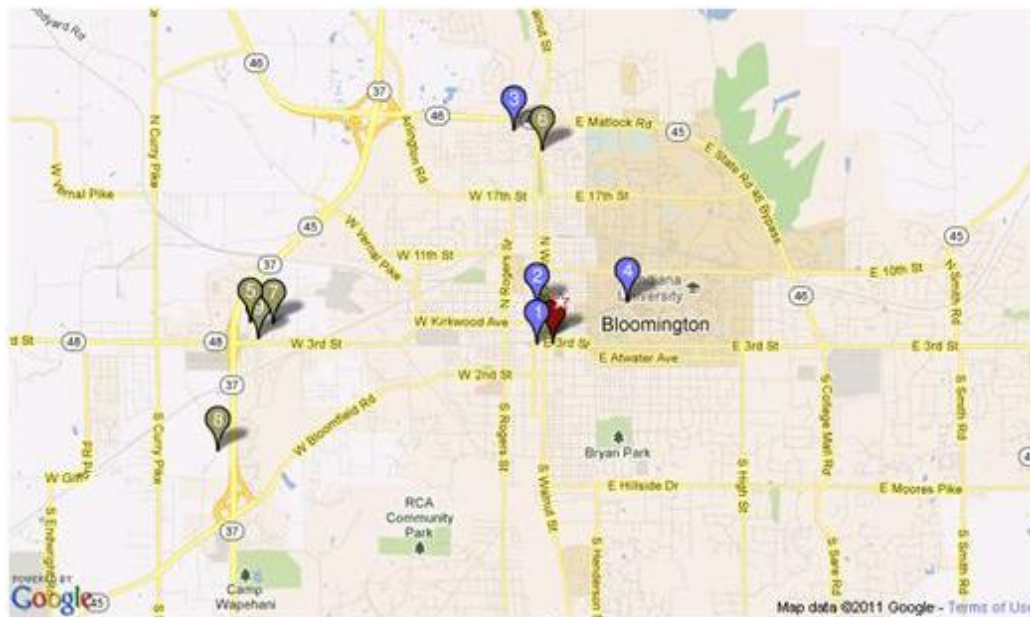


FIGURE 8-6 COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Estimated 2008				Estimated 2009				Estimated 2010						
		Commercial	Meeting and Group	Leisure	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	RevPAR Change	Occupancy Penetration	Yield Penetration
Courtyard Bloomington	117	30 %	30 %	40 %	117	70 %	\$117.00	\$81.90	117	67 %	\$121.00	\$81.07	117	75 %	\$110.00	\$82.50	1.8 %	118.6 %	121.5 %
Hilton Garden inn Bloomington	168	40	35	25	168	64	126.00	80.64	168	66	115.00	75.90	168	68	112.00	76.16	0.3	107.5	112.1
Holiday Inn Bloomington	118	20	50	30	118	51	90.00	45.90	118	51	88.00	44.88	118	48	90.00	43.20	(3.7)	75.9	63.6
Indiana Memorial Union Biddle Hotel & Conference Center	186	30	35	35	189	57	103.00	58.71	189	57	105.00	59.85	186	57	110.00	62.70	4.8	90.1	92.3
Sub-Totals/Averages	589	32 %	36 %	32 %	592	60.4 %	\$110.94	\$66.96	592	60.3 %	\$108.75	\$65.61	589	61.9 %	\$107.52	\$66.57	1.4 %	97.9 %	98.0 %
Secondary Competitors	502	46 %	20 %	34 %	375	63.0 %	\$104.60	\$65.92	375	64.0 %	\$102.89	\$65.87	375	65.3 %	\$107.28	\$70.07	6.4 %	103.3 %	103.2 %
Totals/Averages	1,091	37 %	30 %	33 %	967	61.4 %	\$108.42	\$66.56	967	61.8 %	\$106.40	\$65.72	964	63.2 %	\$107.43	\$67.93	3.4 %	100.0 %	100.0 %

The following map illustrates the locations of the proposed subject property and its future competitors.

MAP OF COMPETITION



- | | | | |
|--|--|--|---|
| | Proposed Convention Center Hotel | | Hampton Inn Bloomington (Secondary) |
| | Courtyard Bloomington (Primary) | | Holiday Inn Express & Suites Bloomington (Secondary) |
| | Hilton Garden Inn Bloomington (Primary) | | Homewood Suites Bloomington (Secondary) |
| | Holiday Inn Bloomington (Primary) | | TownePlace Suites Bloomington (Secondary) |
| | Indiana Memorial Union Biddle Hotel & Conference Center (Primary) | | |
| | Fairfield Inn Bloomington (Secondary) | | |

Primary Competitors

We have reviewed area lodging facilities to determine the number that may compete with the proposed subject property on a primary basis. We have identified four properties that will compete with the subject property on a primary basis. The Courtyard by Marriott is anticipated to be a primary competitor due to location next to the Bloomington Monroe County Convention Center and upscale brand. The Hilton Garden Inn is anticipated to be a primary competitor due to the downtown Bloomington location and upscale brand. The Holiday Inn is anticipated to be a primary competitor due to offering a full-service facility and popular brand. The Indiana Memorial Union Biddle Hotel & Conference Center is anticipated to be a primary competitor due to University location, extensive meeting space, and Student Union facility.

Secondary Competitors

We have also reviewed other area lodging facilities to determine whether any may compete with the proposed subject property on a secondary basis. The room count of each secondary competitor has been weighted based on its assumed degree of competitiveness in the future with the proposed subject property. By assigning degrees of competitiveness, we can assess how the subject property and its competitors may react to various changes in the market, including new supply, changes to demand generators, and renovations or franchise changes of existing supply. The following figure sets forth the pertinent operating characteristics of the secondary competitor(s).

FIGURE 8-7 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Total Competitive Level	Estimated 2008				Estimated 2009				Estimated 2010			
		Commercial	Meeting and Group	Leisure		Weighted Annual Room Count	Average			Weighted Annual Room Count	Average			Weighted Annual Room Count	Average		
							Occ.	Rate	RevPAR		Occ.	Rate	RevPAR		Occ.	Rate	RevPAR
Fairfield Inn Bloomington	105	40 %	20 %	40 %	70 %	74	58 %	\$97.00	\$56.26	74	59 %	\$95.00	\$56.05	74	57 %	\$100.00	\$57.00
Hampton Inn Bloomington	129	40	20	40	80	103	60	110.00	66.00	103	61	108.00	65.88	103	60	112.00	67.20
Holiday Inn Express & Suites Bloomington	102	50	20	30	80	82	65	112.00	72.80	82	66	112.00	73.92	82	75	115.00	86.25
Homewood Suites Bloomington	82	60	20	20	70	57	68	105.00	71.40	57	69	99.00	68.31	57	70	103.00	72.10
TownePlace Suites Bloomington	84	40	20	40	70	59	67	94.00	62.98	59	68	95.00	64.60	59	67	100.00	67.00
Totals/Averages	502	46 %	20 %	34 %	75 %	375	63.0 %	\$104.60	\$65.92	375	64.0 %	\$102.89	\$65.87	375	65.3 %	\$107.28	\$70.07

We have identified five hotels that are expected to compete with the proposed subject property on a secondary level. The Hampton Inn is anticipated to be competitive on the basis of location and brand; however, this hotel is only located near downtown and does not offer the services of a full-service property. The Fairfield Inn, Holiday Inn Express, Homewood Suites, and TownePlace Suites are anticipated to be competitive on the basis of brand affiliation and modern product; however, these hotels are located along Highway 37 South and do not offer the level of service of a full-service property.

Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject property’s operating performance. Based upon our research and inspection (as applicable), new supply considered in our analysis is presented in the following figure.

FIGURE 8-8 NEW SUPPLY

Proposed Property	Number of Rooms	Percent of Competitive Rooms
Full-Service Convention Center Hotel	200	100 %
9th & College Hotel	155	80
Totals/Averages	355	

According to the City of Bloomington Planning Office, a hotel at 9th and College is the only new hotel currently expected within the subject property's competitive set.

While we have taken reasonable steps to investigate proposed hotel projects and their status, due to the nature of real estate development, it is impossible to determine with certainty every hotel that will be opened in the future, or what their marketing strategies and effect in the market will be. Depending on the outcome of current and future projects, the future operating potential of the proposed subject property may be positively or negatively affected. Future improvement in market conditions will raise the risk of increased competition. Our forthcoming forecast of stabilized occupancy and average rate is intended to reflect such risk.

Supply Conclusion

We have identified various properties that are expected to be competitive to some degree with the proposed subject property. We have also investigated potential increases in competitive supply in the Bloomington submarket. The proposed Full-Service Convention Center Hotel should enter a dynamic market of varying

product types and price points. Next, we will present our forecast for demand change, using the historical supply data presented as a starting point.

DEMAND

The following figure presents the most recent trends for the subject hotel market as tracked by HVS. These data pertain to the competitors discussed previously in this section; performance results are estimated, rounded for the competition, and in some cases weighted if there are secondary competitors present. In this respect, the information in the figure differs from the previously presented STR data and is consistent with the supply and demand analysis developed for this report.

FIGURE 8-9 HISTORICAL MARKET TRENDS

Year	Accommodated		Room Nights		Market			Market	
	Room Nights	% Change	Available	% Change	Occupancy	Market ADR	% Change	RevPAR	% Change
Est. 2008	216,572	—	352,773	—	61.4 %	\$108.42	—	\$66.56	—
Est. 2009	217,884	0.6 %	352,773	0.0 %	61.8	106.40	(1.9) %	65.72	(1.3) %
Est. 2010	222,373	2.1	351,678	(0.3)	63.2	107.43	1.0	67.93	3.4

Avg. Annual Compounded

**Demand Analysis
Using Market
Segmentation**

For the purpose of the demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2010 distribution of accommodated room night demand as follows.

FIGURE 8-10 ACCOMMODATED ROOM NIGHT DEMAND

Market Segment	Marketwide	
	Accommodated Demand	Percentage of Total
Commercial	82,909	37 %
Meeting and Group	65,939	30
Leisure	73,525	33
Total	222,373	100 %

The market's demand mix comprises commercial demand, with this segment representing roughly 37% of the accommodated room nights in this Bloomington

submarket. The remaining portion comprises meeting and group at 30%, with the final portion leisure in nature, reflecting 33%.

Using the distribution of accommodated hotel demand as a starting point, we will analyze the characteristics of each market segment in an effort to determine future trends in room night demand.

Commercial Segment

Commercial demand consists mainly of individual businesspeople passing through the subject market or visiting area businesses, in addition to high-volume corporate accounts generated by local firms. Brand loyalty (particularly frequent-traveler programs), as well as location and convenience with respect to businesses and amenities, influence lodging choices in this segment. Companies typically designate hotels as “preferred” accommodations in return for more favorable rates, which are discounted in proportion to the number of room nights produced by a commercial client. Commercial demand is strongest Monday through Thursday nights, declines significantly on Friday and Saturday, and increases somewhat on Sunday night. It is relatively constant throughout the year, with marginal declines in late December and during other holiday periods.

Commercial demand in the subject property's market is generated by the area's business firms located downtown and in the surrounding areas, as well as by Indiana University. Considering both current and historical trends, we project demand change rates of 6.0% in 2011, 3.0% in 2012, and 3.0% in 2013. After these first three projection years, we have forecast demand change rates of 2.5% in 2014 and 1.5% in 2015.

Meeting and Group Segment

The meeting and group market includes meetings, seminars, conventions, trade association shows, and similar gatherings of ten or more people. Peak convention demand typically occurs in the spring and fall. Although there are numerous classifications within the meeting and group segment, the primary categories considered in this analysis are corporate groups, associations, and SMERFE (social, military, ethnic, religious, fraternal, and educational) groups. Corporate groups typically meet during the business week most commonly in the spring and fall months. These groups tend to be the most profitable for hotels, as they typically pay higher rates and usually generate ancillary revenues including food, beverage, and banquet revenue. SMERFE groups are typically price-sensitive and tend to meet on weekends and/or during the summer months or holiday season, when greater discounts are usually available. These groups generate limited ancillary revenues. The profile and revenue potential of associations varies depending on the group and the purpose of their meeting or event.

In the local market, the SMERFE (social, military, ethnic, religious, fraternal, and educational) meetings and group sub-segment is strongly based on the visitation

of sports teams to the area and other local events such as weddings and family reunions. Commercial group demand is relatively weak in the Bloomington market but is none the less is an important source of demand. Considering both current and historical trends, we project demand change rates of 2.5% in 2011, 1.5% in 2012, and 1.0% in 2013. After these first three projection years, we have forecast demand change rates of 1.0% in 2014 and 1.0% in 2015. The demand increase due to the expansion of the Bloomington Monroe County Convention Center is separately accounted for in induced demand.

Leisure Segment

Leisure demand consists of individuals and families spending time in an area or passing through en route to other destinations. Travel purposes include sightseeing, recreation, or visiting friends and relatives. Leisure demand also includes room nights booked through Internet sites such as Expedia, hotels.com, and Priceline; however, leisure may not be the purpose of the stay. This demand may also include business travelers and group and convention attendees who use these channels to take advantage of any discounts that may be available on these sites. Leisure demand is strongest Friday and Saturday nights and all week during holiday periods and the summer months. These peak periods represent the inverse of commercial visitation trends, underscoring the stabilizing effect of capturing weekend and summer tourist travel. Future leisure demand is related to the overall economic health of the region and the nation. Trends showing changes in state and regional unemployment and disposable personal income correlate strongly with leisure travel levels.

Leisure demand in the subject property's market is generated by the sites and attractions described earlier in this report, including Indiana University, Indiana University sporting events, several sports complexes, Lake Monroe, and other generators located throughout the greater Bloomington area. Considering both current and historical trends, we project demand change rates of 4.5% in 2011, 2.5% in 2012, and 2.5% in 2013. After these first three projection years, we have forecast demand change rates of 2.5% in 2014 and 1.5% in 2015.

Conclusion

The purpose of segmenting the lodging market is to define each major type of demand, identify customer characteristics, and estimate future growth trends. Starting with an analysis of the local area, three segments were defined as representing the subject property's lodging market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect changes in hotel demand. Based on this procedure, we forecast the following average annual compounded market segment growth rates.

FIGURE 8-11 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

Market Segment	Annual Growth Rate								
	2011	2012	2013	2014	2015	2016	2017	2018	2019
Commercial	6.0 %	3.0 %	3.0 %	2.5 %	1.5 %	1.0 %	1.0 %	1.0 %	1.0 %
Meeting and Group	2.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Leisure	4.5	2.5	2.5	2.5	1.5	1.0	1.0	1.0	1.0
Base Demand Growth	4.5 %	2.4 %	2.3 %	2.1 %	1.4 %	1.0 %	1.0 %	1.0 %	1.0 %

Latent Demand

Figure 8-10, presented earlier in this section, illustrated the accommodated room night demand in the subject property’s competitive market. Because this estimate is based on historical occupancy levels, it includes only those hotel rooms that were used by guests. Latent demand reflects potential room night demand that has not been realized by the existing competitive supply; this type of demand can be divided into unaccommodated demand and induced demand.

Unaccommodated Demand

Unaccommodated demand refers to individuals who are unable to secure accommodations in the market because all the local hotels are filled. These travelers must defer their trips, settle for less desirable accommodations, or stay in properties located outside the market area. Because this demand did not yield occupied room nights, it is not included in the estimate of historical accommodated room night demand. If additional lodging facilities are expected to enter the market, it is reasonable to assume that these guests will be able to secure hotel rooms in the future, and it is therefore necessary to quantify this demand.

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not average in excess of 70%, the market sells out many nights during the year.

The following figure presents our estimate of unaccommodated demand in the subject market.

FIGURE 8-12 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Commercial	82,909	0.0 %	0
Meeting and Group	65,939	0.0	0
Leisure	73,525	4.2	3,090
Total	222,373	1.4 %	3,090

Accordingly, we have forecast 1.4% of the base-year demand to be classified as unaccommodated based upon an analysis of monthly and weekly peak demand and sell-out trends. The unaccommodated leisure demand is related to major sporting events and graduation at Indiana Univeristy, when local occupancy rates approach 100%.

Induced Demand

Induced demand represents the additional room nights that are expected to be attracted to the market following the introduction of a new demand generator. Situations that can result in induced demand include the opening of a new manufacturing plant, the expansion of a convention center, or the addition of a new hotel with a distinct chain affiliation or unique facilities.

The expansion of the Bloomington Monroe County Convention Center creates a larger demand generator which will induce new demand into the local market. The induced demand projections include 90% of the induced demand estimated from the expansion of the Bloomington Monroe County Convention Center. The remaining 10% is assumed to utilize hotels outside of the competitive set.

The construction of the ballroom and meeting space associated with the subject property will separately induce new demand into the local market. The following figure summarizes our estimate of induced demand.

FIGURE 8-13 INDUCED DEMAND CALCULATION

Market Segment	2014	2015	2016	2017	2018	2019
Commercial	0	300	480	600	600	600
Leisure	0	1,500	3,000	3,000	3,000	3,000
Meeting and Group	0	3,000	4,800	6,000	6,000	6,000
Convention Center*	0	16,470	22,410	26,190	27,540	27,540
Total	0	21,270	30,690	35,790	37,140	37,140

*Convention Center Demand is the 90% of new demand due to the BMCCC expansion projected to be captured by the market.

Accordingly, we have incorporated 37,000 room nights (rounded) into our analysis, phased-in over an appropriate ramp-up period.

**Accommodated
Demand and Market-
wide Occupancy**

Based upon a review of the market dynamics in the subject property’s competitive environment, we have forecast growth rates for each market segment. Using the calculated potential demand for the market, we have determined market-wide accommodated demand based on the inherent limitations of demand fluctuations and other factors in the market area.

The following figure details our projection of lodging demand growth for the subject market, including the total number of occupied room nights and any residual unaccommodated demand in the market, provided that the BMCCC undergoes expansion.

FIGURE 8-14 FORECAST OF MARKET OCCUPANCY

	2015	2016	2017	2018	2019
Commercial					
Base Demand	97,000	97,970	98,950	99,939	100,938
Induced Demand	300	480	600	600	600
Total Demand	97,300	98,450	99,550	100,539	101,538
Growth Rate	1.8 %	1.2 %	1.1 %	1.0 %	1.0 %
Meeting and Group					
Base Demand	70,680	71,387	72,100	72,821	73,550
Induced Demand	18,470	28,410	32,190	33,540	33,540
Total Demand	89,150	99,797	104,290	106,361	107,090
Growth Rate	27.4 %	11.9 %	4.5 %	2.0 %	0.7 %
Leisure					
Base Demand	83,983	84,823	85,671	86,528	87,393
Unaccommodated Demand	3,529	3,564	3,600	3,636	3,672
Induced Demand	1,500	3,000	3,000	3,000	3,000
Total Demand	89,012	91,387	92,271	93,164	94,065
Growth Rate	3.2 %	2.7 %	1.0 %	1.0 %	1.0 %
Unaccommodated Demand	1	1	1	1	1
Totals					
Base Demand	251,663	254,179	256,721	259,288	261,881
Unaccommodated Demand	3,530	3,565	3,601	3,637	3,673
Induced Demand	20,270	31,890	35,790	37,140	37,140
Total Demand	275,463	289,634	296,112	300,065	302,694
less: Residual Demand	0	469	952	1,224	1,491
Total Accommodated Demand	275,463	289,165	295,160	298,841	301,203
Overall Demand Growth	10.4 %	5.0 %	2.1 %	1.2 %	0.8 %
Market Mix					
Commercial	35.3 %	34.0 %	33.6 %	33.5 %	33.5 %
Meeting and Group	32.4	34.5	35.2	35.4	35.4
Leisure	32.3	31.6	31.2	31.0	31.1
Existing Hotel Supply					
	964	964	964	964	964
Proposed Hotels					
Full-Service Convention Center Hotel	¹ 200	200	200	200	200
SpringHill Suites	² 124	124	124	124	124
Available Rooms per Night	469,938	469,938	469,938	469,938	469,938
Nights per Year	365	365	365	365	365
Total Supply	1,288	1,288	1,288	1,288	1,288
Rooms Supply Growth	18.4 %	0.0 %	0.0 %	0.0 %	0.0 %
Marketwide Occupancy	58.6 %	61.5 %	62.8 %	63.6 %	64.1 %

¹ Opening in January 2015 of the 100% competitive, 200-room Full-Service Convention Center Hotel

² Opening in August 2013 of the 80% competitive, 155-room SpringHill Suites

These room night projections for the market area will be used in forecasting the proposed subject property's occupancy and average rate later in this report section.

Description of the Proposed Project

The quality of a lodging facility's physical improvements has a direct influence on marketability, attainable occupancy, and average room rate. The design and functionality of the structure can also affect operating efficiency and overall profitability. This section investigates the subject property's proposed physical improvements and personal property in an effort to determine how they are expected to contribute to attainable cash flows.

Project Overview

The proposed Full-Service Convention Center Hotel is assumed to be a full-service, convention headquarters lodging facility containing 200 rentable units. The property is assumed to open on January 1, 2015.

The subject property is assumed to be affiliated with a national brand.

TYPICAL FULL-SERVICE HOTEL EXTERIOR



Summary of the Facilities

Based on information provided by the proposed subject property's development representatives and based on HVS recommendations, the following figure summarizes the facilities that are expected to be available at the proposed subject property.

FIGURE 8-15 PROPOSED FACILITIES SUMMARY

Guestroom Configuration		Number of Units
King		95
Double/Double		90
One-Bedroom Suite		15
Total		200
Food & Beverage Facilities		Seating Capacity
Independent Restaurant		80
Breakfast Lounge		50
Lounge		40
Coffee Outlet		10
Indoor Meeting & Banquet Facilities		Square Footage
Main Ballroom		15,000
Meeting Space		6,000
Boardrooms (2)		1,200
Total		22,200
Amenities & Services		
Indoor Swimming Pool	Fitness Center	
Indoor Whirlpool	Business Center	
Vending Areas	Market Pantry	
Guest Laundry Facility		
Infrastructure		
Parking Spaces		200
Elevators		3 Guest, 1 Service
Life-Safety Systems	Sprinklers, Smoke Detectors	
Construction Details	Steel, Reinforced Concrete	

Site Improvements and Hotel Structure

Adjacent to the subject property, a garage should provide ample parking for the hotel. Site improvements should include free-standing signage, which should be located on the north side of the site (additional signage should be placed on the exterior of the building). We assume that all signage will adequately identify the property and meet brand standards. Planned landscaping should allow for a positive guest impression and competitive exterior appearance. Sidewalks will be present along the front entrance and around the perimeter of the hotel.

Construction details were not provided for our review. It is expected that the hotel structure will be constructed of reinforced concrete. Elevators and stairways are expected to provide internal vertical transportation within the main structure as needed. We assume that the planned building components will be normal for a hotel of its type and should meet the standards for this market. We assume that all structural components will meet local building codes and that no significant defaults will occur during construction that would impact the future operating potential of the hotel or delay its assumed opening date.

Master Plan

The subject hotel is only a portion of the development that would occur in and around the Bloomington Monroe County Convention Center. A new 40,000 square-foot exhibition hall would be constructed along with support facilities and a parking garage. These improvements are critical component in the projections of ADR and occupancy for the subject hotel. The subject hotel will be connected to the convention center complex.

Garage

The subject site should be large enough to accommodate a 200 -space parking garage. The garage should be directly connected to the subject hotel.

Hotel

We assume that the hotel will be an upscale, full-service hotel of quality similar to a Marriott or Hilton. We assume that all property management and guestroom technology will be appropriately installed for the effective management of hotel operation. The guestrooms should offer a competitive product for this market and the highest quality hotel amenities available in this neighborhood. Overall, we have assumed the hotel will provide a competitive offering of food and beverage facilities for an upscale, full-service property. Under a full-service, upscale scope, the proposed hotel should offer a significant amount of modern and technologically advanced meeting space. We would expect the integration of a fully divisible 15,000 square-foot grand ballroom and 6,000 square feet of primary meeting space along with boardroom-type spaces. We anticipate that public restrooms and a business center, as well as additional reception and hallway areas, will be incorporated into this space. The ballroom and meeting space will be connected to the proposed exhibition hall.

We assume that the property will be built according to all pertinent codes and brand standards. Moreover, we assume its construction will not create any environmental hazards (such as mold) and that the property will fully comply with the Americans with Disabilities Act.

Our analysis assumes that, after its opening, the hotel will require ongoing upgrades and periodic renovations in order to maintain its competitive level in this market. These costs should be adequately funded by the forecasted reserve for replacement, as long as a successful, ongoing preventive-maintenance program is employed by hotel staff.

Construction Budget

The construction budget for the 200-room subject hotel is illustrated in the following figure.

FIGURE 8-16 SUBJECT PROPERTY CONSTRUCTION BUDGET

Component	Cost	Cost per Room
Hotel	\$27,000,000	\$135,000
Garage	3,000,000	15,000
Ballroom and Meeting Space	Leased	Leased
<hr/>		
Total, Without Land	\$30,000,000	\$150,000
Site Cost	\$0	\$0
<hr/>		
Total, With Land	\$30,000,000	\$150,000

Facilities Conclusion

Overall, the subject property should offer a well-designed, functional layout of support areas and guestrooms. The hotel's design should include all brand required and market-appropriate features and amenities. We assume that the building will be fully open and operational on the assumed opening date and will meet all local building codes and brand standards. Furthermore, we assume that the hotel staff will be adequately trained to allow for a successful opening and that pre-marketing efforts will have introduced the product to major local accounts at least six months in advance of the opening date.

Projections of Occupancy and Average Rate

Along with average rate results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources (such as food, beverages, and telephone income) are driven by the number of guests, and many expense levels also vary with occupancy. To a certain degree, occupancy attainment can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximize occupancy. Our forecasts reflect an operating strategy that we believe would be implemented by a typical, professional hotel management team to achieve an optimal mix of occupancy and average rate.

Penetration Rate Analysis

The subject property's forecasted market share and occupancy levels are based upon its anticipated competitive position within the market, as quantified by its penetration rate. The penetration rate is the ratio of a property's market share to its fair share.

Historical Penetration Rates by Market Segment

In the following figure, the penetration rates attained by the primary competitors and the aggregate secondary competitors are set forth for each segment for the base year.

FIGURE 8-17 HISTORICAL PENETRATION RATES

Property	Commercial	Meeting and Group	Leisure	Overall
Courtyard Bloomington	95 %	120 %	143 %	119 %
Hilton Garden Inn Bloomington	115	127	81	108
Holiday Inn Bloomington	41	128	69	76
Indiana Memorial Union Biddle Hotel & Conference Center	73	106	95	90
Secondary Competition	127	70	107	103

The secondary competition achieved the highest penetration rate within the commercial segment. The highest penetration rate in the meeting and group segment was achieved by the Holiday Inn Bloomington, while the Courtyard Bloomington led the market with the highest leisure penetration rate.

Forecast of Subject Property's Occupancy

Because the supply and demand balance for the competitive market is dynamic, there is a circular relationship between the penetration factors of each hotel in the market. The performance of individual new hotels has a direct effect upon the aggregate performance of the market, and consequently upon the calculated penetration factor for each hotel in each market segment. The same is true when

the performance of existing hotels changes, either positively (following a refurbishment, for example) or negatively (when a poorly maintained or marketed hotel loses market share).

A hotel's penetration factor is calculated as its achieved market share of demand divided by its fair share of demand. Thus, if one hotel's penetration performance increases, thereby increasing its achieved market share, this leaves less demand available in the market for the other hotels to capture and the penetration performance of one or more of those other hotels consequently declines (other things remaining equal). This type of market share adjustment takes place every time there is a change in supply, or a change in the relative penetration performance of one or more hotels in the competitive market.

Our projections of penetration, demand capture and occupancy performance for the subject property account for these types of adjustments to market share within the defined competitive market. Consequently, the actual penetration factors applicable to the subject property and its competitors for each market segment in each projection year may vary somewhat from the penetration factors delineated in the previous figures.

The following tables set forth, by market segment, the projected adjusted penetration rates for the subject property and each hotel in the competitive set.

FIGURE 8-18 COMMERCIAL SEGMENT ADJUSTED PENETRATION RATES

Hotel	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Courtyard Bloomington	95 %	95 %	95 %	96 %	95 %	96 %	95 %	95 %	95 %	95 %
Hilton Garden inn Bloomington	115	115	115	116	115	117	116	116	116	116
Holiday Inn Bloomington	41	41	41	41	41	43	43	43	43	43
Indiana Memorial Union Biddle Hotel & Conference Center	73	73	73	73	73	77	76	76	76	76
Secondary Competition	127	127	127	127	127	135	134	134	134	134
Full-Service Convention Center Hotel	—	—	—	—	—	74	79	79	79	79
SpringHill Suites	—	—	—	90	100	106	105	105	105	105

FIGURE 8-19 MEETING AND GROUP SEGMENT ADJUSTED PENETRATION RATES

Hotel	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Courtyard Bloomington	120 %	120 %	120 %	123 %	124 %	120 %	119 %	118 %	117 %	117 %
Hilton Garden inn Bloomington	127	127	127	130	131	122	121	120	119	119
Holiday Inn Bloomington	128	128	128	131	133	123	122	121	120	120
Indiana Memorial Union Biddle Hotel & Conference Center	106	106	106	109	110	103	101	100	100	100
Secondary Competition	70	70	70	71	72	67	66	66	65	65
Full-Service Convention Center Hotel	—	—	—	—	—	135	142	146	150	150
SpringHill Suites	—	—	—	61	72	67	66	66	65	65

FIGURE 8-20 LEISURE SEGMENT ADJUSTED PENETRATION RATES

Hotel	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Courtyard Bloomington	143 %	143 %	143 %	144 %	142 %	130 %	129 %	129 %	129 %	129 %
Hilton Garden inn Bloomington	81	81	81	82	80	85	85	85	85	85
Holiday Inn Bloomington	69	69	69	69	68	72	72	72	72	72
Indiana Memorial Union Biddle Hotel & Conference Center	95	95	95	96	94	100	99	99	99	99
Secondary Competition	107	107	107	107	106	112	111	111	111	111
Full-Service Convention Center Hotel	—	—	—	—	—	79	83	83	83	83
SpringHill Suites	—	—	—	90	109	115	115	115	115	115

These positioned segment penetration rates result in the following market segmentation forecast.

FIGURE 8-21 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2015	2016	2017	2018	2019
Commercial	28 %	26 %	26 %	25 %	25 %
Meeting and Group	46	48	49	50	50
Leisure	27	26	25	25	25
Total	100 %	100 %	100 %	100 %	100 %

The subject property's occupancy forecast is set forth as follows, with the adjusted projected penetration rates used as a basis for calculating the amount of captured market demand.

FIGURE8-22 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY (STABILIZATION)

Market Segment	2015	2016	2017	2018	2019
Commercial					
Demand	97,300	98,298	99,246	100,150	101,062
Market Share	11.5 %	12.3 %	12.3 %	12.3 %	12.3 %
Capture	11,228	12,054	12,170	12,281	12,393
Penetration	74 %	79 %	79 %	79 %	79 %
Meeting and Group					
Demand	89,150	99,627	103,936	105,902	106,536
Market Share	21.0 %	22.1 %	22.7 %	23.3 %	23.3 %
Capture	18,682	22,039	23,585	24,626	24,773
Penetration	135 %	142 %	146 %	150 %	150 %
Leisure					
Demand	89,012	91,240	91,977	92,787	93,605
Market Share	12.2 %	12.9 %	12.9 %	12.9 %	12.9 %
Capture	10,886	11,806	11,902	12,006	12,112
Penetration	79 %	83 %	83 %	83 %	83 %
Total Room Nights Captured	40,796	45,899	47,656	48,913	49,278
Available Room Nights	73,000	73,000	73,000	73,000	73,000
Subject Occupancy	56 %	63 %	65 %	67 %	68 %
Marketwide Available Room Nights	469,938	469,938	469,938	469,938	469,938
Fair Share	16 %	16 %	16 %	16 %	16 %
Marketwide Occupied Room Nights	275,466	289,168	295,163	298,844	301,206
Market Share	15 %	16 %	16 %	16 %	16 %
Marketwide Occupancy	59 %	62 %	63 %	64 %	64 %
Total Penetration	95 %	102 %	104 %	105 %	105 %

Based on our analysis of the proposed subject property and market area, we have selected a stabilized occupancy level of 67%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given any and all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the subject property may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

One of the most important considerations in estimating the value of a lodging facility is a supportable forecast of its attainable average rate, which is more formally defined as the average rate per occupied room. Average rate can be calculated by dividing the total rooms revenue achieved during a specified period by the number of rooms sold during the same period. The projected average rate and the anticipated occupancy percentage are used to forecast rooms revenue, which in turn provides the basis for estimating most other income and expense categories.

Competitive Position

Although the average rate analysis presented here follows the occupancy projection, these two statistics are highly correlated; in reality, one cannot project occupancy without making specific assumptions regarding average rate. This relationship is best illustrated by revenue per available room (RevPAR), which reflects a property's ability to maximize rooms revenue. The following figure summarizes the historical average rate and the RevPAR of the subject property's future primary competitors.

FIGURE 8-23 BASE YEAR AVERAGE RATE AND REVPAR OF THE COMPETITORS

Property	Estimated 2010 Average Room Rate	Average Room Rate Penetration	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
Courtyard Bloomington	\$110.00	102.4 %	\$82.50	121.5 %
Hilton Garden inn Bloomington	112.00	104.3	76.16	112.1
Holiday Inn Bloomington	90.00	83.8	43.20	63.6
Indiana Memorial Union Biddle Hotel & Conference Center	110.00	102.4	62.70	92.3
Average - Primary Competitors	\$107.52	100.1 %	\$66.57	98.0 %
Average - Secondary Competitors	107.28	99.9	70.07	103.2
Overall Average	\$107.43		\$67.93	

The defined primarily competitive market realized an overall average rate of \$107.52 in the 2010 base year, improving from the 2009 level of \$108.75. The Courtyard by Marriott and the Hilton Garden Inn achieved the highest estimated average rate in the local competitive market, by a small margin, because of location, newer product, and brand affiliation. The Indiana Memorial Union Biddle Hotel & Conference Center also had average rates near the high end of the range. Other important rate aspects of this market include demand from Indiana University sporting events, graduation, and start of class which may allow properties to require multiple day stay and much higher rates from patrons. The selected rate position for the proposed subject property, in base-year dollars,

takes into consideration factors such as expected brand affiliation, new product, and extensive meeting space due to the connection to the Bloomington Monroe County Convention Center. We have selected the rate position of \$125.00, in base-year dollars, for the proposed subject.

As illustrated previously, the average rate for the primarily competitive market averaged \$108.75 in 2009, before reaching \$107.52 in 2010. As corporate budgets tightened and consumer spending declined, average rates for hotels in the Bloomington market weakened. Based upon our research and analysis, rates appear to have already bottomed out near \$106.90 during March 2010; thus, we expect a relatively stable trend in the near term. We then anticipate modest growth to return as the economy recovers from the downturn.

Based on these considerations, the following figure illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied a base underlying inflation rate of 3.0% annually throughout our projection period.

FIGURE 8-24 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	63.2 %	—	\$107.43	—	—	\$125.00	116.4 %
2011	65.3	3.0 %	110.65	—	3.0 %	128.75	116.4
2012	66.3	4.0	115.07	—	4.0	133.90	116.4
2013	65.4	3.0	118.53	—	3.0	137.92	116.4
2014	62.8	3.0	122.08	—	3.0	142.05	116.4
2015	58.6	3.0	125.74	56.0 %	3.0	146.32	116.4
2016	61.5	3.0	129.52	63.0	3.0	150.71	116.4
2017	62.8	3.0	133.40	65.0	3.0	155.23	116.4
2018	63.6	3.0	137.40	67.0	3.0	159.88	116.4

As illustrated above, a 3.0% rate of change is expected for the subject property's positioned 2010 room rate in 2011. This is followed by growth rates of 4.0% and 3.0% in 2012 and 2013, respectively. The Bloomington market should enjoy positive rate growth through the near term. The proposed subject property's rate position should reflect growth similar to market trends because of the proposed hotel's new facility, strong brand affiliation, and connection to the Bloomington Monroe County Convention Center. The proposed subject property's penetration rate is forecast to reach 116.4% by the stabilized period.

A new property must establish its reputation and a client base in the market during its ramp-up period; as such, the proposed subject property’s average rates in the initial operating period have been discounted to reflect this likelihood. We forecast 3.0% and 1.0% discounts to the proposed subject property’s forecast room rates in the first two operating years, which would be typical for a new operation of this type.

The following occupancies and average rates will be used to project the subject property's rooms revenue; this forecast reflects years which begin January 1, 2015 and correspond with our financial projections.

FIGURE 8-25 FORECAST OF OCCUPANCY, AVERAGE RATE, AND REVPAR

Year	Occupancy	Average Rate		Average Rate After Discount	RevPAR
		Before Discount	Discount		
2015	56 %	\$146.32	3.0 %	\$141.93	79.48
2016	63	150.71	1.0	149.20	94.00
2017	65	155.23	0.0	155.23	100.90
2018	67	159.88	0.0	159.88	107.12

Projections of Income and Expense

HVS compiled a forecast of income and expense for the proposed subject property. This forecast is based on the facilities program set forth previously, as well as the occupancy and average rate forecast discussed previously.

The forecast of income and expense is expressed in current dollars for each year. The stabilized year is intended to reflect the anticipated operating results of the property over its remaining economic life, given any or all applicable stages of build-up, plateau, and decline in the life cycle of the hotel. Thus, income and expense estimates from the stabilized year forward exclude from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusual revenues or expenses. The ten-year period reflects the typical holding period of large real estate assets such as hotels. In addition, the ten-year time frame provides for the stabilization of income streams and comparison of yields with alternate types of real estate. The forecasted income streams reflect the future benefits of owning specific rights in income-producing real estate.

Comparable Operating Statements

In order to project future income and expense for the proposed subject property, we have included a sample of individual comparable operating statements from our database of hotel statistics. All financial data is presented according to the

three most common measures of industry performance: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense.

FIGURE 8-26 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
	Stabilized \$					
Year:	2006/07	2008	2008	2010	2010/11	2010
Number of Rooms:	290 to 370	260 to 330	150 to 190	270 to 330	270 to 340	200
Days Open:	336	366	366	365	365	365
Occupancy:	76%	65%	64%	70%	77%	67%
Average Rate:	\$135	\$139	\$126	\$116	\$146	\$126
RevPAR:	\$104	\$89	\$81	\$80	\$112	\$85
REVENUE						
Rooms	67.6 %	74.0 %	79.1 %	71.2 %	74.6 %	68.1 %
Food & Beverage	20.5	25.0	19.6	28.6	18.5	27.4
Other Operated Departments	0.9	0.8	0.2	0.0	6.2	2.7
Other Income	11.0	0.1	1.2	0.2	0.6	1.9
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	20.6	20.4	16.2	22.5	20.4	21.0
Food & Beverage	65.0	57.4	72.7	67.9	68.1	68.8
Other Operated Departments	98.6	46.7	66.7	0.0	61.1	54.8
Total	28.1	29.8	27.1	35.5	31.7	34.6
DEPARTMENTAL INCOME						
	71.9	70.2	72.9	64.5	68.3	65.4
OPERATING EXPENSES						
Administrative & General	9.1	7.8	7.5	8.2	8.1	7.7
Marketing	9.9	6.6	4.8	8.3	7.2	6.8
Franchise Fee	2.7	5.9	7.4	5.1	5.2	6.3
Property Operations & Maintenance	5.5	4.7	2.5	4.1	3.8	4.1
Utilities	6.3	4.4	3.1	3.2	4.4	4.3
Total	33.4	29.4	25.4	29.1	28.6	29.0
HOUSE PROFIT						
	38.5	40.8	47.5	35.4	39.7	36.3
Management Fee	2.3	3.0	3.1	2.5	3.0	3.0
INCOME BEFORE FIXED CHARGES						
	36.1	37.8	44.4	32.9	36.8	33.3

* Departmental expense ratios are expressed as a percentage of departmental revenues

FIGURE 8-27 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2006/07	2008	2008	2010	2010/11	2010
Number of Rooms:	290 to 370	260 to 330	150 to 190	270 to 330	270 to 340	200
Days Open:	336	366	366	365	365	365
Occupancy:	76%	65%	64%	70%	77%	67%
Average Rate:	\$135	\$139	\$126	\$116	\$146	\$126
RevPAR:	\$104	\$89	\$81	\$80	\$112	\$85
REVENUE						
Rooms	\$34,819	\$32,725	\$29,583	\$29,357	\$41,000	\$30,866
Food & Beverage	10,572	11,051	7,315	11,800	10,163	12,421
Other Operated Departments	446	363	71	0	3,420	1,211
Other Income	5,660	64	435	67	342	848
Total	51,497	44,203	37,405	41,223	54,925	45,345
DEPARTMENTAL EXPENSES						
Rooms	7,175	6,661	4,780	6,613	8,381	6,482
Food & Beverage	6,873	6,339	5,321	8,010	6,922	8,547
Other Operated Departments	440	169	48	0	2,091	664
Total	14,488	13,169	10,149	14,623	17,394	15,692
DEPARTMENTAL INCOME	37,009	31,034	27,256	26,600	37,531	29,653
OPERATING EXPENSES						
Administrative & General	4,669	3,434	2,815	3,393	4,459	3,477
Marketing	5,081	2,902	1,804	3,420	3,941	3,068
Franchise Fee	1,392	2,627	2,750	2,120	2,834	2,842
Property Operations & Maintenance	2,816	2,075	952	1,707	2,062	1,841
Utilities	3,253	1,959	1,173	1,337	2,391	1,943
Total	17,211	12,997	9,494	11,977	15,687	13,171
HOUSE PROFIT	19,798	18,037	17,762	14,623	21,844	16,482
Management Fee	1,190	1,346	1,149	1,050	1,632	1,360
INCOME BEFORE FIXED CHARGES	18,608	16,692	16,613	13,573	20,212	15,121

FIGURE 8-28 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER OCCUPIED ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2006/07	2008	2008	2010	2010/11	2010
Number of Rooms:	290 to 370	260 to 330	150 to 190	270 to 330	270 to 340	200
Days Open:	336	366	366	365	365	365
Occupancy:	76%	65%	64%	70%	77%	67%
Average Rate:	\$135	\$139	\$126	\$116	\$146	\$126
RevPAR:	\$104	\$89	\$81	\$80	\$112	\$85
REVENUE						
Rooms	\$135.50	\$138.56	\$126.23	\$115.64	\$145.97	\$126.21
Food & Beverage	41.14	46.79	31.21	46.48	36.18	50.79
Other Operated Departments	1.73	1.54	0.30	0.00	12.18	4.95
Other Income	22.02	0.27	1.85	0.26	1.22	3.47
Total	200.40	187.16	159.60	162.38	195.55	185.42
DEPARTMENTAL EXPENSES						
Rooms	27.92	28.20	20.39	26.05	29.84	26.50
Food & Beverage	26.75	26.84	22.71	31.55	24.64	34.95
Other Operated Departments	1.71	0.72	0.20	0.00	7.45	2.71
Total	56.38	55.76	43.30	57.60	61.93	64.17
DEPARTMENTAL INCOME						
	144.02	131.40	116.30	104.78	133.62	121.25
OPERATING EXPENSES						
Administrative & General	18.17	14.54	12.01	13.37	15.88	14.22
Marketing	19.77	12.29	7.70	13.47	14.03	12.55
Franchise Fee	5.42	11.12	11.73	8.35	10.09	11.62
Property Operations & Maintenance	10.96	8.78	4.06	6.72	7.34	7.53
Utilities	12.66	8.30	5.00	5.27	8.51	7.95
Total	66.98	55.03	40.51	47.18	55.85	53.86
HOUSE PROFIT						
	77.04	76.37	75.79	57.60	77.77	67.40
Management Fee	4.63	5.70	4.90	4.14	5.81	5.56
INCOME BEFORE FIXED CHARGES						
	72.41	70.67	70.89	53.47	71.96	61.83

The comparables' departmental income ranged from 64.5% to 72.9% of total revenue. The comparable properties achieved a house profit ranging from 35.4% to 47.5% of total revenue. We will refer to the comparable operating data in our discussion of each line item, which follows later in this section of the report.

Premise of Forecast

In 2010, occupancy gains have been considerable on a nationwide basis and, in many markets, average rates began to show signs of recovery beginning in the second half of the year. With demand recovery established in 2010, hotel operators are expected to continue to pursue price increases for 2011. Operators and investors in the market anticipate an acceleration of revenue growth thereafter as the economy and lodging market gain traction in the recovery; this

outlook is reflected in our forecasts. Strong RevPAR growth and continued monitoring of expenses are anticipated to positively affect the overall net operating income.

Fixed and Variable Component Analysis

HVS uses a fixed and variable component model to project a lodging facility's revenue and expense levels. This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. A projection can be made by taking a known level of revenue or expense and calculating its fixed and variable components. The fixed component is then increased in tandem with the underlying rate of inflation, while the variable component is adjusted for a specific measure of volume such as total revenue.

The following figure illustrates the revenue and expense categories that can be projected using this fixed and variable component model. These percentages show the portion of each category that is typically fixed and variable; the middle column describes the basis for calculating the percentage of variability, while the last column sets forth the fixed percentage that has been utilized in this valuation.

FIGURE 8-29 RANGE OF FIXED AND VARIABLE RATIOS

Category	Percent Fixed	Percent Variable	Index of Variability	Selected Fixed Ratio
Revenues				
Hotel Food and Beverage	25 - 50 %	50 - 75 %	Occupancy	15 %
Convention Center Catering	0 - 30	70 - 100	Food Revenue	0
Other Operated Departments	10 - 40	60 - 90	Occupancy	10
Other Operated Departments Garage	30 - 70	30 - 70	Occupancy	10
Other	30 - 70	30 - 70	Occupancy	10
Restaurant /Other Rentals & Other In	30 - 70	30 - 70	Occupancy	10
Departmental Expenses				
Rooms	50 - 70	30 - 50	Occupancy	60
Food	35 - 60	40 - 65	Food Revenue	55
Convention Center Catering	55 - 75	25 - 45	Beverage Revenue	55
Other Operated Departments	40 - 60	40 - 60	Other Operated Departments Revenue	60
Other Operated Departments Garage	30 - 70	30 - 70	Operated Departments Garage Revenue	60
Other	30 - 70	30 - 70	Other Revenue	60
Rentals & Other Expenses	30 - 70	30 - 70	Rentals & Other Income	70
Undistributed Operating Expenses				
Administrative & General	65 - 85	15 - 35	Total Revenue	75
Marketing	65 - 85	15 - 35	Total Revenue	75
Franchise Fee	0	100	Occupancy	0
Prop. Operations & Maint.	55 - 75	25 - 45	Total Revenue	75
Utilities	75 - 95	5 - 25	Total Revenue	75
Management Fee	0	100	Total Revenue	0
Fixed Expenses				
Property Taxes	100	0	Total Revenue	100
Insurance	100	0	Total Revenue	100
Reserve for Replacement	0	100	Total Revenue	0

Our fixed and variable projection model is based upon variables that we input for each revenue and expense item for a “base year,” which in this case is the year 2010. The base-year forecast sets forth the ratios to revenue, amounts per available room, or amounts per occupied room that we believe can be achieved at the stated base-year average rate and occupancy. Our input variables are derived from the comparable hotel statements. The model then calculates a base-year forecast of income and expense in these base-year dollars.

The actual forecast is derived by adjusting each year’s revenue and expense by the amount fixed (the fixed expense multiplied by the inflated base-year amount) plus the variable amount (the variable expense multiplied by the inflated base-year

amount) multiplied by the ratio of the projection year's occupancy to the base-year occupancy (in the case of departmental revenue and expense) or the ratio of the projection year's revenue to the base year's revenue (in the case of undistributed operating expenses). Fixed expenses remain fixed, increasing only with inflation. Our discussion of the revenue and expense forecast in this report is based upon the output derived from the fixed and variable model. This forecast of revenue and expense is accomplished through a step-by-step approach, following the format of the *Uniform System of Accounts for the Lodging Industry*. Each category of revenue and expense is estimated separately and combined at the end in the final statement of income and expense.

Inflation Assumption

A general rate of inflation must be established that will be applied to most revenue and expense categories. The following figure shows inflation estimates made by economists at some noted institutions and corporations.

FIGURE 8-30 INFLATION ESTIMATES

Name	Firm	Previous Projections for June 2011 in December 2010	Projected Increase in Consumer Price Index (Annualized Rate Versus 12 Months Earlier)			
			June 2011	December 2011	June 2012	December 2012
Paul Ashworth	Capital Economics	1.5 %	3.5 %	2.5 %	1.5 %	1.0 %
Paul Ballew	Nationwide	1.7	2.9	2.7	3.2	3.0
Nariman Behraves	IHS Global Insight	2.0	3.7	2.7	1.6	1.9
Richard Berner/David Greenlaw	Morgan Stanley	2.5	3.3	3.5	2.1	2.1
Ram Bhagavatula	Combinatorics Capital	2.0	3.5	3.0	2.5	2.8
Jay Brinkmann	Mortgage Bankers Association	1.1	3.0	2.5	--	--
Michael Carey	Credit Agricole CIB	1.8	3.3	2.9	2.2	2.3
Joseph Carson	AllianceBernstein	1.6	3.0	3.0	1.9	2.0
Julia Coronado	BNP Paribas	1.6	3.5	3.1	2.7	2.7
Mike Cosgrove	Econoclast	1.6	3.1	3.1	1.2	1.6
Lou Crandall	Wrightson ICAP	3.1	3.8	3.6	2.8	3.0
J. Dewey Daane	Vanderbilt University	1.5	3.0	2.5	2.9	3.0
Douglas Duncan	Fannie Mae	1.7	3.8	3.3	2.5	2.3
Maria Fiorini Ramirez/Joshua Shapiro	MFR, Inc.	2.0	3.6	4.1	1.8	1.7
Ethan Harris	Bank of America Securities-Merrill Lynch	1.9	3.9	3.0	2.8	2.5
Maury Harris	UBS	1.8	3.0	2.2	1.4	1.4
Jan Hatzius	Goldman Sachs & Co.	1.2	3.4	3.1	0.7	1.9
Tracy Herrick	The Private Bank	1.5	2.4	2.9	2.0	1.9
Stuart Hoffman	PNC Financial Services Group	2.2	3.5	2.7	2.0	2.5
Gene Huang	FedEx Corp.	1.9	3.6	3.5	--	--
William B. Hummer	Wayne Hummer Investments LLC	1.7	1.6	1.7	2.7	2.7
Dana Johnson	Comerica Bank	2.5	3.5	2.9	2.3	2.4
Kurt Karl	Swiss Re	2.1	3.6	2.7	--	--
Bruce Kasman	JP Morgan Chase & Co.	1.7	3.4	2.3	1.7	1.7
Paul Kasriel	The Northern Trust	1.9	3.6	3.0	1.5	1.4
Joseph A. LaVorgna	Deutsche Bank Securities Inc.	1.7	3.0	3.4	--	--
Edward Leamer/David Shulman	UCLA Anderson Forecast	1.9	3.7	3.5	2.6	2.3
Don Leavens/Tim Gill	NEMA Business Information Services	2.2	3.1	3.2	2.0	2.2
John Lonski	Moody's Investors Service	2.5	3.5	3.0	2.7	2.5
Dean Maki	Barclays Capital	1.9	3.7	3.3	1.5	1.9
David Malpass	Encima Global LLC	2.4	3.2	3.4	1.8	2.3
Aneta Markowska	Societe Generale	1.2	3.0	2.7	3.2	3.0
Jim Meil	Eaton Corp.	1.4	2.2	2.3	1.8	2.0
Mark Nielson, Ph. D.	MacroEcon Global Advisors	2.5	2.9	3.8	2.2	2.3
Michael P. Niemira	International Council of Shopping Centers	2.4	3.2	3.7	3.5	3.8
Jim O'Sullivan	MF Global	1.6	--	--	3.0	3.0
Nicholas S. Perna	Perna Associates	1.8	2.9	2.5	1.7	2.0
Joel Prakken/ Chris Varvares	Macroeconomic Advisers	1.7	3.7	3.3	2.0	2.1
Arun Raha	Economic and Revenue Forecast Council	2.0	2.7	3.2	1.7	1.6
David Resler	Nomura Securities International Inc.	1.5	3.4	2.5	1.9	2.3
John Ryding/Conrad DeQuadros	RDQ Economics	2.2	4.0	3.6	1.5	1.4
Ian Shepherdson	High Frequency Economics	2.0	3.1	3.2	3.5	3.0
John Silvia	Wells Fargo & Co.	2.4	3.8	3.8	2.3	2.0
Allen Sinai	Decision Economics Inc.	2.4	3.9	3.8	3.0	3.2
James F. Smith	Parsec Financial Management	0.7	2.7	(0.4)	3.2	2.7
Sean M. Snaith	University of Central Florida	1.8	3.2	2.8	0.9	1.0
Sung Won Sohn	California State University	1.2	3.5	3.6	1.5	1.7
Neal Soss	Credit Suisse	1.5	3.8	3.4	3.5	4.1
Stephen Stanley	Pierpont Securities	2.8	3.8	3.7	1.6	1.9
Susan M. Sterne	Economic Analysis	1.9	3.4	3.2	3.2	3.5
Diane Swonk	Mesirow Financial	1.7	3.4	3.2	3.6	3.1
Bart van Ark	The Conference Board	1.7	3.1	2.6	1.8	1.9
Brian S. Wesbury/ Robert Stein	First Trust Advisors, L.P.	2.4	3.5	3.8	2.5	2.5
William T. Wilson	Skolkovo Inst. for Emerging Market Studies	1.4	2.4	1.6	3.2	3.6
David Wyss	Standard and Poor's	1.7	2.7	2.2	2.6	2.8
Lawrence Yun	National Association of Realtors	2.5	3.3	3.1	2.9	3.0
		1.9 %	3.3 %	3.0 %	2.3 %	2.3 %
Actual Inflation for 2010		1.6 %				

*No forecasts submitted for June 2011 survey

Source: wsj.com, June 30, 2011

As the preceding figure indicates, the financial analysts who were surveyed in June 2011 anticipated inflation rates ranging from 0.7% to 3.6% (on an annualized basis) for June 2012, when compared to June 2011; the average estimate was 2.3%. The same group expects a similar, annualized 2.3% inflation rate for December 2012, when compared to December 2011. These rates are lower than the inflation rate averages of June 2011 and December 2011, shown at 3.3% and 3.0%, respectively.

As a further check on these inflation projections, we have reviewed historical increases in the Consumer Price Index (CPI-U). Because the value of real estate is predicated on cash flows over a relatively long period, inflation should be considered from a long-term perspective.

FIGURE 8-31 NATIONAL CONSUMER PRICE INDEX (ALL URBAN CONSUMERS)

Year	National Consumer Price Index	Percent Change from Previous Year
2000	172.2	—
2001	177.1	2.8 %
2002	179.9	1.6
2003	184.0	2.3
2004	188.9	2.7
2005	195.3	3.4
2006	201.6	3.2
2007	207.3	2.8
2008	215.3	3.8
2009	214.5	-0.4
2010	218.1	1.6
Average Annual Compounded Change		
	2000 - 2010:	2.4 %
	2005 - 2010:	2.2
Source: Bureau of Labor Statistics		

Between 2000 and 2010, the national CPI increased at an average annual compounded rate of 2.4%; from 2005 to 2010, the CPI rose by a slightly below average annual compounded rate of 2.2%. In 2010, the CPI noted a change of 1.6%, an increase from the level of -0.4% recorded in 2009.

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied an underlying inflation rate of 2.5% in 2015, 2.5% in 2016, and 3.0% in 2017 and thereafter. This stabilized inflation rate takes into account normal, recurring



inflation cycles. Inflation is likely to fluctuate above and below this level during the projection period. Any exceptions to the application of the assumed underlying inflation rate are discussed in our write-up of individual income and expense items.

Summary of Projections

Based on an analysis that will be detailed throughout this section, we have formulated a forecast of income and expense. The following figure presents a detailed forecast through the fifth projection year, including amounts per available room and per occupied room. The second figure illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years beginning January 1, 2015 and are expressed in inflated dollars for each year.



FIGURE 8-32 DETAILED FORECAST OF INCOME AND EXPENSE

	2015 (Calendar Year)				2016				2017				Stabilized				2019			
Number of Rooms:	200				200				200				200				200			
Occupancy:	56%				63%				65%				67%				67%			
Average Rate:	\$141.93				\$149.20				\$155.23				\$159.88				\$164.68			
RevPAR:	\$79.48				\$94.00				\$100.90				\$107.12				\$110.34			
Days Open:	365				365				365				365				365			
Occupied Rooms:	40,880	%Gross	PAR	POR	45,990	%Gross	PAR	POR	47,450	%Gross	PAR	POR	48,910	%Gross	PAR	POR	48,910	%Gross	PAR	POR
REVENUE																				
Rooms	\$5,802	66.8 %	\$29,010	\$141.93	\$6,862	67.8 %	\$34,310	\$149.21	\$7,366	67.9 %	\$36,830	\$155.24	\$7,820	68.1 %	\$39,100	\$159.89	\$8,055	68.1 %	\$40,275	\$164.69
Hotel Food and Beverage	1,353	15.6	6,764	33.09	1,537	15.2	7,686	33.42	1,626	15.0	8,128	34.26	1,718	15.0	8,590	35.13	1,770	15.0	8,848	36.18
Convention Center Catering	1,118	12.9	5,591	27.35	1,249	12.4	6,247	27.17	1,357	12.5	6,784	28.59	1,429	12.4	7,144	29.21	1,472	12.4	7,358	30.09
Other Operated Departments	96	1.1	479	2.34	109	1.1	547	2.38	116	1.1	580	2.44	123	1.1	614	2.51	126	1.1	632	2.58
Other Operated Departments Garage	144	1.7	718	3.51	164	1.6	821	3.57	174	1.6	870	3.67	184	1.6	920	3.76	190	1.6	948	3.88
Restaurant /Other Rentals & Other Income	167	1.9	837	4.10	192	1.9	958	4.16	203	1.9	1,014	4.28	215	1.9	1,074	4.39	221	1.9	1,106	4.52
Total Revenues	8,680	100.0	43,399	212.32	10,114	100.0	50,569	219.91	10,841	100.0	54,206	228.48	11,488	100.0	57,442	234.89	11,833	100.0	59,167	241.94
DEPARTMENTAL EXPENSES *																				
Rooms	1,404	24.2	7,021	34.35	1,511	22.0	7,555	32.85	1,575	21.4	7,877	33.20	1,642	21.0	8,211	33.58	1,691	21.0	8,457	34.58
Hotel Food and Beverage	914	67.5	4,568	22.35	981	63.8	4,905	21.33	1,022	62.9	5,112	21.55	1,065	62.0	5,326	21.78	1,097	62.0	5,486	22.43
Convention Center Catering	922	82.5	4,612	22.57	985	78.8	4,923	21.41	1,057	77.9	5,285	22.27	1,100	77.0	5,501	22.49	1,133	77.0	5,666	23.17
Other Operated Departments	85	88.3	423	2.07	91	82.7	453	1.97	94	81.3	471	1.99	98	80.0	491	2.01	101	80.0	506	2.07
Other Operated Departments Garage	60	42.0	301	1.47	65	39.3	323	1.40	67	38.6	336	1.42	70	38.0	350	1.43	72	38.0	360	1.47
Total	3,385	39.0	16,925	82.80	3,632	35.9	18,158	78.97	3,816	35.2	19,080	80.42	3,976	34.6	19,878	81.28	4,095	34.6	20,475	83.72
DEPARTMENTAL INCOME	5,295	61.0	26,474	129.52	6,482	64.1	32,411	140.95	7,025	64.8	35,126	148.05	7,513	65.4	37,564	153.60	7,738	65.4	38,692	158.22
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	768	8.8	3,839	18.78	815	8.1	4,077	17.73	849	7.8	4,244	17.89	881	7.7	4,405	18.01	907	7.7	4,537	18.55
Marketing	677	7.8	3,387	16.57	719	7.1	3,597	15.64	749	6.9	3,744	15.78	777	6.8	3,887	15.89	801	6.8	4,003	16.37
Franchise Fee	538	6.2	2,691	13.17	633	6.3	3,163	13.75	679	6.3	3,394	14.30	720	6.3	3,600	14.72	742	6.3	3,708	15.16
Prop. Operations & Maint.	406	4.7	2,032	9.94	432	4.3	2,158	9.39	449	4.1	2,247	9.47	466	4.1	2,332	9.54	480	4.1	2,402	9.82
Utilities	429	4.9	2,145	10.49	456	4.5	2,278	9.91	474	4.4	2,371	10.00	492	4.3	2,461	10.07	507	4.3	2,535	10.37
Total	2,819	32.4	14,094	68.95	3,055	30.3	15,273	66.42	3,200	29.5	16,000	67.44	3,337	29.2	16,685	68.23	3,437	29.2	17,186	70.27
HOUSE PROFIT	2,476	28.6	12,380	60.57	3,427	33.8	17,137	74.53	3,825	35.3	19,126	80.61	4,176	36.2	20,879	85.38	4,301	36.2	21,507	87.94
Management Fee	260	3.0	1,302	6.37	303	3.0	1,517	6.60	325	3.0	1,626	6.85	345	3.0	1,723	7.05	355	3.0	1,775	7.26
INCOME BEFORE FIXED CHARGES	2,216	25.6	11,078	54.20	3,124	30.8	15,620	67.93	3,500	32.3	17,500	73.76	3,831	33.2	19,156	78.33	3,946	33.2	19,732	80.69
FIXED EXPENSES																				
Property Taxes	461	5.3	2,307	11.29	475	4.7	2,376	10.33	489	4.5	2,447	10.31	504	4.4	2,521	10.31	519	4.4	2,596	10.62
Insurance	71	0.8	356	1.74	73	0.7	367	1.59	76	0.7	378	1.59	78	0.7	389	1.59	80	0.7	401	1.64
Reserve for Replacement	174	2.0	868	4.25	303	3.0	1,517	6.60	434	4.0	2,168	9.14	460	4.0	2,298	9.40	473	4.0	2,367	9.68
Total	706	8.1	3,531	17.27	852	8.4	4,260	18.52	999	9.2	4,993	21.05	1,041	9.1	5,207	21.29	1,073	9.1	5,363	21.93
NET INCOME	\$1,509	17.5 %	\$7,547	\$36.92	\$2,272	22.4 %	\$11,361	\$49.41	\$2,501	23.1 %	\$12,507	\$52.71	\$2,790	24.1 %	\$13,948	\$57.04	\$2,874	24.1 %	\$14,368	\$58.75

*Departmental expenses are expressed as a percentage of departmental revenues.



FIGURE 8-33 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2015		2016		2017		2018		2019		2020		2021		2022		2023		2024	
Number of Rooms:	200		200		200		200		200		200		200		200		200		200	
Occupied Rooms:	40,880		45,990		47,450		48,910		48,910		48,910		48,910		48,910		48,910		48,910	
Occupancy:	56%		63%		65%		67%		67%		67%		67%		67%		67%		67%	
Average Rate:	\$141.93	% of	\$149.20	% of	\$155.23	% of	\$159.88	% of	\$164.68	% of	\$169.62	% of	\$174.71	% of	\$179.95	% of	\$185.35	% of	\$190.91	% of
RevPAR:	\$79.48	Gross	\$94.00	Gross	\$100.90	Gross	\$107.12	Gross	\$110.34	Gross	\$113.65	Gross	\$117.06	Gross	\$120.57	Gross	\$124.18	Gross	\$127.91	Gross
REVENUE																				
Rooms	\$5,802	66.8 %	\$6,862	67.8 %	\$7,366	67.9 %	\$7,820	68.1 %	\$8,055	68.1 %	\$8,296	68.1 %	\$8,545	68.1 %	\$8,801	68.1 %	\$9,065	68.1 %	\$9,337	67.5 %
Hotel Food and Beverage	1,353	15.6	1,537	15.2	1,626	15.0	1,718	15.0	1,770	15.0	1,823	15.0	1,877	15.0	1,934	15.0	1,992	15.0	2,051	14.8
Convention Center Catering	1,118	12.9	1,249	12.4	1,357	12.5	1,429	12.4	1,472	12.4	1,516	12.4	1,561	12.4	1,608	12.4	1,656	12.4	1,706	12.3
Other Operated Departments	96	1.1	109	1.1	116	1.1	123	1.1	126	1.1	130	1.1	134	1.1	138	1.1	142	1.1	147	1.1
Other Operated Departments Garage	144	1.7	164	1.6	174	1.6	184	1.6	190	1.6	195	1.6	201	1.6	207	1.6	213	1.6	220	1.6
Other	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	120	0.9
Restaurant /Other Rentals & Other Income	167	1.9	192	1.9	203	1.9	215	1.9	221	1.9	228	1.9	235	1.9	242	1.9	249	1.9	256	1.9
Total	8,680	100.0	10,114	100.0	10,841	100.0	11,488	100.0	11,833	100.0	12,188	100.0	12,553	100.0	12,930	100.0	13,318	100.0	13,837	100.0
DEPARTMENTAL EXPENSES*																				
Rooms	1,404	24.2	1,511	22.0	1,575	21.4	1,642	21.0	1,691	21.0	1,742	21.0	1,794	21.0	1,848	21.0	1,904	21.0	1,961	21.0
Hotel Food and Beverage	914	67.5	981	63.8	1,022	62.9	1,065	62.0	1,097	62.0	1,130	62.0	1,164	62.0	1,199	62.0	1,235	62.0	1,272	62.0
Convention Center Catering	922	82.5	985	78.8	1,057	77.9	1,100	77.0	1,133	77.0	1,167	77.0	1,202	77.0	1,238	77.0	1,275	77.0	1,314	77.0
Other Operated Departments	85	88.3	91	82.7	94	81.3	98	80.0	101	80.0	104	80.0	107	80.0	110	80.0	114	80.0	117	80.0
Other Operated Departments Garage	60	42.0	65	39.3	67	38.6	70	38.0	72	38.0	74	38.0	76	38.0	79	38.0	81	38.0	84	38.0
Total	3,385	39.0	3,632	35.9	3,816	35.2	3,976	34.6	4,095	34.6	4,218	34.6	4,344	34.6	4,475	34.6	4,609	34.6	4,747	34.3
DEPARTMENTAL INCOME	5,295	61.0	6,482	64.1	7,025	64.8	7,513	65.4	7,738	65.4	7,970	65.4	8,209	65.4	8,455	65.4	8,709	65.4	9,090	65.7
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	768	8.8	815	8.1	849	7.8	881	7.7	907	7.7	935	7.7	963	7.7	992	7.7	1,021	7.7	1,054	7.6
Marketing	677	7.8	719	7.1	749	6.9	777	6.8	801	6.8	825	6.8	849	6.8	875	6.8	901	6.8	930	6.7
Franchise Fee	538	6.2	633	6.3	679	6.3	720	6.3	742	6.3	764	6.3	787	6.3	810	6.3	835	6.3	860	6.2
Prop. Operations & Maint.	406	4.7	432	4.3	449	4.1	466	4.1	480	4.1	495	4.1	510	4.1	525	4.1	541	4.1	558	4.0
Utilities	429	4.9	456	4.5	474	4.4	492	4.3	507	4.3	522	4.3	538	4.3	554	4.3	571	4.3	589	4.3
Total	2,819	32.4	3,055	30.3	3,200	29.5	3,337	29.2	3,437	29.2	3,540	29.2	3,646	29.2	3,756	29.2	3,868	29.2	3,992	28.8
HOUSE PROFIT	2,476	28.6	3,427	33.8	3,825	35.3	4,176	36.2	4,301	36.2	4,430	36.2	4,563	36.2	4,699	36.2	4,840	36.2	5,098	36.9
Management Fee	260	3.0	303	3.0	325	3.0	345	3.0	355	3.0	366	3.0	377	3.0	388	3.0	400	3.0	415	3.0
INCOME BEFORE FIXED CHARGES	2,216	25.6	3,124	30.8	3,500	32.3	3,831	33.2	3,946	33.2	4,064	33.2	4,186	33.2	4,312	33.2	4,441	33.2	4,683	33.9
FIXED EXPENSES																				
Property Taxes	461	5.3	475	4.7	489	4.5	504	4.4	519	4.4	535	4.4	551	4.4	567	4.4	584	4.4	602	4.4
Insurance	71	0.8	73	0.7	76	0.7	78	0.7	80	0.7	83	0.7	85	0.7	88	0.7	90	0.7	93	0.7
Reserve for Replacement	174	2.0	303	3.0	434	4.0	460	4.0	473	4.0	488	4.0	502	4.0	517	4.0	533	4.0	553	4.0
Total	706	8.1	852	8.4	999	9.2	1,041	9.1	1,073	9.1	1,105	9.1	1,138	9.1	1,172	9.1	1,207	9.1	1,248	9.1
NET INCOME	\$1,509	17.5 %	\$2,272	22.4 %	\$2,501	23.1 %	\$2,790	24.1 %	\$2,874	24.1 %	\$2,959	24.1 %	\$3,048	24.1 %	\$3,139	24.1 %	\$3,234	24.1 %	\$3,435	24.8 %

*Departmental expenses are expressed as a percentage of departmental revenues.

Forecast of Income and Expense

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take four years for the subject property to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject property's operating budget and comparable income and expense statements. Our forecast is based upon calendar years beginning January 1, 2015 and is expressed in inflated dollars for each year.

Rooms Revenue

Rooms revenue is determined by two variables: occupancy and average rate. We projected occupancy and average rate in a previous section of this report. The subject property is expected to stabilize at an occupancy level of 67% with an average rate of \$159.88 in 2018. Following the stabilized year, the subject property's average rate is projected to increase along with the underlying rate of inflation.

Food and Beverage Revenue

Food and beverage revenue is generated by a hotel's restaurants, lounges, coffee shops, snack bars, banquet rooms, and room service. In addition to providing a source of revenue, these outlets serve as an amenity that assists in the sale of guestrooms. With the exception of properties with active lounges or banquet facilities that draw local residents, in-house guests generally represent a substantial percentage of a hotel's food and beverage patrons. In the case of the proposed Full-Service Convention Center Hotel, the food and beverage department will include a breakfast lounge and a lounge; moreover, banquet space is expected to span 22,200 square feet.

The subject property will be managing the food and beverage services for the Bloomington Monroe County Convention Center. The kitchen facilities of the Convention Center will also be available for food preparation.

Although food and beverage revenue varies directly with changes in occupancy, the small portion generated by banquet sales and outside capture is relatively fixed. The comparable statements illustrated food and beverage revenue between 24.7% to 40.2% of rooms revenue, or \$31.21 and \$46.79 per occupied room.

The proposed subject property's food and beverage operation is expected to be an important component of the hotel. Therefore, based upon our review of comparable operating statements, we have positioned an appropriate revenue level given the hotel's planned facility and price point. We would expect future moderate growth to occur within this category after the hotel's opening. We project food and beverage revenue to be \$33.09 and \$27.35 per occupied room, respectively, in the first projection year, or respectively 23.3% and 19.3% of rooms revenue. These per-occupied-room amounts increase to \$35.13 and \$29.21 for hotel food service and Bloomington Monroe County Convention Center

catering by the stabilized year, or respectively 21.97% and 18.27% of rooms revenue.

Other Operated Departments Revenue

According to the Uniform System of Accounts, Other Operated Departments include any major or minor operated department other than rooms, food, and beverage. These departmental revenues and expenses are presented in the Other Operated Department revenue and expense line items on a Summary Operating Statement, with sub-schedules setting forth the individual departmental revenues and expenses in more detail. An Other Operated Department revenue and expense may be presented in the summary statement if it is considered a significant factor in the hotel operation. Telephone revenue and expense is now considered a component of Other Operated Departments and is being reported as a separate line item more infrequently now that telephone revenue has become so inconsequential.

The proposed subject property's other operated departments revenue sources are expected to be generated primarily from the hotel's convenience store, telephone charges, valet services, business center services, in-room movie and game charges, and vending areas. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject property. We forecast the proposed subject property's other operated departments revenue to stabilize at 1.6% of rooms revenue or \$2.51 per occupied room by the stabilized year, 2018.

Other Operated Departments Revenue Including the Garage

The subject property will operate a garage. Overnight parking rates were established as \$5 in 2010 dollars. Other Operated Departments income including Garage income to stabilize at 2.7 % of rooms revenue or \$4.95 per occupied room by the stabilized year, 2018. The comparable operating statements illustrate Other Operated Departments Revenue ranging from 0.0 % to 6.2 % of rooms revenue and \$0.00 to \$12.18 per occupied room.

Rentals & Other Income

Rentals & other income is derived from sources other than guestrooms, food and beverage, and the other operated departments. The subject property will received lease rental income on the restaurant that will be operated by an independent operator. Rentals & other income revenue for the comparables ranged 0.2% to 16.3% of rooms revenue or \$0.26 to \$22.02 on a per-occupied-room basis. Changes in this revenue item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy. We forecast the proposed subject property's rentals & other income to stabilize at \$4.39 per occupied room by the stabilized year, 2018.

Rooms Expense

Rooms expense consists of items related to the sale and upkeep of guestrooms and public space. Salaries, wages, and employee benefits account for a substantial portion of this category. Although payroll varies somewhat with occupancy and managers can generally scale the level of service staff on hand to meet an expected occupancy level, much of a hotel's payroll is fixed. A base level of front desk personnel, housekeepers, and supervisors must be maintained at all times. As a result, salaries, wages, and employee benefits are only moderately sensitive to changes in occupancy.

Commissions and reservations are usually based on room sales, and thus are highly sensitive to changes in occupancy and average rate. While guest supplies vary 100% with occupancy, linens and other operating expenses are only slightly affected by volume.

The comparables illustrated rooms expense ranging between 16.2% and 22.5% of rooms revenue; on a per-occupied-room basis, the range was between \$20.39 and \$29.84. We have projected rooms expense for the subject at 24.2% in the first year (or \$34.35 per occupied room), stabilizing at 21.0% in 2018 (or \$33.58 per occupied room). The proposed subject property's rooms department expense has been positioned based upon our review of the comparable operating data and our understanding of the hotel's future service level and price point.

Food and Beverage Expense

Food expenses consist of items necessary for the primary operation of a hotel's food and banquet facilities. The costs associated with food sales and payroll are moderately to highly correlated to food revenues. Items such as china, linen, and uniforms are less dependent on volume. Although the other expense items are basically fixed, they represent a relatively insignificant factor. Beverage expenses consist of items necessary for the operation of a hotel's lounge and bar areas. The costs associated with beverage sales and payroll are moderately to highly correlated to beverage revenues.

The comparables illustrate food and beverage expense ranging between 57.4% and 72.7% of food and beverage revenue. We have projected a stabilized expense ratio of 62.0% in 2018 for hotel food & beverage and 75.0% for Bloomington Monroe County Convention Center catering due to commission payments. The proposed subject property's food and beverage operation is expected to be efficiently managed and operate at an expense level that is in line with other comparable operations.

Other Operated Departments Expense

Other operated departments expense includes all expenses reflected in the summary statements for the divisions associated in these categories. This was previously discussed in this chapter. The comparables illustrated other operated departments expense ranging between \$ 0.00 to \$ 7.45 per occupied room. The

comparables illustrated other operated departments expense as a percentage of revenues ranging between 46.7 %to 98.6 %. We have projected a stabilized expense ratio of 80.0% in 2018. The proposed subject property's other operated departments revenue sources are expected to be generated primarily from the hotel's convenience store, telephone charges, valet services, business center services, in-room movie and game charges, and vending areas. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject property.

Other Operated Departments Expense Garage

The garage expenses are part of the Other Operated Department Expense but are shown separate for discussion purposes. The operating cost of the parking garage is estimated at 38.0% of revenues.

Administrative and General Expense

Administrative and general expense includes the salaries and wages of all administrative personnel who are not directly associated with a particular department. Expense items related to the management and operation of the property are also allocated to this category.

Most administrative and general expenses are relatively fixed. The exceptions are cash overages and shortages; commissions on credit card charges; provision for doubtful accounts, which are moderately affected by the number of transactions or total revenue; and salaries, wages, and benefits, which are very slightly influenced by volume.

On a percentage of total revenue basis, the comparable operations indicate an administrative and general expense range from 7.5% to 9.1%, or \$2,815 to \$4,669 per available room. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject property, we have positioned the administrative and general expense level at a market- and property-supported level. In the first projection year, we have projected administrative and general expense for the proposed subject property to be \$3,839 per available room, or 8.8% of total revenue. By the 2018 stabilized year, these amounts change to \$4,405 per available room and 7.7% of total revenue.

Marketing Expense

Marketing expense consists of all costs associated with advertising, sales, and promotion; these activities are intended to attract and retain customers. Marketing can be used to create an image, develop customer awareness, and stimulate patronage of a property's various facilities.

The marketing category is unique in that all expense items, with the exception of fees and commissions, are totally controlled by management. Most hotel operators establish an annual marketing budget that sets forth all planned expenditures. If the budget is followed, total marketing expenses can be projected accurately.

Marketing expenditures are unusual because although there is a lag period before results are realized, the benefits are often extended over a long period. Depending on the type and scope of the advertising and promotion program implemented, the lag time can be as short as a few weeks or as long as several years. However, the favorable results of an effective marketing campaign tend to linger, and a property often enjoys the benefits of concentrated sales efforts for many months.

On a percentage of total revenue basis, the comparable operations indicate a marketing expense range from 4.8% to 9.9%, or \$1,804 to \$5,081 per available room. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject property, we have positioned the marketing expense level at a market- and property-supported level. In the first projection year, we have projected marketing expense for the proposed subject property to be \$3,387 per available room, or 7.8% of total revenue. By the 2018 stabilized year, these amounts change to \$3,887 per available room and 6.8% of total revenue.

Franchise Fee

As previously discussed, the subject is expected to be franchised under the full-service hotel brand. Costs associated with this franchise are summarized in the introductory chapter in this report.

Property Operations and Maintenance

Property operations and maintenance expense is another expense category that is largely controlled by management. Except for repairs that are necessary to keep the facility open and prevent damage (e.g., plumbing, heating, and electrical items), most maintenance can be deferred for varying lengths of time.

Maintenance is an accumulating expense. If management elects to postpone performing a required repair, they have not eliminated or saved the expenditure; they have only deferred payment until a later date. A lodging facility that operates with a lower-than-normal maintenance budget is likely to accumulate a considerable amount of deferred maintenance.

The age of a lodging facility has a strong influence on the required level of maintenance. A new or thoroughly renovated property is protected for several years by modern equipment and manufacturers' warranties. However, as a hostelry grows older, maintenance expenses escalate. A well-organized preventive maintenance system often helps delay deterioration, but most facilities face higher property operations and maintenance costs each year, regardless of the occupancy trend. The quality of initial construction can also have a direct impact on future maintenance requirements. The use of high-quality building materials and construction methods generally reduces the need for maintenance expenditures over the long term.

On a percentage of total revenue basis, the comparable operations indicate a property operations and maintenance expense range from 2.5% to 5.5%, or \$952 to \$2,816 per available room. We expect the proposed subject property's maintenance operation to be well managed, and expense levels should stabilize at a typical level for a property of this type. Changes in this expense item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy. In the first projection year, we have projected property operations and maintenance expense for the proposed subject property to be \$2,032 per available room, or 4.7% of total revenue. By the 2018 stabilized year, these amounts change to \$2,332 per available room and 4.1% of total revenue.

Utilities Expense

The utilities consumption of a lodging facility takes several forms, including water and space heating, air conditioning, lighting, cooking fuel, and other miscellaneous power requirements. The most common sources of hotel utilities are electricity, natural gas, fuel oil, and steam. This category also includes the cost of water service.

Total energy cost depends on the source and quantity of fuel used. Electricity tends to be the most expensive source, followed by oil and gas. Although all hotels consume a sizable amount of electricity, many properties supplement their utility requirements with less expensive sources, such as gas and oil, for heating and cooking.

On a percentage of total revenue basis, the comparable operations indicate a utilities expense range from 3.1% to 6.3%, or \$1,173 to \$3,253 per available room. The changes in this utilities line item through the projection period are a result of the application of the underlying inflation rate and projected changes in occupancy. In the first projection year, we have projected utilities expense for the proposed subject property to be \$2,145 per available room, or 4.9% of total revenue. By the 2018 stabilized year, these amounts change to \$2,461 per available room and 4.3% of total revenue.

Management Fee

Management expense consists of the fees paid to the managing agent contracted to operate the property. Some companies provide management services and a brand-name affiliation (first-tier management company), while others provide management services alone (second-tier management company). Some management contracts specify only a base fee (usually a percentage of total revenue), while others call for both a base fee and an incentive fee (usually a percentage of defined profit). Basic hotel management fees are almost always based on a percentage of total revenue, which means they have no fixed component. While base fees typically range from 2% to 4% of total revenue, incentive fees are deal specific and often are calculated as a percentage of income

available after debt service and, in some cases, after a preferred return on equity. Total management fees for the subject property have been forecast at 3.0% of total revenue.

Property Taxes

Property (or ad valorem) tax is one of the primary revenue sources of municipalities. Based on the concept that the tax burden should be distributed in proportion to the value of all properties within a taxing jurisdiction, a system of assessments is established. Theoretically, the assessed value placed on each parcel bears a definite relationship to market value, so properties with equal market values will have similar assessments and properties with higher and lower values will have proportionately larger and smaller assessments.

Depending on the taxing policy of the municipality, property taxes can be based on the value of the real property or the value of the personal property and the real property. We have based our estimate of the proposed subject property's market value (for tax purposes) on an analysis of assessments of comparable hotel properties in the local municipality.

FIGURE 8-34 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS

Hotel	Number of Rooms	Total Assessment			
		Land	Improvements	Personal	Total
Courtyard Bloomington	117	\$2,193,000	\$7,150,900	\$439,990	\$9,783,890
Homewood Suites Bloomington	82	499,500	4,769,100	311,540	5,580,140
Holiday Inn Express & Suites Bloo	102	660,000	7,488,700	477,280	8,625,980
<i>Assessments per Room</i>					
Courtyard Bloomington		\$18,744	\$61,119	\$3,761	\$83,623
Homewood Suites Bloomington		6,091	58,160	3,799	68,050
Holiday Inn Express & Suites Bloomington		6,471	73,419	4,679	84,568
Positioned Subject - Per Room	200	\$12,000	\$90,000	\$5,000	\$107,000
Positioned Subject - Total (1)		\$2,400,000	\$18,000,000	\$1,000,000	\$21,400,000

(1) Assumes the ballroom and meeting space is not owned by the subject property

Source: Monroe County Property Assessor

We have positioned the proposed subject property's future assessment levels based upon the illustrated comparable data. We have positioned the assessment closest to the Courtyard because of the similarity in product type and location; overall, the positioned assessment is well supported by the market data.

Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 1.85960%. The following figure shows changes in the tax rate during the last several years.

FIGURE 8-35 COUNTY TAX RATES

Year	Personal Property	Real Property
	Tax Rate	Tax Rate
2008	2.29640	2.29640
2009	1.74580	1.74580
2010	1.85960	1.85960

Source: Monroe County Auditor

Based on comparable assessments and the tax rate information, the proposed subject property's projected property tax expense levels are calculated as follows.

FIGURE 8-36 PROJECTED PROPERTY TAX EXPENSE

Year	Assessed Value			Total	Pers. Prop. Tax Rate	Property Tax Rate	Tax Forecast
	Land	Improvements	Personal				
Positioned	\$2,400,000	\$18,000,000	\$1,000,000	\$21,400,000	1.8596	1.8596	\$397,954
2015	\$2,400,000	\$18,000,000	\$1,000,000	\$21,400,000	2.1558	2.1558	\$461,338
2016	\$2,400,000	18,000,000	\$1,000,000	\$21,400,000	2.2205	2.2205	\$475,178
2017	\$2,400,000	18,000,000	\$1,000,000	\$21,400,000	2.2871	2.2871	\$489,434

Insurance Expense

The insurance expense category consists of the cost of insuring the hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. General insurance costs also include premiums relating to liability, fidelity, and theft coverage. Insurance rates are based on many factors, including building design and construction, fire detection and extinguishing equipment, fire district, distance from the firehouse, and the area's fire experience. Insurance expenses do not vary with occupancy.

Based on comparable data and the structural attributes of the proposed project, we project the proposed subject property's insurance expense at \$389 per available room by the stabilized year (positioned at \$310 on a per-available-room basis in base-year dollars). This forecast equates to 0.7% of total revenue on a stabilized basis. In subsequent years, this amount is assumed to increase in tandem with inflation.

Reserve for Replacement

Furniture, fixtures, and equipment are essential to the operation of a lodging facility, and their quality often influences a property's class. This category includes all non-real estate items that are capitalized, rather than expensed. The furniture, fixtures, and equipment of a hotel are exposed to heavy use and must be replaced at regular intervals. The useful life of these items is determined by their quality, durability, and the amount of guest traffic and use.

Periodic replacement of furniture, fixtures, and equipment is essential to maintain the quality, image, and income-producing potential of a lodging facility. Because capitalized expenditures are not included in the operating statement but nevertheless affect an owner's cash flow, a forecast of income and expense should reflect these expenses in the form of an appropriate reserve for replacement.

The International Society of Hospitality Consultants (ISHC) undertook a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent findings of the study were published in a report in 2007. Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year, and depend upon both the actual and effective age of a property. The results of this study showed that hotel lenders and investors are requiring reserves for replacement ranging from 4% to 5% of total revenue.

Based on the results of this study, our review of the subject asset and comparable lodging facilities, and our industry expertise, we estimate that a reserve for replacement of 4% of total revenues is sufficient to provide for the timely and periodic replacement of the subject property's furniture, fixtures, and equipment. This amount is ramped up during the initial projection period.

Conclusion

In conclusion, our analysis reflects a profitable operation, with net income expected to total 24.1% of total revenue by the stabilized year. The stabilized total revenue comprises primarily rooms and food and beverage revenue, with a secondary portion derived from other income sources. On the cost side, departmental expenses total 34.6% of revenue by the stabilized year, while undistributed operating expenses total 29.2% of total revenues; this assumes that the property will be operated competently by a well-known hotel operator. After a 3.0% of total revenues management fee, and 9.1% of total revenues in fixed expenses, a net income ratio of 24.1% is forecast by the stabilized year.

9. Approach to Financing

This section of the report provides an approach to financing the 0 BMCCC expansion and hotel projects. HVS formulated this approach based on information about the availability of financial resources provided by City and County officials. HVS considered a wide range of options and the combination of financing techniques recommended herein were chosen with the goals of obtaining the lowest cost of financing and the maximum amount of private investment with the least risk to the City and County. The results demonstrate that financing the project is feasible under current assumptions about project costs.

The approval of a financing plan will require consensus among the City, County, and various constituents affected by the financing. The approach presented herein selects a set of financing methods from a larger set of alternatives. A combination of other alternative methods may also provide a feasible path to financing. Further discussion of and possible changes to this approach may be necessary to achieve approval of a specific plan.

Convention Center Financing

In the United States, counties and cities usually finance the construction of convention facilities with public debt, which is repaid over a 20- to 30-year period. Municipalities justify public investment either on the basis of the potential economic impact of a project or because it represents the development of a community asset with broad support that would not be developed without public spending.

Projects that are relatively small or that are financed in municipalities with rapidly growing tax bases are sometimes paid for directly out of appropriated funds. This type of pay-as-you-go financing is not often used for large projects. In Bloomington and Monroe County, as in most areas, the difficulty of providing sufficient revenues to pay for the entire project during the construction period effectively eliminates the pay-as-you-go option. The majority of facilities are financed with long-term debt so that the payment of capital costs corresponds to the period over which the facility is used and its economic and public benefits are realized. Counties and cities typically structure the debt in the form of bonds.

General Obligations

One strategy to repay these bonds is to use general fund revenue, backed by the full faith and credit of the subject government, to make scheduled payments over the life of the bonds. These are called general obligation bonds ("GO bonds"). This type of debt would provide a strong credit and relatively low borrowing costs for the project.

The use of GO bonds is typically reserved for projects perceived to benefit the population as a whole, such as educational, environmental, transportation, or correctional facilities. Because convention centers often have a narrower group of users and people who benefit from these projects, GO bonds are not recommended for financing the proposed project. Some alternative uses of GO debt might include: (i) restricting it to a portion of the project costs such as site preparation, transportation improvements, and utilities; (ii) creating a short-term means of paying for some or all construction costs until revenues triggered by the new facility are realized; and/or (iii) providing a guarantee to back-stop a new revenue source that is not initially creditworthy on its own or results in a lower bond rating without the backing of the gross receipts tax.

HVS does not recommend the use of any general obligation backing because other available alternatives can finance the project at reasonable costs and protect the City of Bloomington and Monroe County from any future commitment of general funds.

Dedicated Revenues

Municipal governments can pledge revenue from existing or projected taxes and fees to support the repayment of debt on convention center projects. Bonds that are backed by such sources are called “revenue bonds” because the revenue from these taxes and fees provide the ability to pay back debt. The interest rates paid on revenue bonds would vary depending on the reliability of the chosen revenue source. Interest rates will also vary from one municipality to another depending on their credit ratings.

Counties and cities often target taxes or fees that derive from the activities or businesses that are most likely to use or otherwise benefit from the facility. Hotel room occupancy taxes, sales taxes, car rental fees, parking taxes, food and beverage taxes, airport access fees, and development fees are the revenue sources most commonly used to repay debt service for convention center revenue bonds. In addition, municipalities frequently use these tax sources to finance the ongoing operating and marketing needs of their facilities. Most of the recent convention center projects throughout the U.S. have used this financing structure, which can be tailored to fit the specific requirements of state and local governments.

The types of bonds used for particular projects depend on the size of the investment, lending rates, the creditworthiness of the borrowing entity, and the availability of revenue sources to repay the debt. The mix of revenue sources selected for particular projects depends on the comparative level of existing taxes or fees, as well as what is considered to be both fair and feasible under the unique political and economic circumstances of each development.

Revenue Source for Financing Debt

In Bloomington, as in most communities, a high level of commitment and a coordinated community-wide effort that includes City and County governments and the private sector would be necessary to successfully fund this project.

If a county or city uses revenue bonds to finance a convention center project, it must decide which revenue source or sources are appropriate and feasible for paying off the bonds. The following points summarize the characteristics of various revenue tools available for the proposed convention center project in Bloomington.

Gross Receipts Taxes - Sales taxes provide strong credit structures because they are relatively predictable and tend to track inflation and economic growth. A general sales tax increase or expansion of the base could provide a strong incremental revenue stream. However, these taxes are often difficult to implement because they primarily tax local residents and require a referendum and/or state legislative approval. Sales taxes can generate large amounts of revenue, but also burden the local economy. In some cases, municipalities have used a general sales tax increase over a fixed period of time to finance major capital projects such as stadiums and convention centers. This quick-pay method enables municipalities to generate the necessary revenue over a short period of time, but a general sales tax is a blunt taxing instrument that does not always provide a good match between who bears the burden of the tax and who benefits from it.

HVS does not recommend the use of sales taxes to finance the project in Bloomington.

Hotel Taxes - Called the "Innkeepers Tax" in Monroe County, hotel taxes have the major advantage of primarily taxing out-of-town visitors rather than local residents. Convention centers in Orlando, Los Angeles, New Orleans, Atlanta, Charlotte, Houston, Indianapolis, Miami, Philadelphia, St. Louis, and San Francisco have their debt service paid totally or in part by dedicated hotel tax revenues. Monroe County's 5.0 percent Innkeepers Tax on transient accommodations is about average when comparing local hotel tax rates in cities or counties throughout the country. Furthermore, when combined with the state sales and use tax on hotel rooms of 7.0 percent, the total tax on hotel accommodations of 12.0 percent is slightly below the national average.

Currently, the Innkeepers Tax revenue is distributed to Visit Bloomington (60%) and to the Monroe County Convention Center Building Corporation (40%). The share distributed to the Convention Center Building Corporation is used to repay outstanding loans for land acquisition of sites adjacent to the BMCCC and to support the operations of the BMCCC. Historical Innkeepers Tax revenues are shown in the figure below.

FIGURE 9-1 HISTORICAL INNKEEPERS TAX REVENUE

Year	Innkeepers Tax Revenue	Annual Increase
1999	\$1,144,000	
2000	1,147,000	0.3%
2001	1,105,000	-3.7%
2002	1,228,000	11.1%
2003	1,239,000	0.9%
2004	1,278,000	3.1%
2005	1,318,000	3.1%
2006	1,570,000	19.1%
2007	1,729,000	10.1%
2008	1,834,000	6.1%
2009	1,724,000	-6.0%
2010	1,817,000	5.4%
2011	1,925,000	5.9%
Average Annual Change		4.6%

Currently, all available Innkeepers Tax revenue is used for the above stated purposes. Continued support of the CVB and the BMCCC would be important to the success of future marketing, sales and operations of an expanded convention center. However, all or part of the Innkeepers Tax could be pledged to bondholders as a source of security for repayment of debt in the event that other resources are less than anticipated and insufficient to pay debt service. Such a pledge would subordinate the distribution of Innkeepers Tax to the CVB and BMCCC to the repayment of loans and/or bondholders. Assuming this risk may be necessary to issue debt at a reasonable cost. A conservative financing plan that provides sufficient debt service reserve funds could mitigate the risk of funding shortfalls to the CVB and BMCCC.

Food & Beverage Tax – Taxes on the sale of prepared meals (i.e. restaurants) have been used in several counties and cities to support the costs of convention and sporting facilities. Like hotel taxes, they are directed toward beneficiaries of the project and, to some extent, non-residents. A subset of an overall sales tax, meals taxes can also generate substantial revenue. In some cases it can be difficult to define the appropriate geographic boundaries within which such a tax should be applied.

Since December 1, 2009, Indiana Code 6-9-41 has authorized Monroe County to impose a county-wide food and beverage tax (“F&B Tax”), at a rate of 1.0 percent for the purpose of building a convention center. The authorizing legislation states that “Money deposited in the [City or County] food and beverage tax receipts fund may be used only to finance, refinance, construct, operate, or maintain a convention center, a conference center, or related tourism or economic development projects.” The legislation also creates an advisory commission made up of public officials and restaurant or catering company owners. The role of this commission is to make recommendations to the appropriate legislative body on the use of the fund.

To date the County has not adopted an ordinance to impose an F&B Tax. The City of Bloomington does not have authority to impose a separate F&B Tax. However, twelve other counties in Indiana have imposed a food and beverage tax as shown in the figure below.

FIGURE 9-2 INDIANA COUNTIES WITH FOOD AND BEVERAGE TAXES

County	Tax Rate	Purpose
Allen County	1%	Allen County Memorial Coliseum
Boone County	1%	Indiana Stadium and Convention Building Authority
Delaware County	1%	Civic Center Authority
Hamilton County	1%	Indiana Stadium and Convention Building Authority
Hancock County	1%	Indiana Stadium and Convention Building Authority
Hendricks County	1%	Indiana Stadium and Convention Building Authority
Henry County	1%	Basketball Hall of Fame
Johnson County	1%	Indiana Stadium and Convention Building Authority
Madison County	1%	Civic Center
Marion County	2%	Indiana Stadium and Convention Building Authority
Shelby County	1%	Indiana Stadium and Convention Building Authority
Vanderburgh County	1%	County Auditorium or new Convention Center

Under separate authorizing legislation, eleven towns in Indiana have also imposed a food and beverage tax. See the list in the figure below.

FIGURE 9-3 INDIANA CITIES WITH FOOD AND BEVERAGE TAXES

Town	County	Tax Rate
Avon	Hendricks	1%
Brownsburg	Hendricks	1%
Carmel	Hamilton	1%
Lebanon	Boone	1%
Martinsville	Morgan	1%
Mooreville	Morgan	1%
Nashville	Brown	1%
Noblesville	Hamilton	1%
Plainfield	Hendricks	1%
Shipshewana	LaGrange	1%
Westfield	Hamilton	1%
Zionsville	Boone	1%

In Monroe County, a food and beverage tax could provide the primary source of funding for the proposed convention center project.

An estimate provided by the Indiana Legislative Services Agency predicts that a 1.0 percent F&B Tax in Monroe County could generate \$2.6 million of tax revenue in CY 2012. This estimate is based on U.S. Bureau of Census reported food and beverage transactions in Monroe County. Food and beverage transactions in Monroe County were \$243 million in 2007. At a rate of 1%, this tax would generate \$2.4 million. An additional 10% adjustment was applied to this base estimate to account for unreported sales of prepared food items in supermarkets and snack shops for which the tax would also apply (for example within large retail gas facilities). This would add about \$240,000 in revenue.

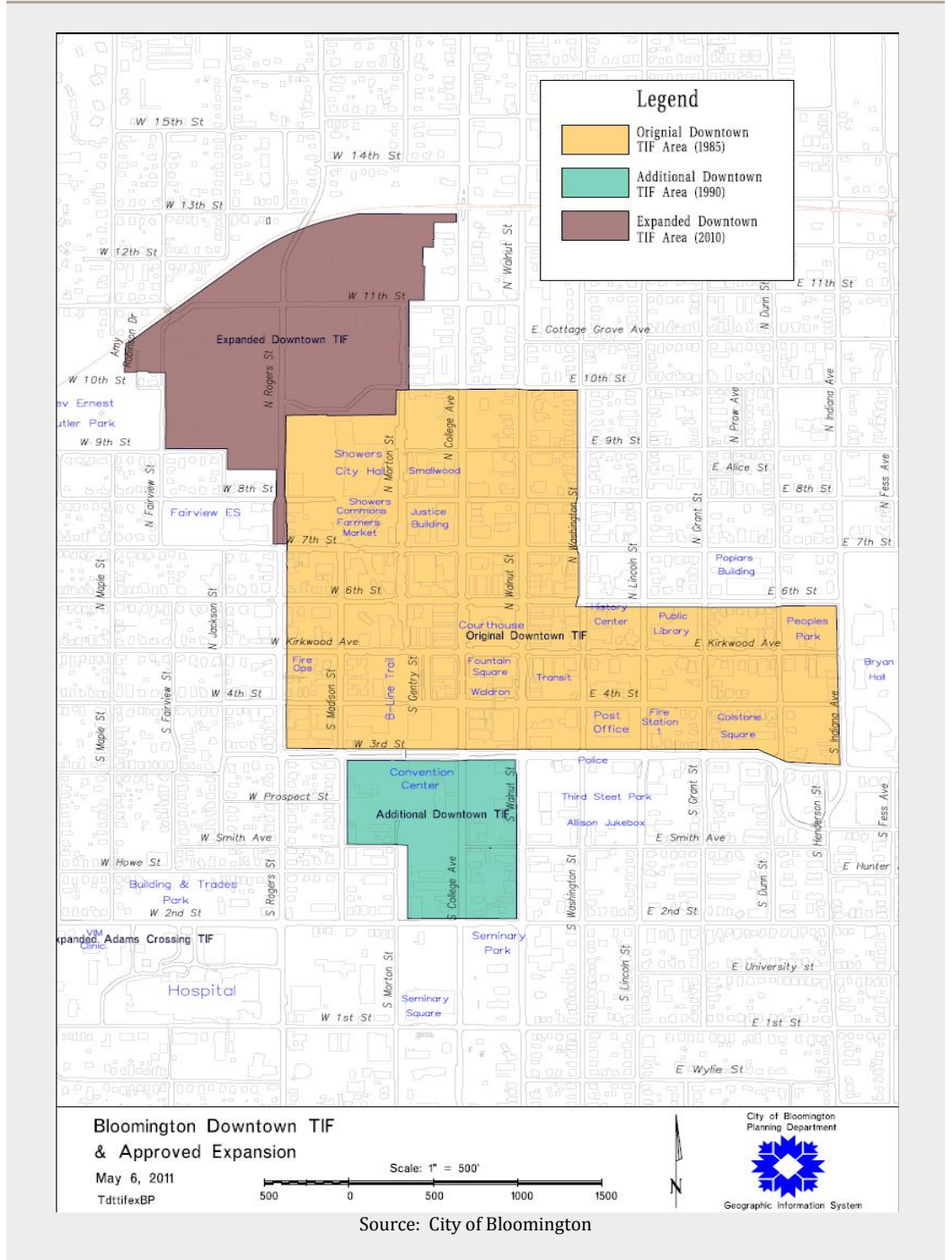
Given that the F&B Tax has no collection history in Monroe County, any estimate of future collections is uncertain. The earliest possible implementation of the tax would provide a tax collections history prior to the issuance of debt and create confidence in estimates of future collections. This history of tax collection would be important to potential bond investors and bond rating agencies and lower the cost of borrowing by reducing the perceived risk to bondholders. Early implementation of the tax would also provide a source of funding for planning work that would be necessary prior to financing and build up a capital fund balances.

Tax Increment Financing - Tax increment financing (“TIF”) is a tool that allows a certain portion of the incremental increase in tax revenues from a project to be

used for developments that will benefit that project. Projections are based on the incremental property tax value of the ancillary economic development projects that are triggered by a major new facility. The tax base of a defined area (“TIF District”) surrounding the project is frozen and any increases in the future tax base are used to repay TIF bonds or to fund infrastructure and other improvements in the TIF District. Depending on the size and scope of the TIF District, this concept may be useful as a means of offsetting a portion of the future debt service on convention center bonds or providing an additional back-stop for another primary revenue source. TIF strategies are also used to support ancillary hotel developments in some communities. In Bloomington, TIF funds have provided a source of credit and payment of lease debt on parking facilities and this use may be appropriate for the parking development necessary to support the convention center and hotels.

The following figure shows the TIF districts in Bloomington. The BMCCC and the expansion site fall into the Additional Downtown TIF District which was established in 1990. The authorization for this TIF district does not include any restrictions on its duration. Consequently, long-term borrowing supported by this TIF is possible.

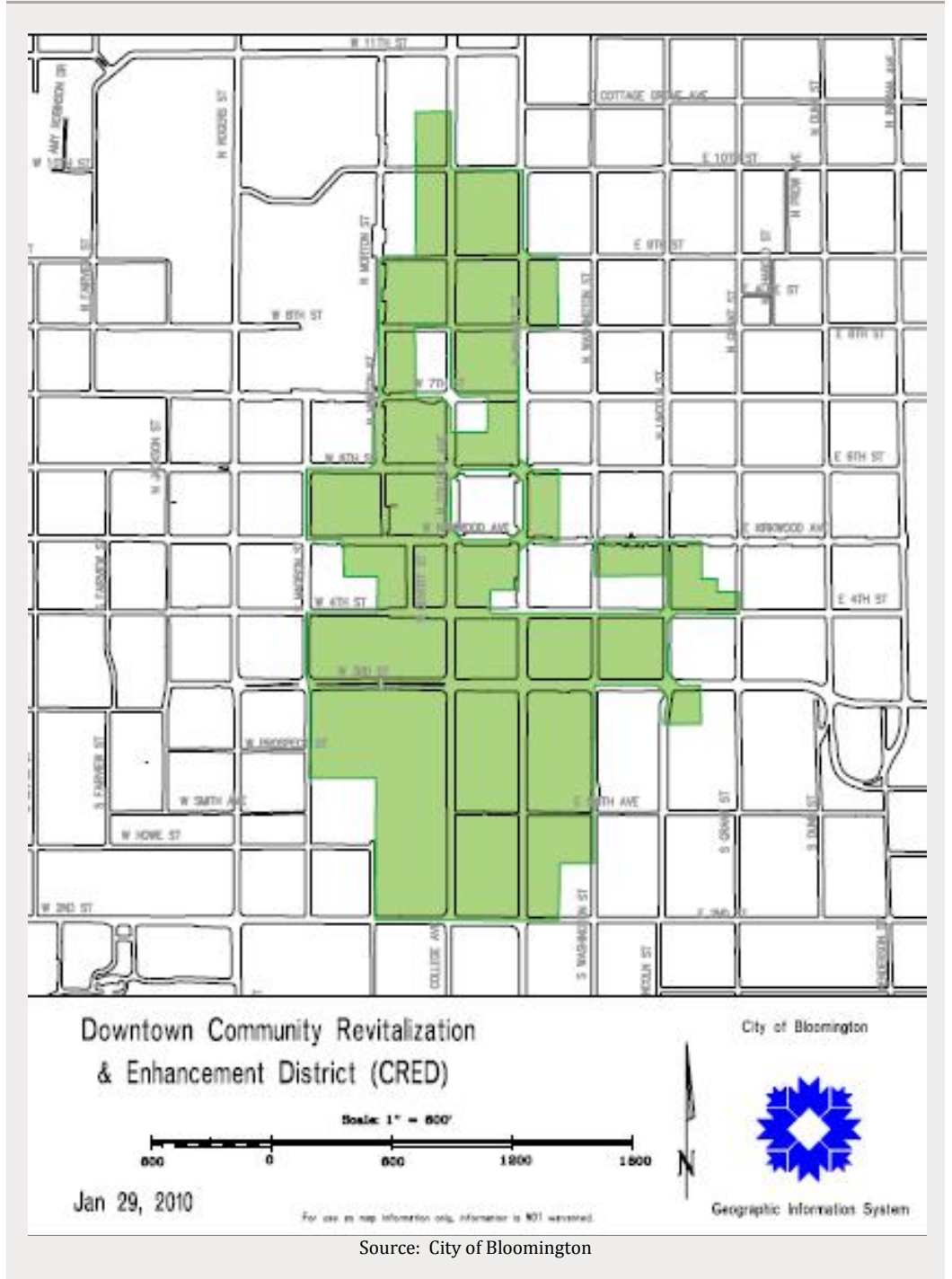
FIGURE 9-4 BLOOMINGTON TIF DISTRICTS



Downtown Community Revitalization Enhancement District (“CRED”) – CRED is similar to a TIF district but uses state payroll and sales tax increments rather than property taxes as a source of funds. The funds can be used by local governments to assist with site improvements, infrastructure, and other redevelopment activities in the TIF District. The City has been collecting incremental revenues under the CRED since 2006 on base of 2004 revenues. State distributions of this revenue to the City are capped at \$750,000 per year and the CRED expires in 2021. To date the City has a CRED fund balance of approximately \$5.4 million with minimal obligations attached to those funds. A portion of this and future revenue could be used for financing the convention center project provided that certain allowances are made for existing obligations and other future projects that the City may want to support.

The figure below shows a map of the Downtown CRED area in the City of Bloomington and illustrates that the proposed BMCCC expansion sites fall into the district.

FIGURE 9-5 BLOOMINGTON CRED



Lease Financing – Lease financing provides a method of financing public projects without the issuance of debt. The City’s Redevelopment Commission has successfully employed this method of finance to construct parking garages including the Garage Band and Garage Market developments. In these financings, the Redevelopment Commission offered a ground lease to a private developer under the condition that they construct and finance a specific project. The Redevelopment Commission has the authority to lease land at less than market rates, which provides a form of subsidy for these developments. Under a lease purchase agreement, the City makes lease payments to the developer over a 30-year period after which ownership of the improvements reverts to the City. The City operates the garages and the parking revenues provide the primary source of lease payments. TIF revenues provide a source of credit because they are the backup source of lease payments that would be used in the event that parking revenues are insufficient. This lease financing method should be considered to support parking development related to the BMCCC and hotels.

Hotel Financing

Public participation in hotel projects is typically motivated by the potential economic impact of the new visitation generated by these projects. In many cases local governments also seek to further support their investment in an adjacent convention center by improving its attractiveness as a destination for conventions, tradeshow and other events that attract a large percentage of overnight visitors. This is precisely the reason for interest in a hotel development adjacent to an expanded BMCCC.

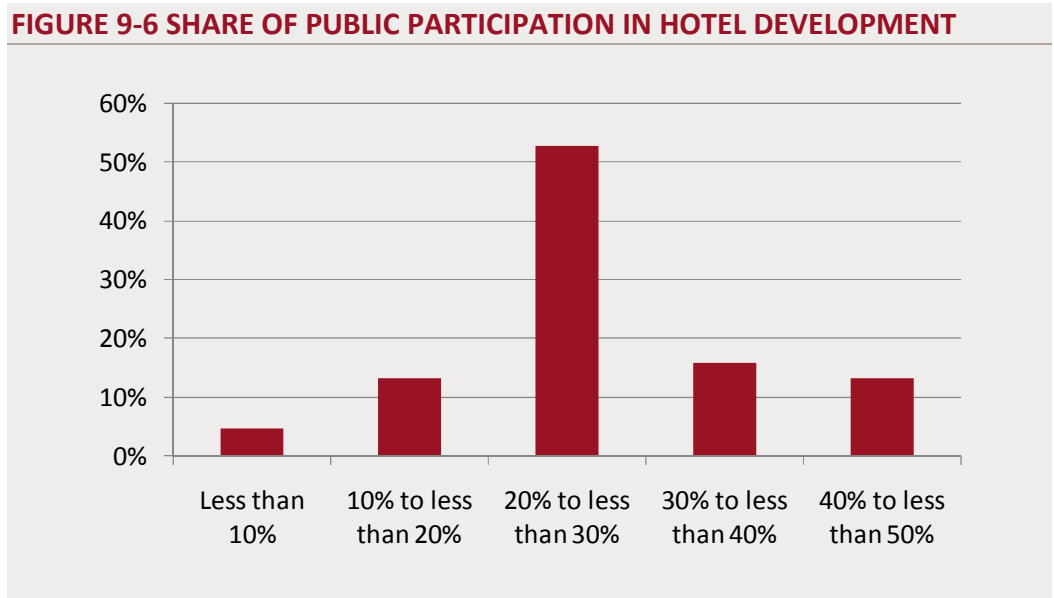
Public sector involvement in hotel projects is becoming increasingly common as the high cost of development and limitations on the availability of capital for new hotel investment limit the feasibility of conventional financing. Public involvement in hotel development may be divided into two general categories:

- **Public Financing** – The sponsoring municipality issues tax-exempt debt to cover the cost of constructing and financing the hotel project, accessing the municipal bond market rather than conventional sources of hotel debt and equity. The net operating revenues of the hotel are pledged as the first source of funds for the repayment of the debt and most often local governments provide some form of credit support or a pledge to repay debt if hotel revenues are not sufficient.
- **Public-Private Partnership** – In a public-private partnership, the hotel is owned and developed by the private partner, and public involvement takes the form of a public subsidy that “bridges the gap” between the cost of constructing and financing a hotel project and the debt and equity that a private developer is able to secure for the project.

Public-private partnerships in hotel development are more frequently used in mid-sized full-service hotel projects (200 to 500 rooms) in which a reasonable amount of public equity investment can make the difference between a feasible and infeasible project. For many smaller projects the potential benefit of new economic and fiscal impacts are modest and only justify a limited investment on the part of the sponsoring municipality. In other communities a public-private partnership is the only politically acceptable form of government support. Often other local hotel owners demand limits on government support of potentially competitive products. This is particularly true in stressed hotel markets and in situations where the proposed new property does not induce significant amounts of new demand.

Average Public Participation by Hotel Size

HVS analyzed the level of public participation in 38 hotel projects with 200 to 500 rooms that are comparable to the proposed hotel adjacent to the BMCCC. The figure below shows a distribution of the percentage of public participation in these projects.



The level of public participation in over half of the hotel development ranged between 20 and 30 percent of development costs.

Room Block Commitment Agreements

The level of public involvement in hotel projects may also be influenced by room block commitment agreements, which require the hotel operator to make blocks of hotel rooms available for convention center events at acceptable room rates. These agreements help to assure that one of the primary public purposes of the project—generating new out-of-town visitation—can be achieved. However, under certain

market conditions a room block commitment agreement may limit the hotel manager's ability to maximize revenue and income. For example, the advanced commitment of room blocks to convention attendees may limit a hotel operator's ability to reserve room inventory for more profitable in-house groups or transient guests that generate higher rate room rates and more food and beverage revenues. The operating risk for a publicly supported hotel with a room block commitment may be higher than for a conventionally financed property.

A hotel development agreement in Bloomington should include a room block commitment in order to ensure that rooms are available for BMCCC events.

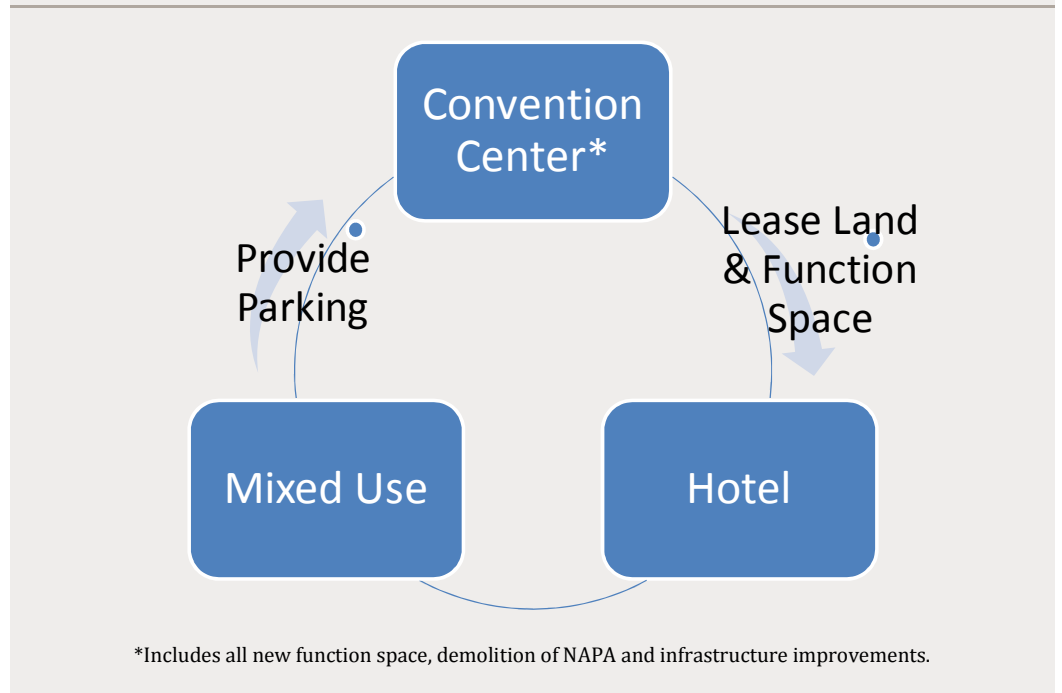
**Forms of Public
Participation of a Hotel**

Possible approaches to public participation in the proposed hotel development includes: abatement of property taxes or subordination of property taxes to return on equity investment, redirection of hotel lodging taxes collected on property, a pledge of county-wide, city-wide, or special district lodging taxes to support publicly financed components of the project and/or dedication of excess food and beverage tax revenues.

Of these options, abatement of property taxes and redirection of lodging taxes are the preferred options because they primarily rely on new tax revenue generated by the project and would divert a minimum of existing resources to the hotel project.

**Recommended
Approach to Financing**

HVS recommends that the City and the County pursue three separate but coordinated financing efforts as illustrated in the figure below.

FIGURE 9-7 COORDINATED FINANCING OF THREE PROJECTS

- The convention center project, which includes the new ballroom and meeting space operated by the hotel manager, would be financed through the issuance of public debt. Repayment of debt would be made from three sources: 1) a County-wide 1.0% food and beverage tax, 2) a pledge of InnkeepersTax, and 3) CRED funding.
- The hotel would be financed through a public-private partnership with conventionally financed debt and equity and public subsidies through the partial abatement of property taxes and the redirection of project generated Innkeepers Tax. A competitive request for proposal process would seek to ensure minimal levels of public participation.
- The mixed-use residential, parking, and retail development would rely on the lease financing mechanism previously used by the City of Bloomington Redevelopment Commission.

Coordination of the financing of each land use would be necessary so that all projects would be funded simultaneously. The following discussion explains the approach to each of the three financings, estimates the sources and uses of funds for each project, and discusses important financing parameters. For purposes of

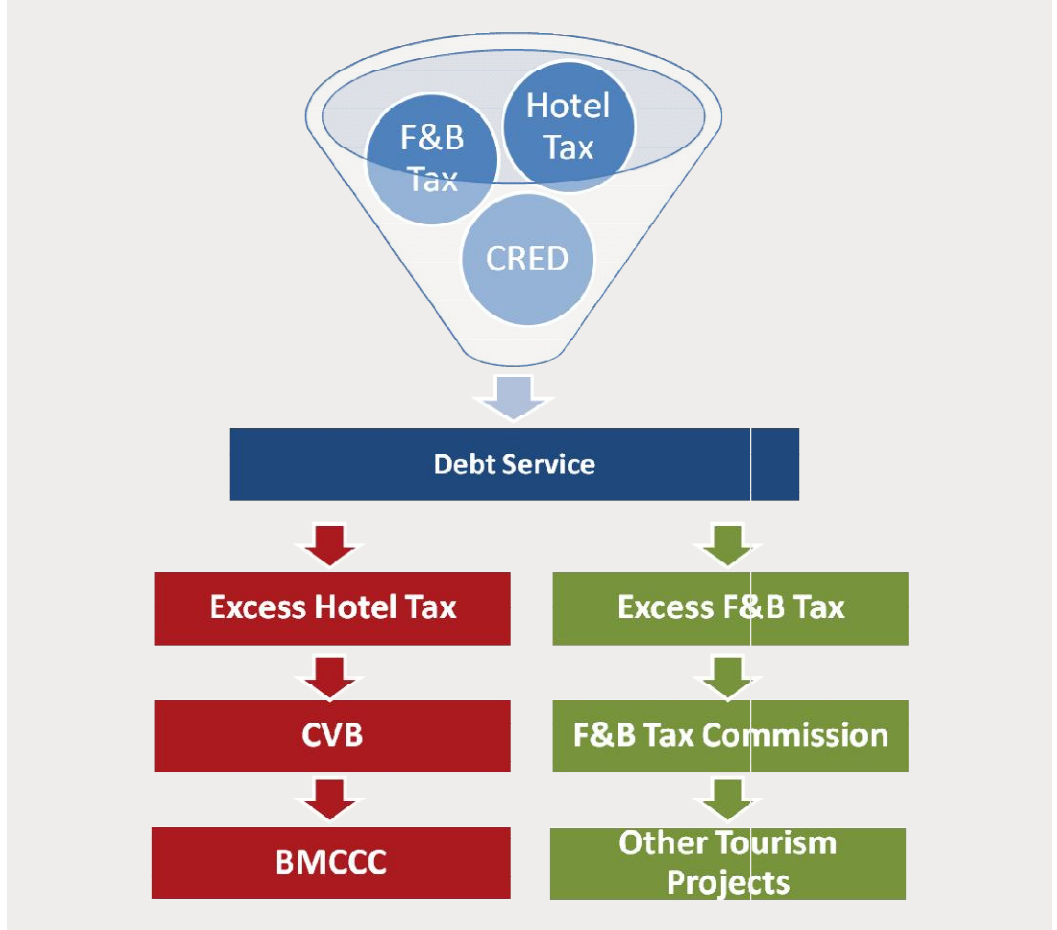


Convention Center Financing

this analysis we assume that the projects would be financed in January 2013 to allow for a two-year construction period and opening in January of 2015.

The combined pledge of F&B Tax, Innkeepers Tax, and CRED revenues to the repayment of debt would allow the issuance of revenue bonds at reasonable interest rates. Given the levels of debt service coverage, bondholders would not require any claim on the general revenues of the County or the City. Level debt service payments would be structured such that current distributions of Innkeepers Tax revenue to the CVB and the BMCCC could continue to grow as tax revenues grow. While the Innkeepers Tax would be used minimally to repay debt service, the pledge of gross receipts of all three taxes would create debt service coverage ratios that would be in excess of those acceptable in the bond market. Consequently, the revenue bonds would not require any credit enhancement using a general obligation pledge. The figure below illustrates the proposed flow of funds.

FIGURE 9-8 FLOW OF DEDICATED REVENUES



HVS estimates that the issuance of revenue bonds and the use of available cash fund balances could raise sufficient capital to support the convention center component of the project. The figure below shows the estimated sources and uses of funds.

FIGURE 9-9 CONVENTION CENTER FINANCING

Sources of Funds	
Proceeds from Debt Issuance	\$31,527,000
F&B Cash Contribution	1,025,000
CRED Cash Contribution	5,779,000
Total Sources of Funds	\$38,331,000
Uses of Funds	
Convention Center Construction	\$25,900,000
Utility Improvements	700,000
Land (Loan Payout)	6,983,000
Debt Service Reserve	2,321,000
Operating Reserve	1,000,000
Cost of Issuance	100,000
Owners Contingency	1,327,000
Total Uses of Funds	\$38,331,000

Sources of Funds

HVS assumes that available CRED cash balances of \$5.8 million (the current balance of \$5.4 million plus a projected 2012 balance of \$400,000) could be used as a source of capital. The early implementation of the F&B Tax would generate cash receipts of approximately \$1.7 million in the year prior to financing. Approximately \$700,000 of those funds would be used to cover the cost of the advanced project planning necessary for the eventual debt issuance. The remaining funds would be used as a source of capital for the project. Due to the uncertainty involved in any forecast of the F&B Tax prior to its implementation, HVS used a more conservative annual revenue forecast of \$2.3 million as compared to the \$2.6 million estimate provided by the Legislative Services Agency. HVS calculated the debt capacity of a revenue bond financing by estimating the present values of debt service payments over a 30-year period using a conservative 6.5% discount rate. The discount rate represents the total cost of debt. See the figure below.

FIGURE 9-10 ESTIMATES OF DEBT SERVICE COVERAGE BASED ON HISTORICAL REVENUE

Year	Debt Service	Available Revenue Sources (1)			Total Revenues	Coverage Ratio
		Innkeepers Tax	CRED (2)	Food & Beverage		
1 2013	2,376,000	2,042,000	267,000	2,321,000	4,630,000	1.95
2 2014	2,210,000	2,104,000	100,000	2,321,000	4,525,000	2.05
3 2015	2,526,000	2,040,000	417,000	2,321,000	4,778,000	1.89
4 2016	2,693,000	2,040,000	583,000	2,321,000	4,944,000	1.84
5 2017	2,860,000	2,040,000	750,000	2,321,000	5,111,000	1.79
6 2018	2,860,000	2,040,000	750,000	2,321,000	5,111,000	1.79
7 2019	2,860,000	2,040,000	750,000	2,321,000	5,111,000	1.79
8 2020	2,860,000	2,040,000	750,000	2,321,000	5,111,000	1.79
9 2021	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
10 2022	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
11 2023	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
12 2024	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
13 2025	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
14 2026	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
15 2027	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
16 2028	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
17 2029	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
18 2030	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
19 2031	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
20 2032	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
21 2033	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
22 2034	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
23 2035	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
24 2036	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
25 2037	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
26 2038	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
27 2039	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
28 2040	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
29 2041	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
30 2042	2,321,000	2,040,000	0	2,321,000	4,361,000	1.88
Totals	73,437,000	63,249,000	4,800,000	69,630,000	137,679,000	

(1) Estimates of historical revenue. Assumes no growth for purposes of coverage calculation.

(2) CRED has additional coverage at the State level from tax revenues collected higher than the CRED payment limit.

Debt service coverage ratios are calculated on historically available revenues, a conservative approach to financing that is widely accepted in the bond markets. This debt structure achieves minimum debt service coverage of 1.79.

Debt service levels would be based on historical F&B Tax revenues. The figure below shows the anticipated amounts of the fund available after debt service assuming a two percent annual growth in revenue.

FIGURE 9-11 FOOD AND BEVERAGE TAX FLOW OF REVENUE

Year	Revenue*	Debt Service	Available Funds	
			Amount	Percent of Total
2013	2,321,000	2,110,000	211,000	9%
2014	2,367,000	2,110,000	257,000	11%
2015	2,414,000	2,110,000	304,000	13%
2016	2,463,000	2,110,000	353,000	14%
2017	2,512,000	2,110,000	402,000	16%
2018	2,562,000	2,110,000	452,000	18%
2019	2,613,000	2,110,000	503,000	19%
2020	2,666,000	2,110,000	556,000	21%
2021	2,719,000	2,321,000	398,000	15%
2022	2,773,000	2,321,000	452,000	16%
2023	2,829,000	2,321,000	508,000	18%
2024	2,885,000	2,321,000	564,000	20%
2025	2,943,000	2,321,000	622,000	21%
2026	3,002,000	2,321,000	681,000	23%
2027	3,062,000	2,321,000	741,000	24%
2028	3,123,000	2,321,000	802,000	26%
2029	3,186,000	2,321,000	865,000	27%
2030	3,249,000	2,321,000	928,000	29%
2031	3,314,000	2,321,000	993,000	30%
2032	3,381,000	2,321,000	1,060,000	31%
2033	3,448,000	2,321,000	1,127,000	33%
2034	3,517,000	2,321,000	1,196,000	34%
2035	3,587,000	2,321,000	1,266,000	35%
2036	3,659,000	2,321,000	1,338,000	37%
2037	3,732,000	2,321,000	1,411,000	38%
2038	3,807,000	2,321,000	1,486,000	39%
2039	3,883,000	2,321,000	1,562,000	40%
2040	3,961,000	2,321,000	1,640,000	41%
2041	4,040,000	2,321,000	1,719,000	43%
2042	4,121,000	2,321,000	1,800,000	44%

*Assumes a 2.0% annual growth rate .

The excess F&B revenue could be used to support other tourism enhancement projects in Monroe County. The allocation of these funds, which could be managed through a competitive grant process, would be managed by the Food and Beverage

Tax Commission, which would recommend use of the funds to the County or City legislative body.

Although the Innkeepers Tax is pledged to repay debt, the debt service payment schedule anticipates that it will not be used to repay bonds. Innkeepers Tax revenue would only be used in the event that F&B and CRED revenues are less than anticipated and not sufficient to repay debt. The figure below shows the flow of Innkeepers Tax revenue to the CVB and the BMCCC.

FIGURE 9-12 INNKEEPERS TAX FLOW OF REVENUE

Innkeepers Tax					
Year	Revenue*	To CVB	To BMCC	BBMCC Deficit	Excess Revenue
2012	1,983,000	1,190,000	793,200	(255,000)	538,200
2013	2,042,000	1,225,000	816,800	(264,000)	552,800
2014	2,104,000	1,262,000	841,600	(269,000)	572,600
2015	2,040,000	1,224,000	816,000	(358,000)	458,000
2016	2,102,000	1,261,000	840,800	(412,000)	428,800
2017	2,165,000	1,299,000	866,000	(449,000)	417,000
2018	2,230,000	1,338,000	892,000	(495,000)	397,000
2019	2,297,000	1,378,000	918,800	(509,000)	409,800
2020	2,365,000	1,419,000	946,000	(525,000)	421,000
2021	2,436,000	1,462,000	974,400	(541,000)	433,400
2022	2,510,000	1,506,000	1,004,000	(557,000)	447,000
2023	2,585,000	1,551,000	1,034,000	(574,000)	460,000
2024	2,662,000	1,597,000	1,064,800	(591,000)	473,800
2025	3,088,000	1,853,000	1,235,200	(609,000)	626,200
2026	3,181,000	1,909,000	1,272,400	(627,000)	645,400
2027	3,276,000	1,966,000	1,310,400	(646,000)	664,400
2028	3,375,000	2,025,000	1,350,000	(665,000)	685,000
2029	3,476,000	2,086,000	1,390,400	(685,000)	705,400
2030	3,580,000	2,148,000	1,432,000	(706,000)	726,000
2031	3,688,000	2,213,000	1,475,200	(727,000)	748,200
2032	3,798,000	2,279,000	1,519,200	(749,000)	770,200
2033	3,912,000	2,347,000	1,564,800	(771,000)	793,800
2034	4,030,000	2,418,000	1,612,000	(794,000)	818,000
2035	4,151,000	2,491,000	1,660,400	(818,000)	842,400
2036	4,275,000	2,565,000	1,710,000	(842,000)	868,000
2037	4,403,000	2,642,000	1,761,200	(868,000)	893,200
2038	4,535,000	2,721,000	1,814,000	(894,000)	920,000
2039	4,671,000	2,803,000	1,868,400	(921,000)	947,400
2040	4,812,000	2,887,000	1,924,800	(948,000)	976,800
2041	4,956,000	2,974,000	1,982,400	(977,000)	1,005,400

Assuming a three percent annual growth rate (less than the historical average), the amount of available Innkeepers Tax would exceed the amounts of projected BMCCC deficits. If F&B Revenues were less than anticipated these excess amounts of Innkeepers Tax could be used to pay debt service without decreasing funding to the CVB and BMCCC.

As an added layer of protection against any severe shortfall in dedicated tax revenues, HVS recommends establishing an operating reserve of approximately \$1.0 million. Funded with proceeds of debt, the reserve would be set aside to fund operating deficits of the BMCCC if excess revenues were not available. This would assure that there would be no call on City or County general funds in the event of an extreme and unanticipated shortfall in revenues. As an example, in 2013, dedicated tax revenues would have to fall approximately \$750,000 short of projected revenue levels before excess revenues would not cover BMCCC operating deficits.

Uses of Funds for Convention Center Project

HVS estimated the cost of convention center development as follows:

- The gross floor area of the exhibit hall—40,000 square feet plus 14,000 of support space at \$200 per square foot.
- The gross floor areas of ballroom and meeting space—22,200 square feet of function space plus 22,200 square feet of support space at \$250 per square foot.
- Connections of existing BMCC to hotel and exhibit space at \$4.0 million.
- Utility improvements of \$700,000.
- The take-out of existing loans on the land purchase which are currently repaid from room taxes is estimated at nearly \$7.0 million.
- Cost of debt issuance of \$100,000.
- An owner's contingency for currently unknown costs of \$2.3 million.

Hotel Financing

HVS recommends pursuing a public-private partnership to develop a convention hotel in Bloomington because it provides the opportunity to bring a significant level of private investment. Based on the market analysis provided in this report, HVS estimates that the income generated by the hotel would be sufficient to support approximately \$26 million in private debt and equity. This value of the project is probably less than its development costs, which HVS currently estimates at approximately \$30 million. This cost estimate assumes that the meeting and

ballroom space would be built as a part of the convention center project and be leased to and operated by the hotel manager.

The partnership would be pursued through a competitive request for proposal process that seeks to maximize the amount of private investment in the project. As discussed earlier, the current estimate of net operating income from the hotel would not be sufficient to finance the project. Consequently, some level of public support would be necessary. A combination of tax incentives could be sufficient to close the estimated financing gap which could range from 10 to 15 percent of project costs. HVS recommends two forms of public incentives:

- Property Taxes Abatement** – With Economic Development Commission and City Council approval, the City can abate property taxes for economic development projects. The State of Indiana now allows municipalities to set their own deduction schedule (i.e. percent of taxes which are abated each year), but the term cannot be more than 10 years. HVS has modeled a the hotel financing assuming a ten-year abatement of property according to the schedule shown below.

FIGURE 9-13 ESTIMATED HOTEL PROPERTY TAX ABATEMENT

Year	Hotel Property Tax	Percent Abated	Amount of Abatement
2015	461,000	100%	461,000
2016	475,000	95%	451,000
2017	489,000	80%	392,000
2018	504,000	65%	328,000
2019	519,000	50%	260,000
2020	535,000	40%	214,000
2021	551,000	30%	165,000
2022	567,000	20%	113,000
2023	584,000	10%	58,000
2024	602,000	5%	30,000
Total	5,287,000	47%	2,472,000

- Innkeepers Tax Redirection** – Innkeepers Taxes generated by the proposed hotel would be turned back as a source of revenue to the project and would not be pledged to the payment of convention center debt. An estimate of amount of Innkeepers Tax that could be redirected to the project over a ten-year period is shown in the figure below.

FIGURE 9-14 INNKEEPERS TAX TURN-BACK

Year	Room Revenues	Taxable Revenue(1)	Redirected Taxes(2)
2015	5,698,000	4,558,000	228,000
2016	6,644,000	5,315,000	266,000
2017	7,252,000	5,802,000	290,000
2018	7,586,000	6,069,000	303,000
2019	7,814,000	6,251,000	313,000
2020	8,048,000	6,438,000	322,000
2021	8,290,000	6,632,000	332,000
2022	8,539,000	6,831,000	342,000
2023	8,795,000	7,036,000	352,000
2024	9,059,000	7,247,000	362,000
Total	77,725,000	62,179,000	3,110,000

(1) Assumes 80% of room revenue are taxable

(2) Based on 5% tax rate

HVS conservatively estimated Innkeepers Tax at 80 percent of gross room revenues. The net amount of taxable revenue considers that certain revenues of the rooms department will not be taxable (e.g. cancellation fees and other non-taxable transactions).

The combined effect of the property tax abatement and redirection of Innkeepers Tax revenue would allow the hotel developer to raise an additional \$3.5 million in debt and equity. HVS assumes that since the project has public support and that land (owned by Monroe County) would be provided to the project through a below market rate ground lease, the developer could raise private debt for 70 percent of the project cost. The figure below shows the proposed sources and uses of funds.

FIGURE 9-15 HOTEL FINANCING SOURCES AND USES

	Amount	Per Room
Sources of Funds		
Debt	\$21,000,000	\$105,000
Equity	9,000,000	45,000
Total Sources	\$30,000,000	\$150,000
Uses of Fund		
Hotel Tower	\$25,000,000	\$125,000
Hotel Garage	3,000,000	15,000
Hotel Restaurant	2,000,000	10,000
Total Uses of Funds	\$30,000,000	\$150,000

Estimated uses of funds include the construction of the hotel tower, parking, and a hotel restaurant. HVS estimated project costs at approximately \$150,000 per hotel room. This falls in the middle range of development costs considering that the ballroom and meeting space would be built as a component of the convention center expansion project. In addition, HVS assumes that the hotel operator would build shell space for a restaurant and lease that space to a local restaurant developer, who would privately finance improvements to the space.

**Mixed-use
Development Financing**

The proposed mixed-use site development would include approximately 300 structured parking spaces, residential property, and storefront commercial development. The County currently owns the site proposed for mixed-use development and the City owns the site for expansion of the BMCCC. A land swap of these parcels would allow the City's Redevelopment Agency Commission to take control of the mixed-use site and pursue a lease financing similar to those undertaken for Garage Band and Garage Market.

HVS recommends that the Redevelopment Agency Commission issue a request for proposals to attract experienced development companies to undertake this project. Further study of parking needs and the potential for residential or storefront commercial development would be necessary to explore the feasibility of a lease financing arrangement. Market analysis of these land uses necessary to estimate the sources and uses of funds for this component of the project is beyond the scope of this market study and needs to be undertaken in a subsequent phase of research. Based on the success of previous garage developments in Bloomington, this approach offers a path to the successful financing of the proposed mixed-use site.

Next Steps

This financing plan demonstrates the feasibility of financing the convention center, hotel, and mixed-use developments and provides a road map for pursuing project development. The next steps involve policy decisions, physical planning, refinement of costs and revenue estimates, and the solicitation of participation of private developers and operators. This pre-development work could be accomplished within the next year. Next steps in the development process include:

- Agreement between the City and the County on the general outlines of this financing approach.
- Implementation of F&B Tax and establishment of the F&B Tax Commission by Monroe County Council. As discussed earlier, the revenue generated by the F&B Tax would be used to fund additional planning efforts and early implementation will provide up-front capital for the project as well as an accurate history of the capacity of the fund.
- Engagement of a highly qualified planning firm with convention center expertise to develop comprehensive site and building concept plans that meet the objectives described in this report.
- Engagement of a professional construction cost estimator to refine project cost estimates based on the concept plan.
- Discussion with Courtyard by Marriott owners on replacement of surface parking.
- Exploration of a land swap between the County and City to transfer ownership of mixed-use site to the Redevelopment Commission.
- Engage qualified consultants to analyze the market for parking, residential property, and commercial development on the mixed-use site.
- Retaining financial advisors and solicitation of the participation of an investment banking firm with experience in the issuance of municipal revenue bonds.
- Preparation and issuance of an RFP for hotel development and operation and convention center construction.
- Preparation and issuance of an RFP for parking, residential and commercial development.

10. Economic Impact

Methodology

HVS identified the net new annual spending that would occur in the local economy due to the operations of the BMCCC and Headquarters Hotel assuming that the buildings open on January 1, 2015. HVS spending estimates include only new spending that originates from outside the market area analyzed in this report, Monroe County (the “County”). Spending by delegates who live within the market area is a transfer of income from one sector of the area’s economy to another; therefore, this analysis does not count spending by local residents as a new economic impact. The spending estimates presented herein are also net of the spending that the BMCCC currently induces into the market. Existing impacts are subtracted from the gross impacts that would be generated after expansion.

Direct, Indirect, and Induced Spending

Spending falls into three categories:

- Direct spending impacts include the new spending from four sources as defined below. For example, a delegate’s expenditure on a restaurant meal is a direct economic impact.
- Indirect spending impacts are generated from the business spending resulting from the initial direct spending. For example, a delegate’s direct expenditure on a restaurant meal causes the restaurant to purchase food and other items from suppliers. The portion of these restaurant purchases that remain within the County is counted as an indirect impact.
- Induced spending impacts represent the change in local consumption due to the personal spending by employees whose incomes are affected by direct and indirect spending. For example, a waiter at a local restaurant may have more personal income as a result of convention delegates dining at the restaurant. The amount of the increased income that the waiter spends in the local economy is considered an induced impact.

HVS enters the direct spending estimates into the IMPLAN input-output model of the local economy to estimate indirect and induced spending. The sum of direct, indirect, and induced spending estimates make up the total estimated spending impact of the expanded BMCCC operations.

Indirect and induced impacts are often referred to as multiplier effects. The relationship between direct spending and the multiplier effects can vary based upon the specific size and characteristics of a local area’s economy.

Sources of Direct Spending

HVS identified four sources of new direct spending impact for the County:

- **Overnight Attendees:** Participants, including delegates, event organizers and exhibitors, who attend convention center and hotel events and require paid lodging.
- **Daytrip Attendees:** Participants, including delegates, event organizers and exhibitors, who attend convention center events and do not require paid lodging.
- **Event Organizers:** Individuals, associations, or other organizations that plan, sponsor, organize, and coordinate events that take place at the convention center.
- **Exhibitors:** Individuals or companies that rent exhibition space, typically from event organizers, to display information or products at convention center events. Exhibitors typically are present at conventions, tradeshow, and consumer shows.

Overnight and Daytrip Attendee Assumptions

Attendees at conventions, tradeshow, and other events are classified as either overnight or daytrip delegates, depending on whether they require overnight lodging. Typically, events attract a mix of local and non-local attendees. For example, nearly all delegates to national conventions require lodging, while regional tradeshow and local consumer shows may have a much lower percentage of delegates requiring paid lodging. HVS estimated the percentage of room nights, day trips, exhibitor spending and organizer spending that is new to Monroe County. The figure below summarizes these assumptions.

FIGURE 10-1 NEW TO THE MARKET

Geographic Area/Visitor Type	Overnight Guests	Day Trips	Attendee/Delegates
Monroe County			
Conventions	100%	75%	75%
Tradeshows	100%	75%	75%
Consumer Shows	100%	20%	50%
Conferences	100%	75%	0%
Meetings	100%	50%	0%
Banquets	100%	25%	0%
Assemblies	100%	20%	0%
Fairs	100%	40%	0%
Entertainment	100%	20%	0%
Amateur Sports	100%	75%	0%
Other	100%	20%	0%

Sources of Impact

Combining the event demand forecast (described in Section 7 of this report) with the assumptions of the percent of demand that is new to the market, as well as induced hotel overnight stays (described in Section 8), yields an estimate of the sources of impact shown in the table below.

FIGURE 10-2 NEW SOURCES OF NEW IMPACT (FOR A STABILIZED YEAR)

	Overnight Guest Stays	Day Trips	Convention Delegate Days
Monroe County			
Conventions	7,634	4,962	11,018
Tradeshows	1,982	644	2,981
Consumer Shows	4,843	2,018	5,650
Conferences	9,978	13,218	-
Meetings	3,373	3,747	-
Banquets	1,701	3,074	-
Assemblies	-	1,016	-
Fairs	-	(270)	-
Entertainment	27	75	-
Amateur Sports	1,004	-	-
Other	-	(113)	-
Hotel	9,600	-	-
Total	40,141	28,372	19,650

These estimates of delegate days, overnight stays, and day trips provide the basis for estimating new spending.

Spending Parameters

Delegates, attendees, event organizers, and exhibitors spend locally on lodging, meals, local transportation, facility rentals, vendor services, meeting room rentals, equipment rentals, and other goods and services.

In order to estimate average spending by overnight delegates, daytrip delegates, event organizers, and exhibitors in Monroe County, HVS evaluated data from three visitor spending surveys. First, the 2004 Destination Marketing Association International (“DMAI”) survey (the most recent one available) focuses on spending by convention and tradeshow participants. Second, the 2011 Corporate Travel Index (“CTI”) survey focuses on visitor spending in the top 100 business destinations in the country. Thirdly, lodging expenditures were based on Smith Travel Research data on city-wide average daily room rates for the year 2010.

Adjusting the average DMAI data with the CTI and applying the Smith Travel Research lodging expenditures, creates spending parameters for Monroe County (referred to herein as the “Daily Spending Parameters”). All parameters (shown in the figures below) are stated as the daily spending by individual overnight delegates or hotel guests, day trippers, event organizers, and exhibitors in 2011 dollars.

Overnight Attendee Spending

Multiplying the number of new overnight stays by the Daily Spending Parameters produces an estimate of new spending by overnight attendees as shown in the figure below.

FIGURE 10-3 NEW OVERNIGHT ATTENDEE SPENDING (IN 2011 DOLLARS)

Daily Spending Parameter	Monroe County
Lodging and Incidentals	\$106.83
Hotel F&B	22.29
Restaurants	44.24
Tours/Sightseeing	4.90
Recreation	1.64
Sporting Events	0.76
Retail Stores	25.64
Local Transport	7.40
Auto Rental	6.39
Gasoline, Tolls, Parking	9.81
Other	0.15
Total	\$230.04
Overnight Guest Stays	40,141
New Delegate Spending (\$ millions)	\$9.2

HVS estimates that an expanded convention center would generate approximately 40,100 overnight stays new to Monroe County.

These overnight attendees purchase lodging, restaurant meals, retail goods, transportation services, and other goods and services that would result in approximately \$9.2 million in new spending to Monroe County.

Daytrip Spending

Daytrip spending is generated by delegates and other attendees to conventions, tradeshow, and consumer shows who do not stay overnight. In most markets day trippers typically spend \$40–\$80 per day on meals, shopping, local transportation, recreation and entertainment and other goods and services while in town.

Multiplying the number of new delegates to Monroe County by the estimated daily spending figure produces an estimate of new spending by daytrip delegates in Monroe County as shown below.

FIGURE 10-4 NEW DAYTRIP SPENDING (IN 2011 DOLLARS)

Daily Spending Parameter	Monroe County
Restaurants	\$22.12
Retail Stores	12.82
Local Transport	3.70
Auto Rental	3.20
Gasoline, Tolls, Parking	4.49
Total	\$46.33
Day Trips	28,372
New Day Tripper Spending (\$ millions)	\$1.3

Approximately 28,400 new day trips to Monroe County generates \$1.3 million in new spending in Monroe County.

Event Organizer Spending

Event organizers spend on lodging, meals, local transportation, facility rentals, equipment rentals and other goods and services required to plan and organize a successful event. Adjusted DMAI data provides estimates of organizer spending per delegate day as shown in the figure below.

FIGURE 10-5 NEW EVENT ORGANIZER SPENDING (IN 2011 DOLLARS)

Daily Spending Parameter	Monroe County
Hotel	\$1.24
F&B	5.60
Exhibition Space Fees	4.88
Services Hired	4.60
Equipment Rental	2.02
Technology Services	0.35
Additional Spaces	0.25
Local Transportation	0.21
Other	0.96
Total	\$20.12
Convention Delegate Days	19,650
New Event Organizer Spending (\$ millions)	\$0.4

Based on \$20.12 in daily spending per delegate-day, event organizers would generate approximately \$400,000 in new spending in Monroe County.

Exhibitor Spending

Exhibitor spending includes the local spending within the area by exhibitors that participate in events taking place at the BMCCC. Exhibitors purchase lodging, meals, local transportation, vendor services, meeting room rentals, equipment rentals, and other goods and services required for their events. Adjusted DMAI data provides estimates of exhibitor spending per delegate day.

FIGURE 10-6 NEW EXHIBITOR SPENDING (IN 2011 DOLLARS)

Daily Spending Parameter	Monroe County
Hotel	\$41.69
Vendor Services	10.62
F&B	10.60
Local Transportation	2.44
Equipment Rental	9.13
Service Hired	1.83
Additional Meeting Rooms	1.36
Other	4.75
Total	\$82.42
Convention Delegate Days	19,650
New Exhibitor Spending (\$ millions)	\$1.6

New spending by exhibitors is typically one of the larger sources of direct economic impact generated by convention centers. Based on \$82.42 daily spending per delegate day, exhibitors generate approximately \$1.6 million in new spending to Monroe County.

Summary of Direct Spending

The following table summarizes the new spending estimates derived from overnight delegates, daytrip delegates, event organizers, and exhibitors.

FIGURE 10-7 NEW ESTIMATED DIRECT SPENDING (IN MILLIONS OF 2011 DOLLARS)

Source	Monroe County
Delegate Spending	\$9.2
Day Trippers	1.3
Event Organizers	0.4
Exhibitors	1.6
Total Direct Impact	\$12.6

Total estimated direct spending attributed to activities of the BMCCC as a result of an expanded convention center opening on January 1, 2015 is \$12.6 million for Monroe County.

**Indirect and Induced
Spending Estimates**

HVS uses the IMPLAN input-output model to estimate indirect and induced impacts. IMPLAN is a nationally recognized model developed at the University of Minnesota to estimate indirect and induced economic impacts. An input-output model generally describes the commodities and income that normally flow through the various sectors of a given economy. The indirect and induced spending and employment effects shown here represent the estimated changes in the flow of income and goods caused by the estimated direct spending. The IMPLAN model accounts for the specific characteristics of the local area economy and estimates the share of indirect and induced spending that it will retain.

HVS categorized new direct expenditures into spending categories that are inputs into the IMPLAN model. Specifically, the IMPLAN model relies on spending categories defined by the U.S. Census according to the NAICS. Because the spending data from the DMAI surveys do not match the NAICS spending categories, HVS translates the DMAI spending categories into the NAICS spending categories that most closely match the intent of the survey.

The following table shows \$12.6 million in new direct spending, categorized into each of several major NAICS spending categories, or sectors of the local economy, that are compatible with the IMPLAN model.

FIGURE 10-8 DISTRIBUTION OF NEW DIRECT SPENDING (IN 2011 DOLLARS)

Category	Monroe County	
	\$	% Total
Local Transport	454,181	3.6%
Tours/Sightseeing	196,560	1.6%
Gasoline, Tolls, Parking	521,113	4.1%
Supplies & Misc. Retail	1,511,014	12.0%
Auto Rental	347,191	2.8%
Equipment Rental	219,162	1.7%
Technology Services	215,510	1.7%
Event Services	126,252	1.0%
Sporting Events	30,349	0.2%
Recreation	65,638	0.5%
Hotel Services	5,131,955	40.8%
Space Rental	127,592	1.0%
Food & Beverage	3,616,674	28.8%
TOTAL	12,563,000	100%

Indirect and Induced Spending

The following table shows the output of the IMPLAN model—the projected new direct, indirect, and induced economic impacts and that are attributable to the expanded BMCCC.

FIGURE 10-9 STABILIZED INDIRECT AND INDUCED SPENDING (IN 2011 DOLLARS)

	Spending (in millions)	Jobs
Monroe County		
Direct	12.6	210
Indirect	2.7	20
Induced	3.1	30
Total	\$18.3	260

Total spending in a stabilized year (2018) of demand is estimated to generate approximately \$18.3 million in new spending in Monroe County.



Long Term Economic Impacts

Jobs can also be used to measure economic impact. Total spending supports employment. Using the IMPLAN model, HVS estimates the expanded BMCCC would support roughly 260 new jobs in Monroe County .

HVS estimated the long term fiscal impact of the expanded convention center by calculating the Net Present Value (“NPV”) of the potential tax revenue streams. The Figure on the following page indicates this NPV.

FIGURE 10-10 PRESENT VALUE OF ECONOMIC IMPACT AFTER COMPLETION OF EXPANSION AND HEADQUARTERS HOTEL

Year	Direct	Indirect	Induced	Sum	Inflation Index (3% per year)	Inflated Total	Discount Factor (5% per year)	NPV (Discounted Total)
2015	7,100,000	1,500,000	1,700,000	10,300,000	1.13	11,700,000	0.82	9,600,000
2016	10,200,000	2,200,000	2,500,000	14,800,000	1.16	17,300,000	0.78	13,500,000
2017	12,000,000	2,600,000	2,900,000	17,500,000	1.20	21,000,000	0.74	15,600,000
2018	12,600,000	2,700,000	3,100,000	18,300,000	1.23	22,600,000	0.71	16,000,000
2019	12,600,000	2,700,000	3,100,000	18,300,000	1.27	23,300,000	0.67	15,700,000
2020	12,600,000	2,700,000	3,100,000	18,300,000	1.31	24,000,000	0.64	15,400,000
2021	12,600,000	2,700,000	3,100,000	18,300,000	1.35	24,700,000	0.61	15,100,000
2022	12,600,000	2,700,000	3,100,000	18,300,000	1.39	25,400,000	0.58	14,800,000
2023	12,600,000	2,700,000	3,100,000	18,300,000	1.43	26,200,000	0.56	14,500,000
2024	12,600,000	2,700,000	3,100,000	18,300,000	1.47	27,000,000	0.53	14,300,000
2025	12,600,000	2,700,000	3,100,000	18,300,000	1.52	27,800,000	0.50	14,000,000
2026	12,600,000	2,700,000	3,100,000	18,300,000	1.56	28,600,000	0.48	13,700,000
2027	12,600,000	2,700,000	3,100,000	18,300,000	1.61	29,500,000	0.46	13,500,000
2028	12,600,000	2,700,000	3,100,000	18,300,000	1.66	30,400,000	0.43	13,200,000
2029	12,600,000	2,700,000	3,100,000	18,300,000	1.71	31,300,000	0.41	13,000,000
2030	12,600,000	2,700,000	3,100,000	18,300,000	1.76	32,200,000	0.39	12,700,000
2031	12,600,000	2,700,000	3,100,000	18,300,000	1.81	33,200,000	0.38	12,500,000
2032	12,600,000	2,700,000	3,100,000	18,300,000	1.87	34,200,000	0.36	12,200,000
2033	12,600,000	2,700,000	3,100,000	18,300,000	1.92	35,200,000	0.34	12,000,000
2034	12,600,000	2,700,000	3,100,000	18,300,000	1.98	36,300,000	0.32	11,800,000
2035	12,600,000	2,700,000	3,100,000	18,300,000	2.04	37,400,000	0.31	11,500,000
2036	12,600,000	2,700,000	3,100,000	18,300,000	2.10	38,500,000	0.29	11,300,000
2037	12,600,000	2,700,000	3,100,000	18,300,000	2.17	39,600,000	0.28	11,100,000
2038	12,600,000	2,700,000	3,100,000	18,300,000	2.23	40,800,000	0.27	10,900,000
2039	12,600,000	2,700,000	3,100,000	18,300,000	2.30	42,000,000	0.25	10,700,000
Total	\$306,500,000	\$65,700,000	\$75,300,000	\$445,200,000		\$740,200,000		\$328,600,000

**Summary and
Conclusion**

Assuming an inflation rate of 3% and a discount rate of 5%, HVS estimates the Net Present Value of the economic impact of the first 25 years of the expanded convention center’s operations totals \$328.6 million.

The following table shows a summary of the projected impact the proposed convention center will have on the Monroe County economy in a stabilized year (2018) stated in 2011 dollars.

FIGURE 10-11 SUMMARY OF IMPACTS FROM THE EXPANDED CONVENTION CENTER IN A STABILIZED YEAR (IN 2011 DOLLARS)

<u>Summary of Impacts</u>	<u>Monroe County</u>
Economic Impact	\$18.3 million
Jobs	260

HVS estimates the proposed Bloomington Monroe County Convention Center will generate an economic impact of approximately \$18.3 million to Monroe County in a stabilized year (2018). The new economic activity associated with the project is projected to support roughly 260 full-time equivalent jobs annually for Monroe County.

These economic impact estimates are subject to the assumptions and limiting conditions described throughout the report. Since the estimates are based on numerous assumptions about future events and circumstances and although we consider these reasonable assumptions, we cannot provide assurances that the project will achieve the forecasted results. Actual events and circumstances are likely to differ from the assumptions in this report and some of those differences may be material. The readers should consider these estimates as a mid-point in a range or potential outcomes.

11. Statement of Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. All information, financial operating statements, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
3. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
4. The property is assumed to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations (including a liquor license where appropriate), and that all licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.
5. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
6. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
7. We take no responsibility for any events or circumstances that take place subsequent to the date of our report.
8. The quality of a convention and lodging facility's on-site management has a direct effect on a property's economic performance. The demand and financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results and the value estimate.
9. The impact analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease due to market volatility and economic forces outside the control of the convention center and hotel's management.

10. We do not warrant that our estimates will be attained, but they have been developed on the basis of information obtained during the course of our market research and are intended to reflect reasonable expectations.
11. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.
12. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
13. Although this analysis employs various mathematical calculations, the final estimates are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
14. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of this organization, as employees, rather than as individuals.
15. This report is set forth as a market study of the proposed subject projects; this is not an appraisal report.

12. Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved;
4. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. our compensation for completing this assignment is not contingent upon the developing or reporting predetermined results that favors the cause of the client;
7. Tom Hazinski, Brian Harris, and Michael Hirsch personally inspected the property described in this report;
8. no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this report;
9. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute; and

10. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

A handwritten signature in black ink that reads "Thomas Hazinski".

Thomas Hazinski
Managing Director

A handwritten signature in black ink that reads "Brian Harris".

Brian Harris
Director

A handwritten signature in black ink that reads "Michael Hirsch".

Michael Hirsch
Associate

Appendix A - Comparable Venues

The following descriptions provide information on facility programming, ownership, management, and other amenities of the competitive state venues and the comparable national venues in the nearby competitive cities and the comparable national cities.

Competitive State Venues

Competitive state venues include: Convention and conference facilities in Indiana that offer exhibit, ballroom and meeting space and compete directly with the BMCCC. The following descriptions provide information on ownership, management, and operations of the competitive state venues.

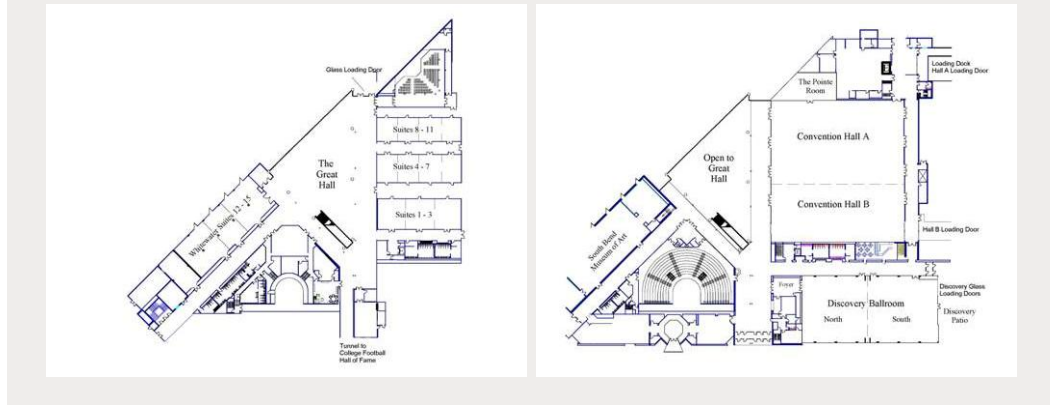
Century Center

CENTURY CENTER



The Century Center (“CC”) is located in South Bend, Indiana and since opening in 1977 has expanded twice, in 1995 and 1997. The facility now has 54,151 square feet of function space, 350 parking spots, and is connected via skyway to a 299-room Marriot. The CC features 24,472 square feet of exhibition space over three halls, a 12,012 square foot ballroom, and 18 meeting rooms totaling 17,667 square feet. In addition, the Center also has a 694-fixed seat theater and a 166-seat recital hall. The City of South Bend owns the Center while Global Spectrum operates the facility.

CENTURY CENTER FLOOR PLANS



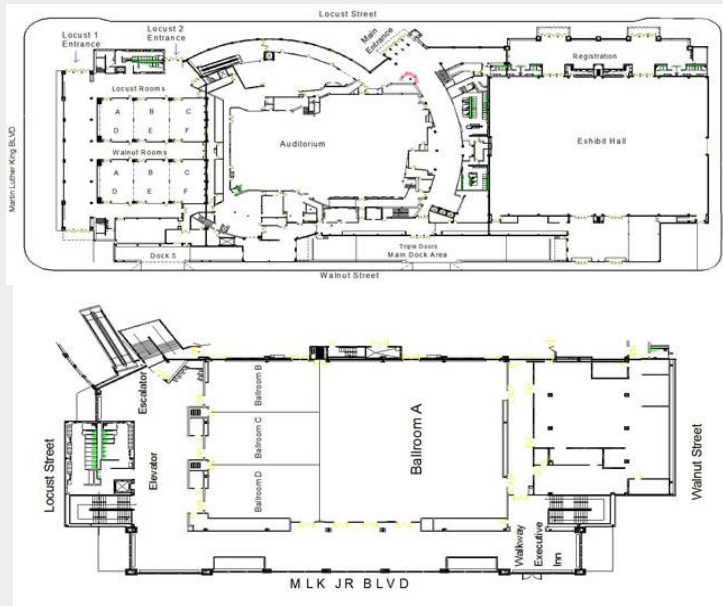
Evansville Auditorium and Convention Centre

EVANSVILLE AUDITORIUM AND CONVENTION CENTRE



The Evansville Auditorium and Convention Centre (“The Centre”) is situated in Evansville, Indiana and opened in 2000. The Centre provides 59,932 square feet of total function space and is connected to the 471-room Executive Inn. The City of Evansville owns the Centre and SMG manages the facility.

EVANSVILLE AUDITORIUM AND CONVENTION CENTRE FLOOR PLANS



Genesis Convention Center

GENESIS CONVENTION CENTER

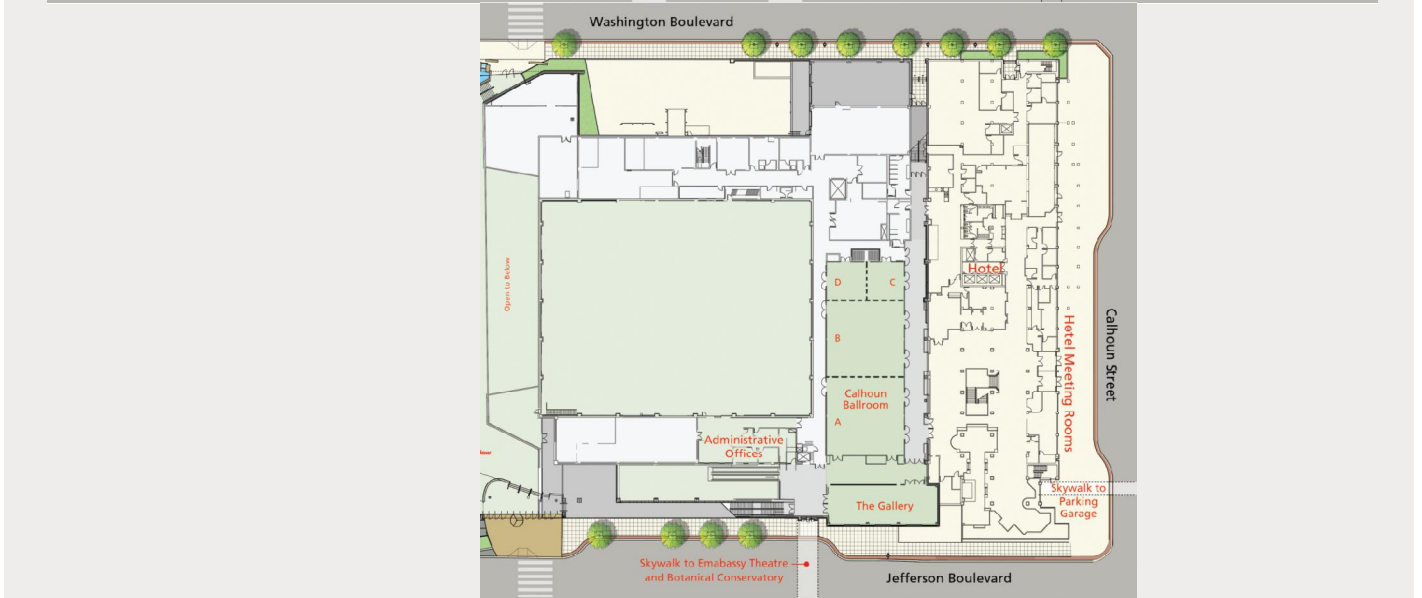
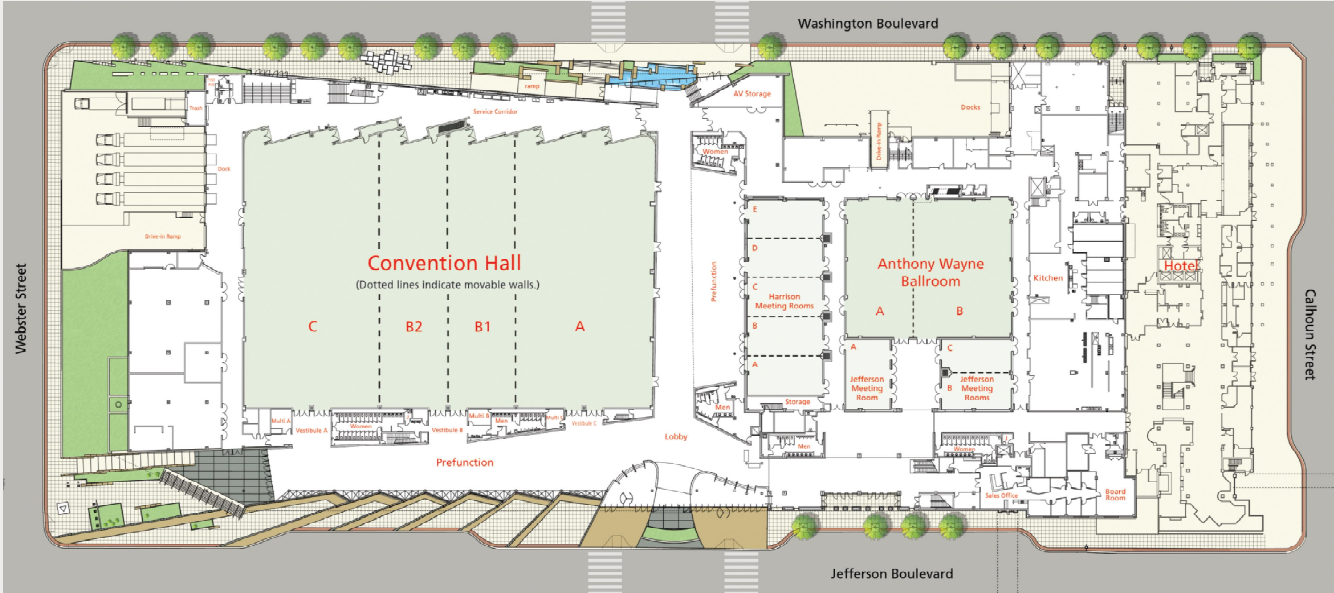


Owned by the city, the Genesis Convention Center ("GCC") is in downtown Gary, IN. Intended to be the cornerstone of a revitalization effort in the downtown area, the GCC attracts mainly weekly religious services, small business meetings and banquets. The facility opened in 1984 and has 385 parking spaces. The GCC has 15,650 square feet of exhibition space and ten breakout rooms that make up 5,776 square feet. Additionally it has a 24,472 square foot arena that seats 7,000. There are no adjoining venues since the adjacent hotel closed.

**Grand Wayne
Convention Center****GRAND WAYNE CONVENTION CENTER**

The Grand Wayne Convention Center ("GWCC") is owned by the City of Fort Wayne, where it is situated. It opened in 1985 and underwent a renovation in 2005. The GWC is attached to the 500-room Hilton Hotel and is adjacent to 1,000 parking spaces. The GWC has 48,480 square feet of prime exhibition space and eight breakout rooms totaling 17,499 square feet as well as 9,955 square feet of ballroom space.

GRAND WAYNE CONVENTION CENTER FLOOR PLANS



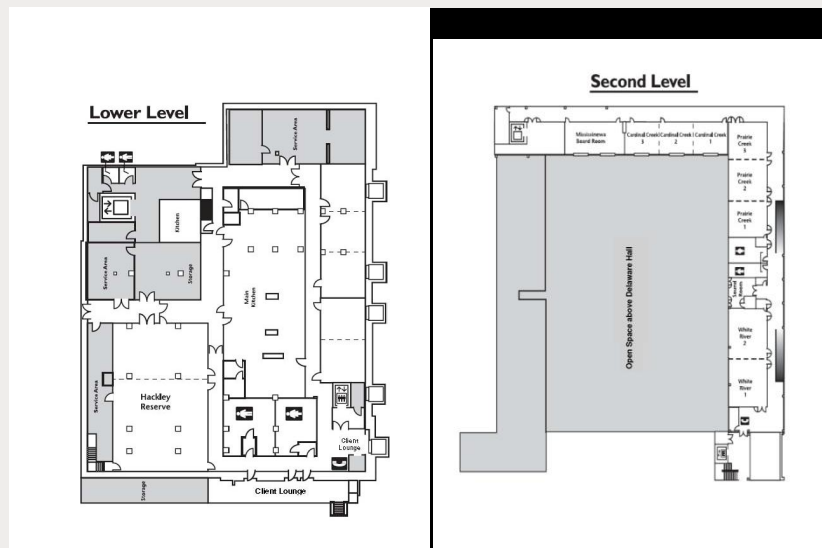
Horizon Convention Center

HORIZON CONVENTION CENTER



The Horizon Convention Center (“HCC”) is situated in Muncie, Indiana. The Center opened in 1992 and features 40,020 square feet of total function space. The HCC has 23,400 square feet of exhibit space, 8,840 square feet of meeting space over 11 rooms, and a 7,800 square foot ballroom.

HORIZON CONVENTION CENTER FLOOR PLANS



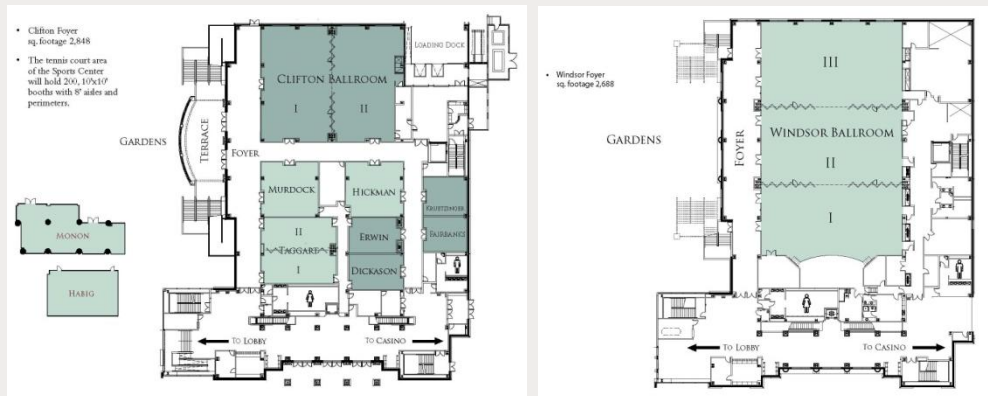
French Lick Resort

FRENCH LICK RESORT



French Lick Resort in French Lick, Indiana was originally founded in 1845. The larger resort company includes the resort and hotel properties in nearby West Baden. The French Lick property features 58,363 square feet of event space, including 31,624 square feet of exhibit space, a 12,727 square foot ballroom, and 14,012 square feet of meeting space.

FRENCH LICK RESORT FLOOR PLANS



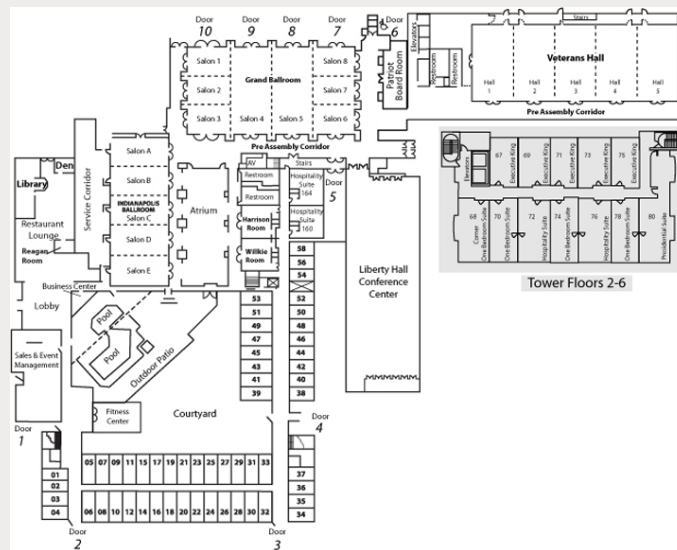
Indianapolis Marriott East

INDIANAPOLIS MARRIOTT EAST



The Indianapolis Marriott East is located on the east side of the city of Indianapolis. The hotel features 1,990 square feet of designated meeting space and 11,507 square feet of exhibit space. The facility also contains 23,536 square feet of ballroom floor area, which can be divided into 18 smaller rooms. The total event space of 37,033 square feet is incorporated into the hotel itself, which features 274 rooms.

INDIANAPOLIS MARRIOTT EAST FLOOR PLANS



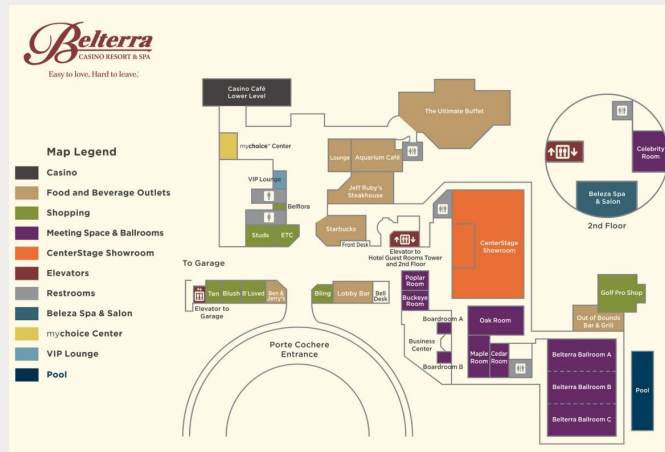
Belterra Casino Resort

BELTERRA CASINO RESORT



Belterra Casino Resort is owned and operated by Pinnacle Entertainment. The facility, located in Florence in southeast Indiana contains 12,831 square feet of exhibit space as well as 10,625 square feet of ballroom floor area. The resort contains eight meeting rooms totaling 10,313 square feet. In total, the Casino and Resort contains 33,769 total square feet of event space.

BELTERRA CASINO RESORT FLOOR PLANS



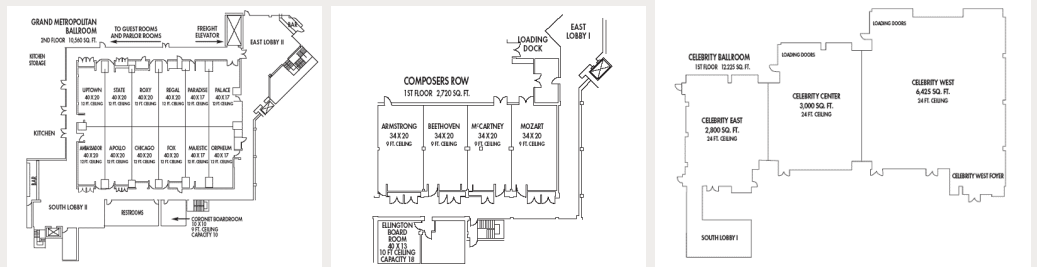
Radisson Hotel at Star Plaza

RADISSON HOTEL AT STAR PLAZA



The Radisson Hotel at Star Plaza is located in Merrillville, Indiana. In addition to the Radisson, the Star Plaza also contains a 3,400 seat theatre, River Point Country Club, and Wisecrackers Comedy Club. The Radisson Hotel contains 26,125 of total function space, including 22,785 square feet of ballroom space divisible into 15 sections and 6 meeting rooms totaling 3,340 square feet. The property contains 343 hotel rooms and is owned and operated by White Lodging Services.

RADISSON HOTEL AT STAR PLAZA FLOOR PLANS



Comparable National Venues

Comparable national venues include: National convention and conference facilities that rarely if ever compete, but are located in markets similar to Bloomington that offer comparable space. The following descriptions provide information on ownership, management, and operations of the comparable national venues.

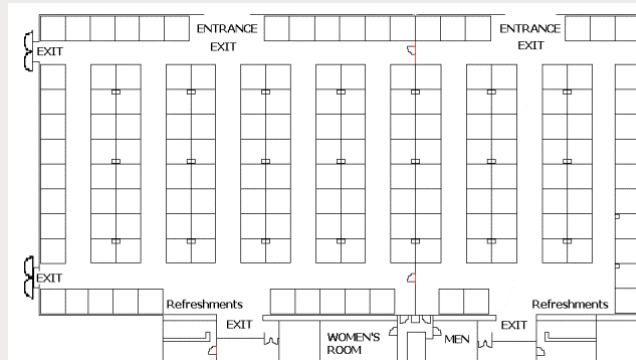
Bayfront Convention Center

BAYFRONT CONVENTION CENTER



The Bayfront Convention Center, located in Erie, Pennsylvania, is owned and operated by the Erie County Convention Center Authority (ECCCA). The facility, which opened in 2007, is among a family of four convention and entertainment venues, including the Warner Theater, the Louis J. Tullio Arena, and Jerry Uht Park and features 56,323 square feet of total function space. The BCC is attached to the 200-room Sheraton Hotel. The Center has 28,800 square feet of exhibition space, a 13,500 square-foot ballroom that is divisible into two sections, and 14,023 square feet of meeting space divisible into 15 rooms.

BAYFRONT CONVENTION CENTER FLOOR PLANS



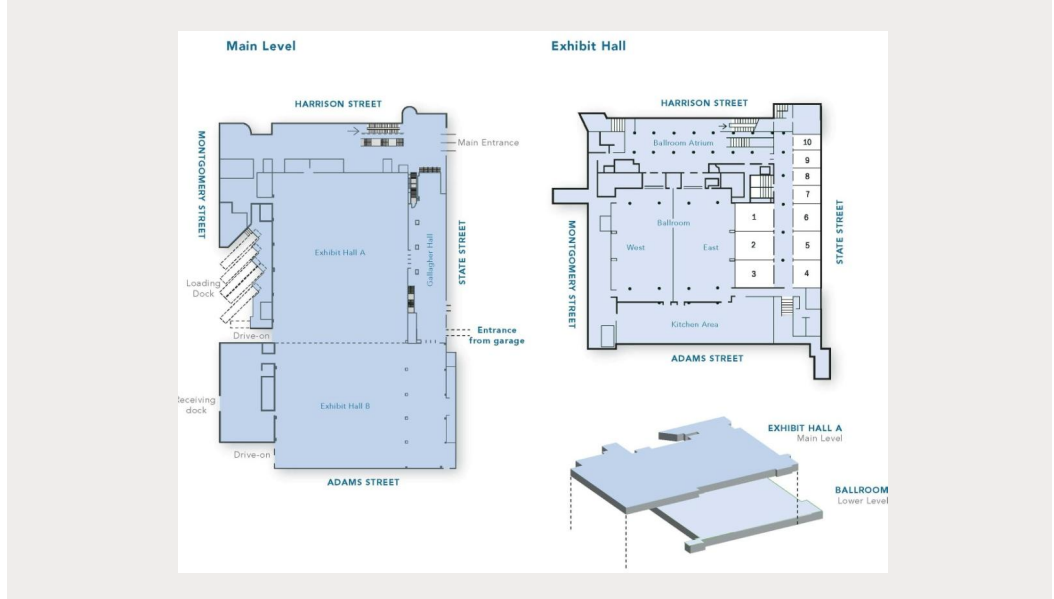
Convention Center at Oncenter

CONVENTION CENTER AT ONCENTER



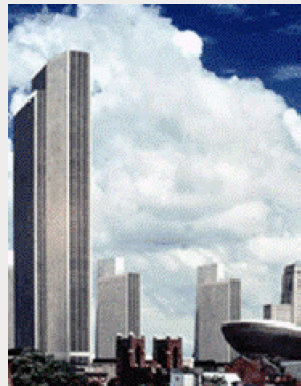
The Convention Center at Oncenter (“Oncenter”), built in 1992, is located in Syracuse, New York and has 86,990 square feet of total function space and is a part of the Oncenter Complex. The entire Complex is owned and operated by the County of Onondaga. Oncenter Complex includes the War Memorial Arena, the John H. Mulroy Civic Center, three theaters, and the Nicolas J. Pirro Convention Center. Oncenter features 65,250 square feet of exhibit space over two halls, two ballrooms totaling 14,880 square feet, and ten meeting rooms spanning 6,860 square feet. The former headquarter hotel, the Hotel Syracuse, closed in 2004.

CONVENTION CENTER AT ONCENTER FLOOR PLANS



Empire State Plaza Convention Center

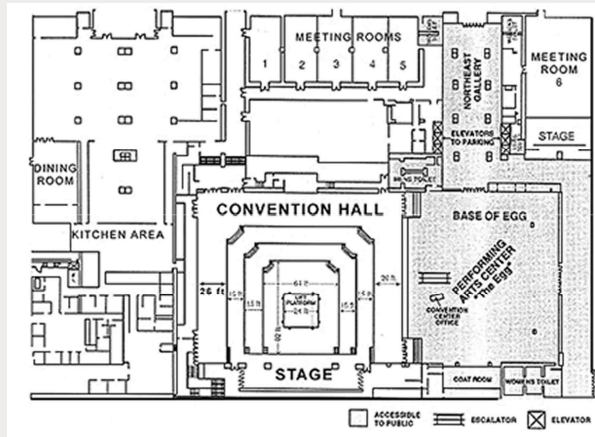
EMPIRE STATE PLAZA CONVENTION CENTER



The Empire State Plaza Convention Center (“ESPCC”) opened in 1978 in Albany, New York and has 40,250 square feet of total function space and is a part of the government complex near the Capital building. The Center has 26,000 square feet of multipurpose space and seven meeting rooms with approximately 14,250 square feet. The facility is linked to the Times Union Center via skywalk. Large consumer shows use both the Times Union and the ESPCC. The facility connects to The Egg, a unique multi-use theater. The Egg is a separate part of the ESPCC that has two meeting rooms with 10,000 square feet and 1,500 square feet

respectively, the 982 seat Kitty Carlisle Hart Theatre and the 450 seat Lewis A. Sawyer Theatre. The Egg and the ESPCC are operated separately by two management teams that work for the State of New York.

EMPIRE STATE PLAZA CONVENTION CENTER FLOOR PLANS



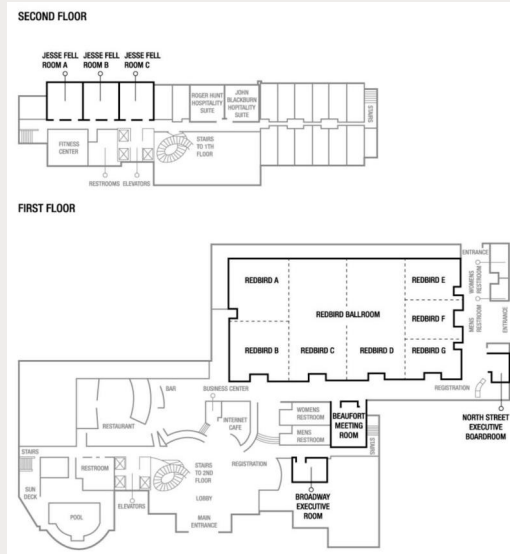
Bloomington-Normal Marriott Hotel & Conference Center

BLOOMINGTON-NORMAL MARRIOTT HOTEL & CONFERENCE CENTER



The Bloomington-Normal Marriott Hotel & Conference Center is in Normal, Illinois. The Marriott has a 20,000 square foot ballroom that can be divided into seven sections and 4,272 square feet of meeting space in eight rooms. The event space is part of the 226 room hotel.

BLOOMINGTON-NORMAL MARRIOTT HOTEL & CONFERENCE CENTER FLOOR PLANS



Monona Terrace Convention Center

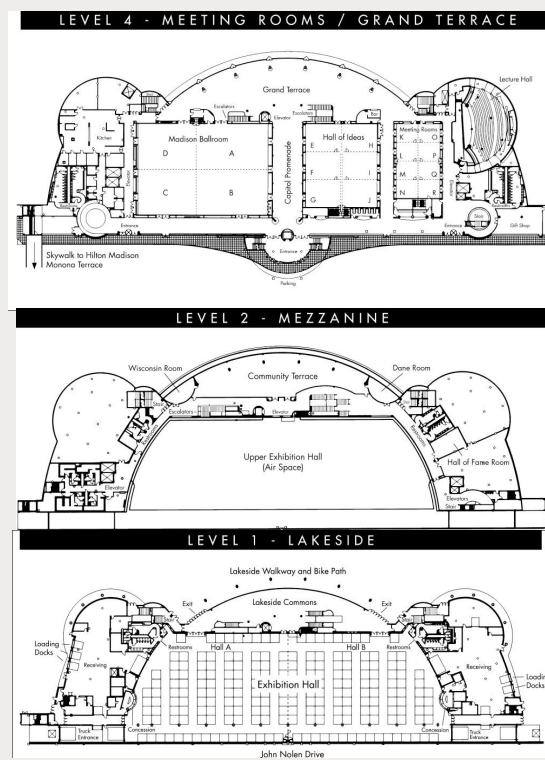
MONONA TERRACE CONVENTION CENTER



The Monona Terrace Convention Center (“MTCC”) is found in Madison, Wisconsin and overlooks Lake Monona. Renowned architect Frank Lloyd Wright conceived of the MTCC in 1938, though the building was not constructed until 1997. The MTCC is jointly owned by the City of Madison and State of Wisconsin. The City of Madison handles day-to-day operations. Total development cost of the facility was estimated at \$67 million. The MTCC features 38,000 square feet of exhibition space, divisible into two halls, a 13,500 square-foot ballroom that can be divided into four sections, 17,600 square feet of meeting space over 14 rooms, and a 320-seat lecture hall. In addition, there is a rooftop garden that provides 45,000 square

feet of function space for events, when weather permits. The facility is attached, via skywalk, to the 240 room Hilton Madison Monona Center and 600 parking spaces. The Hilton features four meeting rooms comprising 2,400 square feet of space.

MONONA TERRACE CONVENTION CENTER FLOOR PLANS



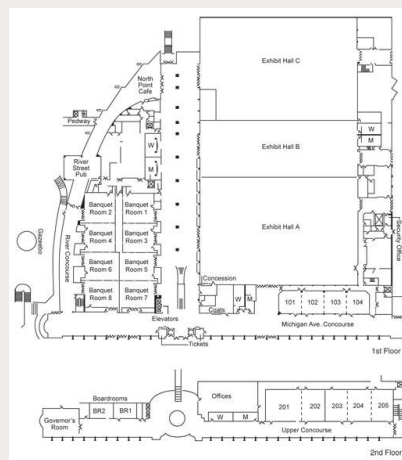
Lansing Center

LANSING CENTER



The Lansing Center, located in central Michigan, is managed by the City of Lansing's Lansing Entertainment & Public Facilities Authority. The venue offers 94,874 total square feet of function space. It has 71,760 sq ft of exhibit space in three halls, 13,320 square feet of ballroom space divisible into 8 separate rooms, and a total 9,794 square feet of meeting space in 9 rooms. Renovations and upgrades including changes to the lighting and electrical systems, kitchen, furniture, and partition walls were recently completed. The facility has no adjacent hotel, and its parking lot is managed by a different department of the City government. Lansing Center is served by the Capital Region International Airport.

LANSING CENTER FLOOR PLANS



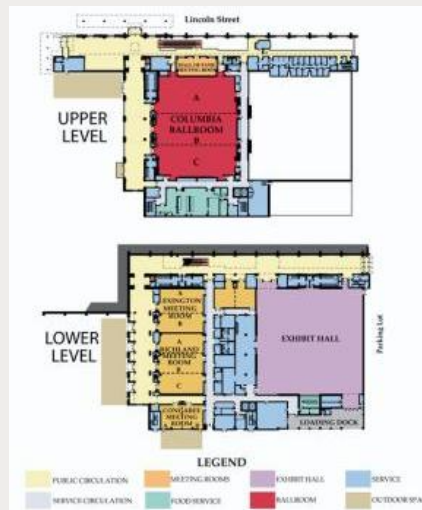
**Columbia Metropolitan
Convention Center**

COLUMBIA METROPOLITAN CONVENTION CENTER



Built in 2004, the Columbia Metropolitan Convention Center in downtown Columbia, SC offers 56,980 square feet of total function space. The facility includes a 24,700 sq ft exhibition hall, 3 ballrooms totaling 27, 235 sq ft, and 15,145 sq ft in 11 meeting rooms. There are 1,480 hotel rooms within one mile of the Center, including 222 hotel rooms at the adjacent Hilton Columbia Center. Though the Convention Center parking lot has 300 spaces, and the lot across the street can offer up to 500 spaces, the Convention Center can coordinate nearby parking for up to 2,200 vehicles. The convention center is located nine miles from the Columbia Metropolitan Airport. The venue is managed by the Midlands Authority for Convention, Sports & Tourism, which includes representatives of the City of Columbia, Lexington County, and Richland County.

COLUMBIA METROPOLITAN CONVENTION CENTER FLOOR PLANS



Salem Conference Center

SALEM CONFERENCE CENTER



The Salem Conference Center is located in downtown Salem, Oregon, and is owned and operated by the City of Salem. The Center opened in 2005, and has LEED certification. The facility offers 25,370 total sq. ft of function space, including 11,400 sq ft of exhibit space in 4 halls, 8,750 square feet of ballroom space in 6 divisions, and 3 meeting rooms totaling 5,220 sq ft. The adjoining Grand Hotel in Salem has 193 hotel rooms, and two additional meeting rooms, each accommodating approximately 70 people.

SALEM CONFERENCE CENTER FLOOR PLANS



Appendix B - Detailed Survey Results

Survey Method

HVS conducted a survey of event planners to provide a basis for assessing their views of the convention center market and demand in Bloomington, Indiana. HVS collected 1709 names of event planners from the Indiana members of the MPI as well as the ISAE and previous business lists from the BMCCC and Visit Bloomington. Three mass emailings were sent, two from HVS and one from Bloomington. Of the emailed event planners, there were 225 bad email addresses. Thirty-two replied stating that they were not a current event planner. There were 12 requests to unsubscribe. 332 respondents took a web based survey. Of these, 157 completed the survey while 168 partially complete the survey (left one or more questions blank). There were 7 invalid responses that had duplicates or inadequate responses. The aggregate responses to each survey question are provided below.

Survey Questions and Responses

1. Does your organization conduct or plan for any of the following types of events?

<u>Event Type</u>	Responses	Percentage
Conventions (with exhibits)	84	26%
Conventions (without exhibits)	48	15%
Meetings	221	68%
Training/Workshops	187	58%
Conferences	187	58%
Banquets	137	42%
Tradeshows (closed to public)	30	9%
Consumer shows (open to public)	19	6%
Sports competitions/events	20	6%
Entertainment shows/events	40	12%
Number of Respondents	325	

2. How many events of each type does your organization conduct or plan in a typical year?

<u>Event Type</u>	Responses	Events
Conventions (with exhibits)	66	3
Conventions (without exhibits)	36	4
Meetings	172	35
Training/Workshops	150	11
Conferences	147	7
Banquets	104	4
Tradeshows (closed to public)	23	3
Consumer shows (open to public)	14	6
Sports competitions/events	14	18
Entertainment shows/events	28	4
Number of Respondents	272	

3. How many attendees, delegates, or participants typically attend the events?

<u>Event Type</u>	Responses	Attendees
Conventions (with exhibits)	63	2877
Conventions (without exhibits)	35	781
Meetings	165	57
Training/Workshops	145	106
Conferences	142	285
Banquets	99	238
Tradeshows (closed to public)	23	5819
Consumer shows (open to public)	14	1222
Sports competitions/events	13	408
Entertainment shows/events	26	443
Number of Respondents	265	

4. How would you classify the organization(s) you represent? Please select the best fit and avoid "Other" if possible.

Classification	Responses	Percentage
Association	69	27%
Corporate	53	20%
Social	7	3%
Military	6	2%
Education	49	19%
Religious	18	7%
FraterNAL	16	6%
Sports	9	3%
Entertainment	4	2%
Government	26	10%
Exhibition	0	0%
Other	49	19%
 Number of Respondents	 259	

4a. Other

<u>Other</u>	<u>Number</u>
Non-Profit	20
Hospital	2
Various	22

5. How many members does your Association have? If you work for more than one association, please estimate the membership of the largest group.

	<u>Association Size</u>	
	<u>Unadjusted</u>	<u>Outliers Removed</u>
Median	800 members	800 members
Average	10,400 members	2,300 members

6. What industries do you or the organization for which you plan events represent?



<u>Industry</u>	Responses	Percentage
Other	78	31.2%
Education	73	29.2%
Government	34	13.6%
Health	29	11.6%
Medical	26	10.4%
FiNAnCial	21	8.4%
Technology	20	8.0%
Economic Development	18	7.2%
Insurance	15	6.0%
Construction	14	5.6%
Environmental	14	5.6%
Law/Juvenile Justice/Courts	13	5.2%
Sports	14	5.6%
Manufacturing	12	4.8%
Pharmaceutical	10	4.0%
Trade/Transportation/Utilities	10	4.0%
Arts/Entertainment	10	4.0%
Agricultural/ Fishery	9	3.6%
Leisure/Recreation	9	3.6%
Real Estate	7	2.8%
Retail	7	2.8%
Automotive	4	1.6%
CuliNArY/Hotel/Restaurant/Hospitality	4	1.6%
Tourism	4	1.6%
AeroNAutical/Space	3	1.2%
FIRE	3	1.2%
Information	0	0.0%
Number of Respondents	250	

6a. Other

<u>Industry</u>	
Religious	12
Non-Profit	10
Utility	3
Agriculture	2
Telecom	2

7. How many events has your organization held in Bloomington, Indiana in the last three years?

<u>Event Type</u>	<u>Held events in Bloomington</u>		<u>All respondents</u>	
	<u>Responses</u>	<u>Events</u>	<u>Responses</u>	<u>Events</u>
Conventions w/ exhibits	12	3.25	56	0.70
Conventions w/o exhibits	4	1.25	31	0.16
Meetings	71	30.24	148	14.51
Training/Workshops	56	10.27	122	4.71
Conferences	31	7.19	118	1.89
Banquets	50	7.56	86	4.40
Tradeshows	3	3.67	17	0.65
Consumer Shows	6	27.50	11	15.00
Sports competitions	3	8.33	10	2.50
Entertainment shows	17	5.29	27	3.33
Total	253	14.46	243	40.59

8. In what venues?

<u>Top Location for Events</u>	
<u>Location</u>	<u>Number</u>
Convention Center	64
Indiana Memorial Union	14
Indiana University	13
Buskirk-Chumley Theatre	6
Churches	6
Hilton Garden Inn	5
KRC Catering	5
Bloomington Country Club	3
Crowne Plaza	2
Ivy Tech	2

9. What are some of the reasons your organization has not held a convention or event in Bloomington Indiana during the past three years?

Top Reasons

<u>Reason</u>	<u>Number</u>
Inconvenient Location	31
Indianapolis More Suitable	20
Insufficient Size of Venues	15
High Cost	12
Lack of Accessibility	12
Lack of an Airport	9
Lack of Hotel	3
Lack of Location Appeal	2

10. Please indicate two to three other facilities and cities where you have held conventions or events in the past. If you have less than three to list, please respond N/A where appropriate.

Top City Locations

<u>City</u>	<u>State</u>	<u>Number</u>
Indianapolis	IN	123
Bloomington	IN	69
French Lick	IN	17
Columbus	IN	12
Orlando	FL	12
Chicago	IL	11
Fort Wayne	IN	11
Merrillville	IN	7
Nashville	IN	7
Carmel	IN	6
Lafayette	IN	6
Atlanta	GA	5
Washington	DC	5
Evansville	IN	5
San Diego	CA	5
South Bend	IN	5
Terra Haute	IN	5

11. We would like to ask a few questions about your most important or most typical event. Please name such an event that you have organized or sponsored within the past year.

Responses not released to protect the anonymity of respondents.

12. What type of event is [Your Event]?

<u>Event Type</u>	Responses	Percentage
Conventions (with exhibits)	31	24%
Conventions (without exhibits)	6	5%
Meetings	32	24%
Training/Workshops	31	24%
Conferences	38	29%
Banquets	27	21%
Tradeshows (closed to public)	7	5%
Consumer shows (open to public)	6	5%
Sports competitions/events	0	0%
Entertainment shows/events	8	6%
Number of Respondents	131	

13. Which categories best describe the origin of attendees for [Your Event]? Please check all that apply.

	Number	Percentage
National/International	54	29%
Regional	37	20%
Statewide	73	40%
Local	57	31%
Number of Responses	184	

Please provide your best estimate of information about [Your Event]. (If the question is not applicable, please enter zero).

14. Number of delegates, attendees, or participants that attended

<u>Event Type</u>	Responses	Attendees
Conventions (with exhibits)	29	3127
Conventions (without exhibits)	6	424
Meetings	30	1369
Training/Workshops	29	203
Conferences	37	400
Banquets	25	391
Tradeshows (closed to public)	5	4810
Consumer shows (open to public)	6	3420
Sports competitions/events	0	NA
Entertainment shows/events	7	2418
Number of Respondents	179	

15. Gross exhibit space or flat floor space in square feet

<u>Event Type</u>	Responses	Square Feet
Conventions (with exhibits)	17	69781
Conventions (without exhibits)	1	1500
Meetings	11	8773
Training/Workshops	12	7663
Conferences	11	12345
Banquets	10	9140
Tradeshows (closed to public)	4	60750
Consumer shows (open to public)	2	157000
Sports competitions/events	0	NA
Entertainment shows/events	1	3000
Number of Respondents	62	

16. Banquet seating capacity

<u>Event Type</u>	Responses	Seats
Conventions (with exhibits)	23	350
Conventions (without exhibits)	5	319
Meetings	25	188
Training/Workshops	23	202
Conferences	33	282
Banquets	24	342
Tradeshows (closed to public)	3	245
Consumer shows (open to public)	4	463
Sports competitions/events	0	NA
Entertainment shows/events	5	220
Number of Respondents	137	

17. Fixed seat auditorium seating capacity

<u>Event Type</u>	Responses	Seats
Conventions (with exhibits)	18	591
Conventions (without exhibits)	3	200
Meetings	12	202
Training/Workshops	19	202
Conferences	25	391
Banquets	14	253
Tradeshows (closed to public)	3	258
Consumer shows (open to public)	3	4095
Sports competitions/events	0	NA
Entertainment shows/events	5	885
Number of Respondents	77	

18. Number of breakout meeting rooms

<u>Event Type</u>	Responses	Rooms
Conventions (with exhibits)	26	9
Conventions (without exhibits)	6	9
Meetings	20	4
Training/Workshops	23	5
Conferences	31	8
Banquets	14	5
Tradeshows (closed to public)	4	5
Consumer shows (open to public)	5	6
Sports competitions/events	0	NA
Entertainment shows/events	4	5
Number of Respondents	116	

19. Number of exhibitors

<u>Event Type</u>	Responses	Exhibitors
Conventions (with exhibits)	28	107
Conventions (without exhibits)	2	6
Meetings	11	23
Training/Workshops	16	21
Conferences	22	26
Banquets	12	29
Tradeshows (closed to public)	6	171
Consumer shows (open to public)	5	263
Sports competitions/events	0	NA
Entertainment shows/events	4	17
Number of Respondents	82	

20. Over the next five years, do you anticipate that attendance at [Your Event] will:

	<u>Increase</u>	<u>Stay the Same</u>	<u>Decrease</u>	<u>Total</u>
Conventions (with exhibits)	14	13	1	28
Conventions (without exhibits)	3	3	0	6
Meetings	8	22	0	30
Training/Workshops	10	19	2	31
Conferences	17	20	0	37
Banquets	15	12	0	27
Tradeshows (closed to public)	4	1	0	5
Consumer shows (open to public)	3	2	0	5
Sports competitions/events	0	0	0	0
Entertainment shows/events	3	5	0	8
Number of Respondents				177

21. What is the length of [Your Event] (in number of days)?

<u>Event Type</u>	<u>Average Number of Days</u>		
	<u>Move-in</u>	<u>Event</u>	<u>Move-out</u>
All Events	1.0	2.2	0.6
Conventions (with exhibits)	1.5	2.9	1.0
Meetings	0.7	2.0	0.6
Training/Workshops	0.9	2.1	0.6
Conferences	1.3	2.4	0.6
Banquets	0.5	1.7	0.5
Conventions (without exhibits)	1.8	3.3	1.0
Tradeshows (closed to public)	1.3	3.0	0.8
Consumer shows (open to public)	0.8	3.4	0.8
Sports competitions/events	NA	NA	NA
Entertainment shows/events	1.0	2.4	0.8
Number of Respondents	149	175	143

22. On which day(s) of the week does [Your Event] occur (excluding move-in and move-out days)?

	Responses	Percentage
Monday	26	15%
Tuesday	47	27%
Wednesday	61	35%
Thursday	74	43%
Friday	87	51%
Saturday	70	41%
Sunday	31	18%
Number of Responses	172	

23. What size of a hotel room block (number of rooms) does [Your Event] require?

<u>Event Type</u>	<u>Responses</u>	<u>Avg Number</u>
Conventions (with exhibits)	26	1914
Conventions (without exhibits)	6	377
Meetings	22	133
Training/Workshops	24	153
Conferences	33	175
Banquets	18	148
Tradeshows (closed to public)	5	1377
Consumer shows (open to public)	3	205
Sports competitions/events	0	NA
Entertainment shows/events	6	166
Number of Respondents	123	

24. Maximum room rate (\$):What is the typical hotel room rate (dollars) you consider for [Your Event]?

<u>Event Type</u>	<u>Responses</u>	<u>Avg Number</u>
Conventions (with exhibits)	26	1914
Conventions (without exhibits)	6	377
Meetings	22	133
Training/Workshops	24	153
Conferences	33	175
Banquets	18	148
Tradeshows (closed to public)	5	1377
Consumer shows (open to public)	3	205
Sports competitions/events	0	NA
Entertainment shows/events	6	166
Number of Respondents	123	

25. Preferred room rate (\$): What is the typical hotel room rate (dollars) you consider for [Your Event]?

<u>Event Type</u>	<u>Responses</u>	<u>Average</u>
Conventions (with exhibits)	24	\$115
Meetings	21	\$115
Training/Workshops	22	\$97
Conferences	33	\$111
Banquets	19	\$100
Tradeshows (closed to public)	4	\$127
Consumer shows (open to public)	4	\$101
Sports competitions/events	0	NA
Entertainment shows/events	6	\$119
Conventions (without exhibits)	6	\$99
Number of Respondents	128	

26. Maximum room rate (\$): What is the typical hotel room rate (dollars) you consider for [Your Event]?

<u>Event Type</u>	<u>Responses</u>	<u>Average</u>
Conventions (with exhibits)	27	\$129
Meetings	24	\$148
Training/Workshops	24	\$126
Conferences	34	\$136
Banquets	22	\$128
Tradeshows (closed to public)	5	\$141
Consumer shows (open to public)	4	\$149
Sports competitions/events	0	NA
Entertainment shows/events	6	\$152
Conventions (without exhibits)	6	\$125
Number of Respondents	137	

27. In what type of venue was [Your Event] held?

<u>Event Type</u>	<u>Convention</u>		<u>Hotel</u>	<u>Other</u>
	<u>Center</u>	<u>Center</u>		
Conventions (with exhibits)	10	7	16	3
Conventions (without exhibits)	0	0	6	0
Meetings	6	7	16	6
Training/Workshops	10	8	16	7
Conferences	9	9	19	9
Banquets	10	5	11	4
Tradeshows (closed to public)	3	0	2	1
Consumer shows (open to public)	4	0	1	1
Sports competitions/events	0	0	0	0
Entertainment shows/events	1	0	4	3
All Events	62	34	77	34

28. In making a decision about the location for [Your Event], how important is it that you have a full-service headquarters hotel connected or adjacent to the convention center?

<u>Event Type</u>	<u>Very Important</u>	<u>Somewhat Important</u>	<u>Not Very Important</u>	<u>Not Important at All</u>
Conventions (with exhibits)	13	11	2	1
Meetings	6	9	5	7
Training/Workshops	11	8	3	6
Conferences	17	9	6	5
Banquets	7	5	10	4
All Events	58	47	30	35
Tradeshows (closed to public)	4	1	0	0
Consumer shows (open to public)	1	3	0	1
Sports competitions/events	0	0	0	0
Conventions (without exhibits)	2	2	1	1
Entertainment shows/events	2	3	0	2
All Events	58	47	30	35

29. Please rate your level of knowledge regarding Bloomington, Indiana as an event destination.

	<u>Very knowledgeable</u>	<u>Somewhat knowledgeable</u>	<u>Not very knowledgeable</u>	<u>Not knowledgeable at all</u>	<u>Total</u>
Conventions (with exhibits)	5	16	3	3	27
Conventions (without exhibits)	2	2	2	0	6
Meetings	7	8	11	1	27
Training/Workshops	10	7	10	1	28
Conferences	12	13	10	2	37
Banquets	7	11	6	2	26
Tradeshows (closed to public)	2	1	1	1	5
Consumer shows (open to public)	2	2	1	0	5
Sports competitions/events	0	0	0	0	0
Entertainment shows/events	2	3	2	0	7
All Events	58	67	36	9	170

30-44. Please rate Bloomington on the following criteria as a location for your events relative to other cities in which you have held events. Please use a scale from 1 to 5 where 1 means poor and 5 means excellent. If not applicable leave blank or enter 0.

Category	1	2	3	4	5	Responses	Average
Availability of Exhibit Space	11	11	28	17	19	86	3.26
Availability of Meeting Space	11	10	34	24	35	114	3.54
Price of Meeting Facility Rentals	5	9	39	29	30	112	3.63
Availability of Hotel Rooms	11	12	32	25	24	104	3.38
Price of Hotel Rooms	6	8	32	35	20	101	3.54
Quality of hotel rooms	2	8	36	35	19	100	3.61
Availability of Air Travel	27	24	20	8	5	84	2.29
Convenience for Drive-In Visitors	10	16	25	33	28	112	3.47
Dining & Entertainment Options	3	6	22	30	51	112	4.07
Recreation, Tourism & Cultural Activities	2	11	23	21	45	102	3.94
Safety	2	1	23	41	45	112	4.13
Cleanliness	1	3	18	46	52	120	4.21
Ability to Attract Attendees	9	16	28	28	30	111	3.49
Overall Level of DestiNATION Appeal	7	14	33	36	25	115	3.50
Adequate Technology Services	1	3	23	37	38	102	4.06

45. To the best of your abilities, please rate the overall attractiveness of the following Indiana locations for your events. Please use a scale from 1 to 5 where 1 means not at all attractive and 5 means very attractive. If not applicable, leave blank or enter 0.

City	1	2	3	4	5	Responses	Average
Indianapolis	7	6	14	23	85	135	4.28
Fort Wayne	33	24	24	17	9	107	2.49
Evansville	45	30	23	7	4	109	2.04
French Lick	28	21	26	23	14	112	2.77
South Bend	46	23	26	7	3	105	2.03
Bloomington	9	17	36	32	47	141	3.65
Gary	73	14	6	1	0	94	1.31
Muncie	43	25	25	10	1	104	2.05
Merrillville	48	20	19	12	3	102	2.04
Belterra in Southeast Indiana	42	19	23	7	3	94	2.04
Lafayette	36	21	32	14	5	108	2.36
Columbus	35	27	29	15	3	109	2.30
Terre Haute	45	25	26	5	3	104	2.00

46. Have you wanted to hold an event in Bloomington, but were unable to do so because of a lack of adequate convention and event center space?

Yes	No	Total	% Yes	% No
57	389	159	13%	87%

47. Have you wanted to hold an event in Bloomington, but were unable to do so because of a lack of available or conveniently located hotel rooms?

Yes	No	Total	% Yes	% No
47	400	159	11%	89%

48. The proposed extension to Interstate 69 would service Bloomington and connect it to Indianapolis and Southwest Indiana. Would this improvement increase or decrease your willingness or ability to place events in Bloomington?

Increase	Stay the Same	Decrease	Increase	Stay the Same	Decrease
53	105	1	33%	66%	1%

49. The Monroe County Convention Center Building Corporation is considering the expansion of the Bloomington Monroe County Convention Center and the development of a second adjacent hotel with 200 to 300 rooms. If the expansion offered exhibit, ballroom and meeting spaces, appropriate for your needs, how likely would you be to consider holding your events in Bloomington if Bloomington had a convention center attached to a full service branded hotel?

<u>Very Likely</u>	<u>Somewhat Likely</u>	<u>Neutral</u>	<u>Somewhat Unlikely</u>	<u>Very Unlikely</u>	<u>Total</u>
41	48	56	7	6	158

50. How often would you consider holding your events in Bloomington if Bloomington had a convention center with enough space for your event and an attached full service branded hotel?



<u>Occurrence</u>	<u>Responses</u>
Never	21
More often than once per year	21
Once every year	47
Every two years	23
Every three years	11
Every four years	9
Every five years	6
Less often than every five years	18
Total	156

<u>Never</u>	<u>More often than once per year</u>	<u>Once every year</u>	<u>Every two years</u>	<u>Every three years</u>	<u>Every four years</u>	<u>Every five years</u>	<u>Less often than every five years</u>
<u>21</u>	<u>21</u>	<u>47</u>	<u>25</u>	<u>11</u>	<u>9</u>	<u>6</u>	<u>18</u>

51. In your own words, please describe what you believe to be the key strengths and weaknesses of Bloomington, Indiana as a convention and event meeting destination.

51a. Stengths



<u>Strength</u>	<u>Number</u>
Indiana University	27
Food	20
Beauty of Area	16
Culture	15
Destination Appeal	15
Location	20
Entertainment	11
Cost	9
Atmosphere	8
Safety	7
Staff of Convention Center	6
Downtown	5
Parking	5
Clean	3
Friendly	3
Walkable	3
Hotels	3

51b. Weaknesses

<u>Weakness</u>	<u>Number</u>
Hotel	31
Facility Space	18
Airport Travel	14
Location	12
Cost	11
Hotel Availability	8
Hotel Travel	6
Food	4
Space Availability	3
Driving Distance	3
Hotel Cost	3
Full Service Hotel	3
Not Central Location	2
Facility Cost	2